# POST GRADUATE DIPLOMA
# IN
# SUPPLY CHAIN MANAGEMENT

SEMESTER - I

## MANAGEMENT PRINCIPLES

Course Material

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## CHAPTER 1

**INTRODUCTION TO MANAGEMENT**

Management is a process, a science, an art and a profession as well. To understand such a word that conveys a concept, method, theme, science and art and a skill set requires developing perspectives on each of these aspects. The present exercise tries to provide a snapshot view of these and tries to lead to the issues of understanding and application of principles of management as they become relevant to logisticians. The first chapter tries to provide an introduction to concepts and functions of management along with definitions and discussions on the definitions highlighted.

**INTRODUCTION**

When we observe organizations and try to classify, we tend to classify them in terms of their success and describe them as highly successful, successful, struggling to succeed or unsuccessful. There are certain factors influencing their success. Managers in their organizations perform the functions of planning, organizing, staffing, directing, leading and controlling for success. We are also aware that these organizations may be described from ownership point of view as either proprietary concerns, partnership firms, cooperative societies, voluntary associations, state run organizations or joint stock companies. The ownership per se has a bearing on the success too. In addition to the owners, there are others, termed stakeholders, who also shape the success of an organization besides the other two mentioned earlier. Each of these three sets of people performs the functions of management at various levels and forms, which would be examined in detail in the forthcoming paragraphs and chapters.

Management is a key factor for the success of any organized activity and is an essential accompaniment of all social organizations. Management is a discipline and culture. It is the life-giving and dynamic organ of any institution it manages. Management refers to the series of functions, and also to the people who discharge it. As Stafford Beer puts it, the "old world was characterized by the need to manage resources like stone, wood, iron; but the new world is characterized by the need to manage complexity as complexity is the very stuff of today's world".

Today, management refers to managing: changes and challenges; crises; complexities; confidence; culture and credibility; to succeed and to accomplish. Management is the art of getting things done through or people.

It is a vital means by which all endeavors can be achieved, and is a directing and unifying force in all group efforts. It is to plan, organize, integrate and inter-relate organizational activities and resources for the purpose of accomplishing common objectives.

Primarily, man is a social being and he always prefers to work in a group. With the growth of science and technology, the birth of large-scale industries, development of trade and commerce, a revolution in transport and communication, the need for organized group effort has become more important. This group effort has to be properly planned, organized, coordinated and controlled. In a nutshell, it has to be managed effectively.

Management principles are universal in character. Management is essential for all types of organized life. Public/private and joint sector industries, capitalist, communist and mixed economies, government departments, defense organizations, hospitals, hostels, educational institutions and all kinds of business enterprises require management for their survival, growth, expansion and excellence.

**DEFINITIONS**

The following are some definitions of management:

> Frederick Taylor defines Management as the art of knowing what you want to do in the best and cheapest way. John F. Mee defines Management as the art of securing maximum prosperity with a minimum of effort so as to secure maximum prosperity and happiness for both the employer and employee and give the public the best possible service. In contrast, Wheeler defines Management as one centered on the administration on the administration or managers of the firm who integrate men, material and money into an effective operating unit. Lawrence A. Appley define Management to be the development of people and not the direction of things… Management, according to them denotes personnel administration. A more comprehensive definition was offered by Koontz and Weihrich who define Management as the process of designing and maintaining an environment in which individuals work with such performance for optimizing efficiency in reaching goals. Oliver Sheldon says Management as the function in industry, concerned in the execution of policy within the limits set up by the administration and the employment of the organization for the particular objects set before it.

In spite of these various definitions, it has become increasingly difficult to formulate a single and universally acceptable definition of management. But all these definitions are relevant, meaningful and functional in different contexts.

They are nothing but the reflections of different experts and their perspectives. But, most of the definitions are limited in their outlook and range. Some definitions are oriented towards decision-making, leadership or human administration. But these definitions do not convey a wholesome understanding of the term.

Management may be seen as the function of managing people and other resources inside and outside the organization for achieving the mission and objectives of the organization. It is managing people with tact; managing people for achieving targets.

The above definition is based on the process approach and is equally significant as it implies the ongoing and increasing cyclical operations in the form of management. A process also indicates the dynamic nature of management. Management implies managing change also.

## CHARACTERISTICS

The following are the characteristics of management:

**Management is a distinct process**. Management is a unique process. A manager will perform the job of getting things done through planning, organizing, staffing, directing and controlling.

**Management is an organized activity**. Management, as a process in-group activity, essentially requires coordination among individuals and sub-groups. This results in an organized activity, which may be rigid and formal or informal.

**Management aims at the accomplishment of predetermined objectives**. Management as group effort aims at the accomplishment of predetermined objectives. These objectives become the ultimate goals of any organization. All managerial activities are systematically directed in the accomplishment of such goals.

**Management is both a science and an art**. It is considered a science because it has developed certain principles, laws, activities and generalizations, which are applicable to group activities. Even though science is considered a systematic body of knowledge, it cannot be considered as exact as the natural and physical science. Art refers to the application of knowledge. Management is regarded as an art because it can be applied effectively for solving various organizational problems.

**Management is a group activity**. Management cannot be done in isolation; it is not an individual activity. All the major achievements in society have been made possible only through group activities. It also helps in integrating human effort through organized group activities.

**Management principles are universal in nature**. They are applicable in government organizations, business enterprises, military organizations and educational institutions. Henry Fayol suggested this for the first time, and he pointed out certain principles of management, which generally apply every group situation. Even though management principles are universal in nature, they are flexible. They provide working guidelines, which can be adapted according to the required situations.

**Management integrates human and other resources.** The process of management usually results in integrating human and other resources so as to accomplish effective results. Of all resources are the most precious and difficult to manage. It is essential to manage human resources effectively for the efficient functioning of all the organizations in society. It is for senior mangers to ensure that all personal goals of the individual are harnessed and fulfilled in the accomplishment of organizational goals.

Is management a profession? Of late, management is regarded as a profession, as it fulfils the following fundamental characteristics of a profession:

- It has a body of knowledge that is transferable.
- Its basic principles can be identified, mastered and practiced.
- It has a scientific approach.
- It involves specific skills, tools and techniques.
- It has to adhere to a code of ethics.

Management is the skill of getting things done through people. Management acts as an effective executive in getting things done through people. It is the process or agency through which management policies are planned and work is supervised.

Management has a distinctive significance. Increased productivity, a favourable organizational climate and positive attitude of the employees are nothing but reflections of good management. In this sense, management has a separate existence from the body of administration at the top. Management has a separate entity in the other sense also. It differs from ownership. The owner may be a manager, but a manager need not be an owner. The effectiveness of a manager - whether he is an owner or not - depends upon how he applies the knowledge and skill required for the job.

Management is essential at different levels of organization. The "level" suggests the arrangement of managerial positions in an organization in working order. The upper level of the management is known as top management. The middle level or echelon of management is referred to as middle management. The lower level of management is composed of foremen and supervisors. But irrespective of these levels, all managers must perform the basic managerial functions of planning, organizing, directing, and controlling, in different degrees. Management principles are dynamic in nature.

The very concept of management involves a certain degree of dynamism; therefore the principles laid down under it are also dynamic. The principles of management are not stagnant: they keep changing. They are basically vibrant and respond practically to any major changes in the environment.

Management utilizes a multi-disciplinary approach. Management, as a fast developing subject, has attained significance over the years. Many new techniques and principles have been added to this discipline and now it has become a fully developed subject. Computer engineering, industrial psychology, sociology, anthropology, economics, quantitative techniques and such other subjects have enriched the areas of management discipline. Management thinkers and practitioners have utilized these new developments in other fields to their best advantage. Decision makers have started applying the systems approach and complex quantitative techniques.

Management is a system of authority. Management can also be defined as a system of authority. It has a special ability to visualize things in the right perspective, to recognize, analyze and define the objectives of a problem. It suggests and synthesizes various alternatives for a particular problem, and tests the conclusions to prove its applicability.

## CONCEPTS OF MANAGEMENT

There are various concepts of management. Raymond G. Leon in his book Manage more, by doing less has explained the following concepts for effective management.

### Management by Communication

Communication determines the effectiveness of management, since a manager spends 90 per cent of his time in communication for getting things done through others. Communication is a continuous, coordinated process of telling, listening and understanding. According to this concept, the success of management depends upon effective communication.

### Management by Systems

This concept of management by systems refers to:

- Recognizing problems, analyzing them and defining the objectives
- Collection and analysis of the necessary data
- Finding out various possible alternatives
- Reviewing and evaluating each such alternative
- Testing the conclusions, if possible
- Selecting the best alternative
- Reviewing the results and taking corrective action, if necessary

Management by systems is more concerned with experimentation and analysis rather than with blind principles or age-old tradition.

### Management by Results

This concept states that the end-results are significant. Development or progress can be evaluated by looking at the end-results. Management should be result-oriented: the success and strength of the management is determined from the results that it can bring in.

### Management by Participation

This concept takes workers into confidence. Workers are given opportunity in the decision-making process. It also involves the doctrine of trusteeship. This concept helps in creating a sense of involvement among the workers.

### Management by Motivation

Motivation is the dynamic aspect of management, distinct from the mechanical one. According to E.F.L. Brech, "The problem of motivation is the key to management in action and in its executive form, it is among the chief tasks of the general manager".

### Management by Exception

It is a special skill of managing by attending only to exceptionally important matters and taking vital decisions. Routine matters are to be handled by the lower-level officers.

### Management by Objectives

Management by objectives or MBO is a dynamic system, which seeks to integrate the company's need to clarify and achieve its profit and growth goals with the manger's need to contribute and develop himself. It is a demanding and rewarding style of managing a business.

The concept of MBO provides a simple but systematic way of creating values and established systems and targets and such other means whereby the efforts of each manager are harnessed to achieve the objectives. All such objectives are the sub-components of total network, all of which aggregate to the achievement of overall objectives of the unit.

According to Peter F. Drucker "The only principle that can give full scope to individual strength and responsibility, common direction of vision, effort and teamwork is management by objectives." John Humble calls it "A dynamic system which integrates the company's need for more contribution and their [the manager'] personality development."

Reddin, who is an operations expert in MBO, defines it as the "establishment of effectiveness, standards for managerial positions and the periodic conversion of those into measurable time-bound objectives linked vertically and horizontally and with future planning".

**Objectives of MBO**

- To identify problems and opportunities in business
- To convert identified opportunities into clear goals
- To set up a system to convert these goals into achievements
- To review the organization in the light of the objectives
- To establish the objectives of each job and unit
- To clarify the policies and systems to accomplish the objectives
- To set up a review system

**Steps in MBO**

- To establish long-term and short-tem organizational goals
- To establish long-term and short-term objectives for each manager, clarifying the key performance standards
- Periodic review of performance
- Encouraging managers to accept responsibility

**Benefits of MBO**

- The need for planning will be recognized
- It provides for objectives and accountability for performance
- It encourages participative management
- It helps in job enrichment
- It provides for a good feedback system

To conclude, planned objectives are obviously necessary if a company is to operate successfully. But this depends upon the individual performance of mangers and their staff. Management by objectives provides a system, which identifies the objectives and contribution of individuals with overall company objectives and performance.

**FUNCTIONS OF MANAGEMENT**

Henry Fayol has classified managerial functions into planning, organizing, command, coordination and control. Urwick states that there are six management functions. They are

1. Forecasting
2. Planning

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3. Organizing
4. Commanding
5. Coordinating
6. Controlling

Along with those functions he also considers research and communication as vital functions of management. "Luther Gluick" provides a term called POSDCORB to classify the functions of management. POSDCORB refers to the functions of

1. Planning  (P)
2. Organizing (O)
3. Staffing (S)
4. Directing (D)
5. Coordinating (CO)
6. Reporting (R)
7. Budgeting  (B)

Newman and Summer classify the functions of management into

1. Planning
2. Organizing
3. Leading
4. Measuring and Controlling

Koontz and O'Donnell classify the management functions into

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

J.L. Massie classifies management into

1. Planning
2. Decision-making
3. Organizing
4. Staffing
5. Controlling
6. Directing

From the above classifications, it can be concluded that planning, organizing, staffing, directing/leading, and controlling are the primary functions of management.

**Planning**

Planning is bridging the gap between the present and the future. It is to foresee things in the right perspective, it is the primary function of any management activity, and begins with the determination of the objectives of the organization, i.e. deciding the future course of action. Planning is all-pervasive. It is essential at all levels of management, and includes objectives, strategies, policies, procedures and programs. Planning basically involves, foreseeing and decision-making

**Organizing**

Group effort has to be harnessed and organized for the success of any activity. It involves division of activities, assigning duties, delegating authorities and fixing responsibilities. It also includes blending together different resources like men, machinery, material, money and markets. Departmentalization, Decentralization and Delegation are the essential sub-functions of organization. Organization also determines the authority-responsibility relationship, and provides a mechanism for the management to execute plans.

**Staffing**

People are responsible for the progress or the problems of any organization. The right person should be employed for the right job. Staffing provides proper personnel who are competent, qualified and with the essential skills to perform the job efficiently. This needs manpower planning and manpower management. Scientific selection and training of personnel, proper remuneration and performance appraisal are the important tasks of the staffing function.

**Leading**

Leading refers to providing positive and dynamic leadership. It also implies the creation of a favourable work environment, which can provide the maximum opportunities for workers to give expression to their creative powers and skills. The directing function takes up the responsibility of guiding and supervising the activities and operations in an organization. Directing also involves proper motivation of personnel. It refers to managing managers, managing workers and managing the work environment. Direction also refers to the ability to command people.

**Controlling**

Henry Fayol states "Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established. It has the object of pointing out weaknesses and errors in order to rectify them and prevent recurrence.

It operates on everything: things, people, actions." Control refers to the evaluation and correction of the performance. E.F.L. Brech defines control as the process of checking actual performance against the agreed standards or plans with a view to ensuring adequate progress or satisfactory performance. Control involves establishment of standards, appraisal of performance and taking corrective action.

**FAYOL'S 14 PRINCIPLES OF MANAGEMENT**

The 14 Principles of Management enunciated by Fayol are as follows:

1. Division of work: people need specialization for effective performance.

2. Authority: Managers must be given authority to get things done.

3. Discipline: All the employees and the shareholders must respect the rules, regulations and agreements that govern the organization

4. Unity of command: An employee in an organization must receive instructions from only one person

5. Unity of direction: only one manager must direct. The operations relating to a particular job.

6. Subordination of individual interest to the common good: The interest of all the employees should also be linked with organizational objectives.

7. Remuneration: The compensation payable to the employees in the organization should be fair and reasonable.

8. Centralization: Authority and responsibility must be centralized in any organization, with adequate decentralization policies.

9. The hierarchy: The line of authority in an organization should be very clear and the organization chart has to provide all the information.

10. Order: Employees must be at the right place and at the right time.

11. Equity: Managers must be friendly and fair with their employees.

12. Stability of staff: The organization should not have high employee turnover.

13. Initiative: Employees should be given freedom to function in the organization with creativity and innovation.

14. Esprit-de-corps: Promoting team spirit helps a lot in achieving organizational goals.

## CORPORATE EXCELLENCE

In their book, In Search of Excellence, Peters and Waterman identified 43 companies that they considered excellent. In choosing some of the firms, the authors considered measures such as growth of assets and equity, average return on total capital and similar measures. They also asked industry experts about the innovativeness of the companies. The authors identified eight characteristics of excellent enterprises as follows.

1. A bias for action: A preference for doing something-anything-rather than sending a question through cycles and cycles of analyses and committee reports.

2. Staying close to the customer: Hearing his or her preference and catering to them.

3. Autonomy and entrepreneurship: Breaking the corporation into small companies and encouraging them to think independently and competitively.

4. Productivity through people: Creating the awareness in all employees that their best efforts are essential and that they will share in the rewards of the company's success.

5. Hands-on, value-driven policies: Insisting that executives keep in touch with the firm's essential business.

6. Stick to the knitting: Remaining with the business the company knows best.

7. Simple form, lean staff: Few administrative layers, few people at the upper levels.

8. Simultaneous loose-tight properties: Fostering a climate in which there is dedication to the central values of the company, combines with tolerance for all employees who accept those values.

A recent survey by Fortune magazine of 31 industrial groups showed the following ranking of 10 most admired companies in the USA.

1. International Business Machines  (IBM)
2. 3M
3. Dow Jones (printing and publishing)
4. Coca-Cola
5. Merck (pharmaceuticals)
6. Boeing
7. Rubbermaid
8. Procter & Gamble
9. Exxon, and
10. J.P. Morgan (banking).

In addition, companies were rated on eight attributes of reputation.  IBM ranked first in the following five categories: quality of management; long-term investment value; financial soundness; the ability to attract, develop and retain talented people; and the use of the assets of the corporation.

In the other three categories, these companies ranked first: Dow Jones in quality of products and service, Citicorp in innovativeness, and Eastman Kodak in community and environmental responsibility.

India 's most respected top 10 companies during 1994 were: ACC, ITC, L&T, Gujarat Ambuja, Telco, Raymond Woolen, Glaxo, Maruti Udyog, P&G, and Hindustan Lever. In 1990, the top 10 companies were: TISCO, TELCO, Hindustan Lever, Glaxo, L&T, ONGC, Bajaj Auto, Colgate Palmolive, Siemens, and Bombay Dyeing.

The attributes considered for rating were: manufacturing product quality; innovativeness; financial soundness; quality of personnel; community and environmental responsibility; profitability; and best company to work for.

## SUMMARY

Management is a set of activities directed at an organizations resource (human, financial, physical, and information) with the aim of achieving organizational goals in an efficient and effective manner. A manager's primary responsibility is to carry out the management process within an organization more effectively and efficiently.

This chapter covers the definition of management given by various authors and also talks about the characteristics and concept of management used in an organization for achieving goal of the organization.

The eight basic functions of the management process are Planning and Decision making (determining courses of action), Organizing (coordinating activities and resources), Staffing (delegation of work according to the efficiency), Communicating (flow of information with in the organization), Motivating (encouraging the team members), Leading (managing people in an effective way), and Controlling (monitoring and evaluating activities).

Two ways to answer the question, "What do managers do?" are the functional approach and role approach. Managerial functions relate to the desired outcomes of managerial action, whereas managerial roles categorize managers' actual behavior. This text is organized around eight managerial functions: planning, decision-making, organizing, staffing, communicating, motivating, leading, and controlling

One of the major approaches of management to planning and controlling is based on objectives set in participatory manner and measurable. MBO basically consists of four steps:

(1) setting objectives in a participatory manner, (2) developing action plans, (3) periodically reevaluating objectives and plans and monitoring performance, and (4) conducting annual performance appraisals. Objective setting in MBO flows from top to bottom. MBO has both strengths and limitations and requires a supportive climate favorable to change, participation, and the sharing of authority.

**CHAPTER 2**

**EVOLUTION OF MANAGEMENT THOUGHT**

**CONTRIBUTION OF MANAGEMENT THINKERS**

Management both as a theory and practice has been in existence in one form or the other since long time. The method, applications have varied depending upon the circumstances social, technological and civilization factors. The managerial roles as identified by Mintzberg – interpersonal roles, informational roles and decision roles. Contribution of management thinkers and various theories are discussed here under.

**F.W. TAYLOR:** Frederick Winslow Taylor is widely known as the father of the scientific management movement. He was the first to identify and emphasize the need to have scientific approach to the task of managing an enterprise. In his popular book, The principles of management he states that he wrote the book for three main reasons.

1. To Point out through a series of simple illustrations, the great loss which the whole country is suffering through inefficiency in almost all types of daily acts.

2. To try to convince the trader that the remedy for his inefficiency lies in scientific management.

3. To prove that the best management is a true science resting upon clearly defined rules, laws and principles, and these principles of scientific management are applicable to all kinds of human activities from one simple, individual act to the work of great corporation.

Taylor first published his theory on management in a paper entitled, "A piece rate system", presented to the American Society of Mechanical Engineers in 1895. Further, he developed it and published shop management in 1903 and principles of scientific management in 1911. According to Taylor, the principle object of management should be to secure the maximum prosperity for each employer, coupled with the maximum prosperity of each employee. Taylor has laid down four major principles of management.

1. The development of a true science of work.
2. The scientific selection and progressive development of the workman.
3. The bringing together of the science of work and scientifically selected and trained men.
4. The constant and intimate cooperation of management and men.

Taylor basically recommended making management a science resting on "well recognized, clearly defined and fixed principles". He emphasized five basic concepts on which management theory and practice could be base.

1. Research
2. Standards
3. Planning
4. Control
5. Cooperation

Taylor also suggested:

1. Replacing the rules of thumb with scientific determination of each element of man's work.
2. Scientific selection and training of workers
3. Mental revolution, and
4. More equal division of responsibility between managers and workers.

Standardization, time and motion studies, functional foremanship, production planning and control, and the piece rate system of payment were some of the main ideas enunciated by Taylor. Though "Taylorism" was severely remains significant. As Oliver Sheldon, a British management expert remarked, "So, finally the torch was handed over from one generation to another till amidst the immense structure of American industry, it was passed on to the hands of F.W. Taylor."

**HARRINGTON EMERSON:** Emerson was an engineer in the USA who proclaimed that the railroads could save a million dollars a day by introducing scientific management methods. He published his famous work Twelve Principles of Efficiency, in which he states them as:

1. Clearly defined goals,

2. Common sense,

3. Competent counsel,

4. Discipline,

5. Fair deal,

6. Reliable, immediate, accurate and permanent records

7. Dispatching,

8. Standards and schedules,

9. Standardized conditions,

10. Standardized operations,

11. Written standard practice instructions, and

12. Reward for efficiency.

Emerson was a reputed efficiency engineer who popularized concepts like standard cost, standard time, preventable waste, etc. He also suggested the concept of line and staff organization instead of functional foremanship.

**F.B.GILBRETH:** Gilbreth developed motion study as a primary tool for managers. He maintained that there was one best way to perform a given job. Gilbreth proved the truth of his idea by simplifying the motions used in the bricklaying industry.  He reduced the number of motions from 18 to five, and increased the hourly number of bricks laid from 170 to 350, thus increasing productivity by 100 per cent.  He applied, for the first time, a motion picture camera to record and analyze performance.  He classified human motions into 18 elements, which are popularly known as THREBLIGS.  They are:

1.  Search,
2.  Find,
3.  Select,
4.  Grasp,
5.  Transport load,
6.  Position,
7.  Assemble,
8.  Use,
9.  Hold,
10. Disassemble,
11. Inspect,
12. Preposition,
13. Release load,
14. Transport empty,
15. Rest,
16. Unavoidable delay,
17. Avoidable delay,
18. Plan.

**MARY PARKER FOLLETT**:  She was educated at Cambridge and Harvard with academic accomplishments in philosophy, history and political science.  Her publications on the new state and Creative experience and Dynamic administration have become popular.  She made significant contributions regarding the human relationships within industrial groups.  She advocated the use of reason and explanation, rather than power, in managing the affairs of an organization.

**HENRY L. GANITT:** Henry Lawrence Gantt worked with Taylor and made significant contributions to the study of scientific management. His famous Gantt Chart has become very popular, and it was the forerunner of modern techniques like PERT and CPM. He concentrated mainly on developing graphic methods of presenting plans. Another contribution made by Gantt was the task and bonus system of remunerating workers for performance.

**GEORGE ELTON MAYO**: Born and educated in Australia, mayo led some of the remarkable experiments at Harvard with the Hawthorne Plant of Western Electric Company. These experiments proved that workers respond to their work situation as a whole, and that their attitudes and social relations constitute an important part of the total situation. He emphasized that emotional and non-logical attitudes and sentiments were more important in economic relationships than in logical, economic ones.

**MOONEY AND RAILEY**: Mooney wrote a book, Principles of organizations, and co-authored Onward Industry with Allan C. Railey. Mooney stated that the principles of organization employed by all great leaders throughout history were the same. He primarily dealt with three principles of organization. They are:

1. the Principle of coordination,
2. the scalar principle, and
3. the functional principle.

**OLIVER SHELDON:** Oliver Sheldon was a British industrial consultant. He wrote Philosophy of management. He primarily dealt with the determination of policy and coordination of functions, execution of policy and the process of consigning the work of individuals or groups with the faculties necessary for its execution.

**CHESTER BARNARD:** The book, the functions of the executives was a major contribution. According to Barnard, the executive functions are

1. maintaining organization communication,
2. securing the essential services of individuals, and
3. formulating purposes and objectives.

Barnard made it clear that organizations are systems of cooperative effort and coordinated activities.

**HENRY FAYOL**: As a French administrator, Fayol developed a theory of general management for universal application. In 1916, he published his well-known work in French, entitled, Industrial and general administration.

While Taylor worked primarily at the operative level from the bottom of the industrial hierarchy upwards, Fayol concentrated on the managing director and worked downwards in the hierarchy. Fayol classified all industrial activities into six groups. They are:

1. Technical activities concerning production
2. Commercial activities concerning buying, selling and exchange
3. Financial activities like procurement of capital, optimum utilization of capital
4. Security activities concerning protection of property
5. Accounting activities concerning final accounts, costing and statistics, and
6. Managerial activities concerning planning, organizing, commanding, coordinating, and controlling.

According to Fayol, an efficient manger must possess the following.

1. Physical qualities
2. Mental qualities
3. Moral qualities
4. A sound general education
5. Special knowledge
6. Experience.

To conclude, in the words of Urwick, "The work of Taylor and Fayol was, of course, essentially complementary. They both realized that the problem of personnel and its management at all levels is the 'key' to industrial success. Both applied scientific methods to this problem. Taylor worked primarily on the operative levels from the bottom of the industrial hierarchy upwards, while Fayol concentrated on the managing director and worked downwards, which was merely a reflection of their very different careers."

**MANAGEMENT THEORIES**
The evolution of management thought can be further classified into different stages.

1. Classical theories, Scientific management and Administrative management (1900-30),
2. Neo-classical theories, i.e. Human relationships in organizations (1930-60),
3. Quantitative approach,
4. Systems approach,
5. Contingency school.

**CLASSIC THEORIES**

The classical theories are based on three important factors: (i) scientific management, (ii) bureaucratic model, and (iii) administrative management theory.

**1. Scientific management model:** This school based its experiments on: science, not rule of thumb; harmony, not discord; cooperation, not individualism; maximum output, not restricted output; the development of each man to his greatest efficiency and prosperity.

Taylor made significant contributions in improving the methods of production and efficiency. Standardization, increased wages, research and cooperation were given due importance. Gantt, Gilbreth and Emerson also made remarkable contributions to enrich the ideas of F. W. Taylor.

**2. Bureaucratic model:** In the present sense of the term, bureaucracy means the negative consequences of a large organization like red-tapism, inordinate delays, unnecessary procedures, etc. But Max Weber, a German sociologist, provided this theory and stated that bureaucracy is the most efficient form of a complex organization. He provided a model, which included

- Hierarchy of authority
- Division of labour
- A system of rules
- Impersonality of interpersonal relationships
- A system of work procedures
- Placement of employees based upon technical competence
- Legal authority and power

But bureaucracy has its own glaring defects like rigidity, impersonality, higher cost of control, self-perpetuation, etc. It does not provide opportunity for job enrichment or management development.

**3. Administrative management theory:** Henri Fayol provided this theory, which prescribes concepts like the scalar principle, unity of command, the exception principle, span of control and departmentalization. Mooney and Railey, Simon and Urwick also contributed a lot to develop the ideas of Fayol. The administrative management theory includes:

1. The 14 principles of management as stated by Fayol,
2. Line and staff structure, and
3. Management functions like planning and organizing.

This model is termed ideal bureaucracy by enjoying all its advantages. But it is power-centered at the institutional level without providing many opportunities for the development of individuals.

**NEO-CLASSICAL THEORY:**

It is an improvised or extended from of the classical theory. The neo-classical theory emphasized the people who work behind the machine. The behavioural science approach to management is the base of this neo-classical theory. Psychology, human sentiments and social values are important in this theory. The classical theory concentrated on Theory X, while this theory emphasized Theory Y. This theory shifted the importance from the bureaucratic to the participative management style. Elton Mayo, Maslow, McGregor and Whitehead are some of the experts to have made significant contributions in enriching this theory.

**QUANTITATIVE APPROACH:**

Coordination of different teams of scientists from several fields is one of the main characteristics of this school of management thought. This school utilizes all the scientific techniques and tools for providing a quantitative basis of managerial decisions. This school believes that management is a logical process, which can be expressed in terms of mathematical symbols and relationships. The main contributors to this school are Taylor, Gilbreth, Gantt, Joel Dean, Newmann, Ackoff and Hicks.

The application of quantitative methods to military and logistical decision problems during and after World War II resulted in the development of operations research. Operations research includes linear programming, queuing, theory of probability (which helped more in product design and development), inventory control, and quality control of raw materials and finished goods.

Quantitative Techniques have become popular because of their wide application in several countries. Linear Programming helps in input-output analysis and product mix. Queuing Theory helps in inventory control, traffic control, telephone trunking systems and radio communications. Sampling Theory helps in profit planning, inventory control and manpower requirement study. Information Theory helps in data processing, system design and organization analysis. Nowadays, computers are being used in solving management problems.

Mathematical techniques have helped management in developing systematic thinking and improved its accuracy. But these quantitative techniques can only be considered as tools in decision-making, rather than a "be all and end all" of management. There are various problem areas in management, which cannot be solved by mere mathematical application or quantitative techniques.

**SYSTEMS APPROACH**

The systems approach analyzes the entire activities of an organization in terms of system inputs, processing and outputs to develop operational efficiency.

This approach was developed with the success of operations research after 1950.The Greek term system basically refers to blending or bringing together. The systems approach may be regarded as "a way of thinking about the job of managing which provides a framework for visualizing internal and external environmental factors as an integrated whole".

Managers are encouraged to take into consideration real life situations and practical problems in their decision-making. That is why the systems approach has been considered as more realistic then the other approaches to the study of management problems. Various physical, biological and social scientists have contributed to develop this school of thought.

Kenneth and Boulding extended the application of this approach to management areas, Katz and Kahn to the social systems, Ludwing von Bertalanffy to other sciences, Forester to industrial systems, Stafford Beer, Hertz, Morse and others to operations research and Norbert Wiener to the feedback theory.

### CONTINGENCY SCHOOL

The contingency or situational approach emphasizes the relevance of management actions to the specific characteristics of the situations of such actions. Management must adapt itself to the environment. A manager has to identify the significant variables in the situation. In areas like organization, design and leadership, this approach has been widely applied. The major contributors for this school of thought in management are Joan Wood, Fiedlar and Lawrence.

The following table lists the eminent management thinkers and their contributions.

| Name | Chief Publications | Major Contribution |
|------|-------------------|--------------------|
| Henri Fayol | Administration Industrielleet Generale (1916) | Stressed that the theory of administration was equally applicable to all forms of organized human cooperation |
| Harrington (1853-1931) | 1. Efficiency as Basis for Operation and Wages (1900). 2. The Twelve Principles of Efficiency (1912). 3. The Scientific Selection of Employees (1913). | Studied the Sante Fe Railroad and promoted " scientific management" in general usage. |
| Frederick W. Taylor (1856-1915) | 1. A Piece-Rate System (1895) 2. Shop Management (1903) 3. On the Art of Cutting Metals (1906). 4. The Principles of Scientific Management (1911) | Father of scientific management. Developed high-speed cutting tools. Introduced time study to industry. |
| Karl Pearson (1857-1936) | 1. On the Correlation of Fertility with Social Value (1913). 2. Tables for Statisticians (1933). | Developed basic statistical tables and statistic techniques, including the chi-square test and the standard deviation concept. |
| Henry L. Gantt (1861-1919) | 1. Work, Wages and Profits (1910). 2. Industrial Leadership (1916). Organizing for work (1919). | Emphasized relation of management and labour. Stressed conditions that have favourable psychological effects on the worker. Developed charting techniques for scheduling. |
| Max Weber (1964-1920) | 1. The Theory of Social and Economic Organization (translated by Henderson and Parsons in 1947). 2. From Max Weber: Essays in Sociology (translated by Gerth and Mills in 1946). | The foremost pioneer in the development of a theory of bureaucracy. |
| Frank Gilbreth (1868-1924) | 1. Concrete Systems (1908). 2. Motion Study (1911). | Searched for "the one best way". Introduced motion study to industry. |
| Mark Parker Follet | Dynamic Administration (edited by Metcalf and Urwich, 1941) | Led in practical observations about the value of human relations to the basic principles of organization. |

| | | |
|---|---|---|
| G. Elton Mayo (1880-1949) | 1. The Human Problems of an Industrial Civilization (1933). 2. The Social Problems of Industrial Civilization (1933). | Stressed the importance of human and social factors in industrial relationships. Questioned the overemphasis on technical skills at the expense of adaptive social skills. Led a team of researchers in extensive studies at the Hawthorne plant of Western Electric Company. |
| Chester I. Barnard (1886-1961) | 1. The Functions of Executive (1938) 2. Organization and Management (1948). | Leader in stressing sociological aspects of management. Concentrated on the concept of authority, the importance of communication and informal organizations in management. |
| Kurt Lewin (1890-1947) | Resolving Social Conflicts Field Theory in Social Science (1951). | Developed the theory of group dynamics. |
| Ronald A. Fischer (1890-1962) | 1. Statistical Methods for Research Workers (1925). 2. The Design of Experiments (1935). | Pioneer in the use of statistical methods in research. Made valuable contributions to the design of experiments. |
| Walter A. (1891-1972). | The Economic Quality of Manufactured Products (1930). | Applied theory of probability and statistical interference to economic problems at Bell Laboratories. Developed statistical control charts. |
| F.J.Roethlisberger (1898-1974) | 1.Management and the Worker (with W.J.Dickson, 1939). 2. Management and Morale (1941) 3. A New Look for Management (1948). | Made a comprehensive report on the Hawthorne experiment. Led in experimental research on human factors in management. |
| Peter Drucker (1909-) | 1. The Practice of Management (1954). 2. Innovation and Entrepreneurship (1985). (And several other books on management). | Developed concepts of management by objectives. As a consultant and writer, popularized new developments in management. |
| G.B.Dantzig (1914- ) | Maximization of a Linear Function of Variables Subject to Linear Inequalities (1947). | Developed the basis for practical applications of linear programming. |

| Claude Shannon | The Mathematical Theory of Communications (1948). | Laid the theoretical foundation for information theory. |
|---|---|---|
| Herbert A. Simon (1916-) | 1. Administrative Behaviour (1947). <br> 2. Models of Man (1957). <br> 3. Organization (1958). | Winner of Nobel Prize in economics. Developed theory building from behavioural and quantitative bases for modern management. |

## MANAGEMENT THEORY JUNGLE

With the growth and development of the above theories and approaches to management over a period of time, perspectives have also been changed. Harold Koontz called it the "management theory jungle" in 1961. Koontz analyzed that there were six different schools of management in 1961. But, after several years, Harold Koontz, O'Donnell and Weihrich found almost 11 approaches to management. They are:

1.  The empirical or case approach,
2.  The interpersonal behaviour approach,
3.  The group behaviour approach,
4.  The cooperative social systems approach,
5.  The socio-technical systems approach,
6.  The decision theory approach,
7.  The systems approach,
8.  The mathematical or "management science" approach,
9.  The contingency or situational approach,
10. The managerial roles approach,
11. The operational theory.

After this observation, several attempts were made to synthesize the various schools of thought. As a result, Koontz and Weihrich suggested the adoption of the " operational approach" to management analysis. George R. Terry advocated the modified management process approach to take the best from what was available in the management thought.

The approaches to management are presented briefly in the following table
APPROACHES TO MANAGEMENT

| Characteristics/ Contributions | Limitations |
|---|---|
| **Empirical or Case Approach** | |
| Studies experience through cases Identifies successes and failures. | Situations are all different. No attempt to identify principles. Limited value for developing management theory. |
| **Interpersonal Behaviour Approach** | |
| Focus on interpersonal behaviour, human relations, leadership, and motivation, based on individual psychology. | Ignores planning, organizing and controlling. Psychological training is not enough to become an effective manager. |
| **Group Behaviour Approach** | |
| Emphasis on behaviour of people in groups. Based on sociology and social psychology. Primarily study of group behaviour patterns. The study of large groups is often called "organization behaviour". | Often not integrated with management concepts, principles, theory and techniques. Need for closer integration with organization structure design, staffing, planning and controlling. |
| **Cooperative Social Systems Approach** | |
| Concerned with both interpersonal and group behaviour aspects leading to a system of cooperation. Expanded concept includes any cooperative group with a clear purpose. | Too broad a field for the study of management. At the same time, it overlooks many managerial concepts, principles and techniques. |
| **Socio-Technical Systems Approach** | |
| Technical system has great effect on social system (personal attitudes, group behaviour). Focus on production, office operations and other areas with close relationship between the technical system and people. | Emphasis only on blue-collar and lower-level office work. Ignores much of other managerial knowledge. |
| **Decision Theory Approach** | |
| Focus on the making of decisions, persons or groups making decisions, and the decision-making process. Some making as a springboard to study all enterprise activities. The boundaries of study are no longer clearly defined. | There is more to managing than making decisions. The focus is at the same time too narrow and too wide. |
| **Systems Approach** | |
| Systems concepts have broad applicability. Systems have boundaries, but they also interact with the external environment, i.e. organizations are open systems. Recognizes importance of study interrelatedness of planning, organizing and controlling in an organization as well | Analyses of the interrelatedness of systems and subsystems as well as the interactions of organizations with their external environment. Can hardly be considered a new approach to management. |

as many subsystems.

### Mathematical or "Management Science Approach"

Managing is seen as mathematical processes, concepts, symbols and models. Looks at management as a purely logical process, expressed in mathematical symbols and relationships.

Preoccupation with mathematical models. Many aspects in managing cannot be modeled. Mathematics is a useful tool, but hardly a school or an approach to management.

### Contingency or Situational Approach

Managerial practice depends on circumstances (i.e. a contingency or a situation). Contingency theory recognizes the influence of given solutions on organizational behaviour patterns.

Managers have long realized that there no one best way to do things. Difficulty in determining all relevant contingency factors and showing their relationships. Can be very complex.

### Managerial Roles Approach

Original study consisted of observations of five chief executives. On the basis of this study, 10 managerial roles were identified and grouped into (a) interpersonal, (b) informational, and (c) decision roles.

Original sample was very small. Some activities are not managerial. Activities are evidence of planning, organizing, staffing, leading and controlling. But some important managerial activities were left out (e.g. appraising managers).

### Mckinsey's 7-S Framework

The seven S's are (a) strategy (b) structure (c) systems (d) style (e) staff (f) shared values (g) skills.

Although this experienced consulting firm now uses a framework similar to the one found useful by Koontz et al. since 1955 and confirms its practicality, the terms used are not precise and topics are not discussed in depth.

### Operational Approach

Draws together concepts, principles, techniques, knowledge from other fields, and managerial approaches. The attempt is to develop science and theory with practical application. Distinguishes between managerial and non-managerial knowledge. Develops classification system built around the managerial functions of planning, organizing, staffing, leading and controlling.

Does not, as some authors do, identify "representing" or "coordination" as a separate function. Coordination, for example, is the essence of managership and is the purpose of managing.

**SUMMARY**

Basically this chapter covers the evolutions of the management concept, lists the eminent management thinkers and their contributions to the management , and the 11 different approaches of management.

Management is an interdisciplinary and international field that has evolved in bits and pieces over the years. Six major approaches to management theory are, (1) the universal process approach, (2) the operational approach, (3) the behavioral approach, (4) the systems approach, (5) the contingency approach, and (6) the attributes of excellence approach. Useful lessons have been learned from each approach. Henry Fayol's universal approach assumes that all organizations, regardless of purpose or size, require the same management process.

Dedicated to promoting production efficiency and reducing waste, the operational approach has evolved from scientific management to operations management. A comparatively new approach to management thought is the contingency approach, which stresses situational appropriateness rather than universal principles. The contingency approach is characterized by an open-system perspective, a practical research orientation, and a multivariate approach to research. Contingency thinking is a practical extension of more abstract systems thinking.

## CHAPTER 3

## SOCIAL & ETHICAL RESPONSIBILITIES OF MANAGEMENT & SOCIAL AUDIT

## CRITERIA FOR SOCIAL RESPONSIBILITIES

Steiner suggests criteria for determining the social responsibilities of business.

- Every business must realize what its social responsibility is, and in deciding what to do, the value and interest of top management's perception of public expectations are the guiding factors.
- Business must be considered to be basically an economic institution with a strong profit motive. Business' search for profitable opportunities may reduce or eliminate many hard social problems.
- Business should take the long-term view and perform socially responsible actions that might temporarily lessen net profit, but are in the profit interests of the company in the long run.
- The greater the social power of a business, the larger will be its social responsibilities.
- The larger the size of an individual business, the larger will be its social responsibilities.
- Social responsibilities vary with the type of company.
- Social responsibility should not involve high investment so that it jeopardized the firm's stability to attract shareholder's investment.
- Business should be obliged to internalize more of its investment costs.

## RESPONSIBILITIES TOWARDS CONSUMERS

Consumers, employees, investors, fellow businessmen, community and state represent different interest groups that should be satisfied by management of business enterprises. Since goods are produced, they are to be sold, and consumers need to be satisfied. In fact, in a market-based economy, the consumer is often considered to be "the king". Firms that produce goods, which consumers will buy, are successful. The consumer not only determines the income of business firms but also affects their success and survival. The goodwill of consumers is, thus, a critical factor for the success of business.

The basic business responsibilities towards consumers may be summed up in terms of five R's- the right quality, right quantity, right time, right place and right price.

To be more specific, business responsibilities towards consumers include the following:

- To produce goods that meets the needs of consumers of different classes, tastes and with different purchasing power.

- To establish fair prices of products consistent with quality, efficiency and reasonable profit to the firm.

- To provide prompt, adequate, courteous, and friendly service to customers.

- To ensure fairly wide distribution of products among all sections of consumers.

- To improve their standard of living in society by producing goods and services which they need.

## RESPONSIBILITIES TOWARDS EMPLOYEES

Employees also represent an important interest group to which a business enterprise has certain social obligations. A perfunctory or apathetic approach to employee relations is a thing of the past and must not be considered adequate under the present value system of society. The traditional approach to employee relations needs to be replaced by a more humane and scientific approach towards them. In particular, social responsibilities of business towards employees include:

- Fair remuneration
- Job security and safety
- Proper working conditions and employee welfare
- Trade union rights
- Employee promotion and code of conduct
- Employee participation in management.

## RESPONSIBILITIES TOWARDS EMPLOYEES

- To ensure safety of investment over a period of time
- To provide the highest long-term rate of return on investment
- To provide steady capital appreciation on investment
- To ensure industrial democracy and provide for effective representation of different categories of investors on the board of directors of the company.

## RESPONSIBILITES TOWARDS INTER-BUSINESS RELATIONSHIPS

Every business deals with a number of other business units. For the success of its own business, a company should, therefore, develop healthy and cooperative inter-business relationships.

Fair trade practices regarding prices, quality, delivery, payment and service can be an expression of proper discharge of social responsibility to dealers and suppliers.

## RESPONSIBILLITIES TOWARDS THE COMMUNITY

It is an important responsibility of business to inform the community about the company's policies and programmes, and above all how the enterprise contributes to the development of the locality and welfare of the community.

The important aspects of social responsibilities of business towards community include the following:

- Help the local civic administration to provide better public services by providing financial and technical help to municipalities and district boards.
- Promote community help by aiding the Red Cross, hospital boards and medical research institutes.
- Aid schools, colleges and other educational institutions to provide better education to the members of the community business units should also sponsor research projects.
- Promote cultural enrichment of the community by encouraging greater appreciation of art, music and drama.
- Encourage sports and provide recreational facilities.
- Organize community forums and discussion groups and thus promote better understanding of national and local affairs.
- Minimize the problem of pollution and help community efforts in this direction.
- Abandon ostentatious living and display of wealth, and develop socially desirable standards of living for themselves.

## RESPONSIBILITIES TOWARDS THE STATE

In every country, the government is taking keen interest in trade, production, distribution, control and regulation of business. This combination of trade and political power in the government has added to the already existing social responsibilities of business towards the state.

### Social Attitudes, Beliefs, and Values

According to Koontz and O'Donnell, a number of social beliefs have evolved for social development in the USA. Some important social beliefs are as follows:

- There are opportunities for people who are willing and able to work to take advantage of them.
- Faith in business and respect for business leaders and owners.
- Belief in competition and competitiveness in all aspects of life.

- Respect for the individual, regardless of race, religion, or creed.
- Respect for authority arising from ownership of property, expert knowledge, and elected political position.
- Belief in and respect for, education.
- Faith in logical processes, science and technology.
- Belief in the importance of change and experimentation to find better ways of doing things.

**Suggestions for maintaining social values are:**

- Providing clear guidelines for ethical behaviour.

- Teaching ethical guidelines and their importance.

- Setting up controls that check on illegal or unethical deeds.

- Conducting frequent and unpredictable audits.

- Publishing trespassers in a meaningful way.

- Emphasizing regularly that loyalty to the company does not excuse improper behaviour or actions.

**THE 10 COMMANDMENTS OF CORPORATE SOCIAL RESPONSIBILITY:**

1. Take corrective action before it is required.
2. Work with affected constituents to resolve mutual problems.
3. Work to establish industry-wide standards and self-regulation.
4. Publicly admit your mistakes.
5. Get involved in appropriate social programs.
6. Help correct environmental problems.
7. Monitor the changing social environment.
8. Establish and enforce a corporate code of conduct.
9. Take needed public stands on social issues.
10. Strive to make profits on an ongoing basis.

**ETHICS OF MANAGERS**

Manager's ethics include a wide range of organizational decisions and actions. A recent study of the values and ethics of managers by Barry Posner and Warren Schmidt found that.

- The foremost goal of mangers is to make their organizations effective.
- Profit maximization and stockholders' interests were not the central goals of the manger's studies.
- Attending to customers was seen as important.

- Integrity was the characteristic most highly rated by mangers at all levels.
- Pressure to conform to organizational standards was seen as high.
- Spouses are important in helping their mates grapple with ethical dilemmas.
- Most managers seek the advice of others in handling ethical dilemmas.

Robert J. Mockler has identified factors that affect decisions on ethical problems. Some simplify the problems others complicate them.

## SOCIAL AUDIT

The measurement, evaluation and reporting of performance of an organization in the area of social responsibility is called social audit. It is also defined as "A commitment to systematic assessment of and reporting of some meaningful definable domain of a company's activities that have social impact" (Bauer and Fenn).

"Social Audit, much like financial audit, is an identification and examination of the activities of the firm in order to assess, evaluate, measure and report their impact on the immediate social environment" (Ahmed Belkaoui).

Social audit helps to determine the areas where the firm could be vulnerable to public criticism. Organizations can inform the public regarding their activities for society. The true picture of corporate accountability can be given to the society. Social audit may be measured in the areas of employment, production, consumer effort, consumer funds absorbed, payrolls, dividends and interest, environmental protection, etc.

The Committee for Economic Development of the United States of America conducted a study on the current business practices of corporate business on social audits. Out of the 284 companies that responded, the main points were:

- 76 per cent of the companies had made an inventory of social audit (three-fourths of the companies performed this function),
- 70 per cent performed this function voluntarily, and
- 30 per cent made their social audit reports available to the general public.

A Ford Foundation support study found that 57 per cent of institutional investors took social considerations into account in the selection of investments. The US Chamber of Commerce also urged business firms to develop social audit procedures.

In the wake of the 1967 summer riots in Detroit, the Michigan Bell Telephone Company announced that it would "adopt" the city's Northern High School and place its own instructors and equipment in the school to supplement,

and in the company's words, to "enrich" the regular teaching program. Soon after, Chrysler Corporation announced that it would also adopt a Detroit public school.

The Government of Florida (Claude Kirk Jr.) subcontracted some of the state's regular police work to a private company, which already does similar work for the federal government. The city of New York's mayor (John Lindsay) called in McKinsey & Company to analyze his administration's air pollution problems, and the Traffic Commission invited Sperry Rand, and later IBM, to help to solve the city's growing traffic headache. The Government of California has borrowed executives whose salaries continue to be paid by their respective companies as consultants in seeking ways to trim the costs of the state government.

In India, this concept was first implemented by TISCO. Gradually, Zuari Agro Chemicals Ltd., Indian Petro Chemicals Corporation Ltd., the Cement Corporation of India, ITC, and several other public and private sector enterprises implemented certain measures of corporate social audit. In TIDCO, the social and moral responsibilities of the company were observed in five spheres. They are (a) customers, (b) employees (c) shareholders, (d) society and (e) the local community. The organization has contributed towards pollution control, employer-employee relations, consumes, shareholders and community development. The mission of Nagarjuna Group of Industries chief executive was "service to society through industry". Tata's crest is also "Humata" (good thoughts), "Hukhta" (good words), and "Hvarshta" (good deeds).

In the public sector, the Cement Corporation of India has been publishing "Social Accounts" in its annual reports since 1980. The Indian Petro Chemicals Corporation Ltd. Has also been following social audit. Several other companies in steel, petroleum, engineering, textiles, etc. also are on the move towards these concepts.

The following practices are followed in some of the above enterprises:
- Net income contribution
- Human resource contribution
- Employment to deserving people
- Environmental contribution (pollution)
- Product/service contribution (quality, durability, safety)
- Customer satisfaction
- Service to the society/nation

Whatever may be the activity of the enterprise, social audit is needed in an organization for satisfying the customer and achieving excellence. Enterprises have to make it a compulsory process at the time of preparing their final accounts. The customer's/community's delight is to be considered as the main purpose of its existence and survival, instead of concentrating only on business expansion or customers.

The Total Quality management concept needs to be introduced in organizations. Each company has to set aside a certain percentage of its profits for in-house R&D on several aspects of management. Implementation of the social audit function should be taken care of by HR professionals along with the people concerned. As stated by Whitehead's Alfred North, "A great society is a society in which its people of business think greatly of their functions."

**SUMMARY**

This chapter talks about the responsibility of an organization towards each of the major factors in a business like employee, owner, inter-business relationship, community & state. It also talks about some of the important social beliefs and also suggestions for maintaining social values in an organization.

Corporate social responsibility is the idea that management has broader responsibilities than just making a profit. A strict interpretation holds that an action must be voluntary to qualify as socially responsible. Proponents of the socioeconomic model disagree, saying that business has a responsibility, above and beyond making a profit, to improve the general quality of life.

The arguments for corporate responsibility say businesses are members of society with the resources and motivation to improve society and avoid government regulation. Managers cannot afford to overlook each employee's personal value system; values serve as anchors for one's beliefs and conduct. Instrumental values relate to desired behavior, whereas terminal values involve desired end-states. Values provide an anchor for one's ethical beliefs and conduct.

The ten general ethical principles that consciously and unconsciously guide behavior when ethical questions arise are self-interests, personal virtues, religious injunctions, government requirements, utilitarian benefits, universal rules, individual rights, economic efficiency, distributive justice, and contributive liberty.

The typical manager is said to be amoral neither moral nor immoral just ethically lazy or indifferent. Management can encourage ethical behavior in the following four ways: conduct ethics training; use ethical advocates in high-level decision making; formulate, disseminate, and consistently enforce specific codes of ethics; and create an open climate for dissent in which whistle-blowing becomes unnecessary.

**CHAPTER 4**

**PLANNING**

"Failing to plan is planning to fail!"

We will be discussing the concept, the definition and importance of planning along with the essential features and the principles of planning with the following lines. Also discussed are 'planning and forecasting' and 'planning and control'.

**THE CONCEPT**

Planning is basically a decision-making process, setting part different course of action, which an organization and its individual members are to take over a period of time. It also refers to policy formulation and the establishment of goals. The development of alternative courses of action and selection of the best possible alternative is vital for good planning. Planning is deciding vital for a good planner. A wise planner can capitalize on his/her opportunities in the competitive world by looking into the future, well ahead of others. However, planning is not only looking into the future but also preparing for it. In fact, it is the blueprint for future action. It bridges the gap between the present and the future. Planning, therefore, includes setting objectives, laying down policies, procedures and rules, preparing strategies and programs, budgeting, forecasting and decision-making. The top management requires mission, vision and values in preparing strategic planning in the organization.

**DEFINITIONS**

**KOONTZ and O'DONNELL:** Planning involves selecting enterprise objectives, departmental goals, and programs, and determining the ways of reaching them. Planning, thus, provides a rational approach to pre-selected objectives.

**PHILIP KOTLER:** Planning is deciding in the present what to do in future. It is the process whereby companies reconcile their resources with their objectives and opportunities.

**McFARLAND:** Planning in business is selecting the best course of action for achieving the pre-determined objectives of a business, after making a careful evaluation of present conditions and future trends regarding the external forces and internal resources.

In light of the foregoing analysis, it is clear that planning involves:

- Determination of objectives and goals of the organization, and laying down specific targets

- Appraisal of current conditions and resources and analyzing factors involved in the realization of the resources

- Collection of relevant data and an intelligent, imaginative understanding of their inter-relationships

- Prediction of future developments and their impact on the organization

- Evolving alternative courses of action on the basis of data collected and keeping future trends in view

- Weighing the merits and demerits of each course and deciding on the best course of action, involving the minimum of time, money and other resources and

- Working out details of the selected course of action, breaking it down into different items of work, charting a chronological sequence for each, etc.

**HUSSEY:** Corporate planning includes the setting of objectives, organizing the work, people and systems to enable those objectives to be attained, motivating through the planning process and through the plans, measuring performance and so controlling the progress of the plan and developing people through better decision-making, clearer objectives, more involvement and awareness of progress.

Strategic planning is the process of deciding the objectives of the organization, changes in these 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.

Examples of strategic planning in an organization may be: planning growth rate in sales, diversification of business into new lines, type of products to be offered, and so on. This way, strategic planning encompasses all the functional areas of business and is effected within the existing and long-term framework of economic, political, technological, and social factors. Strategic planning also involves the analysis of various environmental factors, particularly with respect to how an organization relates to its environment.

**GEORGE R. TERRY:** Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

**PETER F. DRUCKER:** Planning is the continuous process of making present entrepreneurial decisions systematically and with the best possible knowledge of their futurity, organizing systematically the efforts needed to carry out these decisions and measuring the results of these decisions against the expectations through organized, systematic feedback.

**FARMER AND RICHMAN:** Planning determines organizational objectives and the policies, programs, schedules, procedures, and methods for achieving them. Planning is essentially decision-making since it involves choosing among alternatives and it also encompasses innovation. Thus, planning is the process of making decisions on any phase of organized activity. To conclude, planning is the basic function concerned with the establishment of objectives to be accomplished in the future.

## IMPORTANCE OF PLANNING

Planning helps in focusing attention on future objectives and unity of efforts. Different activities are united towards a single objective by proper planning. It helps in avoiding duplication, overlapping and cross-communication, and provides a continuous stream of objectives, which indicates the direction of future growth by utilizing all available resources.

It provides a basic decision-making structure. A comprehensive and long-term corporate plan helps all the mangers in different functional areas to prepare their own departmental plans and necessary strategies. A complete, clear, comprehensive master plan will provide a basic decision-making structure for every departmental manger, and there will be unity of purpose.

Planning helps in finding out possible threats and potential opportunities by providing an insight into the future. It helps an organization to identify the potential areas of opportunities and possible threats. It also provides a yardstick to measure performance by helping in fixing up a performance standard through which the performance of a company can be measure. A good plan will help in fixing the targets to be achieved.

It helps an organization to adapt to the environment. Environmental forces are so important that an organization has to adapt itself to such changes to achieve success. Planning helps an organization to adjust and adapt to such environmental factors.

## ESSENTIAL FEATURES

The following are the essential features of planning.

1. Planning is objective-oriented. Every plan has to concentrate on accomplishing certain objectives, and must contribute positively to the accomplishment of these objectives. Planning without a specific goal in mind is meaningless. It becomes a futile exercise.

2. Planning is an intellectual process. According to Koontz and O'Donnell, planning is an intellectual process. A good plan reflects directly on the intellectual ability of the staff concerned. It involves thinking to take decisions, and evolve ideas.

3. Planning is all-pervasive. Planning pervades the entire organization in all its wings and at every level of management. To management has to concentrate on policy making and strategic planning. Middle management has to look after the executive planning. Lower management has to concentrate on operational planning.

4. Planning of planning: Planning precedes all other management functions; it is the first function of management. Without it, no work can commence. All other functions like organizing, staffing, directing and control can be performed only after planning.

5. Planning is a continuous process. It is a continuous activity and cannot be stopped at any stage in an organization. One plan leads to another, which will be followed by a series of other plans. Today's plan will become tomorrow's action.

6. Planning is flexible in nature. The process of planning must be flexible and it has to adjust itself to changing circumstances; it cannot confine itself to one particular cause. As environmental conditions may undergo a change, the process of planning may also have to undergo a change.

7. Planning is directed towards efficiency. The concept of efficiency is implicit in planning. The success of any plan depends upon its efficiency, accuracy, precision and exactness. The efficiency of the plan in turn directly depends on and is proportional to the accuracy and precision of forecasting.

8. Planning is a master coordinator. Planning provides for a cohesive decision-making framework, which may ultimately help in identifying potential opportunities and threats. It brings together different factors, and coordinates the what, who, how where, when and why of the managerial infrastructure.

Urwick states the following essential features of a good plan.

- A good plan must be based on well-established objectives. In fact the management by objectives concept has been widely accepted by all management people.
- A good plan must be simple and understandable.
- It should be flexible to adjust to changing circumstances.
- It should be balanced and provide equal emphasis to all-important sectors of business.
- It should provide for a proper analysis and classification of actions.
- It should be reasonable.
- It should be possible to perform.

## ADVANTAGES OF PLANNING

1. Acts as a significant integrating force. Planning interrelates and integrates all the available resources and activities of an organization to accomplish the common objectives. It provides a coordinated effort by reducing risks and uncertainties.
2. Helps in the process of decision-making. Managers can take quick decisions with proper planning.
3. Helps the organization to implement future programs. Once the program is chalked out, it becomes easy for mangers to implement such future programs, so that all the activities of the organization can be conducted in a systematic manner to achieve the common goals of the concern.,
4. Keeps the organization up-to-date and highly competitive. With the development of modern technology and changes in the customers' needs, the managers of today are expected to develop the competitive strength of the organization. Planning can suggest the new methodology, techniques, etc. to keep the company competitive.
5. Helps in providing the economies of large-scale operation by avoiding wastage of important resources.
6. Leads to budgeting, which may lead to budgetary control.
7. Provides for a sense of involvement and team spirit.
8. Helps in the smooth performance of all other functions like organizing, coordinating, controlling, etc.
9. Helps in achieving the objectives through proper control.
10. Makes the management most efficient and develops individual managers.


## DISADVANTAGES OF PLANNING

1. Planning is very expensive and time consuming.
2. Planning makes the organizational structure more rigid.
3. Planning delays the process of decision-making.
4. Planning cannot ensure the certainty of future performance.
5. Planning and its precision is determined only on the basis of assumptions. If the assumptions. If the assumptions are not accurate, planning may not be a success.
6. Planning may give only approximate results, not definite and assured results.

In spite of these limitations, it is always desirable to have planning for desired results.

**PRINCIPLES OF PLANNING**

Of late, some of the scholars in the field of management science like Koontz, O'Donnell, Weihrich, Lele and Mahajan have made a significant contributions in the form of providing some principles for the planning function. They are as follows.

1. Principle of the contribution to objectives:   Every plan and its components should help in the achievement of organizational objectives,

2.  Principle of the primacy of planning:   Planning is considered as the first and the foremost function to be performed in the process of management.  It is followed by other managerial functions like organizing, staffing, directing and controlling.

3. Principle of the pervasiveness of planning:   Planning is all-pervasive and it percolates to all the levels of management from top to bottom.

4. Principle of the flexibility of planning:  Every plan should be made in such a way that it adjusts and adapts itself to changes circumstances.  There must be a high degree of flexibility in every good plan.

5. Principle of periodicity:  Long-term plans, medium-term plans and short-term plans are to be integrated and interrelated in such a way as to achieve the organizational objectives effectively and economically.

6. Principle of planning premises:  To develop consistent and coordinated plans, it is essential that planning be based upon carefully considered assumptions and predictions, known as planning *premises.*

7. Principle of efficiency of operations:   Every plan should be designed with its components like objectives, strategies, policies, procedures, schedules, budgets, etc. to accomplish efficient realization of the plans.

8.  Principle of limiting factors:  There are various limiting factors like money, manpower, machinery, materials and management, which are to be taken into consideration while drafting a plan or taking a policy decision or devising a strategy.

9. Principle of revision:   Every plan has to be executed, and in the execution, manager should check periodically the events and decisions, and if there is any necessity, to redraw and readjust their plan to achieve the organizational objectives.  They should make provision for such changes.

**STEPS IN PLANNING**

There are various steps involved in planning.  These are as follows:

1. Defining the problem.  The manger has to identify and define the problems which may appear at a future date and which may require proper planning.

2. Establishing objectives.  Every manger should clearly establish the objectives to be achieved by the enterprise.  Every person belonging to the organization should be familiar with these.  Major objectives must be clearly stated in realistic or specific terms.  They will sere as a guide to action.  Objectives must be specific, informative and functional.

3. Establishing the planning premises.  Every plan has to be based on certain carefully considered assumptions and predictions, which are known as planning premises.  A business organization has to provide for various environmental factors.  Planning premises supply important facts and information relating to the future, and because of that, they are very significant to the success of planning.

4. Determining alternative course of action.  The next step is to search for and examine alternative course of action.

5. Evaluation of alternative courses of action.  Every alternative course of action has to be evaluated, and the relative importance of each one of them should be ascertained.  Every alternative will have some strong and weak points, which are to be understood in the right perspective.

6. Selecting the course of action.  After analyzing and evaluating the available alternatives, the manager has to select the best course of action.  In fact, it is the real point of decision-making.

7. Formulating derivative plans.  Every major plan has to be supported and developed by the preparation of other derivative plans.  Within the framework of the basic plan, derivative plans are developed in each area of the business.  The breakdown of the primary plan into departmental and sectional plans will strengthen the plan base of the organization.

8. Timing and sequence of operations.  For every work, the manager has to prescribe the time frame, and within that, the work has to be started and completed.  For smooth flow of work, it is better to maintain a sequence of operations.

9. Participation and follow-up.  Each and every plan has to be communicated and explained in great detail to subordinates so that they are kept fully informed. It also helps in securing the cooperation and complete participation of the workers in executing the plans.

Every plan and program requires good follow-up. It helps in making some adjustments and modifications in the plan if necessary. Continuous follow-up can result in the effective execution of the proposed course of action.

## PLANNING AND FORECASTING

Planning involves looking into the future, which is known as *forecasting*. This is basically s systematic attempt to analyze the future on the basis of certain known facts so as to help the management in its planning decisions. In fact, it is the calculation of probable or possible events in the future. It refers to the predetermination of events. Fayol has pointed out that a plan is the synthesis of various forecasts. It helps the managers by providing them a fund of information on a lot of vital background situations.

Lyndall Urwick observed that forecasting is involved to some extent in every conceivable business decision. A person who starts a business is making an assessment of a future demand for its products. The person who determines a production programme for the next six or 12 months usually bases it on some calculation of future demand. McFarland states that "Forecasting refers to predictions or estimates of the changes if any, in characteristic economic phenomena which may affect one's business plans." To conclude, forecasting means estimation of future events based on the past and present enabling a premise to be made on which plans can be developed, and enabling the right objectives to be chosen.

## PLANNING PREMISES

Management has to take policy decisions based on certain assumptions about future happenings. Such assumptions are known as *planning premises*. Planning premises constitute the very basis of planning. Such assumptions and predictions are absolutely essential to make plans more realistic and workable. Managers usually assume that certain entities will behave in a particular manner. Such assumptions are based on institutional as well as systematic prediction. Planning premises provide a framework within which planning decisions are taken.

Planning premises may be either *external or internal*. Managers have to carefully consider all such factors, which have a practical bearing on the plan to be made. Systematic forecasting provides sound premises, and past happenings provide a useful guide for having sound planning premises.

## TYPES OF PREMISES

Premises may be classified as follows:

1. Internal premises and external premises: *Internal premises* are those that can be obtained from internal factors, like sales forecasts, the programmes and policies of the company, competent personnel, skilled labour, etc. *External premises* are derived from the external environment like political, economic,

social and technological forces, like population trends, income level employment level, government policies, nation income, etc.

2. Tangible and intangible premises:  *Tangible premises* are those, which can be expressed, in quantitative terms.  Money, time units of production, etc. can be expressed in terms of money. *Intangible premises* are those, which cannot be measured, in quantitative terms.  These factors are the goodwill of a business, public relations, employee morale and motivation.

3. Controllable, semi-controllable and uncontrollable premises:  Factors, which can be controlled, like materials, money and machines, etc. are *controllable premises*.  These are the factors on which the management has maximum control over its future commitments.  *Semi-controllable premises* are those assumptions over which the management can exercise only partial control.  Labour relations, marketing strategy, etc. are such areas where partial control can be exercised.  *Non-controllable premises* are those over which the management has absolutely no control.  For instance, war, natural calamities, new discoveries and inventions, etc.

4. Constant and variable premises: *Constant premises* are those, which will act in the same manner, irrespective of the course of action taken.  These premises are definite, known and clear, for example, men, money and machines.  *Variable premises* are those, which differ in relation to the course of action taken, like union-management relations.

## PLANNING AND CONTROL

No management can function effectively without the twin concept of planning and control.  The success of a business is proportionate to the astuteness of its planning and the skill with which it is controlled.  The planning process must be conducted in direct relation to the needs of control.  Control is that which is present in the business as a force, which guides it to a predetermined objective by means of predetermined policies and decisions.  It can be done effectively by using cost accounting, budgets, internal audit, control data, etc.

## SUMMARY

We have discussed the concept, definition and importance of planning along with the essential features and the principles of planning with the following lines. Also discussed are 'planning and forecasting' and 'planning and control'.

A properly written plan tells what, when, and how something is to be accomplished. A clearly written organizational mission statement tends to serve as a useful focus for the planning process. Strategic, intermediate, and operational plans are formulated by top, middle, and lower-level management, respectively.

Planning has been labeled the primary management function because it sets the stage for all other aspects of management. Along with many other practical reasons for planning, managers need to plan in order to cope with an uncertain environment. Three types of uncertainty are state uncertainty ("What will happen?"), effect uncertainty ("What will happen to our organization?"), and response uncertainty ("What will be the outcome of our decisions?"). To cope with environmental uncertainty, organizations can respond as defenders, prospectors, analyzers, or reactors.

Objectives have been called the single most important feature of the planning process. Well-written objectives spell out in measurable terms what should be accomplished and when it is to be accomplished. Good objectives help managers by serving as targets, acting as measuring sticks, encouraging commitment, and strengthening motivation. Objective setting begins at the top of the organization and filters down, thus forming a means-ends chain. Priorities affect resource allocation by assigning relative importance to objectives. Plans are formulated and executed as part of a more encompassing planning/control cycle.

**CHAPTER 5**

**DECISION-MAKING**

In any organization decision-making is the key to its effectiveness and the excellence. Modern times require making decisions under several constraints and constantly decisions will have to be made and revised. The following chapters highlight the concept of decision making as a process models and conditions ideal to decision-making and the support systems required for successful implementation.

**THE CONCEPT**

The concept of decision-making is defined as "the selection from among alternatives of a course of action; it is at the core of planning". It is an essential part of modern management, and also the regular activity of managers.

Decisions are of two types: strategic and tactical. A strategic decision is a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Such decisions have a major impact on the organization and contribute to the achievement of organizational objectives, whereas, tactical or operational decisions are related to the day-to-day operations of the organization. Decisions may be taken by an individual in the organization or by a group of persons.

Decisions making can be done using two methods:

- Rational decision making
- Intuitive decision making

**a) Rational decision-making**

Making decisions based on the out come needed "Idea of showing the best outcome from the available alternatives. These types of decision follow a formal structure before coming to a conclusion. Such decisions are made when there may be major impact of decision on the future business process. This type of decisions are made by following process
- Clarity in the issue
- Purpose of the decision making
- Identify the various alternatives
- Evaluate the alternatives
- Selecting of best alternatives

**b) Intuitive decision making**

Most of the decision in the organization are made in this process, manager always make their day today decisions unconsciously based on the past experience. For example purchasing of stationary for the month, there will not be any formal procedure as in rational decision making process. It will be based on the past monthly requirement; an intuition decision will be made by the person in-charge.

When is intuitive decision used?
    1) When there is a time constraint ,
    2) When high level of uncertainty exist,
    3) When fact's are limited, and
    4) When variables are less scientifically predictable.

Organization itself is a major issue for the decision makers. Decision maker should make decision which will reflect the organizational performance evaluation, organizational regulations and the rewards system and other constraint of the organization.

**THE DECISION-MAKING PROCESS**

The following are the various phases in the decision-making process (see Figure 4.1). First, one must understand organizational mission and objectives. Managers have to take decisions to achieve the objectives of the organizations.

```
Specific Objectives → Identification of Problems → Search for Alternative → Evaluation of Alternatives
         ↑                                                                          ↓
      Feedback                                                                       |
         |                                                                          |
      Results ← Action ← Choice of alternative
```
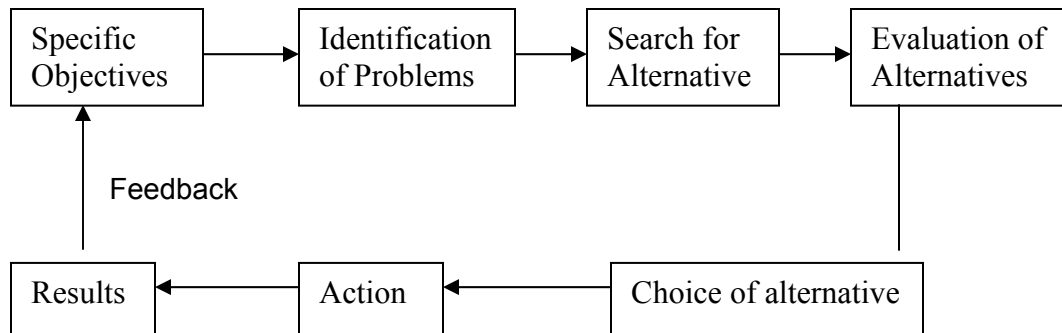
Fig 5.1 Decision-making Process

**Objectives/ Goals**

Decisions have to be taken to achieve a particular objective/ goal of the organization. The manager has to understand first the specific objective of taking the decisions before diagnosing the problem.

### Problem Diagnosis and Analysis

In any particular situation, in order to take a decision, the problem has to be diagnosed first. Just like a doctor diagnosing a disease before prescribing a drug, a manager has to diagnose the real problem in the situation. For example, is there is a high rate of absenteeism in the organization, the management has to analyze the rate of absenteeism from different perspectives. Whether it is uniform throughout the year or in particular period; of all cadres or only at the lower level; what the reasons are for such absenteeism, etc. The problem has to be analyzed thoroughly. Thus, analysis of the problem is very important: if the problem is diagnosed, half of it is solved.

### Search for Alternatives

After diagnosis, the management has to search for alternative solutions. For example, for reducing absenteeism, the management has to announce some incentives/disincentives; take serious actions; convince employees to attend work regularly, etc.

The manager has to consider the concept of limiting factors also. It means that the corporate culture, financial position, etc. have to be considered. He has to use several sources for identifying various alternatives: his past experience, corporate practices and innovative ideas.

### Evaluating Alternatives

The management has to evaluate the impact and implementation of all the alternatives. The tangible and intangible factors in implementing the decision must be studied. Sometime, the qualitative and quantitative aspects also have to be considered in evaluating a decision.

### Choosing the Best Alternative

From the available alternatives, the best alternative has to be selected for implementation. Usually, managers follow three approaches in choosing the best one. These are experience, experimentation and research and analysis. As per the past experience of the managers, they choose the best available alternative. The second approach is experimentation, in which the alternative is tested and finalized. Several organizations test-market their products before launching them in the market. In research and analysis, various computer based models are developed and the best one chosen. Usually, the personal values and aspirations of a manager play a major role in choosing the best alternative.

### Action

After choosing the best alternative, it is to be implemented by the managers. It requires organizational support and cooperation at all levels. The effectiveness of the decision depends upon the active cooperation of the staff.

**Result**

When the best alternative is implemented, its impact has to be examined. Managers have to take follow-up action in the light of the feedback received from the results. The results are to be verified with the objectives of the organization. If there is any wrong decision, the reasons have to be analyzed and the necessary changes incorporated in taking decisions in future. This review helps a lot in taking the right decisions.

**MODELS**

The following are the important decision-making models:

- Economic man model
- Administrative man model
- Social man model

**Economic Man Model**

The classical economists developed this model. They believed that man is completely rational in taking decisions based on the best alternative available. The following are the steps suggested for this decision-making process.

- Discover the symptoms of the problem or difficulty
- Determine the goal to be achieved or define the problem to be solved
- Develop a criterion against which alternative solutions can be evaluated
- Identify all alternative courses of action
- Consider the consequences of each alternative as well as the likelihood of occurrence of each
- Choose the best alternative by comparing the consequences of each alternative with the decision-making criteria
- Act or implement the decision

**Administrative Man Model**

Herbert Simmon developed this model. In it, man uses rationality in his decisions because of the limited information and processing skills. The steps in this model are as follows.

- Set the goal to be pursued or define the problem to be solved
- Establish an appropriate level of aspiration or criterion level (that is, when do you know that a solution is sufficiently positive to be acceptable even if it not perfect?)
- Employ the heuristics to narrow the problem space to a single promising alternative
- If no feasible alternative is identified (a) lower the aspiration level and (b) begin the search for a new alternative solution

- After identifying a desirable alternative, evaluate it to determine its acceptability; if the identified alternative is acceptable, implement the solution

Following implementation, evaluate the ease with which the goal was (or was not) attained, and raise or lower the level of aspiration accordingly on future decisions of this type.

## Social Man Model

The classical psychologists developed this model. They say that man, being a social animal having a bundle of feelings and emotions guided by his unconscious desires, is also subject to social pressures and influences. Usually, such a person cannot take rational decisions.

## CONDITIONS

Usually, decisions are to be taken under the following conditions.
- Certainty
- Uncertainty and risk

Certainty. When there is certainty, managers can take accurate decisions.
Uncertainty and risk. Several decisions are taken under conditions of risk. The impact of risk is analyzed for taking decisions.

Decision Trees. A decision tree is a graphical method for identifying alternatives actions, estimating probabilities and indicating the resulting expected pay-off. A decision maker can draw a schematic representation of the problem that displays the information in a more easily understandable fashion. Decision tree sketch in the form of a "tree" the decision points, the chance events, and the probabilities involved in various courses that might be undertaken.

## DECISION SUPPORT SYSTEMS

According to O.I. Larichev, there is something fuzzy or insufficiently explicit in different decisions of a Decision Support System (DSS). These are universal expert systems that are generally dealt with by specialists in artificial intelligence. Some people say that these are improved computer based decision-making systems.

Fast development of computers and the emergence of microprocessors and flexible sophisticated programming languages offer considerable opportunities for their application in decision-making problems. But the ways in which the opportunities are used, the extent to which they can actually be helpful in decision-making, considerably depends on the arrangement of machine interaction.

Decision support systems are guides for thoughts to be presented. Appropriate knowledge representation in an organization can be best understood when it is seen as an element of DSS.

According to a well-known definition, DSS computer based support for management and for decision makers dealing with semi-structured problems.

The support provided by DSS developed in an organization is the most primitive support providing access to facts or information retrieval. The second level of support involves the addition of filters and pattern recognition ability to this data retrieval.

The third level adds more generous computational facilities to the first two and permits the manager to ask for simple computations, comparisons and projections. The final level of support provides useful models to the manager. Thus, it can be said that development in DSS means growth of structures in the use of knowledge. Decision support systems are computers to facilitate the decision-making process of semi-structured tasks. The design of an effective DSS requires a thorough knowledge of how managers take decisions. The DSS gives managers an important tool for decision-making under their own control.

## EVALUATION OF A DECISION AND GROUP DECISION-MAKING

The impact of a decision on the organizational climate is very important. The cost of production may be reduced, the quality of the product may be increased, the customer satisfaction may be improved, employee relations may be improved in several decisions. Sometimes, managers need creativity and innovation in taking the right decisions at the right time. Group decision-making is also in practice in some organizations. It has advantages and disadvantages.

### Advantages

- Groups can accumulate more knowledge and facts.
- Groups have a broader perspective and consider more alternative solutions.
- Individuals who participate in decisions are more satisfied with the decision and are more likely to support it.
- Group decision processes serve an important communication function as well as a useful political function.

### Disadvantages

- Groups often work more slowly than individuals
- Group decision-making involves considerable compromise, which may lead to less-than-optimal decisions.
- One individual or a small clique, thereby negating many of the virtues of group procedures, often dominates groups.
- Over-reliance on group decision-making can inhibit the management's ability to act quickly and decisively when necessary.

**SUMMARY**

Decision making is a fundamental part of management because it requires choosing among alternative courses of action. In addition to having to cope with an era of accelerating change, today's decision makers face the challenges of dealing with complexity, uncertainty, the need for flexible thinking, and decision traps. Seven factors contributing to decision complexity are multiple criteria, intangibles, risk and uncertainty, long-term implications, interdisciplinary input, pooled decision making, and value judgments.

Decisions, generally, are either programmed or non-programmed. Because programmed decisions are relatively clear-cut and routinely encountered, fixed decision rules can be formulated for them. In contrast, non-programmed decisions require creative problem solving because they are novel and unfamiliar.

Managers must learn to assess the degree of certainty in a situation whether conditions are certain, risky, or uncertain. Confidence in one's decisions decreases as uncertainty increases. Managers can respond to a condition of risk incomplete but reliable factual information by calculating objective or subjective probabilities. Today's managers need to tap the creative potential of intuitive employees and the implementation skills of those who process information as thinkers.

Managers may choose to bring other people into virtually every aspect of the decision-making process. However, when a group rather than an individual is responsible for making the decision, personal accountability is lost. Dispersed accountability is undesirable in some key decision situations. Group-aided decision-making has both advantages and disadvantages. Because group performance does not always exceed individual performance, a contingency approach to group-aided decision-making is advisable

**CHAPTER 6**

**ORGANIZING & ORGANIZATIONAL CULTURE**

Organizing is synonymous with mobilizing resources.  It is a structure involving a large number of people who are engaged in multiple tasks with clearly defined systematic and rational relationship with necessary authority and responsibility as individuals and as groups.  We will be discussing the definitions principles and importance of organizing.   Span of Management and concepts of business units are also discussed.

**DEFINITIONS**

LOUIS A. ALLEN:   Organization is a mechanism or structure that enables living things to work effectively together.  The evolution of all forms of life and of human society demonstrates the need for organization.

OLIVER SHELDON:  Organization is the process of combining the work, which individuals or groups have to perform with facilities necessary for its execution that the duties so performed, provide and coordinated application of available effort.

BARNARD:  Organization is a system of consciously coordinated activities or forces of two or more persons.

MOONEY and RAILEY:  Organization is the form of every human association for the attainment of a common purpose.

JOSEPH L. MASSIE:   organization is the structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationships and integrates its activities towards common objectives.

KOONTZ and O'DONNELL:  Organization is the establishment of authority and relationships with provision for coordination between them, both vertically and horizontally in the enterprise structure.

ALVIN BROWN:  The part, which each member of an enterprise is expected to perform, and the relations between such members, to the end that their consistent endeavor shall be most effective for the purpose of the enterprise.

A study of the above definitions makes it clear that organization involves: identification and grouping of work, defining responsibility; delegation of authority; establishment of structural relationships; and coordination of interrelated activities.   Organization is concerned with (a) the attainment of objectives by grouping the activities, (b) dividing these activities into different departments, divisions, sections and between individuals, (c) providing authority, delegation, coordination and communication, (d) providing physical facilities like buildings,

equipment, etc. for the smooth and successful performance of the tasks; and (e) establishing clear structural relationships among individuals and groups.

**PRINCIPLES OF ORGANIZATION**

**1. Unity of objectives:**   The entire organization and every part of it should function effectively to accomplish the basic objectives of the enterprise.

**2. Efficiency:**   All the accomplishments of the organization should be at the lowest possible cost.  There should not be any waste of human resources.

**3. Span of control or span of management:** Urwick states that a manager can directly supervise a limited number of people.  No superior at a higher level should have more than six immediate subordinates.

**4. Division of work:**   Specialization and division of work should result in separate departments "established to reflect the most efficient breakdown of enterprise activities".  Each area of specialization must be interrelated.

**5. Functional definition:**   The duties and responsibilities must be properly defined.  There should not be duplication or overlapping of activities.

**6. Coordination:**   The efforts of everyone in the organization must be coordinated to achieve common goals.  Coordination is the orderly arrangement of collective efforts to accomplish a common organizational goal.

**7.  Scalar principle (Chain of command):** The line of authority flows from the topmost to the lowest managerial level, and this continuous chain of command should not be broken.

**8. Unity of direction:**   There must be only one plan for a group of activities directed towards the same goal.  "One person one plan" is the best way of achieving unity of direction.

**9.  Unity of command:** Each subordinate should have one superior only. Dual command is always dangerous and confusing.

**10. Delegation:** Delegation should be made upto the lowest competent level. Delegation of authority increases efficiency and smooth operation.

**11.  Responsibility:**   The superior is responsible for the activities of his subordinates, and the subordinates are responsible to their superiors for their performance.  Authority should be consistent with responsibility.

**12. Balance:** There should be a reasonable balance between centralization and decentralization, different sizes of various departments, limited span and longer lines of management.

**13. Communication:** A good organization must have an effective channel of communication for smooth flow of information.

**14. Personal ability**: Ultimately, an organization means people. Proper selection, placement and training of people will go a long way in developing a favourable organizational climate.

**15. Flexibility**: The organization should adopt built-in devices for any change, expansion, etc. with least disturbance. The organizational structure should not be rigid. It should be able to adapt itself to all future changes.

**16. Continuity:** There must be a provision for continuity of management and enterprise. Management development programs should be encouraged.

**17. Exception principle:** All routine, normal and programmed matters should be handled at the lower level itself. Superiors should handle only exceptionally vital decisions of unusual nature, as they have limited time.

### FORMAL AND INFORMAL ORGANIZATIONS

An organization may formal or informal. In most organizations, formal groups will function, as it is essential to execute specific tasks of the concerned formal organization. Chester Barnard states that an organization will be a formal one when the activities of two or more persons are consciously cordial to a given objective. It refers to the structure of positions with clearly defined functions and relationships as determined by the top management.

A formal organization is mainly guided by its rules, systems and procedure. In a formal organization, authority, and responsibility and relationships must be clear, fixed and definite. A formal organization is generally based on delegation of authority and its is a legally constituted one. In fact, a formal organization is created and propagated through organization charts, rulebooks, manuals, procedures, models, etc.

Chester Barnard states that a formal organization comes into existence when persons are (a) willing to communicate with one another, and (b) willing to act and share a common purpose. William Brown states that "I personally believe that the more formalization that exists, the most clearly we will know the bounds of discretion which we are authorized to use and will be held responsible for; and prescribed policies make clear to people the area in which they have freedom to act."

A formal organization according to Keith Davis " is a pinnacle of man's achievement in a disorganized society. It is man's orderly, conscious, intelligent creation for human benefit. A formal organization is a system of well-defined authority positions and responsibility centers."

Informal organization refers to the activities of people, in particular to their actions in terms of needs, emotions and attitudes. Hawthorne's experiments have sufficiently proved that people have a tendency to form small social groups with their own status system, behavioural pattern, beliefs and objectives. They emerge from continued social integration and modify or develop the formal organizational structure. This informal gathering or informal organization is not devised or designed by the management. The same location and objective, common timings, common interests and backgrounds are the factors, which may create such informal organizations.

An informal organization is not a planned one. It is created spontaneously. Authority is generally based on personal acceptance. All the inadequacies of formal organization can be covered in an informal organization. A formal organization requires an office to function, but an informal organization functions through people. A formal organization is rigid, definite and has a written constitution, but an informal organization is flexible and has no such fixed, rigid, written constitution. The top management creates a formal organization; an informal organization comes up on its own.

Informal organization can be beneficial to management. Keith Davis states that work groups are important as they provide various benefits. Some of them are as follows.

- Informal work groups blend with the formal organization to make a workable system for getting work done.

- Informal work groups lighten the workload for the formal manager and fill in some of the gaps in the manger's abilities.

- Informal work groups provide satisfaction and stability to the organization.

- They provide a very effective channel of communication within the organization.

- Managers will be more careful and effective with the informal work groups.

Management can neither establish nor abolish an informal organization. But any sensible management will try to live with an informal organization and can effectively develop its influence on such an organization for its advantage. It should see that an informal organization remains secondary to the formal organization.

"Grape vine": Generally, where an informal organization is strong and effective, it can develop an additional channel of communication, in the form of rum our or hearsay, known as a Grapevine. Communication moves with a great speed and reaches all levels at the earliest in a grapevine. Such information may be true or false.

A grapevine is an informal system of communication for sending confidential or important information through person-to-person talk or gossip. As a grapevine moves with great speed and without control, there can be distortion also. A good management has to accept the existence of a grapevine and can harness it for the accomplishment of organizational objectives.

## IMPORTANCE

Organization is the backbone of the management; it helps the enterprise in its progress and prosperity. Today, organization has become more important than ever before because of the many advantages it offers to the modern-day complex society.

1. Encourages specialization. Specialization is the direct result of organization, which helps in increasing the productivity and efficiency.
2. Eliminates the problem of duplicating and overlapping. Proper and clear division and delegation of authority and responsibility avoid duplication and overlapping.
3. Brings order and cohesiveness. Determining a clear line of authority will bring in order in the concern. Everything in its place and a place for everything can be introduced by organizing the concern.
4. Improves administration. Administrative policies and day-to-day operation of the enterprise will become effective and functional with proper organization.
5. Stimulates creative thinking. A good organization provides maximum opportunity for creative people to develop their ideas for the benefit of the concern. It also provides the ways and means of doing things in a better way.
6. Facilitates effective communication. With the clear definition of authority, an organization can develop the most efficient channels of communication.
7. Helps in providing a balanced emphasis on various activities. Organization, by clearly defining the importance of activities through division, departmentalization, etc. gives more priority for urgent and important problems. Routine problems can be decided at the lower or middle level. Managing change, managing crisis, managing credibility become easy through proper organization.
8. Helps to build up and expand the enterprise. An organized enterprise can build up a team of executives and workers who can develop much faster. Organized team effort helps in expanding the firm. Today, every organization is expanding smoothly into unimaginably large-sized units because of organized effort.
9. Helps in the smooth delegation of authority. When executives delegate authority downwards, that can get the things done smoothly. It also helps in fixing responsibility for tasks. A good organization clearly defines the authority responsibility and relationship.

## DELEGATION OF AUTHORITY

Delegation and decentralization are very important tasks in modern management. "Delegate and get the things done" is the essence of modern management. "Delegate and things will be done" is also another principle of management. According to Louis A. Allen "Delegation is the dynamics of management." It is the process a manager follows in dividing the work assigned to him and entrusting works to his subordinates so that they perform it as he would do it himself. Delegation refers to the entrustment of responsibility and authority to another and the creation of accountability for performance. It also refers to conferring authority to another, usually a subordinate.

### Authority

According to Henry Fayol, authority is the right to give orders and the power to exact obedience. Koontz and O'Donnell define authority as "the power to command others, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental purpose". Authority may be official or personal. Official authority refers to authority of s superior, which he possesses because of his official position and placement in the organizational structure. Subordinates should accept the official authority of the superior because of the propriety and legality of the rules involved. Personal authority, on the other hand, is the authority, which a person enjoys because of his popularity, good public relations, excellent charismatic personality, etc.

Authority may be either expressed or implied. It may be a power to command or order. It may be either to purchase machinery, employ people, borrow money, etc. Authority cannot be unlimited also. The amount of authority should be proportional to that of the duties performed or responsibilities held.

### Responsibility

According to Theo Haimann, "Responsibility is the obligation of a subordinate to perform the duty as required by his superior." McFarland states that "responsibility refers to such duties and activities which are assigned to a position or to an executive. When an executive delegates his authority to his subordinate, he cannot delegate responsibility". A manager is responsible for the performance of his duties even though he may delegate his authority to a subordinate for the performance of the same task. Responsibility cannot be transferred.

Responsibility is exacted upwards and authority flows downwards. Responsibility may be in the form of continuing obligation or special assignment. Responsibility cannot exist without sufficient authority.

### Accountability

Accountability is the logical conclusion of any authority. McFarland states: "Accountability refers to the fact that each person who is given authority must recognize that the executive above him will judge the quality of his performance." It is a logical derivative of authority. Accountability is the obligation on the part of the subordinate to carry out the responsibility by exercising authority. Every subordinate is accountable to his superior for the tasks assigned to him. Delegation requires creation of accountability, conferring authority and assigning a particular duty, or task fixation.

### Advantages

- Delegation develops coordination. Delegation, by establishing structural relationships in the organizations, helps in securing coordination and team spirit.

- Reduction in the burden of the executives. Delegation relieves the executives from minor and time-consuming burdens and allows them to concentrate on major responsibilities and important tasks.

- Development of subordinates. Delegation, by allowing subordinates to exercise authority and make decisions, helps in increasing their efficiency and developing their abilities.

- Provides continuity. Delegation, subordinates regularly help the organization in maintaining a regular decision-making cadre, so that no managerial problem is created in the organization.

- Facilitates expansion. Delegation always encourages expansion and diversification of the business. The art of delegation can lead to industrial expansion and success.

- Provides motivation. Delegation helps in giving expression to the innate talents of subordinates. It encourages subordinates to look forward to promotions and good opportunities in the future. It improves the employee's morale.

### Disadvantages

There are some practical difficulties or problems in the process of delegation. It may be because of the superior's ego or the attitude of the subordinate. Some of the obstacles for successful delegation are as follows.

**From the point of the superior**

Superior's unwillingness to delegate authority. If a superior is an autocrat or a person who thinks that delegation will reduce his importance in the organization, he may not delegate authority.

Superior's attitude. The superior may feel that he can do the job much better himself and as such, may not like delegation.

Lack of confidence in subordinates. A superior may be reluctant to part with authority if he feels that the subordinate is not capable of accepting the responsibility.

Psychological barriers. A superior may be precise and perfect in his job by his very nature. He may not like to take chances and so he may perform the job himself.

Absence of control. It there are no developed control techniques, a manger will not be able to know the impending problems. So a manager may like to delegate without knowing the consequences.

**From the point of the subordinate**:

- Inability to take independent decisions. If a subordinate feels that it is easier to ask the boss rather than to decide himself about how to deal with a problem, he may not like to take up independent responsibility and naturally, he cannot be delegated any major and independent authority.

- Fear of criticism. Subordinate may not like to get delegation for fear of criticism for mistakes. He may very cautious and may try to play safe. He may not like to take risks and face embarrassing situations for fear of criticism.

- Lack of necessary information and resources. If a subordinate thinks that acceptance of anew assignment requires a lot of information and resources without which he may not be equipped, he may hesitate to accept the new assignment.

- Lack of self-confidence. If a subordinate has no confidence in facing a particular problem, he may not accept delegation.

- Lack of incentives. If the brilliant performance of a worker is not recognized or appreciated by the superior it may discourage the subordinate from accepting further delegation.

**Guidelines to make delegation effective**

1. Define the objectives in clear terms.
2. Select proper persons for delegation and train them.
3. Motivate subordinates through various incentives.
4. Establish a favourable work climate free from fear and frustration.
5. Determine the tasks to be delegated.
6. Delegate sufficient authority to perform the job.
7. Provide all possible assistance.
8. Establish proper controls and conduct regular reviews.
9. Adhere to the principles of delegation.
10. Evaluate the final results.

**Need for Delegation**

Delegation is essential in modern management practice to accomplish effective results. It has become important for the following reasons:

1. Limitations of one man's ability and time. However capable an individual might be, he has limited energy and time. So he has to delegate to get things done by dividing the workload and assigning it to different workers at different levels. So an executive can multiply himself into numerous workers by delegation.

2. Specialized and technological needs. Modern organizations need the services of different specialists and technicians. One man cannot be specialized in different fields of activities. So delegation becomes essential.

3. Tendency to diversify and decentralize organization. Modern large-scale business has a tendency to diversify and decentralize its activities. All such divisions and branches should be managed effectively, even though they are away from the head office. Delegation of authority to the branch mangers can make these diversified and decentralized branches function effectively.

4. Employee motivation. More and more interest and enthusiasm can be introduced through delegation to the workers, so that they can feel that they are also participating in the decision-making.

5. Managerial development. Delegation, by providing sufficient opportunity for the workers to take decisions and to accept more and more responsibility, can create new-generation mangers. Initiative, involvement and constant participation will provide continuity of management. So delegation can be considered as a means of management development.

6. Management by exception. Modern managers manage by exception. Delegation will relieve the botheration of managers in attending to routine decisions, which others can attend to efficiently. So delegation will let managers concentrate on exceptional vital aspects of management.

**CENTRALIZATION AND DECENTRALIZATION**

**Centralization**

According to Louis Allen, "Centralization is the systematic and consistent reservation of authority at central points within the organization". Those who are at the higher levels of the organization take most decisions. Every manager has to reserve a certain authority for effective planning, organization, command, motivation and control. If authority is not delegated, it means it is centralization.

**Benefits of centralization**

1. Top management can take vital decisions affecting the entire organization.
2. Having a uniform policy and coordination of all activities are possible.
3. Higher-level people in the organization can take more effective and intelligent decisions.
4. Centralization offers a more flexible base for the organizational structure.
5. Crisis and emergency situations can be effectively managed.
6. The benefits of higher specialization can be secured.
7. Duplication of effort can be avoided
8. Control and communication becomes easier.

**Limitations of Centralization**

1. The people who face situations and problems in their area do not take decisions.

2. Lower and middle-level management will not have interest and initiative in the job.

3. Top management unnecessarily has to waste a lot of time and energy on unimportant and routine matters.

4. It hampers effective communication.

**Decentralization**

Henry Fayol states that "Everything that goes to increase the importance of the subordinate's role is decentralization, everything which goes to reduce it is centralization." Louis Allen states "Decentralization is the systematic and consistent delegation of authority to the levels where the work is performed." Keith Davis states that wide distribution of authority and responsibility must be made to the smallest-sized units that are practical throughout an organization. It is an advanced form of delegation to operating units.

McFarland defines decentralization as "the degree to which an organization places authority and responsibility for decisions as far down in the organization as efficient management permits". So decentralization refers to creating a number of relatively autonomous units under a central organization and delegating appropriate powers to them; it is a policy of the top management towards employee development programmes. In a decentralized organization, the decision-making power will be widespread. It is a systematic effort to delegate authority to the lowest levels.

The factors, which determine the degree of decentralization of authority, are:

- Cost involved in the decision
- Desire for uniform policy
- Size and character of the organization history and culture of the enterprise
- Management philosophy
- Desire for independence
- Availability of managers
- Control techniques
- Decentralized performance
- Business dynamics: the pace of change
- Environmental influences

### Benefits of decentralization

- Relieves top management of the burden of decision-making and forces upper-level managers to participate effectively
- Encourages decision-making and assumption of authority and responsibility
- Gives managers more freedom and independence in decision-making
- Promotes establishment and use of broad controls which may increase motivation
- Makes comparison of performance of different organizational units possible
- Facilitates setting up of profit centers
- Facilitates product diversification
- Promotes development of general managers
- Aids in adaptation to a fast-changing environment

### Limitations of decentralization

- Makes it more difficult to have a uniform policy
- Increases complexity of coordination or decentralized organizational units
- May result in loss of some control by upper-level managers
- May be limited by the availability of qualified managers
- May constrained by inadequate planning and control systems
- Can be limited by the availability of qualified managers
- Involves considerable expense for training managers
- May be limited by external forces (national labour unions, governmental controls, tax policies)

- May not be favored by economies of scale of some operations

## SPAN OF MANAGEMENT

It refers to the problem of "how many subordinates can be effectively managed by a manager". General Hamilton, who was the first person to introduce the concept of 'Span of Control' in his famous book The soul and body of the army, states that "The average human brain finds its effective scope in handling from three to six other brains. The nearer we approach the supreme head of the whole organization, the more we ought to work towards group of six". L Lyndall Urwick, the famous British consultant, in 1938 found that "No superior can supervise directly the work of more that five or at the most six subordinates whose work interlocks." If the number of subordinates is larger, then the superior may find it very difficult to supervise and coordinate their activities effectively.

### Factors Determining the Span of Management

A superior cannot manage a large number of person, but if the number of subordinates is too small, it is uneconomical. So, he has to determine the optimum span of management, which depends upon various factors, which are as follows.

1.  Qualities and abilities of the executives. A better qualified, versatile and experienced superior can supervise a large number of employees effectively, can understand their problems quickly, can get along with them without much problem.

2.  Nature and significance of the tasks. If the work is repetitive, the span of management would be larger as the work becomes more mechanical, requiring less attention and supervision. If it is a specialized task, e.g. major project work involving complex decision-making and coordination, the number of subordinates should be less. If the jobs are similar, the span of management would be wider, and if the jobs are dissimilar, the span would be narrower.

3. Capacity and quality of subordinates. If the subordinates are dynamic, competent, well trained and experience, the manager can manage a large number o such subordinates. If there is perfect understanding and team spirit among the employees, he can manage more workers. If the manager has no confidence in the ability of his subordinates, the span will be narrower.

4. Levels of management. At higher levels of management, a lesser number of people can be managed; the lower the level of management, more workers can be managed.

5. Clarity, precision and perfection of plans and responsibility. If plans and programs are fixed and clear and the responsibility is definite, the task of supervision becomes easier and the span of management can be wider. If the management has introduced two-way communication channels, which are effective, then also the span can be wider.

6. The degree of decentralization. If there is decentralization, an executive can effectively supervise more people; with centralized authority, an executive can have only a narrow span of management.

## LINE AND STAFF

For achieving the goals of an organization, line managers take up responsibility and staff support and cooperate with the line in discharging their functions. The staff function is to advice or support or assist line managers. When line and staff functions are not clear in an organization, then the staff may perform line functions and vice versa. Actually, line and staff positions are different in their authority and power. In modern organizations, these two functions must be very clear for performing the roles of employees and executives.

Line mangers have the power and authority for taking decisions and also performing their duties, whereas, staff cannot exercise power. In practice, both are very important in performing the activities of an organization.

### Conflict between Line and Staff

A line and staff relationship is established to work together to achieve the objectives of the organization. But frequently, there is friction and even conflict in the organization. Rivalry may be common. The reasons are briefly given as under.

### The Line Viewpoint

- Line managers feel that staff do not have any responsibility but only enjoy authority.
- Line managers feel that the staff encroach their authority
- Line managers' authority is diluted as a result of encroachment by the staff
- Staff fails to give sound advice
- Staff gets the credit when the goals are achieved but are not responsible for the failures

### The Staff Viewpoint

- The staff always feel that the line authority command them for support services

- Line mangers usually resist new ideas given by the staff
- Staff also feels that they do not get enough authority from the line mangers

### Reducing Conflicts between Line and Staff

In any organization both line and staff are important. It is common for them to have conflicts, but one has to minimize them. The following suggestions may be useful in minimizing conflict.

- The line and staff should understand their proper positions and functions in the organization
- The line should be educated and encouraged to use the staff effectively
- The staff should realize that resistance to change is partly natural, so they should work for overcoming resistance to change
- The staff should realize that it commands respect and reputation in the organization due to its skill and expert knowledge in a particular field: it should constantly strive to acquire and increase its proficiency
- The staff should render complete advice on the problems concerned: they should present realistic recommendations and solutions based on full consideration of all the pertinent facts

### STRATEGIC BUSINESS UNIT

Recently, companies have been using an organizational device generally referred to as a Strategic Business Unit (SBU). These are distinct little businesses set up as units in a larger company to ensure that a certain product or product line is promoted and handled as an independent business unit. This organizational unit was introduced to ensure that each product or product line of the company gets the same attention it would if it were developed, produced, and marketed by an independent company. Companies for a major product line have also used the device in some cases. Several companies have different SBUs.

To be called an SBU, it has to meet specific criteria. An SBU, for example must have its own mission, distinct from other SBUs; have definable groups of competitors, prepare its won integrative plans fairly distinct from other SBUs; manage its resources in key areas; and have a proper size, neither too large, nor too small. In practice, it might be difficult to define SBUs that meet all these criteria.

### SUMMARY

Organizations need to be understood and intelligently managed because they are an ever-present feature of modern life. Whatever their purpose, all organizations have four characteristics: (1) coordination of effort, (2) common goal or purpose, (3) division of labor, and (4) hierarchy of authority.

Even if one of these characteristics is absent, an organization does not exist. One useful way of classifying organizations is by their intended purpose. Organizations can be classified as business, nonprofit service, mutual-benefit, or commonweal.

Design variables available to organizers are span of control, decentralization, line and staff, and matrix. As organizers have come to realize that situational factors dictate how many people a manager can directly supervise, the notion of an ideal span of control has become obsolete. Decentralization, the delegation of decision authority to lower-level managers, has been praised as being democratic and criticized for reducing top management's control.

Strategic business units foster a high degree of decentralization. Line and staff organization helps balance specialization and unity of command. Functional authority serves to make line and staff organizations more organic by giving staff specialists temporary and limited line authority. Matrix organizations are highly organic because they combine vertical and horizontal lines of authority to achieve coordinated control over complex projects.

Organizational culture is the "social glue" binding people together through shared symbols, language, stories, and practices. Organizational cultures can commonly be characterized as collective, emotionally charged, historically based, inherently symbolic, dynamic, and inherently fuzzy (or ambiguous). Diverse outsiders are transformed into accepted insiders through the process of organizational socialization. Orientations and stories are powerful and lasting socialization techniques. Systematic observation can reveal symptoms of a weak organizational culture.

## STAFFING

Management is all about the art of getting things done through people, by people. It relates to the process of recruitment, selection, orientation compensation training and development of staff at all levels as continuous process in the life span of the organisation. Issues of man-power planning and management development are discussed in the following paragraph.

## MANPOWER PLANNING

Adwin B. Geisler states "manpower planning is the process by which a firm ensures that it has the right number of people and right kind of people, at the right time, doing things for which they are economically most useful". So, manpower planning involves the determining of the manpower requirements for a period, which includes the acquisition, employment, and development of human resource. It helps in the selection and development of personnel, and also in effective control over labour costs by avoiding shortages and surpluses of manpower. Manpower planning as a process includes job analysis, skills inventory and personnel forecasting.

**Job Analysis**

Job analysis is the process of collecting the relevant job information and determining the component elements of a job by observation and study. It is the process of determining the pertinent information related to a specific job, and the record of such a process. Job analysis is the fundamental method through which proper manpower management can be done. Job analysis is the careful study of the activities of an employee on a job to determine different operations, which may help in job description and job specification. It helps in the preparation of specifications for recruitment, placement, selection, training and guidance of employees. It can secure information about jobs through interviews, observation, activity sampling, questionnaires, etc. Job analysis as a report can help in time and motion study also.

**Steps in the Process of Job Analysis**

- Identification of the component tasks of a job

- Examining the causes, effects and the timings of task performance

- Identifying the main duties of the job

- Identifying the areas of responsibilities regarding the assignment of work, money, equipment, etc.
- Considering the personal demands of a worker

**Methods of Securing Job Information**

There are several methods of securing information for job analysis. These are as follows:

**1. Interviews:** To conduct interviews of workers and supervisors is the most common method of collecting such information. Personal conversation with the worker can provide vital information. It can be further checked with similar jobs. But while conducting such interviews, care should be exercised on the study of the job or position of a person, rather than the study of the person himself.

**2. Observation:** There are certain situations where direct observation is possible while workers are in action. Experts may study the jobs at the performance centers where manual content in the job is significantly high. But after observation it has to be followed up by interviews and discussions to make the job analysis accurate and meaningful.

**3. Activity sampling:** It is almost performing the job actually for getting first-hand knowledge of the job. But it takes a lot of time to select a sample job, and it is also a costly method.

**4. Questionnaires:** Different questions relating to the jobs can be listed and these can be sent out to the jobholders to get their answers. Questionnaires should be so designed as to get the responses in time. They are very economical and time saving. In some cases, it is better to follow it up by personal discussions with selected jobholders.

## JOB DESCRIPTION

When the record of the job analysis is prepared with its result in a condensed form, it is called a *job description.* It is a written statement of the main duties and responsibilities of a particular job. It includes the job title, job number, function of the job and the responsibilities involved, the machinery used, equipment and tools used, how and why they are used, working hours involved, working conditions, method of remuneration, job relationships, job sequence, and qualifications required. It provides task contents and occupational requirements.

A job description should emphasize the functional responsibilities. It should be clear, simple and informative. It should be descriptive, complete and comprehensive. But a job description has a serious limitation. It describes the job only and not *how* it should be done. It is essential to obtain the approval of the employee and the supervisor to finalize the job description, so that it becomes acceptable.

## JOB SPECIFICATION

If a job description is a detailed and complete one, a job specification will basically emphasize the personal requirements and inclination necessary for the successful performance of a job. The mental or educational, technical or physical qualities required to do a job can be obtained from the job specifications for selecting the best persons for the best performance. A job specification is also called a *man specification*.

### Advantages

- It provides vital information for selecting the right man for the right job.

- It helps in developing a foolproof training curriculum.

- It helps in establishing physical requirements for workers from the standpoint of safety.

- It helps in conducting salary surveys.

### Job Evaluation

It is a process by which the factors in each job are identified. Such factors are identified and measured so that the determination of the remuneration to be paid for the job becomes easy.

### Recruitment and Selection

After ascertaining the manpower requirements through job analysis, the next process will be recruitment and selection. Recruitment is the process of identifying the sources for potential candidates and to motivate them to apply for jobs. Proper steps should be taken to have the right type of people in the right number and at the right time. It should be ensured that the people selected will remain in the organization. The right number of workers required for a concern depends upon the scale of operation, the degree of automation computerization and the work methods. There should be a sound plan for the recruitment of labour. Recruitment should be based on certain principles.

**Principle of procedure:** A proper procedure should be established to conduct interviews and test to find out the details of the candidates.

**Principle of administrative convenience:** The method of recruitment should be reasonable and without unnecessary complexities or undue delays. The interview should not be too long or too short.

**Principle of fairness:** The method of recruitment should be fair and reasonable.

### Sources of Recruitment

Recruitment has to be done to get the right type of manpower needed. There are various techniques or source to recruit people. But each such technique has to be evaluated properly by main training records on the success or failure of various techniques, regarding the different type of employees recruited. There are mainly two source of recruitment which are effective: 1 Internal sources and 2. External sources. Internal sources refer to the recruitment within the organization such as transfers and promotion. External sources are recruitment from outside.

**Internal sources:** Recruitment can be made by transfer or by promotion. Promotion means elevating the position of an employee towards higher responsibilities enjoying increased authority and prestige. So, higher positions can be filled up by promotion. But, transfer involves the shifting of a worker from on job to another without involving any change in the responsibilities, rank and pay. Lay-off means temporary retrenching of the employee from the employment on the initiative of the employer. In such circumstances, the employee may be recalled after the commencement of work.

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                              ┌─────────┐          ┌─── Transfers
                              │ Internal │──────────┤
                              │ Sources  │          ├─── Promotion
                              └─────────┘          │
                                                   └─── Lay-offs

Sources of ─────┤
Recruitment                                         ┌─── Advertisement
                                                    ├─── Gate employment
                                                    ├─── Direct applications
                                                    ├─── Recommendations
exchange                                            ├─── Employment
                                                    │
institutions                  ┌─────────┐           ├─── Educational
                              │ External │──────────┤
                              │ Sources  │           ├─── Defence services
                              └─────────┘           ├─── Other companies
                                                    ├─── Professional
consultants                                         │
                                                    ├─── Government
institutions                                        │
                                                    ├─── Union approach
                                                    └─── Waiting list
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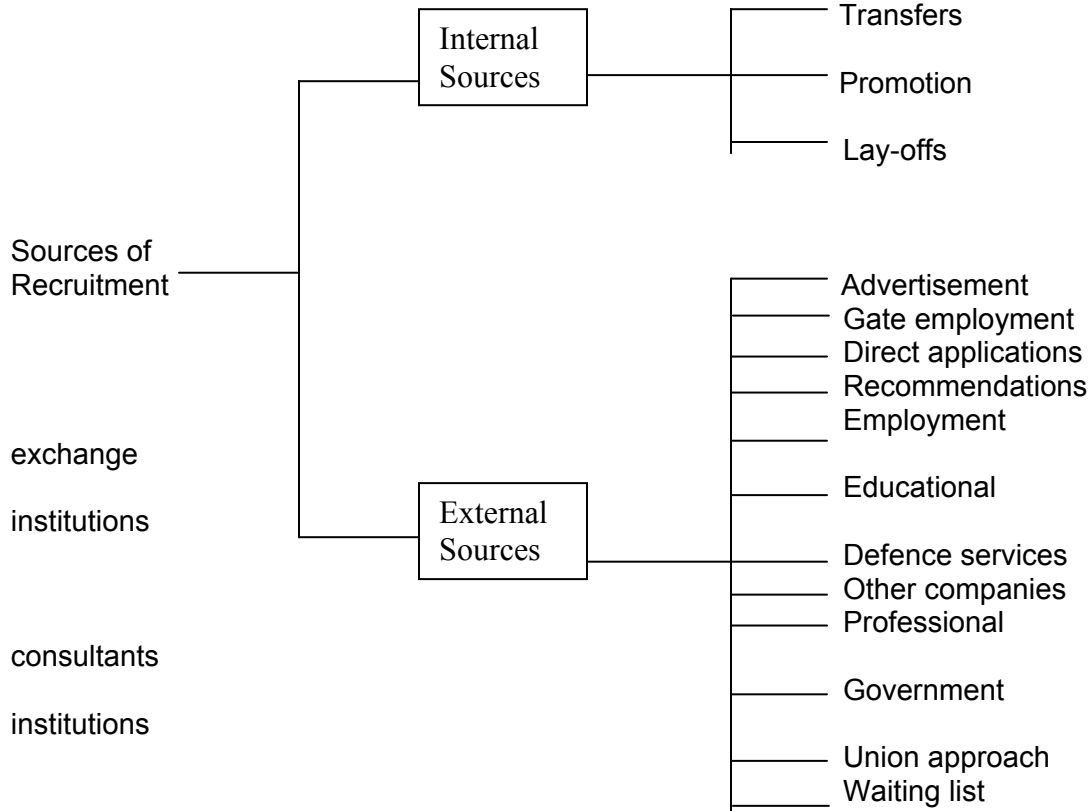
Fig. Sources of recruitment

**External source:**  Resignation of employees, expansion of the company, creation of new departments, death, retirement or dismissal of employees can create more job opportunities.  In such cases recruitment has to be made from External sources.  Causal applications received may be taken from the applications received file and they can be considered.

If the present employees recommend the names of their relatives and friends, they can be employed so that the goodwill of the present employees can be retained and reliable candidates can also be recruited on the responsibility of the present workers.  Sometimes, for technical or unskilled vacancies, a notice board can be displayed either at the gate or the central place of the corner; usually, a large number of job seekers come to the factory gates every day.  If there is any necessity to fill up casual vacancies or for unskilled workers, they can be employed at the gate.  The services of contractors can also be used to obtain labourers.  Management consultancy firms can help in recruiting managerial personnel.

Educational institutions like colleges, universities, university employment bureaus, institutes of technology; management can be used for recruiting graduates to be trained for positions of responsibility.

Public employment exchanges can provide the required manpower for organizations.  They are very helpful in providing employment opportunities for the physically challenged, ex-servicemen, Scheduled Castes and Scheduled Tribes, university graduates and professional and executive personnel. They can also provide employment market information and employment surveys. Newspapers or journals also help in recruiting staff.

An advertisee can select the most appropriate and effective media and newspapers for advertisement.  Labour unions can also play an important role in providing personnel.  Private employment agencies can render good service in employing people.  There is another medium called scouting by which professional athletes and semi-professional and amateur athletes at educational institutions are recruited.

**Advantages of internal sources**

- Continuity of service and stability

- Employees have a feeling of security

- Fosters loyalty, integrity and honesty among the employees

- Familiarity with the organizational set-up; induction is not necessary

- Encourages low grade workers to work forward to higher posts

**Advantages of external sources**

- New perspectives and fresh viewpoints can be introduced

- New experience, skill and technology can be introduced

- There can be a change in the outlook and habits.

**Selection**

The selection process starts after securing applications from different sources of recruitment.  Selection plays a vital role in reducing costly labour turnover.  Careful screening of all the applications is essential.  Selection is a process of selecting the right persons with necessary skills, abilities and personality to fit in their respective jobs in the organization.

To select a highly competent, qualified and effective team, one has to take care and be objective.  The selection procedure has a history.

J.L.Lundy states that some of the darkest days in the history of personnel selection and administration occurred when phrenologists, physiognomists, palmists, graphologists and astrologers were selling their services throughout the business world. They claimed to be specialist in personality evaluation. Phrenologists studied the bumps on one's chin, nose and ears and the colour of one's eyes and hair.

Palmists, by studying the and, and graphologists by studying the handwriting, were 'analyzing' personality. But these pseudo-scientific techniques proved futile in selecting the right people for the right job. Modern techniques can help in avoiding the selection of inappropriate personnel. They help in discovering the most talented, promising and suitable candidates. It automatically means that the least qualified and less suitable candidates.

It automatically means that the least qualified and less suitable persons are eliminated in the process. The number of rejected or eliminated will be usually higher than the number selected. Yorder states or eliminated will be usually higher than the number selected. Yorder states that recruitment is a positive process, whereas selection is negative.

**Steps in the selection procedure:** The selection procedure is the process through which eligible candidates are selected. It involves the following steps:

- Conduct job analysis and job description.

- Keep the man specification ready.

- Find out the sources of recruitment.

- Scrutinize the applications received

- Conduct preliminary interviews.

- Send application blanks.

- Conduct different employment tests.

- Conduct personal interviews.

- Check the references.

- Conduct medical examinations.

- Final selection.

- Placement and induction

The employer has to conduct the job analysis and prepare a job description. With this background, a man specification should be prepared and proper sources of recruitment must be considered. Efforts must be made to get applications from these sources. They should be screened in such a way that unsuitable applicants are automatically eliminated and they are informed accordingly to avoid the problem of further processing.

*Preliminary interviews*. Such an interview will act as the first hurdle for the applicant. They are short interviews to know the nature of the job required from the applicant, and also to ascertain whether he is suitable for the existing job. It does not probe deeper into the details of skill, abilities, and experience. It only covers the application. It can be used economically to prevent further processing of an unnecessary case.

*Application blanks.* Blank application forms are sent to the candidates who are successful in the preliminary interview, for getting further information. An application blank should be brief, definite and comprehensive. It should avoid superfluous questions. It helps the concern to get the details about the candidate regarding his ability to spell, to write, to provide facts. It can also serve as a guide for interviews and a record where waiting lists are kept.

*Selection or employment tests*. Various standard tests are available to find out those possessing the required intelligence, abilities, aptitudes, interests and personality. *Intelligence tests* are conducted to identify the mental capabilities. Ability tests are available to measure the efficiency or proficiency in specific areas. *Vocation tests* are designed to show a candidate's suitable vocation.

*Personality tests* are conducted to measure various traits of a candidate. Similarly there are various tests like performance tests, psychological tests like interest tests, dexterity texts, achievement tests and attitude tests. Such tests should only *supplement* other selection techniques. The tests should be conducted under standardized conditions to minimize external influences on the results. These tests themselves should be subject to periodic testing to ascertain whether they can still serve their purpose. The strength of a test depends upon its ability to discriminate between individuals. A good test will be consistent, reliable and objective.

There are other important types of employment tests, which are widely used by many modern organizations. The US department of labour first introduced the General Aptitude Test Battery, popularly known as GATB. This test can determine the competence of candidates in their numerical skill, ability to perceive things in the right perspective, general intelligence level and finger dexterity.

Another such popular test is the Career Maturity, inventory test, which determines the level of competence in the candidate. It identifies the judgment, sequence, operational ability, job responsibility and decision-making abilities of the candidate. Another such test is the In-basket test. It is an achievement test, which determines the productivity, action, interaction, analyzing ability, planning skill, the priorities, peer group interaction, informality of nature and ability to manage work schedules.

The above tests can provide very useful information to employers. In advanced countries, experienced psychologists conduct clinical interviews to find out the emotional stability and balance of the candidate. Human resource utilization and development, to a major extent, depends upon such special tests. Advantages and disadvantages of tests are now enumerated.

## Advantages

1. Tests help in increasing the accuracy of the selection.

2. They enable employers to make most objective and purposeful selection.

3. Tests can prove economical in the long run.

4. They can tap talent located at even distant and remote areas.

5. They help in reducing the employee turnover

## Disadvantages

1. Tests are not infallible.

2. They can only help in minimizing errors and cannot eliminate them completely.

3. Candidates may not score in the test proportionate to their abilities.

4. Verbal or written questions may create interpretation problems.

5. If unqualified personnel use them, they can be defective.

## Conducting Personal Interviews

For every type of job, the interview has become an important tool. In fact, in most organizations, the interview is the *only* tool adopted to select personnel. It helps in assessing the total personality of the prospective employee. It enables assessment of the motivation, attitude and overall personality of the candidate and is vital for all types of skilled and technical jobs, being the best selection device of major importance as a valuable means of evaluating such factors like pleasing disposition and appearance of the candidate. Interviews may be structured, semi-structured or unstructured.

A *structured interview* formulates definite questions to use for all applicants in general, with the same list of questions. In a *semi-structured interview*, some questions are predetermined and others are asked during the interview.

An *unstructured interview* usually will have no such predetermined or readymade checklist. It may create a rapport between the interviewer and the interviewee.

A panel of recruiting officers from the personnel, works and general divisions can be judged to form the ability and suitability of the candidates. Interviews may be in the following form:

1. Formal

2. Informal

3. Depth

4. Stress

5. Group

6. Panel

The *stress interview* technique attempts to deliberately confuse the candidate, put him on the defensive and keep him under emotional pressure. Questions may be silly, blunt or ambiguous. But this technique has to be used with great care. The Persons conducting an interview cannot make a comprehensive analysis of the ability and attitude of a candidate in one interview. The personal likes and dislikes of the interviewer should not influence the interview. It is better to explore the possibility of *multiple interviews* so that a comparative evaluation can be made.

Checking References.   The viewpoints and opinions of others regarding the applicant can be obtained through references. Applicants are usually required to provide two or three references. References can provide useful information about the character, history and reputation of the candidate. References can be made to the previous employers, the college authorities or the references mentioned in the application. If it is essential, the present employer of the candidate can also be contacted on the phone; a personal visit can provide still better information.

Supervisor's approval.   If the supervisor or the immediate boss is not involved in the interview, then he should be given an opportunity to carefully verify the physical and mental capacities of the candidates. This has to be done in the light of the job specification.

Medical or physical examination.   Workmen's compensation regulations have made the process of physical examination a very important one. Physical fitness should be one of the primary considerations in the selection. If the physical defects of an employee are not discovered, then the employer will be liable for all the health hazards of the employee. Physical fitness can be ascertained through a detailed medical examination.

Final Selection.   After the completion of all the above exercises, sending a job offer to the selected candidate can make the final selection of the candidate.

Placement and induction. Selected people should be put on the job. In fact, it is the final step in the selection process. An employee should be introduced to the organizational culture and environment. He should me made familiar with the policy, objectives, rules and regulations of the company. Induction training refers to the introduction of a new employee to the work group, supervisor and organization.

## MANAGEMENT DEVELOPMENT

Management development programmes have become both popular and essential in modern organizations. Long-term corporate plans should include plans to develop future managers also. Management development includes all such activities, which are directed towards increasing the capacity of the individual to perform better and to increase her/his potential for future management assignments. It is a systematic process of learning and growth. It will provide a lot of insight, skills and new knowledge. Present-day managers are made and not born, and they have to be created through a system. Today's programme will be tomorrow's progress.

A management development programme should include a well-thought out plan and organization to implement the programme. Regular appraisal of managerial performance in the process of development should be made and managers during their development process should be motivated properly.

Managers can be developed in management institutes or universities and academic bodies of higher management learning. Management associations and educational institutions can conduct seminars/conferences where managers can be developed. Within the organization itself, management development programmes can be organized effectively. Job rotation, delegation, committee assignments, special courses, promotion and transfers are some of the methods of management development.

Management development is a conscious effort to enhance the capability of potential managers. It involves a programme of training and planned development or forward personnel planning.

The responsibility of staffing rests on all managers at all levels of the organization; it increases as one goes up in the organizational hierarchy. For example, a chief executive takes active interest in the selection of personnel, particularly at high levels. Similarly, managers at other levels are involved in some form of staffing function, for example, besides selection of subordinates for their departments, they are involved in their training and performance appraisal.

Staffing requires an open-system approach. It implies that staffing is a basically dynamic process and is affected by several variables both within and outside the organization. Moreover, the staffing function is affected by various elements of the management process, but at the same time it affects other elements also. Therefore, the staffing function of managers can be integrated with their other functions.

Manpower planning enables an organization to forecast its manpower requirement. It helps the organization to match its manpower with the skills necessary for achieving its objectives and also to now how its personnel are employed and how their skills are being used.

Systematic manpower planning facilitates a similar approach in other aspects of staffing.

**Questions:**

1) **How the selection procedure varies by the personality traits of the selectors?**

2) **What are the steps in job analysis? Substantiate with suitable cases.**

3) **What are the obtrusive and unobtrusive measures of obtaining information on job analysis?**

4) **How will you map the competency of the interviewee to choose for a job?**

**Case Study:**

Ms. Brigitt is basically an American who has high knowledge about management practices. She heads the wing of Personnel and especially so with the staffing. She visits Indian office once in a year to appoint executives. The company basically deals with leather produces. Indian office has high record of turnover over these years. Hence this time she feels that her recruitment process, which is based on her American experience, should be kept aside and a new recruitment procedure should be followed. She is intelligent enough to also estimate her weakness in identifying the right person for right job from Indian context. She invites you as a panelist and consultant to identify right person for her company.

You are supposed to secure job information from her existing organization even before sitting in the panel.

**Questions:**

1) What more information do you need to collect to proceed further?

2) How will you advice Ms. Brigitt to go about in future?

3) Are there any cultural factors behind the turnover?

## DECISION-MAKING

In any organization decision-making is the key to its effectiveness and the excellence. Modern times require making decisions under several constraints and constantly decisions will have to be made and revised. The following chapters highlight the concept of decision making as a process models and conditions ideal to decision-making and the support systems required for successful implementation.

## THE CONCEPT

The concept of decision-making is defined as "the selection from among alternatives of a course of action; it is at the core of planning". It is an essential part of modern management, and also the regular activity of managers.

Decisions are of two types: strategic and tactical. A *strategic decision* is a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Such decisions have a major impact on the organization and contribute to the achievement of organizational objectives, whereas, *tactical or operational decisions* are related to the day-to-day operations of the organization. Decisions may be taken by an individual in the organization or by a group of persons.

## THE DECISION-MAKING PROCESS

The following are the various phases in the decision-making process (see Figure 4.1). First, one must understand organizational mission and objectives. Managers have to take decisions to achieve the objectives of the organizations.
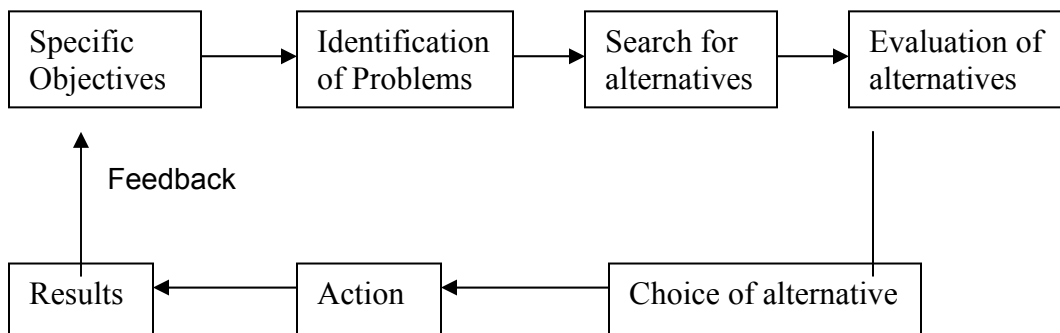


Fig 4.1 Decision-making Process

### Objectives/ Goals

Decisions have to be taken to achieve a particular objective/ goal of the organization. The manager has to understand first the specific objective of taking the decisions before diagnosing the problem.

### Problem Diagnosis and Analysis

In any particular situation, in order to take a decision, the problem has to be diagnosed first. Just like a doctor diagnosing a disease before prescribing a drug, a manager has to diagnose the real problem in the situation. For example, is there is a high rate of absenteeism in the organization, the management has to analyze the rate of absenteeism from different perspectives. Whether it is uniform throughout the year or in particular period; of all cadres or only at the lower level; what the reasons are for such absenteeism, etc. The problem has to be analyzed thoroughly. Thus, analysis of the problem is very important: if the problem is diagnosed, half of it is solved.

### Search for Alternatives

After diagnosis, the management has to search for alternative solutions. For example, for reducing absenteeism, the management has to announce some incentives/disincentives; take serious actions; convince employees to attend work regularly, etc.

The manager has to consider the concept of limiting factors also. It means that the corporate culture, financial position, etc. have to be considered. He has to use several sources for identifying various alternatives: his past experience, corporate practices and innovative ideas.

### Evaluating Alternatives

The management has to evaluate the impact and implementation of all the alternatives. The tangible and intangible factors in implementing the decision must be studied. Sometime, the qualitative and quantitative aspects also have to be considered in evaluating a decision.

### Choosing the Best Alternative

From the available alternatives, the best alternative has to be selected for implementation. Usually, managers follow three approaches in choosing the best one. These are experience, experimentation and research and analysis. As per the past experience of the managers, they choose the best available alternative. The second approach is experimentation, in which the alternative is tested and finalized. For example, several organizations test-market their products before launching them in the market. In research and analysis, various computer based models are developed and the best one chosen. Usually, the personal values and aspirations of a manager play a major role in choosing the best alternative.

**Action**

After choosing the best alternative, it is to be implemented by the managers. It requires organizational support and cooperation at all levels. The effectiveness of the decision depends upon the active cooperation of the staff.

**Result**

When the best alternative is implemented, its impact has to be examined. Managers have to take follow-up action in the light of the feedback received from the results. The results are to be verified with the objectives of the organization. If there is any wrong decision, the reasons have to be analyzed and the necessary changes incorporated in taking decisions in future. This review helps a lot in taking the right decisions.

**MODELS**

The following are the important decision-making models:

- Economic man model

- Administrative man model

- Social man model

**Economic Man Model**

The classical economists developed this model. They believed that man is completely rational in taking decisions based on the best alternative available. The following are the steps suggested for this decision-making process.

- Discover the symptoms of the problem or difficulty

- Determine the goal to be achieved or define the problem to be solved

- Develop a criterion against which alternative solutions can be evaluated

- Identify all alternative courses of action

- Consider the consequences of each alternative as well as the likelihood of occurrence of each

- Choose the best alternative by comparing the consequences of each alternative with the decision-making criteria

- Act or implement the decision

**Administrative Man Model**

Herbert Simmon developed this model. In it, man uses rationality in his decisions because of the limited information and processing skills. The steps in this model are as follows.

- Set the goal to be pursued or define the problem to be solved

- Establish an appropriate level of aspiration or criterion level (that is, when do you know that a solution is sufficiently positive to be acceptable even if it not perfect?)

- Employ the heuristics to narrow the problem space to a single promising alternative

- If no feasible alternative is identified (a) lower the aspiration level and (b) begin the search for a new alternative solution

- After identifying a desirable alternative, evaluate it to determine its acceptability; if the identified alternative is acceptable, implement the solution

Following implementation, evaluate the ease with which the goal was (or was not) attained, and raise or lower the level of aspiration accordingly on future decisions of this type.

### Social Man Model

The classical psychologists developed this model. They say that man, being a social animal having a bundle of feelings and emotions guided by his unconscious desires, is also subject to social pressures and influences. Usually, such a person cannot take rational decisions.

### CONDITIONS

Usually, decisions are to be taken under the following conditions.

- Certainty
- Uncertainty and risk

*Certainty.* When there is certainty, managers can take accurate decisions.

*Uncertainty and risk.* Several decisions are taken under conditions of risk. The impact of risk is analyzed for taking decisions.

*Decision Trees.* A decision tree is a graphical method for identifying alternatives actions, estimating probabilities and indicating the resulting expected pay-off.

A decision maker can draw a schematic representation of the problem that displays the information in a more easily understandable fashion. Decision tree sketch in the form of a "tree" the decision points, the chance events, and the probabilities involved in various courses that might be undertaken.

## DECISION SUPPORT SYSTEMS

According to O.I. Larichev, there is something fuzzy or insufficiently explicit in different decisions of a Decision Support System (DSS). These are universal expert systems that are generally dealt with by specialists in artificial intelligence. Some people say that these are improved computer based decision-making systems.

Fast development of computers and the emergence of microprocessors and flexible sophisticated programming languages offer considerable opportunities for their application in decision-making problems. But the ways in which the opportunities are used, the extent to which they can actually be helpful in decision-making, considerably depends on the arrangement of machine interaction.

Decision support systems are guides for thoughts to be presented. Appropriate knowledge representation in an organization can be best understood when it is seen as an element of DSS. According to a well-known definition, DSS computer based support for management and for decision makers dealing with semi-structured problems.

The support provided by DSS developed in an organization is the most primitive support providing access to facts or information retrieval. The second level of support involves the addition of filters and pattern recognition ability to this data retrieval. The third level adds more generous computational facilities to the first two and permits the manager to ask for simple computations, comparisons and projections. The final level of support provides useful models to the manager. Thus, it can be said that development in DSS means growth of structures in the use of knowledge. Decision support systems are computers to facilitate the decision-making process of semi-structured tasks. The design of an effective DSS requires a thorough knowledge of how managers take decisions. The DSS gives managers an important tool for decision-making under their own control.

### Evaluation of a Decision and Group Decision-making

The impact of a decision on the organizational climate is very important. The cost of production may be reduced, the quality of the product may be increased, the customer satisfaction may be improved, employee relations may be improved in several decisions. Sometimes, managers need creativity and innovation in taking the right decisions at the right time. Group decision-making is also in practice in some organizations. It has advantages and disadvantages.

**Advantages**

1. Groups can accumulate more knowledge and facts.

2. Groups have a broader perspective and consider more alternative solutions.

3. Individuals who participate in decisions are more satisfied with the decision and are more likely to support it.

4. Group decision processes serve an important communication function as well as a useful political function.

**Disadvantages**

1. Groups often work more slowly than individuals

2. Group decision-making involves considerable compromise, which may lead to less-than-optimal decisions.

3. One individual or a small clique, thereby negating many of the virtues of group procedures, often dominates groups.

4. Over-reliance on group decision-making can inhibit the management's ability to act quickly and decisively when necessary.

**Questions:**

1) Explain factors that enhance creativity and its role in effective decision-making.

2) Explain the concept of "Group think". What are the various symptoms of Group think? How does it affect the quality of decisions?

3) How important is the leadership role in the process of group decision-making? Should the leader be more task-oriented or maintenance oriented? Give reasons for your answer.

4) Explain some of the factors that negatively affect the quality of a decision. Emphasis

5) Explain in detail some of the common errors and drawbacks in effective decision making.

6) What factors do you take into consideration when you analyse a problem?

**Case Study**

The Maharashtra Mahila Samithi [MMS] was formed in 1978 by Mrs. Rowland Bridgett with its head quarter in Nagpur. It is a registered society by formation and has distinguished members from various places in India as their members.

MMS are working in the areas of women and family health and micro enterprises programmes for their women. They have been receiving funds for more than the last two decades from various international and national as well as government donors.

Ther are 42 staff on full time in all and the administrative overhead for MMS now is Rs. 2.00 lakhs per month and most of them have remained with MMS for the last 15 years.

The federation covers 5 clusters and each cluster in turn covers an average of 22 villages and there are at least 2 Self help Groups in very village though the total SHGs with MMS are 248.

In 2003, the executive committee made a proposal to hand over the various facets of the works to the people' organization – their women's apex body, the federation and this was in principle approved by the general body also.

Subsequently an action plan was drawn and it was planned that by 2015, the entire transfer would have taken place.

**Questions:**

1) Do you agree with this decision? What would have been your argument for saying so,
   a. If you were the chairperson?
   b. If you were the leader of their women's apen body?
   c. If you were one of the donors?
   d. If you were a beneficiary?

2) What according to you are
   a. Statutory and
   b. Inhibiting factors to make the change operational?

3) What would be your strategy to make the staff accept this? How would you go about this?

4) What additional information, if any, do you need to evolve an action plan?

HAIMANN: Leading consists of process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned.  Directing is the process around which all performance revolves.

EARNEST DALE:  Leading is telling people what to do and seeing that they do it to the best of their ability.  It includes making assignments, explaining procedures, seeing that mistakes are corrected, providing on-the-job instruction, and, of course, issuing orders.

URWICK AND BRECH: Leading is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management.

KOONTZ AND O'DONNELL:  Leading is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise objectives.

MARSHALL E. DIMOCK:  The leading function is the heart of administration, which involves determining the course, giving orders and instructions, providing the dynamic leadership.

From the above definitions, it is clear that leading includes issuing instructions, providing guidance, exercising supervision, organizing leadership and inspiring subordinates.

## NATURE OF LEADING

Leading is a process of actuation.  It provides an electrifying effect to the organization, makes people action-oriented and bridges gaps within the organization.  Distribution of work, delegation of authority and supervision of work should be done meticulously.  The top management should created departments and directs the departmental managers to function as per the broad policies and objectives of the concern.  The middle-level mangers should direct the operative-level managers, who in turn should direct the workers and supervise them, so that direction flows from top to bottom so as to perform the necessary jobs efficiently and effectively.

## ELEMENTS OF LEADING

Joseph Massie states that directing concerns the total manner in which managers can influence the action of subordinates.  The entire organization is activated with leading.  The aim of leading is to

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- Issue clear, complete, comprehensive orders, within the capabilities of subordinates to accomplish,

- Provide continuous training to subordinates by instructing them to carry out the particular assignment in the existing situation,

- Inspire the subordinates so as to secure their best cooperation,

- Supervise the work performance of subordinates,

- Maintain order and discipline within the organization, and

- Communicate with the worker so as to make the process meaningful.

## CHARACTERISTICS OF LEADING

The leading function of management possesses the following characteristics:

- *It is one of the major functions of management*.  Planning, organization and employment of persons may not be meaningful unless the employed people are directed properly.

- *It is a continuing activity*.  Instructing the employees, their supervision and execution of plans will be a continuous activity.  There is a need to lead the subordinates and motivate them regularly.

- *Leading functions from top to bottom*.  The top management will direct the middle-level management, and it has to regularly direct the operative management.  So, managers at all levels perform leading.

- *It includes not only issuing orders but also regular supervision*.  Managers and supervisors should not only issue orders, they should also supervise the activities of subordinates regularly.

- *Leading deals with the human factor*.  Managers should direct individuals with different ambitions, aspirations and attitudes.  Every individual will have a lot of energy, which he can conserve, waste or use for productive purposes.  The manger's task is to see that such energy is utilized for the benefit of the organization and the individual concerned.

- *Leading and other managerial activities*.  Direction can induce efficiency and effectiveness both for the individual and for the organization.

   Naturally, leading has a direct concern with various managerial activities, which are as follows.

- *Authority and responsibility*.  A manager who directs should know his limits of power and authority, the relationship of authority and responsibility, span of control, reaction to authority from the peer group, subordinate and superior groups, and degree of accountability.

- *Decision-making*.  The direction function requires a special skill in tending to certain problems, participative ability at different levels of the organization, and ability to take risks and convert them into opportunities.

- *Communication*.  Direction can be effective with different communication skills, by keeping communication channels open for flow of accurate and useful information, by formal and informal method of communication, and good feedback.

- *Leadership*.  Direction will be result-oriented if the person who directs has the qualities of an effective leader.  Knowledge of democratic, free-rein and autocratic approaches to management of an organization helps.

- *Perception, learning and creativity*.  Direction can be a continuous process of learning and instructing from individual groups within an organization, to develop potentialities, refine existing skills, create a good climate for personal growth and creative expression, and for improved perception.

- *Innovation and change*.  Change is a constant factor and leading can be improved by adjusting to technological, managerial, and organizational changes, inviting innovation through increased motivation and improving the morale.

- *Supervision*.  It means to supervise or oversee subordinates and their performance level and ascertain that it is in accordance with the original plan/policies.

### IMPORTANCE

Leading is a significant function of modern management.  Wherever the human factor exists, it has to be properly directed.  Every man appointed by the organization should be told about the work that he should perform.  The directors are the representatives of the shareholders, who are expected to directed the tasks and take the organization in the right direction.  Every job of a manager, like issue of orders, memos, notices, instructions, giving out programmes, policies, procedure, plans, involves directing.  Complex human factors have to be directed properly to achieve organizational goals.

*Instructions or Orders.*  Issuing instructions is one of the major tasks of a manager.  Every manager is expected to know the art issuing instructions.  An *instruction* is the impetus by which an organization is activated.  Every instruction is functional in nature, as it initiates, modifies or stops an activity. It is also popularly know as an *order, command, or directive*.

As Koontz and O'Donnell state, as a directional technique, an instruction is understood to be a charge by superior requiring a subordinate to act, or refrain from acting, in a given circumstance.

A good order or instruction must have the following characteristics:

- The order should be reasonable
- It should be attainable and capable of immediate compliance by subordinates.
- It should be crystal-clear and unambiguous
- It should be one with objective of the organization
- The order should be time-bound i.e. specifying the time within which it has to be carried out.
- The order should be complete and comprehensive
- The tone of the order should be appropriate
- Every order issued must be followed up properly
- The order should be in writing

**Written orders and oral instructions:** The order may be oral or written. But it is always better and safer t issue instructions in writing because of certain advantages, which are follows.

- It makes the purpose of the order very clear

- There will be continuity and clarity of thought before the issue of order

- A written order can be understood easily, quickly and properly

- It avoids possibility of misunderstanding

- Subordinates can study the instruction in detail and can execute them correctly

- An order, if written, can be communicated simultaneously to many people

- It can be precise, accurate and to the point

- It improves accountability

- It serves as documentary evidence for future reference

But there are certain disadvantages also of a written order. They are as follows:

- It is time consuming and expensive

- It is very rigid

- It is difficult to revise a written order

- The subordinate cannot be creative, as he has to act as per the written order

To conclude in the words of Haimann, "Oral orders are almost invariably used when the action required is relatively simple in character or routine. Also, in times of emergency, oral orders are almost always used. In order to strike a happy medium between the advantages and disadvantages of written instruction, it is often expedient to put only the important points of the instructions in writing and to give additional information orally."

## PRINCIPLES OF LEADING

Effective leading can be accomplished by the following principles:

1. *Principle of unity of objectives*. A supervisor has to integrate the personal objectives of individuals with the objectives of the organization.

2. *Principle of unity of command*. Every supervisor must have subordinates who will get commands only from *him*, and report to him *only*. Dual command is always misleading. Every worker should get the instructions only from one supervisor.

3. *Principle of direct supervision*. It is always better to have direct supervision: it will make the instruction clear and complete, and not keep the workers in doubt. Direct supervision will improve employee morale.

4. *Principle of effective communication*. Effective leading is possible only when there is an effective communication system. Channels of communication should be kept open so that the workers can also give expression to their ideas and feelings. Effective communication will help in avoiding misunderstanding and misinterpretation.

5. *Principle of good leadership*. The success of leading depends upon the effectiveness of the leadership. If the manager provides good leadership, subordinates will be happy to work with him. The leader should be an able guide and should counsel the workers and understand their problems.

6. *Principle of motivation*.  Direction, to be effective, must inspire subordinated to do the job with interest and vigor.  To make the workers perform tasks voluntarily and with the maximum interest, they must be motivated properly.


## LEADERSHIP THEORIES

Leadership is one of the most fascinating and ancient subjects.  Even Plato's writings have discussed leadership.  Leadership qualities are different and there are different behavioural theories of leadership depicting these varied qualities of leadership.  These are the trait theory and the situational theory.

### The Trait Theory


This can also be considered the "great-man approach to leadership" which emphasizes "charismatic leadership".  This is one of the most popular and ancient theories.  This theory states that certain physical, intellectual and personality traits distinguish leaders from non-leaders.  In fact, Henry Fayol classified these traits into physical, mental, moral educational and technical, with experience, intelligence, insight, objectivity, a balance personality, judgement, knowledge, self-confidence and cooperation.

 This theory says that persons with these traits will become successful leaders.  The study of the lives of some of the most successful and popular leaders provides ample evidence for this belief.  Even though earlier studies indicated these results, subsequent research has sufficiently proved that these traits cannot always ensure successful leadership.  But they will place the person in apposition of high esteem.  Ordway Tead and Chester Barnard have done a lot of research in this field and suggested physical and nervous energy, a sense of purpose and leading, enthusiasm, friendliness and affection, integrity, technical skill, decisiveness, intelligence, teaching skill and faith, as important qualities of a good leader.

        However, this theory has been criticized because of certain important defects.  They are


- Studies about this theory have not produced clear results

- These traits are not common and uniform

- The comparative importance of various qualities has not been properly understood and reported

- It does not recognize the influence of situational factors

- It fails to mention the traits, which are necessary to maintain leadership

**The Situational theory**

This theory states that there are certain situations in particular groups, which can mould the leadership skills in a person. The work situation and its influence is a major factor in leadership. A leader, according to this concept, understands the needs of the situation and then acts accordingly.

This theory does not recognize the inborn qualities of leadership. This theory states that there is no one "best style" of leadership universally applicable to all situations. A particular situation may create a new leader out of a person who was just a follower. The primary aspect of this theory is that leadership is the interaction between the leader and the group. But this theory states that the leadership style adopted for one particular situation may not be relevant in another situation. This theory rejects the "one best style" of leadership applicable to all situations. According to the leadership contingency model developed by psychologist Fred E. Fiedler, a manger's effectiveness depends upon three major factors.

- The leader-follower relationship

- The group-tasks structure

- The authority position of the leader

These factors will determine whether a given situation is favourable or unfavourable to a leader. A "favourable situation" refers to a situation, which enables the leader to exert his influence over the group. If the leader-follower relationship is extremely good, it is the most favourable situation and the leader enjoys the greatest relative position and power with a well-defined task structure. Another situational theory is House's path-goal model based on paths, needs and goals. This theory states that the leader will clear the path to work goals and provides rewards for the progress. Another theory of situation is Hersey and varies according to the maturity level of the followers and the demands of the situation.

**The Follower Theory**

F.H. Sanford states that followers will make leadership possible and effective and they will depends on leaders to satisfy their social and personal needs.

**Composite Approach**

Of late, there is loud thinking that the leadership is the result of the following:

- The traits
- Followers and their problems
- Situation
- Group interaction

This provides a comprehensive view of leadership

## LEADERSHIP STYLES

There are different styles of leadership. At the beginning of the century, the leader was almost a dictator, with strong and ruthless behaviour. "Might to right" was the philosophy of such leaders.  They were like aggressive and successful warriors,  with their self-centered and ultra-individualistic attitudes.  These industrial leaders were known as "robber barons".  Any appeal for generosity and kindness only resulted in cold response.  "Survival of the Fittest" and "Business is Business" and "Mind your Business" were their strategies.

Gradually, these business leaders realized that they could get things done even without being harsh. Kindness and understanding started getting place of consideration.  The new leaders called *Patternalisitc,* functioned with parental affection towards the workers. But they expected loyalty, demanded respect and provided the employees with facilities, which they thought, were good for them. This change made them the most successful leaders in their ventures and they were able to compete and win against autocratic industrialists.

A lot of study has been done to understand the types or styles of leadership in different countries. Kurt Lewin suggested that leadership may be in three different styles:

- Autocracy

- Democracy

- Laissez-faire

Rensis Likert has proposed four styles of leadership. They are:

- Oppressive autocratic

- Benevolent autocratic

- Consultative

- Participatory

Along with these patterns, paternalistic leadership has also become popular, Rustom S. Davar suggests the basic leadership styles as

- Feudal

- Paternal

- Dictatorial

- Contributory

- Developmental

The terms *autocracy, democracy and laissez-faire* are popularly used to reflect different leadership styles. In fact they are used to describe different forms of government too.

## Autocratic Leadership

Autocratic leadership generally creates an immediate impression of a strict, inconsiderate leader with arbitrary rule. An autocratic leader keeps all the authority and decision-making power with himself and assumes full responsibility for situations. He expects implicit obedience from subordinates and never allows them to influence his decisions. Threats of punishment are used frequently. These types of leaders can succeed in emergency or crisis situations. But it can only be a temporary success and can be effective only with untrained, illiterate and untrained labour. But, in the long run, it can only bring down the morale of the employees and it may be strongly resisted also.

Such leaders do not encourage management development programmes. Edwin B. Flippo in his *Management: A behavioural approach*, states that autocratic leader may be of three kinds. They are:

1. Hard-boiled autocrats

2. Benevolent autocrats

3. Manipulative autocrats

A *hard-boiled autocrat* uses strong and negative influences and orders to subordinates, which may result in employees becoming resentful and quarrelsome. A *benevolent autocrat* uses good techniques of positive leadership. He uses appreciation and praise to secure personal loyalty and to make workers accept his decisions. A *manipulative autocrat* is a decision-maker by himself, but creates an impression among subordinates that they too are participating in the

decision-making. Autocratic leadership can create obstacles for coordination and group cohesion and unity of objective may be destroyed.

### Democratic or Participative Leadership

It is also called *consultative leadership*. A leader functions through joint action; he takes decisions through discussion. A democratic manager would be willing to decentralize authority; he believes in persuasion rather than punishment. A leader of this style will encourage ideas and suggestions of subordinates. He will inspire them and encourage their intelligence, skill and creative talents. This type of leadership is more effective in developing a favourable, efficient work climate.

Democratic leadership will create self-confidence in workers and help the leader to win the confidence, loyalty and cooperation of all the subordinates. If the subordinates are educated and organized, this leadership functions more effectively. Democratic leadership paves the way for better labour relations, high employee morale, collective decision-making, development of skill and abilities, reduction of employee complaints and more job satisfaction for workers.

### Laissez-faire or Free-in- Leadership

This is a kind of leadership, which gives full authority to the group to make its own decisions. A free-rein manager will entrust decision-making to his subordinates with the least intervention. The subordinates are expected to plan, organize and execute; the group enjoys complete freedom and the leader can help the group when needed. This permissive style of leadership can function effectively if the subordinates are highly competent and duty-conscious. It provides an opportunity for every individual worker to give expression to his creative talents, self-discipline and self-control.

The research of Lewin and White clearly demonstrates that the democratic condition is superior to the autocratic condition. Laissez-faire or free rein leadership is the poorest from every angle. A democratic leader is of the most popular. Reduced conflict and increased cooperation were the result of such leadership; subordinates assumed responsibilities and independence. In democratic leadership, work continued when the leader left the room, but in autocratically led groups, members quit work when the leader stepped out. A greater "We" feeling prevailed in the democratically-led groups, and an outsider cannot divide them. In autocratically led groups, there was a tendency for cliques to form and outsider could cause the group members to turn against one another.

### Managerial Grid

Robert R. Blake and Jane S. Mouton have done in-depth studies of leader behaviour and its impact on groups. Blake and Mouton present various leadership styles with reference to such behaviour, in what is popularly known as *managerial grid*.

They have considered two important factors, viz., "concern for production", and "concern for people". Concern for production, according to Blake and Mouton, could be seen in the quality of policy decisions; the number of creative ideas that, applied to research, turn into useful products, procedure or processes; the number of accounts processed; the quality and toughness of staff services; work load and efficiency measurements; and the volume of sales or units of physical output".

"Concern for people" is concern for a degree of personal commitment to completing the job one is responsible for; accountability based on trust rather than obedience; self-esteem or the personal worth of an individual; establishing and maintaining good working conditions; and maintaining a equitable salary structure and fringe benefits. In their managerial grid concept, Blake and Mouton accept the fact that there will be conflict between the concerns for production and people. They have described five different types of leadership based on concern for production (tasks) and concern for people (relationship). They are as follows:

1. Impoverished
2. Country club
3. Task
4. Middle-of-the-road
5. Team

Impoverished leadership will have concern for both production and people. Country club leaders have great concern for people, but lack of production orientation. Task-masters are production-oriented leaders and have less concern for people. Middle-of-the-road leaders show common concern for both production and people. Team leaders will maintain a high degree of concern both for production and people. By such an analysis, Blake and Mouton have provided a "method of analyzing leaders without labeling them as either autocratic or democratic".

**MANAGER AND LEADER**

The distinctions between a *manager* and a *leader* are as follows

| Manager | Leader |
|---|---|
| (a) Doing things right. | (a) Doing the right things |
| (b) Efficient in climbing success ladder. | (b) Choosing the right wall for leaning the ladder |
| (c) Works well in peacetime. | (c) Works well in crises also. |
| (d) Plans and budgets. | (d) Sets direction |
| (e) Performs organizing and staffing functions | (e) Performs aligning function. |
| (f) Utilizes material resources | (f) Utilizes human resources |
| (g) Uses authority | (g) Uses power |
| (h) Manages people | (h) Inspires people |

**QUESTIONS:**

1) **What are the various characteristics associated with effective leadership?**

2) **Explain and compare various theories of leadership. Explain the most appropriate theory in this democratic society.**

3) **What is the impact of followers' maturity on leadership style?**

4) **Compare different styles of leadership. Substantiate with suitable examples.**

5) **What is the role of inherited personal characteristics of leaders on their functioning style?**

**CASE STUDY**

One of the most successful discount department stores in America is known as Wal-mart stores and is named after its funder Sam Walton. Because of the phenomenal success of these stores, Sam Walton became the richest man in America. Also, because of his leadership, the stores have enjoyed continuous growth and expansion. So that, by mid 1980s, the chain had over 700 stores and increasing at the rate of an additional 100 stores per year. Its sales increased annually by over 35 % per year and the profits have soared close to 40 % per year every year since 1975.

Sam Walton, until he dies in 1992, took personal interest in his employees. His managerial philosophy was to get the right people in the right places and then give the freedom to be innovative to accomplish their tasks. He called his employees as associates and treated them as associates. As per company policy, all associates are eligible for profit sharing plans which motivates the employees further. The managers of the stores are required and encouraged to meet with their employees in a social setting to discuss their concerns as well as issues of organizational interest and this makes the employees feel that the management takes their input seriously.

Sam Wilson himself led a simple life. He did not exhibit any auro about himself, giving the employees a feeling that he was on of them. He and his executives regularly traveled in company owned planes to visit Wal-Mart Stores situated at various sites across the country. He met with sales clerks, stock boys and sales managers to find out what items were popular. He knew most of them by their first names an addressed them so. He initiated "employee of the month" in all categories and created honor roles for more successful stores. This created inner competition requiring extra effort to improve sales and services. This policy gained high respect for him as a leader.

The administration of the organization is very cost conscious. It only spends about 2% of sales for general administrative expenses. It shops for suppliers at bargain prices all around he world and has build giant warehouses are around the country in such a manner so that most stores are within six hours of driving distance from a warehouse. This helps in better delivery system and reduced inventories at retail stores. Each store prepares a monthly financial report which can be studied 'line- by-line to look for ways to reduce costs further. These cost savings are passed on to the customers and this in turn generates customer loyalty. Wal-Mart slogan of 'quality you need, prices you want" has become a generic organizational statement.

Wal-mart with more than 2000 stores at present is faced with tough competition form a similar chain of discount stores known as K-mart. However, Sam Walton did not worry about the competition because he felt that his people oriented philosophy of operations and cost-cutting efforts without diluting the quality of the merchandise would always meet the competition head-on.

## Questions

1. ***What are the major reasons for the company's phenomenal success? Explain those reasons in detail***

2. How would you describe Sam Walton as an effective leader? What leadership theory is consistent with his leadership style?

3. How important it is for a leader to mix with the employees? How does this leadership style of "being one of the boys" affect the motivation of the employees?

4. What factors, other than the leadership style contributed towards the survival and the gro th of the organi ation? S pport o r reasons

MICHAEL J. JULIUS:  Motivation is the act of stimulating someone or oneself to get the desired course of action.

KOONTZ AND O'DONNELL: Motivation is a general term applying to the entire class of drives, desires, needs, wishes, and similar forces.

DUBIN:  Motivation refers to the complex of forces starting and keeping a person at work in an organization.  To put it generally,  motivation starts and maintains an activity along a prescribed line.  Motivation is something that moves the person to action and continues him in the course of action already initiated.

MARCH AND SIMON:  Motivation is the process or the reaction, which takes place in the memory of individuals.  It refers to the combination of forces or motives maintaining human activity.

**Terms of Motivation**

There are some terms, which are frequently used in the context of motivation. They are as follows:

**Motives:**  These are expression of person's needs; personal and internal; such factors within individuals which impel them to action; and are activated needs or active desires..

**Needs:**  They are certain compulsions in a person so that the individual behaves in specific ways to relieve these compulsions or tensions.

**Incentive:**  An incentive is something, which incites or tends to incite someone to make a determination.  It is an external stimulus, which activates need and motivates one to work.

**Disincentive:**   A disincentive is that which impedes or tends to impede determination or action.

**Drives:**  Drives are the intra-organic activities for a particular type of behaviour. Drive is a force, which will move a person towards a particular objective.

**IMPORTANCE OF MOTIVATION**

Motivation results in creating a favourable work environment within an organization.  It adds the *will to work* along with the ability to work for a worker.  Motivation will act as an activator and energizer by directing the behaviour of persons towards the accomplishment of goals.  Understanding of motives and motivation theories provides a great deal of insight into the reasons why different individuals exhibit different behavioural patterns.  It also helps in understanding why the same person exhibits different reactions to the same stimulus at different times.

Motivation helps in securing voluntary cooperation from workers.  It creates the will to work, and confidence in the work force.  Motivation helps to satisfy the needs of workers; naturally there will be a sense of belongingness and total involvement on the part of the workers in the achievement of organizational goals.  The knowledge and skill of the workers can be used to the best advantage of the organization and there will be increased efficiency.  All this will result in increased productivity and quality of work.  Motivated people are the most satisfied people.  They will function with a sense of responsibility and commitment to the organization.  Naturally, it results in a low rate of labour turnover and absenteeism.  A properly motivated team will not have unnecessary friction with the management and with its fellow workers.  This will help in maintaining very good industrial relations.

Motivation is the drive to satisfy a want or goal, and satisfaction is experience when the outcome has been achieved.  A person might have high job satisfaction, but a low level of motivation for the job, or the reverse.

**THEORIES OF MOTIVATION**

Workers should be persuaded, inspired and motivated for contribution their best effort in achieving the objective of the organization.  To motivate people effectively, managers should prepare certain plans.  There are various plans, strategies or theories of motivation.  All of them are grouped under two categories: (a) Traditional theories of motivation, (b) Modern theories of motivation.

**Traditional Theories**

**"Be strong" theory or "fear and punishment" theory:**  The Philosophy of might is right, characterized the thinking of aggressive and authoritarian mangers.  Managers developed a strategy of forcing people to work by threatening to punish or dismiss them or to cut their rewards if they did not work well.  This theory is based on the military principle,  "Neither make reply nor question why, but do or die", and the assumption is that people would work efficiently and with interest if they were driven by fear and punishment.  There was tight control and rigid supervision over workers.  This strategy was successful in the early days of the Industrial Revolution.  But in the present circumstance, this theory is not practicable.  It is resisted and condemned by workers, as it is authoritarian.

**Efforts and rewards theory:**  This strategy or approach tried to establish a direct relationship between efforts and rewards.  F.W. Taylor conceived this idea in his piece-rate system of wages.  Management thought that people could perform and contribute better to the extent they were rewarded.  To practice this theory, managers should establish the standards of performance, monitor the behaviour of employees and decide about the rewards and penalties based on the degree of performance.

**Monastic theory:**  This is almost like the efforts and rewards theory.  Here, the management assumes that people work for money only.  This theory seeks a single cause of behaviour.  It assumes that all the activities of men are directed only towards earning money.  More effort will provide more wages, which will further encourage the workers to more effort.  This is also known as the "Effort-Reward-Effort Theory".  But this theory is criticized on the basis that rewards can serve as motivators up to a particular point only, and not beyond that.

**Carrot and stick theory:**  This theory suggests a judicious combination of both rewards and penalties for motivation.  This theory is bases on the strategy of putting a carrot in front of a donkey and hitting it with a stick from behind so that it has to run.  The carrot refers to incentives like money and other inducements, and the stick refers to penalties, fear of dismissal, demotion, etc.

**Be good or paternalistic theory:**  After experiencing the 'Be strong' theory and its limitations, some managers implemented a new strategy.  They were kind, generous and had the interests of the employees at heart.  They functioned much as parents towards their children.  But they expected loyalty, demanded respect and provided their employees what they thought was good for them.  They were fair but firm.  Employees in many cases responded to this strategy favorably.

 As a result, the paternalistic theory was successful in its approach and effectively competed with the "Be strong" and "fear and punishment" theories.  High wages, job security, good facilities for education, health, recreation and good work environments were provided to gain loyalty an increase efficiency and productivity.  But some people on the ground disliked this theory that they had to depend on the employers for everything, as children on their parents.

**Modern Theories**

**McGregor's theory:** Douglas Murray McGregor classified the basic assumptions on human behavior into two parts and called these sets of propositions Theory X and Theory Y.

**McGregor's theory X:** This theory was indirectly conceived and applied by F.W. Taylor. But it was McGregor who stated Theory X in very clear terms. In his own words, Theory X states, that:

Management is responsible for organizing the elements of productive enterprise-money, materials, and equipment, people in the interest of economic ends.

With respect to people, this is a process of directing their efforts, motivating them, controlling their actions, modifying their behavior to fit the needs of the organization.

Without the active intervention by management, people would be passive-even resistant-to organizational needs. They must therefore be persuaded, rewarded, punished, controlled. Their activities must be directed. This is management's task. We often sum it up by saying that management consists of getting things done through people.

- The average man is by nature lazy and he works as little as possible.

- He lacks ambition and dislikes responsibility.

- He is inherently self-centered, indifferent to organizational needs

- He is by nature resistant to change and he is not very bright.

So this theory assumes that authority should be clear and flow directly from the superiors to subordinates without any reservation. It implies that management should be hard and strong. Closes supervision and tight control over individual behavior has to be introduced as work by nature is distasteful and people will try to shirk work and responsibility. But if the management believes in this theory, it will result in a lot of problems.

**McGregor's theory Y:** In view of the above misleading assumptions and practical difficulties. McGregor declares, "We require a different theory of the task of managing people based on more adequate assumptions about human nature and human motivation. I am going to be so bold as to suggest the broad dimensions of such a theory. Call it Theory Y if you will." His observations or Theory Y are as follows:

- Management is responsible for organizing the elements of productive enterprise-money, materials, equipment, people-in the interest of economic ends.

- People are not by nature passive or resistant to organizational needs. They have become so as a result of experience in organizations.

- Motivation, the potential for development, the capacity for assuming responsibility, the readiness to direct behaviour toward organizational goals, is all present in people. Management does not put them there. It is the responsibility of management to make it possible for people to recognize and develop these human characteristics for themselves.

- The essential task of management is to arrange organizational conditions and methods of operation so that people can achieve their own goals best by directing their own efforts towards organizational objectives.

Theory Y is basically a process of creating opportunities, releasing potential, removing obstacles, encouraging growth and providing guidance. It also provides for two-way communication, participative management, decentralization and delegation of authority, emphasis on self-control, self-responsibility and self-discipline, emphasis on satisfaction of higher-level needs and maximum scope for management development programmes. Theory Y also assumes that work is as natural as play, provided the conditions are favourable.

**Ouchi's theory Z:** William Ouchi proposes Theory Z as an alternative theory of organizational behaviour. Theory Z organizational culture comprises three major characteristics (a) Trust, (b) Subtlety, and (c) Intimacy.

Theory Z outlines a complete transformation of the motivational principles underlying high-performance organizations and implies a revolutionary change in management practices. The main characteristic features of the theory are as follows.

- Long-term employment

- Emphasis on training

- Seniority-based rewards

- The Ringi system of collective decision making

- Emphasis on self-discipline

- Holistic concern for employees and their families

**Maslow's theory:**  Human needs can be classified into: (a) basic physiological needs or primary needs and (b) social and psychological needs or secondary needs.  Abraham Maslow states that individuals have these needs and they are motivated to satisfy these unsatisfied needs.  If they are satisfied, they do not motivate individual behaviour.  Needs are arranged according to a hierarchy of importance from the basic physiological to the complex self-actualization needs.  The need at any level of the hierarchy will emerge only when the lower-level need are fully satisfied.

Maslow states that individual needs are arranged in a hierarchy from the lower-level physiological needs to the higher needs for self-actualization.

Basic physiological needs are the primary needs of an individual.  The survival of an individual depends upon the satisfaction of these needs, namely, food, clothing, shelter, sex, air, water and other necessaries of life.  The organization helps an individual to satisfy their basic needs by providing reasonably good salaries, benefits and working conditions.  Once these needs are satisfied, the individual will get an idea about the higher level needs.

Safety and security needs are considered immediately after satisfying the psychological needs of individuals.  These needs can be satisfied from job security, income, and provision for old age, insurance, and safer working conditions.

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                                                    ┌─────────────────┐
                                                    │ Self-fulfillment│
                                                    │ needs           │
                                                    │                 │
                                           ┌────────┴────────┐        │
                                           │ Esteem and      │────────┘
                                           │ status needs    │
                                  ┌────────┴────────┐        │
                                  │ Social needs    │────────┘
                         ┌────────┴────────┐        │
                         │ Safety,         │────────┘
                         │ security        │
                         │ needs           │
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                │ Basic           │────────┘
                │ physiological   │
                │ needs           │
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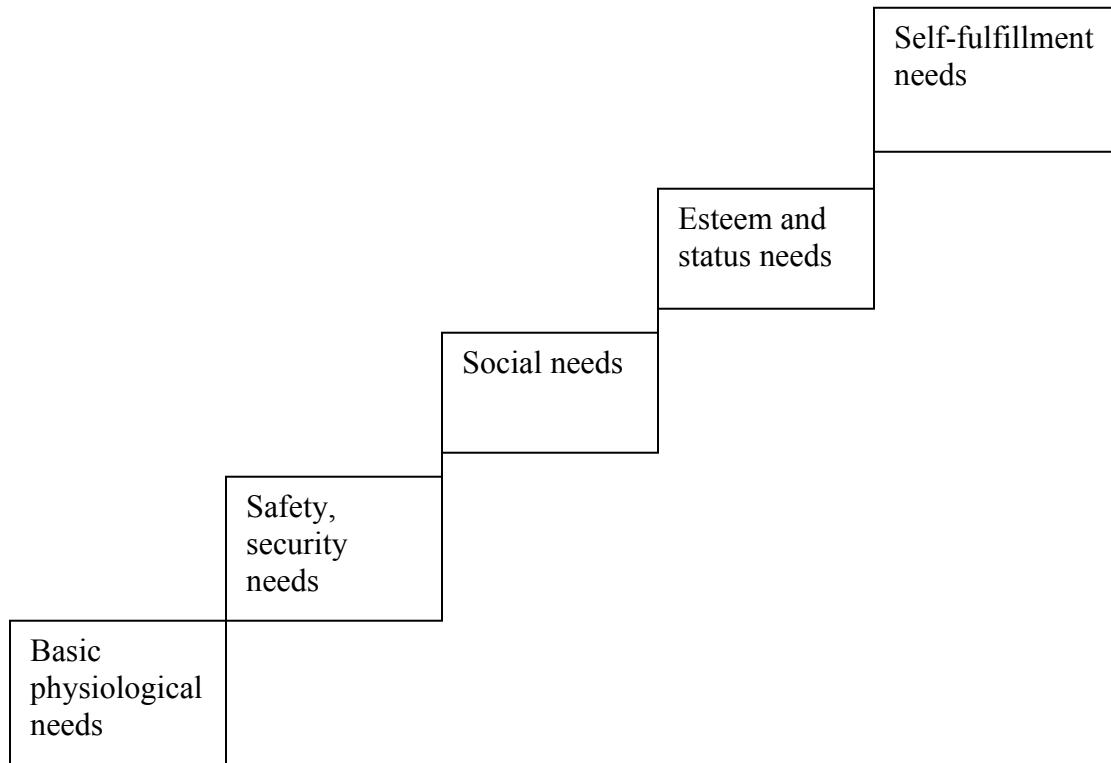
Fig.  Maslow's theory of hierarchy of needs

Social needs are also called belonging needs.  When basic needs and safety needs are satisfied, social needs become important.  Social affiliation will make the job interesting.  These needs become important.  Social affiliation will make the job interesting. These needs are: love and affection, friendship, and so on.

Esteem needs or ego needs or status needs develop a concern for getting recognition, status, importance and respect from others.  These needs are independence, achievement, competence, skill, knowledge, initiative and success.  A very good organizational climate and more opportunity for development, responsibility, praise and promotion can play a vital role in satisfying esteem needs.

After the satisfaction of the esteem needs, the highest level of need, self-actualization, will become an important need.  It involves realizing one's potentialities, capabilities for continued self-development and self-development and self-fulfillment. It is a personal achievement.  Such challenges and achievements provide more satisfaction to person.

The above hierarchy of needs stated by Maslow proves the fact that the second and subsequent needs do not dominate until the first and the previous needs are reasonably satisfied.
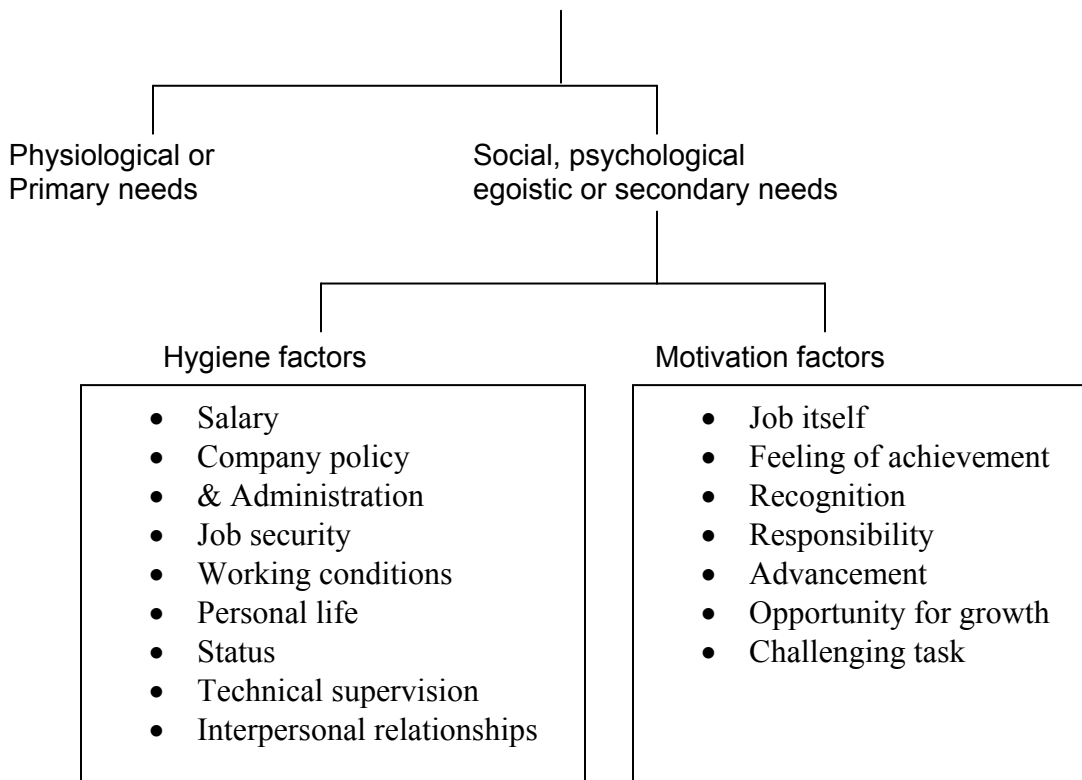
Wants are continuous in nature and there cannot be an end to satisfaction. The specialty of Maslow's theory is that the needs arise in a *certain order* of preference.

Even though Maslow's theory of hierarchy of needs has become popular, it is still subjected to a lot of criticism. The experience in continental European countries and Japan has shown that this theory does not apply effectively to their executives. Most of the American workers do not very much bother about their physiological and safety needs. Workers in Belgium and Spain feel that their esteem needs are better satisfied than their security and social needs. Money can be a good motivator only for physiological and social needs, but not for satisfying higher-level needs. Some people may remain contented with the satisfaction of physiological needs only, without developing any further needs.

**Herzberg's hygiene-motivation theory:** Frederick Herzberg and his associates conducted research based on the interview of 200 engineers and accountants working in 11 different firms in the Pittsburgh area. Herzberg developed a theory with two factors. They are *hygiene factors* and *motivational factors*. The dissatisfies are known as *hygiene factors* because they support the mental health of the workers. Another set of job conditions operates primarily to build strong motivation and high job satisfaction. They are called as motivational factors. The need structure is shown as below:

Need Structure

| Physiological or Primary needs | Social, psychological egoistic or secondary needs | |
|---|---|---|
| | Hygiene factors | Motivation factors |
| | • Salary<br>• Company policy<br>• & Administration<br>• Job security<br>• Working conditions<br>• Personal life<br>• Status<br>• Technical supervision<br>• Interpersonal relationships | • Job itself<br>• Feeling of achievement<br>• Recognition<br>• Responsibility<br>• Advancement<br>• Opportunity for growth<br>• Challenging task |

Hygiene factors as stated by Herzberg are related to the work environment and are external to the job.  They include wagers, fringe benefits, status, job security, working conditions, company policy, administration, and interpersonal relations. The presence of these factors at a satisfactory level prevents job dissatisfaction, but they do not provide motivation to the workers.  Even though they are not motivators, they will prevent the individual from becoming dissatisfied. Motivational factors are the motivators, which are essential to increase the productivity of the employees.  They are also known as satisfiers and they are concerned with the job itself rather than the environment.  These factors are recognition, feeling of achievement, responsibility, advancement, opportunity for growth, and so on.

Herzberg stated that it is also necessary to pay special attention to the motivational factors of satisfiers rather than concentrating on the traditional hygienic factors.

**McClelland's three-need theory:**  David C.McClelland developed further needs namely, the need for achievement, the need for power, and the need for affiliation.  His observation is that businessmen and particularly the entrepreneur managers have more achievement motivation those other groups in society. Such people are goal-oriented; seek a challenge and desire perfect feedback in their performance.   People with high affiliation needs value interpersonal relationships and are sensitive to other people's feelings.  They want to be like by others.  They seek company by joining clubs and associations.  On the other hand, people with a strong power need seek to dominate, influence and control others.  Such power may be positive or negative.  McClelland concludes that the need for achievement is one of the key factors of economic growth.

**Vroom's expectancy theory:**   Vroom while attacking Herzberg's two-factor theory, offered an expectancy approach to the understanding of motivation.  His theory explains three concepts of valence, instrumentality, and expectancy; *Valence* represents the value or significance of an outcome for person, e.g. increased salaries, promotion.  Instrumentality refers to the person's perception of the relationship between first-level outcomes.   It is the extent to which a person will feel that performance is instrumental in getting him increased salaries or promotion.  Expectancy refers to the extent to which such efforts will lead to the first-level outcome.  Vroom's theory explains how the goals of individuals influence their efforts and that the behavior individuals select depends upon their assessment of the probability that the behavior will take with success towards the goal.  To conclude, Vroom emphasized the significance of individual perceptions and assessments of organizational behavior.

The Hawthorne Experiments

Elton Mayo of Harvard conducted a series of experiments at the Hawthorne plant the Western Electric Company, Chicago. The hawthorn experiments clearly showed that the attitudes of workmen are basic factors in industrial relations as they influence both individual performance and group effort. They also revealed that the business organization is the *social system*. Apart from being a *technical economic system*. It established that the worker was not only motivated by economic incentives, but also by diverse social and psychological factors. Increased satisfaction led to increased effectiveness. The Hawthorne experiments emphasized that emotions and non-logical attitudes and sentiments are more important in economic relationships than the logical economic factors.

Michigan University Social Research Institute Experiments

The Institute for social research at the University of Michigan conducted certain studies about the motivational characteristics most frequently demonstrated by the more successful managers. Rensis Likert observed that the attitude and behaviour of such managers as being supportive, friendly and helpful. The successful manager displays confidence in the integrity, ability and motivation of subordinates. Such a manger will have high expectations regarding the performance level of his subordinates. He will train and promote his subordinates to higher responsibilities. Rensis Likert concludes by stating that every human being earnestly seeks a secure, friendly and supportive relationship. The successful motivator will understand the significance of such human needs, and create a favourable environment for their fulfillment.

### Incentives

Incentives can motivate people. They may be financial or non-financial. For people working at the lower level, money can be an effective motivator. As one goes up higher in the hierarchy, the importance of money decreases and non-financial incentive become more powerful. A good pay with good fringe benefits can be very good financial incentive. Non-financial incentives may be recognition, promotion, participation, achievement, etc. Such incentives motivate workers effectively. They satisfy the needs of the subordinates and boost the morale of the workers. They increase productivity and create a favourable image for the institution.

### Morale

Morale is an important element of motivation, and refers to the zeal for action, the overall tone of climate prevailing among workers. If they are happy, cordial and confident, it is a reflection of high morale. If they are poor, restless irritated and dissatisfied, it reflects their low moral.

High morale speaks of effective motivation and low morale of lack of such motivation. Moral is an attitude of satisfaction of a feeling of happiness of a warm feeling, of conditions of zeal, hope and confidence. In general, it is an attitude of an employee towards his firm. Improved or high morale increases output, reduces labour turnover, waste and industrial unrest, absenteeism, grievances and accidents.

Questions

1) What are some of the work related factors necessary for job satisfaction?

2) What are the personal factors, unrelated directly to work environment that affects a person's motivation and his attitude towards his job?

3) Compare and evaluate Maslows' theory of motivation with different theories of motivation with Herberg's theory of motivation.

4) Narrate the motivating factors in MNCs vis-a-vis the national companies. Substantiate with suitable case studies.

5) Which style of leadership will be ideal for workers to be motivated? Interpretations can be supported with various theories of leadership and motivation with suitable examples.

6) What is the role of heredity and environment in shaping the attitude of a worker to remain motivated?

**Case Study:**

Whirlpool is a major manufacturer of washing machines in the USA. It has subsidiaries and sub-contractors who make some of the parts for the final product. One of these companies, Whirlpool Corporation, has a plant located in Michigan State, which turns metal rods into washing machines.

The plant is not a high tech, state of the art facility, but only a small old fashioned tooling and planting shop. The company employs 265 workers. Because of low productivity, the company was considering closing the plant. The company also did not want to invest additional capital to upgrade the training workshops for the workers to improve the quality of product. However, the productivity per man-hour remained low, the rate of defective parts in the production remained high and the employee's morale remained generally low.

Thus the company decided to introduce a profit sharing plan whereby the workers would be encouraged to improve upon productivity as well as quality of the product and they would share in the extra costs saved or extra profits earned.

Even though, the workers were skeptical when the program was initiated they negotiated a gains sharing formula, which was suitable to both the management and the workers. It was agreed that there would be no increase in base pay but the worker's share in the additional bonuses would be proportional to the savings achieved. Sinc the inception of the program the productivity has improved 19% to 110.6% units per worker as against 92.8 parts per worker prior to this program. Similarly, the number of defective parts has decreased from as high as 837 per million down to only 10 per million. During this time, the total worker pay increased by 12 per cent.

The workers have become so involved that they themselves keep looking for ways to cut costs. For example, one group of workers has been involved in finding ways to recycle the oil used to cool and lubricate machines. If these efforts are successful, the workers feel that they can save about $ 41,000.00, which can be shared by them.

Even though the program has been successful, some workers are unhappy that all workers share the gains equally and this inhibits individual motivation. They feel that some unproductive workers are being benefited because of some highly productive workers and this arrangement does not seem to them to be equitable.

Questions:

1. Do you think gains-sharing programs are considered to be motivators for workers as individuals? Explain how the program has motivated the workers at Whirlpool corporation.

2. Should the management continue with the current manufacturing facilities or should it invest capital in upgrading the technology of production? Which option would help the management more and why?

3. What can the management do about the unproductive workers who are getting the  same benefits as the productive workers?

**CONTROLLING**

Control is a built in managerial function that measures current performance, identify, suggest and implement desirable changes during implementation so that the whole operation is guided towards predetermined objectives. It operates on everything; things, people and action which is continuous process applied on various resources mobilized during the implementation of plan. Definitions, importance and limitations of controlling, techniques of control and characteristics of effective control are discussed here under.

**DEFINITIONS**

KOONTZ AND O'DONNELL: Control is measurement and correction of the performance of activities of subordinates in order to make sure those enterprise objectives and plans devised to attain them are being accomplished.

ERNEST DALE: Control is a system, which not only provides a historical record of what has happened to the business as a whole, but also pinpoints the reasons why it has happened and provides the data that enable the chief executive or the departmental head to take corrective steps if he is on the wrong track

GEORGER R. TERRY: Control is determining what is being accomplished, that is, evaluating the performance, and if necessary, applying corrective measures so that the performance takes place according to plans.

The above definitions suggest that control is to find out the variations between the plan and the performance, and to suggest corrective measures to be undertaken.

**IMPORTANCE**

Control encourages top management for more and more delegation and decentralization. It spots the areas of weaknesses and the range of deviations from the original plans. It stimulates action, which will gear up all the departments. McFarland says that "Control is vital to the strength and morale of company employees"-workers will never like a situation to go out of control. Control will help in taking correct and clear-cut decisions. It can make planning effective and meaningful.

**LIMITATIONS**

1.  It is very difficult to establish standards for intangible activities.

2.  Control cannot be effectively exercised over external factors, which are basically uncontrollable.

3.  Employees may resist intensive control measures.

4. Control may not function effectively with untrained and unqualified subordinates.

5. Control may be resisted on the ground that it interferes with freedom of individual thinking and action.

## ELEMENTS OF CONTROL

There are six elements in control system. An executive exercising control has to understand each element in the context of its necessity. These elements are:

1. Authority

2. Knowledge

3. Guidance

4. Direction

5. Constraint

6. Restraint

All these elements are absolutely essential to exercise an effective control.

## ESSENTIALS OF A GOOD CONTROL SYSTEM

The following are broad considerations, which are essential to have an effective control system:

1. *Suitability*. The nature and need of the activity will help in determining a good system of control. Controls in a production department will be different from those used in marketing departments. Control for the production manager will be different from control for a supervisor.

2. *Prompt reporting*. If there are any deviations from the plans and standards they must be reported promptly and immediately.

3. *Forward-looking*. A good control system should avoid the possibility of getting similar deviations in future. All potential deviations should be corrected.

4. *Focus on strategic points*. A good system of control not only points out the deviations or exceptions but also pinpoints where they are vital or strategic.

5. *Flexible*. A good control system should remain workable even when the plans are changed or standards are altered.

6.  *Objective.*  To have effective control, there should be objective, precise and suitable standards.  They should be definite, and determinable.

7.  *Economical*.  The cost of installation and operation of a control system should be justified by its benefits.

8.  *Understandable*.  A control system should be clear and easily understandable to the people who will use it, so that control becomes easy, smooth and meaningful.

9.  *Remedial action*.  A good control system not only detects deviation, but also suggests practical corrective action.  Koontz and O/Donnell state that an adequate system of control should disclose where failures are occurring, who is responsible for them and what should be done about them.

10.  *Human factor*.  A good control system should be worker-centred rather than work-centred.  Accountability for major deviations and assistance for improvement should be organized.

   To conclude: planning is the basis of control, action is essence, delegation is the key; and information is the guide.


## FUNCTIONS OF A CONTROLLER

The Controller's Institute of America has prescribed the following functions for an effective controller.

- To establish, coordinate and administer an integral part of management, or an adequate plan for the control of operations

- To compare the actual performance with the original standards

- To consult all other departments and management segments regarding the attainment of objectives

- To administer policies and procedures

- To coordinate and supervise the preparation of reports to government agencies

- To ensure fiscal protection to the assets and properties of business through adequate internal control and insurance

- To continuously appraise economic and social forces.


## TECHNIQUES OF CONTROL

There are various techniques of control.  But the most important among them can be classified as:

- Budgetary controls

- Non-budgetary controls

**Budgetary Control**

Budgetary control refers to use of a budget as a control technique. A budget is an estimate of future need arranged in an orderly basis, covering some or all of the activities of an enterprise for a definite period of time. It is a time-bound financial plan. Budgetary control involves the use of both budgets and budgetary reports for a period to coordinate, evaluate and control the day-to-day operations as per the predetermined objectives.

A budgetary control should be objective-oriented, as it is a planning factor as well as a controlling factor. A budget committee can prepare the details of the budget taking into confidence all the concerned officers. Employees' views can also be obtained in preparing budgets. Budgets should be flexible, but stable. A budget should be in specific numerical terms, and it should be clear. Budgetary control also involves continuous comparison of actual results.

**Benefits**

1. It brings in efficiency and economy in the working of a business enterprise.
2. It helps in the determination of periodical objectives.
3. It introduces precision, discipline, and direction to the routine activities of the enterprise.
4. It coordinates and integrates the operations of different departments of the enterprise.
5. It provides standards against which actual performance can be measured.
6. It motivates subordinates.
7. It helps in democratic or participative management.
8. It helps in looking forward to a planned future.

**Limitations**

1. Spending the entire amount in the budget may be a problem. And if it is not spent, the budget may be reduced in the subsequent years. So, it encourages artificial spending.

2. Budgets create a rigid financial structure and managers have very little choice or discretion over funds.

3. Budgets may be used to judge the results of a manager, rather than the actual results. To keep up with the budget itself, it can be a matter of pride.

4.  They sometimes become expensive, meaningless and cumbersome.

5.  Budgets may be used to conceal inefficiency.

6.  There may be a danger of over-budgeting.

How to make budgetary control effective? Koontz, O'Donnell and Weihrich have suggested certain methods to overcome the limitations of budgetary control and to make it more effective.  Budgetary control must be tailored to each job; the managers who are going to administer the jobs should be made responsible for the budget and its preparation; top management should support budget preparation and administration; and there must be a reasonable degree of freedom and discretion for executives in the budget administration.

**Non-budgetary Control**

Apart from budgetary control, managers can use various non-budgetary control devices.  They are as follows:

- Statistical data and charts

- Internal audit

- Special reports

- Confidential reports

- Breakeven analysis

- Information control

- Personal observation

- Network analysis

**Statistical data and charts:**   They are the most common form of non-budgetary control. Statistical information of the past and data intended for the future can be use fro control.  The latest trend is to present such complete statistical information in the form of attractive charts.  Charts are self-explanatory, attractive and meaningful.

**Internal audit:**  Management can use the technique of internal audit for checking and controlling the operations. Internal auditors can appraise the performance of the management in relation to its polices and procedures.

**Special reports:**  Executives can give special reports for certain special projects of non-repetitive situations.  Such reports can also be given on the progress and performance of individuals and departments.  Feedback will help in taking immediate corrective action if necessary.

**Confidential reports:**  in certain organizations, there is a practice of getting confidential reports from the superiors on the working abilities and other information about a subordinate.  This can also act as a control device, but it can also be misused.

**Breakeven analysis:**  It is an analysis in chart form depicting the cost-volume-profit relationship.  The breakeven point is that where the total cost is equal to the total revenue.  This chart shows variable costs like labor, material costs and fixed costs incurred.  This chart helps in forecasting, budgeting cash requirement, planning financial needs make-or buy-decisions, etc.

**Information control:**  With the increased complexities in operations, it has become necessary to have a more sophisticated system of collection, processing, strong and applying the information.  This system can be called information control.  Information technology, management information system and computer applications have changed the whole concept of information system.  Information control has become one of the most vital and essential tools for effective control today.

**Personal observation:**  Control through personal observation will provide immediate and authentic information regarding the performance and it's matching with the standards.  But the prejudice or incompetence of the superior may affect the quality of information.  It cannot provide quantitative values for performance levels. It is difficult to express the quality of performance observed in numerical terms.

**Network analysis:**  Network analysis is a technique used in different functional areas of management for planning and controlling. It can be sued to plan and control the starting or construction of a new factory.

It consists of job or event and its arrangement in a logical network with time estimates.  Critical Path Method (CPM) and Programme Evaluation and Review Technique (PERT) and such other techniques of network will help in the starting of a new factory, new product, etc.  It focuses attention on the critical elements of the project, and is both a plan and a forward-looking type of control.  It helps in reducing work and cost, and in increasing efficiency and profit.  The most common among them are control over:

- Policies

- Procedures

- Organizations

- Personnel

- Products

- Product lines

- Production

- Stock or inventory

- Quality

- Wages and salaries

- Sales

- Prices

- External relations

- Overall performance

**CHARACTERISTICS OF AN EFFECTIVE CONTROL SYSTEM**

The following are the characteristics of control systems.  These should be

- Accurate

- Timely,

- Objective and comprehensible,

- Focused on strategic control points,

- Economically realistic,

- Organizationally realistic,

- Coordinated with the organization's work flow,

- Flexible,

- Prescriptive and operational, and

- Accepted by the organization's members.

## MANAGEMENT INFORMATION SYSTEMS

A management Information System (MIS) refers to the system by which the required information is collected, processed and presented to the management to take better decisions. Managers take decisions to have better results in the organization. In MIS, data is the input, which is processed to provide output in the form of information reports, summaries, etc. The output helps the manager in the decision-making process.

To be effective, MIS must have the following characteristics:

**Timeliness:** The required information is to be provided at the right time. The information received will be useful only when it is received in time to take a decision.

**Accuracy:** The accuracy of the information is very important in taking decisions. The manager himself can contribute more when he receives relevant information to take decisions.

**Relevance:** The information has to be relevant to take the right decisions. The top management needs to have information about changes in the environment, which can affect the very survival of his company.

Some decisions that the top management makes are oriented towards the future. The management at the middle level is mostly concerned with acquiring and controlling the necessary resources, and is concerned with decision-making. Thus, when data are put together in a meaningful form, they constitute *information*. Further, the same data can be used for generating multiple reports for use by different individuals and departments.

**Questions**

1) What control systems you will ensure if you are selected for a company dealing with food products?

2) What is the link between the style of leadership and control mechanism in an organization?

3) In the current trend of globalisation what traits do you count top to become an effective control manager?

4) What is the utility of computerized Management of Information system to ensure effective control mechanisms?

5) How the characteristics of a controller differ from international and national enterprises?

Case Study

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### The Fidelity and Standard Insurance Company

Seven people - five women and two men - all of whom had worked with the company for more than six years, staffed the Fidelity and Standard Insurance Company's Customer Relations department. Two had been with Fidelity and Standard for over ten years. The department's job entailed processing customer questions, complaints, suggestions, and (the occasional and highly prized) letters of praise for the company's products and service. The flow of work into the department was uneven, but always heavy. Some days more calls and letters came in than on other days but on average the department received about 2,000 items per week.

The seven members of staff divided the work among themselves, and generally were able to process all items within five working days - i.e. if a letter or call came in on a Tuesday, it was dealt with by the department by the following Tuesday at the latest. Telephone calls were the most time consuming items to be dealt with because a report had to be generated on every call, stating the issue (problem, question, etc.) and what action was taken (answered on the spot, direct referral by telephone, referral by memo, etc.). All items were processed on computer. When a letter was received it was date stamped, sorted as to question, complaint, compliment, or suggestion, coded by the department involved (i.e. by type of product or service) and placed in the relevant box (papers were placed on top of the pile and drawn off the bottom).

Telephone calls were routed by the switchboard to the department and evenly distributed, in order of receipt, among the seven members of the department. If they weren't dealt with immediately, a form was generated on the computer and queued with the rest of the work in a similar manner to paper items. Each document was then read, the relevant data keyed into a Response Form on the computer (e.g. name of customer, address, nature of correspondence, product or service in question, where referred, how dealt with, etc.). If, as was the case with about 65% of the items, the staff of the department could deal with the issue, they issued a response letter (in reality a form letter, but often customized, and made to look individual) and forwarded the copies, hard and computer, to the relevant department. If it could not be dealt with directly, a letter was issued to the customer informing him or her that their correspondence was being processed, and the information was forwarded to the department in question.

The work of the department was sometimes repetitious, sometimes demanding, but relentless in its flow. The group's manager had other responsibilities in addition to the Customer Relations Department and generally left them to get on with their work. She toured the department every morning, talking to each member of staff, checking to see if they had any particular problems with which they might need assistance, and complimenting them on their output. The staff was all experienced and knowledgeable about the workings of the company. The manager set no formal output requirements, but was aware that the group set its own goal of a five working day maximum response rate. The senior member of the group, Joyce Sparling, who was also its informal leader, saw to it that no items got "lost in the shuffle" and kept track of the response time.

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There was strong camaraderie within the group. They socialized with one another outside work, covered for members who were not feeling well, by handling extra loads of work or working overtime with no pay, and helped members deal with little problems. For instance, his company gave the husband of one of the women an award and his wife arranged a surprise party for him. To allow her time to make the arrangements during the day while he was away from home, get the catering done and shop for a special gift, the other members of the group each worked an additional half-hour for three days so that she could take longer lunch hours for that week. There was no decline in the amount of work processed during the week.

Questions:

**1. How would you rate the job satisfaction of the Customer Relations Department?** High, Medium or Low?

**2. How would you rate the effectiveness of the department manager's management style?** Good, OK or Poor?

**3. How would you rate the productivity of the department? High, Medium or Low?**

### INTERNATIONAL MANAGEMENT

### DOMESTIC AND INTERNATIONAL ENTERPRISES

The characteristics of domestic and international enterprises are illustrated in the following table.

| Environment | Domestic Enterprise | International Enterprise |
| --- | --- | --- |
| **Educational environment** | | |
| Language (spoken, written, official) | One | Multiple |
| Education System (quality, level, extent) | No or little constraint | Great constraint |
| **Socio-cultural environment** | | |
| Values, attitudes (toward achievement, risk taking, scientific method, work) | Homogeneous | Heterogeneous |
| Social organization (authority, status, roles, institutions, mobility, social systems) | Similar | Different |
| **Political-legal environment** | | |
| Political orientation (power, ideologies) | Country-centered | Transnational |
| **Legal environment** (laws, codes, regulations) | Fairly uniform | Different |
| National sovereignties | One | Many |
| Government policies, regulations | Same | Different |
| **Economic environment development** | | |
| (under developed, industrialized) | At similar stages | At different stages |

| Economic system (capitalistic, mixed, Marxist) | Similar | Different |
|---|---|---|
| *Managerial functions* | *Domestic enterprise* | *International enterprise* |

**Planning:**

| | | |
|---|---|---|
| Scanning the environment for threats and opportunities. | National markets | Worldwide markets |

**Organizing:**

| | | |
|---|---|---|
| • Organization structure | Structure for domestic operations | Global structure |
| • View of authority | Similar | Different |

**Staffing:**

| | | |
|---|---|---|
| • Sources of managerial talent | National labour pool | Worldwide labour pool |
| • Manager Orientation | Often ethnocentric | Geocentric |

| *Managerial functions* | *Domestic enterprise* | *International enterprise* |
|---|---|---|

**Leading:**

| | | |
|---|---|---|
| • Leadership and motivation | Influenced by similar structure | Influenced by many different cultures |
| • Communication lines | Relatively short | Network with long distances |

**Controlling:**

| | | |
|---|---|---|
| Reporting system. | Similar requirement | Many different requirements |

**Forms of International Business**

The forms of international business are:

1. Exportation
2. Licensing agreement
3. Management contracts
4. Joint ventures
5. Subsidiaries

**The environment for International Business**

The environment for international business is influenced by several factors. External and internal factors including political, cultural, social, economic, technological, legal and financial factors influence considerable the establishment and management of the business. The international relations between the domestic and foreign countries, international bodies like the United Nations, European Community and the Organization of Petroleum Countries also influence international business.

The business environment in India is favourable to several multinational companies. As a result, the number of foreign companies operating in India has been growing steadily over the years. The number of foreign companies has been growing steadily over the years. The number of foreign companies has increased from 565 in 1993-94 to 903 in 1998-99.

**THE ROLE OF GLOBAL MANAGERS**

In recent years, several companies are global zing with one or some of the objectives of opening new markets, obtaining more profits, acquiring products for the home market or other foreign markets, satisfying managements' desire for expansion, protecting domestic or foreign markets, acquiring technology, achieving geographic diversification, or to guarantee supply of raw materials. According to Howard Perlmutter, the managers of international companies have three primary attitudes: ethnocentric, polycentric and geocentric. When foreign countries and their people are considered to be inferior to the home country, the attitude is called *ethnocentric*. In the polycentric attitude, mangers feel that the environment differs from one country to another and the decision attitude recognize both similarities and differences among nations and try to procure effective and efficient processes, people and materials from all over the world.

When economics are globalizing all over the world, the need of the hour is to have global leaders to manage multifaceted industrial organizations. The scope of a manager is extended from local or regional to global or cross-national.

Management education is also globalizing with vast expansion, and networks among different institutions have become a common phenomenon to improve the quality of education all over the world.  Several strengths are there in Indian business education, besides some constraints.  Some common features of business education in India are:  a functional approach to the study of management; manufacturing orientation in the curriculum; use of half-baked Indian case material or old American case material; limited contact with Indian case material or old American case material; limited contact with Indian industry; shortage of professional faculty; a superficial coverage of the Indian business and economic environment; inadequate coverage of international management; lack of skill development; inadequate research orientation; lack of information about global locations, networks and developments; inadequate computer accessibility, etc.

According to Stephen Rhinesmith, the following competencies are essential to become a global manager.

**Managing competitiveness:**  Manager should constantly scan their environment for changes in market, competitive and suppliers' conditions, as well as socio-economic and political trends that may affect their organizations.

**Managing complexity:**  Skills to manage trade-offs of many competing interests as well as inherent contradictions and conflicts that exist in all global organizations.

**Managing adaptability:**  Entails developing a global corporate culture with the values, belief systems and norms of behaviour.

**Managing teams:**  A multicultural environment, which requires cultural sensitivity and managerial skills to lead, understand, manage and supervise people from a wide range of cultures in a broad range of situations.

**Managing uncertainty:**  While providing structure and taking advantage of opportunities that arise from the lack of structure, managing learning which requires managers to not only learn about themselves on a continuing basis, but also to train and develop others and facilitate constant organizational learning so that it can be responsive and adaptive to global change and challenge.

In addition, the following qualities are required for managing businesses for results: innovation; quality of life; knowledge; socio-economic development; high ethical standards; sacrifice; forgiveness; truthfulness; respecting elders; focus on significant issues; and identifying opportunities.

Seven spiritual values required for managers are: National service through industry; fairness; harmony and cooperation; struggle for betterment; courtesy and humility; adjustment and assimilation; and gratitude.

In Japan, the top managements emphasize quality of the product/service. For the international competitive edge, commitment to quality is required for the competitive advantage of a firm or nation. The issues relating to change in the organizational structures are; multiple layers to be rejected, moving towards horizontal management; developing customer-led strategies, not product-led; loving our people; initiating a cultural change; improving quality of work life; developing partnerships; learning to work with customer and supplier; providing leadership; spending as much as one can on training. Several countries for successful management adopt these.

The traits of successful leaders in India are; professionalism; innovative thinking; high knowledge; quality consciousness (Lakshmanbhai R. Gandhi and Ramachandrabhai R. Gandhi of Vadilal Ice Cream); affordable price, smart pricing strategy; developing mass market (Karsanbhai K. Patel of Nirma Chemical Works); fair price, strong marketing strategies (Aspi R Balsara of Balsara Hygiene products); pursuit of excellence; grow or perish policy; internationalism (K.M. Mukherjee and Ashok Aikat of Sonodyne Electronics); honesty, dedication, Japanese culture, innovations (Jyothi Mukherjee of Bharat Biscuits); commitment, technology and vision (Chandramohan of Punjab Tractors); satisfying the customer, employing women (Satya Prakash Mathur of Sumeet); service to society through industry, sacrificing nature (K.V.K. Raju of Nagarjuna Steels); innovation, loyalty to customers, commitment to quality (Ramabai B. Patel and Indravadan A. Modi of Cadila Laboratories); employee cooperation, customer support (P. Rangachar of Yeken India).

A recent study in India revealed that the qualities considered essential for choosing the best chief executives are: leadership ability, profit orientation, ability to attract and retain talent, having the best industrial relations policies, honesty, and the ability to establish an international presence. The study further stated that the best chief executive were: Ratan Tat (Tata Sons); K.L. Chugh (ITC); R.Bajaj (Bajaj auto); Ambani (Reliance Industries); S.M. Datta (Hind Lever); A. Birla (Indian Rayon); D. Setha (Tata Chemicals); A.B. Godrej (Godrej); J.J. Irani (Tata Steel); L.M. Thapar (Crompton Greaves); H.V. Goenka (RPG Enterprises); Nusli Wadia (Bombay Dyeing); Vijay Mallya (UB Group); M.R. Chhabira (Shaw Wallace).

Many manager are thinking and acting like this: thinking globally, acting locally; acting globally with local resources; globalizing the business; training global mangers, etc. Let us hope that the mission of our nation would certainly be fulfilled soon, when the present generation of students and other people understand their roles and responsibilities by understanding the attitudes of mangers and also other experience of successful Indian managers.

### SOCIAL & ETHICAL RESPONSIBILITIES OF MANAGEMENT

**Criteria for Social Responsibilities**

Steiner suggests criteria for determining the social responsibilities of business.

- Every business must realize what its social responsibility is, and in deciding what to do, the value and interest of top management's perception of public expectations are the guiding factors.

- Business must be considered to be basically an economic institution with a strong profit motive. Business' search for profitable opportunities may reduce or eliminate many hard social problems.

- Business should take the long-term view and perform socially responsible actions that might temporarily lessen net profit, but are in the profit interests of the company in the long run.

- The greater the social power of a business, the larger will be its social responsibilities.

- The larger the size of an individual business, the larger will be its social responsibilities.

- Social responsibilities vary with the type of company.

- Social responsibility should not involve high investment so that it jeopardized the firm's stability to attract shareholder's investment.

- Business should be obliged to internalize more of its investment costs.

### RESPONSIBILITIES TOWARDS CONSUMERS

Consumers, employees, investors, fellow businessmen, community and state represent different interest groups that should be satisfied by management of business enterprises. Since goods are produced, they are to be sold, and consumers need to be satisfied. In fact, in a market-based economy, the consumer is often considered to be "the king". Firms that produce goods, which consumers will buy, are successful. The consumer not only determines the income of business firms but also affects their success and survival. The goodwill of consumers is, thus, a critical factor for the success of business.

The basic business responsibilities towards consumers may be summed up in terms of five R's- the right quality, right quantity, right time, right place and right price.

To be more specific, business responsibilities towards consumers include the following:

- To produce goods that meets the needs of consumers of different classes, tastes and with different purchasing power.

- To establish fair prices of products consistent with quality, efficiency and reasonable profit to the firm.

- To provide prompt, adequate, courteous, and friendly service to customers.

- To ensure fairly wide distribution of products among all sections of consumers.

- To improve their standard of living in society by producing goods and services which they need.

## RESPONSIBILITIES TOWARDS EMPLOYEES

Employees also represent an important interest group to which a business enterprise has certain social obligations. A perfunctory or apathetic approach to employee relations is a thing of the past and must not be considered adequate under the present value system of society. The traditional approach to employee relations needs to be replaced by a more humane and scientific approach towards them. In particular, social responsibilities of business towards employees include:

- Fair remuneration
- Job security and safety
- Proper working conditions and employee welfare
- Trade union rights
- Employee promotion and code of conduct
- Employee participation in management.

### RESPONSIBILITIES TOWARDS EMPLOYEES

- To ensure safety of investment over a period of time

- To provide the highest long-term rate of return on investment

- To provide steady capital appreciation on investment

- To ensure industrial democracy and provide for effective representation of different categories of investors on the board of directors of the company.

### RESPONSIBILITES TOWARDS INTER-BUSINESS RELATIONSHIPS

Every business deals with a number of other business units. For the success of its own business, a company should, therefore, develop healthy and cooperative inter-business relationships. Fair trade practices regarding prices, quality, delivery, payment and service can be an expression of proper discharge of social responsibility to dealers and suppliers.

### RESPONSIBILLITIES TOWARDS THE COMMUNITY

It is an important responsibility of business to inform the community about the company's policies and programmes, and above all how the enterprise contributes to the development of the locality and welfare of the community.

The important aspects of social responsibilities of business towards community include the following:

- Help the local civic administration to provide better public services by providing financial and technical help to municipalities and district boards.

- Promote community help by aiding the Red Cross, hospital boards and medical research institutes.

- Aid schools, colleges and other educational institutions to provide better education to the members of the community business units should also sponsor research projects.

- Promote cultural enrichment of the community by encouraging greater appreciation of art, music and drama.

- Encourage sports and provide recreational facilities.

- Organize community forums and discussion groups and thus promote better understanding of national and local affairs.

- Minimize the problem of pollution and help community efforts in this direction.

- Abandon ostentatious living and display of wealth, and develop socially desirable standards of living for themselves.

**RESPONSIBILITIES TOWARDS THE STATE**
In every country, the government is taking keen interest in trade, production, distribution, control and regulation of business. This combination of trade and political power in the government has added to the already existing social responsibilities of business towards the state.

**Social Attitudes, Beliefs, and Values**
According to Koontz and O'Donnell, a number of social beliefs have evolved for social development in the USA. Some important social beliefs are as follows:

- There are opportunities for people who are willing and able to work to take advantage of them.

- Faith in business and respect for business leaders and owners.

- Belief in competition and competitiveness in all aspects of life.

- Respect for the individual, regardless of race, religion, or creed.

- Respect for authority arising from ownership of property, expert knowledge, and elected political position.

- Belief in and respect for, education.

- Faith in logical processes, science and technology.

- Belief in the importance of change and experimentation to find better ways of doing things.

Suggestions for maintaining social values are:

- Providing clear guidelines for ethical behaviour.

- Teaching ethical guidelines and their importance.

- Setting up controls that check on illegal or unethical deeds.

- Conducting frequent and unpredictable audits.

- Publishing trespassers in a meaningful way.

- Emphasizing regularly that loyalty to the company does not excuse improper behaviour or actions.

**THE 10 COMMANDMENTS OF CORPORATE SOCIAL RESPONSIBILITY:**

1. Take corrective action before it is required.

2. Work with affected constituents to resolve mutual problems.

3. Work to establish industry-wide standards and self-regulation.

4. Publicly admit your mistakes.

5. Get involved in appropriate social programmes.

6. Help correct environmental problems.

7. Monitor the changing social environment.

8. Establish and enforce a corporate code of conduct.

9. Take needed public stands on social issues.

10. Strive to make profits on an ongoing basis.

## ETHICS OF MANAGERS

Manager's ethics include a wide range of organizational decisions and actions. A recent study of the values and ethics of managers by Barry Posner and Warren Schmidt found that.

- The foremost goal of mangers is to make their organizations effective.

- Profit maximization and stockholders' interests were not the central goals of the manger's studies.
- Attending to customers was seen as important.

- Integrity was the characteristic most highly rated by mangers at all levels.

- Pressure to conform to organizational standards was seen as high.

- Spouses are important in helping their mates grapple with ethical dilemmas.

- Most managers seek the advice of others in handling ethical dilemmas.

Robert J. Mockler has identified factors that affect decisions on ethical problems. Some simplify the problems others complicate them.

## SOCIAL AUDIT

The measurement, evaluation and reporting of performance of an organization in the area of social responsibility is called *social audit*. It is also defined as "A commitment to systematic assessment of and reporting of some meaningful definable domain of a company's activities that have social impact" (Bauer and Fenn).

"Social Audit, much like financial audit, is an identification and examination of the activities of the firm in order to assess, evaluate, measure and report their impact on the immediate social environment" (Ahmed Belkaoui).

Social audit helps to determine the areas where the firm could be vulnerable to public criticism. Organizations can inform the public regarding their activities for society. The true picture of corporate accountability can be given to the society. Social audit may be measured in the areas of employment, production, consumer effort, consumer funds absorbed, payrolls, dividends and interest, environmental protection, etc.

The Committee for Economic Development of the United States of America conducted a study on the current business practices of corporate business on social audits. Out of the 284 companies that responded, the main points were:

- 76 per cent of the companies had made an inventory of social audit (three-fourths of the companies performed this function),

- 70 per cent performed this function voluntarily, and

- 30 per cent made their social audit reports available to the general public.

A Ford Foundation support study found that 57 per cent of institutional investors took social considerations into account in the selection of investments. The US Chamber of Commerce also urged business firms to develop social audit procedures.

In the wake of the 1967 summer riots in Detroit, the Michigan Bell Telephone Company announced that it would "adopt" the city's Northern High School and place its own instructors and equipment in the school to supplement, and in the company's words, to "enrich" the regular teaching programme. Soon after, Chrysler Corporation announced that it would also adopt a Detroit public school.

The Government of Florida (Claude Kirk Jr) subcontracted some of the state's regular police work to a private company, which already does similar work for the federal government. The city of New York's mayor (John Lindsay) called in McKinsey & Company to analyze his administration's air pollution problems, and the Traffic Commission invited Sperry Rand, and later IBM, to help to solve the city's growing traffic headache. The Government of California has borrowed executives whose salaries continue to be paid by their respective companies as consultants in seeking ways to trim the costs of the state government.

In India, this concept was first implemented by TISCO. Gradually, Zuari Agro Chemicals Ltd., Indian Petro Chemicals Corporation Ltd., the Cement Corporation of India, ITC, and several other public and private sector enterprises implemented certain measures of corporate social audit. In TIDCO, the social and moral responsibilities of the company were observed in five spheres. They are (a) customers, (b) employees (c) shareholders, (d) society and (e) the local community. The organization has contributed towards pollution control, employer-employee relations, consumes, shareholders and community development. The mission of Nagarjuna Group of Industries chief executive was "service to society through industry". Tata's crest is also "Humata" (good thoughts), "Hukhta" (good words), and "Hvarshta" (good deeds).

In the public sector, the Cement Corporation of India has been publishing "Social Accounts" in its annual reports since 1980. The Indian Petro Chemicals Corporation Ltd. Has also been following social audit. Several other companies in steel, petroleum, engineering, textiles, etc. also are on the move towards these concepts.

The following practices are followed in some of the above enterprises:

- Net income contribution
- Human resource contribution
- Employment to deserving people
- Environmental contribution (pollution)
- Product/service contribution (quality, durability, safety)
- Customer satisfaction
- Service to the society/nation

Whatever may be the activity of the enterprise, social audit is needed in an organization for satisfying the customer and achieving excellence. Enterprises have to make it a compulsory process at the time of preparing their final accounts. The customer's/community's delight is to be considered as the main purpose of its existence and survival, instead of concentrating only on business expansion or customers. The Total Quality management concept needs to be introduced in organizations. Each company has to set aside a certain percentage of its profits for in-house R&D on several aspects of management. Implementation of the social audit function should be taken care of by HR professionals along with the people concerned. As stated by Whitehead's Alfred North, "A great society is a society in which its people of business think greatly of their functions."

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