NOTES

Unit 1: Nature of Management

1.1 INTRODUCTION
In the modern times one of the most important human activities is managing group of people. Ever since people began forming groups to accomplish aims they could not achieve as individuals, managing has been essential to ensure the coordination of individual efforts. As society has come to rely increasingly on group effort and as many organized groups have become large the task of managers has been rising in importance.
Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims.

The basic definition of Management explain that
* As managers, people carry out the managerial functions of planning organizing, staffing, leading and controlling.
* Management applies to any kind of organization.
* It applies to managers at all organizational levels.
* The aim at all managers is the same to create a surplus.
* Managing is concerned with productivity, which implies effectiveness and efficiency.

1.1.1 MEANING OF MANAGEMENT
Management is a problem solving process of effectively achieving organizational objectives by effective utilization use of scarce resources in a changing environment.
Management is thus the process of planning, organising, staffing, directing and controlling human efforts to achieve organizational objectives effectively.

1.1.2 DEFINITION OF MANAGEMENT
According to Koontz and Weihrich "Management is the process of designing & maintaining an environment in which individuals, working together in group, efficiently accomplish selected goals."
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."

1.1.3 NATURE OF MANAGEMENT
1. **Universality:** It is a universal phenomenon in the sense that it is common and essential in all enterprises. The principles of management can be applied in all managed situations regardless of size, nature and locations of organisation. Universality also implies that managerial skills are transferable and managers can be trained and developed.

2. **Purposeful:** It is always aimed at achieving organisation goals and purposes. The success of management is measured by the extent to which desired objectives are attained. The tasks of management are directed towards effectiveness and efficiency.
3. **Social Process:** It involves managing people organized in work groups. It involves retaining, developing and motivating people at work as well as taking care of their satisfaction as social beings.
4. **Coordinating Force:** It coordinates the efforts of organizational members through elderly arrangement of inter-related activities to avoid duplication of efforts.
5. **Intangible:** It is intangible. Its presence can be felt by outcomes of its efforts in the form of orderly, adequate, work output, employee satisfactions etc.
6. **Continuous Process:** It is an ongoing process. The cycle of management continues as long as there is existence of organisation.
7. **Composite Process:** Management is a composite process made up of individual components. All the functions are performed by several components in orderly fashion.
8. **Creative Organ:** Management creates synergy by producing results which are more than the sum of individual efforts of group members. It provides creative ideas, new imagination and vision to group efforts.

1.1.4 IMPORTANCE OF MANAGEMENT

1. Achievement of Organisational Goals: Management helps organisations to effectively design their goals and frame plans and policies to achieve them efficiently.

2. Optimum Utilisation of Organisational Resources: Management helps the organisation utilise its scarce resources (human, physical and financial resources) efficiently. Human resources are the people with their talent, skill, knowledge, experience and abilities for effective conversion of inputs into outputs. Material or physical resources are the raw material or plant and machinery required for producing goods and services. Financial resources are the money or funds needed for meeting organisational short- term and long-term requirements of raw material, labour, machinery and other current and fixed assets.

3. Develop Analytical and Conceptual Ability of Managers: Management helps to analyse the organisational problems, link them with other organisational matters and arrive at solutions geared towards organisational goals.

4. Balance between Multiple Goals: At a point of time, managers face multiple goals which cannot be simultaneously achieved. Deciding about what is more important so that scarce organisational resources can be optimally allocated to different organisational goals is facilitated through management.

5. Economic and Social Development: Drucker asserts that "developing countries are not underdeveloped, they are undermanaged." If knowledge of management is transferred from developed to developing countries, developing countries will develop their entrepreneurial ability, managerial excellence, rate of savings, capital formation and, thus, economic and social development.

6. Coordination between Individual and Organisational Goals: Effective management coordinates individual goals of people with formal goals of the organisation. It motivates employees to put their best efforts to contribute to organisational goals and through it, achieve their personal goals.

7. Face Competition: Management helps firms face tough competition in the contemporary business environment. Effectively managed business firms outperform those which are not effectively managed and, thus, capture bigger share of the market. Management promotes innovation as fast changing technology, social processes and organisation structures have become inevitable part of organisational working. It helps the organisations adopt the complex environmental changes and promote their level of competence.

8. Social Upliftment: Management promotes social development by generating and directing human energies towards the needs of the society such as health care, education, clean environment etc.

9. Reform Government and Society: Management teaches respect for individual values, tradition and social culture. The more management of an organisation believes in traditions, customs, values and beliefs of the society, the more that organisation is accepted by the society and the Government.

10. Social Innovation: The social and economic development is more a result of social innovation than technical innovation. The needs of our society, educate, health care, clean environment, entrepreneurship, productivity etc. are fulfilled through able and skilled managers. The knowledge of management, therefore, plays important role in the social upliftment of society. "Economic and social development are the result of management. Development is a matter of human energies rather than of economic wealth. And the generation and direction of human energies is the task of management. Management is the mover and development is a consequence."

11. Foundation to Organisation: Clearly defined tasks, their distribution to people with authority provides foundation to the organisation. It assigns right task to the right person to avoid duplication and confusion in organisational activities.

12. Environmental Analysis: Management enables an organisation to analyse its strengths and weaknesses and relate them with environmental threats and opportunities. (This is done with the help of SWOT analysis). It helps managers to minimise risks and maximise environmental opportunities and business gains.

1.1.5 FUNCTIONS OF MANAGEMENT

The major functions of management are discussed below:

1. Planning: It includes forecasting, formation of objectives, policies, programmes, producer and budget. It is a function of determining the methods or path of obtaining their objectives. It determines in advance what should be done, why should be done, when, where, how should be done. This is done not only for organization as a whole but also for every division, section and department. Planning is thinking before doing.

2. Organizing: It includes departmentation, delegation of authority, fixing of responsibility and establishment of relationship. It is a function of providing everything useful to the business organization. There are certain resources which are mobilize i.e. man, machine, material, money, but still there are certain limitations on these resources. A manager has to design and develop a structure of various relations. This structure, results from identification and grouping work, delegation of authority and responsibility and establishing relationship.

3. Staffing: It includes man power planning, recruitment, selection, placement and training. People are basically responsible for the progress of the organization. Right man should be employed for right job. It also involved training of personnel and proper remuneration.

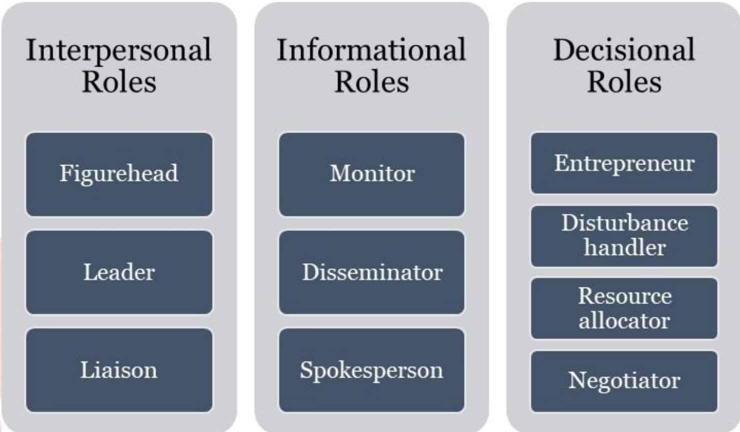
4. Directing: It includes decision making, supervising, guidance etc. It reflects providing dynamic leadership. When the manager performs these functions, he issues orders and instructions to supervisors. It also implies the creation of a favourable work, environment motivation, managing managers, managing workers and managing work environment.

5. Communication: Communication provides the vital link in any organization. Every successful manager has to develop an effective system of communication. Communication means exchange of facts, ideas and information between two or more person. It helps in building up high moral.

6. Controlling: It is a process of checking actual performance against standard performance. If there is any difference or deviation then these differences should be detected and necessary steps should be taken. It involves three elements:

1. Establishing standard of performance.
2. Measuring actual performance with establishment.
3. Finding out reasons for deviation.

1.2 ROLE OF MANAGEMENT / ROLE OF MANAGERS



1. Interpersonal Roles:

A. Figurehead: In this role, every manager has to perform some duties of a ceremonial nature, such as greeting the touring dignitaries, attending the wedding of an employee, taking an important customer to lunch, and so on.

B. Leader: As a leader, every manager must motivate and encourage his employees. He must also try to reconcile their individual needs with the goals of the organization.

C. Liaison: In this role of liaison, every manager must cultivate contacts outside his vertical chain of command to collect information useful for his organization.

2. Informational Roles:

A. Monitor: As monitor, the manager has to perpetually scan his environment for information, interrogate his liaison contacts and his subordinates, and receive unsolicited information, much of it as result of the network of personal contacts he has developed.

B. Disseminator: In the role of a disseminator, the manager passes some of his privileged information directly to his subordinates who would otherwise have no access to it.

C. Spokesperson: In this role, the manager informs and satisfies various groups and people who influence his organization. Thus, he advises shareholders about financial performance, assures consumer groups that the organization is fulfilling its social responsibilities and satisfies government that the origination is abiding by the law.

3. Decisional Roles:

A. Entrepreneur: In this role, the manager constantly looks out for new ideas and seeks to improve his unit by adapting it to changing conditions in the environment.

In addition, managers in any organization work with each other to establish the organization's long-range goals and to plan how to achieve them. They also work together to provide one another with the accurate information needed to perform tasks. Thus, managers act as channels of communication with the organization.

B. Disturbance Handler: In this role, the manager has to work like a fire-fighter. He must seek solutions of various unanticipated problems – a strike may loom large a major customer may go bankrupt; a supplier may renege on his contract, and so on.
C. Resource Allocator: In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.
D. Negotiator: The manager has to spend considerable time in negotiations. Thus, the chairman of a company may negotiate with the union leaders a new strike issue; the foreman may negotiate with the workers a grievance problem, and so on.

1.2.1 MANAGERIAL FUNCTIONS AS AT DIFFERENT ORGANIZATIONAL LEVELS

There are three levels of management:
- Top level management
- Middle level management
- Lower level management

Administrative level consists of top or upper level of management. Operative level consists of middle level and lower management. Lower level management includes supervisor and foreman. The level of management is depends upon the size of the organization. If there is large number of levels it will difficult to communicate and co-ordinate and control. So the levels must be restricted.

A. FUNCTIONS OF TOP MANAGEMENT:

- To analyze, evaluate & deal with the external environmental forces
- To establish overall long-term goals strategy & policies of the company including the master budget to allocate resources.
- To create an organizational framework consisting of authority responsibility relationships.
- To appoint departmental & other key executives.
- To provide overall leadership to the company.
- To represent the company to the outside world, e.g.; trade associations, government, trade unions, etc.
- To exercise overall review & control on the company's operations.
- To coordinate the activities & efforts of different departments.

B. FUNCTIONS OF MIDDLE MANAGEMENT:

- To interpret & explain the policies framed by top management.
- To compile & issue detailed instructions regarding operations.
- To maintain close contacts with operating results so as to evaluate performance.
- To participate in operating decisions
- To cooperate among themselves so as to integrate or coordinate various parts of a division or a department

C. FUNCTIONS OF SUPERVISORY MANAGEMENT:

- To plan day-to-day production within the goals lay down by higher authorities.
- To assign jobs to workers to make arrangements for their training & development.
- To supervise & control workers & maintain personal contact with charge hands.
- To arrange materials & tools & to maintain machinery.
- To advise & assist workers by explaining work procedures, solving their problems, etc

1.3 MANAGEMENT AS AN ART, SCIENCE AND PROFESSION

Management is treated as art, science and profession because it has some characteristics of an art, a science and a profession.

(A) Management as an art

- To understand Management as an art form, we should first understand the meaning of art. Art is defined as the ability to use information and skills to get the desired results. Artists have the ability to come up with unique solutions and art forms for complicated problems.
- The analogy stands upright in Management as managers come up with unique and creative solutions to business challenges. There are no predefined solutions to business problems, and using hundreds of ways to build new processes is a normal part of Management.

- Art is personal skill. It is created by nature. It does not possess by all. Art is bringing about desired results with the help of skills. Management is one of the most creative arts. It requires a lot of knowledge.

Management is an art because:

1] It is creative
2] It involves use of skill.
3] It involves use of technical knowhow.
4] It is directed towards getting results.
5] It is personalized.

(B) Management as a science

- Science is an organized collection of knowledge that has an explanation on the basis of facts for every phenomenon. The concepts and hypotheses of science are all defined with principles, and a similar thing is practiced in Management.
- Like art, Management also shares key factors with science, which can quickly help us term Management as a science.

Management is science because:

1) Systematic structure – Subjects of science like Chemistry and physics have defined systematic principles and divisions. Each subsection has another set of principles that help you experiment with new things in a particular domain. Similarly, Management has a systematic structure of divisions and principles. Every principle can be used as a reference while experimenting with new things.

2) Universal validity – The concepts and basic principles of Management have universal validity. For example, the principles used in finance management are similar in every company, and the rules are valid universally. These sets of principles do not change with situations and applications.

3) Experiments – Concepts and principles of science are predefined and are always experimented with trial and error to justify them and bring new inventions. Similarly, concepts in Management are often tested to improve business practices.

(C) Management as a profession

- A profession is a form of occupation in which a person renders his/her services after acquiring expertise in a particular domain. The professional is remunerated by the company for which he/she renders the services.
- The profession involves a contract between a company and the professional for a specific period, and the entry factors for the role are limited by various factors.

Characteristics of a profession:

1. Systematic body of knowledge: - Professionals require expert knowledge in a particular discipline. E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.

2. Formal Education: - A true professional needs to have formal education from the institution. E.g. Lawyer needs degree of law.

3. Social Responsibility:- The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.

4. Independent Office: - Normally professionals practice from their independent office.

5. Specialization: - The professionals may specialize in a particular field. E.g. heart specialist, child specialist and ENT surgeon.

6. Fees: - The professionals required license or a permission to practice. E.g. a doctor requires license to practice as a medical practitioner.

The modern concept of management has developed as a profession because:-

1. Organization is a systematic body of knowledge.
2. Formal methods of acquiring knowledge and skill with the help of different institution.
3. Rise in professional management consultant.
4. Need for honesty.

(D) Management as a Social Science

Management is a social science because it deals with human being. Management is a social science due to the following reasons:-

1. Systematic collection and processing of information:- Management collects information either by observation or experiment and practice. E.g. Marketing people collect information about expected sales on the basis of observation, experiment and practice. The data is collected. Then it is process and with the help of computer and statistical tools and then the data is analyzed and decisions are taken.

2. Output may change though the inputs are same: - In management the output may change even when the input remains the same because it deals with human being. Subordinates working under one manager may give different result though resources are same. Process of management is universally followed i.e. planning, organizing, staffing, directing, controlling and reporting. Every manager while performing his job must use his knowledge to get better results.

3. Principles of Management are universally accepted:- All successful organizations must follow established principles of management, such as division of work, unity of command, authority and responsibilities, discipline etc. So it is said that management is not only an art, a science or a profession but combination of all.

1.4 CONCEPT OF MANAGEMENT, ORGANISATION & ADMINISTRATION

(A) Management

Management is a distinct process consisting of planning, organizing, staffing and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources.

Features of Management

- Organized activities
- Existence of objectives
- Relationship among resources
- Working with & Through people
- Decision- Making

(B) Organization

"Organizations which can be defined as group of people working together to create a surplus."

- In business organizations, this surplus is profit.
- In non profit organizations, such as charitable organizations, it may be the satisfaction of needs.

(C) Administration

Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects". It refers to the activities of higher level. It lays down basic principles of the enterprise.

According to Newman, "Administration means guidance, leadership & control of the efforts of the groups towards some common goals".

(D) Management & Administration:

- Administration is above management
- Administration is part of management
- Management & administration are same

(a) Administration is above management:

- "Administration is that phase of business enterprise that concerns itself with the over all determination of institutional objectives & the policies necessary to be followed in achieving those objectives."
- "Management on the other hand, is an executive function which is primarily concerned with carrying out broad policies laid down by the administration."

(b) Administration is a part of management:

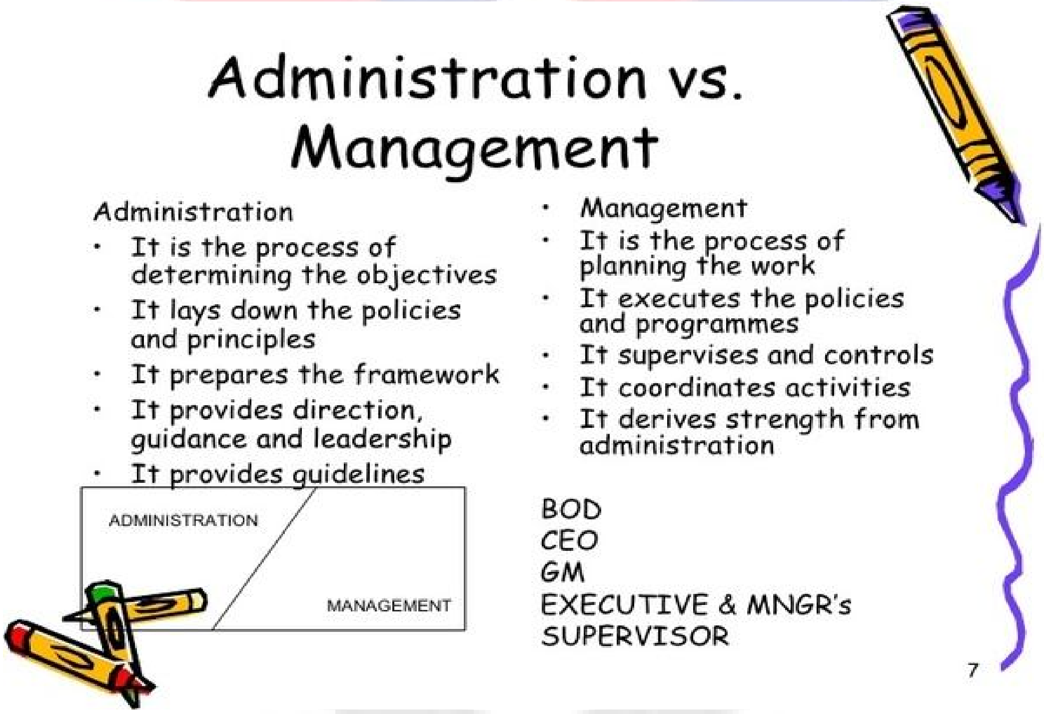
- Management is a generic name for the total process of executive control in industry or commerce.
- It is a social process entailing responsibility for the executive & economic planning & regulation of the operation of an enterprise, in the fulfilment of a given purpose or task.

- Administration is that part of management which is concerned with the installation & carrying out the procedures by which it is laid down & communicated, & the process of activities regulated & checked against plans.

(c) Management & Administration are same:

- Management & administration are synonymous; the difference between the two terms lies mostly in their usage in different countries or different fields of human organizations.
- The distinction between the two terms may be drawn by analyzing the origin of the word "administration".
- The government often uses the word administrator, instead of manager, to handle & manage its affairs

(E) Difference between management, administration and organization



Basis of difference	Management	Administration	Organization
1. Scope	It is wide up to formulation of policies.	It is much wide. The total development of the business is dependent upon it.	In comparison to management and administration, its area is narrow.
2. Policy	It implements policies.	It prepares policies.	It forms group of people for the formulation of policies.
3. Effected by whom	Management is effected by human force.	Administration is effected by external factors.	It is a helping element. So, it is effected by management.
4. Responsibility	It undertakes the responsibility of management of business.	It undertakes the responsibility of giving basic policies and capital to the business.	It undertakes the responsibility of making coordination among management and administration.
5. Role	It is the soul of institution.	It is the brain of institution.	It is the body of the institution.

Conclusion

Theoretically both the terms are different but when put into practice the terms can be used interchangeably as all the levels of management are performing both administrative & functional activities.

Unit 2: Evolution of Management Thoughts

2.1 INTRODUCTION

The schools of management thought are theoretical frameworks for the study of management. Each of the schools of management thought are based on somewhat different assumptions about human beings and the organizations for which they work.

Since the formal study of management began late in the 19th century, the study of management has progressed through several stages as scholars and practitioners working in different eras focused on what they believed to be important aspects of good management practice.

Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management schools

2.2.1 CONCEPT OF MANAGEMENT THOUGHTS

Management Thought is the gathering knowledge about the origin of management, thinking proper and foundation of management research of different authors about the basic concepts of management.

Henny Fayol, "To manage is to forecast and plan, to organize, to command, to co-ordinate and to control."

2.2.2 EVOLUTION OF MANAGEMENT THOUGHT

Pre – Historical Period: - Management is as old as man. Awareness of needs & satisfaction of needs is the part & parcel of management. In the ancient time in the villages, head of the village plans for the villages. There was a good labour planning. Villages were isolated. The basic needs in the villages were satisfied by the persons in the villages. Responsibilities were distributed among the people to satisfy the basic needs.

2. Organized Society: - (Church & Military) The next contribution to the development of organization & management was by roman church. 1500 years ago Chinese ruler advised government about management of human institutions. The German public gives contribution towards management thoughts. During this period management techniques were largely developed in administrative military & state administration.

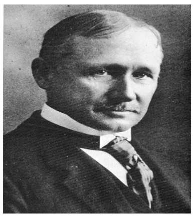
3. Industrial Revolution: - This period is known as the period of scientific management. It is proved that management is related with enterprise & business. In this period lots of technological changes took place. With the industrial revolution the question of traditional management appears. The traditional management concept was replaced by professional management.

4. Towards Consolidation: - This stage mark the beginning of the work of investigation of principles of management i.e. division of work, authority, responsibility, discipline, scalar chain. These ideas were developed by 'Henry Fayol'.

5. Recent Development: - Recently management concepts are based on mathematical analysis. They are based on linear programming, operational research, PERT (Programme Evaluation and Review Technique), CPM (Critical Path Method). These techniques are useful in decision making, controlling, problem solving etc. In today's competitive world these techniques are essential for controlling the cost that is why management is called as a separate profession.

2.2 CONTRIBUTION OF FREDERICK TAYLOR, ELTON MAYO, HENRY FAYOL AND PETER DRUCKER

2.2.1 CONTRIBUTION OF F.W.TAYLOR



- Frederick Winslow Taylor (20 March 1856-21 March 1915), widely known as F. W. Taylor, was an American mechanical engineer who sought to improve industrial efficiency.
- He is regarded as the father of scientific management, and was one of the first management consultants.
- One of the first people to study the behavior and performance of people at work.
- became a consultant and taught other managers how to apply his scientific management techniques
- Believed that by increasing specialization and the division of labor, the production process will be more efficient.

(B) SCIENTIFIC MANAGEMENT

- It is the art of knowing what exactly you want from your men to do & then seeing that it is done in best possible manner.
- In simple words it is just an application of science to management.
- The systematic study of relationships between people and tasks for the purpose of redesigning the work process to increase efficiency.

(C) MANAGEMENT THEORY BY TAYLOR

- Analyzing the work – One best way to do it.
- He is remembered for developing time and motion study.
- He would break a job into parts and measure each of 100th of a minute.
- The efforts of his disciples (most notably H. L. Gantt) made the industry to implement these ideas.

(D) Taylor's view about management

- Taylor believed that the industrial management of his day was amateurish, that management could be formulated as an academic discipline.
- Best results would come from the partnership between trained and qualified management and a cooperative and innovative workforce.
- Each side needed the other and there is no need for trade unions.

Mechanism:-

1. Separation of Planning & Doing:- Before Taylor's scientific management a worker used to plan about his work & instruments necessary for that. Supervisors' job was to see how the workers were performing. This creates a lot of problems. So Taylor has separated planning & doing authority.

2. Functional Foremanship:- Separation of planning from doing resulted into development of supervision system. In this system 8 persons were engaged, out of that 4 persons were engaged in planning department. They are time & cost clerk, routine clerk, instruction card clerk & disciplinarian. In production process 4 personnel were engaged, they are speed boss, repair boss, supervisor & gang boss.

3. Job Analysis:- It is related with finding out best way of doing. It means that least movements in doing job. It will lead to complete production in less time & lesser cost. It includes:-

A) Time Study:- It means determining time required to complete a job in a particular time. The movement which takes minimum time is the best one.

B) Motion study:- It means study of movement while performing a job i.e. elimination of wasteful movement in performing a job, only necessary movements are engaged.

C) Fatigue Study:- It shows the amount & frequency of rest required, while completing the work. After certain period of time workers feel fatigue & can't work with full capacity. Therefore they require rest in between. When rest is allowed they start working with full capacity.

D) Standardization:- As far as possible standardization should be maintained in respect of instruments & tools, period of work, amount of work, working conditions, cost of production etc. these all things are fixed in advance on the basis of job analysis.

E) Scientific Selection & Training of Workers: - Taylor has been suggested that worker should be selected on scientific basis taking into account their education, work experience, attitude & physical strength.

F) Financial Incentives:- Financial incentives help to motivate workers in maximum efforts. Higher wages lead to increase in efforts. He applied differential piece rate system. According to him workers have to complete the work within specified time and then only he will get wages at higher rate per piece & one does not complete a job get a lower rate. Wages should be based on individual performance & not on the position occupied.

G) Economy: - Techniques of cost estimated & control should be adopted. Waste should be controlled properly. Profit will be achieved with elimination of wastage. He explained how resources are wasted.

H) Mental Revolution:- Scientific management depends upon mutual co-operation between workers & management. Taylor say's great revolution takes place in the mental attitude of two parties under scientific management. He has given systematic design of work. Labour management, co-operation required a complete mental change on the part of both parties. The workers have specific duties towards management & vice-a-versa. The method of scientific investigation & knowledge should be accepted by both parties.

Criticisms:-
In the beginning Taylor's scientific management was considered as something very unique. But after some time it was subjected to several criticism.

1) Taylor's scientific management was related to production management. It takes practical view of management & focuses attention only on the production management. Taylor's study of management has become the study of lower level management. He stressed on efficiency on lower level. He has neglected marketing, financial and decision making aspects completely.

2) Scientific management is applicable to large scale organization. It involves high expenditure. It is a luxury for small scale organization. It involves research, experiment & analysis. It is difficult for small scale organization.

3) It was also argued that devices of work analysis, time study & motion & fatigue study can't be applied in the practical life.

4) The idea of best way of doing a job was also criticized. Everyone has his own natural style of work & he can give best only if he is allowed to work in his style. The maximum efficiency will be attained by the group & not by individual worker.

5) Wages of workers are not increased in a direct proportion of productivity. It leads to exploitation to workers.
6) People are not ready to use the word 'scientific'. The scientific does not have any significance. Management is a social science and not an exact science.

2.2.2 CONTRIBUTION OF HENRY FAYOL

(ADMINISTRATIVE MANAGEMENT)

Henry Fayol has been considered as the real father of modern management. He was a French industrialist and graduated as a mining engineer in 1860. In 1908, Fayol contributed his famous "functional approach" to the management literature.

Fayol's writings were first published in 1908 in French, but up to 1918, it was not translated into English. His ideas wee accepted after his death in 1925.

Henry Fayol has written a book for his contribution in which he has explained the problems managing & organization from top management point of view. He has used the term administration instead of management.

o Fayol found that activities of industries should be divided into 6 group's i.e.

- Technical (production)
- Commercial (buying, selling and exchange)
- Financial (optimum use of capital)
- Security (protection of property)
- Accounting (including statistics)
- Managerial (all functions of management)

Fayol also stressed that managers should possess physical, mental, moral, educational and technical qualities to conduct operations of a business enterprise. While giving management principles Fayol has emphasized on two things:-

i. The principles of management can be followed in every organization.

ii. These principles are not fixed. They are flexible.

He has listed certain fundamental principles which are to be adopted by managers in dealing with sub-ordinates.

These 14 principles are worldwide applicable.

1) Division of Work (specialization):- A business activity carried out by small scale may be managed & controlled by proprietor. As business expands, activities grow & need more people to control those activities. Organization is jointly managed by a group of person. Fayol has advocated division of work to take the advantage of specialization.

2) Authority & Responsibility:- Authority represents a power enjoyed by a person of his position in the organization. It may be for taking decision, spending money or in many other ways. Responsibility is obligation created upon a person for the use of authority, which is entrusted to him. These two terms are co-related. Fayol suggested that there must be balance between authority & responsibility.

3) Discipline:- All the personnel serving in an organization must follow discipline. Discipline is obedience, application of behaviour & energy shown by an employee. Discipline may be self employed or command discipline. Discipline can be obtained lower remuneration, dismissal, demotion of position. While applying such circumstances proper proof should be taken into account.

4) Unity of Command:- Each employee should receive order from single superior. In the organization structure it should be clearly stated that who is responsible to whom? & who should receive order from whom?

5) Unity of Direction:- According to this principle each group of activity with some objective must have one head. There is a difference between unity of command & unity of direction. Direction is concerned with planning & unity of command is concerned with reporting.

6) Subordination of individual interest to general interest:- In an organization individual interest should not be given any importance. The manager should always keep organizational interest before him & should determine such policies which will be beneficial to entire group & not just few personnel. It is responsibility to management to create common understanding between all.

7) Remuneration:- Every employee must be paid an adequate remuneration for his services. Remuneration should be fair & should provide maximum satisfaction to person who is working in the organization. Personal factors such as demand for labour, position of the labour & competition as well as cost of living index should be taken into account. General Economic Conditions should be considered while deciding the remuneration of an employee. In any case exploitation of the worker should be avoided.

8) Order:- Fayol has suggested that at one position one person should be appointed. Each person must have appropriated position in organization.

9) Centralization:- It means the extent to which authority should be concentrated in the hands of top level management. It may be centralized or decentralized. There are limitations of complete centralization & complete decentralization. Therefore, there should be proper balance between this two.

10) Scalar Chain: - (Straight line & Command) It shows the straight line of authority from highest level to lower level for communication. Scalar chain is the extract of organization chart & shows the responsibility or position of everybody in an organization.

TAYLOR (SCIENTIFIC APPROACH) VS FAYOL (ADMINSTRATIVE APPROACH)

ADMINISTRATIVE VS SCIENTIFIC MANAGEMENT

BASIS FOR COMPARISON	HENRI FAYOL	F.W. TAYLOR
Meaning	HENRI Fayol, is a father of modern management who laid down fourteen principles of management, for improving overall administration.	F.W. Taylor, is a father of scientific management who introduced four principles of management, for increasing overall productivity.
Concept	General theory of administration	Scientific Management
Emphasis	Top level management	Low level management
Applicability	Universally applicable	Applies to specialized organizations only.
Basis of formation	Personal Experience	Observation and Experimentation
Orientation	Managerial function	Production and Engineering
System of Wage Payment	Sharing of profit with managers.	Differential Payment System
Approach	Manager's approach	Engineer's approach

2.2.3 CONTRIBUTION OF PETER DRUCKER

- Born in Vienna,Austria
- Earned Doctorate in International Law in Germany
- Moved to U.S. and became citizen in 1943
- Popularly known as **"The Father of Modern Management"**
- Professor at New York University (1950-1971)
- Professor at Claremont Graduate University (1971-2005)

- Awarded presidential medal of freedom by G.W.Bush (2002)
- Writer, consultant, economist (Author of 39 books and countless popular articles about humans in business, government and non profit world)
- Some of the major contributions of Peter Drucker are as follows: 1. Nature of Management 2. Management Functions 3. Organisation Structure 4. Federalism 5. Management by Objectives 6. Organizational Changes.

- Among the contemporary management thinkers, Peter Drucker outshines all. He has varied experience and background which include psychology, sociology, law, and journalism. Through his consultancy assignments, he has developed solutions to number of managerial problems. Therefore, his contributions cover various approaches of management. He has written many books and papers.
- The more important books are; Practice of Management (1954), Managing by Results (1964), The Effective Executive (1967), The Age of Discontinuity (1969), Management: Tasks, Responsibilities and Practices (1974), and Management Challenges for 2Century (1999),

- **1. Nature of Management:**

  Drucker is against bureaucratic management and has emphasised management with creative and innovative characteristics. The basic objective of management is to read towards innovation. The concept of innovation is quite broad. It may include development of new ideas, combining of old and new ideas, adaptation of ideas from other fields or even to act as a catalyst and encouraging others to carry out innovation.

  He has treated management as a discipline as well as profession. As a discipline, management has its own tools, skills, techniques and approaches. However, management is more a practice rather than a science. Thus, Drucker may be placed in 'empirical school of management'.

  While taking management as a profession. Drucker does not advocate to treat management as a strict profession but only a liberal profession which places more emphasis that managers should not only have skills and techniques but should have right perspective putting the things into practice. They should be good practitioners so that they can understand the social and cultural requirements of various organisations and countries.

2. Management Functions:

According to Drucker, management is the organ of its institution. It has no functions in itself, and no existence in itself. He sees management through its tasks. Accordingly, there are three basic functions of a manager which he must perform to enable the institution to make its contribution for:
(i) The specific purpose and mission of the institution whether business, hospital or university;
(ii) Making work productive and the worker achieving; and

(iii) Managing social impacts and social responsibilities.
All these three functions are performed simultaneously within the same managerial action. A manager has to act as administrator where he has to improve upon what already exists and s already known. He has to act as an entrepreneur in redirecting the resources from seas of tow or diminishing results to areas of high or increasing results.

Thus, a manager has to perform several functions: setting of objectives, making, organising and motivating. Drucker has attached great importance to the objective setting function and has specified eight areas where clear objective setting is required. These are: market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.

3. Organisation Structure:
Drucker has decried bureaucratic structure because of its too many dysfunctional effects. Therefore, it should be replaced. He has emphasised three basic characteristics of an effective organisation structure.

These are:
(i) Enterprise should be organised for performance;
(ii) it should contain the least possible number of managerial levels;
(iii) it must make possible the training and testing of tomorrow’s top managers—responsibility to a manager while still he is young.
He has identified three basic aspects in organising activity analysis, decision analysis, and relation analysis. An activity analysis shows what work has to be performed, what kind of work should be put together, and what emphasis is to be given to each activity in the organisation structure.

Decision analysis takes into account the four aspects of a decision: the degree of futurity In the decision, the impact of decision over other functions, number of qualitative factors that enter into it, and whether the decision is periodically recurrent or rare. Such an analysis will determine the level at which the decision can be made. Relation analysis helps in defining the structure and also to give guidance in manning the structure.

4. Federalism:
Drucker has advocated the concept of federalism. Federalism refers to centralised control in decentralised structure Decentralised structure goes far beyond the delegation of authority. It creates a new constitution and new ordering principle. He has emphasised the close links between the decisions adopted by the top management on the one hand and by the autonomous unit on the other.

This is just like a relationship between federal government and state governments. In a federal organisation, local managements should participate in the decision that set the limits of their own authority. Federalism has certain positive values over other methods of organising.

These are as follows:
(i) It sets the top management free to devote itself to its proper functions;
(ii) It defines the functions and responsibilities of the operating people;
(iii) It creates a yardstick to measure their success and effectiveness in operating jobs; and
(iv) It helps to resolve the problem of continuity through giving the managers of various units education in top management problems and functions while in an operating position.

5. Management by Objectives:
Management by objectives (MBO) is regarded as one of the important contributions of Drucker to the discipline of management. He introduced this concept in 1954. MBO has further been modified by Schleh which has been termed as management by results'. MBO includes method of planning, setting standards, performance appraisal, and motivation.

According to Drucker, MBO is not only a technique of management but it is a philosophy of managing. It transforms the basic assumptions of managing from exercising cattalo to self-control. Therefore, in order to practice MBO, the organisation must change itself MBO has become such a popular way of managing that today t is regarded as He most modern management approach. In fact, it has revolutionalised the management process.

6. Organizational Changes:
Drucker has visualised rapid changes in the society because of rapid technological development. Though he is not resistant to change, he feels concerned for the rapid changes and their impact on human life. Normally, some changes can be absorbed by the organisation but not the rapid changes.

Since rapid changes are occurring in the society, human beings should develop philosophy to face the changes and take them as challenges for making the society better. This can be done by developing dynamic organizations which are able to absorb changes much faster than static ones. Drucker's contributions have made tremendous impact on the management practices. His contributions have been recognised even by the management thinkers of Socialist Bloc.

For example, Vishiani a USSR management thinker writes about Drucker as follows:
"Drucker shows certain foresightedness and understanding of the development prospects of modern production when he opposes the view that worker is no more than an appendage of machine. Moved by

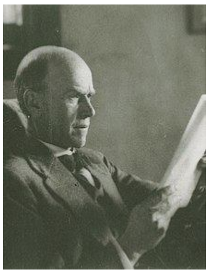
a desire to strengthen the position of capitalism, he endeavors to give due consideration also to some objective trends in production management.

Drucker, therefore, tells the industrialists not to fear a limited participation of the workers in the management of production process. He warns them that if they do not abandon that fear, the consequences may be fatal to them.” Drucker is perhaps the only Western management thinker who has attracted so much attention of the communist world.

Conclusion

- Peter Drucker contributed to many fields of management.
- He has contributed to several management areas like Human Resource Management, Marketing Management and organisational behaviour.
- His contribution seems much valuable in both management theory and practice.
- His concepts are widely accepted globally.

2.2.4 CONTRIBUTION OF ELTON MAYO



(1880-1949) (HAWTHORNE EXPERIMENTS)

Elten Mayo can be called as the Founder of Human relations school. Mayo conducted experiments at the Department of Industrial research of Harward. Mayo was of the opinion that an individual is not very important, his personality is important as a member of the group.

The human relations movement was evolved during 1920’s in the U.S.A. Elten Mayo (1880-1949) laid the foundations for the human relations approach. Hawthorne experiments was conducted from 1924 to 1932 at a plant of Western Electric Company, Chicago was manufacturing Telephone System Bell. It employed 30,000 employees at the time of experiment. The experiment was conducted in 4 phases.

I] Illumination Experiment :- (Physical, conducting, lighting effect) It was undertaken to find out how change in the level of light & physical factor affects production. Higher illumination will help in increasing the production; decrease in illumination will lead to decrease in production.

II] Relay Assembly Test Room:- Under this study, two small groups of six female telephone relay assemblers were put in separate rooms under close observation and control. Frequent changes were made in working conditions such as working hours, rest periods, hot lunch etc. Over the two years period, it was concluded that social or human relationship among workers exercised greater influence on productivity of workers than working conditions. This special attention and treatment given to workers developed a sense of group pride and belongingness which motivated them to increase their performance.

III] Mass Interview Program:- During the course of experiment about 20,000 interviews were conducted from 1928 to 1930. For determination of employee's attitude towards company such as supervision, insurance plan, promotion, wages etc. & yes & no type of questions were asked. During the course of interview it was discovered that workers behaviour was influenced by group behaviour. The programme indicated that productivity can be increased if people allowed talking freely.

IV] Bank wiring observation room:- This experiment was carried from 1931 to 1932 with a view to analysis functioning of small group & its impact on individual behaviour. The group was formed consisting of 14 male members, 9 wire men & two inspectors. Hourly wage rate was based on average output of each worker & bonus was based on the productivity of group of workers. It was found that the group has established its own standards of output and social pressure was exercised.

The main conclusions of Hawthorne Experiments are as follows:

1) Social factor in output:- Worker is influenced by social factor & the behaviour within the group. Man is a social animal. Only monetary incentives are not sufficient to increase the production but non-monetary incentives will also help to increase the production. Means, behaviour within the group will definitely increase the production. This acts as a motivating factor.

2) Group Influence:- Worker forms a group in the organization means, they develop informal relationship. They try to change their behaviour & manager is considered as a part & parcel for that group & not as a manager.

3) Leadership:- Leadership is important for directing group behaviour. But the formal relationship is not accepted by the workers. Informal relationship which is express in relay assembly test room & bank wiring observation room is lead to increase the efficiency of the workers.

4) Supervision:- Supervision is important for determining efficiency of output but friendly supervision helps to increase the productivity of the workers in the organization.

5) Communication:- In every organization communication is very important. Workers participation in the process of decision making helps in increasing the productivity. Workers must communicate freely with managers to explain their problem. Better understanding between manager & workers develops positive attitude.

Criticism:-
1) The Hawthorne experiment is criticized because there is no scientific base. It is based on social relationship.
2) It was also pointed out that this experiment does not have any guarantee because it has limited scope.
3) The human relationship approach is criticized on the several bases. It is observed that this approach try to soft corner of the requirement of the organization. No attempt was made to understand human behaviour at work place.
4) As a result of the impact of human relation approach, human relation become fad and fashion with many people of the organization. They believe that happy workers are productive workers. This is not always true.
5) With the passage of time both managers & workers begin to realize disadvantage of the situation.
6) When decisions are made secretly is important which is not possible in the Hawthorne experiment.

However, human relationship approach should not be totally neglected. Human psychology is basically sound & should be properly understood.

2.3 INDIAN MANAGEMENT ETHOS (INDIAN) AND DIFFERENT STYLES FOR EXAMPLE (J.R.D TATA, DHIRUBHAI AMBANI, N. R. NARAYANA MURTHY, VERGHESE KURIEN)

2.3.1 J.R.D. Tata

- Jehangir Ratanji Dadabhoy Tata (29 July 1904 – 29 November 1993) was an Indian aviator, industrialist, entrepreneur and chairman of Tata Group.
- Born into the Tata family of India, he was the son of noted businessman Ratanji Dadabhoy Tata and his wife Suzanne Brière.
- He is also best known for being the founder of several industries under the Tata Group, including Tata Consultancy Services, Tata Motors, Titan Industries, Tata Salt, Voltas and Air India.

- In 1983, he was awarded the French Legion of Honour and in 1955 and 1992, he received two of India's highest civilian awards the Padma Vibhushan and the Bharat Ratna.

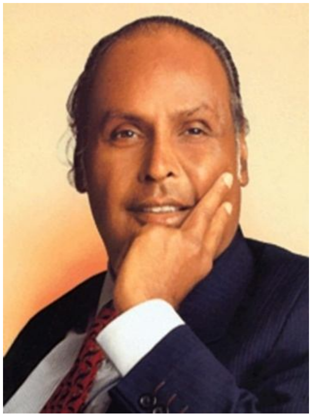
These honours were bestowed on him for his contributions to Indian industry.

Style of Management of J.R.D. Tata

- Courageous
- Diplomat
- Committed to Values
- Supportive towards innovation
- Gave credits to its employees for even small development
- Curbed his dreams which were hard to realise.
- Strived for excellence in every aspect of life.

"Nothing worthwhile is ever achieved without deep thought and hard work." **- J.R.D. Tata**

2.3.2 Dhirubhai Ambani



- Dhirajlal Hirachand Ambani, popularly known as Dhirubhai Ambani (28 December 1932 – 6 July 2002) was a successful Indian business tycoon who founded Reliance Industries.
- Ambani took Reliance public in 1977 and was worth $25.6 billion upon his death.
- In 2016, he was honoured posthumously with the Padma Vibhushan, India's second-highest civilian honour for his contributions to trade and industry.

Style of Management of Dhirubhai Ambani

- Roll up your sleeves and help.
- Be a safety net for your team.
- Dream big, but dream with your eyes opens.
- Learn the professional alone.

- Change your orbit constantly.
- Money is not a product itself, it is a by-product, so don't chase it.

2.3.3 N. R. Narayana Murthy

- Nagavara Ramarao Narayana Murthy (born 20 August 1946) is an Indian billionaire businessman.
- He is the co-founder of Infosys, and has been the chairman, chief executive officer (CEO), president, and chief mentor of the company before retiring and taking the title chairman emeritus.
- Murthy has been listed among the 12 greatest entrepreneurs of our time by *Fortune* magazine.
- He has been described as the "father of the Indian IT sector" by *Time* magazine for his contribution to outsourcing in India.
- Murthy has been honoured with the Padma Vibhushan and Padma Shri awards.

Style of Management of Narayan Murthy

- Under promising and over delivering.
- Performance oriented
- Always being unique in the market place.
- Never give up.
- For creating a successful organisation, it requires creating trust in people.
- Do it first and do it right.

"Think big, don't hesitate to smart small."**- N. Murthy**

2.3.4 Verghese Kurien

- Verghese Kurien (26 November 1921 – 9 September 2012), known as the "Father of the White Revolution" in India, was a social entrepreneur whose "billion-litre idea", Operation Flood, made dairy farming India's largest self-sustaining industry and the largest rural employment sector providing a third of all rural income.
- It made India the world's largest milk producer, doubled the milk available for each person, and increased milk output four-fold in 30 years.
- He also made India self-sufficient in edible oils and fought against the "oil kings", who used underhanded and violent methods to enforce their dominance over the oilseed industry.

Style of Management of Verghese Kurien

- Clarity of vision and ability to share it with others.
- Ability to inspire and motivate others
- Willingness to take (calculated) risks.
- Lateral thinking
- Positive attitude in problem solving
- Ability to drive, inspire and embrace change and continuous improvement.
- Committed to making a significant difference.
- Respect for all team members.
- Clear standards of ethics, integrity, opens and honesty.

Unit 3: Major Managerial Functions

3.1 FORECASTING

3.1.1 Meaning of Forecasting

- In simple terms forecasting means, "estimation or prediction of future". The prediction of outcomes, trends, or expected future behaviour of a business, industry sector, or the economy through the use of statistics. Forecasting is an operational research technique used as a basis for management planning and decision making.
- Forecasting is a systematic guessing of the future course of events.

Forecasting provides a basis for a planning.

3.1.2 Definition of Forecasting

- **Websters** new collegiate dictionary defines that, "A forecast is a prediction and its purpose is to calculate and predict some future events or condition."
- **Allen L.A.,** "Forecasting is a systemic attempt to probe the future by inference from known facts."
- **Neter & Wasserman,** "Business forecasting is refers to a statistical analysis of the past and current movements in the given time series so as to obtain clues about the future pattern of these movement.

3.1.3 Features of Forecasting

- It is concerned with future events.
- It is necessary for planning process.
- The impact of future events has to be considered in the planning process.
- It is a guessing of future events.
- It considers all the factors which affect organizational functions.
- Personal observation also helps forecasting.

3.1.4 Need & Importance of Forecasting

1. **Pivotal role in an organization:-** Many organizations havefailed because of lack of forecasting or faulty forecasting. The reason is that planning is based on accurate forecasting.
2. **Development of a business:-** The performance of specified objectives depends upon the proper forecasting. So the development of a business or an organization is fully based on the forecasting.
3. **Co-ordination:-** Forecasting helps to collect the information about internal and external factors. Thus collected information provides a basis for co-ordination.
4. **Effective control:-** Management executive can ascertain the strength and weaknesses of sub-ordinates or employees through forecasting.

5. **Key to success:-** All business organizations are facing risks. Forecasting provides clues and reduces risk and uncertainties. The management executives can save the business and get success by taking appropriate action.
6. **Implementation of project:-** Many entrepreneurs implement a project on the basis of their experience. Forecasting helps an entrepreneur to gain experience and ensures him success.
7. **Primacy to planning:-** The information required for planning is supplied by forecasting. So, forecasting is then primacy to the planning.

3.1.5 Process/Steps for Forecasting

1. Developing the Basis: The future estimates of various business operations will have to be based on the results obtainable through systematic investigation of the economy, products and industry.

2. Estimation of Future Operations: On the basis of the data collected through systematic investigation into the economy and industry situation, the manager has to prepare quantitative estimates of the future scale of business operations. Here the managers will have to take into account the planning premises.

3. Regulation of Forecasts: It has already been indicated that the managers cannot take it easy after they have formulated a business forecast. They have to constantly compare the actual operations with the forecasts prepared in order to find out the reasons for any deviations from forecasts. This helps in making more realistic forecasts for future.

4. Review of the Forecasting Process: Having determined the deviations of the actual performances from the positions forecast by the managers, it will be necessary to examine the procedures adopted for the purpose so that improvements can be made in the method of forecasting.

3.1.6 Forecasting Methods & Techniques

Forecasting technique can be classified into two major categories:
1. Qualitative forecasting technique.
2. Quantitative forecasting technique.

1. Qualitative Techniques:
i. Jury or executive opinion (Dolphi technique)
ii. Sales force estimates.
iii. Customer expectations.

i. Jury or Executive Opinion:

The jury of expert opinion sometimes referred to as the Dolphi technique; involves soliciting opinions or estimates from a panel of "experts" who are knowledgeable about the variable being forecasted.

In addition to being useful in the creation of a sales or demand forecast this approach is used to predict future technological developments. This method is fast less expensive and does not depend upon any elaborate statistics and brings in specialized viewpoints.

ii. Sales Force Estimates:
This approach involves the opinion of the sales force and these opinions are primarily taken into consideration for forecasting future sales. The sales people, being closer to consumers, can estimate future sales in their own territories more accurately. Based on these and the opinions of sales managers, a reasonable trend of the future sales can be calculated.
These forecasts are good for short range planning since sales people are not sufficiently sophisticated to predict long-term trends. This method known as the "grass roots" approach ends itself to easy breakdowns of product, territory, customer etc., which makes forecasting more elaborate and comprehensive.

iii. Customer Expectations:
This type of forecasting technique is to go outside the company and seek subjective opinions from customers about their future purchasing plans. Sales representatives may poll their customers or potential customers about the future needs for the goods and services the company supplies.
Direct mail questionnaires or telephone surveys may be used to obtain the opinions of existing or potential customers. This is also known as the "survey method" or the "marketing research method" where information is obtained concerning.
Customer buying preferences, advertising effectiveness and is especially useful where the target market is small such as buyers of industrial products, and where the customers are co-operative.

2. Quantitative Techniques: Quantitative techniques are based on the analysis of past data and its trends. These techniques use statistical analysis and other mathematical models to predict future events.
Some of these techniques are:
i. Time series analysis.
ii. Economic models.
iii. Regression analysis.

i. Time Series Analysis:
Time series analysis involves decomposition of historical series into its various components, viz., trend, seasonal variations, cyclical variations and random variations. Time series analysis uses index numbers but it is different from barometric technique. In barometric technique, the future is predicted from the indicating series, which serve barometers of economic change.
In time series analysis, the future is taken as some sort of an extension of the past. When the various components of a time series are separated, the variations of a particular phenomenon, the subject under study stay say price, can be known over the period of time and projection can be made about future.
A trend can be known over the period of time, which may be true for future also. However, time series analysis should be used as a basis for forecasting when data are available for a long period of time and tendencies disclosed by the trend and seasonal factors are fairly clear and stable.

ii. Economic Models: Utilize a system of interdependent regression equations that relate certain economic indicators of the firm's sales, profits etc. Data center or external economic factors and internal business factors interpreted with statistical methods. Often companies use the results of national or regional econometric models as a major portion of a corporate econometric model.

While such models are useful in forecasting, their major use tends to be in answering "what if"? Questions. These models allow management to investigate and in major segments of the company's business on the performance and sales of the company.

iii. Regression Analysis: Regression Analysis are statistical equations designed to estimate some variables such as sales volume, on the basis of one or more 'independent' variables believed to have some association with it.

3.1.7 Advantages

1. Establishing a New Business:

While setting up a new business, a number of business forecasts are required. One has to forecast the demand for the product, capacity of competitors, expected share in the market, the amount and sources of raising finances, etc. The success of a new business will depend upon the accuracy of such forecasts. If the forecasts are made systematically, then the operations of the business will go smoothly and the chances of failure will be minimized.

2. Formulating Plans:

Forecasting provides a logical basis for preparing plans. It plays a major role in managerial planning and supplies the necessary information. The future assessment of various factors is essential for preparing plans. In fact, planning without forecasting is an impossibility. Henry Fayol has rightly observed that the entire plan of an enterprise is made up of a series of plans called forecasts.

3. Estimating Financial Needs: Every business needs adequate capital. In the absence of correct estimates of financial requirements, the business may suffer either from inadequate or from excess capital. Forecasting of sales and expenses helps in estimating future financial needs.

The plans for expansion, diversification or improvement also necessitate the forecasting of requirements of funds. A proper financial planning depends upon systematic forecasting.

4. Facilitating Managerial Decisions: Forecasting helps management to take correct decisions. By providing a logical basis for planning and determining in advance the nature of future business operations, it facilitates correct managerial decisions about material, personnel, sales and other requirements.

5. Quality of Management: It improves the quality of managerial personnel by compelling them to look into the future and make provision for the same. By focusing attention on future, forecasting helps the management in adopting a definite course of action and a set purpose.

6. Encourages Co-operation and co-ordination: Forecasting calls for some minimum effort on the part of all and. thus, creates a sense of participation. It is not a one man's or one department's job. No department or person can make its forecasts in isolation. There should be a proper co-operation and co-ordination among different departments for setting proper forecasts for the business as a whole.

So, forecasting process leads to better co-operation and co-ordination among people of various departments of the organisation.

7. Better Utilisation of Resources: Forecasting ensures better utilisation of resources by revealing the areas of weaknesses and providing necessary information about the future. Management can concentrate on critical areas and control more effectively.

8. Success in Business: Success in business, to a great extent, depends upon correct predictions about the future. Systematic forecasting ensures smooth and continuous working of the business. By knowing the future course of events in advance, one could always face the difficulties in a planned manner.

3.1.8 Limitations

The following limitations of forecasting are listed below:

1. Basis of Forecasting: The most serious limitations of forecasting arises out of the basis used for making forecasts. Top executives should always bear in mind that the bases of forecasting are assumptions, approximations, and average conditions. Management may become so concerned with the mechanism of the forecasting system that it fails to question its logic.

This critical examination is not to discourage attempts at forecasting, but to sound caution about the practice of forecasting and its inherent limitations.

2. Reliability of Past Data: The forecasting is made on the basis of past data and the current events. Although past events/data are analysed as a guide to the future, a question is raised as to the accuracy as well as the usefulness of these recorded events.

3. Time and Cost Factor: Time and cost factor is also an important aspect of forecasting. They suggest the degree to which an organisation will go for formal forecasting. The information and data required for forecast may be in highly disorganized form; some may be in qualitative form.

The collection of information and conversion of qualitative data into quantitative ones involves lot of time and money. Therefore, managers have to tradeoff between the cost involved in forecasting and resultant benefits. So forecasting should be made by eliminating above limitations.

3.2 PLANNING

3.2.1 Meaning of Planning

- Planning is essential in every walk of life.
- Planning is the first and foremost function of management.
- The planner can develop his efficiency by preparing himself to face the future developments.
- Planning is as intellectual process of thinking resorted to decide a course of action which helps to achieve the pre-determined objectives of the organization in future.

3.2.2 Definition of Planning

- **Koontz and O'Donnell:** 'Planning is deciding in advance what to do, how to do it, when to do it,and who is going to do it. Planning bridges the gap between where we are and where we want to go. It makes it possible for things to occur which would not otherwise happen.'
- **George R Terry:** 'Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of purposed activities believed necessary to achieve desired results.'
- **Phillip Kotler :** 'Planning is deciding in the present what to do in the future. It is the process whereby companies reconcile their resources with their objectives and opportunities.'

3.2.3 Nature / Characteristics of Planning

1. Planning is primary function of management: The functions of management are broadly classified as planning, organisation, direction and control. It is thus the first function of management at all levels. Since planning is involved at all managerial functions, it is rightly called as an essence of management.

2. Planning focuses on objectives: Planning is a process to determine the objectives or goals of an enterprise. It lays down the means to achieve these objectives. The purpose of every plan is to contribute in the achievement of objectives of an enterprise.

3. Planning is a function of all managers: Every manager must plan. A manager at a higher level has to devote more time to planning as compared to persons at the lower level. So the President or Managing director in a company devotes more time to planning than the supervisor.

4. Planning as an intellectual process: Planning is a mental work basically concerned with thinking before doing. It is an intellectual process and involves creative thinking and imagination. Wherever planning is done, all activities are orderly undertaken as per plans rather than on the basis of guess work. Planning lays down a course of action to be followed on the basis of facts and considered estimates, keeping in view the objectives, goals and purpose of an enterprise.

5. Planning as a continuous process: Planning is a continuous and permanent process and has no end. A manager makes new plans and also modifies the old plans in the light of information received from the persons who are concerned with the execution of plans. It is a never ending process.

6. Planning is dynamic (flexible): Planning is a dynamic function in the sense that the changes and modifications are continuously done in the planned course of action on account of changes in business environment.

As factors affecting the business are not within the control of management, necessary changes are made as and when they take place. If modifications cannot be included in plans it is said to be bad planning.

7. Planning secures efficiency, economy and accuracy: A pre- requisite of planning is that it should lead to the attainment of objectives at the least cost. It should also help in the optimum utilisation of available human and physical resources by securing efficiency, economy and accuracy in the business enterprises. Planning is also economical because it brings down the cost to the minimum.

8. Planning involves forecasting: Planning largely depends upon accurate business forecasting. The scientific techniques of forecasting help in projecting the present trends into future. 'It is a kind of future picture wherein proximate events are outlined with some distinctness while remote events appear progressively less distinct."

9. Planning and linking factors: A plan should be formulated in the light of limiting factors which may be any one of five M's viz., men, money, machines, materials and management.

10. Planning is realistic: A plan always outlines the results to be attained and as such it is realistic in nature.

3.2.4 Need & Importance of Planning

1. **Increases efficiency:** Planning makes optimum utilization of all available resources. It helps to reduce the wastage of valuable resources and avoids their duplication. It aims to give the highest returns at the lowest possible cost. It thus increases the overall efficiency.
2. **Reduces business-related risks:** There are many risks involved in any modern business. Planning helps to forecast these business-related risks. It also helps to take the necessary precautions to avoid these risks and prepare for future uncertainties in advance. Thus, it reduces business risks.
3. **Facilitates proper coordination:** Often, the plans of all departments of an organization are well coordinated with each other. Similarly, the short-term, medium-term and long-term plans of an organization are also coordinated with each other. Such proper coordination is possible only because of efficient planning.

4. **Aids in Organizing:** Organizing means to bring together all available resources, i.e. 6 Ms. Organizing is not possible without planning. It is so, since, planning tells us the number of resources required and when are they needed. It means that planning aids in organizing in an efficient way.
5. **Gives right direction**: Direction means to give proper information, accurate instructions and useful guidance to the subordinates. It is impossible without planning. It is because planning tells us what to do, how to do it and when to do it. Therefore, planning helps to give the right direction.
6. **Keeps good control**: With control, the actual performance of an employee is compared with the plans, and deviations (if any) are found out and corrected. It is impossible to achieve such control without the right planning. Therefore, planning becomes necessary to keep good control.
7. **Helps to achieve objectives**: Every organization has certain objectives or targets. It keeps working hard to fulfill these goals. Planning helps an organization to achieve these aims, but with some ease and promptness. Planning also helps an organization to avoid doing some random (done by chance) activities.
8. **Motivates personnel**: A good plan provides various financial and non-financial incentives to both managers and employees. These incentives motivate them to work hard and achieve the objectives of the organization. Thus, planning through various incentives helps to motivate the personnel of an organization.
9. **Encourages creativity and innovation**: Planning helps managers to express their creativity and innovation. It brings satisfaction to the managers and eventually a success to the organization.
10. **Helps in decision-making**: A manager makes many different plans. Then the manager selects or chooses the best of all available strategies. Making a selection or choosing something means to take a decision. So, decision-making is facilitated by planning.

3.2.5 Types of Planning

(i) Nature of planning:

a. Formal planning.

b. Informal planning.

(ii) Duration of planning:

a. Short term planning.

b. Long term planning.

(iii) Levels of Management:

a. Strategic planning.

b. Intermediate planning.

c. Operational planning.

(iv) Use:
a. Standing plans
b. Single-use plans.

(i) Nature of Planning:
a. Formal Planning:
Planning is formal when it is reduced to writing. When the numbers of actions are large it is good to have a formal plan since it will help adequate control.
The term formal means official and recognised. Any planning can be done officially to be followed or implemented. Formal planning is aims to determine and objectives of planning. It is the action that determine in advance what should be done.
Advantages:
1. Proper Cooperation among employees,
2. Unity of Action,
3. Economy,
4. Proper coordination and control,
5. Choosing the right objectives, and
6. Future plan.

b. Informal Planning:
An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

(ii) Duration of Planning:
a. Short term Planning:
Short term planning is the planning which covers less than two years. It must be formulated in a manner consistent with long-term plans. It is considered as tactical planning. Short-term plans are concerned with immediate future; it takes into account the available resources only and is concerned with the current operations of the business.
These may include plans concerning inventory planning and control, employee training, work methods etc.
Advantages:
1. It can be easily adjustable.
2. Changes can be made and incorporated.
3. Easy to Gauge.
4. Only little resources required.
Disadvantages:
1. Very short period-left over things will be more.
2. Difficult to mobiles the resources.

3. Communication cycle will not be completed.

b. Long-Term Planning:
Long-term planning usually converse a period of more than five years, mostly between five and fifteen years. It deals with broader technological and competitive aspects of the organisation as well as allocation of resources over a relatively long time period. Long-term planning is considered as strategic planning.
Short-term planning covers the period of one year while long term planning covers 5-15 years. In between there may be medium-term plans. Usually, medium term plans are focusing on between two and five years. These may include plan for purchase of materials, production, labour, overhead expenses and so on.
Advantages:
1. Sufficient time to plan and implement.
2. Effective control.
3. Adjustment and changes may be made gradually.
4. Periodic evaluation is possible.
5. Thrust areas can be identified easily.
6. Weakness can be spotted and rectified then and there.
Disadvantages:
1. Prediction is difficult.
2. Full of uncertainties.
3. Objectives and Targets may not be achieved in full.
4. More resources required.

(iii) Levels of Management:
a. Strategic Planning:
The strategic planning is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objective. It is conducted by the top management, which include chief executive officer, president, vice-presidents, General Manger etc. It is a long range planning and may cover a time period of up to 10 years.
It basically deals with the total assessment of the organisation's capabilities, its strengths and its weaknesses and an objective evaluation of the dynamic environment. The planning also determines the direction the company will be taking in achieving these goals.
b. Intermediate Planning:
Intermediate planning cover time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line mangers. They also have the task of polishing the top managements strategic plans.
The middle management will have a critical look at the resources available and they will determine the most effective and efficient mix of human, financial and material factors. They refine the broad strategic plans

into more workable and realistic plans.

c. Operational Planning: Operational planning deals with only current activities. It keeps the business running. These plans are the responsibility of the lower management and are conducted by unit supervisors, foremen etc. These are short-range plans covering a time span from one week to one year.
These are more specific and they determine how a specific job is to be completed in the best possible way. Most operational plans .ire divided into functional areas such as production, finance, marketing, personnel etc.
Thus even though planning at all levels is important, since all levels are integrated into one, the strategic planning requires closer observation since it establishes the direction of the organisation.

(iv) Use:
a. Standing Plan: Standing plan is one, which is designed to be used over and over again. Objectives, policies procedures, methods, rules and strategies are included in standing plans. Its nature is mechanical. It helps executives to reduce their workload. Standing plan is also called routine plan. Standing or routine plan is generally long range.
b. Single Use Plan: Single use plan is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved. They may include programme, budgets, projects and schedules. It is also called specific planning. Single use plan is short range.

3.2.6 Advantage / Benefits of Planning
(1) Reduces Uncertainty: An organization has to work in an environment, which uncertain and ever-changing. Planning gives an opportunity to a manager to foresee various uncertainties, which may because of changes in technology, taste, and fashion of the people, etc. It helps in reducing uncertainties of the future because it involves anticipation of future events. Effective planning is the result of deliberate thinking based on past experience and present situations.
(2) Focus on Objectives/Goals: Organizations exist to pursue and achieve certain goals or objectives. Planning focuses on these objectives and direct actions for achieving these objectives. Planning defines these objectives more clearly while determining the course of action to achieve them. It eliminates aimless activities. A plan serves as the blueprint of the action to be followed for the achievement of objectives. Hence, good management is management by objectives.
(3) Economical Operation: Planning involves a selection of the best possible course of action. It helps to eliminate all types of waste and to achieve the utilization of available resources. Planning is a rational activity that leads to efficient and economical operations. It helps to minimize the cost of operations and improve the competitive strength of an organization.

(4) Facilitates Control: Planning and control are inseparable. Planning provides the standard against which the actual performance can be measured and evaluated. Actual performance is compared with standards fixed by the plans. Deviation if any is located. Control involves keeping activities on the predetermined course b rectifying deviations from plans. Thus, planning helps to control by setting standards and comparing actual performance.

(5) Encourages Innovation and Creativity: Planning is basically the deciding function of management. Planning helps innovative and creative thinking among managers when they are planning. It helps to think out new ideas and adjust to the realities of the existing situation. It creates a forward-looking attitude among the managers.

(6) Improves Motivation: Good planning ensures the participation of all managers which will improve their motivation. It encourages a sense of involvement and team spirit. It improves the motivation and morale of workers because they know clearly what is expected of them.

(7) Ensures Better Coordination: Planning provides the basis for an organized and coordinated effort of the organization. It secures the unity of direction towards the organizational objectives. All the activities are directed towards common goals. There is an integrated effort throughout the organization. This will lead to better coordination in the organization.

(8) Avoids Random Activity: Planning means deciding in advance what objectives are to be achieved and how they are to be achieved. It makes systematically integrated and orderly efforts possible and avoids random activity It avoids the need for snap decisions based on impulse and intuition. Planning provides order and rationality to the organization. It avoids duplication of works and overlapping efforts.

(9) Improves Competitive Strength: Effective planning increases the competitive strength of an organization. Planning is based on systematic and careful forecasts. It enables the organization to discover new opportunities and thereby shape its own future. It ensures the orderly progress of the organization.

Thus, planning is essential to the successful functioning of every organization. It makes systematic, integrated, and orderly efforts.

In fact, it increases the overall efficiency of the organization and the timely completion of jobs at minimum cost. It avoids duplication of work, random activity, and over-lapping efforts.

3.2.7 Constraints / Disadvantage or Limitations of Planning

(1) Lack of Reliable Data: Planning is undertaken on the basis of certain assumptions in the future. The future is unpredictable and uncertain. Hence, future cannot be known accurately because reliable information d data are not available. If reliable information and data are not available for planning it is sure to lose much of its value. Planning becomes inaccurate and unreliable due to errors in individual judgment and imperfect techniques of planning. A wrong assumption or lack of required competence on the part of planners also reduces the effectiveness of planning. Thus, planning for future risks and uncertainties can give no perfect assurance.

(2) Rigidity: Planning implies strict adherence to predetermined policies procedures and programs. This restricts an individual's freedom, initiative and desire for creativity. Business is by nature dynamic and the red-tapism created by detailed planning can prove disastrous for an organization. However, this difficulty can be overcome by making flexible plans.

(3) Time Consuming Process: Planning is a time-consuming process. The various steps of planning may consume a lot of time. Considerable time is required for the collection, analysis, and interpretation of information for planning. It is, therefore, unsuitable in those situations where sudden or immediate action is required to meet unexpected contingencies. In some cases, advance planning can delay action, resulting in the loss of profitable opportunities.

(4) Costly Process: Planning is also a costly process. Money and effort have to be spent on collecting information, preparing estimates, forecasting, and evaluating alternatives. Services of experts are necessary to select the best and most economical course of action for the organization. Planning costs may go on increasing if planning becomes more elaborate and formulated due to additional time and proper work.

(5) Rapid Change: Rapid changes in technology, consumer tastes, and fashions are further constraints to planning. In a complex and rapidly changing environment planning is more difficult as it adds new problems. In rapidly changing conditions planning activity taken in one period cannot be relevant for another period.

(6) Internal Inflexibility: Internal inflexibility may be psychological, policy and procedures, and capital investment which create difficulties in planning and implementation. Psychological inflexibility lies in the form of resistance to change. Whenever a change is undertaken employees resistance to change, as they believe that the present is more desirable and more reliable. Similarly, once policies and procedures are established they are hard to change. In most cases, once capital is invested in fixed assets, it becomes more difficult to change work procedures in the near future. This inflexibility continues during the entire life of fixed assets.

(7) External Inflexibility: There is certain external inflexibility over which managers do not have any control. Changes in technology, changes in government policies, industrial unrest, etc are important external inflexibility on planning. They greatly hamper managerial planning in the organization.

The above limitations of planning point out the complexities and problems involved in the planning process. Recognition of these limitations will help managers in more careful and systematic planning

3.3 ORGANISING

3.3.1 Meaning of organizing

- Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives.
- Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).

3.3.2 Definition of Organising

- Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives. **Louis Allen**
- Organising is the process of defining and grouping the activities of the enterprise and establishing authority relationships among them. **Theo Haimman**

3.3.3 Features of Organising

- **Division of Labour:** Work is assigned to the employee who is specialised in that work.
- **Coordination:** Different members of the organization are given different tasks to perform when all the tasks are put together logically and sequentially, it results in the objectives, so coordination is required.
- **Objectives:** Objectives need to be specifically defined.
- **Authority-Responsibility Structure:** For an effective authority responsibility structure, the position of each manager and executive is specified, as per the degree of the authority and responsibility assigned to them, while performing the duties.
- **Communication:** The techniques flow and importance of communication must be known to all the members.

3.3.4 Steps In Organisation

1. **Identification and division of work:** Organizing process begins with identifying the work and dividing them as per the plans. Basically, the work is classified into different manageable activities, to avoid redundancy, and sharing of work is encouraged.
2. **Departmentalization:** After classifying the work into different activities, the activities having a similar nature are grouped together. This process is called as departmentalization which facilitates specialization and forms the basis for creating departments.
3. **Assignment of the task:** After the formation of departments, employees are placed in different departments under a manager, called as a departmental manager. Thereafter, employees are assigned the jobs as per their skills, qualifications and competencies. For the effectiveness of the performance, the manager must ensure that there is a proper match between the job and the incumbent, i.e. the right person has to be placed at the right job.
4. **Establishment of organizational hierarchy:** Deployment of work is not all, the employees must be aware of whom they have to report and who can give them orders. Hence, work relationships need to be established clearly, which helps in the creation of a hierarchical structure of the organization.
5. **Provision of resources to the members:** Arrangement and deployment of resources such as money, materials, supplies, and machine, etc. which are important to carry out day to day operations of the organization.

6. **Coordination of efforts and scheduling of activities:** The final step to this process is the coordination of efforts and scheduling the activities in a logical and systematic manner so that the common objectives can be achieved effectively.

3.3.5 Delegation of authority

(A) Meaning

- Delegation refers to the downward transfer of authority from a superior to a subordinate. It is a pre-requisite to the efficient functioning of an organisation because it enables a manager to use his time on high priority activities. It also satisfies the subordinate's need for recognition and provides them with opportunities to develop and exercise initiative.
- The manager shall still be accountable for the performance of the assigned tasks.
- Moreover, the authority granted to a subordinate can be taken back and redelegated to another person. Thus, irrespective of the extent of delegated authority, the manager shall still be accountable to the same extent as before delegation.

(B) Definition

- "Delegation 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." **Louis Allen**
- "Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits." **Theo Haimman**

(C) Elements

1. Authority – Authority in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. Responsibility - Responsibility is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. **Accountability –** Accountability means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

(D) Steps

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

(E) Need/Importance of Delegation of Authority

1. Sharing of work load – Delegation lightens the burden of the executives by assigning the routine matters to their subordinates. Thus, the executives can concentrate on important policy matters.

2. Quick decision making – The subordinates need not go to their supervisors every time for taking decisions regarding routine matters. Thus, it facilitates quick decisions.

3. Motivation – Delegation helps to improve the job satisfaction, motivation and morale of subordinates. It also satisfies their need for recognition, responsibility and freedom.

4. Training – It serves as a tool of training executives for the future. This enables the organisation to face future challenges efficiently.

5. Expansion of business – Delegation facilitates the expansion and diversification of business through a team of competent and contented workers. In the absence of delegation, firms would remain small.

6. Specialised knowledge – It enables a manager to obtain the specialised knowledge and expertise of the subordinates.

7. Efficient functioning – Delegation provides basis for efficient and effective functioning of the firm by binding the formal organisation together.

8. Better performance – It improves performance of work because responsibility is given to the subordinates on the basis of specialisation

9. Better relation – Delegation increases interaction and understanding among managers and subordinates. Thus, it maintains healthy relations between them.

3.3.6 Decentralization

(A) Meaning

- Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.
- In this type of organisation structure, the duty of daily operations and minor decision-making capabilities are transferred to the middle and lower levels which allow top-level management to focus more on major decisions like business expansion, diversification etc.
- Delegation refers to the assigning a portion of work and the associated responsibility by a superior to a subordinate. In simple words, when delegation is expanded on an organisational level, it is called decentralisation.

(B) Definition

- "Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points." **Louis A Allen**
- "Decentralisation is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills." **Newman, summer and Wairen**

(C) Importance of Decentralisation

1. **Rapid decision making –** Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.
2. **Administrative development –** The decentralisation process questions the manager's judgement and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and make them a good decision-maker resulting in the development of the organisation.

3. **Development of executive skills –** It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.
4. **Promotes growth –** Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.
5. **Higher control –** It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

(D) Advantages of Decentralisation

1. Reduces the burden on top executives: Decentralisation relieves the top executives of the burden of performing various functions. Centralisation of authority puts the whole responsibility on the shoulders of an executive and his immediate group. This reduces the time at the disposal of top executives who should concentrate on other important managerial functions. So, the only way to lessen their burden is to decentralise the decision-making power to the subordinates.

2. Facilitates diversification: Under decentralization, the diversification of products, activites and markets etc., is facilitated. A centralised enterprise with the concentration of authority at the top will find it difficult and complex to diversify its activities and start the additional lines of manufacture or distribution.

3. To provide product and market emphasis: A product loses its market when new products appear in the market on account of innovations or changes in the customers demand. In such cases authority is decentralised to the regional units to render instant service taking into account the price, quality, delivery, novelty, etc.

4. Executive Development: When the authority is decentralised, executives in the organisation will get the opportunity to develop their talents by taking initiative which will also make them ready for managerial positions. The growth of the company greatly depends on the talented executives.

5. It promotes motivation: To quote Louis A. Allen, "Decentralisation stimulates the formation of small cohesive groups. Since local managers are given a large degree of authority and local autonomy, they tend to weld their people into closely knit integrated groups." This improves the morale of employees as they get involved in decision-making process.

6. Better control and supervision: Decentralisation ensures better control and supervision as the subordinates at the lowest levels will have the authority to make independent decisions. As a result they have thorough knowledge of every assignment under their control and are in a position to make amendments and take corrective action.

7. Quick Decision-Making: Decentralisation brings decision making process closer to the scene of action. This leads to quicker decision-making of lower level since decisions do not have to be referred up through the hierarchy.

(E) Disadvantages of Decentralisation

1. Uniform policies not Followed: Under decentralisation, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. Problem of Co-Ordination: Decentralisation of authority creates problems of co-ordination as authority lies dispersed widely throughout the organisation.

3. More Financial Burden: Decentralisation requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. Require Qualified Personnel: Decentralisation becomes useless when there are no qualified and competent personnel.

5. Conflict: Decentralisation puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

3.4 DECISION MAKING

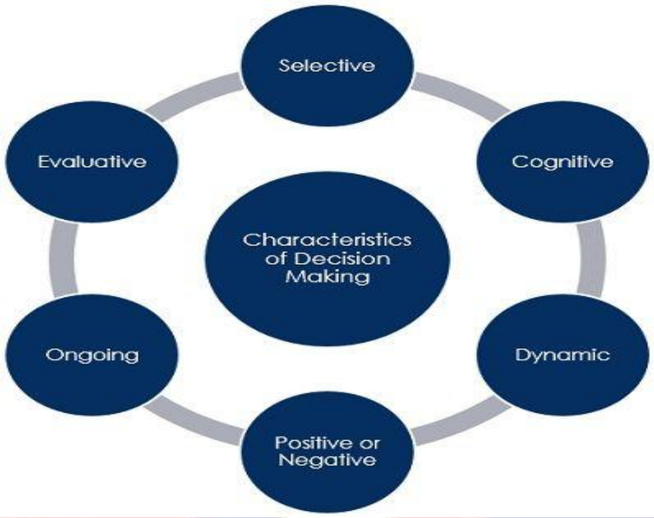
3.4.1 Meaning

- Decision Making is an important function in management, since decision-making is related to problem, an effective decision-making helps to achieve the desired goals or objectives by solving such problems. Thus the decision-making lies all over the enterprise and covers all the areas of the enterprise.
- Scientific decision-making is well-tried process of arriving at the best possible choice for a solution with a reasonable period of time.
- Decision means to cut off deliberations and to come to a conclusion. Decision-making involves two or more alternatives because if there is only one alternative there is no decision to be made.

3.4.2 Definition

- "Decision-making is the work which a manager performs to arrive at conclusion and judgement." **Louis A Allen**
- "Decision-making is the selection based on some criteria from two or more possible alternatives." **George R. Terry**

3.4.3 Characteristics of Decision – Making



- **Selective**: It is a selective process in which the optimal alternative is opted, among the various alternatives. The selection of the alternative is done, only after evaluating all the alternatives against the objectives.
- **Cognitive**: As the decision making encompasses the application of intellectual abilities, such as analysis, knowledge, experience, awareness and forecasting, it is a cognitive process.
- **Dynamic**: It is a dynamic activity in the sense that a particular problem may have different solutions, depending upon the time and circumstances.
- **Positive or Negative**: A decision is not always positive, sometimes even after analysing all the points a decision may turn out as a negative one.
- **Ongoing process**: We all know that a company has perpetual succession and various decisions are taken daily by different levels of management to keep the firm going. These decisions are taken, keeping in mind the objectives of the organization.
- **Evaluative**: Evaluation of the possible alternatives using critical appraisal methods, is a part of the decision-making process.

It is a problem-solving activity which produces a solution considered as the most favourable and appropriate one, as per the situation.

3.4.4 Process/Steps Involved In Decision-Making

1. **Defining the problem**: The first and foremost step in the decision-making process is to clearly identify the problem for which a decision has to be taken.
2. **Collecting information**: Gathering the relevant information concerning the problem is the next step in the process. For this purpose, an internal assessment needs to be done, while seeking external sources for the information.
3. **Identifying alternatives**: After collecting the pertinent information, you will come across the multiple courses of action which can be taken to solve the given problem.
4. **Weighing the alternatives**: On the basis of different parameters such as risk, economy for effort, timing, and limitation of resources weigh each alternative and check how accurately it resolves the issue and what are its consequences.
5. **Selecting the best possible option**: After weighing each and every alternative, the next step in this process is to select the best possible course of action, or a combination thereof. The alternative which is able to attain the objectives is regarded as the tentative decision, which is evaluated for possible consequences.
6. **Planning and Execution**: To convert the decision into action, the course of action so selected is taken, along with that supplementary actions are taken to block negative consequences (if any).
7. **Taking the follow up of the action**: In the last step, the outcome of the decision is reviewed and evaluated as to whether it is capable of resolving the problem.

A decision passes through different stages, so as to solve the problem at hand. The solution depends on how effectively the decision is being made and implemented. An ideal decision is action-oriented, goal-directed and efficient.

3.4.5 Techniques of Decision - Making

1. Marginal Analysis: This technique is used in decision-making to figure out how much extra output will result if one more variable (e.g. raw material, machine, and worker) is added. In his book, 'Economics', Paul Samuelson defines marginal analysis as the extra output that will result by adding one extra unit of any input variable, other factors being held constant.

Marginal analysis is particularly useful for evaluating alternatives in the decision-making process.

2. Financial Analysis: This decision-making tool is used to estimate the profitability of an investment, to calculate the payback period (the period taken for the cash benefits to account for the original cost of an investment), and to analyze cash inflows and cash outflows.

Investment alternatives can be evaluated by discounting the cash inflows and cash outflows (discounting is the process of determining the present value of a future amount, assuming that the decision-maker has an opportunity to earn a certain return on his money).

3. Break-Even Analysis: This tool enables a decision-maker to evaluate the available alternatives based on price, fixed cost and variable cost per unit. Break-even analysis is a measure by which the level of sales necessary to cover all fixed costs can be determined.

Using this technique, the decision-maker can determine the break-even point for the company as a whole, or for any of its products. At the break-even point, total revenue equals total cost and the profit is nil.

4. Ratio Analysis: It is an accounting tool for interpreting accounting information. Ratios define the relationship between two variables. The basic financial ratios compare costs and revenue for a particular period. The purpose of conducting a ratio analysis is to interpret financial statements to determine the strengths and weaknesses of a firm, as well as its historical performance and current financial condition.

5. Operations Research Techniques: One of the most significant sets of tools available for decision-makers is operations research. An operation research (OR) involves the practical application of quantitative methods in the process of decision-making. When using these techniques, the decision-maker makes use of scientific, logical or mathematical means to achieve realistic solutions to problems. Several OR techniques have been developed over the years.

6. Linear Programming: Linear programming is a quantitative technique used in decision-making. It involves making an optimum allocation of scarce or limited resources of an organization to achieve a particular objective. The word 'linear' implies that the relationship among different variables is proportionate.

The term 'programming' implies developing a specific mathematical model to optimize outputs when the resources are scarce. In order to apply this technique, the situation must involve two or more activities competing for limited resources and all relationships in the situation must be linear.

Some of the areas of managerial decision-making where linear programming technique can be applied are:

i. Product mix decisions
ii. Determining the optimal scale of operations
iii. Inventory management problems
iv. Allocation of scarce resources under conditions of uncertain demand
v. Scheduling production facilities and maintenance.

7. Waiting-line Method:
This is an operations research method that uses a mathematical technique for balancing services provided and waiting lines. Waiting lines (or queuing) occur whenever the demand for the service exceeds the service facilities.
Since a perfect balance between demand and supply cannot be achieved, either customers will have to wait for the service (excess demand) or there may be no customers for the organization to serve (excess supply).
When the queue is long and the customers have to wait for a long duration, they may get frustrated. This may cost the firm its customers. On the other hand, it may not be feasible for the firm to maintain facilities to provide quick service all the time since the cost of idle service facilities have to be borne by the company.
The firm, therefore, has to strike a balance between the two. The queuing technique helps to optimize customer service on the basis of quantitative criteria. However, it only provides vital information for decision-making and does not by itself solve the problem. Developing queuing models often requires advanced mathematical and statistical knowledge.

8. Game Theory: This is a systematic and sophisticated technique that enables competitors to select rational strategies for attainment of goals. Game theory provides many useful insights into situations involving competition. This decision-making technique involves selecting the best strategy, taking into consideration one's own actions and those of one's competitors.
The primary aim of game theory is to develop rational criteria for selecting a strategy. It is based on the assumption that every player (a competitor) in the game (decision situation) is perfectly rational and seeks to win the game.
In other words, the theory assumes that the opponent will carefully consider what the decision--maker may do before he selects his own strategy. Minimizing the maximum loss (minimax) and maximizing the minimum gain (maximin) are the two concepts used in game theory.

9. Simulation: This technique involves building a model that represents a real or an existing system. Simulation is useful for solving complex problems that cannot be readily solved by other techniques. In recent years, computers have been used extensively for simulation. The different variables and their inter-relationships are put into the model.

When the model is programmed through the computer, a set of outputs is obtained. Simulation techniques are useful in evaluating various alternatives and selecting the best one. Simulation can be used to develop price strategies, distribution strategies, determining resource allocation, logistics, etc.

10. Decision Tree: This is an interesting technique used for analysis of a decision. A decision tree is a sophisticated mathematical tool that enables a decision-maker to consider various alternative courses of action and select the best alternative. A decision tree is a graphical representation of alternative courses of action and the possible outcomes and risks associated with each action.

3.4.6 DIRECTION

(A) Meaning

- Directing is a basic management function that includes building an effective work climate and creating an opportunity for motivation, supervising, scheduling, and disciplining.
- Planning and organizing provide a foundation for the organization and direction initiate action towards the achievement of the goals. Having appointed the workforce, managers ensure they work to achieve the organizational standards of performance and in the course of doing so, satisfy their personal wants and needs also. They act as catalysts for achieving organizational and individual goals.
- They act as agents who influence the behaviour of employees to achieve the organizational goals and also ensure that organizational plans and policies satisfy the interests of the workforce. Managers, thus, direct employees' behaviour towards organizational and individual/group goals.

(B) Definition

Directing is "A managerial function that involves the responsibility of managers for communicating to others what their roles are in achieving the company plan." — **Pearce and Robinson.**
It is "Getting all the members of the group to want and to strive to achieve objectives of the enterprise and the members because the members want to achieve these objectives." — **Terry and Franklin.**

(C) Nature/ Characteristics of Direction

- **Process of action:** Direction initiates an action at the top level of the organization and flows down the hierarchy. It follows that subordinates have to be directed by their superiors only.

- **On-going process:** Directing is not an intermittent function of management. It is a process of continuously guiding the behaviour of others.

- **Not supported by rules:** Since the behaviour of people cannot be predicted through mathematical or statistical tools, the function of directing is based on behavioural sciences. It is not supported by rules or regulations.

- **Directing is situational:** Managers influence the behaviour of employees according to the situation. Also, directions change from situation to situation. Factors like environment, nature of workers, group behaviour, attitude towards work, etc. affect directing.

- **Behavioural science:** Since directing deals with human behaviour, managers study different aspects of human psychology to understand how to influence their behaviour.

- **Understand group behaviour:** No person can work alone. While working in the organization, he becomes part of the informal groups (formed based on the common interests of individuals). Also, the behaviour of a person is different as an individual and a member of the group. It is, therefore, essential that managers understand the nature of group behaviour to direct effectively.

- **Participative:** Direction initiates action on the part of employees. To ensure greater participation of workers in carrying out the organizational activities, they should take part in the meetings to discuss various direction policies.

- **Pervasive:** Managers at all levels in all functional areas direct their subordinates. As well, Top managers guide middle and lower-level managers who further direct supervisors and workers. It is performed at every level of management. Every person in the organizational hierarchy is superior to some and subordinate to others except those at the top and the bottom. Direction maintains and strengthens superior-subordinate relationships and inspires everyone in the organization to have a common vision, that is, contribution to organizational goals.

(D) Importance of Direction

- **Initiates action:** Direction initiates an action that motivates people to convert the resources into productive outputs. It gives substance to managerial functions of planning, organizing, staffing, and controlling. Also, People learn to manage the resources in the most effective way that results in their optimum utilization.
- **Creates a sound work environment:** If directions are issued in consultation with employees (participative); it creates an environment of understanding where people work to their maximum potential, willingly and enthusiastically to contribute towards organizational goals.
- **Develops managers:** Managers who are personally motivated to work can also direct others to work. Also, Managers develop their skills and competence to direct others to follow. If managers and

employees work in harmony, it promotes the skills of the employees and develops managers to assume responsibilities of higher levels in the organization. As well as, Motivation, leadership, and communication help in bringing people together. They exploit employees' talent to the fullest and also provide scope for their skill enhancement. This is beneficial for both the employees and the organization. Direction, thus, prepares future managers.

- **Behavioral satisfaction:** Since direction involves human behavior and psychology, employees feel behaviorally satisfied and personally inspired to achieve organizational goals.
- **Increase in productivity:** Personally satisfied employees contribute towards the output and efficiency of the organization. Also, Direction gets maximum out of subordinates by exploiting their potential and increasing their capabilities to work.
- **Achieves coordination:** Directing aims at continuous supervision of activities. Also, they achieve coordination by ensuring that people work towards planned activities in a coordinated manner. It integrates the actions of employees that increase their understanding of mutual interdependence and their collective effort to achieve the organizational goals. Also, helps to harmonize individual goals with organizational goals.
- **Facilitates control:** Coordination brings actual performance in conformity with planned performance. The controlling function is, thus, facilitated through the effective direction.
- **Facilitates change:** Direction helps in introducing change in the organization structure and adapting the organization structure to the external environment. As well as, Organisation operates in society as an open system and has to accept social changes for its survival and growth. Also, People are not easily receptive to changes. Direction helps in changing the attitude of people towards change and accepts it as a way of life.
- **Facilitates growth:** An organization open to change is responsive to growth. Also, Direction harmonizes physical, financial, and human resources balance various parts of the organization, and create commitment amongst people to raise their standards of performance.

(E) Principles of Direction

1. Harmony of Objectives: It is an essential function of management to make the people realize the objectives of the group and direct their efforts towards the achievement of their objectives. The interest of the group must always prevail over individual interest. The principle implies harmony of personal interest and common interest. Effective direction fosters the sense of belongingness among all subordinates in such a way that they always identify themselves with the enterprise and tune their goals with those of the enterprise.

2. Unity of Command: This principle states that one person should receive orders from only one superior, in other words, one person should be accountable to only one boss. If one person is under more than one boss then there can be contradictory orders and the subordinate fails to understand whose order to be followed. In the absence of unity of command, the authority is undermined, discipline weakened, loyalty divided and confusion and delays are caused.

3. Unity of Direction: To have effective direction, there should be one head and one plan for a group of activities having the same objectives. In other words, each group of activities having the same objectives must have one plan of action and must be under the control of one supervisor.
4. Direct Supervision: The directing function of management becomes more effective if the superior maintains direct personal contact with his subordinates. Direct supervision infuses a sense of participation among subordinates that encourages them to put in their best to achieve the organizational goals and develop an effective system of feedback of information.
5. Participative or Democratic Management: The function of directing becomes more effective if the participative or democratic style of management is followed. According to this principle, the superior must act according to the mutual consent and the decisions reached after consulting the subordinates. It provides the necessary motivation to the workers by ensuring their participation and acceptance of work methods.
6. Effective Communication: To have effective direction, it is very essential to have an effective communication system which provides for free flow of ideas, information, suggestions, complaints, and grievances.
7. Follow-up: In order to make direction effective, a manager has to continuously direct, guide, motivate and lead his subordinates. A manager has not only to issue orders and instructions but also to follow-up the performance so as to ensure that work is being performed as desired. He should intelligently oversee his subordinates at work and correct them whenever they go wrong.

3.5 MOTIVATION

3.5.1 Meaning of Motivation

- 'Motivation' is the process of inspiring people in order to intensify their desire and willingness for executing their duties effectively and for co-operating to achieve the common objectives of an enterprise.
- Motivation is the actuating force that stimulates a man to put his best in the accomplishment of a task.
- Motivation is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employees but a negative motivation will reduce their performance. A key element in personnel management is motivation.

3.5.2 Definition of Motivation

- "Motivation is the work of a manager who performs to inspire, encourage and impel people to take the required action." **Louis A Allen**
- "Motivation is a general inspiration process which gets the members of the team pull their weight effectively to give their loyalty to the group, to carry out properly the tasks they have accepted and generally to play an effective part in the job that the group has undertaken." **E.F.L. Brech**

3.5.3 Nature / Characteristics of Motivation

1. Human Aspect: Motivation is concerned exclusively with the human side of an enterprise. It means a process of stimulating human beings to make action for getting desired results. It creates will to work in the individuals.

If a manager can enthuse, initiate and build up loyalty of the employees towards the achievement of the enterprise objectives with their willing co-operation, the sum total of all these will amount to motivation. Thus, motivation is a behavioural concept that directs human behaviour towards certain goals.

2. Psychological Concept: Motivation is a psychological concept which generates feelings of certain needs within an individual. Human needs are nothing but feelings in the mind of a person that he lacks certain things. Such internal feelings affect the behaviour of the person.

The workers, even with extraordinary abilities, will not be able to perform as desired unless they are effectively motivated. Effective performance on the part of the workers can be said to be the end result of their abilities backed by proper motivation. Thus,

Performance = Motivation x Abilities.

3. Need-Satisfying Activity: Motivation is related to satisfying human needs. It can be effective only upon an accurate analysis of the workers' needs for the satisfaction of which they can be induced to work in the desired manner. A worker will perform the desired activity only so long as he sees his action as a means of continued fulfillment of his cherished needs.

All motivated behaviour on the part of human beings is directed towards satisfaction or fulfillment of needs.

4. Motivation is Total not Part: A worker cannot be motivated in parts. Each individual in the organisation is a self-contained and inseparable unit and all his needs are inter-related. These affect his behaviour in different ways. To be successful, motivation must take a worker as an indivisible unit and seek to appeal to all his urges and aspirations.

5. Financial and Non-Financial: Motivation may assume several forms depending upon the needs, emotions, and sentiments of the workers. Broadly speaking, it can be classified as financial and non-financial. Financial motivation may be created by way of increasing wages, allowances, bonus, prizes, and other perquisites; while non-financial motivation may take the form of praise, recognition, providing greater responsibility or increased participation in decision-making, etc.

6. Constant Process: Human needs are infinite. As very aptly put by Abraham H. Maslow, "Man is a wanting animal—as soon as one of his needs is satisfied, another appears in its place. This process is unending…" This means motivation cannot be a time-bound process. It is continuous.

3.5.4 Role/ Importance of Motivation

1. Removal of Apathy: It is the considered view that the workers as a rule do not exert adequate energy for the accomplishment of a task assigned to them. This is because they are somehow dissatisfied with work, work situation or with the management authority. Motivation removes this apathy of the workers for peak performance.

2. Combining 'Will to work' with 'Capacity for work': The will to work differs from the capacity for work. A man may have the capacity for doing a work having physical strength, technical skill, sufficient intelligence and mental alertness; but he may not have the mentality to apply them in full to his work. Motivation removes this psychological barrier and combines the will to work with the capacity for work of the workers.

3. Securing Full Support and Energy of the Workers: The vital mark of a successful manager is his capacity to ensure full support and co-operation of the workers with their energy, ability and enthusiasm. "You can buy a man's time, you can buy a man's physical presence at a given place, but you cannot buy his enthusiasm, initiative or loyalty and his capacity, will and energy without motivation." The vital mark of a successful manager is, thus, associated with motivation.

4. Understanding the Employees' Needs: Motivation makes the managers understand and realise the needs of the employees and gives satisfaction to them accordingly. If there is this understanding, and motivation works behind it, the managers are sure to receive needed co-operation of the employees for the profitability of the enterprise.

5. Maximum Utilisation of the Resources: Motivation inspires the workers to make the best possible use of different factors of production. They work whole-heartedly to apply their abilities in minimising waste and cost. This will enable the enterprise to utilise its human, physical and financial resources to the maximum.

6. Increase in Efficiency and Output: Motivation is an effective instrument in the hands of the managers to maximise efficiency of operations and output of the enterprise. Motivated employees put higher performance as compared to other employees.
A happy and contended work force ensures improved efficiency and higher output. Increase in labour productivity results in higher wages for the workers and increased profits for the enterprise. The high performance is a must for an organisation being successful and this performance comes through motivation.

7. Low Employee Turnover and Absenteeism: Motivated employees stay in the organisation and their absenteeism is quite low. High labour turnover and absenteeism create many problems in the organisation. Existence of attractive financial and non-financial incentives helps to retain the employees. They are not easily tempted away by offers from the competitors. With reduced labour turnover, it becomes possible for the enterprise to plan its activities on a long-term basis.

8. Acceptance of Organisational Changes: Organisations are integral parts of the society. The changes taking place in the society, i.e. changes in technology, knowledge, value system, etc., require an organisation to incorporate those changes to cope up with the requirement of the time.
When these changes are introduced in the organisation, there is a tendency to resist changes by the employees. However, if they are properly motivated, they will accept, introduce and implement these changes and keep the organisation on the right track of progress.

9. Better Industrial Relations: Existence of attractive motivational schemes promotes closer identification between the enterprise and its workers. They merge their individual interests with the organisational objectives. There arises a sense of belonging and mutual co-operation at all levels. Motivation will foster team spirit among the workers. This will reduce labour unrest and create better relations between the managers and workers.

10. Facilitating Other Functions of Management: The successful accomplishment of different functions such as planning, organising, directing, coordinating and controlling— all are inter-linked with motivation. Motivation is the right force that can make planning successful, organisation sound, direction forceful, co-ordination tight and control effective.
From the above discussion, it is clear that motivation is of great importance to business activities as it is a vital part of management process. No tangible result of best performance is possible without motivation.

3.5.5 Types of Motivation

1. Positive Motivation: Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work, etc. The employees are offered the incentives and try to improve their performance willingly.
According to Peter Drucker, the real and positive motivators are responsible for placement, high standard of performance, information adequate for self- control and the participation of the worker as a responsible citizen in the plant community. Positive motivation is achieved by the co-operation of employees and they have a feeling of happiness.

2. Negative Motivation: Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment.
Though employees work up-to a level where punishment is avoided but this type of motivation causes anger and frustration. This type of motivation generally becomes a cause of industrial unrest. In spite of the drawbacks of negative motivation, this method is commonly used to achieve desired results. There may be hardly any management which has not used negative motivation at one or the other time.

3.5.6 Principles of Motivation

1. Participation: It implies mental, emotional and physical involvement of the subordinates 'in the affairs of the organisation encouraging them to contribute to its objectives by sharing responsibility for them.

It involves deliberate and systematic provision for' consolation, suggestion, recommendation and advice with the subordinates pertaining to their jobs. More the participative opportunity is given to the subordinate." in the decisions which affect them the greater interest they will find in their work leading to better performance.

2. Getting Idea and Understanding of Subordinates: Managers first try to develop personal and informal relationship with the subordinates based on objectivity. It will provide knowledge about individuals' needs aspirations and expectations. Such information can well be utilised to manage them reconciling individual interest with the organisation's interest.

3. Inspiring Employees: Employees should be given such impression that the work they perform belong to them having full control over them. This is possibly by providing them opportunity to show their initiative, developing the required knowledge and skills, providing needed facilities and freedom.

Superiors should not impose their whims on the subordinates. They should inspire and encourage the employees for their best contribution by creating supportive environment and paying due reward for best performance.

4. Creating Team Spirit for Work: Man is a social being with tendency to work cooperatively for the achievement of common goals. While working in an organisation, he

i. The executive should remain accountable for final decision;

ii. Exceptions should be there in cases where meaningful contribution is not forthcoming.

iii. Providing opportunity for answer or action and

iv. Giving credit where it is due, giving the names whose ideas were expected.

5. Communication: Employees, if informed more about the work, process of doing them, latest developments in the field and allied issues of affecting their performance, develop interest in the Job leading to accomplishment of assigned tasks effectively.

Conversely poor communication results in mundane problems reducing interest in work. Hence managers must provide all required information's at the required time and on needed activities to the subordinates. It inspires them, and they consider themselves as important and vital part of the organisation following purposeful efforts.

6. Recognition: Appreciation and recognition of good work done by an employee increases his contribution towards achieving objectives because it provides satisfaction and intrinsic regard to a worker. Therefore, managers must give recognition to the subordinates' performance where it is due, enabling them to feel worthy members of the organisation.

7. Delegation of Authority: Employees are motivated to more work with better result by giving authority to them to make their own ‘decisions and steer their tasks on their judgement. It gives them a vested interest in the result they achieve.

Hence a good manager delegates as much authority as he wants to feel that he is part and parcel of the team and other fellows in the group should give due regard and acceptance. This type of feeling encircles all the members of the group creating team spirit.

Strong team spirit among the employees induces them to work hard and to fulfill the objectives of the group efficiently. Hence, the manager should create team spirit and fellow-feeling in the organisation behaving as a member of the group.

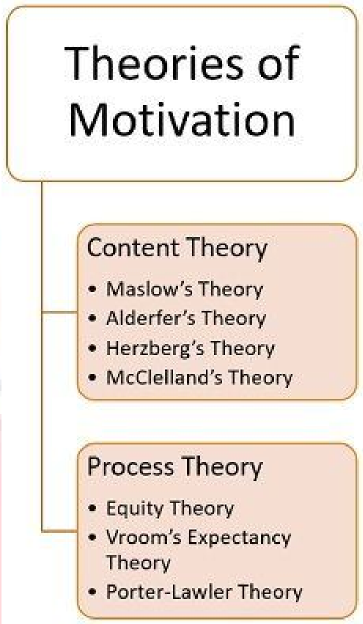
8. Motivating Superiors: Motivating subordinates is one face of the coin. Another face is the obligation on the part of the managers to induce and enthuse their superiors and co-managers. Good managers try to awaken superiors’ interest, confidence and working capabilities by providing them their effective participation, communication and better performance.

They should try to recognise and appreciate superior’s decisions. They should try to follow dynamism in the spheres of organisation, business interrelationships and motivating techniques.

9. Job Enrichment: Adding additional motivators to the job to make it more rewarding or alternatively, efforts to humanise jobs are characterised as job enrichment. Management experts have identified its five dimensions which improve motivation, satisfaction and quality of work by reducing turnover and absenteeism. The basic five dimensions are job variety, task identity, task significance, freedom and feedback.

10. Organisational Climate: Organisational climate very much influence motives of workers, in negative and positive directions. Humanly created climate is considered to be better for effective performance. Climate is a broad phenomenon covering various aspect or total organisation. A good climate is the result of every member’s positive contribution from top to bottom especially top management.

3.5.7 Theories of Motivation



- **Content theories of motivation**

(A) Maslow's hierarchy of needs:
Maslow's hierarchy of needs is a theory in psychology proposed by Abraham Maslow in his 1943 paper "A Theory of Human Motivation" in psychological Review. Maslow subsequently extended the idea to include his observations of humans' innate curiosity.
Human behavior is goal-directed. Motivation cause goal-directed behaviour. It is through motivation that needs can be handled and tackled purposely. This can be understood by understanding the hierarchy of needs by manager. The needs of individual serves as a driving force in human behaviour. Therefore, a manager must understand the "hierarchy of needs". Maslow has proposed "The Need Hierarchy Model".

Maslow classified human needs into five basic categories as shown in the figure.

Maslow's Hierarchy of Needs

- **Physiological need:** It is the basic form of need which includes food, shelter and clothing. E.g., getting a job for survival in the context of an organisation.
- **Safety need:** With physiological needs being met, a need for stability and safety comes into the picture. E.g., job security.
- **Social need:** It is a sense of belongingness to the society. In the context of an organisation, this simply means having good work relations with colleagues and superiors.
- **Esteem needs:** This includes admiration, status and self-respect. E.g., employees in an organisation need recognition for their efforts in achieving the predetermined goals.
- **Self-Actualization:** This is a need for personal development and self-fulfillment. E.g., growth in a profession or moving up the ladder in an organization. Maslow's theory acts as a good base for managers to motivate employees.

Assumptions of Maslow's hierarchy of needs:

- Needs follow a hierarchy.
- The behaviour of people is based on their needs.
- A satisfied need stops being a motivator.
- People ascend from lower level to higher level of their needs.

This means that lower category of need must first be fulfilled before progressing ahead. Maslow's theory of hierarchy is universally accepted as it is simple and logical.

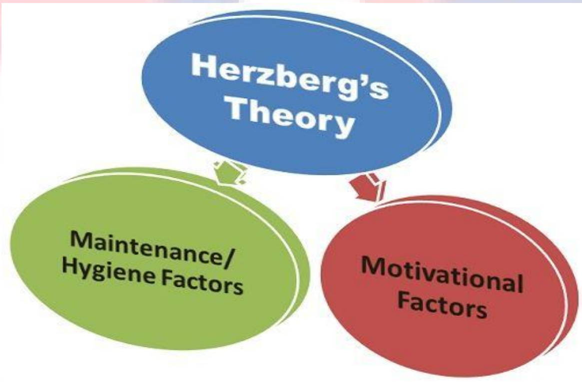
(B) Fredrick Herzberg's Theory of Motivation

The Herzberg's Motivation-Hygiene Theory is given by Fredrick Herzberg and his associates, who studied the variables that are perceived to be desirable to achieve goals and the undesirable conditions to avoid. In this context, the study was conducted wherein the experiences and feelings of 200 engineers and accountants were analyzed.

They were asked to share their previous job experiences in which they felt "exceptionally good" or "exceptionally bad." Through this study, Herzberg concluded that there are two job conditions independent of each other that affect the behaviour differently.

The first set of job conditions has been referred to as maintenance or hygiene factor, wherein the same job conditions provide the same level of dissatisfaction, in case the conditions are absent, however, their presence does not motivate in a strong way.

The second set of job conditions is referred to as motivational factors, which primarily operate to build strong motivation and high job satisfaction, but their absence does not result in strong dissatisfaction.

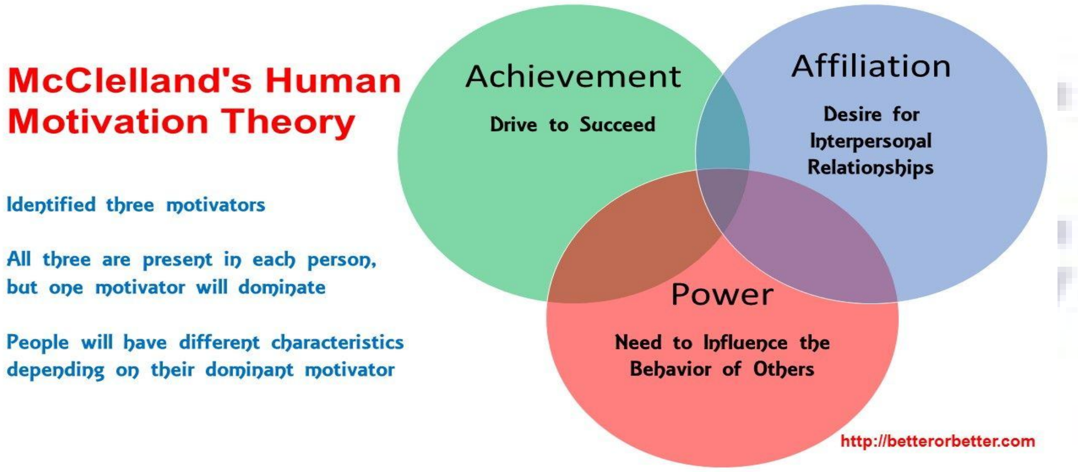


- **Hygiene Factors:** Herzberg identified ten maintenance or hygiene factors, that are not intrinsic parts of a job, but are related to the conditions in which the job has to be performed. These are company policy and administration, technical supervision, job security, working conditions, interpersonal relationship with peers, subordinates and supervisors, salary, job security, personal life, etc.

- **Motivational factors:** These factors have a positive effect on the functioning of the employees in the organization. There are six factors that motivate employees: Achievement, Recognition, Advancement, Work-itself, Possibility of growth and Responsibility. An increase in these factors satisfies the employees and the decrease in these will not affect the level of satisfaction. Thus, Herzberg's Motivation-Hygiene Theory studied the variables which were responsible for the level of satisfaction and had been applied in the industry that has given several new insights.

(C) 3.McClelland's Needs Theory:

McClelland's Needs Theory was proposed by a psychologist David McClelland, who believed that the specific needs of the individual are acquired over a period of time and gets molded with one's experience of the life. McClelland's Needs Theory is sometimes referred to as Three Need theory or Learned Needs Theory.



- **Need for Power:** What is Power? Power is the ability to induce or influence the behaviour of others. The people with high power needs seek high-level positions in the organization, so as to exercise influence and control over others. Generally, they are outspoken, forceful, demanding, practical/realistic-not sentimental, and like to get involved in the conversations.

- **Need for Affiliation:** People with high need for affiliation derive pleasure from being loved by all and tend to avoid the pain of being rejected. Since, the human beings are social animals, they like to interact and be with others where they feel, and people accepting them. Thus, people with these needs like to maintain the pleasant social relationships, enjoy the sense of intimacy and like to help and console others at the time of trouble.

- **Need for Achievement :** McClelland found that some people have an intense desire to achieve. He has identified the following characteristics of high achievers:
  - High achievers take the moderate risks, i.e. a calculated risk while performing the activities in the management context. This is opposite to the belief that high achievers take high risk.
  - High achievers seek to obtain the immediate feedback for the work done by them, so as to know their progress towards the goal. Once the goal is set, the high achiever puts himself completely into the job, until it gets completed successfully. He will not be satisfied until he has given his 100% in the task assigned to him.

Hence, McClelland's Needs Theory posits that the person's level of effectiveness and motivation is greatly influenced by these three basic needs.

3.6 CONTROLLING

3.6.1 Meaning

- Controlling is one of the most basic functions of management, like planning, organizing, staffing, etc. Controlling is an important function, and without controlling management can't ensure the desired results.
- Controlling means giving instructions to employees and making sure that the instructions are being followed as desired by the management.
- Controlling means the management of the organization is responsible for deciding predetermined standards and making sure that performance of the employees match with the standards set by the management and in case if the performance of employees does not match with standards then taking required corrective measures.

3.6.2 Definition of Controlling

"Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished". **Harold Koontz**

"Control is checking current performance against predetermined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance". **E.F.L. Brech**

3.6.3 Features/ Characteristics of Controlling

- **Controlling is an end function:** A function which comes once the performances are made in-Conformities with plans.
- **It is a pervasive function:** which means it is performed by managers at all levels and in all type of concerns.
- **Controlling is forward-looking:** because effective control is not possible without past being controlled. Control always look to the future so that follow-up can make whenever to require.
- **Controlling is a dynamic process:** since controlling requires taking reviewal methods, changes have to be made wherever possible.
- **It is related to planning:** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. Planning presupposes controlling and controlling succeeds in planning.

3.6.4 Need/ Importance of Controlling

1. Basis for Future Action: Control provides basis for future action. The continuous flow of information about projects keeps the long range planning on the right track. It helps in taking corrective action in future if the performance is not up to the mark. It also enables management to avoid repetition of past mistakes.

2. Facilitates Decision-making: Whenever there is deviation between standard and actual performance the controls will help in deciding the future course of action. A decision about follow up action is also facilitated.

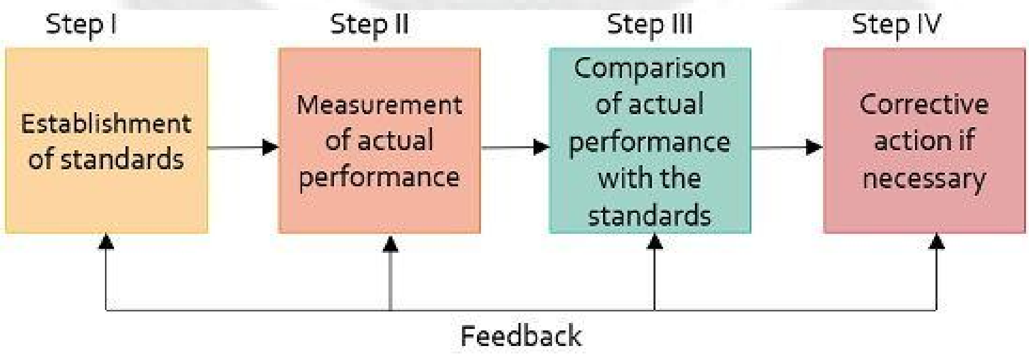
3. Facilitates Decentralization: Decentralization of authority is necessary in big enterprise. The management cannot delegate authority without ensuring proper controls. The targets or goals of various departments are used as a control technique. If the work is going on satisfactorily then top management should not worry. The 'management by exception' enables top management to concentrate on policy formulation. Various control techniques like budgeting, cost control, pre action approvals allow decentralization without losing control over activities.

4. Facilitates Co-ordination: Control helps in coordination of activities through unity of action. Every manager will try to co-ordinate the activities of his subordinates in order to achieve departmental goals. Similarly, chief executives will co-ordinate the functioning of various departments. The controls will act as checks on the performance and proper results will be achieved only when activities are coordinated.

5. Helps in Improving Efficiency: The control system helps in improving organizational efficiency. Various control devices act as motivators to managers. The performance of every person is regularly monitored and any deficiency is corrected at the earliest.

6. Psychological Pressure: Controls put psychological pressure on persons in the organization. Everybody knows that his performance is regularly evaluated and he will try to improve upon his previous work. The rewards and punishments are also linked with performance. The employees will always be under pressure to improve upon their work. Since performance measurement is one of the important tools of control it ensures that every person tries to maximize his contribution.

3.6.5 Process of Controlling



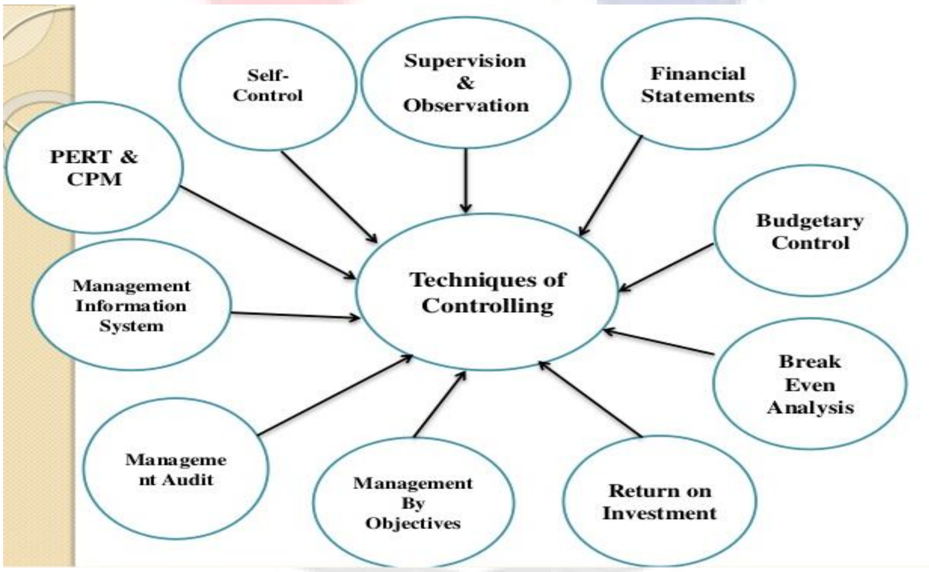
- **Establishing standards**: This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.

- **Measurement of actual performance**: The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard**: This compares the degree of difference between the actual performance and the standard.

- **Taking corrective actions**: It is initiated by the manager who corrects any defects in actual performance.

Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

3.6.6 Techniques of Controlling



1. Direct Supervision and Observation: 'Direct Supervision and Observation' is the oldest technique of controlling. The supervisor himself observes the employees and their work. This brings him in direct contact with the workers. So, many problems are solved during supervision. The supervisor gets first hand information, and he has better understanding with the workers. This technique is most suitable for a small-sized business.

2. Financial Statements: All business organisations prepare Profit and Loss Account. It gives a summary of the income and expenses for a specified period. They also prepare Balance Sheet, which shows the financial position of the organisation at the end of the specified period. Financial statements are used to control the organisation. The figures of the current year can be compared with the previous year's figures. They can also be compared with the figures of other similar organisations.
Ratio analysis can be used to find out and analyse the financial statements. Ratio analysis helps to understand the profitability, liquidity and solvency position of the business.

3. Budgetary Control: A budget is a planning and controlling device. Budgetary control is a technique of managerial control through budgets. It is the essence of financial control. Budgetary control is done for all aspects of a business such as income, expenditure, production, capital and revenue. Budgetary control is done by the budget committee.

4. Break Even Analysis: Break Even Analysis or Break Even Point is the point of no profit, no loss. For e.g. when an organisation sells 50K cars it will break even. It means that, any sale below this point will cause losses and any sale above this point will earn profits. The Break-even analysis acts as a control device. It helps to find out the company's performance. So the company can take collective action to improve its performance in the future. Break-even analysis is a simple control tool.

5. Return on Investment (ROI): Investment consists of fixed assets and working capital used in business. Profit on the investment is a reward for risk taking. If the ROI is high then the financial performance of a business is good and vice-versa.
ROI is a tool to improve financial performance. It helps the business to compare its present performance with that of previous years' performance. It helps to conduct inter-firm comparisons. It also shows the areas where corrective actions are needed.

6. Management by Objectives (MBO): MBO facilitates planning and control. It must fulfill following requirements:-
Objectives for individuals are jointly fixed by the superior and the subordinate.
Periodic evaluation and regular feedback to evaluate individual performance.
Achievement of objectives brings rewards to individuals.

7. Management Audit: Management Audit is an evaluation of the management as a whole. It critically examines the full management process, i.e. planning, organising, directing, and controlling. It finds out the efficiency of the management. To check the efficiency of the management, the company's plans, objectives, policies, procedures, personnel relations and systems of control are examined very carefully. Management auditing is conducted by a team of experts. They collect data from past records, members of management, clients and employees. The data is analysed and conclusions are drawn about managerial performance and efficiency.

8. Management Information System (MIS): In order to control the organisation properly the management needs accurate information. They need information about the internal working of the organisation and also about the external environment. Information is collected continuously to identify problems and find out solutions. MIS collects data, processes it and provides it to the managers. MIS may be manual or computerised. With MIS, managers can delegate authority to subordinates without losing control.

9. PERT and CPM Techniques: Programme Evaluation and Review Technique (PERT) and Critical Path Method (CPM) techniques were developed in USA in the late 50's. Any programme consists of various activities and sub-activities. Successful completion of any activity depends upon doing the work in a given sequence and in a given time.
CPM / PERT can be used to minimise the total time or the total cost required to perform the total operations.
Importance is given to identifying the critical activities. Critical activities are those which have to be completed on time otherwise the full project will be delayed.
So, in these techniques, the job is divided into various activities / sub-activities. From these activities, the critical activities are identified. More importance is given to completion of these critical activities. So, by controlling the time of the critical activities, the total time and cost of the job are minimised.

10. Self-Control: Self-Control means self-directed control. A person is given freedom to set his own targets, evaluate his own performance and take corrective measures as and when required. Self-control is especially required for top level managers because they do not like external control.
The subordinates must be encouraged to use self-control because it is not good for the superior to control each and everything. However, self-control does not mean any control by the superiors. The superiors must control the important activities of the subordinates.

Unit 4: Recent Trends in Management

4.1 MANAGEMENT OF CHANGE

(A) Meaning

- Change management is defined as the methods and manners in which a company describes and implements change within both its internal and external processes. ... Developing a structured approach to change is critical to help ensure a beneficial transition while mitigating disruption.
- Significant organizational change can be challenging. It often requires many levels of cooperation and may involve different independent entities within an organization. Developing a structured approach to change is critical to help ensure a beneficial transition while mitigating disruption.
- Changes usually fail for human reasons: the promoters of the change did not attend to the healthy, real and predictable reactions of normal people to disturbance of their routines. Effective communication is one of the most important success factors for effective change management. All involved individuals must understand the progress through the various stages and see results as the change cascades.

(B) Merits

- ❖ Change is essential for all corporations. However, just how change initiates, it may vary for every company.
- ❖ It commanded upon corporations from outside the house forces or come to a realization which the company can be falling in back of the times. In this way, change administration is quite good for an organization.
- ❖ The change allows the organization to be a better contender with their competition. It also help develops new skills or perhaps products that bring in a bigger profit.

- The most beneficial part of this process to companies is that it allows transformation management groups or professionals to efficiently deal with the future proposed innovative administration.
- Furthermore, it helps individuals recognize why the change was necessary so they will grab hold of it and move forward. Modification is also best for an employee as it will bring these people the opportunity to make an effort to something new and gain additional skills.
- With the open up communication and discussions that change supervision methodology markets, individuals, staff, stakeholders, and customers could have a greater position in the results since they possess helped apply the plan. Individuals tend not to put up resistance from things they suggested.

(C) Demerits

- There are, yet, some negatives to the change management process. In fact, this has to do with poor and improper procedures. Moreover, if the amount of resistance from the staff is not effectively treated throughout the process, it can derail and damage any task.
- If leaders did not learn the culture of the company, the gossip mill from other market leaders could circulate inaccurate or interfering with information about the transformation. Also, stakeholders and consumers need to held informed and brought in about the upcoming change.
- If leaders fail to do so, customers could resist the adjustment. Moreover, they may choose to move through another organization.
- A bad adjustment management schedule can be negative effect to any business. Change supervision is just managing the switch. And, with no plan to handle every step of the modification like before, during and after, the approach could fail at any time. In fact, it could bring down the whole company.
- Although change is dangerous, the benefit is still outweighing the actual pitfalls. Change allows institutions to progress and stay on top with their industry within the uncertain industry world.

4.2 MANAGEMENT OF CRISIS

(A) Meaning

The art of dealing with sudden and unexpected events which disturbs the employees, organization as well as external clients refers to Crisis Management.

The process of handling unexpected and sudden changes in organization culture is called as crisis management.

(B) Merits

- Crisis Management prepares the individuals to face unexpected developments and adverse conditions in the organization with courage and determination.
- Employees adjust well to the sudden changes in the organization.
- Employees can understand and analyze the causes of crisis and cope with it in the best possible way.
- Crisis Management helps the managers to devise strategies to come out of uncertain conditions and also decide on the future course of action.
- Crisis Management helps the managers to feel the early signs of crisis, warn the employees against the aftermaths and take necessary precautions for the same.

(C) Demerits

- **Failure to adequately collect information or data and to plan around it.** This aspect of crisis management planning includes determining potential hazards or crisis situations, analyzing them, and designing or creating a variety of responses. Information required may include company policy procedures, information regarding the organization, and regulatory rules and laws enacted by state or federal mandates.

- **Failure to establish a command hierarchy or structure.** For example, addressing an emergency or crisis in an elementary school requires approaches different from those taken in a nuclear power plant. Trying to fit a generic emergency response tactic to inappropriate scenarios is useless. Every entity should devise its own crisis response according to the facility, industry, population, and organizational structure. Likewise, a hospital evacuation plan will contain components that are different from those organized by a preschool, small business, shopping mall, or high rise building. Crisis management team members must focus on their specific company or organization as they devise their crisis response.

- **Inability to clearly designate team or organizational responsibilities.** Inability to provide clear procedures and information regarding an individual team member's specific duties, tasks, or functions in an emergency situation will create indecision, confusion, and an inability to perform at optimal levels. Identifying responsibilities and expectations is an important and vital aspect of team management and should be reviewed regularly to ensure that every team member knows exactly what are his or her job functions and responsibilities.

- **Inability to effectively communicate with outside community members.** Those members include emergency services, such as hospitals, police, and fire departments. An emergency plan should designate to where individuals should be evacuated. It should identify support organizations and make contact information available so they are alerted immediately and without question. Designating a specific individual and a backup individual to be responsible for contacting primary off site agencies in emergency situations helps streamline response time and effectiveness.

- **Failure to consistently update and practice contingency plans.** It's one thing to have a plan on paper, but if individuals, including the response team, have never practiced several potential scenarios, the plan may be worthless. It is one thing to devise crisis responses to meet regulatory requirements, but failing to practice them or put them into action is careless. Continued evaluation, updates of materials, exchange of materials, and contact numbers should be readily available and provided to all crisis management team members, along with supervisors, managers, and upper management personnel. All should practice elements in the plan on a regular basis to ensure compliance.

- **Failure to make crisis information easily understandable, accessible, and implementable.** Every individual on a crisis management team should be clear about his or her job duties and responsibilities. Materials should be easy to read and to use. In some cases, a quick reference guide during emergency situations should be readily available to all team members, department managers, and supervisors. Even more important is adequate training in the implementation of emergency or contingency plans.

4.3 TOTAL QUALITY MANAGEMENT

(A) Meaning

- Quality refers to a parameter which decides the superiority or inferiority of a product or service.
- Total Quality management is defined as a continuous effort by the management as well as employees of a particular organization to ensure long term customer loyalty and customer satisfaction.
- Total quality management ensures that every single employee is working towards the improvement of work culture, processes, services, systems and so on to ensure long term success.

(B) Merits

(i) Sharpens Competitive Edge of the Enterprise: TQM helps an organisation to reduce costs through elimination of waste, rework etc. It increases profitability and competitiveness of the enterprise; and helps to sharpen the organisation's competitive edge, in the globalized economy of today.

(ii) Excellent Customer Satisfaction: By focusing on customer requirements, TQM makes for excellent customer satisfaction. This leads to more and more sales, and excellent relations with customers.

(iii) Improvement in Organisational Performance: Through promoting quality culture in the organisation, TQM lead to improvements in managerial and operative personnel's performance.

(iv) Good Public Image of the Enterprise: TQM helps to build an image of the enterprise in the minds of people in society. This is due to stress on total quality system and customers' requirements, under the philosophy of TQM.

(v) Better Personnel Relations: TQM aims at promoting mutual trust and openness among employees, at all levels in the organisation. This leads to better personnel relations in the enterprise.

(C) Demerits

(i) Waiting for a Long Time: TQM requires significant change in organisation; consisting of:
1. Change in methods, processes etc. of organisation.
2. Change in attitude, behaviour etc. of people

Launching of TQM and acceptance of the philosophy of TQM requires a long waiting for the organisation. It is not possible to accept and implement TQM overnight.

(ii) Problem of Labour Management Relations: Success of TQM depends on the relationships between labour and management; because participation of people at all levels is a pre-requisite for TQM programme implementation. In many organisations, here and abroad, labour-management relations are quite tense. As such, launching, acceptance and implementation of TQM programme is nothing more than a dream for such organisations.

4.4 STRESS MANAGEMENT

(A) Meaning

- Our increasingly busy lives cause our minds a lot of stress. Stress is mental tension caused by demanding, taxing or burdensome circumstances. Stress doesn't just affect our mental state and mood; it affects our physical health as well. When we are very stressed, a hormone called cortisol is released into our bloodstream, suppressing the functioning of our immune, digestive and reproductive systems. That is why it is so important to practice stress management in order to keep our minds and bodies healthy.
- Stress management consists of making changes to your life if you are in a constant stressful situation, preventing stress by practicing self-care and relaxation and managing your response to stressful situations when they do occur.

(B) Merits

- Less absenteeism due to stress- related disorders
- Less worker's compensation loss due to stress- related illness or accidents
- Improved job performance
- Less stressful, more efficient workplace
- Improved employee attitude
- Improved employee overall health

(C) Demerits

- Stress itself is a disadvantage because it can potentially raise your heart rate and weaken your immune system.
- Also, it can be a factor in poor decision making because under stress we may not think logically or consider the consequences of the choices we make.

4.5 KNOWLEDGE MANAGEMENT

(A) Meaning

- Knowledge Management (KM) refers to a multi- disciplined approach to achieve organizational objectives by making the best use of knowledge.
- KM focuses on processes such as acquiring, creating and sharing knowledge and the cultural and technical foundations that support them.
- The purpose of Knowledge Management is to provide the right information to the right people at the right time to enable informed decision making which enables service providers to be more efficient and improve the quality of service delivered.

(B) Merits

- improve quality of service to users
- improve user satisfaction
- increase adoption of self service
- Higher first call resolution rates
- Reduce time to diagnose incidents and problems
- Reduction in training time and costs
- faster adoption of new or changed services
- increase responsiveness to changing business demands

(C) Demerits

- Dependency on knowledge contributors
- Creating confusion among managers and employees
- Mishandling of valuable company information
- Knowledge management systems are complex and hard to understand for the average workers
- Lack of company strategy to fully utilize the information that it collects

4.6 OUTSOURCING

(A) Meaning

- Outsourcing is the business practice of hiring a party outside a company to perform services and create goods that traditionally were performed in-house by the company's own employees and staff.
- Outsourcing is a practice usually undertaken by companies as a cost-cutting measure.

(B) Merits

- **improved focus on core business activities -** outsourcing can free up your business to focus on its strengths, allowing your staff to concentrate on their main tasks and on the future strategy
- **increased efficiency -** choosing an outsourcing company that specialises in the process or service you want them to carry out for you can help you achieve a more productive, efficient service, often of greater quality
- **controlled costs -** cost-savings achieved by outsourcing can help you release capital for investment in other areas of your business
- **increased reach -** outsourcing can give you access to capabilities and facilities otherwise not accessible or affordable
- **greater competitive advantage -** outsourcing can help you leverage knowledge and skills along with your complete supply chain

(C) Demerits

- **service delivery -** which may fall behind time or below expectation
- **confidentiality and security -** which may be at risk
- **lack of flexibility -** contract could prove too rigid to accommodate change
- **management difficulties -** changes at the outsourcing company could lead to friction
- **instability -** the outsourcing company could go out of business.

……………………….THANKS…………………….