

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) | } | Conceptual skills (2) |
| (b) Decision making skills | | |
| (c) Organisational skills | | |
| (d) Communicating skills |] | Human relation skills (3) |
| (e) Motivating skills | | |
| (f) Leadership skills | | |

(1) Technical skills

- Technical skill refers to the proficiency in handling methods, processes and techniques of a particular kind of business.
- It is essential for a manager to know which technical skill should be employed in a particular work.

(2) Conceptual skills

Conceptual skill is the ability to see the organisation as a whole, to recognise inter-relationships among different functions of the business and external forces and to guide effectively the organisational efforts.

Conceptual skill is critical in top executive positions whereas technical skill is essential for lower level management.

It is easier to learn technical skill than the conceptual skill.

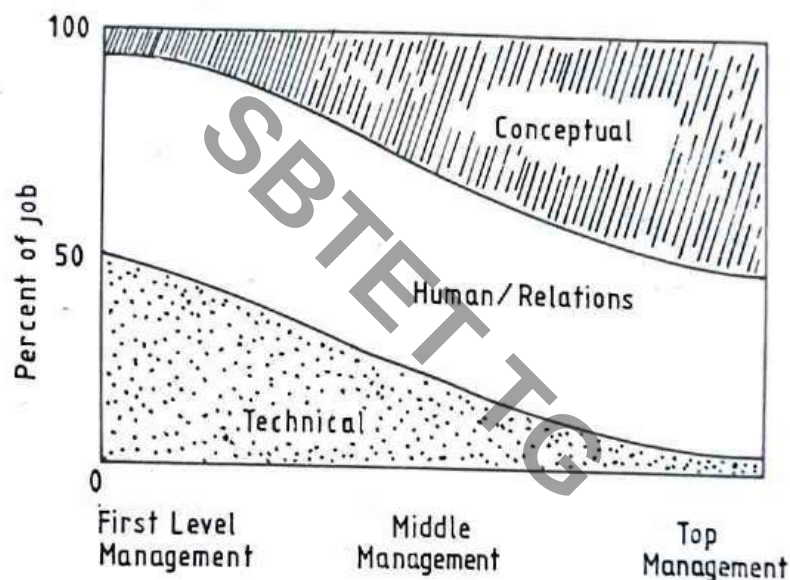


Fig. 15.1. Managerial skills.

Decision making skills

Decision making skill is the ability of a person to take timely and accurate decisions. This requires mental ability and presence of mind.

Organisational skills

Organisational skills help select and fix different people at different work. This means placing right people for the right job.

(3) Human relation skills

Human relation skill refers to the ability to work effectively with others and build cooperative work groups to achieve organisational goals.

Communicating skills

Communicating skill is the ability to pass on information to other. Improper, insufficient and poorly expressed information can create confusion and annoy the subordinates.

Motivating skills

Motivating skill inspires people to do what the manager wants them to do. The manager can use

positive or negative motivational methods. Positive motivational methods include, reward, praise etc, whereas negative motivational methods involve punishment, reprimand, threat etc.

Leadership skills

Leadership skill enables a manager to lead the people working under him.

It is the ability to inspire confidence and trust in the subordinates in order to have maximum co-operation from them for getting the work done.

15.8. MANAGERIAL OBJECTIVES

- The end results to be achieved are described as *objectives*. *Managerial objectives* may be defined as the intended goals which prescribe definite scope and suggest direction to the efforts of a manager.
- **Managerial objectives** should be
 - (i) Clearly defined and communicated,
 - (ii) Reasonably attainable, and
 - (iii) Based upon the overall organisational goals.
- **Managerial objectives** may be classified as
 - (a) General objectives
 - (b) Specific objectives
- **General objectives**
 - (1) Nature of business
 - (2) Continuous supply of capital
 - (3) Growth of firm
 - (4) Increasing production and productivity
 - (5) *Economic objectives* (e.g. profit).
 - (6) *Social objectives* (e.g. to offer goods of superior quality and services to the society at reasonable rates, to provide workers with fair wages and incentives and to pay taxes honestly etc.).
 - (7) *Human objectives* (e.g., to understand the needs of subordinates to motivate them and to boost their morale).
- **Specific objectives**
 - (1) Nature of goods to be produced or services to be rendered.
 - (2) Type of Customers (e.g., rich, poor, individuals, business houses, Government etc.)
 - (3) Market standing (e.g. local, national or international)
 - (4) Product diversification, if any.

15.9. HARMONIZATION OF OBJECTIVES

- People do not work in isolation; rather they work to a great extent in groups toward the achievement of personal and company's objectives. Unfortunately, these objectives are not always harmonious. Nor should one take for granted that the objectives of subordinates are the same as those of the management/enterprise.
Therefore, one of the most important single activities of management is to harmonize the needs of the individuals with the demands of the enterprise.
- There is no way that the desires and objectives of individuals can be made to help achieve enterprise objectives unless it is known what individuals want. Then, managers must be able to

design an environment that will take advantage of these individual drives.

Managers must know how to communicate with and guide their subordinates so that they will see how their interests are served by working efficiently for the enterprise.

- As stated above, in any business firm or industry, two classes of objectives control the show.
- First, the *objectives of the industry/business firm*, which undoubtedly is to maximize the *production* and the *profits*.
- Second, the *individual personal objectives* which refer to the aspirations and goals of individual members of the enterprise and include financial and non-financial incentives like salaries, allowances, bonus, status in the organisation and the society, chances for promotion, etc.
- If a business firm has to achieve its objectives it must give due consideration to the personal objectives.
- There must be a reasonable correlation, congruence and *harmony* in the personal and business objectives.
- *Harmony of objectives* is most important for the survival and progress of any organisation. Harmony of objectives imply the simultaneous fulfillment of organisation's and individual's objectives.
- It is only through the harmonisation of objectives that both the parties will work efficiently for a common goal.
- A sound organisation and a good leadership help in harmonisation of objectives.
- The harmonisation of objectives of the firm and those of employees may be achieved by
 - (i) Mutual trust,
 - (ii) Cooperation and understanding,
 - (iii) Worker's participation in management, and
 - (iv) By *balancing* the objectives of the firm with those of individuals (without allowing any conflict to arise between the objectives).

15.10. HIERARCHY OF OBJECTIVES

- The objectives of a company can be structured into a hierarchy. Hierarchy in this sense means *Organised objectives in successive grades*.
Objectives may be arranged in particular order from the higher to the lower level.
- The objective at the top level provide the basis for setting the objectives at the second level which in turn becomes the basis for objective at the third level and so on.
- For example, a company may have the *overall objective* at the *highest level* to earn a fair rate of return by manufacturing and marketing Numerically Controlled (NC) machine tools.
- If we go down the hierarchy, we shall find that the *major objective* followed by different departments focuses on designing and creating the form of NC machine tools.
- At the *next level*, there may be intermediate objectives concerned with manufacturing and assembling the major components.
- At the *lowest level*, the objective of the individuals consists of performing the detailed work on components.

In this way the objectives at *various levels* in a company are *integrated* and follow a *logical sequence* to achieve the overall objective of the company.

15.11. DIFFERENCE BETWEEN POLICIES, GOALS AND OBJECTIVES

- (i) **Policies** are the guidelines for actions. These are means to achieve the objectives. A policy may

be a verbal, written or implied overall guide for decision making. In other words, policies provide guidelines and limits for decision making. As an example, a firm may have the *policy* of selling goods only against cash or no employee will accept any outside job, etc.

- Policy may be taken as an expression of intentions of Top Management and is long lasting.
- Policies are valuable because they allow lower levels of management to handle problems without going to top management for a decision every time.
- Policies provide a broad guide as to how the *objectives* of a firm are to be achieved.

(ii) **Objectives** are the ends towards which the activities of the enterprise are aimed.

- *Objectives may be classified as :-*

- (a) *External e.g.* to supply goods of good quality at reasonable prices.
- (b) *Internal e.g.* maximum profitability, good labour relations, job satisfaction and security.
- (c) *Short term e.g.* Production and sales targets for a period of three to six months.
- (d) *Medium term e.g.* for a period from one to five years.
- (e) *Long term objectives e.g.* for a period from five to twenty years.
- (f) *Economic e.g.* increase in profit by 10%.
- (g) *Non-economic e.g.* bringing job satisfaction, improving employer-employee relations etc.
- (h) *Major objectives*, applicable for the entire organisation *e.g.* product diversification.
- (i) *Derived or Minor objectives i.e.* derived from major objectives. They are sectional or departmental objectives.

(iii) **Difference between policies and objectives**

- (a) *Objective decide What to do.*

Policies decide How to do

- (b) *Objectives are the targets and aims of planning. Policies are the means and manner of achieving objectives.*
- (c) *Objectives are determined by the top management. Policies are even decided at departmental level.*
- (d) *Objectives are fixed in nature.*

Discretion may be used in the implementation of policies.

(iv) **Goals**

- A goal is any achievement of an end point that is stated in quantitative terms, an example of which is the achievement of a certain amount of profit for a specified time period.
- Goals represent the desired future conditions, which the organization strives to achieve.
- A goal may be a specific accomplishment, such as manufacturing 1000 automobiles during a given time period.
- Goal refers to a future state or condition which when realized contributes to the fulfillment of the mission.

(v) **Difference between mission, goal and objective**

- A goal is relatively more concrete and specific than a *mission*, yet not as concrete or specific as an objective.
- Goals can also be thought of as relatively *long-run* targets.
- *Objectives* are derived from goals and are ordinarily *short-run*, *specific* milestones towards goals.
- As goals are derived from the organisation's *mission*, so are its *objectives* derived from the goals.

- The word *mission* provides general term to describe the company's over-all reason for existence. The mission expresses the objective of the entire enterprise and is based on top management's knowledge of broad economic needs and the competitive resources of the firm. *Mission* refers to the broad purpose that society expects the organization to serve.
- *An example of mission is*
'To protect and promote the health and welfare of the citizens of the commonwealth'.
- *An example of goal is*
'The eradication of tuberculosis as a health hazard by the end of 1995'.
- *An example of objective is*
'To reduce the incidence of tuberculosis from 6 per 10,000 to 4 per 10,000 by the end of current year'.
- The development of a coherent set of missions, goals and objectives defines the scope and direction of the organisation's activities.

15.12 EVOLUTION AND DEVELOPMENT OF MANAGEMENT THOUGHT

(a) General

- Management in one or the other form has existed in every nook and corner of the world since the dawn of civilization.
- The origin of management can be traced back to the days when man started living in groups.
- History reveals that strong men organised the masses into groups (according to their intelligence, physical and mental capabilities) and became their *leaders*.
- Management took the form of leadership which was essential to coordinate the efforts of group members in order to arrange the necessities of life.
- Evidence of the use of *principles of management* is to be found in the organizations of public life in ancient *Greece*, the organisations of the *Roman catholic church* and the organisation of *military forces*. They were not much used in the business world so long as the structure of organisation was simple.
- With the onset of Industrial Revolution (Around 1750) the position underwent a radical change. The structure of industry became extremely complex and new problems generated for industrialists. At this stage, the development of a formal theory of management—both of work and the workers—became absolutely necessary. It was against this background that the foundations of *modern management* were laid.

(b) Management in antiquity

(1) *Egypt*

- The Egyptian skill in planning and organising the construction of public edifices, is evident in their pyramids.
- The Babylonian empire developing along the Tigris and Euphrates also gives us many examples of early managerial practices.

(2) *China*

- Some fifteen hundred and more years ago there flourished in China a diverse and complex civilization in which business and enterprise and the art of government had been developed to a high degree.
- The need for methodological means of employee selection and staffing was also recognized by ancient Chinese philosophers.

(3) *India*

- Around 320 B.C., subjects such as organisation and management of trade and commerce, law and law courts, municipal government, taxation and revenue, agriculture, factories etc., were covered by *Kautilya* also named *Vishnugupta*.

(4) *Greece*

- Greece provides us with the most extensive documentation of management principles, employee selection, delegation of authority etc.

(5) *Rome*

- In ancient Rome, craft and trading groups developed early in the Latian villages of the Seven Hills. These groups operated under the personal leadership of strong or skilled individual leaders.
- As Rome became a city and spread by growth and conquest, her industries became large and numerous, ranging from the making of armor through dress-making and the pickling of olives to mining of metals and salt.
- Personal leadership persisted as the general pattern, even to organisation of guilds of craftsmen and traders.
- Gradually there emerged in Rome, a group of *leaders* that we can classify as *managers*. These managers developed largely as a result of the method employed by the Roman government to accomplish much of its work.
- These managers employed staff assistance, such as accountants and scribes, bought slaves and developed organizations to accomplish the missions of the owners.

(c) **Period of Managerial Awakening**

- Around 1750, England entered a period referred to as the *Industrial Revolution*.
- The industrial revolution brought great impetus to the growth and diversification of business enterprises.

Replacement of human and animal power by machines, new inventions, increased demand led to the expansion of commercial undertakings and the establishment of holdings in colonies in foreign countries.

- With the advent of industrial revolution the *factory system*, as it is known today, became a dominant feature of economy. Under this system land/building, hired labour and capital are made available to the entrepreneur, who strives to combine these factors for achieving a particular goal.
- During the period following the industrial revolution, certain pioneers challenged the traditional character of management by introducing new ideas and approaches. Their contributions are discussed below :-

(1) *Robert Owen (1771-1858)*

- Robert Owen believed that the worker's performance was influenced by the shop floor working conditions, working hours, housing facilities, training of workers, provision of canteen, rest places, kind treatment etc. He can thus be called as the forerunner of *Personnel Management*.
- Robert Owen is well-known as the promoter of cooperative and trade union movement in England.

(2) *Charles Babbage (1792-1871)*

- Whereas Owen challenged the inhuman conditions of the factories, Charles Babbage tried to advance technology. He advocated the use of *Science* and *Mathematics*, *investigations* and *accurate data* to run the factories which were, at that time, using traditional methods, opinions

and rule of thumb.

- Babbage suggested division of work into mental and physical efforts, determining precise cost for every process, paying of bonus, profit-sharing etc.
- Babbage invented the *analytical engine* which was the fore-runner of the modern computer.
- (3) *James Watt Jr. (1796-1848) and Robinson Boulton (1770-1842)*
- Both, Watt Junior and Robinson were sons of James Watt, the inventor of steam engine.
- In their factory at Soho (Birmingham), they used the following management techniques:-
 - (i) Forecasting-market research.
 - (ii) Planned machine layout.
 - (iii) Production planning.
 - (iv) Standardization of parts.
 - (v) Elaborate statistical records.
 - (vi) Welfare of workers, etc.

15.13. ORIGIN OF PRINCIPLES OF MANAGEMENT

<i>Date : B.C.</i>	<i>People</i>	<i>Management Principles</i>
1958-1916	Babylonians	Minimum wage rate
1644	Chinese	Division of labour
993-953	Hebrews	Industrial organisation
605-562	Babylonians	Material control
400	Chinese	Labour turnover
	Chaldeans	Incentive wage plan
384-382	Greeks	Transfer of skill

In more recent centuries :-

- 1591 - Recognition of the principle of overhead and establishment charges.
- 1682 - Standard practice Institutions
 - Stock control
 - Expense control
 - Job specifications
 - Instructions for packing for shipment
 - Instructions for time keeping
 - Material specifications.
- 1710 - Employee welfare
 - Pension plan
 - Industrial physician.
- 1776 - Statement of the principle of the division of labour.
- 1795 - Example of costing each product and the use of department profit and loss accounts.
- 1832 - Suggestion that Industrial Management was a matter of general principles
 - Analysis of process costs
 - Suggestion of time study

(h) The Contingency Approach School of Management

- The major contributors to this school of thought are Joan Woodward, Fiedler, Lorsch and Lawrence.
- Theorists of the process school, quantitative, behavioural and systems schools often assume that their concepts and techniques have *universal applicability*, which is not so. These concepts may work in some situations and not in others.
- The *Contingency Approach* to management is based upon the fact that there is no one best way to handle any of the management problems. The applications of management principles and practices should be *contingent* upon the *existing* circumstances. Process, behavioural, quantitative and systems tools of management should be applied *situationally*.
- There are three major parts of the overall conceptual framework for contingency management:
 - (i) Environment
 - (ii) Management concepts, principles and techniques.
 - (iii) Contingent relationship between (i) & (ii) above.

The environmental variables are *independent*.

Management variables (process, quantitative, behavioural and systems tools) are *dependent*.

Every manager has to apply the various schools of thought (approaches) to management according to the demands of the situation.

- It is the basic function of managers to analyse and understand the *environments* in which they function, before adopting any techniques, processes and practices. The choice of approaches and also their effectiveness is contingent on the behaviour and dynamics of situational variables. There is no universally valid one best way of doing things.
- Contingency thinking helps managers in several ways in performing their functions of planning, organising, direction and control. It widens their horizons beyond the theory of management, its concepts, principles, techniques and methods. It leads them to be sensitive, alert and adaptive to situation-behavioural variables, while tailoring their approaches and styles.
- Contingency thinking enlarges the area of freedom of operation of managers. They are not handicapped by having to apply the same approach to diverse situations. They can even think of a *blend* of known approaches as demanded by the existing situations.
- The contingency approach seems to hold a great deal of promise for the future development of management theory and practice.

15.22. PRINCIPLES OF MANAGEMENT

- 'Principles of Management' implies a list of current management practices.
- Though F.W. Taylor developed principles of management, credit goes to **Henri Fayol**, a French management theorist for advocating and publicizing certain principles (or laws) for the soundness and good working of the management.
- Henri Fayol warned that the principles of management should be,
 - (i) Flexible and not absolute—must be usable regardless of changing conditions,
 - (ii) Used with intelligence and with a sense of proportion, etc.
- Henri Fayol listed 14 principles, that grew out of his experience; they are briefed as under.

1. Division of Work (or Labour)

- Division of work means dividing the work on the principle that different workers (and different places) are best fitted for different jobs (or things) depending upon influences arising from geography, natural conditions, personal aptitude and skills.

- Division of work leads to specialization.
- Concept of division of labour can be applied to all kinds of work, managerial as well as technical.

Advantages of Division of labour. Since the same worker does the same work repeatedly.

- (i) he gains proficiency and skill on the jobs,
- (ii) rate of production increases,
- (iii) product quality improves,
- (iv) he is in a position to suggest changes in products, processing or methods of doing that work.

Disadvantages of Division of Labour

- (i) Division of labour gives rise to loss of craftsmanship; workers become machine-minders and no more.
- (ii) With the passage of time, the same job becomes dull and monotonous.
- (iii) Workers do not remain all-round and one cannot work in place of another if he is absent.

2. Authority and Responsibility

- Authority and responsibility should go together, hand-in-hand and must be related.
- An executive can do justice with his responsibility only when he has the proper authority.
- Responsibility without Authority or *vice versa* is meaningless.

[For details refer Chapter 3].

3. Discipline

- Discipline is absolutely necessary for efficient functioning of all enterprises.
- Discipline may be described as—respect for agreements that are directed at achieving obedience, application, and the outward marks of respect.

[For details refer Chapter 20].

4. Unity of Command

- Unity of command means, employees should receive orders and instructions from one boss (or supervisor) only. In other words a worker should not be under the control of more than one supervisors.
- Unity of command avoids confusion, mistakes and delays in getting the work done.

5. Unity of Direction

- It is a broader concept than the unity of command.
- Unlike unity of command which concerns itself with the personnel, unity of direction deals with the functioning of the body corporate.
- Unity of direction implies that there should be one plan and one head for each group of activities having the same objective.

In other words, there should be one common plan for an enterprise as a whole.

6. Subordination of Individual to General Interest

- The interests of an individual person should not be permitted to supersede or prevail upon the general interests of the enterprise.
- This is necessary to maintain unity and to avoid friction among the employees.

7. Remuneration

- Remuneration is the price paid to the employees for the services rendered by them for the enterprise.

- Remuneration should
 - (i) be fair, and
 - (ii) bring maximum satisfaction to both employees and the employer.

8. Centralisation of Authority

- Centralisation of authority means that the authority is in the hands of center, i.e., the authority is not dispersed among different sections.
- In a business organisation, authority should be centralised only to that degree or extent which is essential for the best overall performance.
- The degree of centralization is decided by keeping in view the nature, size and complexity of the (business) enterprise.

9. Scalar Chain

- Managers may be regarded as a *chain of superiors*. There should be an unbroken line of authority and command through all levels from the highest (i.e., general manager) to the lowest ranks (employee).
- The chain of superiors should be short-circuited, when following it strictly will be detrimental to performance.

10. Order

- This promotes the idea that everything (e.g., materials) and everyone (human being) has his place in the organisation.
- Materials and human beings should be arranged such that right material (thing)/person is in the right place.

11. Equity of Treatment

- Manager should have fairness in treatment for all his subordinates.
- Manager should deal with his subordinates with kindness and justice.
- This will make employees more loyal and devoted towards the management/enterprise.

12. Stability

Stable and secure work force is an asset to the enterprise, because unnecessary labour turnover is costly.

- An average employee who stays with the concern is much better than outstanding employees who merely come and go.
- Instability is the result of bad management.

13. Initiative

- Initiative is one of the keenest satisfactions for an intelligent employee.
- Managers should sacrifice their personal vanity in order to permit their subordinates to exercise their own initiative.
- A manager should encourage his subordinates to take initiative.

14. Esprit de Corps

- This principle of management emphasizes the need for teamwork (harmony, and proper understanding) among the employees and shows the importance of communications in obtaining such team-work.

15.23. PRINCIPLE OF EXCEPTION

- The distinguishing features of this approach are frequent measurement and evaluation of actual progress and comparison with the appropriate target figures.

- 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.

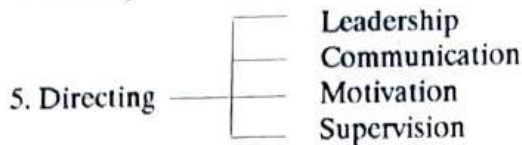
4. Controlling

- 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.

- (7) An effective manager of teams
 - (8) A good project trainer
 - (9) Perceptive (able to spot potential problems early)
 - (10) Questioning
 - (11) Active and mobile
 - (12) A good motivator of people.
- For details of project organisation refer chapter 3.

Cost Estimating and Budgeting

Once the scope of a project has been defined clearly in a sales specification, it is necessary to estimate the likely costs of fulfilling all the work. *Cost estimates* form the basis of subsequent *budgets* for management control. They also provide a foundation for *pricing*.

Planning and scheduling

- Every project must be controlled from a plan of working.
- Ideally the promised project delivery or completion date will have resulted from careful *planning*.
- Large projects must be broken down in smaller packages or groups of tasks for the purpose of planning and control. This procedure should result in the identification of sub-projects that can be delegated to the responsibility of managers with relevant experience.
- The next stage in project planning is to assemble all the tasks in a practical working sequence. This is possible for small projects using a *Bar chart* (chapter 7) or with a *Critical Path Network diagram* (chapter 10). The critical path method provides an excellent notation for the purpose.
- The addition of estimates for the *duration* of each task enables the planner to add up all the expected durations in the work sequence to arrive at a planned project completion date.
- A plan of action is not complete until the use of resources has been taken into account. This is the process of *resource scheduling*. *Critical Path Analysis* (refer chapter 10) is a most powerful tool in this respect, because it allows a degree of criticality (*float*) to be assigned to each activity.

Controlling progress and Costs

- From time to time it is necessary to gauge *Progress* in terms of the *value* (cost) of work achieved.
- The contractor is required to submit regular report of progress to his client.
- Regular *meetings* may take place to review *progress*. The purpose of such meet is to short-circuit the usual communication routes in an organization and get key people together so that progress data can be reviewed, disputes debated, and agreements reached on the spot.
- An essential in *Cost control* is to start with an approved budget, related item by item to each job or purchase, and with the timing of expenditure calculated to agree with the project work schedules.

When a project proceeds as per schedule, the costs will tend to take care of themselves. But if a project runs late, total costs will also overrun and there may also be expensive contractual penalties. Time is money !

15.33. MANAGEMENT INFORMATION SYSTEMS (MIS)

Definition

- Management information system may be defined as a formal method of making available to management the accurate and timely information necessary to facilitate the decision-making process and enable the organisation's planning, control, and operational functions to be carried out effectively.

- The system provides information on the past, present and projected future and on related events inside and outside the organisation.
- The *purpose* of MIS is to aid decision making and not to automate the decision making process itself. Secondly MIS should focus only on those decisions whose benefit/cost ratio is attractive.

The Evolution of MIS

- Organisations have always had some kind of management information system, even if it was not recognised as such. In the past, these systems were of a highly informal nature in their setup and utilization.
- Not until the advent of Computers, with their ability to process and condense large quantities of data, did the design of MIS become a formal process and field of study.
- When computers were first introduced into organisations, they were used mainly to process data for a few organisational functions—usually accounting and billing. As the speed and ease of processing data grew, other data processing and information management tasks were computerized.
- The growth of EDP departments spurred managers to plan their organization information systems more rationally. These efforts led to the emergence of the concept of computer-based information systems (CBIS), which became better known as computer based MIS-or simply MIS.
- Recent advances in computers have made it possible for EDP/MIS experts, and then for managers, to gain *on-line* or *real-time* access to the data bases in CBISs.
- The near future will witness the widespread use of *expert systems* using artificial intelligence to diagnose problems, recommend strategies to avert or solve these problems, offer a rationale for these recommendations, and *learn* from each experience. In effect, the *expert* system acts like a human expert in analyzing unstructured situations.

Objectives of MIS

1. To provide the desired information available in the right form at the right time.
2. To supply the desired information at a reasonable cost.
3. To keep the information up to date.
4. To store important and confidential information properly.

Management Information categories

- *Information* applies to facts that are gathered in any way, as by reading, observation, hearsay etc.
- Management information can be conveniently categorized into three main areas :-
 1. Strategic planning information
 2. Management control information
 3. Operational information

(1) *Strategic planning information* relates to the top management tasks of deciding on objectives of the organization, on the levels and the kinds of resources required to attain the objectives and on the policies that govern the acquisition, use and disposition of resources.

Strategic planning depends heavily upon information external to a specific organization. When this is combined with internal data, management can make estimates of expected results. The specifics of this information are often unique and tailor-made to particular strategic problems.

(2) *Management Control information* sheds light on goal congruence; it keeps managers to take those actions which are in the best interests of the organization; it enables managers to see that resources are being used efficiently and effectively in meeting the organizational goals.

- Robert Anthony pinpoints three types of information needed for management control :

Costs by responsibility centers,

Direct program costs and

Full program costs (including allocations for indirect costs)

- Management control information is often interdepartmental.

(3) *Operational information* pertains to the day-to-day activities of the organization and helps assure that specific tasks are performed effectively and efficiently.

It also includes the production of routine and necessary information, such as financial accounting, payrolls, personnel rosters, equipment inventories and logistics. *Operational information* can be well defined and easily reduced to a routine of a series of instructions, whereas *strategic information* is difficult to define; *control information* falls in between.

Designing Information Systems

- Much of the literature on design emphasizes the development of mechanized systems. Electronic computers have fostered the design of sophisticated systems of information flow. But the analysis involved is applicable to information systems of all kinds-computerized or not.
- A hazard in designing information systems is that of attempting to develop as much data as possible for use in the system. Voluminous data of many types might be collected and stored in case they are needed at some point in time. It is easy to see that massive amounts of useless data might result.
- The best approach is oriented to decision making. It minimizes the development of useless information because only data likely to be meaningful at various points are collected. The object is development of better information systems for management.
- Three stages in a continuous process of design and implementation for computerized information systems can be described as follows :-

Stage-1 Systems specification... includes the design of all of the aspects of a management information system that are important to the users. It includes principally the basic decisions as to what information should be provided by the system.

Stage-2 Data Processing Implementation... is concerned with those things that are important to the processing of the data. The purpose in this stage is to design a data processing system that will most efficiently implement the systems specified in stage-1.

Stage-3 Programming... starts with the systems flow charts and ends when the program is running on the computer.

Applications of MIS

To name a few :-

1. Reservation systems being operated in Airlines.
2. In health maintenance and diagnosis centres.
3. Forecasting.
4. Inventory Management.
5. Scheduling problems.
6. In Banking.
7. In Judicial system for court scheduling etc.

Organisation

3.1. CONCEPT OF ORGANISATION

- Almost any business manager will affirm that sound organization is highly important to business success.
- Many will characterize organisation as the foundation upon which the whole structure of management is built.
- Organisation is a *mechanism* or *structure* that enables living things to work effectively together.
- Organisation may be defined as the process of (i) *identifying and grouping* the work to be performed, (ii) defining and delegating *responsibility and authority* and (iii) establishing *relationships* for the purpose of enabling people to work most effectively together in accomplishing objectives.
- Organisation is the pattern of ways in which a large number of *people* engaged in a complexity of *tasks*, *relate* themselves to each other in systematic establishment and *accomplishment* of mutually agreed purposes.

Organisation :

- (i) establishes the pattern of relationship by giving duties and responsibility to an individual or group;
- (ii) demarcates the authority, responsibility and duties of each individual or group;
- (iii) provides adequate communication; and
- (iv) coordinates or integrates and controls the activities of individuals or groups to achieve common objectives or objectives of the business enterprise.

For more details refer article 15.3.

3.2. IMPORTANCE OF ORGANISATION

- Sound organization can contribute greatly to the continuity and success of the enterprise.
- The importance of organization can be judged from the following words of *A. Carnegie*, an American Industrialist:
 "Take away our factories, take away our trade, our avenues of transportation and our money. Leave nothing but our *organisation*, and in four years we shall have re-established ourselves".
- *Facilitates Administration*: A properly designed and balanced organisation facilitates both management and operation of the enterprise; inadequate organisation may not only discourage but actually preclude effective administration.
- *Facilitates growth and diversification* : Sound organisation permits organizational *elaboration*.
- The organization structure can profoundly affect the people of the enterprise. Proper organisation *facilitates* the *effective use of the manpower*.

- *Stimulates creativity*: Sound organisation stimulates independent, creative thinking and initiative by providing well defined areas of work with broad latitude of the development of new and improved ways of doing things.
- *Optimum use of resources*: Sound organisation structure permits optimum use of *technical* and *human* resources. The organization can introduce latest technological improvements e.g. computers, computerized machines etc. It can also make optimum use of human efforts through specialisation, by placing right persons in the right positions etc.
- A sound organization leads to *specialization*.
- A sound organization minimizes *corruption* and inefficiencies.
- A sound organization does not generate *confusion*. There is less *wastage* and *expenditure*.
- A sound organization facilitates the *training* and *managerial development* of personnel.

3.3. CHARACTERISTICS OF ORGANIZATION

The characteristics or essential features of an organisation are:

- (a) Organisation is a group of people, small or large.
- (b) The group works under an executive leadership.
- (c) Organisation is a tool of management.
- (d) It leads to division of work and responsibilities.
- (e) It defines and fixes the duties and responsibilities of employees.
- (f) It establishes a relationship between authority and responsibility and controls the efforts of the group.
- (g) Organization is a step towards the achievement of established goals.

3.4. ELEMENTS OF ORGANIZATION

By *elements* of organization, we mean the main parts or *components* of an organization.

- The main components of the organisation are:
 - (a) Well defined objectives.
 - (b) Well organised and coordinated group of people.
 - (c) Proper division of work and labour.
 - (d) Clear and well defined policies and procedures.
 - (e) Proper division of Authority and Responsibility.
 - (f) An effective system of communication.

3.5. THE PROCESS OF ORGANISATION

The process of organisation may be described as the managerial function of organising. The important steps involved in the process of organisation are:

(a) Determination of objectives

- Objectives decide as to why the proposed organisation be set up (purpose) and what will be the

ORGANISATION

discussed in chapter 7.

(8) Line and Staff Functions

- All activities of an organisation can be classed into two main categories :

- (a) Primary activities, and
- (b) Supporting activities.

For example, in Army, Infantry and Artillery perform primary activity, i.e., fighting whereas Corps of EME, AMC (Army Medical Corps), ASC (Army Supply Corps) etc., perform different supporting activities.

Primary activities or line functions are those which contribute directly and vitally to the objectives of an organisation. Examples of line functions in a business organisation are production, sales, etc.

Supporting activities or staff functions are those that aid the line or are auxiliary to line functions. Examples of staff functions in a business organisation are Accounting, Administration, Personnel, Maintenance, etc.

The concept of line and staff functions is very valuable in organisational planning.

(9) Balance, Stability and Flexibility

(a) **Balance.** All units of an organisation should be balanced (i.e., developed in proportion to its contribution to the overall success of the organisation).

- In the absence of such balance (between different units or departments), the goals of the organisation cannot be achieved economically and effectively.
- For example, if the purchase department is underdeveloped (i.e., it has neither adequate staff, nor resources, nor authority, etc.) as compared to other departments, it will seriously handicap the firm that may otherwise be very strong and modern in Production and Sales.

(b) **Stability.** Organisational stability refers to the capacity to withstand the losses of key personnel (if they leave to join another concern) without serious loss to the effectiveness of the organisation in performing its work.

- A long range planning programme with regard to manpower requirements accompanied by positive executive training and development programmes will add to the organizational stability.

(c) **Flexibility.** Organisational flexibility specifies the capacity to adjust work assignments, personnel and facilities to temporary changes in the volume of work. Flexibility is the ability to bend and blend without (and before) experiencing any serious setback.

3.8. ORGANISATIONAL STRUCTURE**Concept**

- No organisation can work without people. *Organisation structure* simply means the *systematic arrangement* of the people working for the organization in order to achieve predecided goals.
- *Organisation structure* is concerned with the establishment of positions (persons) and the relationships between positions.
- The structure provides an appropriate framework for authority and responsibility relationships between various positions.
- The organisation structure is generally shown on an *organisation chart*.
- The structure has *two* dimensions i.e., horizontal and vertical.

The *horizontal* dimension defines the basic *departmentation*. Departmentation is the process of division of the enterprise into different parts i.e., smaller, flexible administrative units.

The *vertical* aspects of the structure relate to the creation of a hierarchy of superiors and subordinates, leading to the establishment of a managerial structure.

Taken together, horizontal and vertical aspects set the formal structure of the organisation (Fig. 3.1)

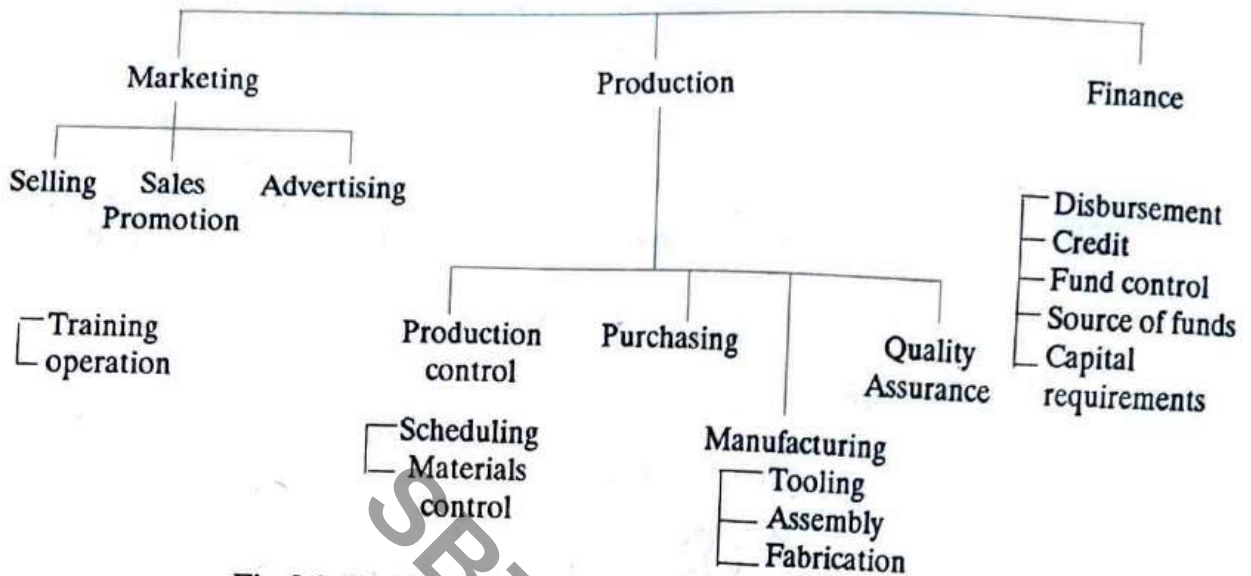


Fig. 3.1. Organisation structure of a manufacturing concern.

- Organisation has *informal structure* too which arises spontaneously out of the activities and interactions of people.

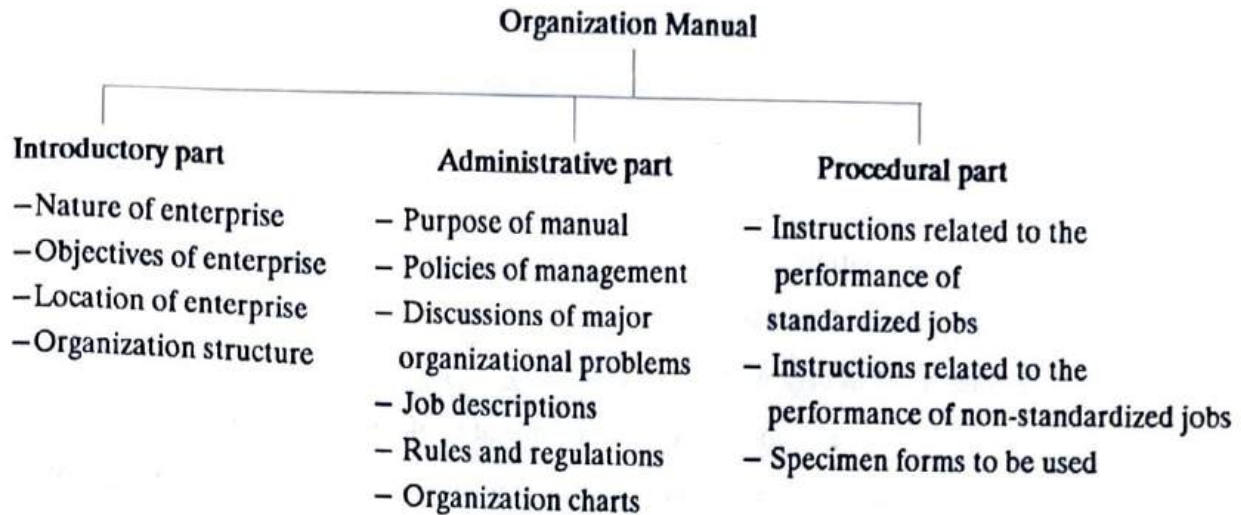
Need for

1. The organisation structure is designed by the management to achieve *specific goals*.
2. The organisation structure facilitates in fixing the *responsibility* departmentwise, sectionwise or on individual basis. It is necessary for timely completion of work.
3. It is necessary for the establishment of *authority*. It also clarifies one's authority.
4. It helps in achieving the desired level of *coordination*.
5. It promotes *division of work* and leads to specialisation.
6. Since organisation structure clearly defines the authority and responsibility, it avoids confusion, duplication, wastage and inefficiencies.
7. Organisation structure facilitates the flow of information and decision-making from one level to another.
8. Organisation structure defines the positions and units within the organisation.

3.9. DESIGN OF ORGANISATION STRUCTURE

Introduction

- In designing the structure of an organisation, there are two main *considerations*:
1. *Differentiation*
 2. *Integration*



Types of Organization Manuals

- (i) *Policy manual* states the policies of the enterprise. It describes the overall limitations within which activities are to take place.
- (ii) *Operations manual* informs employees of established methods, procedures and standards of doing work.
- (iii) *Organisation manual* explains the duties and responsibilities of various departments and their respective sub-divisions, responsibilities and authorities of different employees, etc.
- (iv) *Rules and regulations manual* informs about the operating rules and employment regulations such as hours of work, procedure for taking leave etc.
- (v) *Departmental practice manual* deals in detail with the internal policies, organization and procedures of a particular department.

Advantages of organization manual

- (i) Since it contains rules, regulations and various instructions, it enables the employees to learn the various procedures and practices in short time.
- (ii) Since instructions and policies are clearly stated, it is easy and quick to take decisions.

Drawbacks of Organization Manual

- (i) Manual preparation is costly and time-consuming.
- (ii) Since rules, regulations etc., are all predecided, it leaves little scope for individual's initiative and discretion.

3.11. TYPES OF ORGANISATION (FORMAL)

Concept

- The structure of one industrial organization differs from that of another organisation and it (i.e., structure of an organisation) depends upon:
 - (i) Size of the organisation.
 - (ii) Nature of the product being manufactured.
 - (iii) Complexity of the problems being faced.

- Organisation structure marks lines of authority, responsibility and co-ordination.
- A few commonly known forms of organisation structures or types of organisations are:
 - (a) Line, Military or Scalar Organisation.
 - (b) Functional Organisation.
 - (c) Line and Staff Organisation.

3.11.1. Line, Military or Scalar Organisation

- It is the simplest form of organisation structure, (Fig. 3.5).
- It was called military organisation because it resembled to olden military organisations.
- Line organisation is based upon relative authority and responsibility rather than on the nature and kind of operation or activities.
- The authority flows directly from the Works Manager (WM) to Superintendent to Foremen (F/M) and from them to workers.
- Line organisation is direct and people at different levels know to whom they are accountable.
- The immediate superior (or boss) gives orders to the subordinates, assigns duties, dismisses and takes disciplinary action against them.
- Any enterprise that starts small probably starts with a line type of organisation.

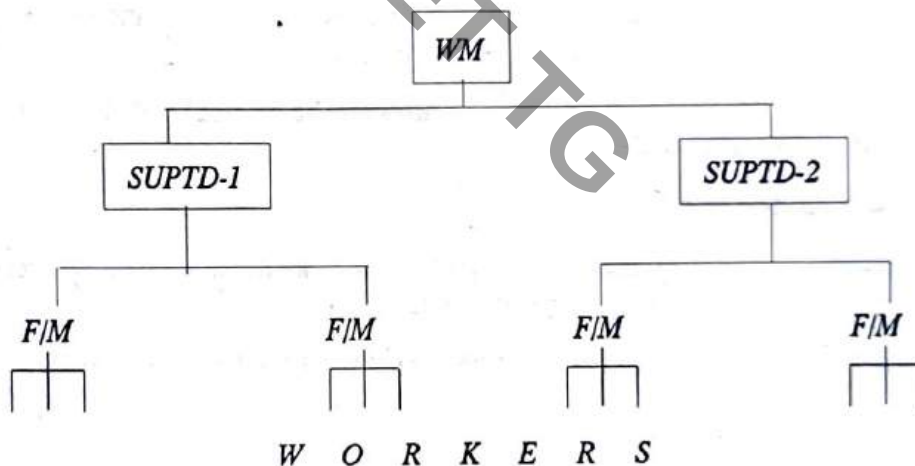


Fig. 3.5. Line Organisation.

Advantages

- (i) It is simple and easy to understand.
- (ii) It is flexible; easy to expand and contract.
- (iii) It makes clear division of authority.
- (iv) There is clear channel of communication, with no confusion at all.
- (v) It encourages speedy action.
- (vi) It is strong in discipline as it fixes responsibility on an individual.

(vii) It is capable of developing the all-round executive at the higher levels of authority.

Disadvantages

- (i) It neglects specialists.
- (ii) It overloads a few key executives.
- (iii) It requires a high type of supervisory personnel to meet the challenges imposed in the absence of specialists as advisors.
- (iv) It is limited to very small concerns.
- (v) It encourages dictatorial way of working.
- (vi) In line organisations provisions are seldom made to train, develop and replace top executives.
- (vii) Due to lack of specialisation perhaps there is more wastage of materials and manhours.

Applications. Line organisation is suitable for,

- (i) small concerns free from all complexities; and
- (ii) automatic and continuous process industries such as paper, sugar, textile, etc.

3.11.2. Functional Organisation (Fig 3.6)

- F.W. Taylor suggested functional organisation because it was difficult to find all-round persons qualified to work at middle management levels in the line organisation.
- Functional organisation is also a line type of organisation with the difference that instead of one foreman (which being master or specialist of everything and therefore hard to find) there are eight functional foremen; four of them located on the shop floor and remaining four in the office, but everyone having direct and equal authority over the workers.
- Each functional foreman who is a specialist in an activity is in charge of one function, e.g.

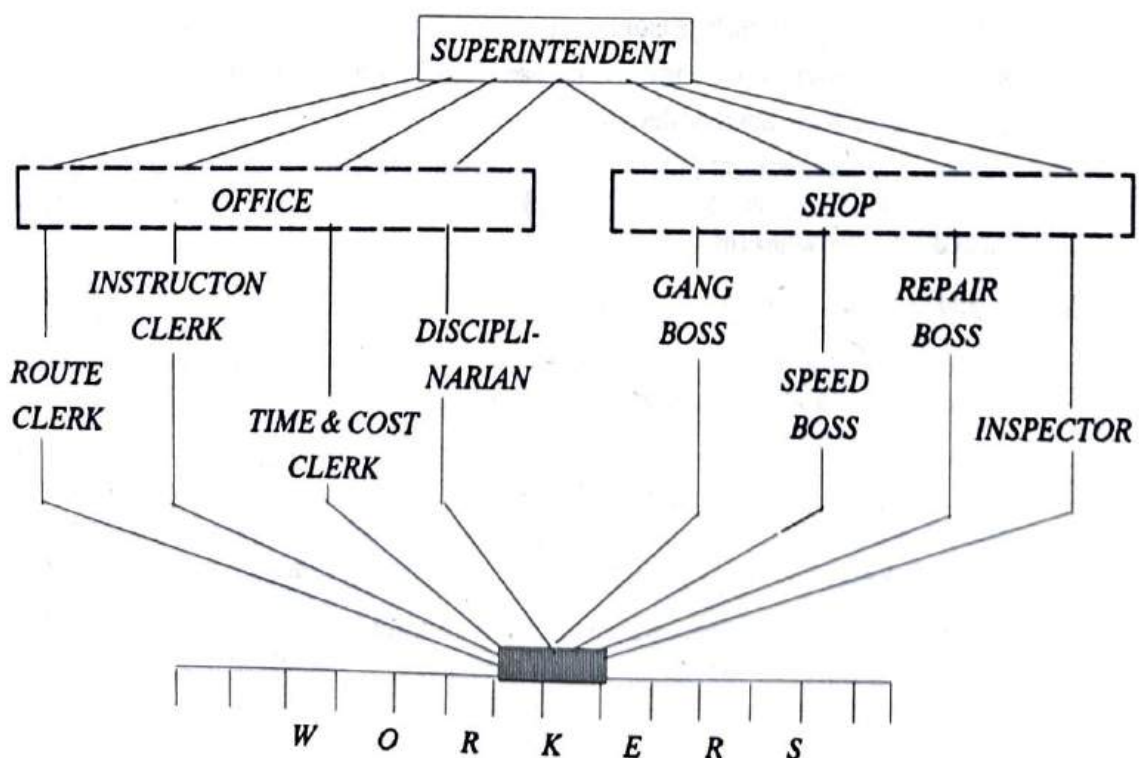


Fig. 3.6. Taylor's functional organisation.

1. **Route clerk** or order of work and route clerk was in charge of issuing work orders and routing the jobs.

2. **Instruction clerk** would issue specifications and instructions related to jobs to the workers.

3. **Time and cost clerk** keeps records pertaining to the time (the workers have spent in doing work) and cost (i.e., worker's wages etc.)

4. **Disciplinarian** keeps personal records of the workers and handles cases of insubordination.

5. **Gang boss** has the charge of the preparation of all work up to the time that the work piece is set in the machine.

6. **Speed boss** ensures that proper cutting tools are being used, cut is started at right place in the workpiece, and the optimum speeds, feeds and depths of cut are being employed.

7. **Repair boss** is responsible for adequate repairs and maintenance of equipment and machinery.

8. **Inspector or Inspection boss** looks after and is responsible for the quality of the product.

Advantages of Functional Organisation

1. Since a foreman is responsible for one function, he can perform his duties in a better manner.

2. Functional organisation makes use of specialists to give expert advice to workers.

3. It relieves line executives of routine, specialised decisions.

4. Expert guidance reduces the number of accidents and wastage of materials, man and machine hours.

5. It relieves pressure of need to search a large number of all-round executives.

6. Quality of work is improved.

Disadvantages

1. Coordination of the efforts of various functional foremen is difficult.

2. It is difficult to maintain discipline as each worker is responsible to eight foremen.

3. It is very difficult to fix up the responsibility to any one foreman in case something goes wrong.

4. Workers always remain confused about the authority and activity of each foreman.

5. It makes industrial relationships more complex.

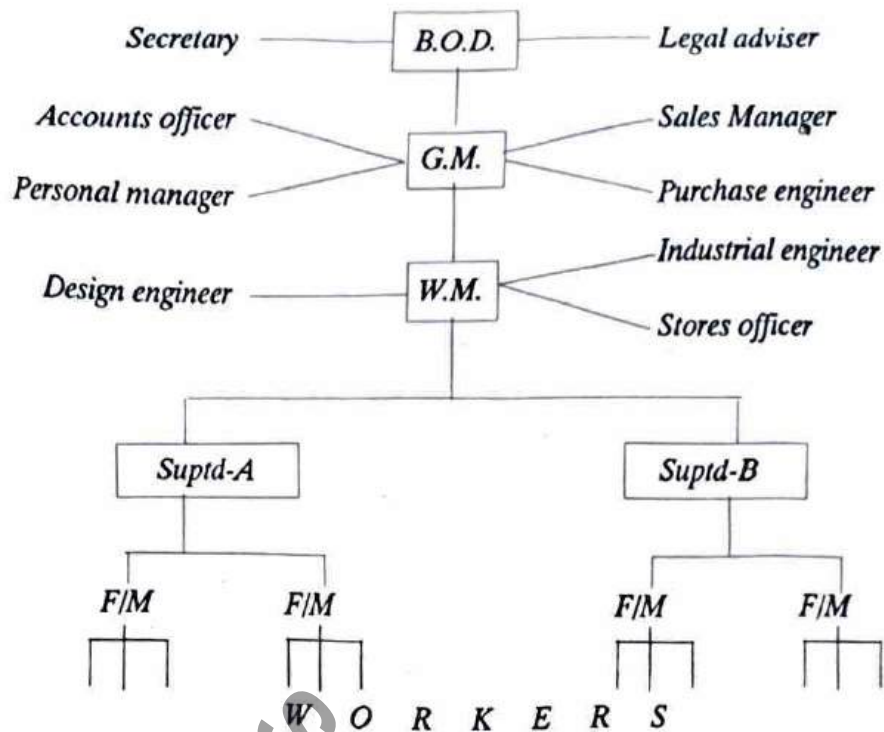
6. Workers are not given opportunity to make use of their ingenuity, initiative and drive.

7. All-round executives cannot be developed.

Applications. For these reasons (disadvantages), the functional organisation as such is obsolete ; however in the modified form, employing the principles explained above, it is frequently used in some most modern and advanced concerns.

3.11.3. Line and Staff Organisation

- The line organisation gradually developed to shape as the line and staff organisation ; Taylor's functional organisation hastened its development.
- As the industry grew in size and complexity, the line executives could not perform properly all other functions (besides looking after production) such as R & D, planning, distribution, legal, public relations, etc. This necessitated the employing of special executives to assist line executives and they were known as *staff* as they were recruited to perform staff or specialist functions.
- The line executives retain supervisory authority and control over the work of their subordinates whereas the staff executives relieve line executives of certain specialised work and advise them on matters referred to them.



W O R K E R S

B.O.D. : Board of Directors
 G.M. : General Manager
 W.M. : Works Manager
 Suptd. : Superintendent
 F/M : Foreman

Fig. 3.7. Line and staff organisation.

- The final decision whether to accept and implement the recommendations of the staff executive remain in the hands of the line executive.
- Fig.3.7 shows a line and staff organisation. The line executives are marked vertically whereas staff executives are placed horizontally.
- A variation of line and staff organisation is **Line and Functional Organisation** in which the staff or specialist executive has full authority (i.e., a higher degree of authority than in a line and staff organisation) over his particular function which may be inspection, work study, purchasing, employment, etc.

Advantages of Line and Staff Organisation

1. Expert advice from specialist staff executives can be made use of.
2. Line executives are relieved of some of their loads and are thus able to devote more attention towards production.
3. Less wastage of material, man and machine hours.
4. Quality of product is improved.
5. There is no confusion as exists in functional organisation.
6. Line and staff organisation possesses practically all the advantages of both the line and functional organisations.

Disadvantages

1. Product cost will increase because of high salaries of staff executives.
2. At times the staff department may infringe upon the rights and responsibilities of the line organisation, thus weakening the line organisation when its (i.e., staff department's) true function is to strengthen this organisation.
3. Line and staff organisation may get confusion in case functions are not clear.
4. Frictions and jealousies if developed between line and staff executives may cause harm to the enterprise.
5. Line executives if they start depending too much on staff executives may lose their initiative, drive and ingenuity.

Application. Line and staff organisation is very common among the medium and larger enterprises.

3.12. COMMITTEES

Concept and Need

- A committee is a group of people who work collectively, discuss, decide and recommend solutions to the problems (of a concern) which possibly cannot be solved by an individual.
- A committee consists of a group of men conversant with a subject ; naturally their advice will be much superior to that of one man.
- Committees work very well in large complex corporate organisations having multifaceted problems too big and too complex to be dealt effectively by one person.
- In a committee, ideas put forth by several persons are pooled and offered for criticism ; the ideas are developed and thus recommendations are made as regards procedure and policies.

Principles

1. The number of persons in a committee should depend upon the need and be optimum minimum (about 5 to 10 persons).
2. Responsibility, authority, objectives and duties of the committee should be clearly defined.
3. Agenda of the committee should be prepared and communicated to the committee members at least a week before they meet for discussions.
4. Problems which can be taken care of by an individual should not be included in the agenda of the committee.
5. Committee meetings should begin and end on prefixed timings.
6. Problems not related to the subject-matter at hand should not be discussed because it will simply waste time.
7. The operation of the committee should be a cooperative development.
8. The recommendations made by the committee should be published and circulated to interested and concerned persons.

The committee should be apprised of the action taken based upon its recommendations.

9. A committee must be dissolved after its purpose is over.

Types

- (a) A Standing or Permanent Committee.
- (b) A Temporary Committee.

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.**

13

Organisational Behaviour

13.1. INTRODUCTION

Organisational behaviour is concerned with the understanding, prediction and control of human behaviour in organisations. It focuses on the individuals, the groups, the organisation and also on their interactional relationships. Organisational behaviour attempts to understand individuals in an organisation as a basis of meeting individual needs and achieving organisational objectives.

Organisational behaviour relies upon scientific methods to build, evaluate and modify theories about behaviour in organisations. The scientific method involves :

- (i) making predictions about the real world,
- (ii) making observations in the real world to determine the accuracy of predictions, and
- (iii) using the results of observations to explain relationships among objects, events or persons in the real world.

Organisational behaviour can also be defined as a field of study that investigates the impact that individuals, groups, and structure have on behaviour within organisation for the purpose of applying such knowledge toward improving an organisation's effectiveness.

Raman J. Aldag has defined organisational behaviour as, "a branch of the social sciences that seeks to build theories that can be applied to predicting, understanding and controlling behaviour in work organisations". Organisational behaviour can also be defined as the study and application of knowledge about how people act within organisations.

Organisational behaviour is of integrating nature and tries to synthesize knowledge drawn from various behavioural and social sciences such as :

- (i) **Psychology.** It covers attitude analysis, personality analysis, organisation theory, senses and sensation, protective techniques, learning theory, morale analysis, perception and rationality.
- (ii) **Sociology.** It includes interpersonal relations, morale, class behavioural patterns, role and status, innovation and change, organisation theory, group behaviour, environmental influences, public opinion, formal organisation, social change, group surveys, social values and social institutions.

- (iii) **Anthropology.** It includes cultural dynamics, organisation theory, status symbols and ethnic relations.

Each of these behavioural sciences has a distinct focus of the study of human behaviour. Psychology is concerned with the analysis of individual behaviour. Sociology deals with the study of society, institutions, the organisation, the group, and norms and roles. Cultural anthropology focuses on the study of original and history of man's cultures, their evolution and development. The integrated knowledge of diverse behavioural sciences has the following **applications** :

1. Understanding of self and others. This can be studied as the individual level, inter-personnel level, group level and inter group levels.
2. Motivation.
3. Effective communication.
4. Effective Organisational Climate.
5. Good human relation.
6. Introduction of change in the organisation.

Study of organisational behaviour involves following key elements :

1. People
2. Structure
3. Technology
4. Environment in which the organisation operates.

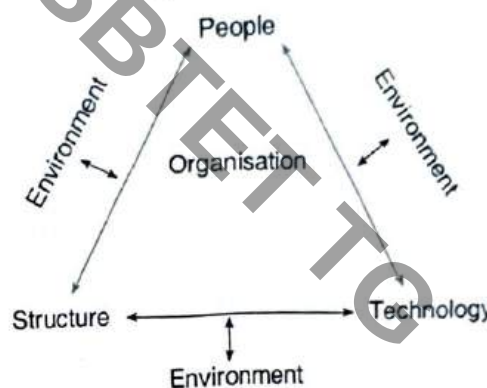


Fig. 13.1. Determinants of Organisational Behaviour.

13.2. BEHAVIOURAL SCIENCE

Behavioural Science is a science that studies the behaviour of men and their physical and social environment, by methods of experiments and observations in the manner of other natural sciences. Behavioural science includes psychology, sociology, social anthropology etc.

As we know that, management is the “process of working with and through individuals and groups and other resources to accomplish organisational goals”. Management, thus defined, applies to all types of organisations, whether they may be business, industries, hospitals or educational institutes.

In leading influencing, there are three general skills (or competencies) : (a) diagnosing – being able to understand the situation, (b) adapting – being able to adopt your behaviour and other resources available with you, and (c) communicating – being able to communicate in a way the people can easily understand and accept.

Behavioural Science integrates concepts and theories and the results of the empirical studies from the areas of cultural anthropology, economics, political science, psychology, sociology and social psychology. A behavioural scientist attempts to integrate all of those areas or disciplines which are useful in better understanding, predicting and having an impact on the

behaviours of individuals and groups.

One's behaviour is generally motivated by a desire to attain some goal. The specific goal may or may not be conscious but known by the individual. To predict a behaviour, manager must know which motives or needs of people evoke a certain action at a particular time.

Motives are the needs, wants, drives or emulses within the individuals. These are directed towards goals, which may be conscious or subconscious as mentioned earlier. 'Goal' may be referred to as, hope for rewards towards which motives are directed. Psychologist call these goals as incentives.

As motives or needs are the reasons underlying behaviour of a person, and all individuals have many needs, hence all these needs comprises for the behaviour.

The blocking or delay in achivement of goal attainment leads to frustration. A person may also get frustrated by an imaginary barrier.

The relationship between motives, goals and activity is shown in the figure below :

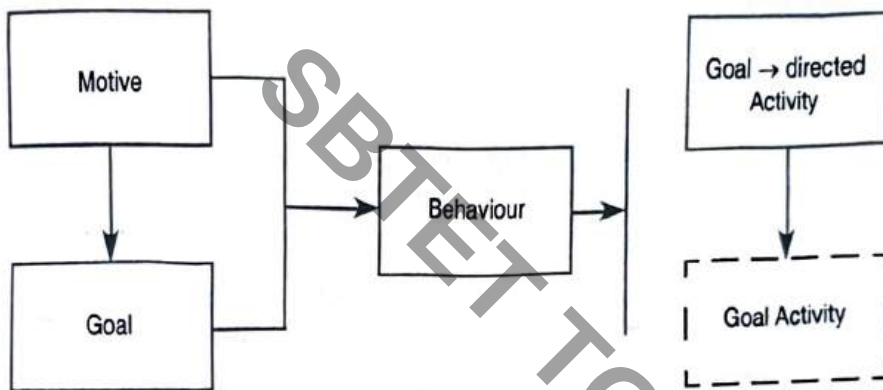


Fig. 13.2. A motivating situation.

In the figure, motives of an individual are directed towards goal attainment. The strongest motive produces behaviour that is either goal-directed or goal activities. Since not all goals are attainable, individuals do not always reach goal activity.

As individuals nature, they develop habit patterns. The sum of these habit patterns as perceived by others, determine their personality. As individuals begin to behave in a similar fashion under similar situations, this behaviour is what others learn to recognise by them as their personality. They expect and can even predict certain kinds of behaviour these people.

13.3. GROUP DYNAMICS

In reality, in order to accomplish our aspirations, we work in and with groups. As a leader, manager must deal with individuals differently than those with a group. These are certain complicated factors when a manager is working with groups.

Group develop personalities - customs, traditions etc. that tends to differentiate them from other groups and are characteristic of that group. Groups have modes, or patterns of behaviour as perceived by others.

The word dynamics is a Greek word, which means 'force'. Therefore the term group dynamics refers to the forces operating in groups. The study of this subject is necessary to investigate these forces and conditions modifying them. In order to fulfil their social needs, people form small group on the job itself. **They behave as members of the group and their membership in group help to shape their work behaviour and attitude towards the**

organisation and the job. There is a significant change in the behaviour of a person who was acting as an individual when allowed to act as a member of some group. Groups generally exercise stronger control over their members than the management.

Group dynamics is a social process by which people interact face to face in small groups. Group dynamics focuses a team work, wherein the small member group are constantly in touch with each other and effectively contribute their ideas to accomplish a task. The group develops its goal clearly. Every member participates in discussions. The group has a common objective. The group creates leaders who can coordinate group efforts effectively towards the achievement of their objectives.

Group

A group is any number of people who :

- (a) have a common purpose or objective,
- (b) interact with each other to accomplish their objective
- (c) are aware of one another
- (d) perceive themselves to be part of the group.

A group is formed on the basis of attraction of persons towards each other as they have similar attitudes towards common objects or goals. Common attitudes and values may be : politics, religion, literature, language, work, aesthetics, traditions, authority, marriage etc.

Types of Groups

As we know that, a group is defined as two or more people who interact with and influence each other toward a common purpose. Mainly the groups are of two types :

(A) **Formal Groups.** These are the groups created for carrying out certain tasks to help the organisation achieve its goals. A group composed of a manager and its employees that report to that manager is a most common type of formal group, and is known as command group. Other formal groups may be committees, task forces, project teams etc. created to deal with a particular problem.

(B) **Informal Groups.** These are the groups formed within the formal organisation structures, formed by coming people together and interacting regularly e.g. a cricket team of the organisation. These groups perform following functions :

- (i) To maintain and strengthen the norms and values of the members.
- (ii) To give feelings of the social security, status and satisfaction.
- (iii) To develop the informal channels of communication.
- (iv) To help in solving their problems.

Informal groups are important not only from the point of view of their members, they also have utility from organisation's point of view. They are helpful to the organisation by performing following functions :

- | | |
|--------------------------------------|--------------------------|
| 1. Solving work problems themselves. | 2. Better co-ordination. |
| 3. Channel of communication. | 4. Better relations. |

The informal groups may create the following problems for the organisation :

1. Negative attitude of informal leaders
2. Resistance to change
3. Rumour
4. Role conflict due to working in informal group and formal group.

Group Cohesiveness

Cohesiveness of any group depends upon status, size, location and nature of group. For meeting strategic, goals cooperation become more vital, for which cohesiveness needs to be strengthened by introducing competition, increasing interpersonal attraction, increase interaction, and create common goals and fates.

13.4. HUMAN BEHAVIOURS

Following are the main features in this respect :

- Performance of an individual is affected by his own characteristics, like brain, qualifications, abilities, motivation, nature etc.
- Every individual has unique behaviour.
- Individuals collect and form groups within which they live.
- Individuals differ and therefore paid at different rates, assigned different jobs.
- The differences in individuals can be classified in following two categories :

(a) Individual variables :

- | | |
|--------------------------------|-------------------------|
| • Physical characteristics. | • Intellectual factors. |
| • Interest and motivation. | • Temperament. |
| • Character. | • Experience. |
| • Age and sex. | • Aptitude. |
| • Personality characteristics. | |

(b) Situational Variables

- | | |
|---|-------------------------------|
| • Physical environment. | • Work place and its lay out. |
| • Design and condition of work equipment. | • Method of work. |

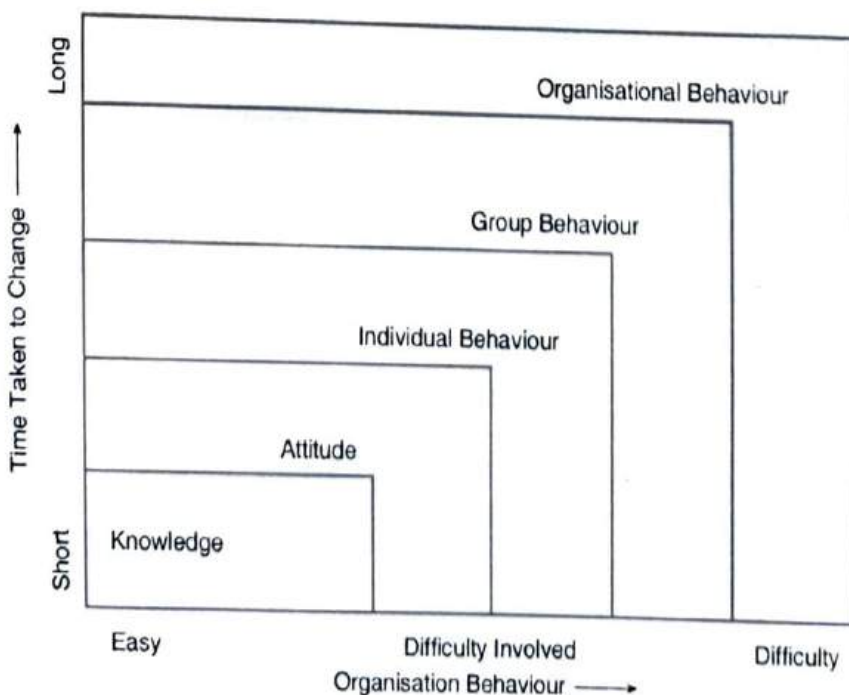


Fig. 13.3. Time and difficulty involved in changing individual and organisational behaviour.

- Organisational set up.
- Types of incentives.
- Kind and style of supervision.
- Social environment.
- An organisation has formal and informal groups. Formal groups are formed from function requirement, while informal groups are formed by employees themselves due to their social and security needs, common interests and other psychological factors.
- An employee behaves differently in a group. Group influences the attitude and behaviour of an individual.
- Each group has its own cultural pattern, and individual for stay in this group must conform to this culture, if he has to remain in the group.
- Groups also differ in their degree of cohesiveness.
- Group behaviour may be beneficial as well as detrimental for the organisation and management depending upon the attitude of the group. Generally chances are for detrimental in nature.

13.5. INDIVIDUAL BEHAVIOUR

The individuals behave differently depending upon their motivation, learning, values and perception they have. The behaviour of an individual is influenced by various factors. Some of the factors are related to himself e.g. his instincts, personality traits, internal feelings etc. while some others are related outside him comprising the external environment of which he is a part. The individual behaviour is not a self-induced phenomenon, but is affected by a larger system e.g. group, family, and the society within which one functions. Individuals behave differently in different situations because of a multitude of factors such as individual's age, sex, education, intelligence, personality, physical characteristics, experience, values, and family and cultural background.

Factors influencing individual behaviour are:

1. Personality. It includes biological, family, social, situational and other factors.
2. Ability. It includes knowledge, aptitude, skill etc.
3. Perception
4. Motivation
5. Organisational factors
6. Socio-cultural factors
7. Attitude

Perception

Perception is the viewpoint by which one interprets a situation. Visual perception or seeing, which plays an important role in our daily life is a very complex phenomenon. People differ in the ways they perceive the things surrounding them. What we see is dependent upon the way the brain organises the nervous impulses which come from the eye. Our perception is usually dependent upon the frame or background or the context in which we see things. People also differ in the 'rapidity' with which they perceive. Size of the visual also assumes the importance in perception. The perception can be improved by learning and training only up to some extent.

Perception may be defined "as a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environment". Perception includes all those processes by which an individual receives information about his environment (seeing, hearing, feeling, testing and smelling), selects, organises and interprets them. Through perception, people process information input into decisions and actions.

Since people working in an organisation differ in terms of physical characteristics (such as

age, sex etc.), background characteristics (such as training, education, culture, social environment etc.), and personality traits, they do not view the things in the same way and generally there is difference of opinion and evaluation. People differ in their reaction due to differences in perception they have about things. Perception is a way of forming impressions about oneself, other people and daily life experiences.

Characteristics of the perceiver (Internal Factors)

- | | |
|--------------------------------|--------------------|
| 1. Needs and motives | 2. Self-concept |
| 3. Beliefs | 4. Past experience |
| 5. Current psychological state | 6. Expectations |
| 7. Situation | 8. Personality |

Factors Influencing Perception (External Factors)

- | | |
|--------------|--------------|
| 1. Size | 2. Frequency |
| 3. Intensity | 4. Status |
| 5. Contrast | |

Stimulus Factors

- | | |
|---------------|--------------|
| 1. Similarity | 2. Proximity |
| 3. Continuity | 4. Context |

Perceptual Errors and Distortion

Many times, errors creep into the perceptual interpretation of individuals. The errors may arise due to :

1. **Selective perception.** People differ in terms of their needs motives, interests etc., and they tend to perceive what is in accordance with their needs, motives and interests. At times, they distort meanings so that they may fit with what they want.
2. **Projection.** It means attributing one's own traits or characteristics to the people being judged.
3. **Stereotyping.** It is the tendency for a person's perception of another to be influenced by the social group to which he belongs.
4. **Halo effect.** It refers to the tendency of drawing a general impression about an individual based on a single characteristics such as intelligence, sociability or appearance.
5. **Impression.**
6. **Inference.**
7. **Previously held beliefs.**

Attitudes

Attitudes may be defined as learned orientation or disposition towards an object, person, situation or issue which makes an individual to react to them in a favourable or unfavourable manner. Thus from the definition, we see that (i) attitudes are learned as human being learn various other responses, (ii) an attitude is an orientation or disposition we carry around with us just as we carry all our habits, (iii) when the appropriate circumstances arise, the attitude makes the individual to react in a favourable, unfavourable or indifferent manner.

A person will react to a thing, person or situation depending upon the intensity of his attitude. Workers may acquire a feeling of hate or dislike towards their foreman or company or a particular department etc. that their behaviour on various company matters may become

extreme resentment or even violent behaviour if the situation arises.

As we have seen that 'attitude' is a set of action with an emotion. It is a tendency to regard things with approval or disapproval. In case of approval, there is a feeling towards attraction for it, while in the case of disapproval, there is a feeling against or repulsion from it.

Features of attitudes

1. Attitudes affect behaviour
2. Attitudes are invisible
3. Attitudes are acquired
4. Attitudes are pervasive. Attitudes are formed in the process of socialisation e.g. positive or negative attitude towards religion, politics, work, superiors, subordinates etc.

Sources of Attitudes

The thoughts, feelings and tendencies to behave are acquired or learned gradually. The attitudes are acquired from the following sources :

- (a) Direct personal experience, (b) Association, (c) Social learning.

Although the above are the three important ways in which attitudes are learnt, but ultimately what type of attitudes will develop is dependent on following factors :

- | | |
|----------------------------|------------------------------|
| (i) Psychological factors. | (ii) Family factors. |
| (iii) Social factors. | (iv) Organisational factors. |
| (v) Economic factors. | (vi) Political factors. |

Inter-Personal Relationship

Every organisation exists either for doing a job or rendering the service with the help of human resource. In any organisation, 'task-oriented relationship', for combining 'task' with 'human relation' plays an important role.

Every inter-personal relationship is based on mutual and reciprocal initiating and responding behaviour pattern. It takes two parties to built it, and both are equally responsible.

Once a relationship is formed—negative, positive or neutral—any late behaviour is interpreted and responded to on its basis. For example, if the existing relationship is of hostility, then any behaviour of affection will be suspected and will be indifferently responded with.

Inter-personal relationship of any type can be developed or changed through consciously planned efforts. Although change may require serious efforts.

13.6. GROUP-BEHAVIOUR

Group behaviour is sometimes called as human behaviour under group influence. In order to carry out certain jobs, organisation itself sets up groups for achieving goals, where collective efforts are required. Individual groups are sometimes formed by the individuals themselves because of their common interests, social needs, security etc.

Characteristics of Group Behaviour

Following are the some of the characteristics of group behaviour :

- (a) An employee behave differently in a group than acting individually.
- (b) Groups differ in their degree of cohesiveness. Some groups are strong and effective while others are loosely bound and disintegrate slowly.
- (c) Every group has different culture pattern and individual member must conform to it.

9.10. JOB ANALYSIS

For the purpose of manpower planning, job is studied carefully regarding activities involved in the job. This study is known as 'job analysis'. Job analysis can be defined as the systematic exploration of the activities within a job.

Job analysis involves compiling a detailed description of tasks, determining the relationship of the job to technology and other jobs and examining the knowledge, qualifications or employment standards accountabilities and other incumbent requirements.

Job analysis is the careful study about the activities of an employee on a particular job to determine different operations involved and other facts, which are helpful for job description and job specification.

Methods of Job Analysis

1. Observation Method.
2. Individual interview method.
3. Group interview method
4. Structured questionnaire method.
5. Technical conference method.
6. Critical incidents.



Fig. 9.5. Purposes of Job Analysis

Uses of Job Analysis

- | | |
|---|--|
| 1. Organisational Design : | Authority, Responsibility, Accountability. |
| 2. Manpower Planning : | Future job requirement, Skill Requirements |
| 3. Procurement of Manpower : | Matching job requirement and skills |
| 4. Orientation : | Expectations to perform a given job more effectively. |
| 5. Performance Appraisal : | Performance standards, Review of performance |
| 6. Training and Development : | Updating skills, Changing job requirements. |
| 7. Job Design : | Engineering the design, methods improvement, man-machine system. |
| 8. Job Evaluation : | Classification of jobs, salary structure. |
| 9. Career planning and counselling : | Future prospects, vocational guidance rehabilitation. |
| 10. Labour Relations : | Helpful to resolve disputes relating to work load, work procedure etc. |

Process of Job Analysis

Main steps involved in job analysis are :

1. **Organisational Analysis.** Information in the form of organisation charts, job specification, work flow charts etc. are collected to obtain an overall view of various jobs in the organisation to judge the linkages between jobs and organisational goals, interrelationships among jobs and the contribution of various jobs.

2. **Organising Job Analysis Programme.** The company must (a) decide who will be in charge of the programme, (b) allocate the budget and (c) a time schedule.
3. **Deciding the areas where Job Analysis Information is to be used.** These area can be decided on the basis of the needs, priorities and constraints of the particular organisation. How the job information will be used and for what purpose, will determine the extent to which jobs are to be analysed.
4. **Selecting Representative Jobs for Analysis.** To save time a representative sample of jobs be selected for the purpose of detailed analysis.
5. **Understand Job Design.** Analyst should study the current job description and job specification, procedure manual, flow charts etc.
6. **Collection of Data.** In this step data on the characteristics of the job, qualifications and behaviour required to do the job effectively is collected from the concerned employees, supervisors or from outsiders. Care should be taken to use only those techniques for job analysis which are acceptable and reliable in the given situation. Some of the techniques for data collection are : 1. Direct observation, 2. Interviews, 3. Questionnaire, 4. Past records, and 5. Critical incidents.
7. **Developing a Job Description.** Job description is prepared on the basis of information collected in the previous step. It describes in brief the tasks, duties and responsibilities which need to be discharged for effective job performance. It also includes working conditions, social environment, machine tools and equipments, and relation to other jobs.
8. **Preparing a Job Specification.** In this last step of job analysis job specification or employee specifications are prepared. This is a written statement specifying the personal attributes in terms of education, training, experience and aptitude required to perform the job.

9.11. JOB EVALUATION

Job evaluation is the process of comparing jobs with other jobs in terms of wages a worker should be paid for performing the task. Thus, it is a rating of job. It can also be defined "as the procedure to determine the relative values of the job in a plant and to determine the basic wages for that job".

Objects

- (i) Its main object is to estimate the correct wages for the work performed.
- (ii) It is a means to reduce wage imbalance in the factories.
- (iii) It can be used to resolve wage disputes.
- (iv) It helps in standardisation.
- (v) It helps to establish a method for future promotion of workers.

Principles of Job Evaluation

Mr. A.L. Kress an authority in job evaluation, underlines the following principles :

1. Rate the job not man. Job requirements are definite and fixed. The man selected for doing the job may have some plus or minus points as regard to job, thus the payment should be made accordingly.
2. While doing ratings the elements selected should be minimum, but should cover the requirements of jobs.

16

Motivation

16.1. INTRODUCTION

Today management pays more attention towards motivation of employees. The main task of management is to direct the working force in such a way so that by their collective efforts objectives of the enterprise are achieved. This is only possible when the workers take interest in their work and have the desire to do good work. This depends on the fact that the worker is how much motivated. There is basic difference between the "capability to work" and "desire to work."

An employee who is fit to work with all his physical, mental and technical abilities but unless he does not use these qualities for the attainment of objectives, production is not possible. Hence, this is clear that increase in production is the result of motivation explicitly. Hence, management should be careful to motivate the workers so that the objectives of the concern are fulfilled to a large extent.

Definitions

Motivation is psychological act which attracts the workers to do more work and instigates. If the workers are instigated, they will try to do more than the standard work and earn more for themselves which increases their living standard.

Instigation may be positive i.e. by encouraging to do work or negative i.e. by punishing for the wrong work. These both schemes tend to increase production and productivity. Motivation has got, in reality no definite source or plan, it is a coordinated programme of all the different instigatory schemes organised in such a way that every individual worker is instigated.

Management is the art of taking work from other persons. Hence for taking proper work from the persons, to create interest in them for the work and to maintain their interest and instigate them for development is "motivation".

"Instigation" is an element on which organisation's whole performance depends. Work ability and desire to work are separate elements. It is possible that the person may have the work ability but he may not have the desire to accomplish the work and in this way, he cannot accomplish the work so nicely as expected from him. Motivation is a psychological aspect which has relation with mental state and brain.

Motivation is derived from the word "instigation". Some instigation element is necessary to accomplish a job and the object of instigation for the accomplishment of the job is called 'motivation'.

As put forth by "Brecht", Motivation is a general inspiration process which gets the members of the team to do their task effectively, to give their loyalty to the group, to carry out properly the tasks they have accepted and generally to play an effective part in the job that the group has undertaken.

According to "Chael J. Jucius" :

"Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get desired action."

As mentioned by "Dalton E. McFarlan" :

"The concept of motivation is mainly psychological. It relates to those forces operating within the individual employee or subordinate which impels him to act or not active in certain ways".

16.2. CHARACTERISTICS OF MOTIVATION

- (i) *Motivation is a psychological Concept* which should be inherent in every person.
- (ii) Man as a whole is motivated and not a part.
- (iii) Motivation is created from aims.
- (iv) *Motivation is an unending process.* Man is a social animal, his needs are unending. Needs instigate to motivation. Because after the completion of a need, commence the second need and hence, act of motivation also is an unending process. Time, place, behaviour and circumstances uniting together prepare favourable and unfavourable atmosphere.
- (v) *Motivation is the strength of work.* Motivation is that strength which leads to do or not do a work and instigates to do work in the same specific direction.
- (vi) *Motivation is different from mental strength.* There is difference between motivation and mental strength. Motivation is the strength that instigates a person to do an act while mental strength is the desire to do a work oneself which is strengthened by motivation.

16.3. IMPORTANCE OF MOTIVATION

The aim of motivation is instigation to do work by all the employees working in any organisation so that more good results are attained through less efforts. Effects of motivation comes from all acts of the organisation. Any concern may have best instruments, raw materials in sufficient quantity and sufficient persons and finances but their proper use is not possible till the working persons do not use them properly.

Importance of motivation could be seen under these heads :

- (a) *Appropriate use of factors.* All factors can only be used appropriately through motivation. It satisfies the human needs of individual.
- (b) *Kindling of desire to work.* Capacity to work and desire to work are different things. Any person may be efficient but in the absence of desire to work, he cannot do appropriate work. By motivation, his desire to work is actuated so that he works with full efficiency.

$$\text{Motivation} \times \text{Ability} = \text{Job Performance}$$

- (c) *Reduction in labour turnover, attraction of new persons.* Labour do not try to go to

another place due to motivation schemes as they increase his gross wages. Not only this, the organisation adopting motivation schemes, have good and efficient workers.

- (d) *Increase in Production and Productivity.* It increases the desire to work and hence it leads to increase in production and there is increase in productivity per worker per machine per hour.
- (e) *Basis of co-operation.* It increases job satisfaction, which increases worker's interest for the organisation. This develops the sense of cooperation, while in the absence of motivation co-operation is not possible.

16.4. KINDS OF MOTIVATION

There are two kinds of motivation :

- (a) Positive Motivation.
- (b) Negative Motivation.

(a) **Positive Motivation.** Positive motivation means workers may be instigated to work with some facilities or by giving some prize so that he may do good or more work than was done previously and with less supervision. Prize or facilities may be financial or non financial. Giving more wages for more work, is the financial motivation, while appraisal of the worker's work, promotion, appreciation etc. are non-financial positive motivation.

(b) **Negative Motivation.** This is based on punishment or fines if the labour is not encouraged for work. For less work or for not doing work, he must be punished or fined. This is of two kinds : financial or non-financial.

In financial punishment, a cut is made in the wages of the labour. Non-financial punishment means giving less facilities such as to do work for more time, reduction in the facilities of leave, etc. Generally these are for improving him and object is to motivate him for more work.

Positive or negative motivations are the two ends of a rope. Motivation is a psychological aspect and its relation is concerned with the person's brain, to his thoughts and behaviour, hence they should be motivated in different ways.

A good manager should use both the ways of motivation at times. At times, good work should be prized but wrong work or no work should be punished. If there is no arrangement for punishment worker becomes unrestrained, and those who can do good work will do less work as they will think that less work will have no punishment. Under positive motivation, doing more than the prescribed work will fetch them award.

16.5. THOUGHTS OF MANAGEMENT PHILOSOPHY

Douglass McGregore has divided the thoughts of management philosophy in two parts. These are :

- (a) Traditional or X theory.
- (b) Modern theory or Y theory.

16.5.1. X-theory (Traditional theory)

This theory is based on traditional view, in which management or authority do not trust the labour and use restraining policies so that labour will be unable to act against him. Management considers that work could be extracted from labour through fear, strict discipline and rebukes, their cooperation should not be taken in management. Here authority or power is thought to be superior. Management acts right or wrong labour cannot say anything and thus mentally he is dependent on management.

Assumptions of "X theory"

This theory is based on the following assumptions :

1. A person is disinclined to work and hence he always shirks from work.
2. To get work from an employee, he is to be frightened, rebuked necessarily. Through fear, he becomes ready to do the work.
3. Workers try to shirk from responsibility hence they put off the work till the work is not urgent.
4. Workers are less ambitious. They do not try to do or improve the work through interest but wait for instructions and directions.
5. Workers care more for security hence they work slowly.
6. Workers act on the basis of financial greed if they are paid more wages, they will take more interest in work.
7. Management does not give any importance to labour, they think them to be an instrument of machines. Labour is not given opportunity to show capability or to develop it.
8. This theory has authority for superior. Labour has no right to give his suggestions, and can not do any work without direction at his own will.

Suitability of X theory in Modern Times

Management extracts work from labour with its own will, as management believes more in power and control. According to this theory, labour is thought to be a part of the machine who works according to instructions. He is not given a chance to use his own intellect. This theory presents a pessimistic view. This assumption can be right to some extent that labour works more due to financial greed but this is not possible always and in every circumstances. Besides financial greed, he cares for human values.

16.5.2. 'Y'-Theory (Modern Theory)

This theory is quite opposite to "X theory". In this, labour is assumed to be partner in the management and what all they are working is with the cooperation of labour.

Assumptions of Y theory

1. Every work is not disinteresting. Like a game, playing again and again gives satisfaction.
2. Workers are not instigated to work by fear, outer restraint or strict discipline. They feel responsible for the work for which they are appointed.
3. For the execution of work, it is necessary that it should be recognized. Recognition of work is a great prize.
4. Tendency to escape from the responsibility is not natural but the reason is lack of ambitions and more stress on security.
5. Generally workers are not instigated to do by financial greed but non-financial greed also instigates to work.
6. This is based on democratic principles, where everybody has equal chances.
7. Labour can also cooperate to solve the problems of enterprise.
8. This establishes coordination between basic personal objectives and the collective objectives of the organisation.
9. Manager works as a leader and gets more good and solid results by the advices of the personnel. Management treats all personnel on equal footing for advices.

Suitability of Y theory in India

In our country, development of management thought is gaining popularity day-by-day. Previously employer was treating the labour just like servant. They were extracting work from the employees and their suggestions were not accepted and even today X theory is applied in most of the places. But now-a-days, labour unions have become sufficient strong. Government have made sufficient provisions in Labour Acts for the security of workers. Not only this, employers have also realised that worker are human beings and they should be treated on humanitarian grounds. Although assumptions of Y theory are not fully accepted by employers but efforts are being made by government and labour unions in this direction.

16.5.3. THEORY-Z (A Hybrid Model)

William Quchi after making a comparative study of American and Japanese management practices, suggested the adoption of theory Z, which represents an integration of American and Japanese management practices.

Features of Japanese and American organisations are shown in the following table :

<i>Japanese Organisations</i>	<i>American Organisations</i>
1. Lifetime employment.	1. Short-term employment.
2. Slow advancement.	2. Rapid advancement.
3. Collective decision-making.	3. Personal decision-making.
4. Group responsibilities.	4. Individual responsibilities.
5. Holistic concern for employees.	5. Segmental concern for employees.
6. General career.	6. Specialisation in career.

Features of Theory Z

Theory Z represents the adoption of 'hybrid' type of system which incorporates the strengths of Japanese management (group decision-making, social cohesion, job security, holistic concern for employees etc.) and American management (quick decision-making, individual freedom, risk taking by individuals etc.) The features of Theory Z or US-Japanese system of management are :

1. Strong-bond between the company and the employees.
2. Employees' participation.
3. Mutual trust.
4. Integrated organisation.
5. Human Resource Development.

16.6. HERZBERG'S MOTIVATION-HYGIENE THEORY

Frederick Herzberg developed a theory of work motivation by indicating the way to better performance through increased job satisfaction. He conducted his study on a group of 200 engineers and accountants from eleven industries from the Pittsburgh area in the U.S.A.

His hypothesis about job satisfaction and job dis-satisfaction suggests that :

- (a) The factors that are present when job satisfaction is produced are separate and distinct from the factors that lead to job dis-satisfaction.
- (b) The opposite of job-satisfaction is 'no job-satisfaction' and not job dis-satisfaction.
- (c) The opposite of job dis-satisfaction is 'no job-satisfaction' and not 'job-satisfaction.'

Herzberg draws a distinction between what he called Motivator and Hygiene factors.

(i) **Motivators.** Factors connected with satisfaction or motivation were called as 'Motivators' by the Herzberg. Motivators, have a positive power to satisfy and produce high performance, and are related to job contents. These factors are :

- Achievement
- Challenging work
- Advancement.
- Recognition
- Increase responsibility; and

(ii) **Hygiene Factors.** The factors related to the dissatisfaction were called as hygiene factors because these factors primarily prevent dissatisfaction like hygiene prevents sickness. These factors are related to the work environment.

These factors are :

- Company policies and administration
- Interpersonal relations
- Working conditions
- Security.
- Supervision
- Salary
- Status, and



These factors prevent losses in the performance of the workers. When these hygiene factors are inadequate in an industry, then these will significantly have negative effect on work's attitude, but do not have any positive effect when all the factors are available in the concern.

16.7. HUMAN NEEDS

The behaviour or nature of every individual is different. There are three things which require study for his behaviour :

- (i) To study his behaviour "well".
- (ii) To understand his behaviour "well".
- (iii) His behaviour should be changed in a determined direction.

This third point is very important and requires thorough knowledge of the human needs.

When a machine goes out of order, we understand that it needs something like oil or repairs or replacement of certain parts etc. In the same way, human behaviour should have some reason and if his behaviour is not well, we suppose that some of his wants are not satisfied.

Needs create tension in worker. Needs are created by person's culture and for its fulfilment, needs force him to work. For example, a hungry man's primary motive is to satisfy his hunger. Through needs of meals, he feels tension but what meals he will take, depends on his culture i.e. a Bengali will like to eat meat and fish while a Rajasthani will prefer vegetarian meals. To earn his meals, he will do some work which will fetch him wages and by that money he will satisfy his hunger. Series of needs go on. After the fulfilment of one need, another arises.

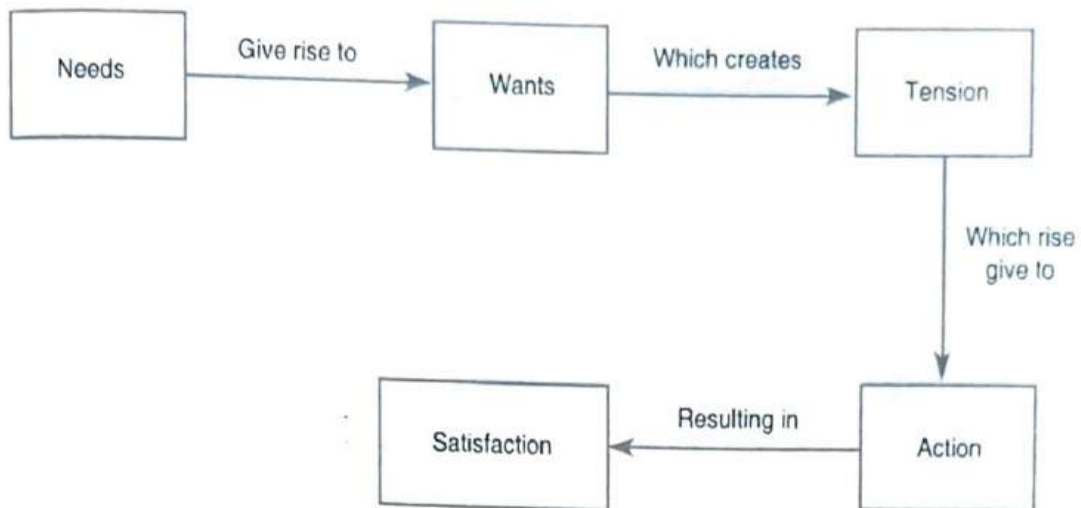


Fig. 16.1. Need-want-satisfaction chain.

Classification of Needs

These can be classified under two heads :

- (i) Primary needs and
- (ii) Secondary needs.

(i) **Primary needs.** These are the basic needs of an individual and are found in whole humanity but its intensity differ from man to man. These are essential for everybody otherwise he cannot remain alive, such as meals, air water, sleep, rest, sexual desire etc.

(ii) **Secondary needs.** This is proved by psychological investigations that man works not only for his primary needs but also for other needs which are related to his mind or soul. These needs are learnt by experience and atmosphere.

Secondary needs are of two kinds :

- (a) Social needs.
- (b) Egoistic needs.

(a) **Social needs.** People want to live with respect in the society. He wants that he should have relations with different groups of people and they should help during difficulties. These are produced by the social desires existing in men and instigated to lead social life.

(b) **Egoistic needs.** These are related to human self-thoughts which are mostly dependent on human nature. These are simulated from the peoples personal value and ideals. These instigate a person to self-expression and self-accomplishment.

Priority of Needs

Psychologists are of the opinion that priority of needs has a definite order. Famous scientist A.H. Maslow has given a definite order to the needs while developing his theory of motivation. He said that person first satisfies basic needs.

The definite order of the needs is :

- (a) Basic physical needs
- (b) Safety and security
- (c) Belongingness and love
- (d) Esteem and status
- (e) Self realisation and self accomplishment.

He said that a person satisfies his needs in this order. This conception of Maslow is known as the Maslow's need priority model.

Above first two needs are called the "low strata" needs while the rest are called "high strata" needs.

Low strata needs

A person satisfies first all the necessities of the first kind i.e. bodily needs. A hungry person puts his full efforts for earning bread. After coping up the bodily needs, he tries to fulfil his second need of security and safety. This is the reason that he collects grains and some money for future use. He manages for pension and social security.

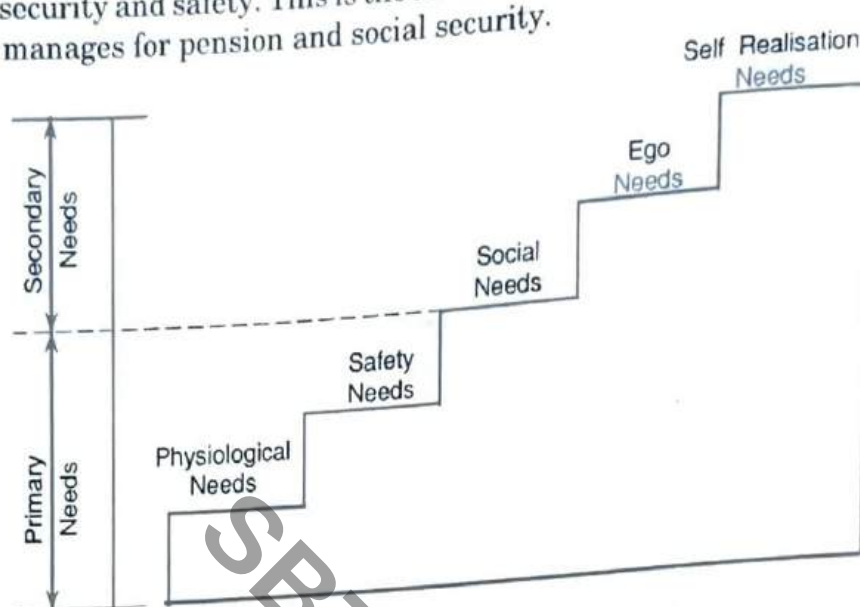


Fig. 16.2. Maslow's hierarchy of human needs.

High strata needs

Bodily needs are limited but rest three needs are unlimited.

Every man wishes respect and fame. He thinks that he is able and other persons should also think him so and respect him. In more industrially developed countries, the people care more for esteem and status.

The fifth need is self-realisation and self-accomplishment. It means that a person should be what he desires. After the four needs are satisfied tries for achieving this.

Comparison of three Theories

Hicks and Gullet have compared these theories and had shown the similarity in three theories. This is illustrated in the table.

Maslow	Herzberg	McGragore
1. Lower level needs :	Hygiene factors :	Theory X :
(a) Social	(a) Company policy and adiministration	(a) Security above all.
(b) Safety	(b) Supervision	(b) Direction preferable
(c) Physiological	(c) Interpersonal relations	(c) Threats of punishment needed.
		(d) Salary,
		(e) Working conditions,
		(f) Status,
		(g) Security,
(1) High level needs :	Motivation :	Theory Y :
(a) Self actualisation	(a) Achievement	(a) Satisfaction of esteem.
(b) Esteem	(b) Recognition	(b) Self actualisation needs.
	(c) Challenging work	(c) Responsibility.
	(d) Increased responsibility	(d) Imagination and creativity.
	(e) Advancement	(e) Self direction and self control.

- 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.