

Principles of management
or.

Business management

BBA. 2nd sem.

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Unit - I

Page :

Date :

Management:-

It refers to the process of conducting a set of functions (planning, Organizing, Staffing, directing and Controlling) to get the work done in an efficient and effective manner.

* Definitions of Management:-

"Management is the art of getting things done through Others and with formally Organised groups."

* Nature Or Characteristics of Management:-

i) It is a Group Effort :- As per this characteristic of Management, it is not a single person who consummates the whole process of management but it is a group effort. Hence, whenever we talk about management every person who is holding a managerial position falls under its domain.

2.) It is a Goal-Oriented Process:-

Every Organisation is established for the fulfilment of one or the other Object. Management acts as a medium which facilitates in achieving these Objectives. A manager on the basis of his knowledge and experience anticipates future events and plans accordingly.

3.) It has a Distinct Entity:-

In view of the widening scope of business it is not possible for an owner to perform all the functions by himself. In other words, it can be said that in an Organisation the owner and a manager can be different persons.

4.) It is an Intangible force:-

Management is a force which is not visible. It can only be felt or realised on the basis of the success of an Organisation.

5.) It is a Process:-

Theo Haimann, Terry McFarland and O'Donnell are the chief advocates of the view that management is a process. They feel that the process of management includes the activities like, planning, organising, staffing, directing and controlling and it is used in an efficient way and utilizing the human and material resources for the achievement of pre-determined Objects.

6.) It is an Inborn and Acquired Ability:-

ability can be inborn or it can be acquired. These are two different aspects of it. According to the traditional concept of Management, Management ability is an inborn quality which means managers are not made but born. As a consequence of this concept traditional and Parental industries came into existence.

7) It is a Universal Activity :- Many

Management experts have described it as a universal process. Universality is that truth which is prevalent in every sphere & is equally applicable everywhere and management too has this quality.

8) It is Multidisciplinary :-

In reality management is multidisciplinary. It means that even it is a separate subject and has developed a lot and it is deeply indebted to various other disciplines form which it has gained considerably.

9) It is a Social Science :-

Social Science is connected with human beings. Management is a Social Science like other Social Science - Economics, Sociology, Political Science, etc. It is related to man as a social being who is a sensitive, reasoning

and dynamic being and who cannot be treated like the inanimate objects. Man has an absolute liberty to change his conduct according to need.

10) It is a System :- Modern Management experts consider management as a system. Now when management is being looked upon as a system, it means that we are moving fast to the direction of thorough and absolute knowledge. It means taking various aspects of management into consideration rather than thinking about a particular single aspect.

11) It is a Dynamic System :-

Management is based on certain principles which are dynamic. Principles mean some basic truth which establishes a link between cause and effect. principle of management continue changing according to the

atmosphere in which an organisation functions. Because of this continuous change in the atmosphere many old principles have been replaced by new ones.

12.) It involves Social Responsibility:-

Today

Management is looked upon as a social responsibility. A Manager always takes decision in the interest of the Organisation. But if a particular decision takes into consideration only the interest of the Organisation and ignores the interest of society, it will not only endanger the existence of the Organisation but ensure its downfall.

13.) It is a Profession:-

These days Management is popular as a Profession. The old concept that management ability is

an 'in-born' ability is almost dead. The rapid progress in the field of Management has passed it beyond any shadow of doubt that managers are not born but made by training.

14.) It is both Science and Art:-

This is an

important aspect of the nature of management. Management possesses the qualities of both Science & art. Art means a system of doing as an art. Management is a process in which the manager has to function with a human group. An efficient manager tries to function in an organised or systematic manner by established coordination b/w human and material resources.

★ Process of Management

1.) Planning :- Planning is the process of thinking about the activities required to achieve a desired goal. It is the first and foremost activity to achieve desired results.

2.) Organising :- To plan or arrange an event, activity, etc. To put or arrange things into a system or logical order.

3.) Staffing :- Staffing refers to the continuous process of finding, selecting, evaluating and developing a work relationship with current or future employees. The main goal of staffing is to fill the various roles within the company with suitable candidates.

4.) Directing :-

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. In field of management, directing is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently.

5.) Controlling :-

Control is a function of Management which helps to check errors in order to take corrective actions. This is done to minimize deviation from standards and ensure that the stated goals of the Organization are achieved in a desired manner.

★ Basic Managerial roles and skills,

■ Managerial roles:-

The major question that arises in connection with the managerial roles is that whether it includes only five functions of management as mentioned in the process of management.

A) Interpersonal Roles:-

Under management the objectives of the Organisation are achieved through the medium of one person, that is the manager and other person. It is called interpersonal activity.

1) Role of a figurehead:-

The manager happens to be the head in an Organisation. Under this role, the manager has to perform the following Activities:

- To represent the Organisation at social festivities.
- To welcome the visitors.

2) Role of a leader:-

In the role of a leader, a manager guides his subordinates. He tells them how a work can be performed in the minimum possible time and what should be the method of doing it.

3) Role of a liaison Officer:-

Under this role, a manager gets much information by establishing contact with the manager of other departments.

B.) Informational Role

This role of the manager is related with communication. The manager exchange important information with his subordinates.

1) Role of a Monitor:-

As a monitor the manager keeps an eye on the internal and the external environment of the Organisation. Environment means the internal and the external factors which influence the policies of the Organisation.

2.) Role of a Disseminator:-

In the role of a disseminator a manager provides that information to his Subordinates which is beyond their reach.

3.) Role of a Spokesman:-

In the role of a spokesman the manager acts as a representative of the organization in his relation with the people outside the organization.

C) Decisional Role:-

This role of the manager is related to taking decision. It is said about management and decision that if decision is taken out of management, nothing else.

4.) Role of an Entrepreneur:-

In this role a manager discovers new methods to face the modern business environment and implements them.

2.) Role of a Disturbance Handler:-

In this role a manager tries to remove any obstacle in the organization as quickly as possible.

3.) Role of a Resource Allocator:-

The resources in every organization are limited. It is the duty of the manager to put these limited resources to the maximum use.

4.) Role of a Negotiator:-

In this role, the manager makes a deal on different points with the internal and external people.

★ For example :- making a deal with the president of the labour union regarding strike. It means deciding about the facility by negotiating with the president of the union that can end the strike.

Management Skills :-

In Order to perform various functions of management effectively, a manager must possess certain Skills. Skill refers to an individual's ability to translate knowledge into action.

1) Conceptual Skills :- It refers to the ability of a manager to interact effectively with people. take ability to analyse the forces working in a situation.

2) Human Skills :- It refers to the ability of a manager to interact effectively with people. This skill develops in the manager's ability.

3) Technical Skills :-

It refers to a manager's knowledge and proficiency in handling any type of process or technique.

Approaches To Management

The approach to management ideology Continued developing with the presentation of new thoughts. The process of development of management thought can be divided into three main heads:-

- 1) Classical Approaches
- 2) Neo - Classical Approaches
- 3) Modern Approaches.

Classical Approaches

The classical Approach to management started around the year 1900. The principles developed under this approach are accepted even today.

1) Scientific Management Approach

2) Administrative Management Approach

3) Bureaucratic Management Approach

Scientific Management Approach :-

It refers to that management approach which is designed to improve employees efficiency by scientifically studying their work.

Principles of Scientific Management

1. Principle of the Use of Science for the Rule of Thumb :-

According to this principle, all the activities being performed in an organisation should be analysed in detail with the aim of development.

2. Principle of Scientific Selection and Training of Workers :-

According to this principle the selection and training of workers should be done in a scientific manner. Of the various activities being performed in an organisation, selection of workers in the most.

3. Principle of Co-operation between labour and Management :-

As per this principle such an atmosphere should be management Consider each other indispensable.

4. Principle of Maximum Output :-

As per this principle, both the labour as well as management should make full efforts to produce the maximum output. They should spare no efforts for the maximum utilization of the factors of production.

5. Principle of Division of Responsibility :-

According to this principle, the workers of the organisation and the related responsibilities should be clearly divided among the two main groups in the organisation. Each group should be assigned work which it can accomplish more efficiently.

★ Techniques Of Scientific Management :-

1) Scientific Study of work :- Scientific Management requires deep analysis of all the activities being performed in the Organisation with the aim of producing the maximum possible output with the minimum possible efforts.

2) Scientific Task planning :-

Scientific task planning implies analysing all the different aspect of the work before actually commencing upon it. Such as What is to be done How is it to be done? where is it to be done.

3)

Scientific Selection and Training of workers

First, it is determined that for a particular work, persons possessing what qualities & capabilities are required.

4) Standardisation :-

Standardisation means setting standards for different factors after due deliberation.

5) Differential Wage System :-

According to this system, wages are paid on the basis of work done and not on the basis of time spent in doing the work.

6) Specialisation or Functional Formanship :-

F.W Taylor has propounded the functional Organisation. This form of Organisation is totally based on the principles of specialisation and makes full utilisation of the expertise of various experts.

7) Mental Revolution :-

Mental Revolution calls for a change in the mind-set of both the managers and the workers. It is seen that a conflict between the managers and the workers result in division of profits.

Administrative Management Approach

★ Classification of the first feature

- (i) Technical Activities,
- (ii) Commercial Activities,
- (iii) Financial Activities
- (iv) Security Activities
- (v) Accounting Activities, and
- (vi) Managerial Activities

★ Classification of the Second Feature

Fayol made it clear that management is a kind of activity which is implemented in a similar way in all the business and non-business organisations. It means that whatever is done under management is done in a similar manner in all the organisations. Fayol has presented the following five functions and 14 principles of management and suggested that any organisation which follows them is sure to succeed.

★ Functions of Management according to Fayol

- (i) Planning
- (ii) Organising
- (iii) Coordinating
- (iv) Commanding, and
- (v) Controlling.

★ Principles of Management according to Fayol

- (i) Division of Work,
- (ii) Authority and Responsibility.
- (iii) Discipline.
- (iv) Unity of Command
- (v) Unity of Direction.
- (vi) Priority to general interest over individual interest,
- (vii) Fair Remuneration
- (viii) Effective Centralisation
- (ix) Order
- (x) Equity
- (xi) Stability in the Tenure of personnel
- (xii) Initiative,
- (xiii) Scalar chain, and
- (xiv) Esprit De Corps.

Evaluation of Administrative Management

★ Importance

- i) Universality of Management.
- ii) Managers are not born, but created.
- iii) Only Authorities can be delegated, not the responsibilities.
- iv) The Span of Control for a delegated not the responsibilities.
- v) One person should do only one work.

• Criticism

- i) There is a Contradiction in the thoughts advanced by Fayol.
- ii) These principles are based on limited study.
- iii) These principles mechanise the Organisation.

★ Conclusion :-

It can be said that the Criticisms against the administrative management is not practical. The principles advocated by Fayol are steadfast even today and they guide

Bureaucratic Management Approach

★ Features of Bureaucratic Management

- i) Proper Division of Work :- Proper division of work means distribution of work on the basis of specialisation. It means an individual should be allotted the work in which he specialises.

- 2) Clear Hierarchy of Authority :- The authority of the superiors and the subordinates should be clearly defined.

- 3) System of Rules :-

Clear rules should be framed to govern the activities carried on within the Organisation. These rules should be strictly implemented.

- 4) Impersonal Relations between People :-

Under this approach, the basis of promotion should be ignored.

5. Promotion Based on Competence :-

According

to this approach, the basis of promotion should be Competence.

★ Evaluation Of Bureaucratic Management

★ Merits

- (i) Division of work leads to specialisation.
- (ii) It brings regularity in the conduct of the employees.
- (iii) Competence being the basis of promotion.

★ Demerits

- (i) Increase in paper formality.
- (ii) Increase in red-tapism.
- (iii) Personal relations are ignored.
- (iv) Lack of initiative in the workers.
- (v) Workers oppose change.

Neo-Classical Approaches

The neo-classical approach to management developed around the year 1930. The basis of this approach is the classical approach.

• Human Relations Approach :-

Both the

scientific management approach of Taylor and Administrative management approach of Fayol have failed to increase production efficiency and work place harmony.

(i) Relationship between light and production.

(ii) Relationship between the Conditions of work and production. (The Conditions of work include light, air, hours of work, period of rest, frequency of rest etc.)

(iii) Informal group and relationship with production.

(iv) Relationship between economic incentives and production.

★ Evaluation of Human Relations Approach

• Importance Or Contribution

- (i) There is no relationship between the conditions of work and productivity.
- (ii) The non-economic awards do affect the efficiency of the workers.
- (iii) The psychology of the workers is very important. Therefore, it should be properly understood.

• Limitations

- (i) This approach pays the greatest attention to the human factor and the remaining factors have been ignored.
- (ii) It is wrong to think that a business organisation can be established in the form of a family because people having different religions, castes and interests work in it.
- (iii) It is difficult to satisfy all the employees with non-economic awards.

• Behavioural Science Approach

It has been observed in the human relation approach that there is a direct relationship between satisfaction and production. In other words, if the more satisfied workers then the more production will be possible.

i) Abraham Maslow :-

Maslow presented the Need Hierarchy principle. According to this principle, the needs of a human being, are varied and their order can be determined.

ii) Frederick Herzberg :-

According to Herzberg, along with the motivators the main-tenance factors are also helpful in boosting the enthusiasm of the workers.

3) Douglas McGregor :-

McGregor has presented the traditional approach of motivation as 'X' approach and the modern approach and 'Y' approach.

4.3 Rensis Likert:-

Likert had contacts with numerous managers during the course of his research and, in conclusion:-

5.3 Robert Tannenbaum:-

Tannenbaum, presented the approach of Continuum of Leadership behaviour.

• Conclusion

- (i) The employees should have a share in the matter of policy determination
- (ii) The employees should be treated in a human way.
- (iii) It is the duty of the manager to bring out the latent talent of the employees.
- (iv) It is the duty of the manager to provide a healthy environment.
- (v) The system of self-discipline instead of the imposed discipline should be adopted.

Modern Approaches

The modern approach to management was developed around the year 1950. This approach is an improvement upon both the classical and neo-classical approach to management.

• Quantitative Approach

The quantitative approach was proposed by C.W. Churchman and his colleagues around the year 1950.

- (i) Theory of probability.
- (ii) Sampling Analysis.
- (iii) Correlating / Regression Analysis,
- (iv) Time Series Analysis
- (v) Ratio Analysis,
- (vi) Variance Analysis,
- (vii) Statistical Quality Control
- (viii) Linear programming,
- (ix) Game Theory,
- (x) Network Analysis,
- (xi) Break-Even Analysis
- (xii) Waiting line or Queuing Theory
- (xiii) Cash - Cost Benefit Analysis, etc.

System Approach

This is a newly developed approach which came into existence in 1960. This approach was developed by Chester I. Bernard, Herbert A. Simon and their colleagues. According to the System Approach, the whole Organisation is a system and its various departments are its Sub-System. All the Sub-System Works in unison. Then and only then the objective of the Organisation can be achieved.

Contingency Or Situational Approach

Contingency approach to Management is an important modern Approach. This approach originated in around 1970. According to it, the managers should take decisions not according to principles but according to the situations.

Features Of Contingency Approach

The following are the main features of the Contingency approach

- 1.) The managerial action influences the environment.
- 2.) The managerial action change according to the situations.
- 3.) There is essentially a Coordination between the Organisation and environment.

Limitations Of Contingency Approach

The following are the limitations of the Contingency approach:

- 1.) It is not sufficient to say that the managerial action depends on the situation. It is essential to say what action should be taken in a particular situation.
- 2.) A situation, it can be said that this approach advise the managers to be alert and suggests that the approach and system of work should be suitable changed in view of the situations Contingent them.

Conclusion

In Conclusion, it can be said that this approach advise the managers to be alert and suggest that the approach & system of work should be suitable changed in view of the situations confronting them.

Contemporary Issues and Challenges to Management.

1.) Conflicting Demands of various parties:-

Many people are benefited through business and mainly among them are: Owner, employee, Supplier, Consumer, government and community.

2.) Increased Complexity of Decision:-

The second challenge in front of managers is the increased complexity of decisions. To take decision is becoming difficult for managers day by day mainly because of two reasons.

(i) Increased Number of Participating Groups:-

Today, either inside or outside the organisations many such groups are emerging that feel there should be their involvement in decision making.

(ii) Availability of More Information

Sometime earlier when limited amount of information was available, it was not very difficult to take decision.

3) Renewal of Management:-

Today, renewal of management is taking place. The significance of renewal of management is in shunning the conventional outlook and adopting the contemporary outlook.

4) Diversity in Workforce:-

Workforce implies the total strength of employees of any organisation. Sometime earlier the employees working for an organisation were related to a particular place. They share common culture and language and also almost all the employees were males.

5.5) Innovations in Organisational Design:-

Today there is the need to change an Organisational design of business is gaining momentum. There are many reasons why changes in Organisational designs are taking place.

6) Increased Mobility of professionals:-

Increased mobility of professionals means when specialised employees frequently switch over the companies. Today, the number of professionals is on a continuous rise.

7) Technological Changes:-

Under technological changes new methods of production and invention of automatic Management equipment are included. Fast rate of technological changes are posing a challenge in front of managers.

6.) Changing Scenario of Economic Environment :-

The Centre of economic reforms were liberalisation privatisation, globalisation and modernisation of economy has posed a great challenge before the manager.

9.) Development of Business Ethics :-

The growing importance of ethics in business has bounded managers to think something novel. Ethics means the ideals which are to be adopted in life.

10.) Business - Government Relations :-

Today the intervention of Govt. is increasing to save the interests of labour consumer and community. This is also the moral responsibility of government to secure the interest of all groups from the exploitation done through business.

Unit - II

Planning and decision making

★ Planning :- It refers to thinking beforehand.

□ Definitions of planning

Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it.

★ Concept of Planning

1.) Planning is an Intellectual Process :-

Planning is chiefly an intellectual process which means 'thinking before doing'.

(i) What is to be done?

(ii) How is it to be done?

(iii) When is it to be done?

(iv) By whom is it to be done?

2.) Planning is selection of the Best Alternative:-

The second important characteristic of planning is the selection of the best alternative. There can be many ways of doing work and the planner selects the best possible alternative.

3.) Planning is all pervasive:- It will be appropriate to describe planning as all pervasive because it operates at all the levels of management in an enterprise.

4.) Planning is the primary function of management:- Planning is the primary function of management and all other functions like Organising, Staffing, leading and Controlling come later. In the absence of planning no other function of management can be completed.

5.) Planning is Forecasting:-

Planning always takes into consideration the future. Under planning, on the basis of collected facts.

6.) Planning is a Continuous Process:-

Planning is that process which begins with the establishment of the management of the Organisation and ends with the Organisation.

7.) Planning is Flexible:-

Forecasting the future which is uncertain. It is quite possible that the basis of the forecast made by the manager or the facts on which he makes this planning undergo some changes after some time.

8.) Planning is goal-oriented:-

An enterprise is established with some pre-determined objectives and planning tells us how to achieve those objectives.

9.) Planning is an Interdependent process:-

The activities of an enterprise are divided into many departments like the Purchase Department, the Sales Department, the production Department, the Finance Department.

10.) Planning leads to Efficiency and Economy:-

It makes it possible to utilise the available human and material resources in the most favourable manner in an Organisation.

11.) Planning Considers the Limiting Factors:-

The quantity of available resources of production has to be kept in mind before planning. If a manager ignores the limited resources, planning is bound to fail. For example, if the raw material is available upto a certain limit for a certain period then the raw material will be the limited factors.

12.) Planning Creates Coordination:-

In any Organisation Coordination of all the activities is necessary to run the work unhindered. With the help of planning 'what', 'why', 'who', 'where', 'when', etc.

Purpose Of Planning:-

1.) Focuses Attention On Organisational Objectives:-

With the help of planning the Objectives of the Organisation are clearly defined in simple words. Its result is that the attention of all the employees is directed towards a particular goal.

2.) Minimises the Future Uncertainties:-

Planning is always made in respect of future which is always uncertain. Nobody can tell it clearly what is going to happen.

(3) Utilises Resources Properly:-

The important advantage of planning is that it makes it possible to utilise the available resources in an organisation in a better way.

(4) Ensures Economy in Operation:-

First of all, under planning the objectives are determined and then follows the process of selecting the best work system out of various alternatives.

(5) Achieves Coordination:-

Under the process of planning appropriate plans are devised for various departments keeping in view to availability of resources. The result is that there is no clash among different departments. Every department is informed before hand about the work to be done.

(6) Facilitates Control:-

Planning facilitates the function of controlling and, therefore, it is considered the foundation of control.

(7) Encourage Innovation and Creativity:-

It is evident that planning chooses the best alternative out of the many available. These various alternatives do not come to the managers of their own.

(8) Makes Management by Exception Possible:-

Management by exception means that a manager should not join every activity. If the whole work is not proceeding according to the work plan he should intervene. Planning lays down the objectives of the organisation and all the efforts are directed towards their attainment.

Q1) Prevents Irrational Decisions :-

Planning is a process under which various alternatives are analysed and only the best one is chosen. That is why, it is said that thinking is the essence of planning.

(10) Improves Cooperative and Satisfies the Employees :-

Planning makes it clear to all the employees, the 'what', 'how', and 'when' of each work.

(11) Provides Basis for Other Managerial Functions :-

Planning is the first function of management and all other activities depend on planning. In the absence of planning, the type of organisation cannot be decided, the number of appointments and the method of recruitment cannot be determined, and so is the position of controlling.

□ Planning Process

1) Setting Objectives :-

Objectives are those end points for whose attainment all the activities are undertaken. In the planning process, first of all objectives are determined and defined so that all the employees concerned can be informed about them to get their complete cooperation.

2) Development Premises :-

The basis of planning are those factors/assumptions which influence the possible results of different alternatives. Before taking a final decision about any alternative a forecast of these assumptions is made.

(i) Internal Premises :- Capital, labour, raw material, machinery etc.

(ii) External Premises :- Governmental policies, business competition, taste of customers, rate of interest, rate of taxes etc.

(3) Identifying Alternative Courses of Action

All those alternative courses which are upto the expectations of the minimum preliminary criterion alternative method of doing it on the basis of the objectives of the Organisation and the limitation of planning.

(4) Evaluating Alternative Courses:-

All those alternative courses which are upto the expectations of the minimum preliminary criteria are selected for intensive study.

(5) Selection an Alternative:-

After a careful analysis of different alternatives the best one is selected. Sometimes the analysed one is selected yield more than one alternative course with similar merits.

(6) Implementing the Plan:-

After having decided the chief plan and the subsidiary plans, they are to be implemented. After implementing the plans the sequence of different activities has to be decided.

(7) Follow-up Action:-

The process of planning does not end with the implementation of plans. Plans are formulated for future which is uncertain. It is of great importance that there is a constant review of plans so as to ensure success in the uncertain future.

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Strategic and Tactical/Operational Planning

Although the basic process of planning is common for every Organisation, planning can take many forms or types in practice depending on its objective.

Types of planning	
Dimensions	
Time Frame	Long-term & short-term
Coverage of Activities	Corporate & functional planning
Degree of formalisation	Formal & Informal Planning
Breadth	Strategic and Tactical Operational planning

Types of Planning

Keep in mind, however, these planning types are not independent of one another. For instance, there is a close relationship b/w long-term & short term planning.

Strategic Planning

Planning that is related to the entire Organisation, establish the Organisation's major objective & seek to position the Organisation in terms of its environment is known Strategic planning. It gives special attention to the changes in economic, political, technological and social environmental factors.

Tactical Or Operational Planning

It refers to specify the details of how Organisation's overall objectives are to be achieved. Strategic planning indicates WHAT an Organisation would do? whereas tactical planning point out how to accomplish these objectives. It mainly deals with the questions such as: what are the Organisation to convert its strategical planning into reality.

Goal Setting (MBO)

1) Organisational Objective Setting:-

The first

Stage of the MBO is setting of the Organisational Objectives. The Chief Objective of every business is its development and extension. The activities done under the chief objectives and the subsidiary objectives are extensively evaluated.

2) Determination of Key Result Areas - KRAs:-

After setting

the Organisational objectives, the Key Result areas are decided upon. Key result areas are those areas and activities in which the owners of the business have a special interest.

3) Subordinates' Objectives Setting:-

After-

Setting the Organisational objectives, the Subordinates' objectives are determined. Subordinates' objectives are determined at the departmental

and individual level, while determined at the departmental and individual level, it should be kept in mind that they are not different from the Organisational objectives.

4) Matching Objective and Resources:-

The

Setting of the objective is meaningful only when the resources to achieve them are available. At this Stage of MBO process the Objectives and resources are matched.

5) Periodic Meeting :-

At this stage of MBO process the seniors and the subordinates hold occasional meeting in order to find out whether the expected work progress is being achieved or not. If it is not being achieved, the causes for it are found out along with the possible remedy.

(6) Final Performance Appraisal :-

At the end of a definite period, the actual work done by the subordinates is evaluated on the basis of the work evaluation the decisions are known. Those employees who do not achieve their objectives effectively are given the facilities of training so that they are able to perform better in future.

Decision Making

★ Decision Making is a process and decision is the outcome of such a process.

• Nature Of Decision Making :-

(1) It is a process of selecting the best from the Alternatives :-

The first characteristic of decision-making that is the best alternative is selected out of the many available ones. There are many ways to solve a problem.

(2) It is Based on Rational Thinking :-

Rational

Thinking is considered to be the essence of decision-making because the conclusions arrived at with the help of decision-making and their success depends on rational thinking or intensive study.

(3) It is always Related to Some Problem or Conflict :-

Science the purpose of decision making is to find out solution of problems or conflicts. It is naturally related to them. In other words, if there are no problem or conflicts, decision-making and manager will both come to lose their importance.

(4) It Involves the Evaluation of Various Available Alternatives :-

It is evident that in case there is only one solution for a problem, decision-making is not needed. There should be many alternatives for taking a decision. When there will be many alternatives.

5) It is Aimed at Achieving Organisational Goals :-

Decision-making is not a futile exercise because through its medium efforts are made to achieve the goals of an organisation successfully.

6) It Involves Commitment :-

Every decision taken by a manager is a promise. In other words, a manager through the medium of decision, tells us the consequences of the decisions taken by him will be good.

(7) It is Basically a Human Activity :-
One of the special characteristics of decision making is, human activity.

(8) It is both a Managerial Function and an Organisational process :-

It is a managerial function because decision-making is the chief responsibility of all the managers. It is called Organisational process because there are many decisions which a manager cannot take single-handed and they need a group.

(9) It is the Core of planning :-

Although decision-making is needed for all the managerial functions, yet planning is completely dependent on decision-making.

(10) It Starts Action :-

When a problem arises, work is immediately suspended and till a decision is taken the work cannot recommence.

(11) It is a Universal Mark of a Manager :-

Decision-making is a universal mark of a manager. It means what ever a manager does is based on decision making.

(12) It may be Negative :-

Decisions can both be positive & negative. Positive decision means deciding to do something while negative decision doing nothing.

Process of Decision-Making.

1) Defining the Problems :-

The first step in the process of decision-making involves obtaining information about the problem for which a solution is to be sought. First of all the origin of the problem shall have to be studied.

2) Analysing the problems :-

After having defined the problem, the manager analyses it. Under analysis, it is decided what information will be required in connection with the problem and where from this information can be gathered.

3) Development of Alternatives :-

The third step in the process of decision-making is the development of different alternatives. When the problem has been defined and its causes have been deeply studied,

(9) It is the Core of planning:- Although decision-making is needed for all the managerial functions, yet planning is completely dependent on decision-making.

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(4) Evaluation of Alternatives:-

After finding out the different alternatives, the next step is their evaluation so that the best alternative can be selected. Under their studies analysis their merits and demerits are studied.

(5) Selection of the Best Alternative:-

After analysing various alternatives it becomes clear that to what extent every alternative presented can be helpful in solving a problem. Under the 5th step in the process of decision-making the selection of the best alternative is made after comparing their possible results.

(6) Execution of the Decision:-

Once the best alternative has been selected, the next step is its effective implementation. To make the decision effective, action by other people is essential.

(i) Effective Communication:-

Effective Communication of decision is essential. It should be clearly communicated to all those persons who will translate it into reality.

(ii) Securing Employee's Acceptance:-

It is important to secure the acceptance of the employees concerned for the effective implementation of the decision.

(iii) Correct Timing of Decision Execution:-

Every decision involves bringing some change and it is the nature of employees to oppose a change. Therefore, the decision should be implemented in a congenial atmosphere and there should not be any fear of opposition.

(7) Follow up :-

Follow-up action

is the last step in the process of decision-making. As the decision is implemented, results start pouring in. These results should essentially be in line with the expected outcome.

Behavioural Aspect of Decision-Making

The importance of decision-making for a business Organisation is no secret. Various managerial functions are performed only through decision-making. On the basis, it can be asserted that it is not a new idea but is as old as the business itself. But in modern times with the development of business there is a corresponding increase in its complexities and, therefore, modern techniques have been developed for their solution.

Forms of group decision making in Organisational.

- 1.) Line Organisation
- 2.) line and Staff Organisation
- 3.) Functional teamworkship.
- 4.) Committee Organisation

Line Organisation

It refers to direct vertical relationship through which authority moves from top to bottom.

Characteristics of Line Organisation

- 1.) Orders move from top to bottom in a straight line.
- 2.) Complaints and suggestions move from bottom to top in a straight line.
- 3.) Every employee receives his orders from his nearest Superior.
- 4.) Every employee is answerable only to his nearest Superior.
- 5.) Every Superior has a limited number of Subordinates.

★ Types of Line Organisation

A. Pure Line Organisation :-

This form or design of the Organisational Structure becomes necessary only when the activities of all the employees working on the same level happen to be similar.

B. Departmental Line Organisation :-

In the departmental line Organisation the general manager happens to be at the top post and many departments are created under him. For the establishment of the departments all the activities of the enterprise are divided among different groups.

■ Evaluation of Line Organisation

• Merits of Line Organisation

- 1) Easy to Establish :- The line Organisation can be easily established. It is so simple that workers understand it easily.

(2) Unity of Command :-

All the Functions are performed efficiently and quickly because there is only one superior to order the Subordinates.

(3) Coordination :-

Because of the Control of one man over one working group, there is always Coordination.

(4) Easy to Find Out Defaulter :-

Since authority and responsibility are clearly defined, the defaulter can easily be found out and punished.

(5) Flexibility :-

The Organisational Structure can easily be changed in case of expansion of business or due to some other circumstances.

(6) Less Expensive Form :-

In Comparison with other Organisational structures these are less expensive.

Demerits of Line Organisation

- i) Overloading of key Men:- In this form of Organisational structure the General manager on the departmental managers, if there are different departments.

2) Lack of Speciality:-

Every departmental manager has to make plans for his department and get them implemented also.

- (3) Monopoly over Decisions:- All the decisions in the enterprise are monopolised by some individuals and they are not prepared to listen to any suggestion.

Suitability

- (i) where size of business is small
- (ii) where the number of employees is small.
- (iii) where the business is only of one kind or in other words.

Line and Staff Organisation

It refers to that Organisational Structure where specialist advisors assist the line manager in the performance of their duties.

Characteristics of line and Staff Organisation

- (1) The work of 'thinking' and execution is divided into two parts. The staff executives do 'thinking' while the line executives executives translate his thinking into reality.
- (2) The line of the line Organisation remains intact and the benefit of the advice of the experts becomes available. The experts have only the right to tender advice, its rejection or acceptance depends on the line executives.
- (4) The subordinates of the line executives remain their Subordinates alone and they cannot be treated as the Subordinates of the staff executives.

Evaluation of line and staff Organisation.

Merits

- 1.) Sound Decision:- In this Organisation the decision are taken by the line executives are good.
- 2.) Increase in Efficiency:- The division of the work of the line Executives increases efficiency as a result.
- 3.) Specialisation:- The work of thinking and execution are divided and therefore, the staff executives.
- 4.) Discipline:- In this Organisation because of the unity of Command there is no problem on account of discipline.

Demerits

- (i) Note Administrative Costs:- In this form of Organisational structure generally more than one experts are appointed with one line executive and sometimes their advice turns out to be impracticable and hence useless.
- (ii) Lack of Responsibility of Experts:- Experts have no hand in the success or failure of the decisions.
- 3.) Only Theoretical Advice:- The knowledge and experience of the staff executives happens to be more theoretical than practical.
- 4.) Dependence On Experts:- Sometimes it so happens that the line executives get habituated to do every work with the advice of the staff executives.

Suitability

The line and staff Organisation has proved a blessing to a large sized business.

Functional Formanship Organisation.

It refers to that Organisational structure under which eight specialists are there to direct and control the flow of various production processes.

Specialists or Experts of Planning Department and their functions.

(i) Route Clerk :-

This clerk prepares the instruction cards for the workers and hands them over to the gang boss.

(ii) Instruction Card Clerk :-

This clerk prepares the instruction card for the workers & hands them over to the gang boss.

3.5 Time and Cost Clerk :-

This clerk decides as to when a particular work is to be started and finished.

4.5 Discipline Officer :-

The discipline officer ensures that every work is being performed in a disciplined manner.

Specialists of production Department and their functions.

(i) Gang Boss :-

The workers are divided into various group from the point of view of control. A group leader is selected who is known as gang boss.

(ii) Speed Boss :-

The main function of the speed boss is to ensure that all the workers are performing their job at the required or expected speed.

3) Repair Boss:-

The main function of the repair boss is to keep the machines and tools in working condition.

4) Inspector:-

He inspects the things produced and compares their quality with the standard prescribed for them and tries to find out the difference.

● Characteristics of Functional Foremanship

- (i) The chief characteristic of the Organisation is that the experts have the authority of taking action along with giving advice for consultancy.
- (ii) The work is divided into eight group which yield the benefit of specialisation.
- (iii) In this Organisation the work of the factory is divided into two department Planning & production.
- (iv) In this Organisation the principle of Unity of Command is violated.

Evaluation of Functional Foremanship

Merits

1) Full Use of Experts' Knowledge:-

Every work is assigned to an expert. He/she takes all his/her knowledge and experience.

2) Efficiency is Increased:-

Since the workers get orders from various experts, they do not have to think about them.

3) Mass Production Possible:-

Mass production is possible in the functional Organisation because of the availability of the benefit.

4) Better Organisation:-

By appointing various experts in place of foremen and dividing their work on mental and executive basis.

Demerits

1) Lack of Coordination:-
Coordination becomes difficult in view of the help sought from functional experts.

(2) Difficult to Fix Responsibility:-

It becomes difficult for top hierarchy to fix responsibility in view of adverse results.

(3) Complicated procedure:-

Dividing the work into different parts and sub-parts is in itself a difficult process.

★ Suitability of Functional Foremanship

This system is useful for big business enterprises having a large scale production and where experts knowledge is necessary.

Committee Organisation

It refers to that organisational structure in which a group of persons is formed for a stated purpose.

Types of Committees

1) Advisory Committee:-

When a Committee possesses the authority of staff executives or the experts, it is called advisory committee.

2) Executive Committee:-

A Committee which has the authority to take decisions & also get them implemented is called executive Committee.

3) Joint Consultative Committee:-

In this Committee the representatives of the workers and managers deliberate on the common interests and make mutual relations succeed.

4) Special purpose Committees:-

Committees

which are appointed with special aims are called special purpose Committees.

Evaluation of Committee Organisation.

Merits

1) Sound Decisions:- Members of the Committee take their decisions after careful deliberations.

2) Coordination:-

Committee keeps a strong watch on all the activities of an enterprise.

3) Easy Communication:-

In a Committee Organisation all the persons get together for deliberations and,

Demerits

1) Delay in Decisions:-

It is true that with the help of the opinions of many persons in the Committee.

2) Difficulty in Deciding the Responsibility:-

No body can be held responsible in case the adverse results are obtained as a result of the decision of the Committee.

3) Diversion of Routine Functions:-

Usually, the departmental managers happen to be the members of the Committees. If a managers happens to be the member of more.

Suitability

As it has already been classified that the Committee Organisation cannot work as an independent Organisational structure.

Unit - III

Organising and leading elements of Organising.

★ Departmentation :

It means establishing posts in an enterprise and defining relations among them.

★ Bases of Organising or Departmentation

★ On the basis of functions

It refers to the grouping of activities by functions performed.

● Evaluation

★ Merits

- (i) It is based on the principle of specialisation.
- (ii) It establishes coordination on the departmental level.

★ Demerits

- (i) Employees happen to be expert in one function and it makes promotion difficult.
- (ii) The weakness of one department affects the other departments.

★ On the Basis of product or Services

It refers to the grouping of activities by product product.

● Merits

- (i) It is possible to give equal importance to every product.
- (ii) Information about the profit and loss from every product is available.
- (iii) This system makes possible the complete development of the managers.
- (iv) The benefits of specialisation become available.

● Demerits

- (i) It increases expenses because of duplicity of functions in the product departments.
- (ii) Resources are mis-used.
- (iii) This system is suitable for the big concerns.
- (iv) There is a difficulty in exercising control at the top hierarchy.

On the Basis of Regions

It refers to the grouping of activities by territory.

Merits

- (i) Because of the direct contact with the customers their problems can be easily understood and solved.
- (ii) Local competition can be easily faced.
- (iii) Effective regional control is possible.

Demerits

- (i) Some functions which can be handled more economically at the central level become expensive at the end of the regional level.
- (ii) Policies cannot be implemented effectively because of the distance between the planners and the implementers.
- (iii) Control becomes difficult because of the distance between the head office and the regional offices.

On the Basis of Process

It refers to the grouping of activities by the flow of work.

Merits

- (i) Human resource can be effectively utilised.
- (ii) Expert employees can be appointed.
- (iii) If the cost of production in a particular department is excessive, it can be closed down.

Demerits

- (i) In this method of departmentation all the departments depend on one another. Hence on the closure of one department the other departments close down automatically.
- (ii) If a particular department produces an inferior product, the quality of the product in other department too goes inferior.

On the Basis of Customers

It refers to the grouping of activities by Common Customers.

Merits

- (i) All the Customers can be easily satisfied.
- (ii) All the problems of the Customers can be quickly solved because of the direct contact with all the problems different types of Customers.

Demerits

- (i) Expenses are increased in spite of the difference in the size of departments because the facilities provided happen to be the same.
- (ii) Because of the different types of Customers the numbers of product Manufactured increases for which the department of production has to face a difficulty.
- (iii) Coordination is difficult.

On the Basis of Machine

It refers to the grouping of activities by functions & products under process.

Merits

Plenty of Specialists :-

Under this method of departmentation specialists become available in plenty.

Flexibility :-

General Manager of the Concern can easily make changes in it according to the business opportunities.

More Possibility of Expansion :-

On the basis of machine increases the possibility of the expansion of the Concern.

Economy in Costs :-

On each project the number of people appointed happens to be according to the need and the generating persons are put on the routine functions.

Demerits

- (i) Violation of the principle of unity of command:
The principle of the unity of command is violated in such an organisation. The officers receive orders both from departmental manager & project managers.

- 2) Conflicts between Departmental Managers and project Managers:

The aims & priorities of both the types of managers are different and that their services should be regularly utilised.

- 3) Lack of Responsibility:-

In case of failure the project managers blame the departmental managers and the departmental managers shift the responsibility to the project managers.

Distribution of Authority

It refers to the process of entrusting responsibility and authority, and creating accountability of the person to whom work or responsibility has been handed over.

Elements of Delegation of Authority

Responsibility:-

It refers to an obligation to perform the duties.

Features:-

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

Authority

- It refers to the rights inherent in a managerial position to give orders and expect them to be obeyed.

Features

- Authority Can be assigned to some other person.
- It is related to the post
- It makes implementation of decision possible.

Accountability

It refers to an obligation to report results to supervisor and justify outcomes that fall below expectation.

Features

- Accountability cannot be delegated to some other person.
- It is only towards the delegators.
- Its base is Senior - Subordinate relationship.

Coordination

Coordination is a process through which harmony is established among different activities of an organisation, so that organisational objectives can be successfully achieved.

Nature of Coordination

1) Coordination Integrates Group Effort:-

The need for coordination is felt when group effort is needed for the accomplishment of an object.

2) Coordination Ensures Unity of Action:-

The

nature of coordination is of creating unity in action. It means during

coordinating process an effort is made to create unity among the various activities.

3) Coordination is a Continuous process:-

It is not

a job which can be performed once and for all, but its need is felt

at every step. Many activities are performed in a business.

4) Coordination is an All-Pervasive Function.
Pervasiveness refers to that truth which is applicable to all spheres and places uniformly. The nature of coordination is pervasive.

5) Coordination is the Responsibility of All Managers.

Coordination is needed at all the three, i.e. top, middle and lower managerial level. Different activities performed at all the levels are equally important.

6) Coordination is a deliberate function.
Coordination is never established by itself but it is a deliberate effort. Only cooperation does not suffice but coordination is also needed.

Importance of Coordination

1) Size of the Organisation:-

These days the scale of doing business is increasing day by day. Any increase in the scale of the business also results in an increase in the number of people employed in the Organisation.

2) Functional Differentiation:-

There may be a clash of interests among the various departments in an Organisation. Such a situation becomes a very big hindrance in the achievement of Organisational goals.

3) Specialisation:-

In every Organisation, in order to avail the benefits of specialisation, one main activity is divided into various sub activities, and each of these are allotted to different persons who are experts in their particular sub activity.

* 4.) Interdependence of Different processes:

The next major point which delineates the importance of coordination is that the various units in an organisation are interdependent. The higher the interdependence among the units the greater is the need for coordination.

Leadership

It refers to influencing others in such a manner to do what the leader wants them to do.

* Nature of leadership

(i) Followers :-

The first requirement of leadership is the presence of followers without whom leadership cannot be thought of. without followers, a leader himself has no existence.

2.) Personal Ability :-

Leadership depends on the ability of a particular individual.

3.) Influencing Process :-

Leadership is a process of influencing people. It means taking other people under one's influence. Under leadership a leader behaves with his followers in such a manner that they come under his influence effortlessly.

4) No Need of Coercion:-

It is an important characteristic of leadership that it does not require coercion. A Manager so impresses the employees with his behaviour that they willingly start working.

5) Full Capability Utilisation:-

It is clear that Ordinarily, no individual does not work at his full capacity. He needs to be encouraged to do so and this is possible only under leadership.

6) Ideal Conduct:-

It is important for leadership that a leader should have an ideal conduct. He should not only be delivering lectures to others but should behave in a manner that he expects from others.

7) Leadership is a Continuous Process:-

Leadership is a Continuous process. In other words the job of a leader does not end by explaining the objectives of the Organisation to his followers but they have to be regularly guided.

8) Leadership is a part of Management but Not All of it:-

Generally, management & leadership are thought to be synonymous but it is a wrong idea. Under management, we include planning, establishing the Organisational structure.

9) Leadership is Over a New Process:-

Normally the nature of work, the efficiency of people, enthusiasm for work and level of competition continue changing. In this way new problems daily confront the leader in the changing situations. To face these problems the leader has to find out new technique of leadership.

10) Leadership is something a person does, not something he has. Leadership is associated not with the name of a person or his position but with his works. In other words, leadership is recognised from the way how successfully.

11) Leadership Transforms Potential into Reality :-

Leadership is that power which brings to high the latent abilities with the help of one's conduct.

12) Leaders exist because of the need of the people to follow someone. If the human nature has a tendency to work, there will be no need to have a leader but the reality is not so.

Significance of Leadership.

1) Source of Motivation :-

The motivation of employees is essential in order to raise the standard of work. The progress of work depends on the quality of motivation.

2) Basis of Cooperation :-

A business

Organisation stands on two poles. Managers & the other employees. The job of the managers is to get work done through the employees in order to achieve.

3) Directing Group Activities :-

The importance

of leadership is stressed upon by the argument that where accomplishment of the pre-determined objectives is sought to be made possible. Only a leader can accomplish the unhindered is essential for this human.

Promoting the Spirit of Coordination

4.) among the Employees.

It has already been clarified that leadership creates a feeling of cooperation among the managers and the subordinates.

5.) Facility to the Executives :-

When in any Organisation, a manager by using his capability of leadership establishes a spirit of coordination among the employees and gets their complete cooperation.

6.) Fulfilling Social Responsibility :-

Through efficient the employees give above their individuals interest and work for the interest of the enterprise. This benefits the employees also.

7.) Basis for Success of Business :-

The measure of success in business is the successful attainment of the pre-determined objectives. The achievement of the objectives

Leadership Styles

Motivational based Leadership Style

The methods which are used by the managers to influence the behaviour of the subordinates include the motivational style.

(a) Positive Leadership Styles

When a leader satisfies his followers by economic and non-economic incentive to get their cooperation for the attainment of the objectives of the Organisation, it is called positive style of leadership. Economic incentives mean increase in pay, share profit etc.

2) Negative Leadership Styles:- Under

this style the employees are motivated not by some economic or non-economic incentives but by some unhelpful behaviour.

Power-based leadership style

As the name of the style suggests a leader uses his power under this style. The use of power does not mean that the leader always keeps an unnecessary on his followers, but all the styles in this category are related with the authority of the leader.

(a) Autocratic leadership style

It refers to that leadership style in which the leader tends to run the show all by himself.

Advantages

i) Quick and Clear Decisions:-

Because of the centralised authority all the decisions are taken by a single individual and hence there is no unnecessary.

ii) Satisfactory Work:-

Since the work performance of the employees is under strict control, the quantity and quality of the work happen to be satisfied.

Disadvantage

(i) Lack of Motivation:- This style does not motivate the managers but it lowers the morale of the employees.

(ii) Less Productivity:- when the morale of the employees falls, it directly affects productivity.

□ b) Democratic leadership style:-
It refers to that leadership style in which the leader consults with his subordinates before making any final decision.

★ Advantages

1) High Morale:- Under this style the enthusiasm of the managers and the employees is sky-high. Both consider each other their well-wishers.

2) Peaceful Industrial Relations:-

This style is extremely helpful in making industrial relations peaceful.

3) Availability of Sufficient time for Constructive Work:-

Under this leadership style the workload of the managers gets decreased.

★ Disadvantages

1) Requirement of Educated Subordinates
The chief characteristic of this leadership style is that the subordinates are made partners in taking decisions.

2) Delay in Decisions:-

It is clear that while taking decisions the subordinates are always consulted.

3) Lack of Responsibility in Managers:-
Sometimes the managers try to evade responsibility by observing that the decisions were made partners in taking some important decisions.

4) Many Types of Employs:-

All the subordinates working with a manager cannot be of the same level.

Free-rein Leadership Style
It refers to that leadership style in which the leader gives his subordinates complete freedom to make decision.

Advantages

(i) Development of Self-Confidence in Subordinates:- When all the authority in their work performance is given to the employees.

(2) High level Motivation:-

When the manager gives the subordinates all the authority by showing full confidence.

(3) Helpful in Development & Extension of the Enterprise:-

The development and extension of an enterprise where this leadership style is adopted is at its climax.

Disadvantages

(i) Difficulty in Cooperation:-

Since there is no close supervision & control by the managers everybody starts functioning independently.

(2) Lack of Importance of Managerial Post:- In this leadership style of the post of a manager is considered less important because he does not make any plan.

(3) Suitable Only for Highly Educated Employees:-

This style is useful only when every employee is fully educated so that the work can be assigned to him with full confidence. This leadership style is not suitable for leading uneducated or semi-educated people.

Result-based leadership style

According to the first argument.

Keeping in view the upliftment of the followers will automatically help the accomplishment of the objectives.

(i) Employee-Oriented leadership style:-

The concept is based on the idea. Considers his employees are treated in a human way, their feelings are respected.

Evaluation

Since more stress is laid on the understanding of the feelings of the employees, the leader has got to be an expert in the field of psychology. On the other hand this style is not useful where most of the people in the human group happen to be careless & irresponsible.

2> Production-Oriented leadership

In this style more attention is paid to the increase in production rather than human welfare.

This style is based on the idea that by adopting new techniques of production.

Evaluation

The chief advantage of this style is that maximum production can be achieved with the minimum cost.

Conclusion

Different styles of leadership have been studied in three main parts. All the styles have their merits & demerits. One style may be useful in a particular situation while another may be so in some other situation.

Behavioural and Situational approaches to leadership.

The Situation Theory - It refers to that leadership which reflects how a leader should adjust his/her leadership style in accordance with the ability & willingness of followers.

Criticism

(i) This theory does not tell whether a successful leader in one situation will be successful in another situation also.

(ii) This theory also does not clarify as to what different qualities are needed in different situations.

Behavioural Theory

This point of view gives the greatest importance to the behaviour of a leader. But this cannot be denied that the behaviour of a leader is determined by his individual qualities, followers, aims and the environment.

- (i) The level of the individual qualities of the leader.
- (ii) The nature of goals.

Criticism

The behavioural theory of leadership has also been subjected to criticism. It has been pointed out against it that it is not necessary that a man with an ideal behaviour will always be a successful leader.

Unit - IV

Management Control.

★ Controlling.

It refers to bringing the actual results closer to the desired results.

★ Nature of Controlling.

i) Controlling is a Fundamental Management Function.

There are many functions of management like planning, organising, Staffing, leading, and Controlling out of all these functions Controlling is the most important.

2) Controlling is an Essential Function of Every Manager.

The Second Characteristic of Control is its performance at all the managerial levels. It is that function of management under which every manager at every level.

Page:

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3) Controlling is a Continuous Activity.

Controlling and it does not mean any activity which is performed only for once or is repeated after a long interval but it is needed at all times.

4) Controlling is both the Beginning and the End of the process of Management.

The need of Control is felt both at the beginning and end of the process of management. The process of management commences with the function of planning and ends with Controlling.

5) Controlling is Related to Results.

Control is related to results because we assess progress on the basis of results & take corrective action after finding out the deviation.

(6) Key to Controlling lies in Delegation

A Supervisor Cannot be free from responsibility only by delegating his authority.

(7) Information is the Guide to Controlling

The availability of sufficient timely information about the actual work progress is the basis of the activity of Control.

(8) Controlling is Needed for Two Reasons:-

- These are reasons-
- (i) to establish coordination among different people and the organisation
 - (ii) to adopt the various changes occurring during the period & the organisation of making plans & implementing them.

(9) Controlling has both Positive & Negative Approach:-

Positive approach of Control aims at making and effective. negative approach aims at preventing the misuse.

Purpose of Controlling.

- (i) To Evaluate the work progress:-
The aim of Control is to evaluate the actual work progress so that deviations can be known by comparing it with the pre-determined standards.

Apply to Corrective Measures:-

The second Chief Objectives of Control is to find out deviations in the actual results and the desired results and to apply corrective measure.

To Gain Maximum Cooperation of Human Resource:-

Human resource in the major resources among all the available resources in the enterprise because all the workers are completed with the help of this resource.

4.) To Maximise the utilisation of material and Machines:- It is also a major objectives of control to make possible the maximum use of material and machines along with the human Resource.

5.) To Fix Responsibility:- The objectives of control is to determine the authority to be given to different people in the enterprise connected with their work and to fix their responsibility.

6.) To Motive employees:-

Through the medium of control an effort is made to motivate the employees. The information regarding the implementation of a control system makes the employees work with complete dedication. They will get recognition in the enterprise.

Controlling Process

- 1.) Setting Performance Standards
- 2.) Measurement of Actual Performance
- 3.) Comparison of actual performance with standards
- 4.) Analysing Deviations
- 5.) Taking Corrective Action.

Setting Performance standards :-

The first step of Controlling is to set performance standards. Standards are those criteria on the basis of which the actual performance is measured.

(i) Quantitative Standards :-

They are the standards which are shown with the help of figures:-

(ii) Qualitative Standards:-

They are the standards which cannot be shown in the form of figures.

Measurement of Actual Performance.

The second step in the Control process is the measurement of actual performance. The measurement of actual performance is done on the basis of pre-determined Standard.

- (i) The figure regarding work progress should, as far as possible, be completely true.
- (ii) These figures should be continuously prepared.

Comparison of Actual performance with Standards:-

Deviation can be two types - (i) Negative Deviation and (ii) Positive Deviation. In the controlling process should be it is important to know the causes of negative deviation but it is not less important to know about the causes of positive deviations. Positive deviation means that the actual performance is more than the causes of positive deviation.

Analysing Deviations.

- (i) Is Standard being attained:-

The work will continue as usual, the actual performance will be measured and the remaining process will be completed.

- (ii) Is deviation acceptable:- If the actual performance is below the standard but the deviation is acceptable

- (iii) Is standard acceptable:-

If the standard is acceptable which means that nothing is wrong with it, the cause of deviation will be located.

- (iv) Revising the Standard:-

If the standard is found to be wrong, it will have to be re-fixed. Thus, a new standard will be set, actual performance will be measured and process will be continue.

Taking Corrective Action

The purpose of corrective action is to bring the actual work progress to the level of expected progress.

(i) Removing Deviation in the Actual performance:-

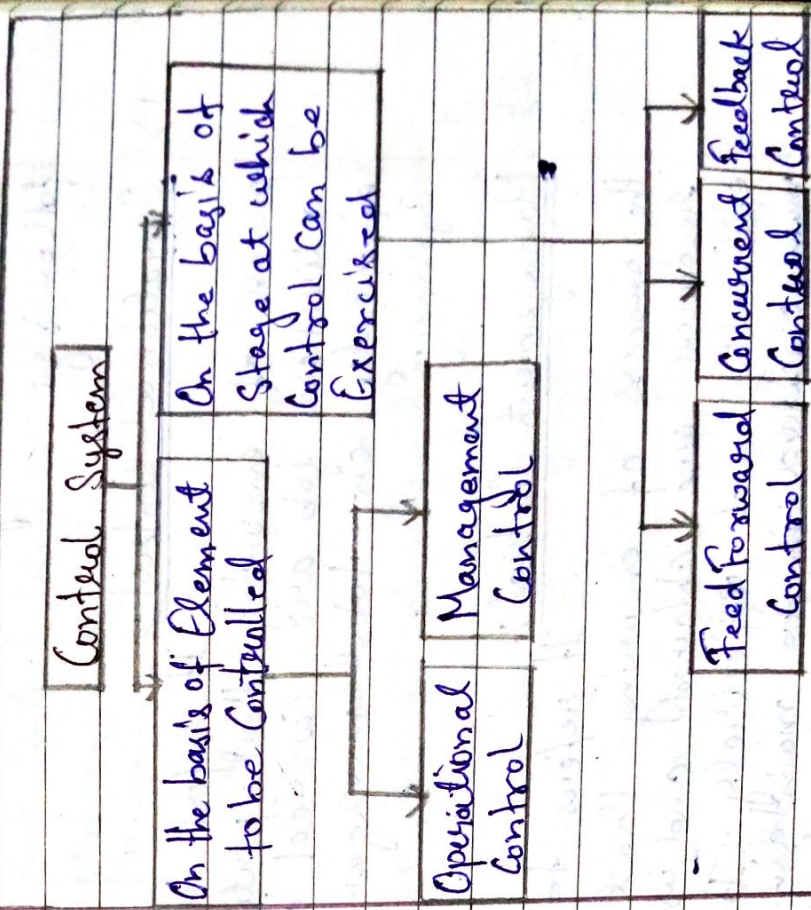
If the production has declined because of some defect in the machines, it should be immediately got rectified and the employees should be asked to work overtime to compensate the loss in production.

(ii) Stopping the Repetition of any Such problem in future :-

For example, Making an indepth study of the Causes of the defects in Machines and takes such steps as will prevent any Such problem in future.

Kinds of Controlling System

Control Systems Can be classified into two broad Categories as mentioned below



Controlling System

• A) On the basis of Elements to be Controlled:-

Based on elements to be Controlled, Control can be divided into two Categories. These are the following.

1.) Operational Control:-

It refers to the process of ensuring that particular activities, job are Carried out efficiently on total management System.

2.) Management Control:-

It refers to the process of ensuring that resources are obtained and used efficiently and effectively. Its main objective is to maintain equilibrium with the ever-changing and uncertain external environment. It focuses on total management functions rather than on individual jobs.

• B.) On the basis of Stage at which Control can be Exercised.

1.) Feed Forward Control:-

It refers to that Control system which anticipates problems before they actually occur.

2.) Concurrent Control:-

It refers to that Control system which is exercised during the process. It enable us to take timely action before larger damage takes place.

3.) Feedback Control:-

It refers to that Control system which measures result after the completion of the process. It is also known as Historical Control system.

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Prerequisites of Effective Control System

1) Principle of Standards:-

The most important principle of control is determining the standards. In order to make control process effective.

2) Principle of Efficiency of Control:-

According to this principle, the control process should be efficient. An efficient control system is that which can find out the difference b/w the actual progress.

3) Principle of Direct Control:-

According to this principle, the managers should not use any medium or mediator to exercise control over the subordinates but should themselves take part in the control process.

4) Principle of Flexibility:-

The control system should be flexible enough to absorb changing situations easily.

5) Principle of Assurance of Objectives:-

According to ensure the attainment of objectives. The control process can have this quality only when the deviations are known in time and corrective.

6) Principle of Reflection of Plans:-

Control is the reflection of plans. It means that the control will be in conformity with the plans. If the plans are simple and clear, appropriate method.

7) Principle of Critical Point Control:-

According to this principle, those points or activities should be determined in the very outset which have an important role to play in ensuring the actual work progress in accordance with the plans.

8) Principle of Exception:-

According to this principle, Control will be effective in proportion to the efforts of the manager to focus his attention on more important exceptions.

9) Principle of Future Control:-

It is the conviction of this principle, that on the basis of deviations in actual work and the standard work such a corrective action should be taken as to prevent the recurrence of adverse deviation in future.

10) Principle of Action:-

According to this principle, action has been considered the essence of Control which means that if essential corrective action is not taken after knowing the deviation, Control will be rendered meaningless.

Causes of Resistance to Control

(i) Check on Freedom:-

The basic idea behind Control is to check freedom as it tends to regulate the behaviour of employees in some specified way.

2) Check on Creativity and Innovation:-

The Creativity

and innovations are very much required for the success of any organisation. Employees have been endowed with great ability of creativity and innovation.

3) Unreasonable Control Standards:-

Employee

Many resist Control as they think the standards of performance are set very high and are observed strictly. On the other hand, the standards are imposed from the top management and the subordinates have no say in their determination.

4) Inaccurate Evaluation System:-

Sometimes, people resist control as they believe that the measurement of their work. This is likely to happen more in the situation of work performance may be explained qualitatively.

5) Against Self Control:-

There are two types of control self control and imposed control. It is a well known phenomenon that self control is much better than imposed control.

6) Fear of Discrimination:-

The employees always think that they are likely to be discriminated by the controller at the time of providing reward and punishment.

Control Techniques

- * Controlling Techniques are two types
- 1) Traditional Control Techniques
 - 2) Modern Control Techniques

I Conventional or Traditional Control Techniques

1) Budgetary Control:-

It refers to that control technique which uses budgets as a means of control.

Characteristics of Budgetary Control

1) Comparative Study:-

Comparative Study is the first characteristic of budgetary control.

2) Analysis of Deviations:-

Under budgetary control the actual figures are compared with the standard figures and deviations.

Break-even Point Analysis

It refers to that level of production where the total revenue of an organisation equals its total costs.

Statistical Data :-

This method under statistics for the previous year regarding the various system activities of the enterprise are collected to each conclusion.

Personal Observation :-

In reality there is no system of control which can be successfully implemented in the absence of personal observation of supervision. Personal observation is an important technique of control.

Contemporary Or Modern Control Techniques.

1. Return On Investment (ROI)

$$ROI = \frac{\text{Net Income Or Profit before Interest and Tax}}{\text{Total Investment}}$$

Income from investment is a sort of measure to know about the progress of the whole business.

2. Ratio Analysis :-

Ratio Analysis is such a control technique which helps in analysing financial statements with the help of ratios & we can arrive at some important conclusion.

- 1) Liquidity Ratio
- 2) Solvency Ratio
- 3) Profitability Ratio
- 4) Turnover Ratio.

Q 3. Responsibility Accounting:-

There are two major parts of managerial accounting - firstly, Product Cost Accounting and secondly, Responsibility Accounting. Product Responsibility is an account of Cost Accounting, an account of the Responsibility of the people is kept. A departmental manager can be held responsible only in respect of Controllable Costs.

Q 4. Management Audit:-

Management

Audit is an important modern system of control under which the efficiency of the managers at all the levels is tested.

This work is performed by the Management Auditor whose appointment is made by the Board of Directors.

Social Audit

What is now coming to be called Social Audit is similar in many ways to financial Audit except that it is about everything else that an Organisation does apart from handling money.

Social audit is a method for Organisations to plan, manage & measure non-financial activities and to monitor both the internal & external consequences of the Organisational Social & Commercial operations.

Social audit is a control tool & accountability mechanism which helps organisations achieve that clarity of purpose and efficiency of procedure.