

1

Forms of Business Organisation

1.1. INTRODUCTION

In broad sense, business includes industry, commerce and trade. Its main aim is to increase wealth. Industry means a place where materials are extracted or converted into finished or semi-finished products. Trade means a process of buying and selling of commodities, while commerce relates to financial, transportation, insuring and allied activities. The form of organisation will be decided by various factors, such as :

1. Size and nature of the business to be started ;
2. Technical difficulties ;
3. Market conditions (i.e. competition and scope of the article in the market) ;
4. Capital required to start the business and the means to collect the funds ;
5. Limitations and restrictions put forth by the government (i.e. grant of loan, licence, foreign exchange and other such things).

Definitions of Business

Business may be defined as "an activity, in which different persons exchange something of value whether goods or service for mutual gain or profit."

It may also be defined as "an enterprise engaged in production and distribution of goods for sale in market or rendering services for a price."

Business Characteristics

- (i) Business activities are directly or indirectly concerned with the transfer or exchange of goods and services for value.
- (ii) Business consists of dealings in goods and services.
- (iii) Business means exchange of goods and services undertaken continually or at least recurrently.
- (iv) Business is a human activity directed towards the acquisition of wealth.
- (v) Element of risk, that is possibility of loss arising out of the uncertainty that goes with the profit expected from a business activity.

Classification of Business

(a) **Industry.** This is a business activity which concerns itself with the production, processing or fabrication of products. The industries may be either of these 4 types : Extractive (fishing, mining, agriculture etc.). Genetic (breeding farms, poultry farms, selling of horticulture plants etc.). Construction (buildings, bridges, roads, dams, canals etc.), and Manufacturing industries (like analytical, synthetic, processing and assembly line industries etc.)

(b) **Commerce.** Commerce is an activity whereby goods are transferred to those who need them.

(c) **Trade**

Objectives of Business

- (i) *Organic Objectives.* To try for survival, and then to gain prestige and win recognition from the society and thus try to grow.
- (ii) *Economic Objectives.* To earn as much profit as possible.
- (iii) *Social Objectives.* Business must fulfill its obligations to society, by way of supply of quality goods, avoidance of profiteering and antisocial practices, and providing employment.
- (iv) *Human Objectives.* These are (a) fair deal to employees, (b) development of human resources, (c) participation, and (d) job satisfaction.
- (v) *National Objectives.* These are (a) ensuring social justice, (b) development of small enterprises, (c) production according to national priorities, (d) self sufficiency and export development and (e) development of skill of personnel.

1.2. TYPES OF BUSINESS ORGANISATIONS

Several types of business organisations are existing in order to satisfy various social, economic and human requirements. Following are the main types of business organisations :

(A) Private Sector :

1. Individual Ownership or Sole Proprietorship
2. Partnership Organisations
3. Joint Stock Companies
4. Co-operative Organisations
5. Joint Hindu Family Firm.

(B) Public Sector (State Ownership and Control) :

1. Departmental Organisations
2. Public Corporations (or Statutory Companies)
3. Government Companies.

(C) Joint Sector :

Ownership and control shared by private entrepreneur, state and public.

Industrial Ownership

16.1. INTRODUCTION

- 'Industrial Ownership', 'Business organisation', 'Forms of Ownership of Industry', 'Types of Organisation in Industry', 'Business Enterprises', 'Types of Ownership', etc., all convey the same meaning.
- To start a business enterprise the most important thing required is the capital.
- If the capital is provided by single individual, it is known as *Individual ownership, Individual entrepreneur organisation, Single ownership or Individual proprietorship*, etc.
- If the capital is supplied by two or more persons, it refers to *partnership organisation*.
- If the capital is provided by many persons in the form of shares to an institute with a legal entity, it is called a *Joint Stock Company*.
- There are other forms of ownership also, but they are merely outgrowths of the three types mentioned above.

16.2. TYPES OF OWNERSHIP

The different types of ownership are

1. Single ownership (Private Undertaking).
2. Partnership.
3. Joint Stock Companies.
4. Cooperative organisation.
5. State and central Government owned.

16.3. SINGLE OWNERSHIP

Concept

- Ownership when applied to an industrial enterprise means title to and possession of the assets of the enterprise, the power to determine the policies of operation, and the right to receive and dispose of the proceeds.
- It is called a single ownership when an individual exercises and enjoys these rights in his own interest.
- A business owned by one man is called single ownership.
- Single ownership does well for those enterprises which require little capital and lend themselves readily to control by one person.
- Examples of enterprises run by single owner are printing press, auto repair shop, wood working plant, a small fabrication shop, etc., i.e., retail trades, service industries and small engineering firms.
- In single ownership, one person contributes the original assets to start the business, maintains and controls business operations, reaps full benefit in terms of profit and is fully liable for all

debts associated with the business.

Advantages

1. Easy to establish as it does not require to complete any legal formality.
2. Simplicity of organization.
3. The expenses in starting the business are minimal.
4. Owner is free to make all decisions.
5. This type of ownership is simple, easy to operate and extremely flexible.
6. The owner enjoys all the profits, thus,
7. There is a great deal of personal motivation and incentive to succeed.
8. Minimum legal restrictions are associated with this form of ownership.
9. Owner can keep secrecy as regards the raw materials used, method of manufacture, etc.
10. Single ownership associates with it the great ease with which the business can be discontinued.

Disadvantages

1. The owner is liable for all obligations and debts of the business.
2. The business may not be successful if the owner has limited money, lacks ability and necessary experience to run the business.
3. Because of relatively unstable nature of the business, it is difficult to raise capital for expanding the business.
4. If the business fails, creditors can take the personal property as well as the business property of the (single) owner to settle their claims. This means single ownership involves unlimited liability for debts and losses.
5. There is limited opportunity for employees as regards monetary rewards (e.g., profit sharing, bonuses, etc.) and promotions.
6. Generally, single ownership firm has limited life, i.e. the firm may cease to exist with the death of the proprietor. This is the cause of unstable nature of the firm (refer 3 above).

Applications. Single ownership is suitable

1. For retail trades, service concerns and small engineering firms which require relatively small capital to start with and to run.
2. For those businesses which do not involve high risks of failure.
3. When the business can be taken care by one person.

16.4. PARTNERSHIP

Concept

- A single owner becomes inadequate as the size of the business enterprise grows. He may not be in a position to do away with all the duties and responsibilities of the grown business.
- At this stage, the individual owner may wish to associate with him more persons who have either capital to invest, or possess special skill and knowledge to make the existing business still more profitable
- Such a combination of individual traders is called *Partnership*.
- *Partnership* may be defined as the relation between persons who have agreed to share the profits of a business carried on by all or any of them acting for all.

Individuals with common purposes join as partners and they put together their property, ability, skill, knowledge, etc., for the purpose of making profits.

- In brief, partnership is an association of two or more (up to 20) persons to carry on as co-owners of a business for profit.
- Partnerships are based upon a partnership agreement which is generally reduced to writing.

It should cover all areas of disagreement among the partners. It should define the authority, rights and duties of each partner.

It should specify—how profits and losses will be divided among the partners, etc.

Kinds of Partners

(i) *Active Partners* who take active part in the management of the business enterprise.

(ii) *Sleeping Partners* who do not take any active part in the conduct of the business.

Both Active and Sleeping partners are responsible for the debts of the Partnership.

General Duties of Partners

Partners should

- (i) Be just and faithful to one another.
- (ii) Render true accounts and full information about every thing that affects any partner.
- (iii) Cooperate and accommodate each other.
- (iv) Have confidence in each other and better mutual understanding.
- (v) Respect the views of one-another.

Types of Partnership

- (i) General Partnership.
- (ii) Limited Partnership.

(i) General Partnership

Whatever has been discussed above so far pertains to General Partnership ; besides that

- In a general partnership, each partner has full agency powers and may bind the partnership by any act, i.e, each partner may act as though he were an individual proprietor. General partnership differs from single ownership in that the actions of any partner not only affect himself but they affect other partners also.
- As the partnership grows or personnel changes occur, additional partners can be had with the consent of all old partners.

Advantages

- (i) Large capital is available to the firm.
- (ii) The firm possesses much better talents, judgement and skills.
- (iii) General partnership is easy to form and is relatively inexpensive in terms of organization cost.
- (iv) Incentive for success is high.
- (v) There is a definite legal status of the firm.
- (vi) Partners have full control of the business and possess full rights to all profits.
- (vii) Partnership associates tax advantages with it.
- (viii) Partnership firms can borrow money quite easily from the banks.
- (ix) For all losses, there are more than one person to share them.

Applications. General Partnership does very well in

Law firms,
Retail trade organisation,
Medical clinics,
Small engineering firms, etc.

Disadvantages

- (i) Each partner has unlimited liability for the debts of the firm.
- (ii) Danger of disagreement and distrust among the partners.
- (iii) Authority being divided among the partners.
- (iv) Partnership lacks permanence and stability ; it has limited life. Partnership may dissolve if a partner dies.
- (v) Investors and lenders hesitate to provide money because of the lack of stability of a partnership firm.
- (vi) All partners suffer because of the wrong steps taken by one partner.

(ii) Limited Partnership

- Limited partnership type of ownership overcomes the two main disadvantages [e.g. number (i) and (v) mentioned above] of general partnership.
- Limited partnership is an association of one or more general partners who manage the business and one or more limited partners whose liability is limited to the capital they have invested in the business.
- Limited partners share the profit but they do not participate or interfere with the control or management of the firm. Moreover limited partners have their liabilities limited to the amount of their investment.
- Thus, those investors and lenders who used to hesitate investing in the venture can do so without much risk.
- Limited partnership type of ownership is easy and less costly to form, and personal incentive to succeed is retained.
- A disadvantage associated with limited partnership is that the limited partner, though he invests in the business, has no voice in the management.

16.5. JOINT STOCK COMPANY

Concept

- Joint Stock Company overcomes many of the disadvantages associated with *Partnership* types of industrial ownership, such as :
 - (i) Difficulties in raising capital,
 - (ii) Easy disruption,
 - (iii) Lack of facility for centralised management, and
 - (iv) Unlimited liability, etc.
- A joint stock company is an Association of individuals, called shareholders, who join together for profit and agree to supply capital divided into shares that are transferable for carrying on a specific business.
- Death, insolvency, disablement or lunacy of the shareholders does not affect the joint stock company.
- A joint stock company consists of more than twenty persons for carrying any business other than

the banking business.

- These persons give a name to the company, mention the purpose for which it is formed, and state the nature and the amount of capital (shares) to be issued, etc., and submit the proposal to the Registrar of Companies. As the registrar issues a certificate in this connection, the company starts operating.
- The managing body of a joint stock company is the *Board of Directors* elected by the share holders. The Board of Directors
 - (i) makes policies ;
 - (ii) takes decisions ; and
 - (iii) runs the company efficiently.
- The liability of the members (or shareholders) of a joint stock company is limited to that capital only of which they hold the shares.
- Finance is raised by issuing shares, debentures, bank loans, loans from industrial and finance corporations.

Types of Joint Stock Company. There are two types of joint stock companies :

- (a) Private limited company,
- (b) Public limited company.

(a) Private Limited Company

- (i) The capital is collected from the private partners ; some of them may be active while others being sleeping.
- (ii) Private limited company restricts the right to transfer shares, avoids public to take up shares or debentures.
- (iii) The number of members is between 2 and 50, excluding employee and ex-employee shareholders.
- (iv) The company need not file documents such as consent of directors, list of directors, etc., with the Registrar of Joint Stock Companies.
- (v) The company need not obtain from the Registrar, a certificate of commencement of business.
- (vi) The company need not circulate the Balance Sheet, Profit and Loss Account, etc., among its members ; but it should hold its annual general meeting and place such financial statements in the meeting.
- (vii) A private company must get its accounts audited.
- (viii) A private company has to send a certificate along with the *annual return* to the Registrar of Joint Stock Companies stating that it does not have shareholders more than fifty excluding the employee and ex-employee shareholders.

Actually, a private joint stock company resembles much with partnership and has the advantage that big capital can be collected, than could be done so in partnership.

(b) Public Limited Company

- (i) In Public limited company, the capital is collected from the public by issuing shares having small face value (Rs. 50, 20, 10).
- (ii) The number of shareholders should not be less than seven, but there is no limit to their maximum number.
- (iii) A public limited company has to file with the Registrar of Joint Stock Companies, documents such as consent of the directors, list of directors, director's contract, etc., along with the memorandum of

association and articles of association.

- (iv) A public company has to issue a prospectus to the public.
- (v) It has to allot shares within 180 days from the date of prospectus.
- (vi) It can start only after receiving the *certificate to commence business*.
- (vii) It has to hold a Statutory Meeting and to issue a Statutory Report to all members and also to the Registrar within a certain period.
- (viii) There is no restriction on the transfer of shares.
- (ix) Directors of the company are subject to rotation.
- (x) The public company must get its account audited every year by registered auditors.
- (xi) It has to send financial statements to all members and to the Registrar.
- (xii) It has to hold a general meeting every year.
- (xiii) The Managing Agent gets a fixed percentage of net profit as remuneration.

Advantages of Joint Stock Companies

- (i) A huge sum of money can be raised.
- (ii) It associates limited liability with it.
- (iii) Shares are transferable.
- (iv) Company's life is not affected by the life (death) of shareholders.
- (v) Services of specialists can be obtained.
- (vi) Risk of loss is divided among many shareholders.
- (vii) The company associates with it stability, efficiency and flexibility of management.

Disadvantages of Joint Stock Companies

- (i) A good deal of legal formalities is required for the formation of a joint stock company.
- (ii) Company is managed by big shareholders only.
- (iii) High paid officials manage the whole shows; they cannot have as high interests in the company as the proprietors can have.
- (iv) People can commit frauds with the company.
- (v) Board of directors and managers who remain familiar with the financial position of the company may sell or purchase shares for their personal profits.
- (vi) It is difficult to maintain secrecy as in partnership.
- (vii) The team spirit with which partnership works, is lacking in a joint stock company.
- (viii) Divided responsibility.

Applications of Joint Stock Companies

- (i) Steel mills,
- (ii) Fertiliser factories, and
- (iii) Engineering concerns, etc.

16.6. COOPERATIVE ORGANISATION (OR SOCIETIES)

Concept

- It is a form of private ownership which contains features of large partnership as well as some features of the corporation.

- The main aim of the cooperative is to eliminate profit and provide goods and services to the members of the cooperative at cost.
- Members pay fees or buy shares of the cooperative, and profits are periodically redistributed to them.
- Since each member has only one vote (unlike in joint stock companies), this avoids the concentration of control in a few hands.
- In a cooperative, there are shareholders, a board of directors and the elected officers similar to the corporation.
- There are periodic meetings of shareholders, also.
- Special laws deal with the formation and taxation of cooperatives.
- Cooperative organisation is a kind of voluntary, democratic ownership formed by some motivated individuals for obtaining necessities of everyday life at rates less than those of the market. The principle behind the cooperative is that of cooperation and self-help.

Forms of Cooperative Enterprises

- (i) *Consumer's Cooperatives*, in retail trade and services.
- (ii) *Producer Cooperatives*, for group buying and selling such items as dairy products, grain, fruit, etc.
- (iii) *Cooperative farming* for more and good quality yield from the farms.
- (iv) *Cooperative housing* for constructing and providing houses to the members of the association at relatively lesser rates.
- (v) *Cooperative credit society*, to provide loans to the needy individuals.

Advantages

- (i) Daily necessities of life can be made available at lower rates.
- (ii) It is the democratic form of ownership.
- (iii) Overheads are reduced as members of the cooperative may render honorary services.
- (iv) It promotes cooperation, mutual assistance and the idea of self-help.
- (v) The chances of large stock-holding (hoarding) and black marketing are eliminated.
- (vi) No one person can make huge profits.
- (vii) Common man is benefited by cooperatives.
- (viii) Monetary help can be secured from government.
- (ix) Goods required can be purchased directly from the manufacturers and therefore can be sold at less rates.

Disadvantages

- (i) Since the members of the cooperative manage the whole show, they may not be competent enough to make it a good success.
- (ii) Finance being limited, specialist's services cannot be taken.
- (iii) Conflict may arise among the members on the issue of sharing responsibility and enjoying authorities.
- (iv) Members who are in position may try to take personal advantages.
- (v) Members being in services may not be able to devote necessary attention and adequate time for supervising the works of the cooperative enterprise.

16.7. PUBLIC SECTOR

Concept of Public Sector

- A public enterprise is one that is
 - (1) Owned by the state,
 - (2) Managed by the state, or
 - (3) Owned and managed by the state.
- The sector of public enterprises is popularly known as the *Public Sector*.
- Public enterprises are controlled and operated by the Government either solely or in association with private enterprises.
- Public enterprises are controlled and operated by the Government to produce and supply goods and services required by the society.
- Ultimate control of public enterprises remains with the state and the state runs it with a service motto.
- Its sphere embraces all units, irrespective of risks involved and profit expected.
- There is no dearth of capital in public sector and business expansion is not difficult.
- Public sector prevents concentration and unbalanced growth of industries.
- Public sectors are accountable in terms of their results to Parliament and State Legislature.
- A public enterprise is seldom as efficient as a private enterprise ; wastage and inefficiency can seldom be reduced to a minimum.

Evolution of Public Sector

- The Industrial Revolution gave rise to many bitter social evils. It also gave birth to private capitalism. Consumers and workers were exploited and, therefore, there arose the need of State Intervention in industrial field. The intervention led to evolution of public sector/enterprises.
- The evolution of public sector in India is recent. Prior to 1947, there was virtually no public sector barring the field of transport and communication, i.e., Railways, Posts and Telegraphs etc., are being managed by the Central Government since pre-independence period.
- Since independence, a large number of public enterprises have been established both by Central and State Governments. The Hindustan Shipyard, The Hindustan Steels, the Hindustan Machine Tools, The Bharat Heavy Electricals, Indian Telephone Industries, Indian Airlines, Life Insurance Corporation are a few examples of public sector.

Objectives of Public Sector

- (1) To provide basic infrastructure facilities for the growth of economy.
- (2) To promote rapid economic development.
- (3) To undertake economic activity strategically important for the growth of the country, which if left to private initiative would distort the national objective.
- (4) To have balanced regional development and even dispersal of economic activity throughout the country.
- (5) To avoid concentration of economic power in a few hands.
- (6) To create employment opportunities on an increasing scale.
- (7) To earn foreign exchange in order to export commodities not available in the country e.g., petroleum oil, sophisticated weapon systems etc.
- (8) To look after well-being and welfare of public.

- (9) To minimize exploitation of workers and consumers.

Merits of Public Sector

- (1) Public sector helps in the growth of those industries which require huge amount of capital and which cannot flourish under the private sector.
- (2) Public sector helps in the implementation of the economic plans and enables them to reach the target of achievement within a prescribed period by taking initiative in the establishment of industries of its own accord.
- (3) Due to the absence of project motive in the public sector, the consumers are benefitted by greater, better and cheaper products.
- (4) Public enterprise prevents the concentration of wealth in the hands of a few and paves the way for equitable distribution of wealth among different sections of community.
- (5) Public enterprise encourages industrial growth of under-developed regions in the country.
- (6) Profits earned by public sector may be used for the general welfare of the community.
- (7) Public sector offers equitable employment opportunities to all ; there is no discrimination, as may be in a private sector.
- (8) Capital, raw material, fuel, power and transport are easily made available to them.

Demerits of Public Sector

- (1) Public sector can rarely attain the efficiency of a private enterprise ; wastage and inefficiency can seldom be reduced to a minimum.
- (2) Due to heavy administrative expenses, state enterprises are mostly run at a loss leading to additional burden of taxation on the people.
- (3) There is too much interference by the Government and Politicians in the internal affairs of the public enterprises. As a result inefficiency increases.
- (4) Delay in decisions is a very common phenomena in public enterprises.
- (5) Incompetent persons may occupy high levels.
- (6) Workers (unlike in private concerns) shirk work.

16.8. PRIVATE SECTOR

Concept

- Private sector serves personal interests and is a non-government sector.
- Profit (rather than service) is the main objective.
- Private sector constitutes mainly consumer's goods industries where profit possibilities are high.
- Private sector does not undertake risky ventures or those having low-profit margin.
- Private enterprises are run by businessmen, capital is collected from the private partners.

Merits

- (i) The magnitude of profits incurred is high.
- (ii) The efficiency of the private enterprise is high.
- (iii) Wastage of material and labour is minimum.
- (iv) Decision-making is very prompt.
- (v) There is no interference in its internal affairs by politicians or Government.
- (vi) Competent persons occupy high levels.

Demerits

- (i) There is **exploitation** motive, the **workers and the consumers** may not receive fair deal.
- (ii) There is dearth of capital to expand the business.
- (iii) Private enterprise leads to **concentration of wealth in the hands of a few**.
- (iv) Private enterprises lead to **unbalanced growth of industries**.

- To check the work as regards quantity and quality.
- To keep abreast with the modern developments in his own field of work.

17.3. QUALIFICATIONS OF A FOREMAN

(i) Suitable engineering qualification to understand the technical aspects of the job, production processes, equipments, etc.

(ii) Skill to meet the demands of the job.

(iii) Mechanical ability.

(iv) Skill in imparting instructions to the workers.

(v) Familiarity with

Production control

Quality control

Safety practices

Machine management

Record keeping

Merit rating

Costing and Estimating, etc.

(vi) Ability to train workers,

(vii) Ability to handle (*i.e.* supervise and control) workers properly.

(viii) Elementary knowledge of labour psychology.

(ix) Familiarity with modern developments in the field, etc.

17.4. QUALITIES OF A FOREMAN

(i) Democratic leadership.

(ii) Result consciousness

(iii) Judgement and decision making in an existing situation.

(iv) Full knowledge of men, materials and machines.

(v) Versatility and ingenuity.

(vi) A cooperative sympathetic and helpful attitude towards others.

(vii) Just, fair and impartial attitude towards all his subordinates.

(viii) Self-control and firmness.

(ix) Ability to develop an organisation.

(x) Ability to plan and control work.

(xi) Wilful acceptance of responsibility.

(xii) Constructive and independent thinking, etc.

17.5. LEADERSHIP

Definition and concept

- Leadership is the knack of getting other people to follow you and to do willingly the things you want them to do.
- Leadership means to inspire confidence and trust so that there is maximum cooperation from the employees within the control of a manager.
- Leadership is the ability to persuade others to seek defined objectives enthusiastically. It is the

human factor which binds a group together and motivates it toward goals.

- Leadership may also be defined as the process of influencing a group in a particular situation at a given point of time and in a specific set of circumstances that stimulate people to strive willingly to attain company objectives.

Styles (Types) of Leadership

The three relatively distinct leadership styles are

1. Authoritarian,
2. Democratic, and
3. Laissez-Faire.

1. Authoritarian Leadership

- It is felt that this technique is old-fashioned, but it works well in many cases.
- The leader makes all the decisions (no matter it is right or not) and demands obedience from the people he supervises.
- All policies are determined by the leader without consulting the subordinates.
- The leader dictates to the subordinates, the techniques and activity steps, he tells them what to do next, he does not inform them about future plans and thus future steps always remain uncertain to a large degree.
- The leader decides the particular work task for a person and the work companion of each person (worker).
- The leader tends to be *personal* in his praise and criticism of the work of each member (worker).
- The leader remains aloof from active group participation except when demonstrating.
- Authoritarian leadership is negative because the subordinates remain uninformed, they feel insecure and remain afraid of the leader.
- In authoritarian leadership, there is a tighter control and supervision over the persons (*i.e.* subordinates).
- Authoritarian leadership succeeds where
 - (i) Subordinates shirk work but want security.
 - (ii) Subordinates do not want to take initiative.
- The advantages of Authoritarian leadership is that
 - (i) Decisions can be taken quickly.
 - (ii) Some people who simply work for fear of punishment remain disciplined and devoted towards the tasks given to them.

2. Democratic Leadership

- Democratic leadership is most popular today.
- The leader discusses and consults his subordinates. He draws ideas from them, supervises and lets them help set policy.

- A democratic leader promotes participation of subordinates and develops strong team work.
- All policies come out of group discussions, the subordinates being constantly encouraged and assisted by the leader.
- The leader gives decision only after consulting his subordinates. Actually the decision emerges out of the subordinate group itself.
- Subordinates know the long term plans on which they are supposed to work, thus they are kept well informed.
- Division of tasks is left upon the group; individuals are free to work with whomsoever they choose.
- A democratic leader is *objective* or *fact-minded* in his praise and criticism; he tries to be a regular group member in spirit without doing too much of the work.
- *Democratic leadership*
 - (i) Motivates subordinates to work, and improves their attitude towards work.
 - (ii) Promotes healthier relations between workers and management.
 - (iii) Minimizes employee-grievances.
 - (iv) Raises the employee-morale.
- Democratic leadership works very well if the subordinates (also) feel their responsibility, tend to be reasonable and do not take undue advantage of the democratic leadership.

3. Free Rein or Laissez-Faire Leadership

- This is the most difficult to use type of leadership.
- The leader acts as an information centre and exercises minimum of control.
- The leader depends upon subordinate's sense of responsibility and good judgement to get the work done.
- There is a complete freedom for group or individual decision, with a minimum of leader participation
- The leader supplies various materials, gives information when asked but takes no other part in work discussion.
- The leader makes no attempt to appraise or regulate the course of events.
- Actually, a Free Rein leader does not lead the subordinates but leaves them entirely to themselves; the responsibility for accomplishing most of the work lies on the shoulders of the subordinates.
- The subordinate group establishes its own goals and solves its own problems.
- The leader is simply a contact man, he ignores leader's contribution, he intervenes least and avoids power.
- Free Rein leadership can work only if the subordinates are highly educated, brilliant and they possess good sense of responsibility.

17.6. QUALITIES OF (GOOD) LEADERSHIP

1. **A sense of mission.** A devotion to the people and the organisation in which one serves.
2. **Accomplishment.** Effective use of time in meeting company goals and objectives.
3. **Education : broad as well as technical.**
4. **Acceptability.** From the subordinates ; respect from and confidence of others.
5. **Self-denial.** A willingness to forgo self-indulgences and the ability to bear the headaches the job entails.
6. **Acuteness.** A leader remains mentally alert and readily comprehends instructions, explanations and unusual circumstances.
7. **High intelligence.** A leader should be able to come down to the level necessary for the subordinates he is leading.
8. **High character.** Includes honesty, sincerity, and the courage to face hard facts, unpleasant situations, etc.
9. **Administration.** Ability to plan and organise the work, delegation of responsibility and authority, controlling position activities, etc.
10. **Maturity.** In coping with situations and making decisions, emotionally stable and unlikely to break down with frustration.
11. **Job Competence.** A leader knows well the job he supervises.
12. **Analysis and Judgement.** A leader performs critical evaluation of potential current problem areas ; he possesses wisdom to look into future.
13. **Initiative and drive.** Self-starting to achieve both personal and company objectives.
14. **Energy.** Good health, good nerves and boundless energy make even tough jobs easier.
15. **Attitude.** Enthusiastic, Optimistic, and Loyal attitude towards the organization.
16. **Personal compliance.** Degree to which leader does what is expected of him, such as setting good example by being punctual, honest, just etc.
17. **Constructive, creative and independent thinking.** Ability to originate and develop ideas intelligently and to make constructive suggestions and improvements.
18. **Dependability.** A leader meets schedules and dead lines and adheres to company policies.
19. **Group Spirit.**
20. **Flexibility.** A leader is adaptable, and quickly adjusts to changing conditions.
21. **Knowledge of Industrial psychology and human relations.** A leader understands personnel interactions, has feel for individuals and recognises their problems; is considerate towards others; can motivate and get people to work together.
22. **Approachability.** The extent, to which he is willing to sit and talk with his subordinates and to which they are willing to talk things over with him.
23. **Open-mindedness.** A leader has open-mind and makes decisions without the influence of personal or emotional interests.
24. **Self-confidence.** Self assurance; self-reliance; inner security, etc.
25. **Cheerfulness and Socialness.** A leader remains always cheerful, he makes friends easily and has sincere interest in people.
26. **Verbal ability and communication.** Articulate; communicative and is generally understood by people at different organizational levels.
27. **Good poise and bearing.**
28. **Vision.** Possesses foresight, sees new trends and opportunities; anticipates future events, etc.

- i. Lay down the company *objectives*/ targets.
- ii. Collect and classify the *information* relating to company objectives.
- iii. Develop *alternative* course of action to do the things.
- iv. *Compare* the alternatives in terms of objectives, feasibility and consequences.
- v. Select the optimum course of action yielding maximum benefit/gain.
- vi. Establish policies, procedures, methods, schedules, programmes, systems, standards and budgets for the optimum course of action selected.

2. Organising

- After determining the course and make-up of action, the next step, in order to accomplish the task, is to distribute the necessary work among the working groups.
- *The process of organising involves:-*
 - i. Divide the *work* into Component activities.
 - ii. Assign *people* to task (component activities).
 - iii. Define *responsibilities*.
 - iv. Delegate *authority*.
 - v. Establish structural relationship (i.e., *organisation structure*) to secure coordination.

3. Actuating (move to action)

- Actuating means *carrying out physically* the activities resulting from planning and organising.
- *The process of actuating involves:-*
 - i. Provide effective *leadership*.
 - ii. Integrate people and tasks and convince them to assist in the achievement of the overall objectives.
 - iii. Ensure effective communication.
 - iv. Provide climate for subordinates' development.

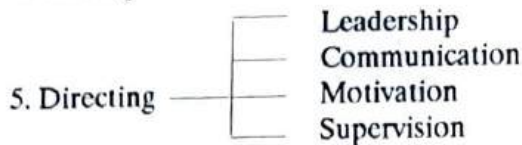
4. Controlling

- Controlling means checking up (or follow up) to ensure that the planned work is progressing as per schedule and if not, then to apply corrective action to achieve the pre-determined objectives.
- *The Process of controlling involves:-*
 - i. Observe continuously and study the periodic results of performance.
 - ii. Compare this performance with the present standards.
 - iii. Pinpoint deviations if any.
 - iv. Ascertain the exact causes of deviations.
 - v. Initiate and implement the corrective action.

15.25. FUNCTIONS OF MANAGEMENT

- One way to look at the process of management is to identify the (basic) functions which together make up the process.
- Since some functions are basic to managerial activities at all levels from the foreman to the manager, they are applicable to all business enterprises.
- Though Fayol, Urwick, Davis, Koontz and O'Donnel have specified different number of management functions, the author feels that the following eight functions may be used to describe the job of management.

1. Forecasting.
2. Planning.
3. Organising.
4. Staffing.



6. Coordinating.
7. Controlling.
8. Decision making.

- The above list of the functions of management is a useful analytical device for stressing the basic elements inherent in the job of management.

1. Forecasting

- Forecasting is a necessary preliminary to planning.
- Forecasting estimates the future work or what should be done in future; may be as regards Sales or Production or any other aspect of business activities.
- Forecasting begins with the sales forecast and is followed by production forecast and forecasts for costs, finance, purchase, profit or loss, etc.

2. Planning

- Planning all aspects of production, selling, etc., are essential in order to minimise intangibles.
- Planning is a process by which a manager anticipates the future and discovers alternative courses of action open to him.
- Planning is a rational, economic, systematic way of making decisions today which will affect the future e.g., what will be done in future, who will do it and where it will be done.
- In fact, every managerial act, whether it be mental or physical, is inexorably intertwined with planning.
- Without proper planning, the activities of an enterprise may become confused, haphazard and ineffective; for example if a refrigerator making concern does not plan in advance – how many refrigerators and of what capacities are to be made before the summer starts and thus it does not procure necessary material, tools, supplies and personnel in time, it cannot reach the production targets and hence may not run profitably.
- Prior planning is very essential for utilizing the available facilities (men, materials, machines etc.) to the best of advantage.

3. Organising

- Organising is the process by which the structure and allocation of jobs is determined.
- Organising involves determining activities required to achieve the established company objectives, grouping these activities in a logical basis for handling by subordinate (persons), managers, and finally, assigning persons to the job designed. In carrying out the above, the manager will delegate necessary authority to his subordinates (persons) and they, in turn, will take the necessary responsibility.
- Organising means, organising people, materials, jobs, time etc., and establishing a framework in which responsibilities are defined and authorities are laid down.

4. Staffing

- Staffing is the process by which managers select, train, promote and retire their subordinates.
- Staffing involves the developing and placing of qualified people in the various jobs in the organisation.
- Staffing is a continuous process. The aim is to have appropriate persons to move into vacated positions or positions newly created in the enterprise.

5. Directing

- Directing is the process by which actual performance of subordinates is guided towards common goals of the enterprise.
- Directing involves motivating, guiding and supervising subordinates towards company objectives.
- Directing thus includes:
 - (i) Giving instructions to subordinates.
 - (ii) Guiding the subordinates to do the work.
 - (iii) Supervising the subordinates to make certain that the work done by them is as per the plans established.
- Directing involves functions such as
 - (a) Leadership,
 - (b) Communication,
 - (c) Motivation, and
 - (d) Supervision.

(a) Leadership

- Leadership is the quality of the behaviour of the persons (Managers) whereby they inspire confidence and trust in their subordinates, get maximum cooperation from them and guide their activities in organized effort.
- Leadership is more than personal ability and skill.

(b) Communication

- Communicating is the process by which ideas are transmitted, received and understood by others for the purpose of effecting desired results.
- Communication may be verbal or written orders, reports, instruction, etc.
- A manager communicates to his subordinates as what they should do.
- An ineffective communication leads to confusion, misunderstanding, dissatisfaction and sometimes even strikes.

(c) Motivation

- Motivating means inspiring the subordinates to do a work or to achieve company objectives effectively and efficiently.

(d) Supervision

- Supervision is necessary in order to ensure,
 - (i) that the work is going on as per the plan established, and
 - (ii) that the workers are doing as they were directed to do.

6. Coordinating

- Coordinating means achieving harmony of individual effort towards the accomplishment of company objectives.
In other words, the dovetailing and harmonising of all the company assets and employees into a coherent whole is known as *coordination*.

- Ineffective coordination between different functions of a business enterprise (such as production, sales, administration, etc.) can ruin the enterprise.
- Coordination involves making plans that coordinate the activities of subordinates, regulate their activities on the job and regulate their communications.
- Besides other factors, informal relationships within an organization also tend to facilitate coordination, because workers who like each other outside the factory, prefer to work together on the job also.

(7) Controlling

- Controlling is the process that measures current performance and guides it towards some predetermined goal.
- Controlling involves :
 - (i) the monitoring of programme activities to make sure that end objectives are being met.
 - (ii) the initiation of corrective action as required to over-come problems, if any, hindering the accomplishment of objectives.
- Checks and examinations are required on a periodic basis to ensure that the things are proceeding as per plans established.
- Controlling is necessary to ensure that orders are not misunderstood, rules are not violated and objectives have not been unknowingly shifted. Control means control of persons and other things.
- Controlling is a continuous process which measures the progress of operations, (compares) verifies their conformity with the predetermined plan and takes corrective action, if required.
- As explained above, controlling, process
 - (i) Sets standards,
 - (ii) Measures job performance, and
 - (iii) Takes corrective action, if required.

8. Decision Making

- Decision making is the process by which a course of action is consciously chosen from available alternatives for the purpose of achieving desired results.
- An outstanding quality of a successful manager is his ability to make sound and logical decisions.
- Management decisions range from establishing consumer operational development needs to the selection of a preferred system design configuration to many other aspects of a business enterprise.

15.26. LEVELS OF MANAGEMENT

Management/Industrial Management has got the following activity levels.

1. Top Management.
2. Upper Middle Management.
3. Middle Management.
4. Lower Management (Foremen etc.)
5. Operating force or Rank and File workman.

1. Top Management

- Top Management includes
 - (a) Board of Directors.

- (b) Managing Directors.
- (c) Chief Executives.
- (d) General Managers.
- (e) Owners.
- (f) Share-holders/Financiers.
- *Top Management Functions are*
 - (a) Setting basic goals and objectives.
 - (b) Expanding or contracting activities.
 - (c) Establishing policies.
 - (d) Monitoring performance.
 - (e) Designing/Redesigning organization system.
 - (f) Shouldering financial responsibilities, etc.

2. Upper Middle Management

- *Upper Middle Management includes*
 - (a) Sales executive (Manager).
 - (b) Production executive.
 - (c) Finance executive.
 - (d) Accounts executive.
 - (e) R & D executive.
- *Upper Middle Management Functions are*
 - (a) Establishment of the organization.
 - (b) Selection of staff for lower levels of management.
 - (c) Installing different departments.
 - (d) Designing operating policies and routines.
 - (e) Assigning duties to their subordinates, etc.

3. Middle Management

- *Middle Management includes*
 - (a) Superintendents.
 - (b) Branch Managers.
 - (c) General Foremen, etc.
- *Middle Management Functions are*
 - (a) To cooperate to run organization smoothly.
 - (b) To understand interlocking of departments in major policies.
 - (c) To achieve coordination between different parts of the organization.
 - (d) To conduct training for employee development.
 - (e) To build an efficient company team spirit.

4. Lower Management

- *Lower Management includes*
 - (a) Foremen.

(b) Supervisors or charge-hands.

(c) Office superintendent.

(d) Inspectors, etc.

– *Lower Management Functions are*

(a) Direct supervision of workers and their work.

(b) Developing and improving work methods and operations.

(c) Inspection function.

(d) Imparting instructions to workers.

(e) To give finishing touch to the plans and policies of top management.

(f) To act as a link between top management and the operating force (*i.e.*, workers).

(g) To communicate the feelings of workers to the top management.

5. Operating Force

– *Operating Force includes*

(a) Workers, rank and file workman, skilled, semi-skilled and unskilled.

– *Operating Force Functions are*

(a) To do work on machines or manually, using tools, etc.

(b) To work independently (in case of skilled worker) or under the guidance of supervisor.

15.27. INDUSTRIAL MANAGEMENT

– Industrial Management involves guidance, leadership and control or efforts of a group of individuals toward some common goals of the industry.

– The Industrial Manager must

(i) design products that will find acceptance in competitive markets;

(ii) devise methods of producing such products efficiently;

(iii) explore reliable sources for obtaining materials and supplies;

(iv) attract funds;

(v) build plants, recruit and train employees with a wide variety of talents;

(vi) devise systems for coordinated efforts; and

(vii) inspire confidence and activate all the resources (facilities) into a viable going concern.

– The job of Industrial Manager becomes still more difficult due to

(i) change in market;

(ii) change in technology;

(iii) change in attitude and feeling of people; and

(iv) change in government regulations, etc.

15.28. TYPES OF MANAGEMENT

1. Development Management. It includes research into materials, machines, processes, etc.

2. Distribution Management. It includes marketing, merchandising, advertising, sales, etc.

3. Financial Management. It includes economic forecasting, costing, accounting, budgetary control, insurance and actuarial work, etc.

4. Maintenance Management. It includes upkeep of buildings, equipment, estate work, etc.

3. Empowerment. It is the act of delegating power and authority to a subordinate so that the goals of the manager can be accomplished.

4. Job Rotation. It is done to broaden and knowledge of managers. It also helps in dealing with the problem of general dissatisfaction by allowing employees to diversify their activities and offset the occurrence of boredom.

9.14. PERSONNEL POLICY

A personnel policy is a written directive to help personnel department in accomplishing its objectives or functions. A personnel policy contains directive regarding :

- | | |
|-----------------------------|--------------------|
| (i) Recruitment | (ii) Promotion |
| (iii) Employment conditions | (iv) Financial aid |
| (v) Training | (vi) Discharge |
| (vii) Separation etc. | |

Characteristics of a good personnel policy are :

1. It should be uniform for all the employees and avoid opportunism.
2. A good grievance redressal system should be available.
3. It should avoid ambiguities and uncertainties.
4. It should guard employees against unfair dismissal.
5. It should provide good working conditions, safety and medical benefits.
6. It should organise and encourage social facilities.

9.15. RECRUITMENT

It is the process by which manpower is discovered and then encouraged to apply for employment. The purpose of recruitment is to collect sufficient number of applicants for each job, so that selection can be made.

Sources of Man Power

The main sources of labour for all types of workers (unskilled, semi-skilled and highly skilled) are as under :

- | | |
|--|--|
| 1. Through existing workers. | 2. Employment Exchange. |
| 3. Advertisements. | |
| 4. Schools, Colleges and Technical Institutions. | |
| 5. Through Contractors (for unskilled Labour). | |
| 6. Application at the Factory Gate. | 7. From the application on the blank file. |
| 8. Recommended candidates. | |

Employment Exchanges record show that unemployment of people is increasing at the rate of one lac persons every month. Total unemployed people were 80 lakh on July 31, 1975 and 1 crore 80 lakh on November 1981 and about 4 crore in 1992 and 5.5 crores by 1996.

Recruitment Procedure

Whenever any vacancy occurs such as due to resignation, death, retirement, illness, promotion or expansion, the department concerned should intimate the same to the nearest Employment Exchange and if possible should give its advertisement to public through some popular newspapers and also on the notice-board of the factory.

The personnel department must mention the following facts while advertising vacancies :

1. Number of vacancies.
2. Grade of vacancies.
3. General nature and special features to duties.
4. The quality of literacy and accuracy expected for the job.
5. Whether previous experience is absolutely necessary.
6. Last date of submitting applications.
7. Basic salary and other allowances.

Now interested candidates may apply on plain paper or in a special form, if any, obtainable from the employer for this purpose, giving the required details :

The applications received upto the last date of submission are collected, their summary sheet prepared and suitable candidates are then called for selection by interview or test or both.

9.16. SELECTION

Selection is the process of examining the applicants with regard to their suitability for the given job or jobs, and choosing the best from them. Thus selection is essentially a process of picking out the man best suited for the organisation's requirements. Selection process involves rejection of unsuitable or less suitable applicants.

Selection can also be defined as the process of securing relevant information about an applicant to evaluate his qualifications, experience and other qualities with a view to matching these with the requirement of a job.

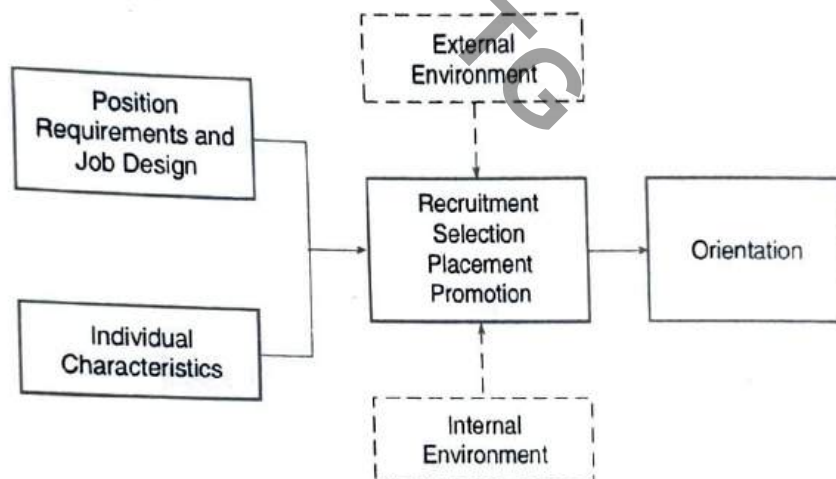


Fig. 9.7. Selection.

For better performance, a worker must have the qualities which are necessary for efficiently performing the jobs and secondly the degree of these qualities, he possess. The first problem has been solved by the technique of job evaluation and the second by evaluation of psychological, aptitude and interview tests. These tests together now constitute a scientific method of selection.

The object of scientific recruitment and selection is to increase the overall industrial proficiency.

Importance of Vocational Guidance and Selection

Vocational Guidance is a scientific method of selecting workers. Guidance aims at finding out what type of job will suit a particular worker and selection aims at searching (finding) out

what type of workers from various applicants will fit the job, as employment of unfit worker (misfit) is wastage to industry.

In vocational selection, following considerations are made while selecting the workers :

1. The worker should have certain fixed health standard for the job.
2. He should have certain level of intelligence.
3. He should have the required type of mental skill.
4. He should have some personal qualities such as obedience, honesty, good temperament, sincerity and willingness to co-operate etc.

Keeping in view the above facts, workers are selected and with aid of vocational guidance jobs are assigned to them. As we know that all workers differ in the physical abilities, inclination, intelligence etc. and if the worker is not suitable for certain job, it does not mean that he is not suitable for any other job. The purpose of vocational guidance is to match a worker with suitable job so that his efficiency should be very high and he may have job-satisfaction.

Selection Process

1. Initial screening.
2. Employment Tests :

(a) Achievement or Intelligence Tests	(b) Aptitude or Potential ability tests
(c) Personality tests, and	(d) Interests tests.
3. Comprehensive Interviews including group discussions.
4. Background investigation.
5. Physical examinations.
6. Final employment decision.

Techniques and methods used for selection

1. Interview
2. Tests :

(i) Psychological Test	(ii) Aptitude Test
(iii) Trade Test	(iv) Medical Test

These are called employment tests and selection of workers, supervisors and even managers is done by these tests.

1. Interview. This is one of the most popular technique used for making selections. In this a panel of recruitment officers, one of whom from personal division, one or two from actual works division and one or two from general division is formed. Different recruiting officers put questions to the candidates on various topics and judge their ability and suitability. Candidates found suitable for the jobs are given appointment.

Interview is conducted to find out whether the applicant is—dependable, adaptable, cooperative, hard worker, motivated and good in human relations.

2. (i) Psychological Test. In this, the candidate may be given different psychological tests so as to ascertain their hidden talents or reaction. His knowledge about the work is also estimated by this test.

These tests are not always cent per cent reliable, as the questions may be defective. The proper way would be to compare the information collected in personal interviews and from other sources.

This test is also known as 'Intelligence Test.'

(ii) **Aptitude Test.** By this test inclination of the person towards a definite job is determined. For example whether he likes civil, electrical or mechanical job etc. Aptitudes are grouped in five classes, these are : 1. Mental abilities, 2. Mechanical abilities, 3. Psychometric abilities, 4. Visual skill and 5. Other specialized aptitudes.

These are designed to measure ability in a given field. For example, mechanical aptitude can be measured by asking the applicant to solve some mechanical puzzle.

These tests do not measure personal qualities such as honesty, loyalty, leadership etc.

(iii) **Trade Test.** This indicates the actual skill of the person in a particular job and is carried to judge the candidate's proficiency in a particular job, trade or subject matter. Such test may be either oral, written or practical.



Fig. 9.8. Exchange of Information in Selection.

(iv) **Medical Test.** When a candidate is found suitable before he is given appointment, a medical test is taken to see that he does not suffer from any contagious disease, permanent disabilities, likely to hinder their working.

This test is mostly to reject unsatisfactory candidates and should not exclude candidates whose disabilities will not interfere with the work.

9.17. PLACEMENT

Placement is the determination of the job for which a selected candidate is best suited and assigning that job for him. It means the right man for the right job. A proper placement reduces employee turnover, absenteeism and improves morale.

9.18. INDUCTION AND ORIENTATION

Induction is the introduction of an employee to the job and the organisation. The idea behind this is that the new employee must feel proud of his association with the company.

Orientation covers the activities involved in introducing new employees to the organisation and to his work unit.

Orientation or induction is the process of receiving and welcoming an employee when he first joins a company and giving him the basic information he needs to settle down quickly happily and start work. The new employee is explained his duties and responsibilities, company policies and rules, and other relevant information to get acquainted and accommodated with the organisation.

Objectives of Induction

- (i) To help the newcomer overcome his natural shyness and nervousness in meeting new people in new environment.

Management Concepts

15.1. MANAGEMENT

- Management may be labelled as the art of getting work done through people, with satisfaction for employer, employees and the public.
- For getting the work done (of an enterprise) through the efforts of other people, it is necessary to *guide, direct, coordinate* and *control* human efforts towards the fulfilment of the *goals* of the enterprise.
- The *goals* of the enterprise are fulfilled through the use of resources like men, money, materials and machines.
- Management may be called an **Art** as well as **Science**.
 - (a) Management has *scientific* basis because management techniques are susceptible to measurement and factual determination.
 - (b) Management is an *Art* because management means coordinating and getting work done through others.
- Management is an executive function which actively directs human efforts towards common goals.
- The main *Characteristics* of the management is to integrate and apply the knowledge and analytical approaches developed by numerous other disciplines.
- Management does not frame policies, it only implements/executes the policies laid down by administration.
- The *functions* of management are executive and largely governing.
- Management is the *servant* of administration; it gets salary or a part of profit in lieu of its services.
- Management requires technical ability to function properly.
- Management uses *organisation* for achieving the goals of an enterprise.
- Management is *productive* in character.
- Planning, organising, staffing, motivation, directing, coordination and control are all functions of Management.
- There are different levels in management *i.e.*, top level and middle level management.

15.2. ADMINISTRATION

- Any enterprise whether it is run for profit or not need be controlled.
- The control of the enterprise is effected through *Administration* and *Management*.
- *Administration* consists of deciding *determination* of the goals and policies of the enterprise.
- Administration is concerned mainly with decision making, policy making and making necessary adjustments.
- The three main *elements* of administrations are :-
 - (i) The formulation of goals,

- (ii) The choice of ways and means, and
- (iii) The direction of the people in some group purpose.
- Administration makes policies and decides the goals/targets to be achieved. It is not directly concerned with the implementation of policies.
- The functions of administration are legislative and largely determinative.
- Administration does not need technical ability.
- It is not productive in character.
- Administration coordinates finance, production and distribution.
- It frames the organisational structure and exercises control over the enterprise.
- Administration is the master of industry. It relates to top-level management. Persons like owners or the Board of Directors are in charge of it.
- *An Administrator*
 - (a) organises his own work and that of his subordinates;
 - (b) delegates responsibility and authority; and
 - (c) measures, evaluates and controls position activities.

15.3. ORGANISATION

- Organisation is the frame work of management.
- Organisation is the function of putting together the different parts of an enterprise into working order.
- Organisation is a *system*,
It is a *group* of persons,
It is a *structure* of relationships among the individuals working together for a common goal.
- Organization is concerned with the building, developing and maintaining of a structure of *working* relationships in order to accomplish the objectives of the enterprise.
- Organisation means the determination and assignment of *duties* to individuals and also the establishment and the maintenance of authority relationships among the grouped activities.
- *Organising* is the determining, grouping and arranging of the various activities deemed necessary for the attainment of the objectives,
 - (ii) the assigning of people to those activities,
 - (iii) the providing of suitable physical factors of environment, and
 - (iv) the indicating of the relative authority delegated to each individual charged with the execution of each respective activity.

For further details refer article no 2.1.

15.4. DIFFERENCE AND RELATIONSHIP BETWEEN MANAGEMENT, ADMINISTRATION AND ORGANISATION

- *Administration* determines the objectives and policies of the enterprise, *Management* carries out these policies to achieve objectives of the enterprise.
- For *Administration* and *Management* to function effectively, there must be proper structuring of the enterprise and this is known as *organisation* (structure). Organisation has been termed the keystone on which the entire structure of any enterprise is based.
- *Administration* gives proper direction; it is a directing (or direction) function. *Management* properly executes; it is an execution function. And, organisation is an effective machinery for

accomplishing company objectives in a team spirit.

- In brief, it may be said that, "Management carries out the policies of Administration through the framework of the organization".

15.5. IMPORTANCE OF MANAGEMENT

- (i) Truly speaking, no enterprise can survive without management, even if it possesses huge money, excellent machinery and expert man-power, because without management, it will be all confusion and no body will know what to do and when to do.
It is management which *guides* and *controls* the activities of man-power for the optimum utilisation of company resources, such as men, materials, money, machines, methods etc.
- (ii) Management creates a vital, dynamic and life giving *force* to the enterprise.
- (iii) Management *coordinates* activities of different departments in an enterprise and establishes team-spirit among the persons.
- (iv) Management provides new *ideas and vision* to the organisation to do better.
- (v) Management *tackles business problems* and provides a tool for the best way of doing things.
- (vi) Management only can meet the *challenge of change*.
- (vii) Management provides *stability* to the enterprise by changing and modifying the resources in accordance with the changing environment of the society.
- (viii) Management helps *personality development* thereby raising efficiency and productivity.

15.6. CHARACTERISTICS OF MANAGEMENT

- (i) Management is *goal oriented*. It achieves the organizational goals through coordination of the efforts of the personnel.
- (ii) Management works as a *catalyst* to produce goods using labour, materials, and capital.
- (iii) Management is a distinct *process* comprising of functions such as planning, organising, staffing directing and controlling.
- (iv) Management represents a system of *authority*—a hierarchy of command and control. Managers at different levels possess varying degrees of authority.
- (v) Management is a *unifying force*. It integrates human and other resources to achieve the desired objectives.
- (vi) Management *harmonises* the individual's goals with the organisational goals to minimize conflicts in the organisation.
- (vii) Management is a *multi-disciplinary subject*. It grew taking the helps of subjects such as Engineering, Psychology, Sociology, Anthropology, Operations Research etc.
- (viii) Management is *universal* in character. The principles and techniques of management are equally applicable in the fields of business, industry, education, government, army, hospitals etc.

15.7. MANAGERIAL SKILLS

The skills required of a successful manager, whether he is working in a business organisation, an educational institute or a hospital can be classified or follows :-

- | | |
|----------------------------|-----------------------------|
| (a) Technical skill (1) | |
| (b) Decision making skills |] Conceptual skills (2) |
| (c) Organisational skills | |
| (d) Communicating skills |] Human relation skills (3) |
| (e) Motivating skills | |
| (f) Leadership skills | |