Principles and Practice of Management

Manmohan Joshi

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PRINCIPLES AND PRACTICE OF MANAGEMENT

CONTENTS

1   CONCEPT OF MANAGEMENT

1.1   INTRODUCTION

Management in one form or another has been practised since the beginning of human society. Since early times people grouped together for various purposes, for example, hunting, agriculture and other activities which required team work. To be effective, such groups needed leaders – people whose tasks were to plan what was to be done and how, and to direct and control the efforts of others.

These leaders – whether they were the heads of families or clans, or chiefs appointed to lead – can therefore be seen as having been the first 'managers,' as such, because they influenced the activities of other people. In a large number of cases the early leaders held their positions by brute strength, forcing other people to obey their commands, while some of them were benevolent leaders who really looked after their groups.

With the passage of time the concept of management has changed from the one practised in earlier times to the one which has elements of humane approach, motivation etc.

1.2   MEANING

The term 'management' commonly refers to a group of people holding lucrative positions in an organisation, while the activity of management is that aspect of work which is concerned with the efforts of the workforce of an organisation.

Moreover, many of us think of a manager as paper-pushing and issuing instructions, requiring little initiative and few skills. Yet the dictionary defines a manager as someone who manages, for example, business or public affairs, or someone capable of organising activities and resources.

1.2.1 CONCEPT

There are many answers to the question, "What is management?" but there is no simple answer. Various views have been given:

- Management is the use of techniques properly applied. There are managers who do things and those who get things done.
- Managing as a practice is an art, and the organised knowledge underlying the practice may be referred to as science. So science and art in this context are complimentary.
- Managing is the art of managing the activities of other people.

Taylor (1911) defined management as "the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

According to Fayol (1930), "to manage is to forecast and to plan, to organise, to coordinate and to control."

Mullins (2004) has stated:

> *"It is through the process of management that the efforts of the members of an organisation are coordinated, directed, controlled and guided towards the achievement of organisational goals."*

1.2.2 HUMAN ASPECT OF MANAGEMENT

The success of any organisation depends directly on effectively making use of human resources. Although the term 'management' is often used to refer to a group of people holding senior (executive) positions in an organisation, the activity of management is that aspect of their jobs which is primarily concerned with the efforts of the organisation. The real test of our abilities as leaders, managers and team members of an organisation is how effectively we can establish and maintain human organisations for the purpose of achieving results.

Peter Drucker (1979) has said:

> *"Management is tasks. Management is discipline. But management is also people. Every achievement of management is the achievement of a manager. Every failure is the failure of a manager."*

What is it that makes some succeed and others fail? It is the way of looking at where they want to go and how they are going to get there. It means having an idea, a mental plan, a vison, and the skills to execute these ideas.

We can say that management is the process of working with and through individuals, groups, and other resources (equipment, capital, technology). To be successful, organisations require their management personnel to have interpersonal skills. The achievement of organisational objectives through leadership is management.

1.2.3 NATURE

Management is a job but it is a job which is much more difficult because it involves dealing not with 'inanimate' objects, services or theories but with men and women who are unpredictable. Each of these men and women has a different or complex character, skills and abilities, likes and dislikes, prejudices, and so on. Management involves providing leadership to such groups of people – the workgroup – because these people:

- need adequate training to perform their work effectively;
- need advice, guidance and assistance;
- are to be motivated and controlled; and
- need to be organised as a workgroup, and their efforts are to be coordinated so that they work together as a team.

1.2.4 SCOPE

The modern world of business is very complex, and this very complexity has led to what is called 'specialisation' or the 'division of labour,' by which different people get specialised in performing – and become specialists in – different types of work.

There are two aspects to the work of a manager – the 'technical' and the 'human.' The 'technical' or 'functional' work of different managers can – and does – vary enormously. There are sales managers, production managers, finance managers, stores managers, and many more. Moreover, the technical or functional work of, say, a factory manager in one organisation might well differ in many respects from that of a factory manager in another organisation.

Nevertheless, all those different types of managers should have considerable knowledge of the technical aspects of their specific jobs in addition to being proficient 'managers of people.' It is, in any case, not very easy to train, supervise and control the work of others without knowing what they are – or should be – doing.

So the scope of any manager's role comprises two quite different aspects:

- The technical or functional aspect which is concerned with the work to be performed by the organisation or department or section or workgroup; and
- The managerial aspect which is concerned with the people who are to perform the specified work in the organisation or department or section or workgroup.

1.2.5 IMPORTANCE

Management is essential for the successful functioning of an organisation. It is all the more important for business organisations. Every business needs the power of management. According to Peter Drucker (1993), "management is a dynamic life-giving element in an organisation; without it the resources of production remain mere resources and never become production."

Most businesses have competitors producing or providing similar goods or services to their own. And in most cases a particular business can prosper – and indeed survive – only by keeping abreast or ahead of the competition. And it can only expand – for the benefit of its owners and its employees alike – by doing better than its competitors.

Only a skilled manager can 'weld' his/her subordinates into an efficient and coordinated team capable of achieving its objective in the best and most economical way.

The importance of management can be highlighted in the following:

- Achievement of group goals;
- Optimum utilisation of resources;
- Minimization of cost;
- Survival and growth; and
- Employment generation.

1.3 EVOLUTION OF MANAGEMENT THOUGHT

Several scholars who have researched on the genesis of management maintain that it is as old as civilization and has been practised since the evolution of societies. Communities came together under the authority of a chief or a king who was supposed to lead the people. While the Egyptians built their pyramids, or the Chinese built the Great Wall, management activities such as authority, planning, organising, controlling, and evaluating were observed. There was also division of labour, and the leaders practised supervision of work. Even today, in villages and small towns, these management activities are still practised. Management theories have been developed from the primitive base and they are continuously being tested to justify their contribution in societies.

Modern management theory is not something which has just happened – it has evolved, and is continuing to evolve to meet ever-changing circumstances, technologies, challenges, ethical and other ideas and new theories. However, the variety of approaches to management analysis and the number of differing views have resulted in much confusion as to what management is, what management theory and science is, and how management events should be analysed. This is why scholars have called this situation "the management theory jungle" (Koontz, 1961). Since that time, the vegetation in this jungle has changed somewhat, new approaches have developed, and older approaches have taken new meanings, but the development of management science and theory still have the characteristics of a jungle. Wilkinson and Cave (1987) have stated that management theory emerged in industry and that its development is attributed to the USA. They also indicate that, under management theory, there are various management approaches, which can be applied to achieve organisational objectives and goals. These are the scientific approach, the classical management theory, bureaucratic theory, human relations theory, behavioural theory, the systems theory, and the contingency theory.

As a matter of fact, the varied contributions to this field of study came from many different backgrounds; each contributor brought to bear on their work their own opinions, based on their own experience which was often limited or restricted in scope. Some earlier contributors tried to 'generalise' from their sometimes limited or restricted experience, while others researched in great detail in isolated and haphazardly chosen experimental situations.

1.4   THE SCIENTIFIC MANAGEMENT THEORY

The first management theory was what is popularly referred to as Frederick Taylor's scientific management. At the turn of the 19th–20th century, the most notable organisations were large and industrialised. Often they included ongoing routine tasks that manufactured a variety of products. The United States highly prized scientific and technical matters, including careful measurement and specification of activities and results. Management tended to be the same. Frederick Taylor developed the 'scientific management theory' which espoused the careful specification and measurement of all organisational tasks. Tasks were standardised as much as possible. Workers were rewarded and punished. This approach appeared to work for organisations with assembly lines and other mechanistic, routine activities. Many experts stamped this theory as narrow and termed it as 'Machine Theory.'

However, this theory had two features:

- The tasks being referred to are largely repetitive mechanical in nature, which can be divided and sub-divided.
- The tasks do not require any problem solving capabilities, and this theory devoted much attention to standardizing the methods.

1.5 CLASSICAL ORGANISATION THEORY

In this category of management theory are Max Weber's bureaucratic theory and Henri Fayol's administrative theory. Max Weber attempted to do for sociology what Taylor had done for industrial operations. He embellished the scientific management theory with his bureaucratic theory. He focused on dividing organisations into hierarchies, establishing strong lines of authority and control. He suggested organisations develop comprehensive and detailed operating procedures for all routine tasks. Weber developed a set of principles for an 'ideal' bureaucracy. These principles included:

- Fixed and official jurisdictional areas;
- A firmly ordered hierarchy of super and subordination;
- Management based on written records;
- Expert training;
- Official activity taking priority over other activities; and
- Management of a given organisation follows stable, knowable rules.

Fayol believed that management had some principal rules:

- To forecast and plan;
- To organise;
- To command;
- To coordinate; and
- To control.

He developed fourteen principles of administration to go along with management's five primary roles. As quoted by Stoner and Freeman (1987), these principles are:

- Specialisation;
- Authority;
- Responsibility;
- Unity of command;
- Unity of direction;
- Subordination of individual interest to general interest;
- Remuneration of staff;
- Centralization;
- Line of authority;
- Order;
- Equity;

- Stability of tenure;
- Initiative; and
- Espirit de corps.

Fayol believed personal effort and team dynamics were part of an 'ideal' organisation.

The classical theorists talked a lot about the division of labour, strict compartmentalized authority oriented organisational structure, span of control, and others. But many others proved later that human relationship, inter-relationship, and group life played a vital role in organisations.

According to classical theory, almost both the lower and top level staff function independently. Top level management makes decisions and sets goals and passes them on to the lower level workforce without consulting them. However, the workers in all the organisations want to know about the setting of goals, causes for failures if any, and the ways to achieve the goals.

1.6 NEO-CLASSICAL THEORY OF HUMAN RELATIONS MOVEMENT

Eventually, unions and government regulations reacted to the rather dehumanizing effects of scientific and bureaucratic theories. In the 1920s more attention was given to individuals and their unique capabilities in the organisation. A major belief was that the organisation would prosper if its workers prospered as well. Human resource departments were added to organisations. The behavioural sciences played a strong role in helping to understand the needs of workers and how the needs of the organisation and its workers could be better aligned. This prompted the development of many other approaches some of which focus on psychological and social aspects of life in a work situation. Elton Mayo and Mary Parker Follet are recognised for experimenting on these two aspects, which they did in Hawthorne plant of Western Electric Company in Chicago in later part of 20th century. The prior thought was that pleasant physical conditions like heating, good furniture and lighting were the factors contributing to satisfying outputs in organisations. Later, these were proved not to be the only factors. Psychological factors like job satisfaction and attitudes were also seen as important. Mary Parker Follet studied human behaviour in a workplace and came up with four principles of management coordination.

They are:

- Involving direct contact between those involved;
- Commencing as early as possible;
- Being continuous; and
- Being concerned with all the various elements in the work situation.

These steps show concern for both production and people.

The results of these experiments showed that group dynamics and social makeup of an organisation were an extremely important force for or against higher productivity. This outcome caused the call for greater participation for the workers, greater thrust and openness in the working environment, and a greater attention to teams and groups in the workplace. While Taylor's inputs were the establishment of the industrial engineering, quality control and personnel departments, the human relations movement's greatest impact came in what the organisation's leadership and personnel department were doing. The seemingly new concepts of 'group dynamics,' 'team work,' and 'organisational social systems,' all stem from Mayo's work in mid-1920s.

1.6.1 MCGREGOR'S THEORY 'X' AND THEORY 'Y'

McGregor (1987) postulated his ideas in 'Theory X' and 'Theory Y.' Using human behaviour research, he noted that the way an organisation runs depends on the beliefs of its managers.

(This theory has been discussed in detail later under 'Motivation.' See 6.2.7)

1.6.2 EVALUATION OF NE0-CLASSICAL THEORY

The following critical evaluation has been done by social thinkers:

- Some assumptions are highly imaginary. For example, an assumption is that there is solution to each and every problem to the satisfaction of all the parties concerned. But it is far from truth. Often personnel in organisations have conflicting interests.
- The various formats and structures suggested by neo-classical theorists have limitation in applications. They are not universal specific structures, and such formats cannot suit all types of organisations.

1.7 CONTEMPORARY THEORIES

1.7.1 CONTINGENCY THEORY

It asserts that when managers make a decision, they must take into account all aspects of the current situation and act on those aspects that are essential to the situation at hand.

1.7.2 SYSTEMS THEORY

The systems theory has had a significant effect on management science and understanding of organisations. A system is a collection of parts unified to accomplish an overall goal. If one part of the system is removed, the nature of the system is changed as well. A system can be looked at as having inputs (e.g. resources such as materials, money, technologies, people), processes (e.g. planning, organising, motivating, and controlling), outputs (products or services), and outcomes (e.g. enhanced quality of life or productivity for customers/ clients). Systems share feedback among each of these four aspects of the system. The effect of systems theory is that it helps managers to look at the organisation more broadly. It has also enabled managers to interpret patterns and events in the workplace i.e. by enabling them to recognise the various parts of the organisation, and, in particular, the interrelations of parts.

1.7.3 TEAM BUILDING THEORY

This theory emphasises quality circles, best practices, and continuous improvement. It is a theory that mainly hinges on team work. It also emphasises flattening of management pyramid, and reducing the levels of hierarchy. Finally, it is all about consensus management i.e. involving more people at all levels in decision making.

1.7.4 MANAGEMENT BY OBJECTIVES (MBO)

Peter Drucker (1954) asserted that management comes into existence for specific purpose, and introduced the term MBO. It includes:

- Planning;
- Setting standards;
- Performance appraisal; and
- Motivation.

The MBO approach is result oriented and is based on the idea of effective participation of all the members for achieving objectives. It includes the following steps:

- Defining jobs;
- Setting objectives;
- Developing action plan;
- Review; and
- Performance appraisal.

Drucker's contribution has made tremendous impact on management practices.

1.8   MANAGEMENT PROCESS

Henri Fayol (1930) was mostly concerned with the process of management, that is, what the actual job of a manager was. He suggested that there are five elements of management which are universal to all managers in all organisations. According to him, "to manage is to forecast and plan, to organise, to command, to coordinate and to control:"

- **To forecast and to plan:** Managing entails looking ahead: assessing the future and determining as accurately as possible, the probable course of future events which might affect an organisation and its operations. Based on the forecasts, plans can be formulated to attempt to deal with the expected pattern of future events, and to take steps to overcome problems which it is anticipated will arise in the future, and as far as possible to avoid them before they arise.
- **To organise:** Organising involves putting the plans into practice, implementing the managerial decisions made, and so arranging the work which is to be performed that the organisation's objectives will be achieved as laid down in the plans.
- **To command:** Commanding implies knowing the workers well and the business thoroughly, and issuing instructions in such a way that a high level of activity by the workforce is maintained.
- **To coordinate:** Coordination involves ensuring that all efforts move smoothly together in the same direction, that is, towards the achievement of the organisation's objectives.
- **To control:** It means that management must be certain that what is being done is in conformity with the plan. For this, a control system is essential.

1.9   FUNCTIONS OF MANAGEMENT

The 'managerial' aspect of any manager's job or work can be divided into five functions or types of activities. They are:

- **Planning:** Planning is the basic managerial function. It helps in deciding the course of action to be followed for achieving various organisational objectives. It is a decision in advance, what to do, when to do, and who will do the particular task. Planning is a continuous process that takes place at all levels of management. Plans may be of many types, such as short-range plans, medium-range plans, strategic plans, administrative plans, and operational plans.
- **Organising:** The function of organising is to arrange, guide, coordinate, direct and control the activities of an organisation. It provides the necessary framework within which people associate for the attainment of objectives. It also includes designing jobs, structuring organisation, and training employees to do so.

- **Coordinating:** Organising and coordinating are closely linked, and very frequently coordinating is an essential continuation of organising. Coordinating involves ensuring that all efforts move smoothly together in the same direction, that is, towards the common objectives.
- **Motivating:** It is only through the efforts of the workforce that the objectives of the organisation can be achieved. Hence a manager should be aware of what these motivational forces are, and he/she should provide requisite motivation to all concerned.
- **Controlling:** Controlling is the management function of ensuring that performance conforms to plans. Control is essential for achieving the objectives of an organisation. Control is the process which enables management to get its policies implemented and take corrective action if performance is not according to pre-determined standards.
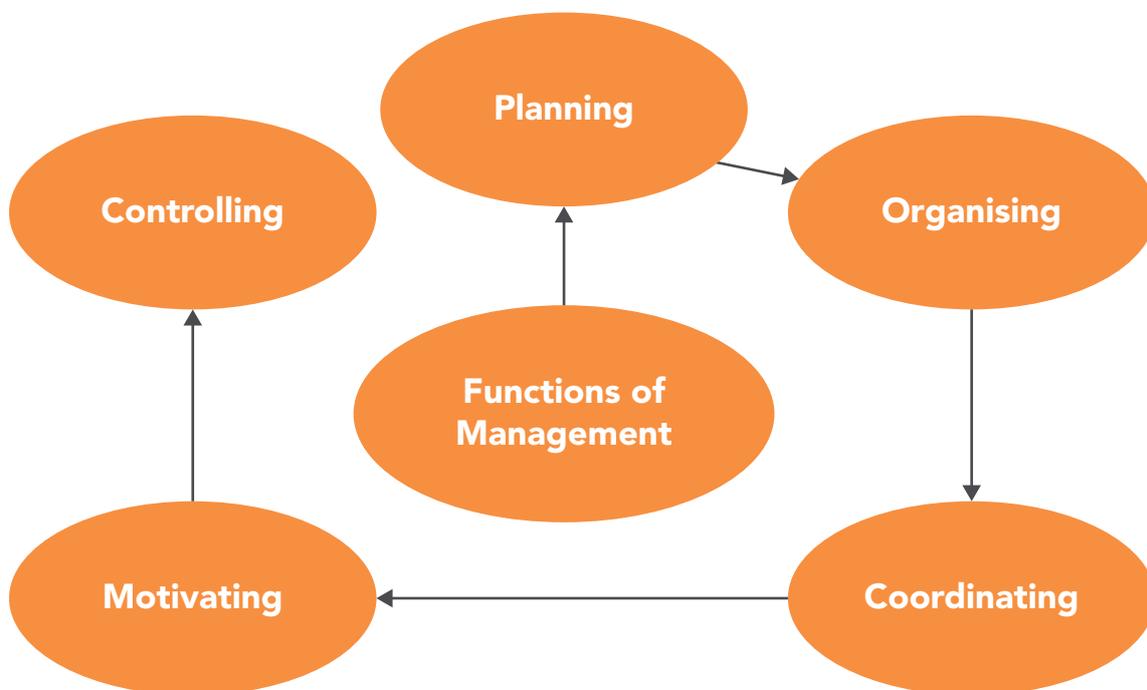
Fig. 1/1 Functions of Management

2   PLANNING AND FORECASTING

2.1   INTRODUCTION

Planning entails deciding how the pre-determined 'objectives' of a business should be achieved in the most efficient and economical way in accordance with policy. Planning is the activity concerned with making plans. Plans are really 'routes to objectives.' Once the objectives of an organisation have been set, planning is necessary to work out how to achieve the objectives in practice, within the framework of the policies formulated.

2.2   PRINCIPLES OF PLANNING

Whatever may be the planning period, certain principles are involved. They are as follows:

- The purpose of a plan must be determined. Goals to be achieved must be clearly identified.
- Plans must be formulated on clearly defined data and information. Forecasts help in this connection, but other data sources must also be used, such as past records, performance, experience etc.
- The plans of the various functions or sub-systems of the organisation must be coordinated to avoid confusion.
- Standards to be achieved by the plans must be set, and performance must be monitored.
- Plans must be flexible to allow for modification in the light of experience of their practical implementation.
- Full communication between all personnel concerned in operating the plan, at any level, is essential. Involvement by all people concerned is an important factor in successful planning.
- Plans must be seen to be achievable. Over-ambition must be avoided as that tends to lead to discouragement and frustration at the failure to attain the goals set. On the other hand, under-ambition in planning provides no incentive, and encourages inefficiency.

2.3 TYPES OF PLANNING

Planning can be broadly categorized into the following:

- **Strategic planning:** In business, top management is involved mainly with the 'long-term planning' which is often called 'strategic planning.' It is concerned primarily with deciding what the objectives of the business should be in two, five, or even ten years ahead, and with the future policies of the business. Such planning is concerned mainly with the organisation as a whole rather than with its individual departments or sections.
- **Tactical planning:** This means planning how the overall strategies are to be achieved. This often entails devising and operating short-term plans, for up to a year ahead.
- **Activities or operational planning:** Other levels of management, including supervisors and foremen, are involved in very short-term 'activity planning' – which is sometimes called 'operational planning.' This includes day-to-day running of departments or sections and individual assignments; for example, how to meet a particular month's production quota, or deciding what each member of staff should be doing at any given time.

In practice, much depends on the size and type of a particular business, and the size of its management team. However, in general, a good deal of planning which managers are called upon to do involves making routine decisions, and is concerned with everyday matters – for example, planning the work of a team of showroom sales personnel – which will mostly be similar work week after week.

2.4 IMPORTANCE OF PLANNING

Operational and short-term planning is important because they relate directly to the day-to-day activities of the organisation. This type of planning is also carried out at the lower levels of management and supervision, with the emphasis being on practical application and implementation.

Long-term planning – both strategic and tactical – is also of vital importance, and is the only means of setting and keeping an organisation 'on course' for the attainment of its principal objectives.

Every aspect of the organisation should be subject to planning in order:

- to make the utmost use of resources;
- to stimulate programmes for management and non-management training;
- to provide for and reach productivity, sales and financial targets;
- to ensure a reasonable return on capital and investment; and
- to guide the organisation in the attainment of its objectives.

The development of well-considered plans enables management at all levels to take a hard look at itself and the organisation in which it operates.

2.5 RESPONSIBILITY FOR PLANNING

Operational and very short-term planning are usually carried out by the managers and/or supervisors actually concerned with the activities involved. For example, a sales manager formulates the plans necessary for the effective activities of the entire salesforce over the short-term, say, a week. The sales team leaders take the responsibility for planning the operations and activities of their respective teams over each day of the week.

Long-term tactical planning is carried out by the more senior executives in areas such as marketing and production. Forecasts in the areas concerned are also taken into account, and there might be, in a large organisation, the output of a special department staffed by experts, such as operational research. In smaller organisations, senior executives and their immediate subordinates have the responsibility for gathering the necessary forecasts through perusing trade journals, government reports etc.

Long-term strategic planning is undertaken by the governing body with the assistance and advice of its senior executives. Forecasts from internal and external sources are utilised as well analysed for the past performance of the organisation, and managerial experience.

In both tactical and strategic planning, however, the actual activity is often delegated to a 'planning committee,' or, if the organisation is sufficiently large, to a 'planning department.' This means that more uninterrupted time can be allotted to the planning exercise than would be the case if the directors or senior executives tried to formulate plans while still engaged in their day-to-day activities. Effective planning needs the undivided attention of the planners. Nevertheless, whosoever draws up the plans, it is the chief executive who must assume ultimate responsibility for long-term planning – either strategic or long-term or tactical. The approval of authority to implement plans is the chief executive's responsibility.

2.6   PROCESS OF PLANNING

The activity of planning starts by defining 'ends' – the aims and objectives of the organisation. This activity requires an assessment to be made of the external environment of the organisation and its internal structure, processes and resources.

Planning also involves taking steps to agree on the 'means' by which the organisation's aims and objectives will be fulfilled. This is as much concerned with decision making processes as with the provision of resources and the allocation of time schedules.

Part of the planning process is concerned with the 'manner' in which plans will be carried out, that is, the 'conduct' of the organisation. This aspect of planning has received greater prominence in recent years as organisations have striven towards meeting objectives associated with such concepts as 'customer satisfaction' and 'excellence.'

Planning is a 'closed-loop' activity, in which the results of earlier decisions provide 'feedback' to the other parts of the process. Such a 'cycle' provides crucial information which can be taken into account by management when assessing the earlier aims and objectives set, the means used to achieve them, and the manner in which those means were implemented in practice.

2.6.1   FLEXIBILITY IN PLANNING

Plans must be flexible so that they can quickly and easily be modified in the light of changing circumstances. For example, a business manager might have decided how his/her staff will cope while another member of the team is on holiday, and has planned the rearrangement of work. But the day after the implementation of the new plan, another member of staff falls ill – so he/she must modify his/her plan, and determine how the work can be rescheduled with two staff away. Much of routine planning is an automatic process, requiring little conscious thought on the part of the manager, because his/her plans and decisions will be based largely on past experience with similar – or even with identical – problems. Other planning, of perhaps a business trip or a training course, for example, might require far more conscious thought, investigation and research before decisions are reached.

2.7   FORECASTING

Planning is concerned primarily with activities in the future. There has to be some guidance as to what might occur in the future. What is called forecasting is, therefore, essential if management is to be able to carry out effectively its planning function.

To forecast is to determine – as accurately as possible – the probable course of future events which might affect the organisation and its activities. A forecast, then, is an assessment of the expected pattern of future events and the ways in which it might have effects on the operations of the organisation or sections of it.

2.7.1 DETERMINING THE COURSE OF FUTURE EVENTS

It is not possible to anticipate or foresee the future exactly, but the more accurate the forecasting the lower will be the degree of uncertainty and the greater the possibilities of formulating reliable plans – and, in consequence, the greater will be the chances of achieving the objectives. Forecasting is, therefore, an essential accompaniment of planning. Based on the forecast, plans can be formulated to deal successfully with expected future events, and to take steps to deal with any problems which are anticipated and may arise in the future, or to avoid them before they arise.

No one can predict the state of the economy, or the possible situation of an organisation, in ten years' time with any great degree of certainty, but the best attempt possible must be made, and many different methods can be used, depending on circumstances.

The accuracy of forecasts will frequently be influenced by certain considerations such as the extent of 'unknown' factors as opposed to those factors which can easily be predicted because they are based on accounting records or statements, experience or published information.

Also, it cannot always be assumed that 'known' factors will remain constant; for instance, future sales of a product might not be the same as past sales of it because external influences (some of which might not be predictable) might increase or decrease sales.

It is, of course, vital that the data on which forecasts are made are as accurate or valid and up to date as possible. In addition, the forecast must be clear to those who will use it on which to base plans, so that they will use it effectively. Moreover, the information in the forecast must be relevant to the planning to be undertaken.

2.7.2 RELATIONSHIP BETWEEN PLANNING AND FORECASTING

Forecasting is an essential accompaniment of planning in order for management to be able to carry out effectively its planning function. Forecasting becomes fruitful only when its findings are utilised in the formulation of plans for the future.

Forecasting should be a continuous process, and forecasts should be available at regular intervals: monthly, quarterly, six-monthly or yearly, as circumstances require. This enables those members of management involved in planning to compare the latest forecasts with those on which their original plans were based, and allows them to determine whether any modifications to their plans need to be made in view of changed circumstances and in the light of experience gained during the plan implementation.

3 ORGANISING

3.1 INTRODUCTION

Every organisation needs the services of a number of persons to look after its different aspects. The management sets up the objectives or goals to be achieved by its personnel. The energy of each individual is channelized to achieve the objectives of the organisation.

The process of organisation involves the following steps:

- To identify the work to be performed;
- To classify or group the task;
- To assign these groups of activities or work to individuals;
- To organise training;
- To delegate authority and fix responsibility; and
- To coordinate these authority-responsibility relationships of various activities.

3.1.1 TYPES OF ORGANISATIONS

Basically, there are two types of organisations:

- **Formal organisations:** Every organisation is a formal set-up with its own policies, rules, and procedures.
- **Informal organisations:** Informal groups and organisations are formed outside the organisation. They do have written or oral norms and rules, and play a vital role in productivity.

3.2 FEATURES OF MODERN ORGANISATION

In the distant past, organisations – social, economic, political, industrial etc. – were simple in structure, contents, goals and functions. But in modern times they have become complex on account of development of science and technology. However, organisations of all types have the following features in common:

- They are bigger and employ large number of people.
- Investment in terms of financial, material and other resources is huge.
- Activities are well-planned and goal oriented along with reviews and revisions at intervals.
- They have their own specific methods, procedures, systems and sub-systems.
- Various departments/sections perform their functions in an integrated way.
- Departments/sections are well-coordinated for better results.
- Interaction among departments/sections is continuous.

3.3   ORGANISATIONAL STRUCTURE

When the business expands from its original stage – with the consequent employment of more personnel – some, if not all, of the specialist sub-divisions of sections will themselves have developed into full sections. Each original small section will have grown into a full department, comprising a number of sections. This situation will require creation of the organisational structure, and can be illustrated as an organisation chart as shown in Fig. 3/1 below.
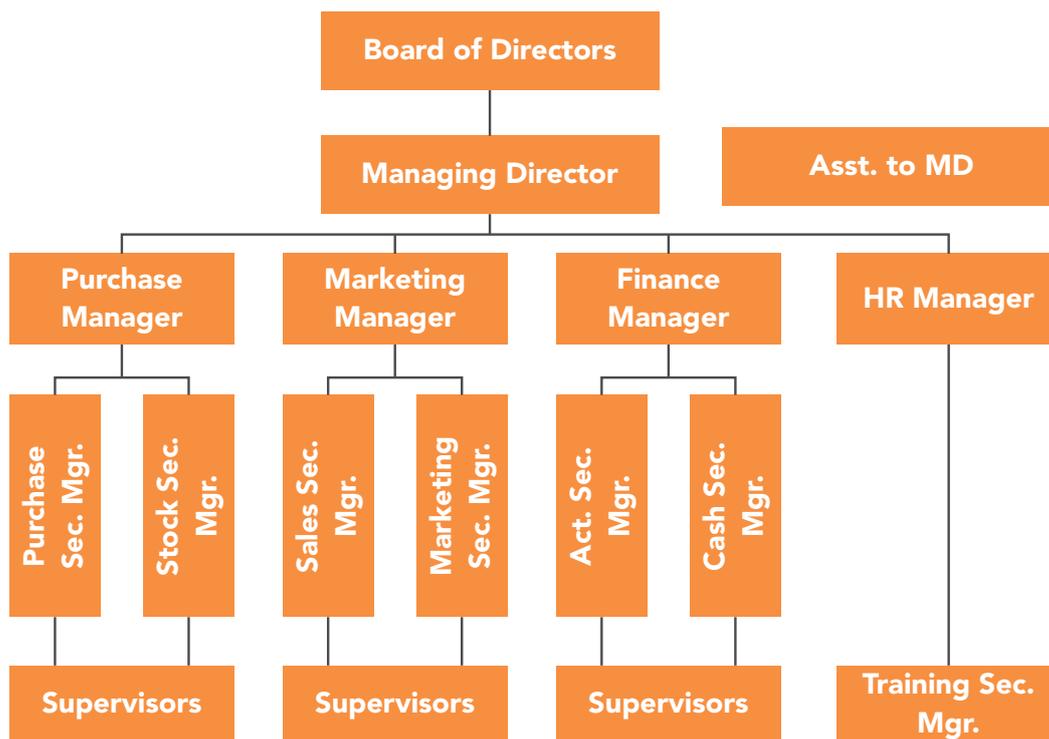

Fig. 3/1 Sample Organisational Structure

This chart shows responsibility and authority being delegated 'downwards,' but at the same time those shown lower in the chart are accountable for their actions and decisions etc. to the executive positions in the next box 'upwards.'
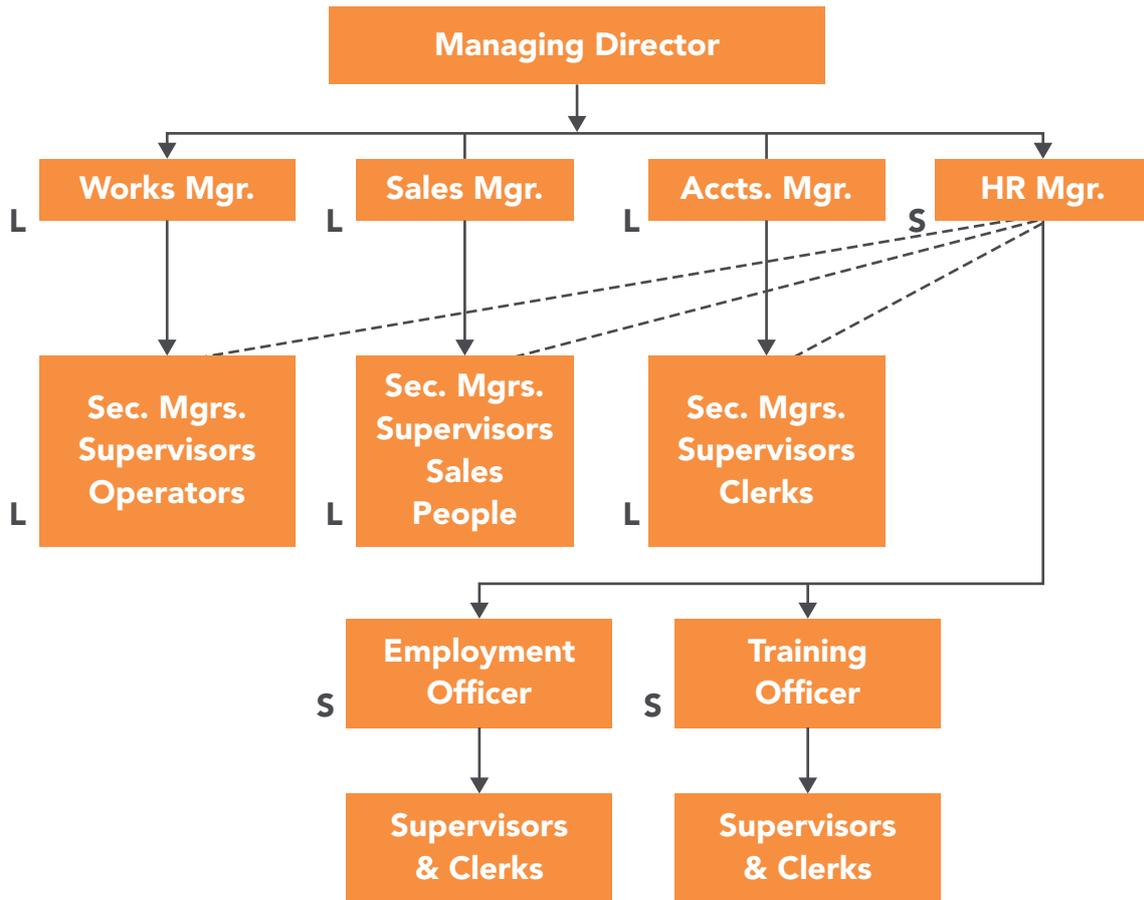
3.3.1 PLANNING THE ORGANISATIONAL STRUCTURE

Depending on the type and size of the organisation, the stages in the setting up of an effective organisational structure for it are likely to be as follows:

- The 'key' activities of the business must be established.
- The various similar or related activities should be grouped together into 'departments;' the most logical grouping is by 'function,' that is, by the type of activity, for example, production, marketing, finance etc.
- The activities of a particular department should be further divided, and then grouped together into sections; for example, all those activities concerned with advertising and publicity might be included in the advertising section of the marketing department.
- An organisation chart should then be produced to depict the proposed organisational structure.
- Based on the estimates of the volume of work which will be performed by each department/section, the number of personnel required must be determined.
- The specialist knowledge or talents required of departmental and sectional managers must be determined and set down. Coupled with that action is the necessity to lay down the extent and the limits of authority and the duties of all those personnel who will hold managerial positions; and the authority to delegate must be provided.
- To ensure the effective coordination of all parts of the organisation, effective procedures and systems of communication must be devised and installed.

3.3.2 TYPES OF ORGANISATIONAL STRUCTURE

Basically, there are three types of organisational structure:

- **Line organisational structure:** This is the simplest form of organisational structure and can be very efficient in small and medium-size organisations. This is illustrated in Fig. 3/1. The 'chain of command' is direct, and so decisions can usually be made quickly and implemented rapidly.
- **Functional organisational structure:** This is the type of organisation in which it is the function – the type of activity – which determines the areas of authority and responsibility. An expert or specialist is placed in charge of each function, and he/she will have direct control of that function wherever it is undertaken within the organisation. For example, the office manager will have authority over clerical and secretarial staff working in any department. However, this form of organisational structure makes control more difficult as there are no clear lines of authority.
- **Line and staff organisation structure:** This is a combination of line organisational and functional organisational structures. It is commonly used successfully, as shown in Fig. 3/2 below.

```
                         ┌─────────────────────┐
                         │  Managing Director  │
                         └─────────────────────┘

   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
   │  Works Mgr.  │   │  Sales Mgr.  │   │ Accts. Mgr.  │   │   HR Mgr.    │
L  └──────────────┘ L └──────────────┘ L └──────────────┘ S └──────────────┘

   ┌──────────────┐   ┌──────────────┐   ┌──────────────┐
   │  Sec. Mgrs.  │   │  Sec. Mgrs.  │   │  Sec. Mgrs.  │
   │  Supervisors │   │  Supervisors │   │  Supervisors │
   │   Operators  │   │     Sales    │   │    Clerks    │
L  └──────────────┘ L │    People    │ L └──────────────┘
                      └──────────────┘

              ┌──────────────┐   ┌──────────────┐
              │  Employment  │   │   Training   │
              │   Officer    │   │   Officer    │
            S └──────────────┘ S └──────────────┘

              ┌──────────────┐   ┌──────────────┐
              │  Supervisors │   │  Supervisors │
              │   & Clerks   │   │   & Clerks   │
              └──────────────┘   └──────────────┘
```

= Line Relationship: Responsibility, authority shown by: _____
= Staff Relationship: Staff-advisory relationship shown by:- - - - - - - - - - - - - - - -

Fig. 3/2 Line & Staff Organisational Structure

In such an organisational structure:

- The 'line' managers control the primary functions, such as marketing and production, which are directly concerned with achieving the objectives of the business;
- The 'staff' managers are generally involved with secondary functions, which assist the smooth and efficient running of the primary functions.

In the organisational structure depicted in Fig. 3/2 the HR manager is directly responsible for his/her own department, and has full authority over its staff. However, although he/she provides services for the line managers and line supervisors with regard to recruitment of personnel, personnel records, as well as safety and welfare activities, he/she has no authority over the personnel working in those other departments.

However, the relationship between the line managers and the staff manager must be clearly defined, and cooperation between them must be encouraged by top management. There is no value, for instance, in a line manager continually rejecting or refusing to consider or accept the advice or assistance of the HR manager, while the HR manager must not be permitted to usurp the authority of line managers.

3.4 DELEGATION OF RESPONSIBILITY

In management delegation means:

"To entrust a person with the responsibility for certain work, actions and decisions: to 'transfer' the responsibility from one person – a manager, for example, to a subordinate – a supervisor or foreman, for example."

3.4.1 NEED FOR DELEGATION

Delegation of responsibility is essential in any organisation, because – except, perhaps, in very small businesses – no one person can be responsible for, and can control every little aspect and activity. Even the sole proprietor might have to delegate some responsibility – for bookkeeping or accounting, for instance – to another person.

3.4.2 DELEGATING RESPONSIBILITY IN THE RIGHT MANNER

It is essential that delegation is done in the right way. The following points need to be taken care of:

- Each subordinate should be trained both to perform the work they are expected to do – as well as to accept any responsibilities which go with the position.
- The work in each section/department must be distributed as evenly as possible, so that one member of the team is not idle while another has far too much to do.
- It must be carefully organised that the extent of responsibility each subordinate is likely to shoulder is decided as per their ability and potential.
- Each subordinate should be allowed – and encouraged – to accept the full quantity of responsibility they can carry. Naturally, this should start in a small way, but as soon as a person has demonstrated that the first area of responsibility is being coped with successfully, a little more should be added, and so on, until that subordinate is carrying all the responsibility that he/she can reasonably be expected to carry.

3.4.3 BENEFITS OF DELEGATION

The following benefits can accrue to a manager who delegates responsibility:

- It leaves him/her more time to concentrate on the more important aspects of their work.
- The work is evenly spread among all the personnel in a section/department, and nobody is unduly burdened.
- Subordinates get encouraged to learn more and to develop a sense of responsibility.
- Opportunity for staff development and promotion is created.
- In case of a superior not being available, the work of the organisation goes on smoothly.

3.5 AUTHORITY

Authority in organisation is the right in a position for making decision affecting others. Authority is the right to give orders and the power to extract obedience. In general, it includes the following rights:

- Right to make decisions on the problems, situations and issues related to activities assigned to them;
- Right to use resources for performing assigned activities in a satisfying manner; and
- Right to give orders and instructions regarding work being performed by them and to seek compliance to given orders.

3.5.1 DELEGATION OF AUTHORITY

Authority is to be delegated for creating the structure of organisation. It is a core element of organising process, since organising has little meaning without delegation of authority.

Delegation of authority is:

- a process of assigning various degrees of decision making authority to subordinates;
- a process by which a manager assigns some of his/her tasks to subordinates on selective basis and allows them to exercise authority on his/her behalf to perform the assigned task;
- the primary formal mechanism by which a network of authority relationship is established; and
- conferring authority from one executive of organisational unit to another to complete a particular assignment.

Delegation of authority:

- is crucial to creating managerial hierarchy;
- permits managers concentrate on key activities;
- facilitates decision making;
- causes subordinates to accept responsibility; and
- is based on the principle of division of work.

3.5.2 GUIDELINES FOR EFFECTIVE DELEGATION

Effective delegation of responsibility and authority can be achieved by making use of the following guidelines:

- Establishing objectives;
- Evaluating competence of subordinates;
- Defining responsibility and authority clearly;
- Motivating subordinates;
- Establishing communication channels;
- Imparting proper training;
- Exercising supporting supervision;
- Determining standards of performance; and
- Incorporating a feedback system.

3.5.3 SPAN OF CONTROL

It refers to the number of subordinates who report to a manager/supervisor. But there is a limit for the number of subordinates a manager can effectively supervise, though the exact number will depend on the impact of underlying factors.

Factors that affect span of management control are:

- Quantity and quality of delegation of authority;
- Formulation of organisational plans;
- Availability of assistance from staff functions;
- Nature of work performed by subordinates;
- Types of communication network; and
- Abilities, skills and training of superiors and subordinates.

3.6   COORDINATING

Coordinating is as essential to top management level as it is at junior management and supervisory levels. For example, the managing director or general manager must ensure that the efforts and activities of all the various departments of an organisation are in harmony and in cooperation. There would be no point, for example, in the sales department endeavouring to sell items which are not yet in production! Good relations and communications between departmental managers must be developed and fostered so that they all work together in harmony. At the other end of the scale, a junior manager, supervisor or foreman must coordinate the work of his/her subordinates in his/her workgroup so that although different people might be performing different tasks, work will, when necessary, flow smoothly and continuously from one person to the next.

4   STAFFING PROCESS

4.1   INTRODUCTION

In the business world today there are small as well as large organisations. When the business is already large or expands, there is a need for systematic manpower planning in order to ensure that sufficient numbers of skilled and semi-skilled members of staff are employed.

4.2   MANPOWER PLANNING

The activity of 'human resource planning' or 'manpower planning' is quite complex and can be summarized as follows:

> *"It is a strategy for the acquisition, utilisation, improvement and retention of an organisation's human resources."*

In practice, the activity of manpower planning is concerned with forecasting and estimating the future demand for labour by an organisation. This activity is concerned with making policies and plans to ensure that the correct number and type of employees are available and trained as per need. We can say that it is concerned with the following:

- Recruitment and training of adequate and suitable employees;
- Retention of employees;
- Effective utilisation of the entire workforce;
- Improvement of employee performance;
- Transfer and promotion/demotion; and
- Dismissal of employees, if necessary.

There are four categories of employees that are important in manpower planning. Each requires different decisions to be made as detailed below:
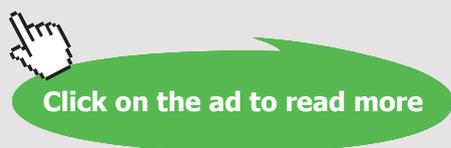
Category	Areas of decisions
Existing employees	Performance appraisal
	Productivity
	Deployment
	Equal opportunities
	Education and training
	Remuneration
	Promotion and career development

Category	Areas of decisions
New employees	**Recruitment – sources and methods**
	Selection procedure
	Terms of employment
	Induction
	On-the-job and additional training
Potential employees	**Recruitment – sources and methods**
	Public relations
	Remuneration levels
	Employee benefits
Leavers	**Dismissal for inadequate performance etc.**
	Retirement
	Redundancy procedure
	Employee turnover

The first step in manpower planning requires a study of all levels of the existing workforce. This will show where and how manpower is being used, and where there are excesses or shortfalls. This process requires the carrying out of an 'organisational and manpower needs' analysis based on the operational requirements taken from the corporate plan.

In the next stage, a 'manpower model' is produced for the estimated future needs. This model is then compared with the actual business situation.

Based on the data obtained from this analysis, the forecasts for future expansion or otherwise can be made. Though the forecasts cannot be made with absolute certainty, reasonable estimates for future requirements can be made.

Fig. 4/1 below shows the process of manpower planning.
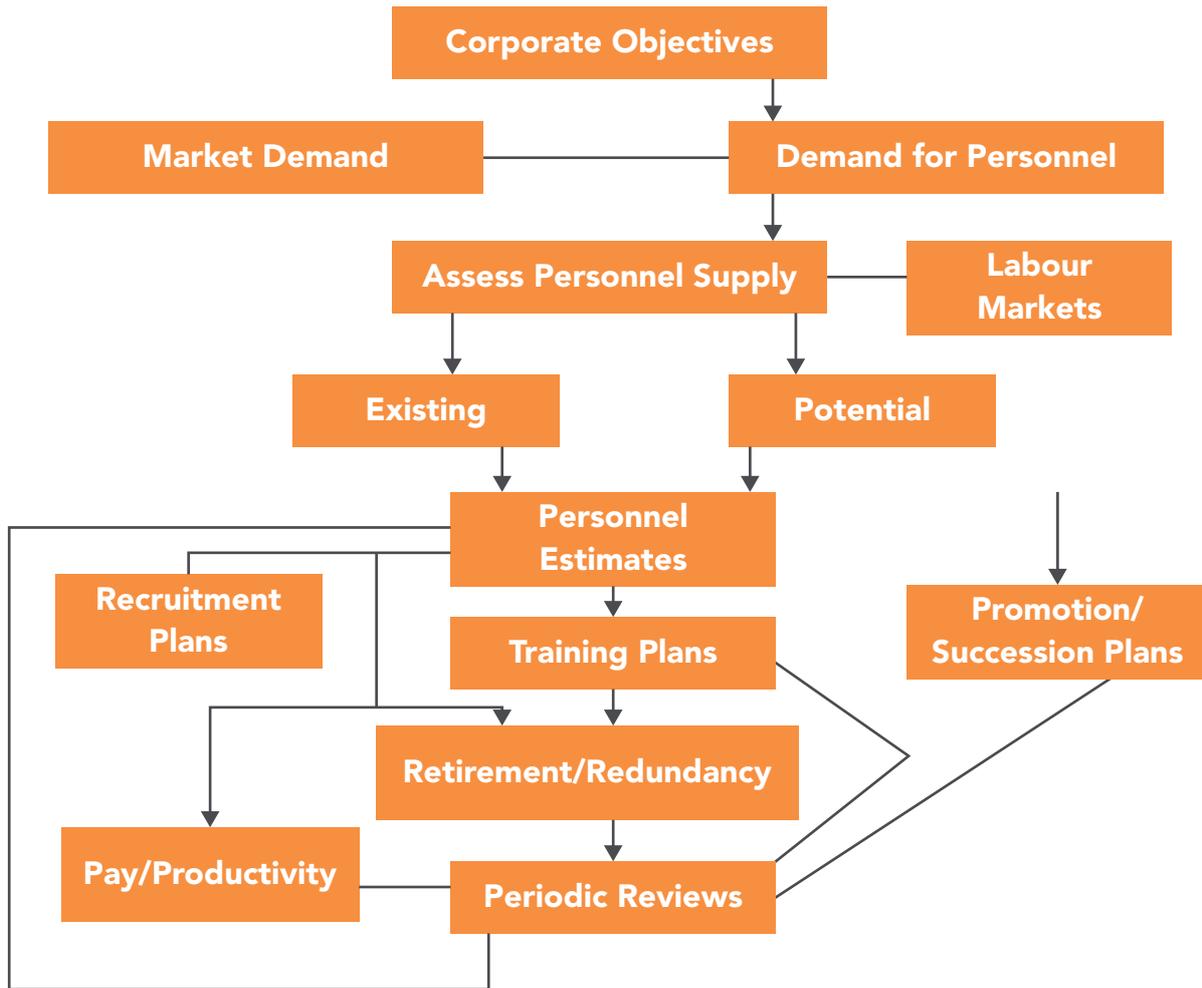
Fig. 4/1 Manpower Planning Process

4.3   RECRUITMENT OF PERSONNEL

The term 'recruitment' refers to the first stage in the process of filling of vacancies in an organisation. These vacancies may arise on account of the following:

- **Creation of a new position:** It may be necessary because of increase in the workload of existing employees or the general expansion of the organisation.
- **Resignation/termination of an existing employee:** First it will have to be decided whether it is necessary to fill this vacancy. It may be possible to distribute the work of this employee among the existing ones. It may be an opportunity to re-design the work allotment to various existing employees.

4.3.1 INTERNAL RECRUITMENT

A vacancy may be filled by a person who is already working in the organisation in another position, section or department. This may provide an opportunity for transfer or promotion to an existing employee who might be interested in this position. The advantages of such internal transfer or promotion are the following:

- Employees are aware that hard work may be rewarded through promotion. This leads to greater job satisfaction among the employees.
- The skills and potential of internal candidates are already known to the manager, and so it may be easy to transfer/promote such an employee without going through the whole process of recruitment.
- Employees who are promoted have a good knowledge about the work and the organisation. Hence the induction and training period for such employees may be shorter than for newcomers.

However, there might be certain disadvantages of internal recruitment such as the following:

- The organisation will lose the opportunity of getting employees – particularly at the managerial level – who might bring with them new ideas and innovations.
- Other employees – who are not considered – may develop feelings of jealousy and resentment and may not cooperate with this employee.

In order to overcome these disadvantages, the management must ensure that:

- Details of vacancies are circulated to all;
- Selection is to be made in a fair and impartial way; and
- Selection should be based on merit and performance.

4.3.2 EXTERNAL RECRUITMENT

This involves the filling of a vacancy from a source outside the organisation. These sources may include the following:

- Local schools;
- Colleges, technical colleges, and universities;
- Employment agencies;
- Recruitment consultants;
- Advertisement in newspapers;
- Posting on recruitment websites.

4.4   RECRUITMENT PROCESS

Before a decision about recruitment is made, it is necessary to ensure that the various aspects of a potential recruitment have been considered. For this purpose, various steps will have to be taken.

4.4.1   JOB ANALYSIS

Job analysis is the process by means of which a description is developed of the present methods and procedures of doing a job, physical conditions in which the job is done, relation of the job to other jobs and other conditions of employment. Job analysis is intended to reveal what is actually done as opposed to what should be done. Therefore, if an employee is found doing some activity not required of that job, it should still form part of the job analysis.

The nature of job changes over a period of time. New developments take place. New personnel are employed. All this necessitates that jobs are reviewed and analysed to suit the changed circumstances.

Any job comprises a number of tasks. Some of these require special skill, knowledge and training. Other tasks might be easier. In order to describe a job it is necessary first to analyse it. This is done to find out the following things about the job:

- What different tasks are to be performed – whether it is a single task or a small number of multiple tasks?
- How are the different tasks to be performed? It means the procedures to perform these tasks in the best possible way.
- What qualifications (education, training, skills etc.) and personal qualities (good eyesight, good hearing, pleasant voice etc.) should be possessed by the candidate?
- For what and to whom will the candidate be responsible?

The purpose of job analysis is not to describe an ideal but show how the constituent parts of the business are being carried out. Job analysis enables the management – HR department in particular – to compare different jobs. This will provide information about the status of various jobs as well as for job evaluation and in training. The information concerning the job can be obtained from a number of sources such as observation of workers, interviews, questionnaire responses etc., knowledge of the materials of work and actual performance of work. It has been found that questionnaire is well suited for clerical workers and interviewing is suited for shop-floor workers. Working conditions and hazards are better described when viewed by the analyst.

4.4.2 JOB DESCRIPTION

The results of job analysis are set down in job description. It defines a particular job. Writing job descriptions for production workers, clerical people and first time supervisors is a fairly established practice. The two types of job descriptions differ from each other in the following manner:

- The lower level job descriptions are generally written by the HR department, but the managerial job descriptions are written by the incumbent executive himself/herself or their superior.
- The lower level job descriptions are written for wage and salary administration and so centre directly on tangible duties and day-to-day assignments i.e. the tasks to be performed. On the other hand, descriptions for higher level jobs are more closely related to organisation planning and so naturally are descriptions of intangible relationships, overall responsibilities and lines of authority i.e. the results to be achieved by the person.

A job description describes a particular job. It states the purpose of a job and its relation with other jobs and people. A job description contains the following:

- Job title, section or department, and details of the workgroup;
- Objectives of the job, for example, for the post of supervisor of customer service section: *"To ensure that the complaints and queries of customers are promptly attended to."*
- List of duties;
- Responsibilities – for what and to whom the person will be responsible;
- Information about the relationship with people connected with the job – both inside and outside the organisation;
- Information about the work environment – private office or open-plan office;
- Details about hours of work, paid holidays, sick leave etc.;
- Details about salary, overtime, bonus, and such other benefits.

A job description gives detailed information about the job, and even enables a candidate to make a decision whether he/she wants to take up the job. It also prepares him/her to perform duties with full understanding and without any doubts.

4.4.3 EMPLOYEE SPECIFICATIONS

Employee specification gives details about the personal qualities desirable for a candidate to possess. It helps the organisation to decide whether a particular candidate is suitable for the job. It seeks the following details:

- Physical qualities – age, general health etc.
- Mental qualities – alertness, patience etc.
- Skills – IT applications, technical knowledge (as per the type of job)
- Qualifications – education, experience, training etc.
- Personality – reliable, honest, hardworking, pleasant etc.

Through employee specifications the management – HR department in particular – is able to decide whether the candidate is fit – physically, mentally, skill and qualification wise – for the job he/she has applied for. It will also show the candidate's ability to work as a productive member of the team.

4.4.4 ATTRACTING SUITABLE CANDIDATES

After the relevant job analysis, job description and employee specification have been completed, the HR department is ready to take steps to attract suitable candidates to apply for the job. For this purpose, the advertisement has to be posted with all relevant details as given below:

- Full name of the organisation, its physical address, website (if any), and the nature of its activities;
- Job title and its objectives;
- Details of important tasks involved;
- Important personal qualities required;
- Information on salary and other benefits; and
- Information on how to apply, and what documents are to be submitted with the application.

4.5 SELECTION

Once the applications have been received, the information about the applicants is compared with the requirements for the position applications have been called for. The applicants, who fulfill the criteria, are short-listed and invited to attend a personal interview, tests etc.

4.5.1 EMPLOYMENT INTERVIEWS

- **System of interviews:** An interview is a face-to-face meeting and discussion between an applicant and the employer's representative(s). Depending on the type of post, interview can be conducted by a single person – usually HR manager – or HR manager and the manager of the department for which interviews are being conducted. For managerial positions there is a panel of interviewers including HR manager, departmental manager, and an internal/external interview specialist.

- **Aims of interviews:** The aims of an employment interview are the following:
  - To confirm the information already provided by the applicant;
  - To enable interviewers to compare in detail each applicant's personal characteristics with those provided in the application;
  - To enable interviewers to assess the applicant's behaviour, mannerisms, alertness etc.;
  - To enable the interviewers to short-list the most suitable candidates from among those who attended the interview; and
  - To enable the applicants to seek relevant information about the job and the organisation as a whole.

- **Conduct of employment interviews:** In order to ensure that the interview process is successful, it is necessary to have proper planning and preparation for the same. The following planning and preparation helps the interviewers:
  - Each interviewer should go through the job description and employee specification before conducting the interview.
  - Each interviewer should make notes about the relevant details of the applicants, and should also make a note of the additional information he/she wants to gather. Different interviewers on the panel may have a different order of important information they would like to seek.
  - All the interviewers should decide the topics to be covered during the interview so that duplication of questions from different interviewers may be avoided. However, there should be scope for flexibility depending on the varying personalities and skills of candidates.

- **Conducting interviews for best results:**
  - Interviewers must understand that some candidates may be shy or nervous at the beginning of the interview. They need to be made comfortable by starting the interview with general conversation such as the time taken to reach the venue of the interview, their mode of transport, their place of residence etc. As a matter of fact, this process should start from the time they report for the interview. They need to be greeted in a friendly way by the secretary or receptionist, and if they have to wait for some time in case of several candidates attending the interview, by offering them a glass of water and/or a cup of tea/coffee.
  - The room in which the interview is conducted should be comfortable and quiet i.e. away from computer printers, telephones ringing. This will ensure that there is no disturbance during the interview process.
  - The interviewers should greet them pleasantly by standing up and shaking hands, or making some friendly and pleasant comments etc.
  - For best results candidates should be encouraged to talk and give information without frequent interruptions. The interviewers need to talk less. The focus should be on the candidate speaking.
  - If a candidate gives a wrong answer to a specific question, the interviewer should never point out the mistake. Rather supplementary questions may be asked, or the topic may be changed.
  - Some interviewers are in the habit of 'showing off' in front of the other panel members and start a lecture on a certain topic. This is absolutely unacceptable. It is the candidate who is being interviewed and not the interviewer.
  - Before the interview is brought to a close, the interviewers should be certain that all relevant questions have been asked. At this stage, the candidate should be given an opportunity to seek information about the job and the organisation, and clear and precise answers are to be given.
  - Finally, the candidate should be told when he/she can expect to learn the result of the interview, and should leave the interview room in a pleasant and positive frame of mind.

4.5.2 TESTS

For some posts certain tests might be used to supplement – but not to replace – the interview. Some tests are fairly straightforward, such as:

- **Work tests:** They are designed to check if a candidate is as skillful as he/she has claimed. For example, a secretary may be asked to type a letter, or a driver to drive a motor vehicle, or a fork-lift operator to drive and maneuver a fork-lift.
- **Aptitude tests:** They are designed to show skill of doing simple tasks.
- **Intelligence tests:** They are designed to test reasoning ability.
- **Personality tests:** They are designed to indicate the possession or lack of certain character traits.
- **Group discussions:** They are used to assess the behaviour of candidates in a group situation, leadership skills, ability to work in a team etc.

4.5.3 APPOINTMENT

After the selection has been made, the most suitable candidate (or candidates if there are multiple vacancies) should preferably by informed by telephone, and then a written communication is to be sent. This letter should contain all the relevant details such as post, date of joining, and the official to whom the candidate should report. The appointment letter should contain, or be accompanied by, particulars of the 'terms and conditions of employment,' such as hours of work, starting salary, other benefits, and perhaps even a copy of the relevant job description.

The decision to appoint must be communicated as early as possible because a candidate might have accepted appointment elsewhere if there is a long time gap between the interview and the offer of appointment. Moreover, if the candidate, who is number one on the .list, is not available, there is time to offer the post to the candidate next on the selected list.

4.5.4 THE TRIAL OR PROBATIONARY PERIOD

It is quite common for people to be offered a post on condition that they will work an initial 'trial' or 'probationary' period. This period might be one month, three months or even longer, depending on the seniority of the post or on account of training necessary so that the work can be performed to the required standard.

The probationary period allows the employer to assess whether the candidate selected is actually suitable in real-life work situation. At the same time, this period allows the new employee time in which to decide whether he/she will be happy working for the organisation.

At the end of the probationary period the new employee might be called for a talk with the departmental or HR manager during which reports on progress made can be discussed. If both the parties are satisfied, the employee is 'confirmed' in the post, otherwise he/she needs to be informed and the employment can be terminated.

4.6   INDUCTION

4.6.1   MEANING AND PURPOSE OF INDUCTION

The process of induction is meant to induct a new employee into the new social setting of his/her work. The new employee is introduced to his/her job situation and informed about the rules, working conditions, privileges and activities and other particulars pertaining to the organisation.

It is important to give the new employee a good impression on the first day of work. However, the induction programme should not end there. It is also important to have a systematic induction programme, spread over several days, to cover all the ground in the shortest effective time.

Most of the information is likely to be contained in a handbook which is distributed to all employees, and in the case of rank and file workers, the induction programme may consist of brief explanation by a member of the HR department or the supervisor under whom the employee will work.

In the case of supervisory or managerial employees, induction training may be more elaborate. Some organisations show videos explaining their activities. Others arrange for lectures and presentations on the organisation and its practices. In some organisations the new recruits spend anywhere from a day to several months in each department to gain first-hand experience in various types of work.

4.6.2 EFFECTIVE INDUCTION PROGRAMME

In some organisations, the induction programme is divided into phases. In the first phase, the induction is generally done by a member of the HR department who informs the new employee particulars relating to the organisation. In the second phase, induction is done by the supervisor of the department in which the new employee is going to work. He/she informs the newcomer about his/her job, duties, responsibilities, importance of his/her job in relation to other jobs etc. Further, he/she is introduced to the rest of the work team.

The induction programme should be drawn up in consultation with all those involved. Depending on the size and complexity of the business and the position of the new employee, this may include:

- Senior management;
- Supervisors or line managers;
- HR officials;
- Health and safety managers;
- Employee or trade union representatives.

4.6.3 FOLLOW-UP

An informal 'follow-up' talk between the section/department manager and the new employee during the first few weeks could be advantageous as it would remove any doubts and misunderstandings the employee may have. It will also ensure that the manager concerned is able to spot any errors or deficiencies in the new employee's work and correct them immediately. He/she may also give practical help and advice. This is likely to result in establishing a good working relationship between the manager and the new employee – thus ensuring efficiency and productivity of the new employee for the benefit of the organisation.

4.7   TRAINING AND DEVELOPMENT

After the candidates have been selected for various jobs, and induction programme has been completed, there is need for the management to provide for training and development. This is because the efficiency of an organisation depends greatly on the training and development of personnel. Particularly these days, when the process and techniques of management have become quite complex, there is a great need in management for arranging training and development of its personnel.

Generally, the terms 'training' and 'development' are used as though they are synonymous. There are differences in the contexts and techniques of employee training and development. Training is the act of increasing the knowledge and skills of an employee for doing a particular job. It imparts specific skills for specific purpose. It is mainly job-oriented. Training is given to both old and new employees throughout their stay in the organisation. In contrast, development includes the process by which executives acquire not only enhanced skills and competency in their present jobs but also capacities for future managerial positions.

4.7.1   NEED AND BENEFITS OF TRAINING

- Training programme helps in increasing the quantity and quality of output.
- It helps each individual member to utilise and develop their full potential.
- Employees feel that they are being taken care of by the management, and this leads to an increase in their morale.
- By training the worker is enabled to make the most economical and best use of materials and equipment. This results in reduced cost of production.
- Trained employees need less supervision. Because of this, the supervisor can increase his/her span of control. This results in reduced cost of supervision.
- As training helps in building the second line of competent officers, there will be competent replacement for more responsible positions.
- The availability of trained personnel ensures long-term stability and flexibility in the organisation.
- As managers are exposed to the latest concepts, information and techniques, they become better qualified. By this, they increase their market value and earning power.

4.7.2 TYPES OF TRAINING PROGRAMMES

All training programmes designed by the organisations can be of any one of the types stated below:

- **Job training:** The purpose of job training is to increase the knowledge of workers about the jobs with which they are concerned so that their efficiency and skill of performance are improved. In job training, workers learn correct methods of handling machines and equipment, avoiding accidents, removing bottlenecks etc.
- **Refresher training:** At the time of initial appointment, employees are formally trained for their jobs, but with the passage of time, they may forget some of the methods which were taught to them or some of the methods or all of them may have become outdated because of technological development. Hence refresher training is arranged for existing employees in order to enable them to refresh and improve their knowledge and skills.
- **Promotional training:** Many organisations have adopted a policy of filling some of the vacancies at higher levels by promoting existing employees. When existing employees are promoted, they are required to shoulder new responsibilities. For this, they require training so that they may not experience any difficulty to shoulder the responsibilities of the new position to which they have been promoted.

4.7.3 TRAINING AND DEVELOPMENT METHODS

There are a large number of training and development programmes meant for different types of employees at different levels. Broadly speaking, the various training and development methods can be classified into the following two categories:

- **On-the-job methods:**
    - Specific job training;
    - Apprenticeship training;
    - Coaching and understudy programme;
    - Job rotation;
    - Specific projects and task forces.

- **Off-the-job methods:**
    - Special courses and lectures;
    - Conferences;
    - Case studies;
    - Simulation – role playing;
    - Sensitivity training.

4.7.4 CHARACTERISTICS OF A GOOD TRAINING PROGRAMME

Many organisations, even though they have a large training staff and spend a large amount on training programmes, don't get good results. In order to ensure that the training programmes are effective and the organisations get good results from them, the following principles may be observed:

- **Determination of training needs:** The management should first decide the training needs of employees and then select a method of training that is most effective.
- **Relevance to job requirements:** Training programmes must be related to the requirements of the job for which they are intended.
- **Allowance for individual differences:** There are differences in ability, learning capacity and interest of trainees so the management should consider these factors while designing the training programmes.
- **Training programme to be result oriented:** Management should avoid 'training for the sake of training,' and show greater interest in the benefits of training programmes.
- **Suitable incentives:** There should be incentives to the trainees to make them undergo training programmes seriously.
- **Management support:** Top managers should take interest in and support the training programmes. Subordinates cannot be expected to take the training programmes seriously if their superiors themselves are not serious about them.

4.7.5 DESIGNING THE TRAINING PROGRAMME

Designing the training programme with clearly defined objectives is a vital step in the entire gamut of training activities. Training is a means to achieve an end. It is not an end in itself. Unless the objectives are clearly defined and programmes designed in such a way that it leads to achievement of the objectives set out, it will only be a wasted effort. The linkage between the design and objective must be carefully thought out by the HR coordinator before announcing a programme. The following points are to be ensured for the success of a training programme:

- **The trainer:** The choice of faculty is critical to the success of any training programme. The HR coordinator must ensure that the selected trainer has the necessary general, technical and specialised knowledge of the subject, that his/her experience and skills are reflected in handling the training sessions, adapting his/her training style, generating interest in the subject being dealt with and that he/she possesses the personality characteristics and attitudes such as openness to new ideas, observation power, a questioning mind and willingness to experiment.

- **The trainees:** It should be ensured that the trainees have the necessary background, experience, intellectual and physical capabilities, diagnostic and application skills and personality characteristics required. Care should be taken so as to avoid too much disparity in the group.
- **The curriculum:** The curriculum should be designed for the optimal utilisation of resources available towards the achievement of the programme objective.
- **The training material:** Care should be taken to ensure the relevance and suitability of training material and the media of presentation to the subject under consideration. Write-ups or standard handouts for a particular topic should be suitably indexed to avoid duplication of effort.
- **The methods and techniques:** The training methods and techniques should contribute to maintaining interest and high degree of participation, and be capable of including a transfer of knowledge and skills.
- **The timing and sequencing:** It should be ensured that the timing and sequencing of sessions are suitable with regard to the training objectives.
- **Location:** In selecting a venue for the training, the adequacy of the room ventilation, relative freedom from noise and disturbances and overall comfort should be sought. It should be ensured that the location is worth the cost and that the surroundings are suitable to create a good training environment.
- **The physical facilities and training equipment:** The availability of certain basic facilities (e.g. overhead/LCD projector, smart board etc.) should be ensured.

4.8 EMPLOYEE COUNSELING

Situations which can lead to disciplinary action may be avoided by taking certain steps. This involves having a talk with the employee concerned, trying to find a solution to the problem which is creating such a situation. This process of settling problems without resorting to disciplinary action is referred to as employee counseling.

4.8.1 NATURE OF PROBLEMS

Some problems are related to work while others are of personal nature. Generally a manager or supervisor is concerned with the employee's work-related problems, but sometimes he/she may have to deal with an employee's personal problem also because that may have been the cause of starting a work-related problem.

4.8.2 SOLVING THE PROBLEMS

- Solution to a problem can be found only through a joint discussion between the manager and his/her subordinate. This needs to be a two-way process. Sometimes a manager or supervisor arranges a counseling session, but at other times it is initiated by the employee when he/she needs to share some problem.
- It is important that the manager or supervisor keeps the information related to an employee's counseling session confidential from other employees.
- Every problem that needs to be addressed through counseling is individual in nature. Hence for each problem the manager or supervisor has to adopt a flexible approach and not try to fix every problem with the same solution.

4.8.3 PROCESS OF SUCCESSFUL COUNSELING

A counseling session is likely to be successful if the following points are considered:

- The subject for discussion should be introduced in a discrete manner and not done openly.
- The reasons for the discussion should be explained to the employee in a sympathetic manner so that he/she has confidence to discuss the matter.
- Questions should be asked in a gentle manner so that the subordinate is able to appreciate how the manager or supervisor is trying to help him/her.
- Quite often all the questions related to the problem may not be addressed in one session. A few more sessions may be necessary in order to get all the facts right. Hence a lot of patience is to be exercised.

After the problem has been ascertained, an effort has to be made by both the parties to find a solution acceptable to both. When this happens, it is possible to have a high level of employee motivation. This is also very effective in controlling employee behaviour.

4.9 DISCIPLINARY ACTION

Managers and supervisors of various departments always try to motivate, guide, advise, and control their subordinates. In spite of this, occasions will arise when there is no alternative but to take disciplinary action. Before committing to any proposed disciplinary action, a manager/supervisor might consult the HR manager and brief him/her fully on the situation that has arisen and seek guidance. After having the full backing of the HR manager he/she must act firmly and confidently.

Depending on the severity of the offence, disciplinary action takes different forms. The following procedure may be adopted:

- If it is a first offence, the person should be spoken to and advised. For example, if a subordinate arrives at work late without a satisfactory explanation, a counseling session might be beneficial.
- If the person continues behaving in the same way, for, say, a week, a formal written warning is needed.
- If he/she still continues committing this offence, a final written warning needs to be given by the HR manager advising him/her to improve their behaviour within a stated time limit.
- If the employee still does not improve, he/she has to be penalized. The penalty may be transfer to another section or location, suspension without pay, or dismissal from job.

4.10 EQUAL OPPORTUNITY POLICY

Equality in the workplace means that there is fair treatment for each individual. Everyone is supposed to have equal access to job opportunities, promotion and other benefits. It also means that there should be a system of equal pay for similar work in the organisation.

There should be no discrimination on the basis of gender, race, religion or physical disability. Today a large number of organisations have a policy referring to discrimination on the above-mentioned grounds. A good equal opportunity policy includes age, marital status, gender, HIV and AIDS. The policy should state clearly a commitment to equality in the areas of recruitment, promotion, training, performance appraisal and pay, transfers, terms and conditions, disciplinary procedures and dismissal rules, policies against harassment etc.

Policies alone are not enough. There must be a commitment to put them in practice by specific measures, and this should be the responsibility of HR department. The policy should be publicized to all staff and job applicants.

An important part of implementing equal opportunity policy is monitoring its effectiveness. In the case of gender, race or disability, there are usually arrangements to collect statistics to ensure that these people are represented in the workforce.

5 LEADERSHIP

The organisation is made up of groups of people. An essential part of management is coordinating the activities of groups and directing the efforts of their members towards the goals and objectives of the organisation. This involves the process of leadership and the choice of an appropriate form of behaviour.

5.1 MEANING OF LEADERSHIP

Leadership may be interpreted in simple terms, such as 'getting others to follow' or 'getting people to do things willingly,' or interpreted more specifically as 'the use of authority in decision making.' It is interpersonal influence which is exercised in a situation and directed through the communication process towards the attainment of a specified goal. Tead (1935) says:

> *"Leadership is that combination of qualities by the possession of which one is able to get something done by others, chiefly because through his influence they become willing to do it."*

It is often associated with the willing and enthusiastic behaviour of followers. Terry (1960) also thinks that leadership is "the ability of influencing people to strive willingly for mutual objectives."

5.2 IMPORTANCE OF LEADERSHIP

Since leadership is an inspirational process, a leader influences long-term changes in attitude. It does not necessarily take place within the hierarchical structure, and many people operate as leaders without role definition. Leadership is related to motivation and the process of communication through which one person influences the behaviour of other people. The process of leadership is not separable from the activities of the group. Effective leadership is a two-way process.

5.3 LEADERSHIP RELATIONSHIP

- **A leader may:**
    - Be imposed;
    - Be formally appointed;
    - Be chosen informally; or
    - Emerge naturally.

- **Leadership may be:**
  - **Attempted leadership:** when an individual in the group attempts to exert influence over other members of the group;
  - **Successful leadership:** when the influence brings about the behaviour and results that were intended by the leader;
  - **Effective leadership:** when successful leadership results in functional behaviour and the achievement of group goals.

- **Leadership may also involve:**
  - Exercise through greater knowledge, expertise or reputation;
  - Personal qualities or charisma;
  - Manner of exercising authority;
  - Adoption of a particular style of leadership.

- **Dynamic form:** Leadership is a dynamic form of behaviour and there are a number of variables that affect it. According to McGregor (1987), "leadership is not a property of individual, but a complex relationship among these variables." He has specified the following variables:
  - Characteristics of the leader;
  - Attitudes, needs and other personal characteristics of group members;
  - Nature of the organisation, such as its purpose, its structure, the tasks to be performed;
  - Social, economic and political environment.

5.4 FUNCTIONS OF A LEADER

- **As executive:** top coordinator of the group activities and overseer of the execution of policies.
- **As planner:** deciding the ways and means by which the group achieves its ends. This may involve both short-term and long-term planning.
- **As policy maker:** the establishment of group goals and policies.
- **As expert:** a source of readily available information and skills, in spite of some resistance on technical expertise and advice from other members of the group.
- **As external group representative:** the official spokesperson for the group, the representative of the group and the channel for both outgoing and incoming communications.
- **As controller of internal relations:** determining specific aspects of group structure.
- **As purveyor of rewards and punishment:** having control over group members by the power to provide rewards and apply punishments.

- **As arbitrator and mediator:** controlling interpersonal conflicts within the group.
- **As exemplar:** a model of behaviour for members of the group, setting an example of what is expected.
- **As symbol of the group:** enhancing group unity by providing some kind of cognitive focus and establishing the group as a distinct entity.
- **As substitute for individual responsibility:** relieving the individual members of the group from the necessity of, and responsibility for, personal decision.
- **As ideologist:** serving as the source of beliefs, values and standards of behaviour for individual members of the group.
- **As father figure:** serving as a focus for the positive emotional feelings of individual members and the object for identification and transference.
- **As scapegoat:** serving as a target for aggression and hostility of the group, accepting blame in case of failure.

It is important to understand that leadership resides in the functions and not a particular person. The various functions of leadership can be shared among members of the group. If a member provides a particular function which is relevant to the activities of the group, and accepted by group members, then in those circumstances this could become a leadership function.

5.5 LEADERSHIP STYLES

Management does not take place in a vacuum. There must be a place in which it happens – people to carry out management tasks, and goals and objectives to be achieved through people who implement management activities.

Leadership styles vary from the democratic to the dictatorial. Between the two, there are a good number of styles that leaders practice when the need arises. A leader may move towards democracy or dictatorship, which are two opposite poles. There is no fixed style to which a leader should cling because leadership styles are situational. A prevailing situation calls for an appropriate style.

5.5.1 SITUATIONAL LEADERSHIP STYLE

The situational approach to leadership depends on various factors that have impact on leadership effectiveness. These factors include the history of the organisation, the community surrounding the organisation, the physical circumstances within which the organisation exists, the communication pattern in the organisation, the structure of interpersonal relationships, the expectations of staff, the personalities of group members etc. The behaviour of the leader and the staff may be affected by the situation, the type of the organisation, group effectiveness, the problem and its complexity, the time pressure which may result in staff not being involved in decision making.

Hersey and Blanchard (1976) defined leadership style as:

> *"a constant pattern of behaviour which the leader exhibits, as perceived by others, when he/she is attempting to influence the activities of the group."*

They believed that there is not a particular leadership style that is more effective than the other. Rather the effective style of leadership is contingent upon the situation.

In using the situational style of leadership, it is indicated that often one leadership style will not work in another situation. Different situations call for leaders to identify styles that can best help to achieve goals and objectives in particular circumstances, situations and times. This means that the situational leader needs to use an appropriate style in any required situation.

5.5.2 THE DEMOCRATIC OR PARTICIPATIVE LEADERSHIP STYLE

The democratic leadership style, which is also participative by nature, is popular among the leaders because it is people-oriented. If there is a decision to make, all matters are discussed by the entire group. The leader only facilitates input. He/she uses the decisions of the members to enrich his/her own. The style is involved in most, if not all, activities. However, the leader makes it clear that if staff cannot come to a decision, he/she retains the right to do so.

Under this style of leadership, the staff is always well informed about what is taking place at the workplace. Both delegation and genuine teamwork are practised in order to achieve results together. Mullins (2004) explains a democratic leadership style as implying that the job will be done automatically if interpersonal relationships are on a sound footing.

This is a team leadership style in which a leader integrates concern for production with concern for people at a high level. Team work is emphasised and it is goal-oriented.

To sum up, the democratic leadership style emphasises the group and leader participation in the achievement of goals and objectives of the organisation. The democratic leader derives power and authority from his/her followers. He/she, on the other hand, operates by tapping skills and ideas from the organisation members, remembering to delegate responsibility to them. But this leader has the authority to make the final decision even if all members do the ground work leading to that decision.

5.5.3 THE DICTATORSHIP LEADERSHIP STYLE

This leadership style can be defined as coercive style forcing people to act as they are told. According to Allais (1995), dictatorship is seen as a style in which a leader retains as much power and decision making authority as possible. It is leader-centred and cares less about the followers.

Where dictatorship reigns, if the staff reacts, their reactions are taken personally and emotionally. The dictatorship leadership style, therefore, can be equated to authoritarian leadership style or autocratic leadership style. This leader uses punishment rather than reward to discipline the staff and he/she calls for more things done their own way. They do not care about other people's feelings.

To summarise, the dictatorship leadership style generally does not allow workers to think for themselves. This style is also an easy alternative for those leaders who do not want to spend time working through people. If a dictator decides to work through people, he/she directs, coerces and controls closely.

5.5.4 THE LAISSEZ-FAIRE LEADERSHIP STYLE

The laissez-faire leadership style is sometimes called the free-reign or individual-centred leadership style. This style makes the presence of the leader felt but gives workers freedom to make individual or group decisions. It looks like it is democratic but most of the time the leader appeals to personal integrity, which results in some individuals being totally trusted. This is because they are given little or no direction. Robbins and DeCenzo (2001) concur that the laissez-faire leader generally allows employees complete freedom to decide and complete work in whatever way they see fit, while the leader provides material for use and answers questions.

Laissez-faire leader has no authority. He/she just watches what is going on in the organisation. In such an organisation there may be chaos if the leader stays apart from the rest of the workers. However, if the workforce is responsible and conscious about their duties, they are motivated to work freely and they determine their own goals.

Some employees cannot work under this style of leadership as they need more direction. They may even feel that the leader does not care for them and what they do, as there is no control. On the other hand, some workers cannot work under this style of leadership because they conclude that nobody cares.

To sum up, laissez-faire leadership style connotes leading by abdicating the leadership role. The leader has trust in the workers to the extent that if they are not conscious about their work, the organisation will suffer.

6 MOTIVATION

6.1 MEANING AND IMPORTANCE

Motivation is the will to act. What we call 'motives' are the reasons why people act in certain ways. Motivation is a prime factor that contributes to the success and survival of organisations.

According to Shartle (1956), "motivation is the reported urge or tension to move in a given direction or to achieve a certain goal."

Jucius (1975) states:

> *"Motivation is the act of stimulating someone or one's own self to get a desired course of action, to push the right button to get desired action."*

Filippo (1961) has rightly said that "motivation is the process of attempting to influence others to do your will through the possibility of gain or reward."

The process of motivation is applicable to all cadres of employees – workers, supervisors, managers – and in all walks of life. Nobody works properly without adequate motivation. Motivation is not only overt but also covert in nature.

6.2 THEORIES OF MOTIVATION

There are various theories of motivation to work advocated by psychologists and sociologists.

6.2.1 MASLOW'S NEED HIERARCHY THEORY

The theory by Abraham Maslow (1943) argues that individuals are motivated to satisfy a number of different kinds of needs, some of which are more powerful than others. Maslow argues that until these most powerful needs are satisfied other needs have little effect on an individual's behaviour. In other words, we satisfy the most powerful needs first and then progress to the less powerful ones. As one need gets satisfied, and therefore, less important to us, other needs come up and become motivators of our behaviour.

Maslow represents this propensity (being more powerful than others) of needs as a 'hierarchy,' in Fig. 6/1 given below. The most powerful needs are shown at the bottom of the pyramid, with powerfulness decreasing as one makes progress upwards.
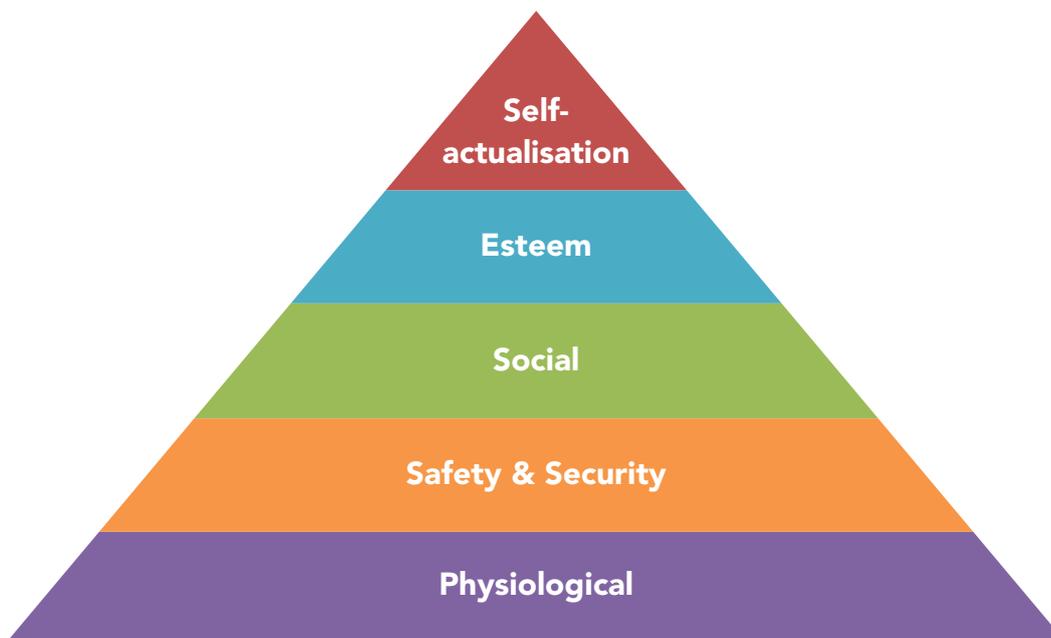
Fig. 6/1 Maslow's Need Hierarchy

- **Self-actualisation needs:** reaching your potential, doing your own thing.
- **Esteem needs:** respect from others, self-respect, recognition.
- **Social needs:** application, acceptance, being part of something.
- **Safety and security needs:** physical safety, psychological safety.
- **Physiological needs:** hunger, thirst, rest.

- **Need mix:** An important premise of the need hierarchy is that as one need is basically fulfilled, the next most important need becomes dominant and dictates individual behaviour. This theory cannot be viewed as an all-or-nothing framework; we should regard the hierarchy as useful in predicting behaviour on a high or low probability basis.

6.2.2 ALDERFER'S ERG THEORY

Alderfer's (1969) ERG Theory is an important development over Maslow's Need Hierarchy. He states that human behaviour is primarily caused to fulfil three important needs:

- **Existence needs:** They correspond to Maslow's physiological – and to some extent safety and security – needs. They refer to the inherent urge to fulfil the minimum requirement for a fair existence in the world.
- **Relatedness needs:** They should be roughly equated with social needs of Maslow's need hierarchy. They include the desire to interact and socialise with others so as to get affection from them.
- **Growth needs:** They are similar to Maslow's esteem and self-actualisation needs. They urge the person to get recognition from others for his/her competencies, including the desire to create something on their own and to reach their full potential of development.

There are four significant differences between ERG Theory and Maslow's need hierarchy:

- It recognises that human needs at more than one level may be active at any point of time. This means that one may feel the pressure for satisfying both his/her existence and relatedness needs at the same time.
- There can be progression as well as regression in the movement from the base to the top of the hierarchy.

6.2.3 THE ACHIEVEMENT THEORY OF MOTIVATION

McClelland (1961), another psychologist, has suggested that human beings in general have three social needs:

- The need for affiliation;
- The need for power; and
- The need for achievement.

He has stated that people differ from one another according to which one of these three needs is more important:

- **The need for affiliation:** Like Maslow's social needs, the need for affiliation is a desire to have human companionship and acceptance. People with a strong need for affiliation, compared to the other two, are likely to prefer – and perform better – a job that details a lot of social interaction and offers opportunities to make friends.

- **The need for power:** The need for power might be defined as the desire to be influential in a group and to control one's environment. People with a strong need for power are likely to have superior performance, and they normally aspire to hold positions of authority.
- **The need for achievement:** The need for achievement, the best known of the three, reflects the desire to accomplish a goal or task more effectively than in the past. According to McClelland, people with a high need for achievement will have the following behavioural characteristics:
  - They formulate a concrete goal in such a way that it stretches their abilities and efforts.
  - They select a moderate goal.
  - They demonstrate a strong commitment to the goal.
  - They like to take personal responsibility for the outcome.
  - They actively explore their environment to create opportunities for achievement.
  - They often experiment with novel and instrumental activities in order to reach their goal.

6.2.4 HERZBERG'S MOTIVATION-HYGIENE THEORY

Herzberg (1959) argued that certain factors lead to job satisfaction while others lead to job dissatisfaction. He identified these as 'motivator' and 'hygiene' factors respectively:

- **Motivators:** According to Herzberg, typical job motivators are:
  - The degree of career achievement;
  - The intellectual challenge of work;
  - Recognition of work by others;
  - The actual value of the work;
  - The actual level of job responsibility; and
  - The opportunity for promotion.

- **Hygiene factors:** Herzberg identified hygiene factors as:
  - The restriction of management policies and procedures;
  - Technical/administrative aspects of supervision;
  - Salary structures;
  - Job conditions;
  - Relationship with management; and
  - Work environment.

Herzberg's motivation-hygiene theory is generally well-received by practising managers because of its relatively simple distinction between factors including positive job satisfaction or those causing reduced job satisfaction. Herzberg suggests that physiological, safety, social, and to some degree, esteem and self-actualisation needs can be satisfied with hygiene factors. The remainder of the esteem and self-actualisation needs can be satisfied with motivators.

6.2.5   THE EQUITY THEORY OF MOTIVATION

Adams (1963) argues that when individuals perceive a discrepancy between the effort put in and the rewards obtained for the effort, they resort to various means to restore the balance between the two. The imbalances can occur in the following ways:

High Effort	Low Reward
Low Effort	High Reward
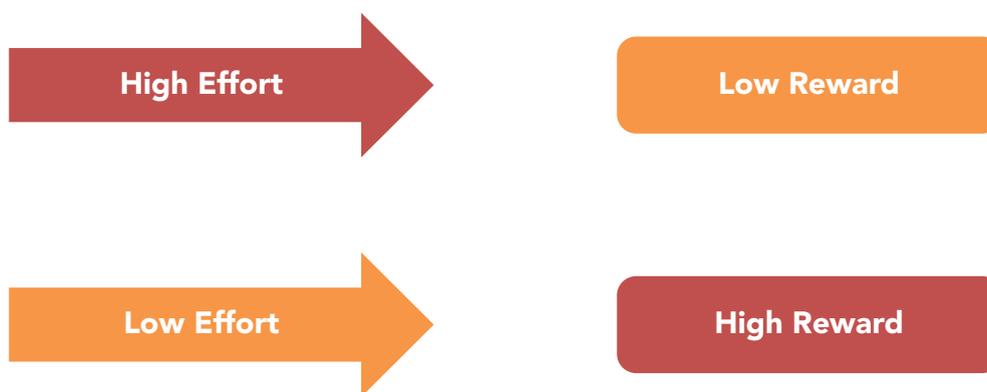
Actually it is the first type of imbalance that creates motivational problems at work rather than the second. When the effort put in is seen as more than the reward obtained, the individual concerned tries to increase his/her reward and if they fail in their efforts, they reduce efforts to restore the balance. According to the Equity Theory, demotivating apathy and non-involvement in work are the result of such perceived imbalance between effort and reward.

People's imbalance between effort and reward arises through comparisons between one's own balance in this respect and the balance in the case of others similarly placed doing similar jobs in one's own organisation or in other organisations.
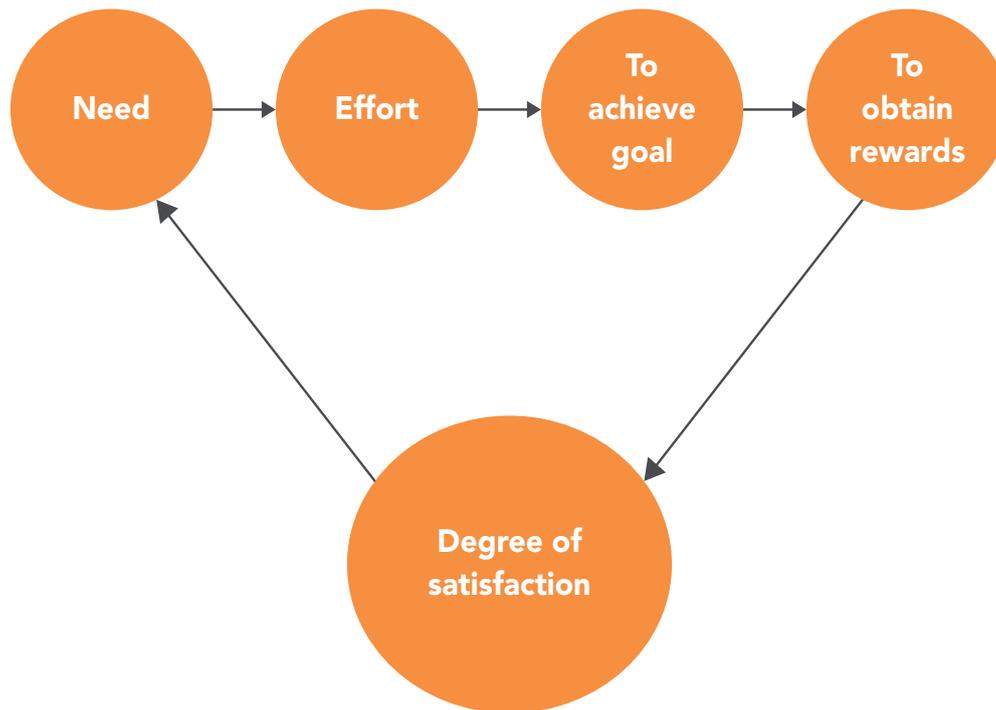
Fig. 6/2 The Equity Theory

6.2.6 EXPECTANCY THEORY

It was developed by Victor Vroom (1964). His motivation formula is a simple yet powerful one that can be expressed as follows:

Motivation = Valence × Expectancy

- **Valence:** A person's preference for a particular outcome can be expressed as a valence. A person who feels attracted towards a goal will strive harder to achieve it.
- **Expectancy:** A perception of the probability that a specific outcome will follow from a specific act is termed expectancy.

Vroom has stated that the motivational force of an individual is a function of his valence and expectancy. This motivational model, unlike the Maslow and Herzberg models, stresses individual differences in motivation, and explains how goals influence individual effort. It made the managers to realise that motivation of subordinates will not improve their performance if their ability is low or perceptions of expectations are inaccurate.

6.2.7 MCGREGOR'S THEORY 'X' AND THEORY 'Y'

McGregor (1987) postulated motivational ideas in 'Theory X' and 'Theory Y.' He noted that the way an organisation runs depends on the beliefs of its managers. 'Theory X' gives a negative view of human behaviour. It also assumes that most people:

- are basically immature;
- need direction and control;
- are incapable of taking responsibility;
- are viewed as lazy;
- dislike work;
- need a mixture of financial inducements; and
- need to be given threats of loss of their jobs to make them work ('carrot and stick' mentality).

'Theory Y,' the opposite of 'Theory X,' argues that people want to fulfil themselves by seeking self-respect, self-development, and self-fulfillment at work as in life in general. The six basic assumptions of 'Theory Y' are:

- Work is as natural as play or rest;
- Effort at work need not depend on threat of punishment;
- Commitment to objectives is a function of rewards associated with their achievement;
- The average human being learns, under proper conditions, not only to accept but also to seek responsibility;
- High degree of imagination, integrity and creativity are not restricted to a narrow group but are widely distributed in the population;
- Under the conditions of modern industrial life, the intellectual potentials of the average human being are being only partly utilised.

The manager, whose assumptions about people fall closer to 'Theory X,' in order to achieve the organisational objectives, will tend to coerce people in his/her managerial approaches towards them. On the other hand, the manager, whose assumptions fall closer to 'Theory Y,' will tend to encourage his/her people to develop and utilise their capabilities, knowledge, skills and ingenuity in trying to accomplish the organisational objectives.

6.3 IMPACT OF MOTIVATION THEORIES

All motivation theories appear to approach motivation as a three-phased phenomenon composed of an individual's desire for something, his/her perception of the path that will lead to attainment or satisfaction of that desire, and their belief that following that path will ultimately reward them for their efforts. However, one cannot expect an organisation to satisfy the totality of an individual's needs during working hours.

6.4 ADVANTAGES OF MOTIVATED EMPLOYEES

There are a number of advantages if the employees are motivated.

Motivated employees:

- Perform well and achieve targets;
- Need less supervision and guidance;
- Motivate others in the organisation;
- Are creative and innovative; and
- Attempt to solve problems.

6.5   MOTVATIONAL FACTORS

Motivational factors which influence the employees can be divided into two categories – financial and non-financial.

They are:

- **Financial:**
    - Pay
    - Interest-free loan
    - Housing
    - Subsidised canteen facility
    - Uniforms
    - Overtime wages
    - Leave travel allowance
    - Medical facilities
    - Transport
    - Education subsidy for children
    - Recreational facilities etc.

- **Non-financial:**
    - Recognition
    - Appreciation
    - Humane treatment
    - Higher responsibilities
    - Challenging job
    - Encouragement
    - Job security etc.

It is the primary duty of employers to provide the right type of motivation to the employees to boost up the production. A motivated workforce means enhanced productivity in any organisation.

7 COMMUNICATION

7.1 MEANING OF COMMUNICATION

Communication is the process by which we give, receive or exchange information with others. Communication means interacting with others:

- to promote understanding;
- to achieve a result of some kind; and
- to pass information to another person so that he/she can take action.

It can involve speaking, listening or writing. This information does not necessarily need to be hard facts. Sometimes just a shrug of the shoulder can act as our means of communication.

Communication, in the context of management, can be defined thus:

> *"It is the conveying of a message or an idea from one party to another in such a manner that both parties understand the identical meaning."*

7.2 IMPORTANCE OF COMMUNICATION

Effective and rapid communication is a vital 'tool' of management:

- Without communication, nothing could happen in an organisation;
- No information or instructions could be given or received;
- There could be no contact between members of management and their subordinates;
- There could be no contact with customers, clients or suppliers.

Ann Dobson (2000) has rightly said:

> *"Nowhere is effective communication more important than at work. Vital information needs to be given, received, exchanged and understood hundreds of times in every working day. Many business transactions go wrong simply because of poor communication between the people concerned."*

7.3 FEATURES OF EFFECTIVE COMMUNICATION

Effective business messages have the following features:

- **Clear:** Business communication should be clear and self-explanatory about why it has been given.
- **Complete:** The information given should be complete and should not have any scope for questions.
- **Correct:** The information provided should be correct and based on facts. Facts should be given rather than impressions.
- **Save reader's time:** The communication should be such that the reader saves time in understanding the message.
- **Create goodwill:** The pleasant, correct and clear message will result in creating goodwill for the sender of the message.
- **Clarify and condense information:** Business messages should frequently use tables, charts, photos or diagrams to clarify or condense information, to explain a process, or to emphasise important information.
- **State precise responsibilities:** Business messages are directed to specific audience. Therefore, you must clearly state what is expected of, or what you can do for, that particular audience.
- **Persuade and recommend:** Business messages are frequently given to customers, clients, management or subordinates to accept the suggestions and recommendations given.
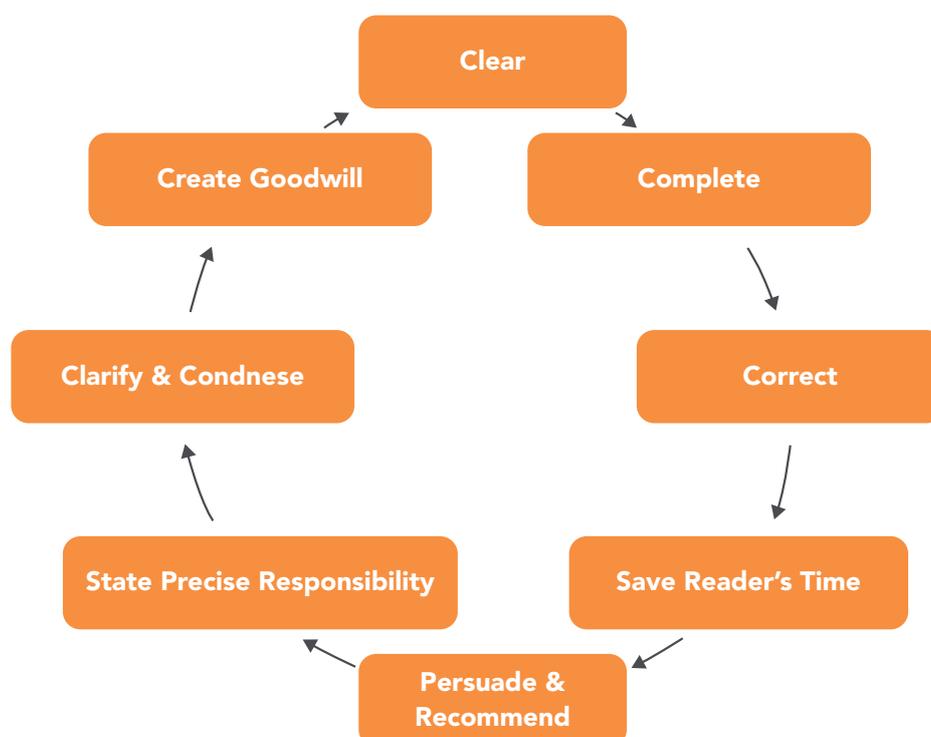
Fig. 7/1 Features of Effective Communication

7.4   TYPES OF ADMINISTRATIVE COMMUNICATION

There are two types of administrative communication:

- **Internal communication:** communication between the employees of an organisation – from managers to subordinates, between managers, from subordinates to supervisors/ managers, between members of a workgroup.
- **External communication:** communication with contacts outside the organisation – with existing or potential clients, customers, suppliers etc.

7.5   TYPES OF INTERNAL COMMUNICATION

Basically, there are two types of internal communication in management (as shown in Fig. 7/2):

- **Vertical** – downward and upward
- **Horizontal** – sideways
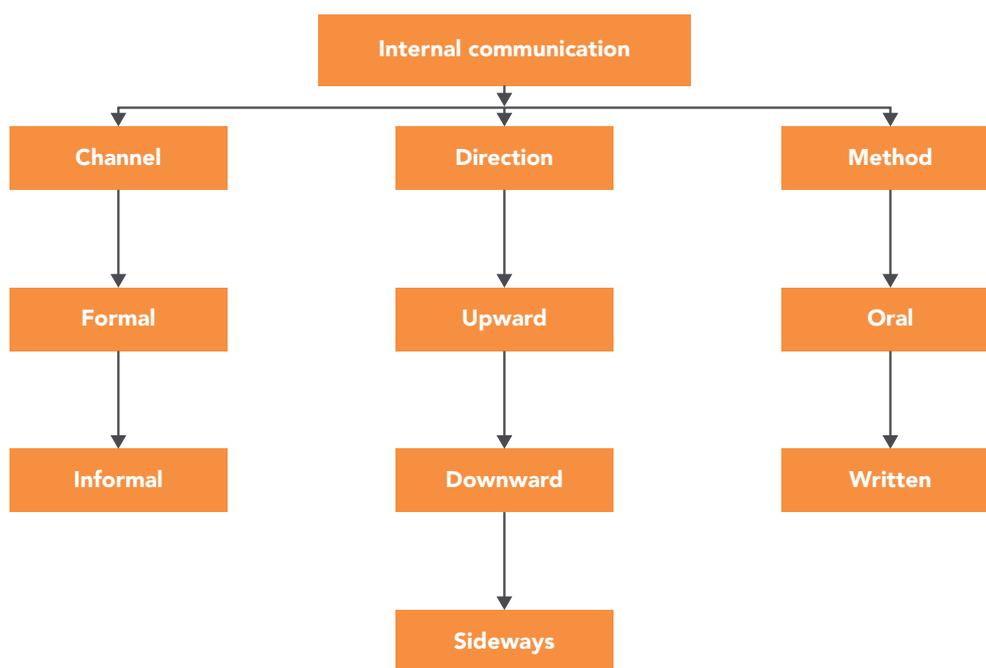
Fig. 7/2 Internal Communication

These can be achieved through two methods:

- Oral
- Written

Effective internal communication will ensure the following:

- With effective communication, every member of management and every other employee should receive precise and accurate information, to ensure that every person working for the organisation knows exactly what they are expected to do, when and where, for what and for whom, they are responsible. Misunderstandings and misinterpretations – which can result in wastage of time, effort, labour or loss of profit – can therefore be greatly reduced or even eliminated.

- No organisation exists in a 'vacuum;' change in trading conditions, in economy, in law and in attitudes, and in fashions and consumer demand, as well as technological developments, occur continuously. For an organisation to prosper – and indeed to survive – its management must not only be able to react quickly in the right way to change, but must also be able to pass clear instructions to all those people concerned. Instructions and information must get quickly from managers to supervisors to their subordinates, so that the changes and new methods can be interpreted and implemented without delay, particularly if new or existing employees need training or re-training.

- Effective two-way communication will help to promote good understanding between management and other employees, and that in turn can help to reduce disputes. Effective communication should not concentrate only on passing instructions 'down the line' and on receiving reports at higher levels; it should also be concerned with a two-way flow of information. The modern workforce (both managerial and non-managerial) is no longer content to blindly accept 'instructions' from above. Employees want – and need – to know how decisions taken and instructions given might affect their livelihood and job security.

- Readily available and accurate information about the organisation, its prospects and achievements and any problems it faces, generate a healthy interest in the organisation among its personnel – which is by itself a form of motivation.

7.5.1 VERTICAL COMMUNICATION

In an organisation communication must work in both directions – 'upwards' as well as 'downwards.' When managers pass on information or instructions to subordinates, they are engaged in 'downward' communication. When subordinates are giving suggestions, feedback or complaints to managers or supervisors, they are engaged in 'upward' communication. This up and down communication is the vertical communication.

The following points are significant:

- It is important for employees to be able to make known quickly to those of their seniors concerned any complaints or grievances they might have, and of course, to have faith that attention will be paid to them and that action will be quickly taken. In this way, minor grievances will not grow into major ones because of resentment about the management's apparent lack of interest.

- There is usually personal contact at the lower end of the communication network – that is, between junior managers, supervisors, foremen and their subordinates – and therefore with goodwill and understanding from both sides many minor grievances should be quickly resolved. However, if circumstances require it, managers, supervisors and foremen must not hesitate to communicate problems 'upwards' to those of their seniors who have the authority to make decisions and to take the action necessary in the circumstances.

- To enable top management to coordinate the activities of the entire organisation and to react quickly to circumstances which arise, what are called 'lines of communication' must be established, and operated efficiently.

- Another very important reason for establishing lines of communication 'upwards' is that they encourage a flow of ideas and suggestions on a wide range of matters, which might be beneficial to the organisation, 'up' to those who are able to discuss and consider them, and make decisions concerning them.

- It is not sufficient to merely establish lines of communication; they must be examined from time to time to ensure that they are being used as they were planned to be used.

- Wherever possible or feasible, a system of 'feedback' should be built into the communication network so that the senders of communication can check that their messages are being received, understood and acted upon.

7.5.2 HORIZONTAL COMMUNICATION

In addition to vertical communication, there must also be 'horizontal' – sideways – communication within an organisation. By this we mean a flow of information between personnel of about equivalent status in different departments of an organisation, for example, between its sales manager and its production manager.

The following points are significant:

- Horizontal communication can only be effective if there is cooperation between the various departments and their senior executives (whose attitudes are likely to affect the attitudes of all their subordinates). Top management must encourage the spirit of cooperation and coordination among executives to avoid loss of efficiency in the organisation as a whole.
- If there are personality clashes and jealousies among departmental (or even sectional) managers, cooperation might be minimal and there might be a reluctance to pass on information, or the deliberate withholding or delaying of information.
- It is important to note that horizontal communication is concerned with the flow of information, and NOT with the flow of instructions or authority. For example, a salesperson could perhaps 'request' a member of the accounts department to make a check on a customer's creditworthiness, but he/she would have NO authority to instruct the person to make the check, or to demand that it be made.
- It would be most tactless for the manager of one department to communicate directly with a subordinate in another department without the knowledge and consent of that subordinate's head. And it could cause trouble if there were an attempt by a manager to give instructions to an employee of another department.

7.6   EFFECTIVE EXTERNAL COMMUNICATION

An organisation needs to have a very effective system of external communication in order to deal with clients/customers – existing as well as potential – and various other agencies, organisations, individuals etc.

Effective and efficient two-way communication is important for:

- maintaining good public relations;
- ensuring that customers/clients are satisfied with the standard of goods or services provided;
- ascertaining that what is being provided is what customers/clients really want;
- ensuring that any customer/client complaints are quickly and satisfactorily dealt with; and
- ensuring that customers/clients are kept apprised of new and/or improved products or services (e.g. through advertising and publicity).

In addition, communication might also have to be maintained with shareholders, trading establishments, trade associations, government departments, professional firms, banks and other financial institutions, and with a wide variety of other people and/or organisations.

7.7   BARRIERS TO COMMUNICATION

There are several barriers to effective communication.

7.7.1 BARRIERS TO EFFECTIVE LISTENING

Here are some barriers to effective listening:

- We think faster than we can speak, and jump to conclusions without first listening to the speaker.
- We may become distracted and not pay attention to the speaker.
- If the speaker continues talking at length, we may lose patience, and show disinterest in what he/she is saying.
- We react emotionally to the speaker.
- We tend to interrupt and don't allow the speaker to have his/her complete say.
- We set limits and respond: *"It won't work,"* or *"We have always been doing it this way."*

7.7.2 BARRIERS TO RESOLVING CONFLICT

Sometimes we do not confront the problem immediately, and let it simmer, though at times unintentionally. Other obstacles to conflict resolution may include the following:

- Judging the problem at its surface value before analysing its root cause;
- Searching for a single solution without looking at various alternatives;
- Assuming and asserting that 'our' solution is the only viable solution without giving a thought to options presented by others; and
- Deciding not to involve ourselves as *"It's their problem!"*

7.7.3 HOW TO OVERCOME BARRIERS TO RESOLVING CONFLICT

We often create obstacles to resolving conflict when solutions are simple. If we determine that the conflict could be negotiated, and we are willing to do so, then it will be useful to list some options toward resolution. This 'brainstorming' technique provides the basis for negotiating. Often 'crazy' ideas lead to acceptable ones.

From this point you decide what you can give up, and you find out what the other person can concede. Negotiating a conflict need not be an 'either/or' solution. Both parties in the conflict can win something if there is real effort to resolve the problem.

Ask yourself these questions as you move toward resolution:

- Is it worth fighting for?
- Can it be negotiated?
- Do I want to win the argument more than win a relationship?

7.8   OVERCOMING BARRIERS

In order to overcome barriers to effective communication and understand the true meaning of the message that comes through a particular communication, we need to filter the messages.

7.8.1   IDENTIFYING COMMUNICATION FILTERS

There are three types of filters which only allow a portion of the message to get through. As a result, we only receive part of the message, and often, only the part that we want to hear.

- **Attention filters:**
    - **Noise:** other people talking, telephones ringing, traffic, music.
    - **Environment:** too hot or cold, poor lighting.
    - **Interruptions:** people, telephones.
    - **Timing:** trying to talk to someone when they are about to go somewhere or are in the middle of a job.

- **Emotional filters:**

  These are inherent in the speaker and probably unknown to the other person:
  - **Prejudice:** dislike of the other person, the way they are dressed, the message itself.
  - **Status:** The other person is higher or lower in organisation hierarchy, which can affect the way in which you speak and listen to them.
  - **Experience:** If previous communication with a person resulted in an unpleasant experience, you will be wary when approaching them the next time, not wishing to repeat the experience.
  - **Assumptions:** assuming what the message will be and thus not listening properly.
  - **Values and beliefs:** We all have our codes regarding morals, religion, politics, and so on. If the message transgresses these standards, we are likely to switch off.

- **Word filters:**
  - **Criticism:** "*That was the wrong way to deal with the problem!*"
  - **Moralizing:** "*You shouldn't have done that!*"
  - **Ordering:** "*The report must be on my table by tomorrow morning without fail.*"
  - **Threatening:** "*If you don't change your ways, you will face disciplinary action.*"
  - **Advising:** "*I suggest that you….*"
  - **Logical argument:** You cannot argue with logic.
  - **Reassuring:** "*Don't worry; you will be able to manage.*"
  - **Diverting:** "*It is OK, but as I said….*"
  - **Jargon:** If the listener is not familiar with the jargon (unfamiliar words or phrases), they will not be interested in listening to the entire message.

7.8.2 REDUCING THE FILTERS

Even one filter can distort communication. However, being aware that they exist is half the battle won in reducing the effect of filters.

Even if it is not possible to eliminate attention filters, it is possible to reduce them. If the proposed conversation is likely to take more than a few minutes, find somewhere quiet to hold it and ensure that there are no interruptions. If someone approaches you at an inconvenient time, politely tell them so and suggest meeting later.

You cannot control others' emotions but you can curb your own when conversing with them. If you feel emotional filters are likely to become barriers, have a brief conversation and stick to the point. Be careful in choosing your words. Try to put yourself in the other person's position and think how you would feel if the other party were using the words that could hurt you.

8   MANAGERIAL CONTROL

8.1   NEED FOR CONTROL

The planning of various activities does not ensure automatic implementation of policies. Control is the process which enables management to get its policies implemented and take corrective action if performance is not according to the pre-determined standards. If planning is the beginning of the management process, controlling may be said to be the final stage.

8.2   TYPES OF CONTROL

There are three types of control:

- **Preliminary control:** It is achieved through policies and procedures. Implementation of Quality Assurance System is an effective step in this direction.
- **Concurrent control:** It is the least of the operating control which means that operational managers are responsible for ensuring that the products and services being offered by the company are available for sale at the right time, in the right quality and quantity at an appropriate cost.
- **Feedback control:** It is carried out after gathering some data, analysing and returning for corrective action.
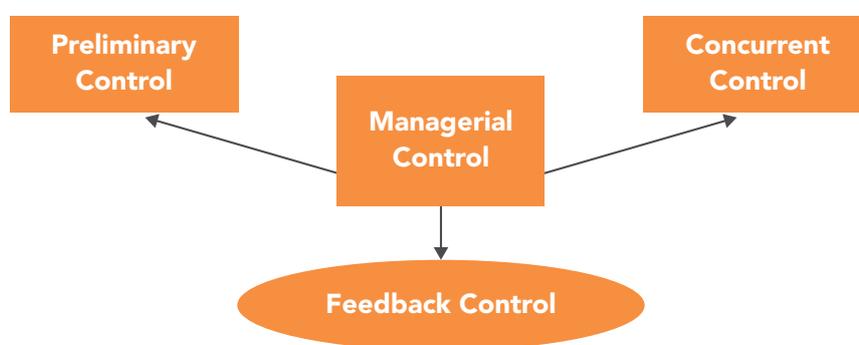

Fig. 8/1 Types of Managerial Control

Managers at different levels need to exhibit different degrees of concern for ensuring each of the above types of control. Information can be obtained for analysis in the following ways:

- Personal observations
- Oral reports
- Written reports

In finance, the following key ratios are used for control purposes:

- Debt equity
- Sales to inventory
- Current assets to current liabilities
- Quick ratio etc.

8.3   ELEMENTS OF MANAGERIAL CONTROL SYSTEM

Managerial control can be defined as the process to verify:

- the advancement status of the planned objectives; and
- efficiency of the organisation through the analysis of the resources costs and proceeds.

Managerial control systems are methods of collecting information that are used to guide and direct the behaviour of staff members in order to achieve a company's goals. The following are the main elements of a managerial control system:

- **Planning:** It involves decisions with respect to scope, time and cost, and human resources of a project. Planning ensures that objectives and targets are identified. The questions to be addressed at this stage are:
  - What precisely is to be done?
  - What is the purpose?
  - What resources are required?
  - What risks are involved?

- **Establishing standards:** Standards of performance need to be established. These standards are to be measurable. A control standard is a target against which performance will be compared. Such standards need to be consistent with the organisation's goals. They should also identify what the performance indicators are. These standards must be known to all in the organisation.
- **Monitoring performance:** A monitoring mechanism needs to be set up. The formal and informal communication within an organisation includes meetings, and day-to-day contacts among managers. All these formal and informal communications are crucial in understanding and improving the control process. For this purpose, the system of feedback is necessary after the completion of each stage – environmental scanning, planning. Feedback is compiled in the form of reports. This is followed by decision making procedures and implementing them.

- **Comparing performance against standards:** It involves measurement of performance in relation to standards and targets set. Actual performance may be higher or lower than the standard. It may even be identical. This process involves continuous monitoring and forecasting. Deviations must immediately receive management attention.
- **Taking corrective action:** If deviations from established standards are found in actual performance, corrective action needs to be taken. It involves considering what must be done to rectify the situation.

  This means the management has to look at some factors such as:

  - What action is to be taken?
  - Who is authorised to take this decision?
  - What steps are to be taken in this process?
  - What time frame is required?

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│   Elements of Managerial Control     │
│               System                 │
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│              Planning                │
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│        Establishing Standards        │
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│       Taking Corrective Action       │
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Fig. 8/2 Elements of Managerial Control System

8.4   CONTROL STRATEGIES

The following types of control strategies might be put in place in different kinds of organisations:

- **Personal centralized control:** Personal control is exercised through informal meetings that take place at all levels between the officials. These meetings help them to establish greater coordination and communication among all. This approach is found mostly in small organisations which are owner managed. Control consists of personal inspection in order to see that decisions are being carried out.
- **Bureaucratic control:** Bureaucratic control is characterised by formal and mechanistic structural arrangements. Organisations that use it tend to rely on strict rules and have a rigid hierarchy. These types of controls are found mainly in public sector enterprises as well as some large organisations. Bureaucratic control also makes use of accounting control such as budgetary and auditing control.
- **Output control:** Output control relates to the performance of employees in quantitative and qualitative terms. Performance measures are established to determine profitability, productivity and quality of the product/service. Often stiff targets are set especially in terms of productivity. These targets act as controls for subordinates.
- **Cultural control:** Cultural controls are exercised in order to uphold, manage and improve the work culture in an organisation. These controls help in regulating the behaviour of employees. These controls are mostly found in organisations which offer professional services. When such an organisation has a staff of professional people, who have excellent skills and ability, they are given freedom of action. Examples are: work in law firms or advertising agencies, and work related to management development in human resource department.
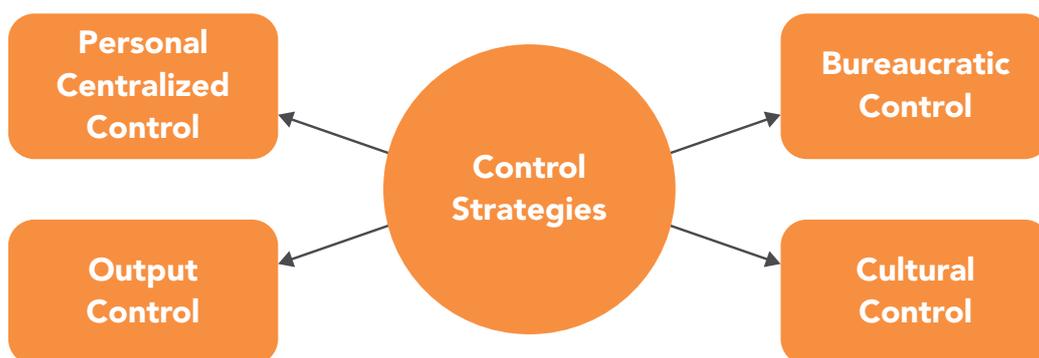

Fig. 8/3 Control Strategies

9   DECISION MAKING

9.1   INTRODUCTION

A manager is required to make decisions in various situations. Decision making is the foremost aspect of management. The method of decision making is quite often responsible for far-reaching consequences. "Decisions are basic to management," says George Terry (1993). He further emphasises that:

> *"To make management more meaningful, decisions must be made. They are mandatory for planning, actuating and controlling to have significance."*

Decision making may be defined as the solution from among alternatives of a course of action. According to Koontz and Weihrich (1989), a plan cannot be said to exist unless a decision – a commitment of resources, direction, or reputation – has been made. A decision is the outcome of hunch, intuition, reasoning and planning. It is made to achieve goals. Though decision making has its own limitations – as no manager can simultaneously plan the future, invent the video monitor, and prepare the budget – he/she can definitely make a significant contribution to the way in which activities of the organisation are to proceed further. It is the manager who has to make key decisions, which take development from the mere oratorical to the real.

9.2   FEATURES

Decision making has a number of important features:

- Decisions are made to achieve identifiable goals.
- They imply the existence of a set of alternatives to choose from.
- The process of decision making is extremely dynamic.
- Decisions are made in relation to the environment.
- It is implied that a decision maker has the authority to do so.
- When a decision has been made, the matter does not end there. Decision making is an ongoing process.
- Decisions are not made in haste. The process is intellectual or rational.

9.3 SCOPE

The role of the manager can be seen as a role concerned with three main classes of decisions:

- Decisions regarding the allocation of resources within the system – the organisation function of management;
- Decisions regarding taking the organisation in a well-defined specific direction – the directive function of management; and
- Decisions relating to monitoring or checking – the control function of management.

9.4 PURPOSE

An organisation makes an effort to respond to challenges and pressures of the environment, and decides to cope with it. This ensures that there is some sort of equilibrium. Management as such is concerned with making decisions and implementing them. The function of a decision is to ensure that the organisation determines the right course at the right time in response to the circumstances. Tannenbaum (1949) suggests that managers are really concerned with decision making for three main purposes – organisation, direction and control. In the 'organisation' aspect it is determined what 'parts' there shall be in the system and what relationships shall exist between them. 'Direction' provides for the purpose of action and the methods and procedures to be followed in achieving them. 'Control' ensures that the purposes of action are attained.

In the past, the manager alone was responsible for making all the decisions. But now the size and complexity of the organisation has changed the whole concept. The managerial functions of the manager – forecasting, planning, commanding and controlling – have become specialised and fall within the compass of the professional. As the size of his/her staff increases, the manager has to concern himself/herself more with setting up standards of performance for the members of his/her staff.

9.5 TYPES

The decision making task of a manager involves making various types of decisions:

- **Institutional decisions:** They relate to scheduling or policy making covering various programmes and activities.
- **Strategy decisions:** They involve the implementation of institutional decisions. A manager has to decide who should be involved in what, when and how.
- **Programmed decisions:** These decisions are structured and are applied to routine problems and repetitive work.
- **Non-programmed decisions:** They deal with problems that result from unusual and unstructured situations. They are aimed at the problems that are not well defined.

- **Initiative or forced decisions:** They involve decisions which are based on the manager's own initiative or which have been forced upon him/her for various reasons.
- **Decision making under certainty, uncertainty and risk conditions:** They deal with unexpected and risky situations where the result of a certain decision is full of risk.
- **Personal decisions:** They are based on the personal circumstances of a manager.
- **Individual or group decisions:** They deal with situations which have been discussed either individually with the team members or with the whole group.

9.6   PROCESS

Decisions do not occur in a vacuum. There is an orderly process to decision making.

Griffiths (1959) states:

> *"Decision making is the process which one goes through in order to be able to pass judgment and terminate a controversy."*

This process passes through a series of steps.

9.6.1   RECOGNIZING, DEFINING AND LIMITING THE PROBLEM

The first step in decision making is to find the real problem and to define it. One's knowledge about the areas of the problem has a direct bearing on his/her perception of the problem. One has also to determine the conditions for its solutions, and go through the objectives for the solution. The objectives should be focused on performance and results. They should have a balance between the immediate future and long-range goals. It is also necessary to spell out the rules that limit the solution because in many cases the right decision will require a change in accepted policies or practices.

9.6.2   ANALYSING, DIAGNOSING AND EVALUATING THE PROBLEM

The next step is to analyse the problem by classifying it and finding the facts. A decision maker must ask himself/herself:

- What does the problem mean to me?
- What does it mean to the organisation?
- What do I want to do about it?
- Is this a problem on which a decision needs to be made?

Classification of the problem helps in determining who must make the decision, who must be consulted in making it and who must be informed. This will ensure that decision is not endangered, and that it is clear who has to do what in order to convert the decision into effective action.

9.6.3 ESTABLISHING CRITERIA

A decision maker functions within a framework of values – personal values, cultural values and the values of the organisation itself. One must consider legal and social values before coming to the final decision with regard to important problems. Hence a manager has to look for solutions the standards of which will be acceptable as per social norms. Griffiths (1959) rightly states: "In a sense, a decision on criteria and standards must be made prior to the major decision."

9.6.4 DISCOVERING ALTERNATE SOLUTIONS

The process of decision making involves considering several alternative solutions. They are the means of compelling us to look at our basic assumptions, examine them and test their validity. A central problem for organisational decision makers is to choose between maintaining the system of action 'as is.' Or changing them in desirable and feasible directions by desirable and feasible amounts. In fact, the phase of search for solutions places emphasis upon how creative the individual has to be in looking for solutions. Though alternative solutions may not ensure making the right decision, they prevent us from making the decision what we would have known to be the wrong one if we had given a serious thought to the problem.

9.6.5 COLLECTING DATA

In getting the facts, the manager has to ask: "What information do I need for this particular decision?" He/she has to decide about the relevance and validity of data available. He/she may not be able to get all the facts they should have. A large number of decisions are based on insufficient knowledge. This happens because either the information is not available or to get it one may have to spend a lot of time or money. Decision making is not hindered by incomplete information if the decision maker knows what information is lacking. This will help in judging how much of a risk the decision involves. Moreover, sometimes there is no time for collecting data. For example, it there is a total breakdown in the electricity supply system of the organisation, the manager cannot wait for the procedural delays of calling for tenders etc. He/she has to make an immediate decision to get the electricity supply restored whatever it may cost.

9.6.6 SELECTING THE SOLUTION

Before deciding upon the best solution from among the alternatives available one must consider the following criteria:

- **Risk:** A manager has to examine the risk involved in making a particular decision. In order to minimize the risk factor he/she must consider the possible consequences of a decision.
- **Economy of effort:** Sustained effort, avoidance of frequent changes in plans and delegation of responsibilities (coupled with authority) as per the aptitude and capability of staff go a long way in making a suitable decision.
- **Timing:** Too long procrastination or haste does not contribute to effective decision making. While a delayed action does not bear fruit, a decision made in haste may prove to be dangerous. Any decision has to be timed well.

- **Limitations of resources:** One must consider the limitations of human beings who will carry out the decision. What they can or cannot do depends upon their vision, competence, skill and understanding. A manager must provide for raising the ability and standard of people, or new people may have to be found. He/she must ask himself/herself:
  - Do I have the means of carrying out my decisions?
  - Do I have the people who will do so?
- In addition to the above, a manager can use the following three basis approaches while selecting from among various alternatives:
  - **Experience:** Experience plays a large part in decision making. However, reliance on past experience as a guide for future action can be dangerous. Lessons of experience may not be applicable to new problems. As a matter of fact, good decisions must be evaluated against future events, while experience belongs to the past. On the contrary, if we analyse experience carefully and understand the basic reasons for success or failure, then experience can be a powerful tool for decision analysis.
  - **Experimentation:** An easy way is to try out one of the alternatives but it is likely to be very expensive in terms of expenditure on capital and personnel. At the same time, there are many decisions that cannot be made unless the best course of action is ascertained by experiment.
  - **Research and analysis:** In this approach, one must comprehend the problem, search for relationships among the variables and premises. However, this type of analysis and study is likely to be cheaper than experimentation.

9.6.7 CONVERTING THE DECISION INTO EFFECTIVE ACTION

Any decision has to be made effective in action. A manager's decision is always a decision what other people should do. For this, it is not enough that they buy it. They must make it their own. Since the subordinates are affected by their superiors' decisions, they try to influence them. They can easily sabotage any programme they are not convinced about. Hence it is essential that the perceptions of the personnel be taken into account. In some respects, they behave like competitors who seek recognition for their ideas and skills. In practical matters, the question almost gets settled, but it is a person and not an opinion that wins. The manager is not only choosing among alternatives, he/she is inescapably choosing among advocates as well. However, a manager can carry the people along with him/her if he/she is able to communicate effectively in clear terms with those who are to implement a decision.

Peter Drucker (1993) says:

> *"To convert a solution into action requires that people understand what change in behaviour is expected of them, and what change to expect in the behaviour of others with whom they work."*

The following flow chart represents the process of decision making:

Process of Decision Making
↓
Analysing the Problem
↓
Establish Criteria
↓
Discover Alternatives
↓
Collect Data
↓
Selecet the Best Solution
↓
Convert into Action

Risk
Economy of Effort
Timing
Limitation of Resources
Experience
Experimentation
Research & Analysis

Fig. 9/1 Process of Decision Making

9.7   EFFECTIVE DECISION MAKING

Various other factors influence decision making.

9.7.1   PERSONAL VALUES AND ORGANISATION CULTURE

The intellectual make-up, education, experience and personal values of a manager influence the direction of the organisation. A manager with healthy attitude will naturally be more successful than the one with negative disposition. Emotional and motivational factors coupled with courage on the part of the manager to make and implement the decision are also important. Similarly, the pattern of behaviour, shared beliefs, and values of the members of an organisation do influence decision making.

9.7.2 INVOLVING THE STAFF

Decisions cannot usually be made in a closed system environment. One of the myths about decision making is that the top manager makes decisions. On the contrary, all levels of personnel participate in the process to some degree. People within the organisation are a part of the social system, and their thinking and attitudes must be taken into account whenever a manager makes a decision. During discussions with the staff, it is essential to understand that there has to be dissent and disagreement. Dissent is needed, but a manager must make it productive.

Peter Drucker (1993) advises:

> *"If you can bring dissent and disagreement to a common understanding of what the discussion is all about, you create unity and commitment."*

However, it is often neither advisable nor feasible to democratize the decision making process to the extent that for all decisions a vote is taken. At some point, a decision has to be made.

9.7.3 GROUP DECISION MAKING

In modern organisations decisions are often made by groups of individuals, such as by committees or teams. The committee system is the best means of making decisions collectively and for ensuring accountability.

It:

- provides a suitable structure for introducing problems;
- is a testing ground on which proposals can be assessed in terms of feasibility; and
- provides a forum where justifications of action can be tested.

9.7.4 DECENTRALIZED AUTHORITY

An effective manager should have the ability to see the value and consequences of ideas suggested by subordinates. For this, it is necessary to have some sort of decentralization:

- Decentralization must occur whenever a manager supervises personnel who are highly specialised, as he/she may not have the competence to make their decisions – for example, supervision of technicians if the manager is not a competent person to do so.
- Most managers may not be able to handle all the problems – for example, maintenance of plant and machinery;

- The subordinates must primarily make decisions about problems arising out of local circumstances – for example, sensitivity to certain products.
- Sometimes decentralization becomes necessary because of internal power arrangements. For example, if a subordinate receives contradictory instructions from two or more bosses, he/she finds himself/herself in an unenviable position of making or not making a decision.

Fig. 9/2 Effective Decision Making

Decision making in management is a difficult process. But if a manager has a good understanding of the whole process and concepts, it will help him/her in seeing the job through in most situations.

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ABOUT THE AUTHOR

Dr. Manmohan Joshi, M.A., M.Ed., Cert. EA, Dip. HRD, Dip. Mgmt. (UK), MBA, Ph.D. (Mgmt.), has over 45 years' teaching, training and administrative experience. He has worked as Principal of large and reputed educational institutions in India, Kuwait and the Sultanate of Oman.

For his work on Innovative Practices in Value Education he was awarded by the National Council of Educational Research and Training, India.

He is also the recipient of the Best Teacher Award from the Govt. of Tamilnadu as well as the Central Board of Secondary Education, India.

He has presented papers at various national and international conferences under the auspices of UNESCO. He has also conducted various workshops for teachers, students, parents and administrators. The topics covered a wide area viz., Leadership and Team Building, Value Education, Administration Skills, Choosing a Career, Effective Decision Making in Administration, Effective Communication Skills, Interpersonal Relationships, Continuous Comprehensive Evaluation, Skills in Dealing with Managers, Secretarial Skills. He has also authored several books on different subjects.

He has also worked as Acting Chief Executive & Consultant for a reputed Training Institute in the Sultanate of Oman.

He is now Head-Content Development at Acharya Education Services, Bangalore, India, and conducts workshops and training programmes for college professors, teachers and teacher educators. He is actively involved in teaching students of MBA as well as Law.

He can be contacted through e-mail: manmohan.joshi@gmail.com