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Lesson No.

- 2.1 : Introduction to Management
- 2.2 : Planning
- 2.3 : Organization Structure
- 2.4 : Management by Objectives
- 2.5 : Delegation of Authority

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An introduction to management

Structure

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2.1.1 Objectives

The purpose of this lesson is to:

- Introduce the concept of Management.
- Discuss the nature and scope of management.
- To understand the distinction between Administration and Management.
- To introduce the list of management techniques.
- To discuss the various functions performed by the manager.

2.1.2 Introduction

The basic unit of a society is the individual. But no individual can satisfy all of his desires himself. Therefore, he unites with his fellow beings and works in an organized group to achieve what he cannot achieve individually. Management is an essential part of any group activity. It is a universal process in all organized social and economic activities. Initially the resources were in abundance but how to optimize their use for development of human race was unknown. There was hardly any difference between a human being and other living creatures. Both were always in search of food and shelter. But soon man with brilliant brain left behind every other species to growth rather very faster. The first lesson to the ancient man was perhaps to live in groups, both for protection and collective action for food gathering. Thus begins a process of transforming civilization from an individual efforts to a collective effort. A group or collective action means need of managing person and every actions to get the desired results. Here begins the origin of very significant phenomenon of modern era i.e. management.

Management is composed of three words : manage-men-tactfully to get things done efficiently. In the words of Harold Koontz, " Management is the process of a designing and maintaining an environment in which individuals, working, together in groups, accomplish efficiently selected aims". Further, Koontz expanded this definition :

As managers, they perform the managerial functions of planning, staffing, leading and controlling

- Management applies to any kind of organization.
- It applies to all managers at all organizational levels.
- The aim of all managers is same i.e. to create surplus.
- Managing is concerned with productivity that implies effectiveness and efficiency. Force has to operate to fulfill desired results and predetermined targets. A significant part of this definition is giving stress of the role-played by a manager. It is this personality which plays a very crucial role in the overall process of management with the help of his various policies. A manager is responsible for efficient use of resources to give maximum output and he manages all

through his men or human resources available or non human resources.

2.1.2.1 Definition of Management

According to Kreitner's, "Management is a problem solving process of effectively achieving organizational objectives through the efficient use of scarce resource in a changing environment.

The organization and coordination of the activities of a business in order to achieve defined objectives. Management is included as factor of production along with machine, material and money.

According to Mary Parker Follett, "Management is the art of getting things done through people."

According to Harold Koontz, "Management is the art of getting things done through and with people in formally organized groups."

According to Louis Allen, "Management is what a manager does."

According to F.W.Taylor, "Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way."

According to George Terry, "Management is a distant process consisting of planning, organizing, activating & controlling performance to determine and accomplish the objectives by the use of human beings and other resources."

According to Peter Drucker, "Management is a multi-purpose organ that manages a business, manages manager and manages workers and work."

According to Herbison and Myers, "Management is rule-making and rule-enforcing body, and within itself it is bound together by a web of relationships between superiors and subordinates."

So management broadly is optimum combination of human resources to produce desired output at most competitive cost.

Management is now regarded as a normal discipline in industrial and academic life. Management is an integration and application of knowledge, tools and techniques drawn from a number of disciplines. In the ultimate analysis, management is a process of decision making.

Harbison and Mayors have taken a three-fold view of the management as are economic resource, as a system of authority and as class of life.

Sociologists view management as a class and status system. The modern society is based on organizations. With scientific and technological advancement, organizations are growing rapidly and becoming more complex. The views with regard to management do not run against each other. So it can be said that management is a synthesis of all these some other few important definitions of management are :

In words of Stanley Vance, 'Management is simply the process of decision making and control over the action of human beings for express purpose of attaining the pre-determined goals.'

John F. Mee defined Management, 'as the art of securing maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give by the public the best possible service.'

Another definition given by Joseph Massie defines management as the process by which a cooperative group directs action towards common goals.

The central idea behind all above definitions given by various management thinkers is that a manager is responsible for getting things done through and with people. He endeavours to fulfill the common goals by directing human activities with the help of other available resources. The managers are the activating elements who convert different disorganised resources and productive factors such as men, money, materials, machines and methods into a useful enterprise. Thus, integration is the corner stone of the managerial function. This integration is of two types i.e. the internal integration and the external integration. Both are equally significant and of due importance. Internal integration is consisting of all matters relating with domestic sector of any organization. It covers various individual factors effecting one's performance and motivation : optimum use of input resources available : determination of priority areas; all internal efforts directed towards achievement of overall objective of the organisation. The experiences have shown that for successful stay in the business world it is must that internal matters of the organisation should be well set first. Equally important is the external environment which ultimately decides the economic health of any organisation. Though the external environment is consisting of a variety of factors and components, yet significant one are consumers, investors, suppliers and government etc.

These few components are ultimately going to decide the fate of any organisation. It is must for a company to have good and cordial relation with all so as to achieve benefits.

2.1.3 CONCEPTS OF MANAGEMENT

1. Functional Concept - Management is what a manager does.
2. Human Relation Concept - Management is an art of getting things done through others.
3. Leadership & Decision-making Concept - Management is an art and science of decision making and leadership.
4. Productivity Concept - Management is an art of increasing productivity
5. Integration Concept - Management is the coordination of human and material resources

2.1.3.1 Objectives of Management

1. To run the enterprise smoothly & earn maximum profits: The main objective of the management is to coordinate all the resources through the process of planning, organizing, directing and controlling so as to run the enterprise smoothly and earn the maximum profits.
2. Proper utilization of resources: The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of 5Ms will help a business to earn sufficient profits.
3. Improving performance: The fixing of objectives of various factors of production will help the organization in improving their performance.
4. Mobilizing best talent: The employment of experts in various fields will help in enhancing the efficiency of various factors of production. There should be a proper environment like better pay scales, proper amenities, and future growth potentialities to attract more people to join the enterprise.
5. Planning for future: Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So planning for future is essential for every organization.
6. Growth and development of business: Proper planning leads to the growth and development of business on sound footing which helps in profitable expansion of the business.

7. **Better quality goods/services:** The aim of a sound management has always been to produce the better quality products at minimum cost. Thus it tries to remove all types of wastages in the business.
8. **Ensuring regular supply of goods:** Regular supply of goods keeps the prices of goods within permissible limits
9. **Minimizing risk element:** Management involves the function of forecasting. Though the exact future can never be predicted yet on the basis of previous experience & existing circumstances, management can minimize the element of risk.
10. **Discipline and Morale:** The management maintains the discipline & boosts the morale of the individuals by applying the principles of decentralization & delegation of authority. It motivates the employees through monetary & non monetary incentives. It helps in creating and maintaining work culture.
11. **Profit :** Management has to ensure that the organisation makes a profit. Profit provides a vital incentive for the continued successful operation of the enterprise.

***Self Check Exercise 1**

1. What do you understand by term management?
2. " Management is getting things done through others".
Comment.

2.1.4. Nature and Scope of Management

While discussing the nature and scope of management, we can safely advance this argument that, 'Management is a social process.' It is directly in charge of allocation, utilization and coordination of all human and material resources to be procured from the business environment or the society. The environment provides these resources as inputs to a business enterprise. Most of these resources are scarce and have alternative uses. Management has to evolve optimum combination of these resources or inputs. The resources are coordinated and integrated by the management through performing the typical managerial functions, viz., planning, organizing, staffing, leading, motivating, communicating and controlling. These functions constitute the process of management and are basically incorporated under the nature and scope of management systems. These basic resources are subjected to fundamental nature and functions of management.

At the time of making analysis regarding scope of management it is necessary to determine the objectives and goals and to take appropriate action i.e. to implement the plan in order to accomplish the stated objectives. Controlling ensures performance as per plan and enables the management to remove the deviations, if any, between the actual and the expected results. As people are our greatest resources, management has a special responsibility to create favourable work environment and ensure maximum employee morale and productivity. Hence, management has not only to manage business but also to manage both managers and workers. Motivation and leadership are two unique functions or activities to ensure maximum use of human resources without sacrificing human welfare and human satisfaction.

To carry out the various activities of management successfully and effectively a manager will be called upon to play different roles under different situations, such as planner, coordinator, leader, liaison (connecting link), monitor, spokesman, disseminator of information, risk bearer, resource allocator, negotiator, disturbance handler, resolver of interpersonal and inter-departmental conflicts and so on.

Classical or bureaucratic management is appropriate and proper where the environment is relatively unchanging. Behavioural and organic management is appropriate where the environment is dynamic, innovation and creativity are at a premium.

Management is thus a very sensitive and significant process and the role of Manager is supposed to be much dynamic in it. With ever changing market conditions, he is supposed to be involving himself in decision making with the latest happenings and should not wait for opportunities, rather should create them. As discussed earlier, the discipline of management is drawn from various other disciplines so there may arise some confusion in determining the exact nature of any principle in it. It may be taken from any other concerned discipline. Then a major problem is to find difference between two words i.e. Administration and Management.

2.1.5 Administration Vs Management

A lot of confusion is factually in prevalence about the difference in these two words. Some management thinkers are taking these two words as synonym. William Newman has used the term Administrative manager and executive in same sense. Similarly Mcfarland thinks that

these are synonymous though he points out a little distinction. In his words, administration is widely used in government agencies.

In a broader context, administration is concerned with the overall determination of policies and objectives and setting of major goals and laying out the broad programmes, whereas management tends execution of the objectives and programmes. Thus, administration is more determinative whereas management refers to execution.

Administration refers to the managerial function of planning and control the management function relates to two aspects i.e.

- administrative management
- operative management

Whereas, administrative management relates to policies followed for achievement of predetermined standards; the operative management is actual execution i.e. use of various inputs optimally to get output and actual execution of plans and strategies.

A very important distinction is given by Oliver Sheldon in three concept i.e. Administration, Management and Organisation. In his words,

" Administration is the function in industry concerned with the determination of the corporate policy, the co-ordination of Finance, production and distribution, the settlement of the compass of the organization and the ultimate control of the executive".

Management is the function which is concerned in execution of policy within the limits set up by administration, and the employment of the organization for particular objects set before it.

Organization is the process of combining the work which individuals or groups have to perform with the faculty necessary for its execution that the duties, so formed provide the best channel for the efficient, systematic, positive and co-ordinated application of the available effort.

The top management devotes more time for administrative activities and less in performing managerial activities. The Figure 1, illustrates this point. From Board of Directors to a Foreman, the variance between administration and management goes on.

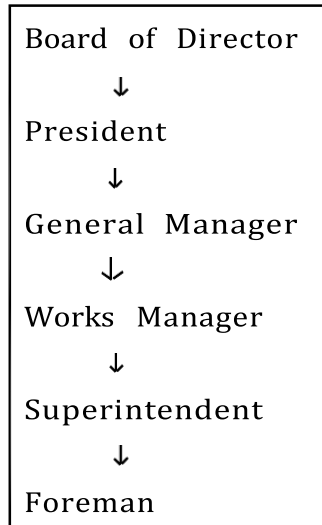


Figure 1

2.1.6 Nature or Characteristics of Management

Management gives different meaning to different authors. Each definition lays emphasis on a particular aspect of management thereby presenting only a partial view of the total concept of management. Over a period of time management techniques for managing a business have undergone a change thus the nature of management can be studied as such:

- Management of work.
- Management of people.
- Management of operations
- Management is Multidisciplinary.
- Management is a group activity.
- Management is goal-oriented.
- Management is a factor of production.
- Management is a universal character.
- Management is a social process.
- Management is a system of authority.
- Management is a dynamic function.
- Management is an art as well as a science.

- Management is a profession.
- Management is a continuous process.

2.11.7 Management-A Science or an Art

According to nature of management, there is a controversy that whether management is a science or an art. This controversy is very old and yet to be settled. It should be noted that learning process of science is different from that of art. Learning of science includes principles while learning of art involves its continuous practice.

The controversy with regard to the nature of management as to whether it is a science or an art is quite prolonging one. The earlier bosses of the industry and managers used intuition, common sense and their experience. They had hardly any professional training but still they gave marvellous results and were very successful. The biggest example given in this respect is regarding General Motors. General Motors used intuition and common sense in managing the affairs of their organization.

Science is not based on common sense, rather it is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. Facts in science are subject to constant verification. For a discipline to be science, it is must that it should contain generalisations and principles which are true. Management too contains many laws and principles based on various management practices but they are not applicable universally. Thus, a discipline where principle laws are not universally applicable can not be called true science.

A different feature of Management is that it contains the human factor involvement in its various practices and functions. Basically a process of decision making, Management has to take in consideration the emotional factor which sometimes takes it away from facts.

The contribution in this concept made by Peter Drucker is quite significant. He tries to relate management with concept of social responsibility or welfare concept. In his views, the functions of management are to manage the business, managers, workers and work. The objective of business after all is to serve the society, the people. Business provides a society many things i.e. services, goods and commodities, employment etc. When in the management we deal with tangibles it is more or less scientific. The collection of data and facts and their systematic analysis for decision making or making future

forecasts predictions and exercising control may also be considered as scientific. Moreover in the production process of every business activity and latest technology and knowledge is use, which also falls in domain of science.

The social responsibility of management, the value system of management and its perception with regard to social norms are not all scientific. Social aspect of management has thus resemblances with art as it involves value judgment. The internal forces of human being, the emotions, feelings etc. and with effect of external factors all have their influence when individual behaviour is analysed and working environment is taken into consideration. Though under specific circumstances an individual's behaviour can be predicated, still to be more accurate in this job, one needs to use his common sense and experience.

The role of manager in management is very important. Thus man has to use all kinds of techniques and tools to successfully handle the affairs of business. He may be scientific in his approach but he has to take into consideration other significant factors also. His ability, his deep insight and his power of understanding alongwith his knowledge, wisdom and experience are things settled on right trace. On one side a Manager is scientifically handing the various input resources but on other side he is holding and taking work from a living being.

Considering all the factors, it can be said that Management is a discipline which has originated from the mixture of many subjects. It contains, both the elements of science and art.

Thus management is relatively a new area of learning. As a matter of fact, ethic, logic, philosophy and mathematics are a few oldest disciplines and all other disciplines are off springs of these basic disciplines. A discipline, in the true sense must have the core or principles and generalisations and it must have a basic doctrine in which are enshrined, the essential features underlying, effective accomplishment; it is a thought process underlying action and deduced from systematic study of previous actions. Judged from this criterion, management has its own theories, its own problems and its own specific approaches and areas of study. Management is practice as well as performance.

A great management thinker Elton Mayo is of the view that there are

two types of sciences, the successful sciences-like chemistry, physics and physiology and the unsuccessful science' s like psychology and political science. In unsuccessful science a student has no single skill to learn but he learns from books, spending hours in libraries, ancient formulae. Management from this point of a view is a very extensive subject which can be partly taught and learned through practical experience.

*Self Check Exercise 2

1. Enlist the characteristics of management.
2. Management is science or art. Discuss

2.1.8 Management Techniques

In a broader sense, techniques are essential ways of doing things and methods of accomplishment of set objectives. They are very significant and important in all disciplines so in case of management, though they are very less in case of managing. Some of these are budgeting, cost accounting, network planning, Programme Evaluation and Review Technique (PERT) critical Path Method (CPM), Rate of return on investment (ROI), various devices of organizational development, management by objectives (MBO) etc.

Techniques of Management :

1. Set appropriate goals.
2. Develop a plan to achieve the goals.
3. Empower the employee.
4. Assess performance and make adjustments.

2.1.9 The Function of Manager

With the passage of time, the change in managerial functions is quite evident and the following chart is summarizing it all.

Valuation of Management Functions

- | | | | | |
|--|------|------------|----------|------------|
| 1. Early-borrowed concept | Plan | Organise | Command | Discipline |
| 2. Management Process defined by-Fayol | Plan | Organise | Command | Control |
| | | Coordinate | | |
| 3. Further Modification | Plan | Organise | Direct | Control |
| 4. Modified by behavioural | Plan | Organise | Motivate | Control |
| | | influence | | |

5. Recent Modification by Plan Organise Integrate Measure
business
6. Suggested Further Modification Plan Organise Achieve Appraise

In 1936 Luther Guick coined POSDCORB as an acronym for describing his list of management turn actions. These letters, stands for planning, organizing, staffing, direction, coordinating reporting and budgeting, Koontz and o'Donnell have organized their work around the following function of management i.e. planning, organizing, staffing, leading and controlling. Before taking a final view about the managerial functions, it is must to take in consideration the need of time and situation. Management was an area which was almost unrecognized till 1990, but now it has become the central activity of our civilization. Sumerian civilization temple priest collected taxes and managed estates. The priests were accountable to the chief priest, who had a control over them. The priests regarded themselves as managers who recorded all the transaction of that time. Thus at that time, management was there, but managerial functions as performed by the priest were much different.

By using masses of organized labour the Egyptians were to accomplish which today astonishes the whole mankind. They were able to do the job with available resources. It is to their credit and their remaining edifices clearly indicate their management effectiveness and sophistication. Thus managerial functions were here, totally different.

With growing industrialization and need of industrial growth for overall economic development and growth has necessitated the fact that managerial functions have totally changed. It includes now a few factors which take into consideration the human feelings, emotions and attitudes.

1. Planning : It means to set a blue print for action. To decide about what to do ? When to do ? Who will do it ? Plans are of many types ranging from specific purpose to all purpose plans. Planning involves selecting missions and objectives and the action to achieve them, it requires decision making to choose path for the future course of action, the basing of decision on facts and considered estimates. There are seven elements of planning i.e. (i) objectives (ii) policies (iii) procedures (iv) rules (v) budget (vi) programmes and (vii) strategies. Planning process have to take in consideration (a) government policies (b) availability of technology at reasonable cost (c) existing and future

market conditions (d) Existing competitors and their market strategies. All policies formulated should have three characteristics. They should be (i) flexible in nature (ii) subject to change and improvement (iii) subject to enforcement to be effective. Thus, a plan should be evaluated by considering two following questions :

- (a) To what extent each of these plans is in conformity with the basic or the co-operative objective of the business enterprise.
- (b) To what extent each of these plans satisfies the cost, speed, quality and return on investment requirement ?

2. **Organizing** : It is that part of managing that involves establishing an internal structure for people to fill in an organization. It is intentional in the sense of making some that all the tasks necessary to accomplish goals are assigned. The main or chief aim of an organisational structure is to help in creating and environment for human performance. It is dividing whole activities into sub-activities and assigning authority to do work.

Organizing is not an easy job as it includes defining the kind of jobs. Plans can be effective to their fullest extent if the organizational structure is ready to face the challenges of business environment.

3. **Staffing** : Staffing includes all those activities and functions which are concerned with the selection of personnel. The positions in the organisation are filled up by competent and capable personnel. Staffing is done by identifying work force requirement, labour force available, recruiting, selecting, placing, promoting, compensating and training or otherwise developing both candidates and current job holders to accomplish their task effectively and efficiently. It is the competence of personnel which counts for the success of the organisation.

4. **Leadership** : History is evident that on some occasions due to lack of competent leader, even highly trained armies have lost miserably. Leading is thus a very crucial factor to give the energy labour, a proper and progressive direction. According to Koontz, Leading is, influencing people in such a way, that they will contribute to organise the group goals. It has to do predominately with the inter-personal aspect of managing. All managers would agree that their most important problems arise from people, the desires and attitudes, their behaviour as individuals and in groups and that effective managers also

need to be effective leaders.

5. **Controlling** : Controlling in a nutshell includes such activities which are designed to compel events to conform to plans. It includes laying down performance standards, Measurement interpretation and corrective actions.

It involves setting standards/goals. It measures performance against goals and plans, shows where negative deviation exists, Putting in motion actions to correct deviations, help in accomplishment of plans.

Though the managerial functions can not be restricted to these five activities yet broadly these five functions are covering most of them. Co-ordination is the essence of managership. It helps in achievement of harmony of individual efforts towards accomplishment of group goals. Each of Managerial function is an exercise contributing to co-ordination.

* Self Check Exercise 3

1. What are the various management techniques available in management?
2. Planning means set a blue print for action. Comment.

2.1.10 Summary

Thus it is very clear that origin of management was from the very origin of the human civilization i.e. when things started getting planned or taking a systematic shape from that of raw or unplanned one. Collective efforts at that time were managed for hunting and other primary tasks. Man was not aware of this unique phenomenon. He had just entered in that time but presently the reason of this massive development around us is management. It has just become an integral part of every human activity. From a common household to a big multinational corporation, things are managed to control depletion of natural resources. It is very important to manage efficiently and successfully these resources. Management is now regarded as a normal discipline in industrial and academic life. Management is an integration and application of knowledge, tools and technique drawn from a number of disciplines. In the ultimate analysis, management is a process of decision making.

2.1.11 Answers to Self Check Exercises

Self Check Exercise 1

- Q.1. Refer Para 1.2
- Q.2. Refer Para 1.3

Self Check Exercise 2

- Q.1. Refer Para 1.6
 Q.2. Refer Para 1.7

Self Check Exercise 3

- Q.1. Refer Para 1.8
 Q.2. Refer Para 1.8 Pt. 1

2.1.12 Glossary

Word	Meaning
Abundance	: Plenty, Large Quantity
Significant	: Considerable, Important
Optimum	: Best Possible
Dynamic	: Vibrant, Self-motivated

2.1.13 Recommended Readings

1. Tripathy P.C; Reddy P.N. : Principles of Management
2. Dannelly James; James L. Gibson : Perceptives on Management
3. Koontz Harold; Weihrich H : Essentials of Management
4. Parsad L.M. : Principles & Practices of Management
5. Stoner. J : Management
6. Singh R.N. : Management Thought & Thinkers

2.1.14 Questions for Practice

1. "Management is getting things done through others". Elaborate with suitable examples. *(Refer Para 1.2)*
2. Define management. How it is helpful in organizational decision making? *(Refer Para 1.3)*
3. Differentiate between Administration and Management. *(Refer Para 1.5)*
4. Explain the various characteristics of management. *(Refer Para 1.6)*
5. "Management is Science or Art?" Discuss. *(Refer Para 1.7)*

Planning

Structure

- 2.2.0 Objectives
- 2.2.1 Introduction
- 2.2.2 Meaning of Planning
- 2.2.3 Purpose of Planning
- 2.2.4 Planning process
- 2.2.5 Short Range and Long Range Planning
 - 2.2.5.1 Short Range Plans (Operational Planning)
 - 2.2.5.2 Long Range Plans (Strategic Planning)
- 2.2.6 Objectives
 - 2.2.6.1 Characteristics of Objectives
 - 2.2.6.2 Importance of Objectives
 - 2.2.6.3 Management by Objectives
- 2.2.7 Strategies and Policies
- 2.2.8 Summary
- 2.2.9 Answers of Self Check Exercises
- 2.2.10 Key Words
- 2.2.11 Suggested Readings
- 2.2.12 Questions for Practice

2.2.0 Objectives

The main objective of this lesson is to explain in detail the most important and the very first function of Management i.e. planning. The lesson includes the purpose of planning, planning process, different types of planning etc. In other objectives, the lesson covers MBO as a technique of planning, in detail, Why the concept given by Drucker in 1954, is still so popular and demanded by so many organizations which believe in decentralization.

2.2.1 Introduction

To decide on and make arrangements in advance is planning. Planning is the process of thinking about and organizing the activities required to achieve a desired goal.

For the effective performance of individuals working together in group, manager helps in designing an environment to everyone who understands the group purpose and objectives and its methods of attaining them. However, without setting the objectives, there is nothing to organize, direct or control. Therefore, every organization is required to specify what it wants to achieve, planning is basically related with this aspect.

Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making i.e., making choice from available alternative future courses of action.

2.2.2 Meaning of Planning

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

The need of planning becomes more obvious as persons and organization develop an awareness of the precise nature of their objectives.

- Planning is a process that determines the future course of action.
- Decide on and make arrangements for in advance.
- Planning is primarily concerned with looking into future. It requires forecasting of future situation in which the organization has to function.
- It involves selection of suitable course of action.
- It is undertaken at all levels of the organization because all levels of management are concerned with the determination of future courses of action.
- Planning is flexible, as commitment is based on future conditions which are always dynamic and uncertain.
- Planning is a continuous managerial function involving complex process of perception, communication, decisions and action.

- The increased importance of planning in a business enterprise is the direct result of the changing environment in which the enterprise operates. The aspects of this changing environment are:
 - ⓐ Changes of technology.
 - ⓑ Changes in government policy.
 - ⓒ Changes in overall economic activity, including prices, employment of labour, raw material etc.
 - ⓓ Changes in the nature of competition.
 - ⓔ Changes in social norm and attitudes.

2.2.3 Purpose of Planning

Planning should be done to achieve organizational goals. Every plan should be connected with some objectives.

Main Purposes of Planning are :

To provide direction and a sense of purpose for the organization so that it can begin setting meaningful objectives.

Planning helps people to continuously address their efforts to the most important work, rather than the least important. In the absence of a plan, a focus on company objectives may be missing. Well considered plans unite the interdepartmental activities because with clear effective plans each department knows what it must do to contribute to the objective of the organization.

Purpose of Planning :

1. Facilitates accomplishment of objective
2. Ensures economy in operations
3. Precedes control
4. Provides for future contingency
5. Facilitates optimum utilization of resources
6. Pre-requisites for other managerial functions
7. All pervasive functions
8. Coordinates the activities
9. Delegation of authority

Purpose of planning is also to eliminate unproductive efforts and

thus organizational work is coordinated. It minimizes costs of performance. It provides for more optimal acquisitions, maintenance, utilization and replacement of physical and human resources.

Planning helps management to adapt and adjust according to the changing environment. Managers can anticipate problems before they arise and deal with problems and before they turn into emergencies. Planning helps a manager or organization to effect future rather than accepting future. It is a mean of commanding the future rather than being commanded by it.

Planning provides a basis for team work. When the goals are properly defined, work assignments can be fixed and everyone can begin to contribute to the achievement of these goals. It educates people, as they get a sense of direction and the efforts are being put to useful purpose, rather than being wasted.

Planning facilitates control, planning and control functions are said to be like 'Siamese fairns' i.e., inseparable. There is nothing to control without planning and without proper control, planning proves to be a wasteful and unproductive exercise.

2.2.4 Planning Process

Determining objectives and outlining the course of action, needed to achieve these objectives is referred to as planning process.

The sequence of various steps in planning are in such a way that they lead to the translation of an idea into action by reaching to the state of establishing the sequence of activities.

1. To Clarify the Problem

The basic step is to visualize the problem clearly. The present condition should be seen widely and also the improvement required for which planning is being undertaken.

The following questions help in this step.

- ⓪ What is the aim of the plan to be formulated?
- ⓪ Does the aim require a new plan, modification of an existing plan or the elimination of any present plan?
- ⓪ What, the accomplishment for this aim will mean to the enterprise?

2. **To Obtain complete information about the activities involved**
Knowledge of activities to be planned and their effect on other activities both internal and external to the enterprises is necessary for intelligent planning. The source of information are experience, past solutions to problems, practices of other enterprises, observations, records and data secured from research and experiments.

3. **To Analyse and classify the information**

Each component of information is examined separately and also in relation to the whole information. Information pertaining to similar subjects is classified so that similar type of data can be kept together.

4. **To Establish Planning premises and constraints**

From the data relevant to the problems or important in the determination of the plans, certain assumption are made.

5. **To Determine Alternate Plans**

There are certain alternative plans which help in achieving the work to be done. Some possible plans are also to be evolved in this step. The basic thing required is the ingenuity and creation.

6. **To Choose, Propose and Plans**

The plan proposed should be chosen that is acceptable to the operating people. The plan adaptability and cost are important. Proper considerations should be made for the proper selection of the proposed plan.

7. **To Arrange Detailed Sequence and Timing for the Proposed plan**

The detail of where the planned action should be done by whom and when are put in proper order for intended purpose. The timing and approach are vital.

8. **To Provide Progress Checkup to Proposed Plan**

Success of the plan is measured by the results. Therefore provision for adequate follow up to determine results should be included in the planning work.

- **Six P's of Planning**

1. Purpose
2. Philosophy

3. Promise
4. Policies
5. Plans
6. Priorities

2.2.5 Short Range and Long Range Planning

2.2.5.1 Short Range Plans (Operational Planning)

Operational plans means short range plans. They are concerned with day to day operations and focus is on short run operating period i.e., Usually a year or a season. Operational planning is done at lower levels usually. It involves gathering information, evaluating alternative and choosing most effective course of action. It is usually guided by single use plans and standing plans. Standing plans include policies, procedures and rules. Single use plans serve this purpose only for a specific period of time. Market plans, production plans and financial plans are the examples of operational planning.

2.2.5.2 Long Range Plans (Strategic Planning)

The determination of, how the organisational objectives will be achieved, is referred to as long range planning. Strategy is a plan of action that will define the way with which goals can be accomplished. Strategic planning, covers a time frame extending to five years or more into the future. Strategic planning involves the following steps :

- Determination of mission for the organisation as it focuses on an organisation's long term relationship to its external environment.
- Evaluation of present strength and weakness.
- Forecasting of the external environment i.e. the outside changes like economy, technology, social and political factors can indirectly influence the organisation. So by forecasting, an attempt is made to identify external opportunities and threats to the organisation.
- Development of organisational goals after taking into account the strengths of firm and the forecast environment. Gap between the existing and proposed strategy is found.
- It reduces the opportunities - threat gap and strategic decision making process takes place.
- The alternatives chosen should have an edge or competitive advantage over the organisational rivals.

- Strategy implementation of control is the last step. The strategy determined must be translated into appropriate tactical plans programmes and budgets. Control for measuring performance after the implementation of plan must be developed.

2.2.6 Objectives

A managerial objective is the intended goal that prescribes definite scope and suggests direction to the planning efforts of a manager. The definition includes four concepts.

1. Goals
2. Scope
3. Definitions
4. Directions

The management process begins with setting of organisational objectives. Objectives give meaning and purpose to the organisation without something to achieve. Organizations would be purposeless and chaotic. Therefore, good management is always management by objectives.

2.2.6.1 Characteristics of Objectives

(a) Objectives form a Hierarchy

The hierarchy of objectives is a series graded, in which organisational goals are supported by each succeeding managerial level down to the level of the individual. The objectives of each unit contributes to the unit and to the objectives of the next higher unit. Thus each level of objectives stands as ends relative to the levels below it and as a means relative to the level above it.

(b) Objectives form a Network

The objectives are inter-related and inter-dependent. This concept implies that once objectives are established for every department and every individual in an organisation, these subsidiary objectives should contribute to meet the basic objectives of the total organisation.

(c) Multiplicity of Objectives

At every level of the hierarchy, goals are likely to be multiple. For example, the marketing division may have the objective of sale and distribution of products. The objectives can be broken down into a group of objectives for a product like advertising, research, promotion etc. the advertising manager's goals may include; designing product message carefully, create a favourable image of the product in the market etc.

(d) Long and short Range Objective

Organisational objective may be related to long range or short range of time. Long range objectives extending over five or more years, are the ultimate objectives of an organisation. The short or medium range objective are the means for achieving long terms goals supply a framework within which the lower level goals are designed.

2.2.6.2 Importance of Objectives

Objectives help into legitimize the presence of an organisation in its environment.

Objectives provide guidelines for organisational efforts.

Objectives make behaviour in organisation more rational, more coordinated and thus more effective, because every one knows the accepted goals to work towards.

Goals are motivators as they lead to enhancement in performance because it makes clear to the individual, what he is supposed to do.

Self Check Exercise 1

Define the Importance of Strategic Planning.

2.2.6.3 Management by Objective

MBO is known as Management by Results is a process of redefining objectives within an organization so that management and employees agree to the objectives and understand what they need to do in the organization in order to achieve them. Peter Drucker was the first one to discuss Management By Objective in 1954, in the Practice of Management. It is a process where superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinate, assess the contribution on each individual, and integrate individual with the organisation so as to make best use of organisation resources.

Thus MBO is a system of integrating managerial activities. It has following features :

- MBO emphasizes participatively set goals that are tangible, verifiable and measurable.
- MBO focuses attention on what must be accomplished rather than how it is to be accomplished.
- MBO is a systematic rational technique that allow management to

- maximize result from available resources by focusing on the goals that are to be achieved.
- The main character of MBO is the participation of concerned managers in objective setting and performance reviews periodically though Objectives in MBO provide guidelines for appropriate systems and procedures. Resource allocation, delegation of authority, etc., are determined on the basis objectives.

MBO Process

MBO is management practice which aims to increase organizational performance by aligning goals and subordinate objectives throughout the organization.

(a) Setting Preliminary Objective at the Top

Any MBO programme must start with the absolute and enthusiastic support of the top management. The long term goals of the organisation must be set initially. These long term strategic objective are determined in integration with internal factors. The objective setting starts at the top level and then moves downwards to the lowest managerial levels. After the long range strategic objectives are set, short term organisational objectives, divisional or departmental objectives and individual managers objectives are set after that.

(b) Action Plan

It is a mean, by which an objective is achieved. The action plan gives direction and ensures unity of purpose to organisational activity. What is to be done, how the subordinates will proceed, what steps will be taken and what activities will be engaged in as the subordinates progress, are to be planned in details. The key result areas must be identified.

(c) Setting subordinate's Objectives

As organisational objectives are achieved through individuals, therefore each individual manager must know in advance what he is expected to achieve. This will require active participation of subordinates.

(d) Matching Resources with Objectives

Resources availability is an important aspect of objective setting as it proper application ensures objective achievement. Therefore, there should be matching between objectives and resources.

(e) **Providing feedback**

Continue feedback is supplemented by periodic formal appraisal meetings.

(f) **Appraisal**

In this step the actual standards or results are measured against predetermined standards. The deficiencies in the working are removed promptly. Appraisal can be useful if the person being evaluated knows and accepts in advance, the grounds upon which he is being appraised.

(g) **Recycling**

Appraisal is used as an input for recycling objectives and other actions. The three aspects involved in recycling process include setting of objectives at various levels, action planning, and performance review.

Benefits of MBO

When an organisation is managed by objectives, it becomes performance oriented. It grows, develops and becomes socially useful in many ways.

- MBO produces clear and measurable performance goals.
- The programmes of MBO sharpen the planning goals.
- Effective controls are developed by MBO
- MBO provides a basis for evaluating a person's performance.
- MBO gives an individual or group a way to use imagination and creativity to accomplish the mission thus becoming a motivational force for the manager.
- MBO encourages commitment thus the morale of the individual is boosted as they are appreciated periodically.
- MBO is a result oriented, practical and rational management philosophy.

As MBO is not a panacea, the organisation some time fails to recognize that MBO demands careful planning and successful implementation to be successful. There are certain problems like-it is pressure oriented and time consuming as it is a new system. It increases paper work. Sometimes there are problems in setting the goals unless they are jointly agreed upon. The organisational problems also lead to certain problems that prevent MBO from achieving the best results.

Improvement for the Effectiveness of MBO can be following :

- The most effective way to implement MBO is to allow the top

- level managers to explain, coordinate and guide the programme. Without top managements support and commitment, MBO cannot be implemented properly.
- Managers should be given adequate training in MBO philosophy and procedures before the system is installed.
 - Implementing an MBO programme is quite often time consuming and managers must have the necessary time and resources to implement it.
 - It is important to assign authority and responsibility for initiating and overseeing the MBO Programme.
 - Monitor MBO, as it is put to use. This process reveals opportunities for feedback counseling and encouragement to subordinate at time other than the regular performance appraisal sessions.
 - As MBO redistributes power, all managers do not welcome this.

Self Check Exercise 2

Give two benefits of MBO

2.2.7 Strategies and Policies

Management needs to select the routes and common threads of its approach for its decisions. Management has many alternative routes and directions available for reaching its goals. The choice of a mission is itself a strategic choice. But in addition management must seek an appropriate group of guidelines for laying the route for performing its mission.

Strategy consists of the common threads of thought for facing risks and uncertainty, seizing the opportunities presented by the environment, and using the distinctive competence of the resources of the organisational strategies must be tailored to the specific situation in which an organisation finds itself. a strategy that has been successful for on company may not be good for another. The strategy of a large firm may differ from that of a small firm. Good strategic planning depends on identifying the critical questions.

Policy is an understanding by member of a group that makes the action of each member of the group in a given set of circumstances more predictable to other member. A policy is guideline for making decision. If a decision provides help for decision in other situations, it is said to

be a policy decision, because it sets a precedent and provides some guide for decision making in the future.

An important characteristic of policy is that it provides a guideline and a framework for subordinates decisions. Therefore, strong and clear policies encourage the delegation of decision making but do not predetermine decisions. Good policies provide definite and clear direction by top management and at the same time allow subordinate to make their own decision within clearly stated limits.

The usual source of policies is the top management of the firm. Policies may originate at the top by executive but can be imposed from outside the firm by a trade association or the government be formulated on appeals from a subordinated as a results of a specific problems into covered by previous set policies, or be implied from constant action of subordinates and know by top management but not explicitly stated. Policies and be applied to the whole firm or they may relate to only one department.

A good policy has the following characteristics :

- It is related to an objective of the firm and is explained to all persons to whom it is to apply.
- It is stated in understandable language and at proper place in writing.
- It prescribes units and yardsticks for future actions.
- It is subject to change but relatively stable.
- It is reasonable and capable of being accomplished.
- It allows for discretion and interpretation by those who are responsible for carrying it out.

Policies are important to management, but they have the following limitations :-

They are formulated by top management to relieve subordinate of the necessity of rethinking the factors upon which the policy was based. In short, a policy eliminates thinking about repetitive matters. If subordinate develop the habit of referring to company policy as the only reason for their action, they may use policies as crutches and defeat the intent of the policies. Policies provide stability and direction to the actions of members of the firm : yet, if a policy remains in existence long after conditions have changed, it can have the effect of opposing progress.

If policies are not stated in broad and definite terms, they may tend to encourage subordinates to avoid responsibility for their own decisions.

2.2.8 Summary

Planning is important, not only in business but in the each sphere of life. Planning involves missions, objectives, decision making, goals, strategies and policies etc. Planning is always future oriented. The lesson also covers the importance of planning and various steps included in planning process. After explaining strategic and operational planning, objective as a part of planning has also been defined. The definition, process and benefits of the 'Management by Objectives' have been given in detail. 'Strategies and Polices' are also included in detail.

2.2.9 Answers of Self Check Exercises

1. Strategic planning focuses on the mission of the organization. It evaluates present strength and weakness. It helps in forecasting of external environment viz, changes in economy, politics, Socio-cultural factors etc.
2. (i) MBO produces clear and measurable goals.
(ii) MBO develops a more effective method of controlling.

2.2.10 Key Words

- | | | |
|-----------------|---|---|
| 1. Continuously | - | Without any break |
| 2. Sequence | - | Order of actions/steps |
| 3. Multiplicity | - | Different types of something/not a single one |
| 4. Integrating | - | Bringing something together |

2.2.11 Suggested Readings

1. Rue, Lisslie, and Byars, Lyold : *Management : Theory and Application* Richar Irwin, 1977.
2. Dale Ernest, *Management : Theory and Practice*, Mc Graw Hill Book Company, New York, 1973.
3. Polland, Harold : *Further Developments in Management*, Thought Heinemann, London, 1978.
4. Banerjee, Shyamal : *Principles and Practice of Management*, Oxford and IBH Publishing Co. New Delhi, 1982.
5. Dale Earnest : *Reading's in Management Landmarks and New Frontiers*, Mc Graw Hill Book Co., New York.

2.2.12 Questions for Practice

Short questions:

Q.1 define planning

Q.2 what are the features of planning

Q.3 what is MBO?

Long questions:

Q.1 define planning. Write down steps of the planning process.

Q.2 what do you mean by management by objectives? What are the its features and benefits of MBO?

Select the Correct Answer

1. Planning should be -

(a) Inflexible (b) Flexible (c) Rigid

(Correct answer is b)

2. The concept of MBO was given in

(a) 1950 (b) 1954 (c) 1960

(Correct answer is b)

3. Explain the process followed in MBO? (Give the answer yourself as it is already explained in the lesson)

LESSON NO. 2.3

Organisation Structure

Lesson structure

2.3.1 Objective

2.3.2 Introduction

2.3.3 Organisation as A structure - Implies four Elements

2.3.4 Types of Organisation Structure

2.3.4.1. Line Organisation Structure

2.3.4.1.1 Advantages of Line Organisation Structure

2.3.4.1.2 Limitations of Line Organisation Structure

2.3.4.2 Functional Organisation Structure

2.3.4.2.1 Foremen at Planning Level (Planning Dept.)

2.3.4.2.2 Merits of Functional Organisation Structure

2.3.4.2.3 Demerits of Functional Organisation Structure

2.3.4.2.4 self check exercise1

2.3.4.3 Line and Staff Organisation Structure

2.3.4.3.1 Characteristics of Line and Staff Organisation

2.3.4.3.2 Merits of Line and Staff Organnisation

2.3.4.3.3 Demerits of Line and Staff Orgnisation

2.3.4.3.4 Conflicts between line and staffexecutives

2.3.4.4 Matrix structure

2.3.5 self-check exercise 2

2.3.6 glossary

2.3.7Summary

2.3.8 Exercise

2.3.9 answers to self check exercises

2.3.10Suggested Reading

2.3.1 Objective

This lesson aims to explain meaning of organisational structure. The objective of this lesson is to explain different types of organisational structures and their merits and demerits.

2.3.2 introduction

It helps a company assign a hierarchy that defines roles, responsibility and supervision. It plans the outlines who reports to whom and who is responsible for what.

Thetypically hierarchical arrangement of lines of authority, communications, rights and duties of an organization. Organizational structure determines how

the roles, power and responsibilities are assigned, controlled, and coordinated, and how information flows between the different levels of management.

A structure depends on the organization's objectives and strategy. In a centralized structure, the top layer of management has most of the decision making power and has tight control over departments and divisions. In a decentralized structure, the decision making power is distributed and the departments and divisions may have different degrees of independence. A company such as Proctor & Gamble that sells multiple products may organize their structure so that groups are divided according to each product and depending on geographical area as well.

An organizational chart illustrates the organizational structure.

Organisational Structure is a system used to define a hierarchy within an organisation. It identifies each job, its function and where it reports to within the organisation.

Organization As A Structure

The term organisation can be studied as a structure and also as a process. In a static sense, organisation is a structure. A group of people functions within this structure and try to accomplish certain objectives. Organisation is a structure for the conduct of business activities efficiently. In the words of Kast and Rosenzweig, "structure is the established pattern of relationships among the component parts of the organisation". In this sense, Organisation structure refers to the network of relationships among individuals and positions in an Organisation.

2.3.3 Organisation As A structure - Implies four Elements

- a) **Intentionally created:** In order to attain specific goals, Organisation structure is deliberately created which converts resources (of management) into a productive enterprise.
- b) **Provides framework:** Organisation structure usually takes the shape of a pyramid. Once established, it acts as a framework that can either constrain or facilitate managerial actions.
- c) **Use of Chart:** In an Organisation, the structural relationships are normally shown through Organisation charts. These charts indicate the intended final relationships at a given time.

- d) Provides formal picture: Organisation structure may be horizontal or vertical. The horizontal aspects display basic departmentalization and vertical aspects display creation of hierarchy of superiors and subordinates

2.3.4 Types Of Organisation Structure

Organisation structure is defined as "The logical arrangement of task and the network of relationships and roles among the various positions established to carry out the activities necessary to achieve the predetermined objectives of business". Internal Organisation structure constitutes the arteries and veins through which the blood of work flows in the body of Organisation.

Internal Organisation structures can be broadly classified into the following types/forms:

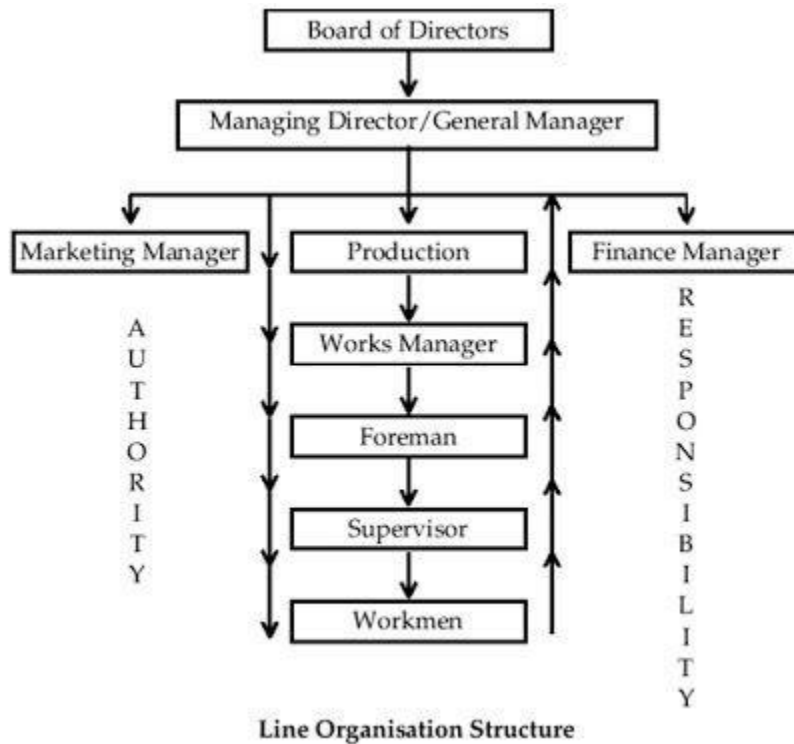
- Line Organisation structure.
- Functional Organisation structure.
- Line and staff Organisation structure.
- Matrix Organisation structure.

2.3.4.1 Line Organisation Structure

Line Organisation (also called Military/Scalar Organisation) is the oldest and the simplest form of internal Organisation structure. It was first developed by the Roman army and later adopted by armies all over the world. Factory owners also used line Organisation structure in its purest form in the nineteenth century in England.

In the line Organisation, the line of authority moves directly from the top level to the lowest level in a step-by-step manner. It is straight and vertical. The top-level management takes all major decisions and issues directions for actual execution. The general manager, for example, issues order to various departmental managers. Thereafter, the departmental manager issues instructions to works manager. The works manager will issue instructions to foreman. In this manner, the orders and instructions will be issued to the workers working at the lowest level. Thus authority moves downward and also step-by-step. The responsibility, on the other hand, moves in the upward direction.

Line Organisation structure is given in the following chart:



2.3.4.1.1 Advantages of Line Organisation Structure

Simplicity: Line Organisation structure is easy to understand and follow by superiors and subordinates. It is simple and clear as regards authority and accountability.

Authority : It clearly defines the authority, responsibility and accountability of job. There is definite authority at every level.

Prompt decisions: Line Organisation facilitates prompt decision-making at all levels as the authority given is clear and complete.

Flexibility: This is capable of adjusting itself quickly to changing circumstances. This obviously flows from fixed responsibility because of which the executive is sale master in his own Sphere of Activity.

Discipline: It brings discipline in the Organisation due to unity of command, delegation of authority and direct accountability.

Economical: Line Organisation is economical as experts are not appointed.

Attraction to talented persons: Line Organisation brings out talented workers and develops in them quality of leadership. It offers opportunities of self-development to employees.

Quick communication, high efficiency, flexibility and high employee morale are some more advantages of line Organisation structure.

2.3.4.1.2 Limitations of Line Organisation Structure

Heavy burden on line executives: The line executives are given too many duties and responsibilities. Even the quality of the decisions of executives may suffer due to heavy burden of duties and responsibilities.

Non-availability of services of experts: There is absence of skilled experts in line organisation. Expert assistance is not available promptly when needed by line executives.

Favoritism: There is wide scope for favoritism and nepotism in the line organisation. Leadership of departmental executive is autocratic due to heavy concentration of powers. He may favour some employees at the cost of others.

Too much dependence on limited executives: In the line organisation, all powers are concentrated in the hands of a few executives. Naturally, the success and stability of the entire organisation depends on their personal skill, initiative and interest. Special difficulties arise when one executive is to be transferred/replaced/promoted.

Rigidity: There is rigidity in the working of line organisation.

Delays in communication, limited freedom to employees and unsuitability to modern large business units are some more demerits of line Organisation.

Lack of Specilization : Different types of jobs are looked after, supervised and control by executive. It is physically not possible to learn and acquire the skills of the jobs. He looks into and at the same time be able to do justice to each job he handles.

2.3.4.2 Functional Organisation Structure

F.W.Taylor, founder of scientific management, conceived the functional Organisation structure. According to him, it is unscientific to overload a foramen with the entire responsibility of running a department. He introduced a system of functional foremanship in his Organisation. In his functional foremanship, there will be eight specialists' foremen who will be required to guide, direct and control the work. Workers at the plant level will have to follow the instructions of all these eight specialists called bosses.

In the functional Organisation suggested by F.W.Taylor, the job of management is divided according to specialization. As a result, functional departments are created. For example, the personnel department will look after the recruitment, selection, training, wage payment, etc. of all persons of the Organisation. Similar

will be the position of other departments like production, sales, etc. The scope of work of the department is limited but the area of authority is unlimited.

In the functional Organisation structure, there will be separation of planning of work and execution of the plan prepared. The basis of division is the function and naturally the Organisation structure created will be called "Functional Organisation".

In the functional foremanship, there will be eight specialists/functional heads called bosses. Out of eight bosses, four bosses will be at the planning level and the remaining four will be at the shop floor level.

2.3.4.2.1 Foremen At Planning Level (Planning Dept.)

Time and Cost Clerk: He is concerned with preparing standard time for the completion of certain piece of work and compiling the cost of that work.

Instruction Card Clerk: He lays down the exact method of doing the work. He specifies the tools to be used for conducting the production and also gives other instructions on the instruction cards prepared by him.

Route Clerk: The route clerk lays down the exact route through which each and every piece of work should move through various stages till completion. He decides the production schedule and the sequence of steps by which the production process is to move.

Shop Disciplinarian: He is concerned with the discipline, insubordination, violation of rules of discipline and absenteeism. All cases relating to these matters will be managed by the shop disciplinarian.

Foremen At Shop Floor Level (Shop Floor)

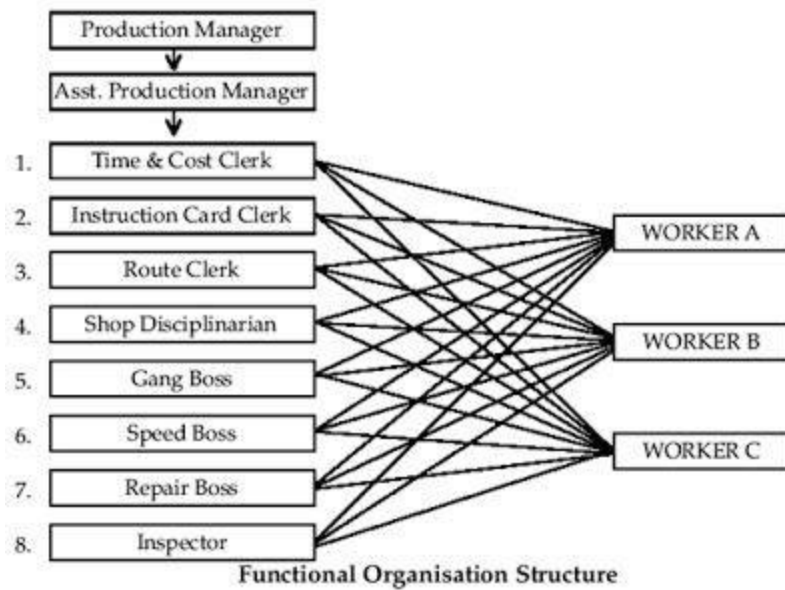
Gang Boss: He assembles and sets up various machines; and tools for a particular piece of work. He is in-charge of assembling line of production.

Speed Boss: He is concerned with the speeding of machines used for production. He keeps proper speed of the machines and see that workers complete the production work as per the schedule time.

Repair Boss: The repair boss looks after the proper maintenance of machines, tools and equipments required during the production process.

Inspector: The inspector controls quality of the products by keeping adequate check/control when the production work is in progress.

The functional Organisation structure is given in the following chart:-



2.3.4.2.2 Merits of Functional Organisation Structure

Facilitates specialization: Functional Organisation structure facilitates division of work and specialization. Each boss has specialized knowledge of his functional area. He is in a better position to guide and help the workers.

Benefits of large-scale operations: Functional Organisation offers the benefit of economy of large-scale operation. In this Organisation, one administrative unit manufactures all products. The available machinery, equipment and facilities are used fully for large-scale production.

Facilitates effective coordination: Functional Organisation facilitates effective coordination within the function. This is possible as one boss is in-charge of a particular function and he looks after all activities, which come within that function.

Operational flexibility: Functional Organisation possesses operational flexibility. Necessary changes can be introduced easily to suit the needs of the situation without any adverse effect on the efficiency.

Ensures effective supervision: Functional Organisation facilitates effective supervision by the functional heads and foremen. Due to specialization, they concentrate on the specific functional area and also keep effective supervision on their subordinates.

Monotony : Employees may feel bored due to the monotony, repetitive type of work and may lose enthusiasm for the job. Line relationship is a decision maker and staff personnel are an advisor.

2.3.4.2.3 Demerits of Functional Organisation Structure

Absence of unity of command: Unity of command is absent in the functional Organisation as each worker gets orders and instructions from several bosses.

Fixing responsibility is difficult: In functional Organisation, responsibility is difficult to fix on a specific person. This is because the responsibility itself is divided among many.

Unsuitable to non-manufacturing activities: Functional Organisation can be introduced in the case of manufacturing activities. However, its application to non-manufacturing activities such as marketing, etc. has not been successful.

Costly: Functional Organisation is costly, as more specialists are required to be appointed.

Creates confusion among workers: Functional Organisation is based on specialization as function is taken as a base for dividing the work. The authority is overlapping the responsibility is divided. This confuses workers.

Conflicts among foremen, delays in decision-making and limited discipline within the departments are some more demerits of functional Organisation.

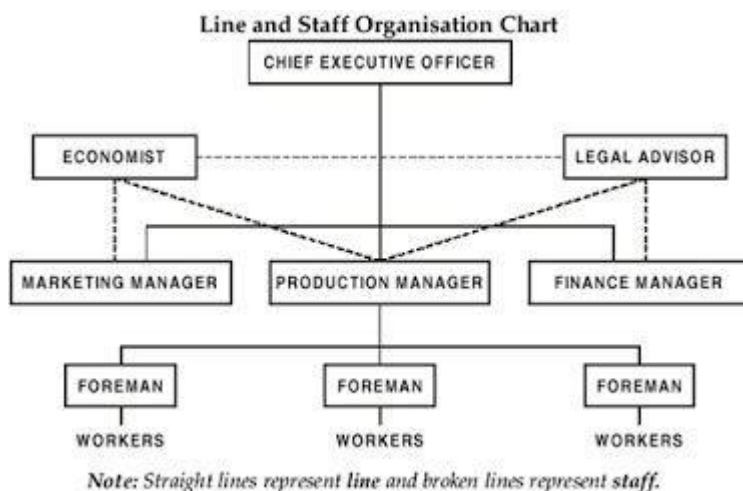
2.3.4.2.4 self check exercise1

a) line organization

b) functional organization

2.3.4.3 Line and Staff Organisation Structure

In the line and staff Organisation, line executives and staff (specialists) are combined together. The line executives are 'doers' whereas staff refers to experts and act as 'thinkers'. The following chart shows line and staff Organisation structure:



The line executives are concerned with the execution of plans and Policies. They do their best to achieve the organizational objectives. The staff concentrates their

attention on research and planning activities. They are experts and conduct advisory functions.

Staff specialists are regarded as 'thinkers' while execution function is given to line executives who are 'doers'. The staff is supportive to line. The staff specialists offer guidance and cooperation to line executives for achieving organizational objectives. This reduces the burden of functions on the line executives and raises overall efficiency of the Organisation. For avoiding the conflicts between line and staff, there should be clear demarcation between the line and staff functions. This avoids overlapping of functions and possible conflicts. In short, the line and staff functions are different but are supportive and can give positive results if adjusted properly i.e. by avoiding the conflicts. They suggest/recommend but have no power to command the line executive. However, their advice is normally accepted because of their status in the Organisation.

According to Louis Allen, "Line refers to those positions and elements of the Organisation, which have the responsibility and authority and are accountable for accomplishment of primary objectives. Staff elements are those which have responsibility and authority for providing advice and service to the line in attainment of objectives".

2.3.4.3.1 Characteristics of Line and Staff Organisation

Planning and execution: There are two aspects of administration in this Organisation, viz., planning and execution.

Combining line and staff: Planning function is entrusted to staff specialists who are 'thinkers' while execution function is given to line executives who are 'doers'. The staff is supportive to line.

Role of authority: The line managers have authority to take decisions as they are concerned with actual production. The staff officers lack such authority.

Guidance from staff: The staff provides guidance and advice to line executives when asked for. Moreover, line executives may or may not act as per the guidance offered.

Exercising control: The staff manager has authority over subordinates working in his department.

Scope for specialization: There is wide scope for specialization in this Organisation as planning work is given to staff and execution work is given to line executives.

Possibility of conflicts: Conflicts between line and staff executives are quite common in this Organisation but can be minimized through special measures.

Suitability: Line and staff Organisation structure is suitable to large-scale business activities.

2.3.4.3.2 Merits of Line and Staff Organisation

Less burden on executives : Line executives get the assistance of staff specialists. This reduces the burden of line executives. This raises overall efficiency and facilitates the growth and expansion of an enterprise.

Services of experts available: The benefits of services of experts are provided to line managers. Highly qualified experts are appointed and they offer guidance to line executives.

Sound decision-making: Line and staff Organisation facilitates sound management decisions because of the services of experts and specialists. The decisions are also taken in a democratic method i.e. in consultation with the experts.

Limited tension on line managers: The pressure of work of line bosses is brought down as they are concerned only with production management.

Benefits of specialization: There is division of work and specialization in this Organisation. Naturally, the benefits of division of work and specialization are easily available.

Training opportunities to employees: Better opportunities of advancement are provided to workers. The scope for learning and training for promotions are available.

2.3.4.3.3 Demerits of Line and Staff Organisation : Staff becomes ineffective in absence of authority.

Confusion : It is very difficult to clearly establish the authority and responsibility relationship between Line and Staff executives. This creates confusion among them.

Delay in decision-making: The process of decision-making is delayed, as line executives have to consult staff experts before finalizing the decisions. The decisions of line managers are likely to be delayed due to this lengthy procedure.

Buck passing among executives: The line bosses are concerned with actual execution of work. However, they depend on staff experts for guidance. If something goes wrong, the attempt is made to pass on the blame by one party to the other. Thus, there is shifting of responsibility or buck-passing.

2.3.4.3.4 Conflicts between line and staff executives: In this Organisation, quarrels and conflicts between line managers and staff specialists are quite common. The line managers are generally not interested in the advice offered by experts. Secondly, specialists feel that the line bosses lack knowledge of new ideas. Such conflicts lead to bitterness.

Costly Organisation: Line and staff Organisation is a costly Organisation as the line executives are supported by highly paid staff executives who are experts. All this adds to the overhead expenses and the cost of production increases.

Complicated operation: This Organisation is too complicated in actual operation because of dual authority, division of functions and too much dependence on staff. The unity of command principle is violated.

Internal discipline is affected adversely: The internal discipline is likely to be affected adversely due to decentralisation and division of loyalty of subordinates.

2.3.4.4 Matrix structure

The matrix structure groups employees by both function and product. This structure can combine the best of both separate structures. A matrix organization frequently uses teams of employees to accomplish work, in order to take advantage of the strengths, as well as make up for the weaknesses, of functional and decentralized forms. An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department.

- **Weak/Functional Matrix:** A project manager with only limited authority is assigned to oversee the cross- functional aspects of the project. The functional managers maintain control over their resources and project areas.
- **Balanced/Functional Matrix:** A project manager is assigned to oversee the project. Power is shared equally between the project manager and the functional managers. It brings the best aspects of functional and projectized organizations. However, this is the most difficult system to maintain as the sharing of power is a delicate proposition.

- **Strong/Project Matrix:** A project manager is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed.

Matrix structure is only one of the three major structures. The other two are Functional and Project structure. Matrix management is more dynamic than functional management in that it is a combination of all the other structures and allows team members to share information more readily across task boundaries. It also allows for specialization that can increase depth of knowledge in a specific sector or segment.

There are both advantages and disadvantages of the matrix structure; some of the disadvantages are an increase in the complexity of the chain of command. This occurs because of the differentiation between functional managers and project managers, which can be confusing for employees to understand who is next in the chain of command. An additional disadvantage of the matrix structure is higher manager to worker ratio that results in conflicting loyalties of employees. However the matrix structure also has significant advantages that make it valuable for companies to use. The matrix structure improves upon the “silo” critique of functional management in that it diminishes the vertical structure of functional and creates a more horizontal structure which allows the spread of information across task boundaries to happen much quicker. Moreover, matrix structure allows for specialization that can increase depth of knowledge & allows individuals to be chosen according to project needs. This correlation between individuals and project needs is what produces the concept of maximizing strengths and minimizing weaknesses.

2.3.5 self-check exercise2

- 1.what are merits and demerits of line and staff organisation?
2. how conflict between line and staff managers occur?

2.3.6 glossary

Word	meaning
Structure	arrangement of relations or elements
Matrix organisational structure	multiple leaders
Monotony	lack of variety
Buck passing	shifting responsibility to others

2.3.7 Summary

Organisational structure is a system that define roles and responsibilities in the organisation. It sets the hierarchy in which information in flowed in the organisation. Organisational structure is defined by objectives and strategies. There are different types of organisational structures having their own merits and demerits. Organisational structure can be classified into four types. Line organisational structure, functional organisational structure and line and staff organisational structure and matrix organisational structure. Line organisational structure is suitable for small organisations. Functional organisational structure is suitable for those organisations where specialisation is required. Line and staff organisational structure is the combination of line and functional organisational structure. In matrix organisational structure employees are grouped into teams according to their functions and products produced.

2.3.8 Exercise

Short questions

Q.1 define organisational structure.

Q.2 what are the merits and demerits of line and staff organisational structure?

Q.3 what do you mean by matrix organisational structure?

Write down its characteristics.

Long questions

Q.1 define organisational structure. Write down various types of organisational structure and their merits and demerits.

Q.2 what do you mean by line and staff organisational structure? Write down its characteristics.

2.3.9 answers to self check exercises

1 a) see para 2.3.4.1

b) see para 2.3.4.2

2 a) see para 2.3.4.3.2 and 2.3.4.3.4

b) see para 2.3.4.3.4

2.3.10 Suggested Readings

Koontz And Wehrich: Essentials of Management (Tata Mc Graw Hill)

P.C Tulsian: Business organisation and Management

C.B Gupta: Modern Business organisation and Management (Sultan Chand and Sons)

L.M Prasad: Organisation Behaviour (Sultan Chand and sons)

MANAGEMENT BY OBJECTIVES

Assumption of MBO

MBO relies on the premise that people tend to perform better when they are known about what is expected from them and when they can associate their personal goals with that of objectives of the organization.

Lesson Structure:

- 2.4.0 Objectives
- 2.4.1 Introduction
- 2.4.2 The MBO Process
- 2.4.3 MBO Characteristics
- 2.4.4 Self check exercise1
- 2.4.5 Benefits of MBO
- 2.4.6 Limitations of MBO
- 2.4.7 Elements of MBO System
- 2.4.8 Pre-requisites of Effectiveness of MBO Programme
- 2.4.9 Self check exercise2
- 2.4.10 Summary
- 2.4.11 Glossary
- 2.4.12 Answers to self check exercise
- 2.4.13 Exercise
- 2.4.14 Suggested Readings

2.4.0 OBJECTIVES OF THE LESSON

The term MBO was coined by Peter Drucker in 1954. The following lesson includes an important issue of Management by objectives given by Peter Drucker. After reading this lesson students would be able to know the concept, benefits of MBO, its limitations and pre-requisites of effectiveness of an MBO programme.

2.4.1 INTRODUCTION

Management by objectives (MBO), also known as management by result, it is a

process of defining objectives within an organization so that management employees agree to the objectives & understand what they need to do in the organization in order to achieve them.

The complexity of organizational structures and operations lead to the development of new management techniques. The changing patterns of workforce also lead to find out new methods of management. These new developments gave birth to the MBO (Management by Objective). The idea behind MBO was popularized by Peter Drucker who stressed that "business performance requires that each job be directed towards the objective of the whole business so it is a process by which managers and subordinates join hands together in identifying goal and setting up objectives and also develop plans for the achievement of these objectives.

The purpose of MBO is to give subordinates a chance in the goal setting and planning processing and also provide the clarification and explanation about the achievement of these objectives.

So MBO can also be referred or described as management by Results or Goal Management. MBO is based on the concept that involvement leads to commitment and if an employee participated in goal setting as well as in setting standards for measurement of performance towards that goal, then the employee will be motivated to perform better and in a manner that directly contributes to the achievement of organizational objectives.

MBO in itself is a goal oriented process. It is not a work oriented process. Achievement is more important than being busy in the work. So MBO is an aid to planning as well as motivating factor for employee. It is a comprehensive system based upon set objectives in which all members participate. These objectives are common objectives for all participants and the extent or reward for each member would be determined by the degree of achievement.

The major emphasis of MBO is on objectives, whereas the various methods of management help in measurement of results and MBO is also one of them. In this system objectives are matched with the resources. Objectives provide a platform where various departments are integrated and individuals working in these departments try to achieve the objectives.

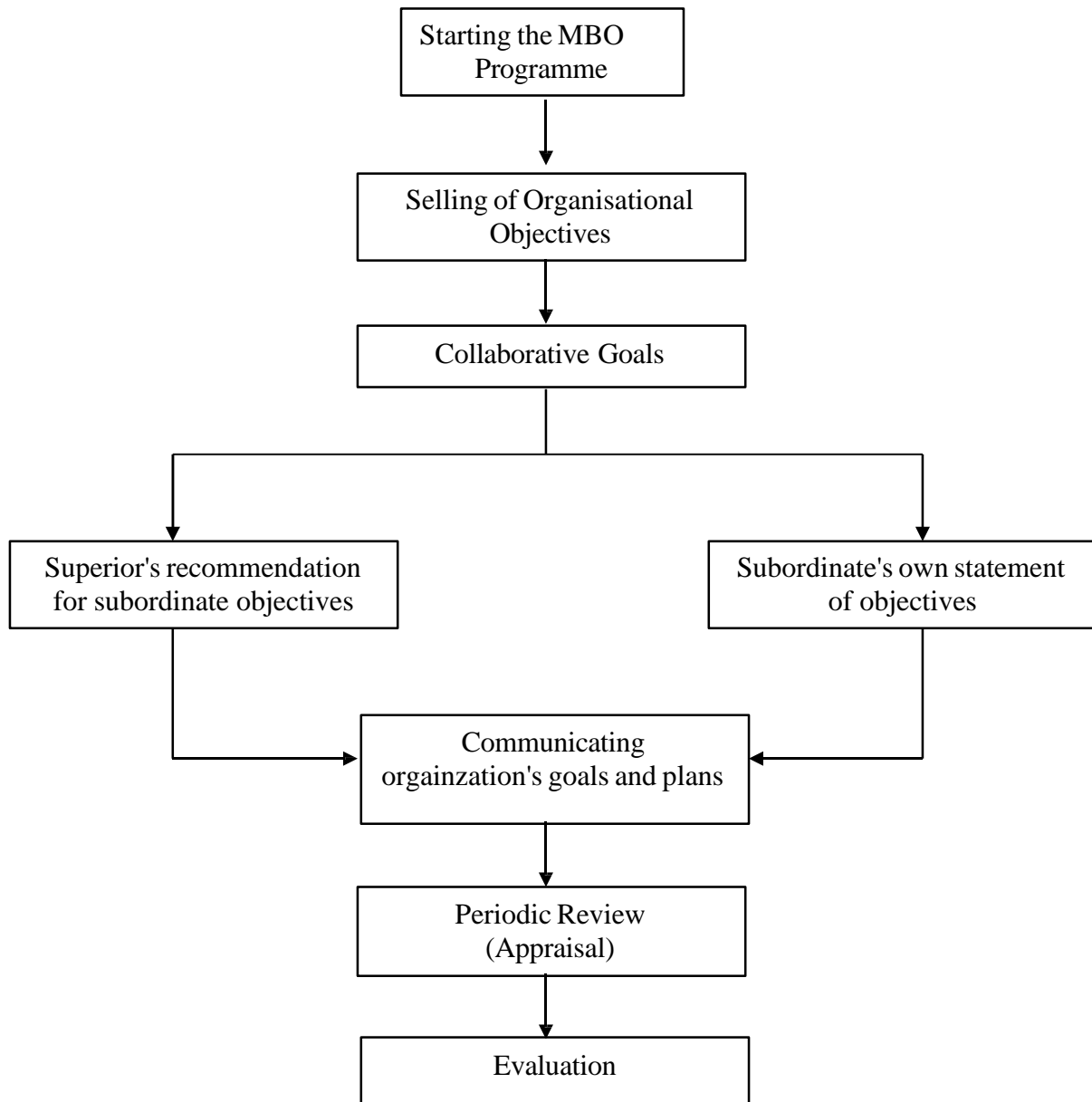
2.4.2 THE MBO PROCESS

MBO also known as management by results is a process of defining objectives

within an organisation so that management and employees agree to the objectives and understand what they need to do in the organisation in order to achieve them. MBO is used to plan goals for the employees through their own participation. The goals will act as motivational factor and help in increasing employee efficiency. The setting of goals is not a simple thing. It requires lot of thinking and planning.

The process of setting objectives in the organization to give a sense of direction to the employees is called as management by objectives.

The setting of objectives requires following steps :



1. **Starting the MBO Programme:** MBO is a systematic technique to achieve the organisational objectives. So if any organization wants to implement MBO then it must have the support of top, middle and lower level management. MBO as a process gives emphasis on the rigorous analysis. The MBO process is not as simple as it appears to be. Managers need training and experience for developing the same.
2. **Setting up Organizational objectives:** The first basic phase in the MBO process is the definition of the organizational objectives. The objectives are usually set up by the top management in consultation with the middle and lower level managers. The objective should be specific and realistic. This process gets the group managers and the top managers to be jointly involved.
3. **Collaborative Goal Setting:** After the organizational goals have been set, it is very important that each individual manager must know in advance what he is expected to achieve. For this purpose the subordinates work with the seniors in setting their individual goals. The process of goal setting begins with superior's proposed recommendations for his subordinate's objectives. In turn the subordinate states his own objectives as perceived by him. Thereafter the final objectives for the subordinates are set by mutual negotiation between superior and subordinate.
4. **Communicating Organizational Goal and Plans:** Once the goals are set for each and every individual in the organization these are communicated to every one but before the communication, management must ensure that the subordinates are provided with necessary tools and materials to achieve these goals effectively. However, just like goal setting, the allocation of resources should also be done in consultation with the subordinates.
5. **Periodic review:** Review aspect of MBO tries to measure whether the subordinates are achieving the objectives or not. There may be a periodic review of progress between manager and the subordinates. Review is undertaken as an on going process with a view to find out deficiency in the working and also to remove it promptly. It is not merely undertaken to punish the non performer or to reward the performer. It is taken as a matter of system to ensure that everything is going as planned and the

organization is able to achieve its objectives.

2.4.3 MBO CHARACTERISTICS

MBO is having the following characteristics:

1. **Derivation of plans:** Based upon the objectives, management drives various types of plans like long range, medium range and short range and also points out the steps required to achieve these. This information is provided to the employees.
2. **Job analysis and performance standards:** Each manager/employee analyse the job in order to identify the targets and provide a course of action to achieve these targets. Both the senior and subordinate agree on a plan of action by specifying the dates.
3. **Control:** The seniors use the control information like taking daily, weekly and monthly reports to find out whether the subordinates are achieving the targets or not.
4. **Performance review:** The subordinates are having normal contact with their bosses at regular intervals, to give the details about progress. In the meetings between the seniors and subordinates the difficulties are discussed, new targets are agreed and training needs are identified.

2.4.4 Self check exercise1

- a) MBO process
- b) features of MBO

2.4.5 BENEFITS OF MBO

MBO provides specific objectives for each succeeding level (i.e., divisional, departmental individual in the organization.)

The benefits of MBO are many because MBO can be applied to many areas like performance appraisal, organizational development, long range planning and so on. Some of the benefits of MBO are:

1. **Better Management:** As MBO is a result oriented process and focuses on setting and controlling goals, it encourages managers to do detailed planning. Because of this detailed planning, resources and activities are put in such a way that they result into better performance. Thus with the help of MBO, performance can improve in four different ways: decreased time, decreased resources, increased quality and increased quantity.
2. **No Role ambiguity:** MBO provides key result areas where organizational efforts are needed. Since organizational objectives are

defined very clearly, they help in relating the organization with its environment. Therefore any change in the environmental factors should be taken care of at the level of objectives setting itself. Thus it provides basis for long range planning in the organization. Once the objectives are set very clearly both seniors and subordinates know what is expected of them and hence there is no role ambiguity or confusion.

3. **Developing Control** : MBO Mechanism helps in devising effective controls. The need for setting controls is the setting of standards and then finding out deviation if any.
4. **Optimum utilization of human resources**: The seniors are required to establish measurable targets and standards of performance. Since these measurable targets are tailored to the particular abilities of the subordinates, it obtains maximum contribution from them thus providing optimum utility of Human resources.
5. **Personal Satisfaction**: MBO provides greatest opportunities for the personal satisfaction. This is possible because of two closely related phenomena.
 - (I) Participation in objective setting
 - (II) Rational performance appraisal.

In the first case, people derive satisfaction because of the feeling that they are important to the organization. They enjoy considerable authority which is a source of better performance.

In the second case, performance is based upon some specified criteria with commensurate rewards leaving least scope of personal factors, there is no unnecessary politics in activities.

6. **Better Communication**: It improves communication between management and subordinates. This continued feedback helps clarify any ambiguities and it helps in the improvement of total system in the organization.
7. **Career Development**: MBO often highlights the area in which the employees need further training. By taking keen interest in the development of skills and abilities of subordinates, the management provides an opportunity for strengthening those areas needing further

refinement and thus leading to career development.

8. **Organizational Change:** MBO stimulates organizational change and provides a framework for planned change enabling the top management to initiate plan to direct and to control the direction and speed of change. Change is required in both internal and external factors. To cope up with the change in these factors organization has to change itself simultaneously.

2.4.6 LIMITATIONS OF MBO

MBO is not without the weaknesses. It has been found out that many organizations have been over whelmed by the problems of MBO and failed to achieve the desired results. Some of the problems are inherent in MBO system while others emerge because of wrong implementation.

1. **Reluctancy of top managements:** In the classical structure of our organisations, the authority flows from top to bottom. This creates discipline and better performance, due to this reason top management is usually reluctant to support the process of MBO in which their subordinates would take equal part. Accordingly MBO can only succeed if it has the support of top management. In Indian organisations workers or employees are never given a chance to make their own goals. Indian organisations will take so much time to fulfil the basic conditions of MBO.
2. **Time and Cost:** MBO is the Process which requires large amount of the most scarce resource in the organization and it also requires the time of managers. This is also found out that MBO generates paper work because large number of forms are to be designed and put into practice. So there is a problem of communication and managers get frustrated. But these problems are transitory in nature and emerge only at the initial stages, once the MBO becomes part of the organisation these problems disappear.
3. **MBO Philosophy:** Sometimes MBO setting may not be liked by the subordinates. They may be under pressure to get along with the management when setting goals and objectives and these goals may be set unrealistically high. This may lower their moral and they may become suspicious about the philosophy behind MBO. As the review in case of MBO is done on regular basis, the managers seldom appreciate this. They

take MBO as another tool for control. Moreover their old ways of thinking may put difficulty in the introduction of MBO in the organization. The overall philosophy behind MBO is never followed by any manager in India.

4. **Difficulty in goal setting:** The basic requirement of MBO is to set truly verifiable goals, against which performance can be measured easily. However for some areas setting of these type of objectives is difficult. Objectives are more in the form of statement rather than in quantitative form to reduce the possibility of setting unethical means for achieving results, top management must agree to reasonable objectives, clearly state behavioural expectations and give a high priority to ethical behaviour, rewarding it as well as punishing unethical activities.
5. **Failure to teach MBO Philosophy :** The success of MBO will depend upon its proper understanding by managers if manager's are clear about this concept only then they can explain to subordinates how it works why it is being done
6. **Inflexibility:** MBO represents the danger of Inflexibility in the organization particularly when the objectives need to be changed. In a dynamic environment, a particular objective may not be valid for ever. In the context of revised objectives, changed premises or modified policies, it is useless to follow the old objectives. However many managers often hesitate to change objectives during a period of time.
7. **Failure to Give Guidelines to goal setters:** MBO like any other kind of planning cannot work if those who are expected to set goals are not given needed guidelines. Managers must know what the corporate goals are and how their own activity fits in with them. But if the goals are inconsistent, it is virtually impossible for manger to tune in with them.
8. **Emphasis on short term goals:** In case of MBO, the emphasis is more on short term goals. Since the goals are mostly quantitative in nature. It is difficult to do long range planning because all the variables affecting the process of planning cannot be accurately forecasted due to constantly changing socio-economic and technological environment.
9. **Most managers may not be sufficiently skilled in inter personal interaction such as coaching and counselling which is extensively required.**

10. The integration of MBO system with other systems like forecasting and budgeting etc. is very poor. This makes the overall functioning of all systems most difficult.

2.4.7 ELEMENTS OF MBO SYSTEM

The System of MBO vary from organization to organization. Sometime MBO is designed for a sub-unit or sometimes designed for the total organization. Most effective MBO programmes share the following six elements:

1. **Commitment:** To any programme to be very effective, manager's commitment to achieve personal and organisational objectives is required. After the setting of the objectives there should be a review of the programme and superiors should meet the subordinates to boost the morals.
2. **Top level goal setting:** Generally MBO starts with the goal setting by the top management, by considering the organizational strategy, the employees set their objectives for themselves, It should be matched with the objectives set by the top management. This procedure gives both managers and staff members a clearer idea of what top management hopes to accomplish and to show how their own work directly relates to achieving the organization goals.
3. **Participation:** As a general rule greater the participation of seniors and subordinates in the setting of goals, the more likely the goal will be achieved. One of the hallmarks of quality management programmes is the joint participation in setting up of goals.
4. **Individual Goal:** For a MBO programme, to be more effective each manager and staff member has clearly defined job responsibilities and objectives. The purpose of setting up of objectives in specific terms at every level is to help employees understand clearly just what they are expected to accomplish.
5. **Autonomy in implementation:** As soon as the objectives are agreed upon, the individual enjoys wide discretion in choosing the means for achieving them instead of following a guided path made by higher ranking superiors.

2.4.8 PREREQUISITES FOR EFFECTIVENESS OF MBO PROGRAMME

MBO is not only a technique it is an evaluation approach for the achievement of objectives of the organization. It is a part of the achievement of objectives of the organisation. It is a part of the motivational programme, planned technique and a development programme. Its proper effectiveness requires a basic change in the organizational culture and environment. There are some of the prerequisites required for effective MBO program.

1. **Basic purpose of MBO:** MBO has to achieve the objectives of the organization, so it is very important for any organization to be very clear about why it is implementing MBO? So "in nut-shell we can say that MBO should be an overall philosophy of management and the entire organization, rather than supply a divisional process. Flexk M. Lopex has observed "when an organization is managed by objectives it becomes performance oriented. It grows and it develops and it becomes socially useful.
2. **Formulation of Objectives:** The objectives should be clearly formulated, should be realistic and achievable. For example it is not realistic for R & D department of an organization to set a goal say 15 inventions per year. These goals should be set with the participation of subordinates.

Second issue which is very important here is that over commitment leads to competitive rivalry and MBO generates commitment. This may be dangerous if it exceeds the limits. The persons responsible for introducing MBO must be certain that competing objectives are not set.

3. **Support of top management:** It is important to secure top management support and commitment. Without this commitment MBO can never really be a success. The top managers and their subordinates should all consider themselves as players of the same team. This means that superiors must be willing to share the necessary authority with subordinates.
4. **Training for MBO:** All personnel involved should be given formal training in understanding the basis as well as the contents of the programme. Such education may include as to how to set goals, various methods for achieving the goals, the various methods of review and evaluation of performance and the various provisions to include any feedback that may be given.

5. **Participation:** In case of MBO, it requires the commitment on the part of each individual involved in this type of system. Their commitment in turn is a function of their identification with and participation in the system. The subordinate should not perceive that MBO is another technique being used by his superior to control his performance but he should also take it in right spirit. Such undesirable perception may be avoided by encouraging the subordinate to play an active role in the preliminary phases leading to the actual witting of the objectives.
6. The goal must be continuously reviewed and modified as the changed conditions require. The review technique should be such that any deviations are caught early and corrected.
7. If the full benefits of MBO are to be realized, it must be carried all the way down to the first line of the organization. There is a tendency for active participation in objective setting itself and for periodic feedback and review.

2.4.9 SELF CHECK EXERCISE2

- a) limitations of MBO
- b) benefit of MBO

2.4.10 SUMMARY

MBO can be described as a process whereby the superior and subordinates of an organization jointly identify their common goals, define each individual's major area of responsibility in terms of results expected of him and use these measures as guides for operating the unit.

The MBO process includes (a) starting the MBO programme (b) setting up organizational objectives (c) collaborative goal setting (d) communicating organizations goals and plans (e) periodic review.

MBO characteristics are (a) Deviation of plans (b) Job analysis and performance standards (c) control (d) performance review.

The major benefits of MBO are (a) Better managing (b) No role ambiguity (c) Optimum utilization of human' resources (d) Personal satisfaction (e) Career development (f) Organizational change.

Major limitations of MBO include (a) Reluctancy of top management (b) Time and Cost (c) MBO Philosophy (d) Difficulty in goal setting(e) Inflexibility (1) Failure to give guidelines to goal setters (g) Emphasis on short terms goals (h) Poor integration with other system.

Major elements of MBO are (a) Commitment (b) Top level goal setting(c) Participation (d) Individual goals (e) Autonomy in implementation.

2.4.11 Glossary

MBO = management by objectives

Prerequisites for effectiveness of MBO programme are (a) Basic purpose of MBO (b) Formulation (c) Support of top management (d) Training for MBO (e) Participation (f) Continuous review.

2.4.12 Answers to self check exercises

1 a) see para 2.4.2

b) see para 2.4.3

2 a) see para 2.4.6

b) see para 2.4.5

2.4.13 EXERCISE

(A) Short Questions :

Q.1. Define MBO Process.

Q.2. Discuss benefits of MBO.

Q.3. State the limitations of MBO.

(B) Long Questions :

Q.1. What do you mean by management by objectives? Does the subordinate involvement in the decision making process helps or hinder the effective-operations?

Q.2. Elaborate the ways through which the effectiveness of MBO process can be improved?

Q.3. In your opinion what type of senior behaviour would result in the failure of MBO program?

2.4.14 SUGGESTED READINGS

1. Principles of Business Management

By R.K. Sharma

Shashi K. Gupta

Kalyani Publishers

2. Principles of Management

By R.N. Gupta

Sultan Chand and Sons Ltd.

Lesson No. 2.5

DELEGATION OF AUTHORITY

Lesson Structure :

- 2.5.1 Objective
- 2.5.2 Introduction
- 2.5.3 Delegation of Authority
 - 2.5.3.1 Principles of Delegation
 - 2.5.3.2 Obstacles of Delegation
- 2.5.4 Decentralization
- 2.5.5 Self Check Exercise
- 2.5.6 Delegation vs. Decentralization
- 2.5.7 Summary
- 2.5.8 Answers to Self-Check Questions
- 2.5.9 Glossary
- 2.5.10 Exercise
- 2.5.11 Suggested Readings

2.5.1 Objective

The objective of this lesson is to explain meaning of delegation of authority, its principles. It explains difference between delegation and decentralisation.

2.5.2 Introduction

In business organisations all the activities are to be done smoothly and without delay. For this purpose, tasks and activities of the business are distributed to different persons where they can accomplish their tasks more efficiently. Managers can't perform all the tasks by themselves. So, it becomes necessary to distribute the work to subordinates. Assigning work to the subordinates and giving them authority and responsibility to complete that work is called delegation of authority. In delegation of authority not only work to be done is transferred to the subordinate but authority to perform that work and responsibility of completion of that work is also transferred. Assignment of work without transfer of authority is meaning less and task can not be accomplished. Authority and responsibility go side by side. Transfer of authority without transfer of responsibility can't accomplish the task. Although authority and responsibility of completion of task is transferred to the subordinate but the manager remains responsible for the task delegated to the subordinate.

2.5.3 DELEGATION OF AUTHORITY

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of authority means division of authority and powers down wards to the subordinate. Delegation is about entrusting someone else to do part of your job. The concept of delegation is quite important in organising. It is delegation through which a manager gets the work done through workers.

Definitions:

Louis A. Allen, "Delegation is the dynamic of management, it is the process, a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement, can perform effectively and so that he can get others to help him with what remains."

Douglas C. Basel, "Delegation consists of granting authority or the right to decision making in certain defined areas and charging the subordinates with responsibility for carrying through an assigned task."

Hodge and Johnson, "A process whereby a superior divides his total work assignment between himself and subordinates, managers or operative personnel in order to achieve both operative and management specialization."

"Delegation of Authority means Division of Authority and Power's downward to the subordinate."

Thus, delegation involves assignment of duties to the subordinates. For this purpose, they are given authority necessary to perform the duties. However, the authority should be co-extensive with duties. The subordinate is responsible for the performance to his superior if he does not perform as per duties. He can be held liable and penalised accordingly.

2.5.3.1 Principles of Delegation :

1) Authority should be co-extensive with responsibility: Authority should be co-extensive with responsibility, excess of authority makes evil minds and lesser authority than required disturbs the work.

2) Unity of Command: Delegation without responsibility is a dangerous proposition for a manager. So every person who is assigned duties should be responsible for non-performance. For this purpose, the principle of unity of command should be followed so that responsibility is clear.

3) Responsibility cannot be delegated: It should be clear that authority can be delegated but responsibility can never be delegated e.g. If A delegates to B and B delegates to C. If C does not perform his work, C is responsible to B and B will be held responsible to A. B can not take the shelter through reasoning that C has not performed the job.

4) Duties should not Overlap: One work should be assigned to only one man otherwise the problem of coordination between the workers will arise.

5) Authority to delegate: A person delegating authority should have power to delegate e.g. A judge cannot delegate his power to give decisions to a

peon.

6) **Organisational gap should be avoided:** In an organisation all the activities require equal attention. So no activity should be left unattended.

7) **Free-Flow of Information:** The delegator is responsible for non-performance for the work delegated by him to his subordinate. The ultimate responsibility lies with the delegator. So, to ensure compliance some sort of control is must. This control is feasible only when information continuously flows from subordinate to superior regarding the progress of work.

8) **Exceptional Principle:** The manager should assign all the duties to his subordinates except those which only he can do. In this way, he can give attention to important problems of the concern and routine problems can be solved by his subordinates.

2.5.3.2 Obstacles of Delegation :

1) **Feeling of Perfectionalism :** The superiors may think that their subordinates are not so talented to perform the job and may hesitate to delegate.

2) **Lack of Control:** Where the manager does not establish proper control, the fear of non-completion of the job remains. So, he may not delegate at all.

3) **Lack of ability to direct:** Certain managers lack the ability to direct the workers. They may not be in a position to communicate properly which creates problems in effective delegation. Sometime they can't use their authority properly.

4) **Fear of being Outshined:** Certain managers feel that their subordinates may outshine them if they are given a chance. So it is better to keep them away from such duties.

5) **Fear of criticism:** On the part of workers, workers feel that they may be criticised by their fellow workers and they hesitate to accept additional duties.

6) **Lack of knowledge:** Workers may not have knowledge and may hesitate to accept the duties.

7) **Overburdened with work:** Overburdened workers will not have sufficient time to perform additional duties. Hence they will not accept additional

work.

8) **Lack of positive incentives:** Lack of positive incentives to workers discourage them to accept the additional duties.

So we see that delegation is quite a useful concept of management. It provides proper time for the managers to solve complex problems and gives the subordinates an opportunity for development. They develop a sense of belongingness with the concern. But if proper controls are not established it may result into utter failure.

2.5.4 DECENTRALISATION

It refers to the dissemination of powers, functions and responsibility. Decentralisation is the other important concept to be discussed in organising. It refers to the systematic efforts to delegate to the lowest levels of authority except that which can only be exercised at central point. Here the total functions of the organisation are divided and each function is allowed to an autonomous unit. Such unit has overall authority and responsibility for the operation of its function.

Benefits of Decentralisation

i) **Reduces the burden of top executives:** Decentralisation reduces the burden of top executives because the responsibility is shared by subordinates for the routine functions. Thus they can concentrate on more important managerial functions.

ii) **Facilitates diversification:** Decentralisation facilitates expansion of the concern. So, a firm with so many branches essentially functions due to effective decentralisation.

iii) **Executive Development:** As executives take their independent decisions. Their personal capabilities are then developed which can be useful for the concern whenever some replacement at the top level is needed.

iv) **Motivation:** The subordinates are motivated because they feel that they are doing some important job. They try to prove that they are worth doing the job efficiently..

v) **Proper Emphasis to each Product and Market:** Big concerns face many problems. They generally neglect certain product lines. Sometimes they ignore small markets. But with the help of decentralisation, each product

and market can be given due attention, thus leading to organisational efficiency.

Limitations of Decentralisation

(1) **Requirement of trained persons:** Decentralisation requires trained subordinates who can perform the functions assigned to them properly. But trained subordinates may not be available.

(2) **Problem of co-ordination:** Decentralisation creates the problem of co-ordination. All the subordinates may perform their functions in their own way. So without the common guidelines by top level executives, decisions may have conflicting solutions thus treating the problem of coordination.

(3) **Expensive:** Decentralisation is an expensive approach and small concerns may not be in a position to bear it.

Thus, we see that decentralisation is good for expansion of the concern and have so many benefits but without proper controls and guidelines, it may not yield the required results. So it is better to have controlled type of decentralisation where subordinates should be given guidelines and they should be required to take decisions in conformity with those guidelines. Some persons suggest centralisation (one person to take all the decisions) but it is not feasible as expansion takes place or organisation grows in size. It means hundred percent or pure decentralisation is not much suitable for Indian organisations.

(4) **Inconsistent :** Decentralization may lead to inconsistencies at the organisation level for example; uniform policies or procedures may not be followed for the same type of work in different division.

2.5.5 SELF CHECK EXERCISE (TRUE OR FALSE)

- (1) People can work without organising also as it is a wastage only.
- (2) Life Insurance Company of India is an example of line and staff organisation.
- (3) Delegation is useless in larger organisation.
- (4) In Decentralisation, responsibility is not delegated.
- (5)

2.5.6 DELEGATION VS. DECENTRALISATION

Some persons confuse the words delegation and decentralisation. But these are not same. The following points clarify the fact,

- (i) In delegation, responsibility cannot be delegated but in decentralisation responsibility is also delegated. So a manager can take the decisions on his own.
- (ii) Delegation is the process whereas decentralisation is the end results of deliberate policy of making delegation of authority to the lowest levels in managerial hierarchy.
- (iii) Delegation is essential for management to have the things done through subordinates but decentralisation may or may not be practised in the concern.
- (iv) Delegation hardly poses the problems of coordination but decentralisation, poses a great problem in this regard.
- (v) Decentralisation is suitable only for big concerns but delegation produces good results in concerns irrespective of their size.
- (vi) Delegation is the result of limitation of span of management. Decentralization is adopted due to big size of the concern.

In India, there is a general tendency among civil servants and in public sector, not to perform their duties rightfully, accurately and in time. It is basically due to lack of accountability of officers in public sector undertakings, government offices, semi-government offices etc. Due to this neglect of dutiful and timely action on the part of civil servants, the progress of the country in all fields is negligible as compared to the finances spend upon hiring and maintaining the whole staff. So, until the officers are being made accountable for their actions, the performance level cannot be raised. This accountability is being hotly debated among various services at present, some in favour of it and some negating its importance. This is the reason we have to opt for privatisation.

In the end, we can say that organising is also essential and important step in the management process. It refers to smooth and systematic distribution of whole work among the members of the organisation, especially the large and complicated organisations. Thus it enables to relate the individuals with each other in clearer terms by defining each person's authority, responsibility as well as accountability. Its utmost contribution is that it helps, rather leads to the creation of the organisation structure thus giving us a clear and precise view of activities, functions and positions in any organisation.

2.5.7 SUMMARY

Organising is an essential function of management. As people work in organisations and organising is an important aspect in organisations as these grow and develop in size. There can be many types of organisational structures, which depend upon the aims of organisations and differ also in regard to its aims and objectives.

No person can do all the work himself, but as work increases due to growth of organisations, people delegate their work to others, so that efficiency should be maintained. Superiors delegate their work to other persons who are subordinate as it is delegation through which a manager gets the work done from other workers.

But as organisation grow larger, decentralisation also takes place where total functions of an organisation are divided and each function is allowed to an autonomous unit with authority and responsibility to operate the functions assigned to it.

2.5.8 ANSWERS TO SELF CHECK QUESTIONS

1. False
2. False
3. False
4. False

2.5.9 Glosary

Word	meaning
Delegation	assignment of work to another person
Authority	power or right to give orders
Decentralisation	transfer of control of an activity

2.5.10 EXERCISE

(A) Short Questions :

- (1) Define Organisation.
- (2) Explain the meaning of organisational climate.
- (3) Describe the objectives of an organisation.

(B) Long Questions :

- (1) What factors influence the climate of an organisation?
- (2) What is meant by functional organisation? Describe its merits and demerits.
- (3) What do you understand by line organisation? Describe its merits and

demerits.

2.5.11 SUGGESTED READINGS

1. Business Policy
By : L.M. Prasad
Published by : Sultan Chand and Sons
2. Principles of Business Management
By : R.K. Sharma
Shashi K. Gupta
Kalyani Publishers

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