# ||श्री गुरुभ्यो नमः||

# Module 2

## *Management Functions*

**Planning:**

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

**Concept of Planning**

{1} Planning is a rational action mixed with a little of forethought. It is seen everywhere. In a business, planning is the primary of all managerial functions as it involves deciding of future course of action. Thus, planning logically precedes the execution of all managerial functions.

{2} Planning is the process of establishing goals and a suitable course of action for achieving those goals. It requires decision making the necessity of planning arises because business organizations must operate, survive and progress in a highly dynamic economy where change is the rule, changes gives rise to the problems and throw countless challenges.

{3} Planning is the primary function. Planning logically precedes the execution of all other managerial functions, since managerial activities in organizing; staffing, directing and controlling are designed to support the attainment of organizational goals. Thus, management is a circular process beginning with planning and returning to planning for revision and adjustment.

{4} Planning is based on facts. Planning is a conscious determination and projection of a course of action for the future. It is based on objectives, facts and considered forecasts. Thus, planning is not a guess work.

**Importance/Significance of Planning:**

**1. Planning provides Direction:**

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees must do, how to do, etc. By stating in advance how work must be done, planning provides direction for action. Employees know in advance in which direction they must work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

**2. Planning Reduces the risk of uncertainties:**

Organisations must face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

**3. Planning reduces over lapping and wasteful activities:**

The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result, there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

**4. Planning Promotes innovative ideas:**

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

**5. Planning Facilitates Decision Making:**

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

**6. Planning establishes standard for controlling:**

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80-unit production up to 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

**7. Focuses attention on objectives of the company:**

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan, they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives

## Types of plans

### 1. Objectives:

Objectives are the ends towards which the activities are directed. They are the result of every activity. An objective:
(a) Should be related to single activity;
(b) Should be related to result and not to activity to be performed;
(c) It should be measurable or must be measured in quantitative term;
(d) It must have a time limit for achievement of objective;
(e) It must be achievable or feasible.
For example, increase in sale by 10% or decrease in rejections by 2%.

### 2. Strategy:

A strategy is a comprehensive plan to achieve the organisational objectives. The dimensions of strategy are:
(I) Determining long term objectives.
(ii) Adopting a course of action.
(iii) Allocating resources for achieving the objectives.
Strategy formulation is the task of top-level people and it is must to scan and understand clearly the business environment before framing the strategy. The common decisions in strategy are whether to introduce a new product or not. If to introduce then how, finding out customer for your products making changes in existing products etc. All the strategic decisions are greatly influenced by the business environment. Strategy defines the future decisions regarding the organisation's direction and scope in the long run.
For example, Choice of advertising media, sales promotion techniques, channels of distribution, etc.

### 3. Policies:

Policy can be defined as organisation's general response to a problem or situation. In simple words, it is the organisation's own way of handling the problems. Policies are made at every level because the managers at every level need to decide or predetermine the way of handling a situation and policy acts as a guide to take decisions in unexpected situation.
Policy formation always encourages initiatives of employees because employees must deal with situations and the way of handling the situation is decided in consultation with the employees. Then they will be able to handle the situation in a much better way. For example, a school may have policy of issuing admission form only to students who secured more than 60% marks.

**4. Procedures:**

Procedures are required steps established in advance to handle future conditions. The sequence of steps to be followed by employees in different situations must be predetermined so that everyone follows same steps.

The procedure can be defined as the exact way an activity has to be accomplished.

For example, the procedure for admission in a school can be:

(a) Set up a file for applicants;

(b) Accept the field forms and put them in a file;

(c) Ask for other certificates to verify score or marks of students;

(d) Put those documents also in the file;

(e) Give the file to admission in-charge.

**5. Rules:**

Rules spell out special actions or non-actions of the employees. There is no discretion allowed in rules, i.e., they must be followed strictly and if rules are not followed then strict actions can be taken against employees who are disobeying the rules. Rules are spelt out to create the environment of discipline in the organisation. For example, there can be rule of '**No Smoking'** in the organisation. Rules generally guide the general behaviour of the employees and employees cannot make any changes in them.

**6. Programmes:**

Programmes are the combination of goals, policies, procedures and rules. All these plans together form a program. The programmes are made to get a systematic working in the organisation. The programmes create relation between policies, procedures and goals. The programmes are also prepared at different levels. A primary programme is prepared by the top level and then to support the primary programme supportive programmes of different levels are prepared for smooth function of the company.

For example, construction of shopping mall, Development of new product.

**7. Methods:**

Methods can be defined as formalized or systematic way of doing routine or repetitive jobs. The managers decide in advance the common way of doing a job. So, that

(a) There is no doubt in the minds of employees;

(b) There can be uniformity in actions of the employees;

(c) These help in applying the techniques of standardization and simplification;

(d) Act as guide for employees.

If the common way of doing the job is not decided in advance, then there will be confusion and comparison will not be possible. For example, for the valuation of stock, the organisation must decide in advance what method must be adopted (lifo or fifo). So that everyone follows the same method and comparison with the past value of stock can be done, method for calculation of depreciation.

**8. Budget:**

Budget is the statement of expected result expressed in numerical terms. In budgets the results are always measurable and most of the time these are financial in nature, but it does not mean that company prepares only financial budget. Financial budget is also known as profit plan of the company because it includes the expected income and related expenditures with that income and the profit which the company will earn in the coming year.

Along with financial budget capital budget is prepared to find out the expected capital requirement. Operational budget is prepared where instead of finance hourly units are used stating expected hours the employees will be working. Budgets are prepared by managers at every level and lower level manager generally prepare operational budgets.

The most common budget prepared by managers at different levels is cash budget. This budget estimates the expected cash inflow and cash outflow over a period. Cash inflow comes from sales and cash outflow is in the form of expenses. Businessmen can find out net cash position by subtracting cash outflow from cash inflow.

## Organising

According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

### Principles of objectives

**(i) Principle of unity of objective:**

Very simply stated, this principle requires that individual and departmental objectives throughout the enterprise must be perfectly harmonized; and that all objectives must be mutually supportive and collectively contributing to overall common objectives.

**(ii) Principle of simplicity:**
The observance of this priniple requires that the management must, as far as possible, design a simple organizational structure. A simple structure facilitates a better understanding of superior- subordinate relationships; and provides background for better co-operation among people.

**(iii) Principle of flexibility:**
While designing the organizational structure, the management must provide for in-built devices within the structure itself; which would facilitate changes in the organizational structure to be affected as and when environmental factors- internal and/or external- so demand.

**Structural Principles:**
Structural principles of organization relate to those aspects of the organization, which have a bearing on the structuring (or the development) of the organization; its fundamental design and shape.
Some of the important principles, in this context, might be the following ones:

**(iv) Principle of division of work:**
Since the total work of the enterprise cannot be performed by only one person; it is imperative that such work must be suitably divided among several persons. In fact, the total managerial work ought to be divided among several managers; and the total operational work being divided among several operating personnel.

**(v) Principles of functional definition:**
The above stated principle implies that the role (or job) of each individual and of each department of the enterprise must be suitably defined, in terms of the- work content, the authority and facilities required for job performance and the relationship of the job with those of others, in the enterprise.

**(vi) Principle of optimum departmentation:**
There are many ways and bases for creating departments within an organization. According to the principle of optimum departmentation, departments in an organization must be so created and maintained-as to facilitate the best attainment of the common objectives of the enterprise.

**(vii) Principle of unity of direction:**
The principle implies that each group of activities having the same objective must have only one overall head and only one overall or master plan. As a principle of organization, this concept of unity of direction must be so embedded in designing the organizational structure that for each group of similar activities, there is a provision for only one overall head-having authority over all personnel performing the same function, anywhere, in the organization.

**(viii) Span of management principle:**
The span of management principle is variously called as- the span of control or the span of supervision. However, the phrase 'span of management' is the widest; including also the notions of span of control and span of supervision. The span of management principle implies that there is a limit to the number of subordinates; whose work could be effectively managed (controlled or supervised) by a superior.

**Operational Principles:**
Operational principles of organization could be suggested to be those which have a bearing on the running or functioning of the organization.
Some important principles, under this category, are as follows:

**(ix) Principle of adequate delegation:**
By the principle of adequate delegation, we mean that each managerial position be provided with adequate (or necessary or requisite) authority-to enable the holder of the position i.e. the manager to cope successfully with the requirements of his job.

**(x) Scalar chain principle:**
Scalar chain implies a chain of superiors-ranging from the highest rank to the lowest rank-in an organization. The scalar chain forms the base of authority-responsibility relationships among managers and subordinates, in the organisation; thus, promoting mutual understanding among superiors and subordinates at different levels of the organization. As a principle of organization, scalar chain principle requires its incorporation into the design of the organisation, for ensuring smooth running of the enterprise life.

**(xi) Principle of unity of command:**
The above-sated principle implies that an employee must receive orders and instructions, only from one superior, at a time. The observance of this principle is desirable for reasons of removing doubts and confusions from the mind of the employees; and for facilitating exact fixation of responsibility on individuals for the results expected of them.

**(xii) Authority-level principle:**
The authority-level principle implies that managers at levels in the management hierarchy must decide only those matters which fall within the purview of the authority vested in their managerial positions.
A natural extension of this principle is that if a manager at any level of the management hierarchy comes across a matter not covered by his authority; the

matter must either be referred upwards in the hierarchy or pushed down the hierarchy at the appropriate level for decision.

**Organizational theory**

Organizational theory attempts to explain the workings of organizations to produce understanding and appreciation of organizations. Organizational theory draws from various bodies of knowledge and disciplines.

**Classical Organizational Theory**

The classical perspective of management originated during the Industrial Revolution. It focuses primarily on efficiency and productivity and does not consider behavioural attributes of employees. Classical organizational theory combines aspects of scientific management, bureaucratic theory and administrative theory. Scientific management involves obtaining optimal equipment and personnel and then scrutinizing each component of the production process, states Stat Pac Inc, an international software development and research company. Bureaucratic theory places importance on establishing a hierarchical structure of power. Administrative theory strives to establish universal management principles relevant to all organizations.

**Neoclassical Organizational Theory**

Neoclassical organizational theory is a reaction to the authoritarian structure of classical theory. The neoclassical approach emphasizes the human needs of employees to be happy in the workplace, cited Stat Pac Inc. This allows creativity, individual growth and motivation, which increases productivity and profits. Managers utilizing the neoclassical approach manipulate the work environment to produce positive results.

**Contingency Theory**

Contingency theory accepts that there is no universally ideal leadership style because each organization faces unique circumstances internally and externally. In contingency theory, productivity is a function of a manager’s ability to adapt to environmental changes. Managerial authority is especially important for highly volatile industries. This allows managers the freedom to make decisions based on current situations. The contingency theory reveals situations that require more intense focus and takes account of unique circumstances.

**Systems Theory**

Systems theorists believe all organizational components are interrelated. Changes in one component may affect all other components, according to Stat Pac. Systems theory views organizations as open systems in a state of dynamic equilibrium, which are continually changing and adapting to environment and circumstance. Nonlinear relationships between organizational components create a complex understanding of organizations in systems theory.

**Organizational Structure theory**

Organizational structure became an important aspect of organizational theory due to the increasing complexities of multinational organizations and the need to more quickly and efficiently reach the market. Project-focused structures enable a greater responsiveness to market demands than purely functional or bureaucratic structures. Projectized organizational structures focus on the project manager or project management office for information and activities related to business projects. The matrix organizational structure features vertical hierarchies of functional departments that facilitate projects along a horizontal axis. The continual exchange of information and energy characterizes the relationship between organizational structure and environment.

**Organisation structure**

**1.Line Organisational Structure:**

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

**2. staff or Functional Authority Organisational Structure**

The jobs or positions in an organisation can be categorized as:

**(i) Line position:**

a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

**(ii) Staff position:**

A position intended to provide expertise, advice and support for the line positions. The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.

**2. Line and Staff Organisational Structure:**

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

**. Divisional Organisational Structure:**
In this type of structure, the organisation can have different basis on which departments are formed. They are:
(i) Function, (ii) Product, (iii) Geographic territory, (iv) Project and
(v) Combination approach.

**4. Project Organisational Structure:**
The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of several interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists, at this situation this theory helps more

**5. Matrix Organisational Structure:**
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure.

**6. The Informal Organisation:**
An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level. Since managers cannot avoid these informal relationships, they must be trained to cope with it.
Authority
Authority: Authority refers to the right of an individual to command his subordinates and to act within the scope of his position.
Responsibility
Responsibility is the obligation of a subordinate to properly perform the assigned duty.
Accountability
Accountability implies being answerable for the outcome. Once authority has been delegated and responsibility accepted, one cannot deny accountability.

| Basis for Comparison | Authority | Responsibility |
|---|---|---|
| Meaning | Authority refers to the power or right, attached to a job or designation, to give orders, enforce rules, make decisions and exact compliance. | Responsibility denotes duty or obligation to undertake or accomplish a task successfully, assigned by the senior or established by one's own commitment or circumstances. |
| What is it? | Legal right to issue orders. | Corollary of authority. |
| Results from | Formal position in an organization | Superior-subordinate relationship |
| Task of manager | Delegation of authority | Assumption of responsibility |
| Requires | Ability to give orders. | Ability to follow orders. |
| Flow | Downward | Upward |
| Objective | To make decisions and implement it. | To execute duties, assigned by superior. |
| Duration | Continues for long period. | Ends, as soon as the task is accomplished. |

## Power

**Meaning:** the ability to exert influence. If a person has power, it means that he /she can change the attitude of other individual.

### Sources of Power in Management

John R. P. French and Bertram Raven identified five bases or sources of power: legitimate, reward, coercive, expert and referent power.

**Legitimate Power:** A person’s position within organization provides him with legitimate power. The organization gives managers the power to direct the activities of their subordinates. Legitimate power is like formal authority and hence it can be created, granted, changed or withdrawn by the formal organization. The structure of the organization also identifies the strength of the legitimate authority by position location. For instance, higher-level positions exercise more power than lower-level positions in a classical hierarchical organizational structure. Organizations vary in how much legitimate power they grant to individuals. In such organizations, everyone knows who has the most power and few people challenge the power structure.

**Reward Power:** This type of power is the extent to which one person has control over rewards that are valued by another. The greater the perceived values of such rewards, the greater the power. Organizational rewards include pay, promotions and valued office assignments. A manager who has complete control over such rewards has a good deal of power. Manager who uses praise and recognition has also a good deal of power.

**Coercive Power:** People have, coercive power if they have control over some form of punishment such as threat of dismissal, suspension, demotion or other method of embarrassment for the people. Perhaps, a manager can cause psychological harm also lo an employee. A manager’s coercive power increases with the number and severity of the sanctions over which the manager has control. Although the use of coercive power is often successful in the short run, it tends to create resentment and hostility and therefore is usually detrimental to the organization in the long run.

**Expert Power:** It is more of personal power than organizational power. Expert power is that influence which one wields because of one’s experience, special skill or knowledge. This power occurs when the expert threatens to withhold his knowledge or skill. Since any person who is not easily replaceable has more power as compared to those who are easily replaceable. If the sub-ordinates view their superior as competent, and knowledgeable, naturally they will obey and respect the superior. To the extent, that a low-ranking worker has important knowledge not available to a superior, he is likely to have more power.

**Referent Power:** A person who is respected by certain others for whatever reason has referent power over those people. A person with referent power may have charisma and people who respect that person are likely to get emotionally involved with the respected person and identify with, accept and be willing to follow him or her. People with referent power are often imitated by others with the star’s actions, attitudes and dress. This imitation reflects the rising star’s power over the imitations.

## Delegation

**Introduction: A** manager, no matter how capable he is, cannot manage to do every task on his own. The volume of work makes it impractical for him to handle it all by himself. Therefore, if he desires to meet the organisational goals, focus on objectives and ensure that all work is accomplished, he must delegate authority.

**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.

**Definition: According** to. 'Theo Hamman' "Delegation of authority merely means the granting of authority to subordinates to operate within prescribed limits".

**Principles of Delegation**

**1. Principle of Functional Definition:**

The related or similar activities should be grouped together according to enterprise function. When the definition of a position is clear then delegation of authority becomes simple. In the words of Koontz and O'Donnell "the more a position or a department has clear definitions or results expected, activities to be undertaken, organization authority delegated and authority and informational relationships with other positions understood, the more adequately the individuals responsible can contribute toward accomplishing enterprise objectives."

It is very difficult to define a job and the authority required to accomplish it. If the superior is not clear about the results expected, then it becomes more difficult. It should be clear who should do what so that right amount of authority is delegated. Dual subordination results in conflicts, division of loyalty and lack of personal responsibility for results.

**2. Principle of Unity of Command:**

The basic management principle is that of unity of command. This principle states that a subordinate should report only to single superior. This will give a sense of personal responsibility. Although it is possible for a subordinate to receive orders from more superiors and report to them, but it creates more problems and difficulties. An obligation is essentially personal and authority delegation by more than one person to an individual is likely to result in conflicts in both authority and responsibility. This principle is also useful in the classification of authority-responsibility relationships.

**3. Principle of Delegation by Results Expected:**

The delegation of authority should be based based on results expected. The authority should be enough to achieve the desired results. If the authority is insufficient then results will not be achieved. So, there should be a balance between the results expected and the authority required.

**4. Principle of Absoluteness of Responsibility:**

The responsibility of a subordinate, once he has accepted the work, is absolute to his superior. The responsibility of the superior does not decrease once he has delegated authority. A person can delegate authority and not responsibility. He will remain accountable for the work even if it is delegated to the subordinate. So, the responsibility of superior and subordinate remains absolute.

**5. Principle of Parity of Authority and Responsibility:**

Since authority is the right to carry out assignments and responsibility is the obligation to accomplish it, there should be a balance between the both. The responsibility should bear logical relationship with authority delegated. The subordinate should not be burdened with high performance responsibility with delegating enough authority. Sometimes the authority is delegated but the concerned person is not made accountable for its proper use. This will be a case of poor management. The parity between authority and responsibility will be essential for achieving efficiency.

**6. Authority Level Principle:**

The principle that decision-making should remain at the level at which authority is delegated. The managers delegate authority to subordinates but have the temptation to make decisions for them. They should allow the subordinates to take their own decisions as per the authority delegated to them. The delegation of authority will be effective only when it is clear and understandable to subordinates. The subordinates should know the area of their decision-making and should avoid the temptation of referring things to higher ups. In the words of Koontz and O'Donnell, the authority level principle would be "maintenance of intended delegation requires that decisions within the authority competence of individuals be made by them and not be referred upward in the organization structure."

**7. The Scalar Principle:**

The scalar principle refers to the chain of direct authority relationships from superior to subordinates throughout the organization. The ultimate authority must rest somewhere. Subordinates must know to whom they should refer the matter if it is beyond their authority. The clearer the line of authority from top manager to every subordinate the more effective will be responsible decision-making.

**Importance of delegation**

1. **Efficiency:** Efficiency arises when duty is transferred to people with skills that match the role. Let the team members carry out routine activities for themselves while you plan and strategize for the next step. This will ensure you have adequate time for planning, less stress and improved efficiency

2. **Development:** Team leaders have skills and abilities that can be passed down to other team members. The best way to do this is to teach them the

new skills and then delegate duties to them for them to utilize the already learnt skills. The importance of delegation is in team development as well; as you can outsource team development to experienced members of your team thereby increasing their mentoring skills as well as decision making.

3. **Empowerment:** To empower is to allow others become experts at what they do even if they surpass your ability. This encourages personal development of team members leading to the overall team success.

4. **Leadership:** A good leader does not do, he plans and coaches. After coaching, team members will take roles assigned to them and accomplish with or without supervision. When tasks are completed, new tasks can be taken with maximum confidence.

5. **Improved decision making:** Another importance of delegation is that it always leads to better decisions. This is because supervisors are closer to the scene and are part of everything that happens, and they only need to be empowered to make justified judgments. *A good example is when a* sales manager *makes sales decisions in his territory without influence from the general manager based far away in the headquarters*. Managers are relieved from heavy workload: Everyday, responsibilities accumulate. When a lot of duties are handled by one person, inefficiency creeps in resulting to wrong decisions that negatively influence the company operations. When the supervisor or manager is relieved some duties, he will be able to concentrate on higher matters of management. This is where the importance of delegation lies. *E.g. it will be a waste of time for a manager to engage in checking personal time cards of lower employees instead of channelling that time and energy in dealing with the overall organization goals.* Such minor roles should be delegated to a lower supervisory level.

6. **Enhances faster decisions:** Quick decision making is made possible as unnecessary bureaucratic channels initially followed to arrive to simple decisions are broken. On-the-spot-decisions save the organization a lot of time initially wasted.

7. **Builds morale and trains subordinates:** When subordinates can make decisions on their own, they accept responsibility. This in turn improves their self-confidence and overall performance.

8. **It creates a formal organizational structure:** When authority is delegated, a formal structure for the organization is also created. A formal

organization structure only arises when authority is channelled to different persons resulting to a superior-subordinate relationship.

## Decentralisation

According to 'Henry Fayol', "Everything which goes to increase the importance of a subordinate's role is decentralisation, everything that goes to reduce it is centralisation."

**Importance**

1. **Relief to the Top Executives:**

Diminishing the work-load of the senior executives who are already over-burdened, decentralisation helps to reduce the volume of their routine affairs. They can devote greater time and attention to important policy matters by decentralizing authority for routine operational decisions.

2. **Motivation of the Subordinates:**

Decentralisation motivates the lower level managers by increasing their chances of recognition, improving their status and offering them a feeling of accomplishment. The facility to make decision and function independently activates strong drives among the individuals and, thus, results in increased productivity.

3. **Improvement of Work Performance:**

The operating decisions in a decentralised setting tend to be of higher quality. Decisions will be more appropriate, timely and quick because they are made nearest to the points of the problem, information and actions. Decisions will also be democratic and acceptable as these are made by the people who are responsible for implementing them.

4. **Promotion of the Subordinate's Morale:**

Decentralisation tends to promote the subordinate's morale due to relative equalisation of power and authority at all levels of the organisation, scope for participating in problem identification, decision-making and implementation, increased job satisfaction, and reduced gap between problems and decisions, and between decisions and actions.

5. **Increasing Flexibility:**

Decentralisation is a structural strategy to manage organisational growth and diversification and to cope with the complexity, uncertainty and volatility of the external environment.

6. **Increasing Efficiency of Management:**

Decentralisation reduces the burden of the top executives, relieves them of the anxiety of details, allows them to concentrate on other important tasks of planning, co-ordination and controlling etc. and increases overall efficiency of the management.

7. **Facilitating Diversification of Activities:**

Decentralisation facilitates the growth and diversification of product lines. As one single product or a group of related products is made the basis for creating divisions, all important features like present position, future prospects and comparative efficiency of each product can be readily ascertained.

8. **Minimisation of Risk:**

Decentralisation not only spreads over decision-making authority among various executives of middle and lower level management but also facilitates the availability of the benefits of expert advice of the specialists and thus helps the business in minimising possibilities of loss.

9. **Ensuring Quick Performance:**

The close contact and consequent greater understanding between the managers and the managed can cope successfully with constant business changes. Thus, it provides a dynamic character to the business and ensures quick decision and prompt action.

10. **Developing Future Executives**:

When authority is decentralised, the subordinates get the opportunity of exercising their own judgement. They learn how to decide and develop managerial skills. Thus, decentralisation provides a better means of developing future managers and executives. This is probably the most important benefit, particularly in our country where shortage of competent managers is the major limiting factor of the rapid growth of our economy and principal industries.

## Staffing

Definition According to Mc. Farland, “staffing is the function by which manager build an organisation through, the Recruitment, selection and development of individual as capable employees”

**Importance of Staffing:**

1. Staffing function help in discovering of qualified and obtaining competent personnel for various jobs in the organisation.
2. Since the right person is recruited for the right jobs, it leads for maximum productivity and higher performance.
3. It promotes optimum utilization of human resources.
4. It increases job satisfaction and morale of the workers through adequate remuneration for each job.
5. Since the staffing helps to ensure maximum utilization of human resources exist the labour costs per unit or production will be reduced.

6. It ensures the continuity and growth of the organization, through development managers.
7. It help, business activities are not disrupted at any time due to shortage of competent workers or excess of workers. Because it forecasts the correct staff requirements for the present and for the long-term.
8. It leads to efficient functioning of the organization due to systematic programmes for the selection, training and appraisal of employees are required by proper staffing function.
9. The use of latest technology can be achieved by the right person, selected in the organization.
10. Employees now recognize the dignity of labour, there is awareness of the role of performing the staffing function well; management can show the significance it attaches to the human resource development.

## Directing

According to Human, "**Directing** consists of process or technique by which instruction can be issued and operations can be carried out as originally planned"

**Importance**

**1. Initiates Action**

A directing function is performed by the managers along with planning, staffing, organizing and controlling in order to discharge their duties in the organization. While other functions prepare a platform for action, directing initiates action.

2. **Pervasive Function**

Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

3. **Continuous Activity**

It is a continuous function as it continues throughout the life of organization irrespective of the changes in the managers or employees.

**4. Descending Order of Hierarchy**

Directing flows from a top level of management to the bottom level. Every manager exercises this function on his immediate subordinate.

5. **Human Factor**

Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

**6. Ingrates Efforts** Directing integrates the efforts of all the employees and departments through persuasive leadership and effective communication towards the accomplishment of organizational goals.

**7. Motivates Employees**
A manager identifies the potential and abilities of its subordinates and helps them to give their best. He also motivates them by offering them financial and non-financial incentives to improve their performance.

**8. Provides Stability**
Stability is significant in the growth of any organization. Effective directing develops co-operation and commitment among the employees and creates a balance among various departments and groups.

**9. Coping up with the Changes**
Employees tend to resist any kind of change in the organization. But, adapting the environmental changes is necessary for the growth of the organization. A manager through motivation, proper communication and leadership can make the employees understand the nature and contents of change and also the positive aftermaths of the change. This will help in a smooth adaptation of the changes without any friction between the management and employees.

**10. Effective Utilization of Resources**
It involves defining the duties and responsibilities of every subordinate clearly thereby avoiding wastages, duplication of efforts, etc. and utilizing the resources of men, machine, materials, and money in the maximum possible way. It helps in reducing costs and increasing profits.

## Co ordinating

According to' Pearce and Robinson', "integration of the activities of individuals and units into a concerted effort that works towards a common aim."

**Importance**

**1. Non-routine jobs:**
Non-routine jobs need constant flow of information, both vertical and horizontal. Unless there is proper coordination amongst these jobs, they cannot be performed efficiently. Coordination, thus, helps in effectively carrying out non-routine jobs.

**2. Dynamic activities:**
Organisations operate in the dynamic environment. Environmental changes must be adopted by organisations for their survival and growth. Coordination helps in integrating activities which constantly change according to changes in the environment.

**3. Standards of performance**:
When standards of performance against which actual performance is to be measured are too high, managers coordinate the various business activities to ensure that high performance standards are achieved.

**4. Interdependence of activities:**
When different units of the organisation are dependent on each other for resources or information, there is great need for coordination amongst them. Greater the interdependence, greater is the need for coordination.

**5. Specialisation**:
Specialisation leads to concentration on very narrow areas of job activity. Individuals tend to overlook overall perspective of the job. This requires coordination to direct all the activities towards a common goal.

**6. Growing organisation**:
In growing organisations, number of people and divisions become so large that it becomes difficult for top managers to coordinate the activities performed by all of them. Various techniques of coordination (rules, procedures, plans, goals, slack resources etc.) help in unifying diverse and multiple organisational/departmental activities towards the common goal.

**7. Promote group effort**:
Coordination helps in promoting group effort rather than individual effort for optimally achieving the organisational goals. It harmonizes individuals' goals with organisational goals and satisfies individual goals through satisfaction of organisational goals.

**8. Unity of action**:
Organisations have diverse work force, thoughts, resources, goals, activities and skills. Coordination helps to unify these diverse set of actions towards a single goal and, thus, maximise their use.

**9. Synergy:**
Coordination facilitates the sum of output of group to increase by more than the sum of their individual output. It integrates work of different units and produces synergistic effects by increasing the overall organisational output.

## Control

According to 'E.F.L. Brech', "controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

**Nature**

**Control is a Function of Management:**
Control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organisation.

**2. Control is Based on Planning**:
Control is designed to evaluate actual performance against predetermined standards set-up in the organisation. Plans serve as the standards of desired performance.

**3**. **Control is a Dynamic Process:**
It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

**4**. **Information is the Guide to Control:**
Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

**5. The Essence of Control is Action**:
The performance of control is achieved only when corrective action is taken based on feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

**6. It is a Continuous Activity:**
Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

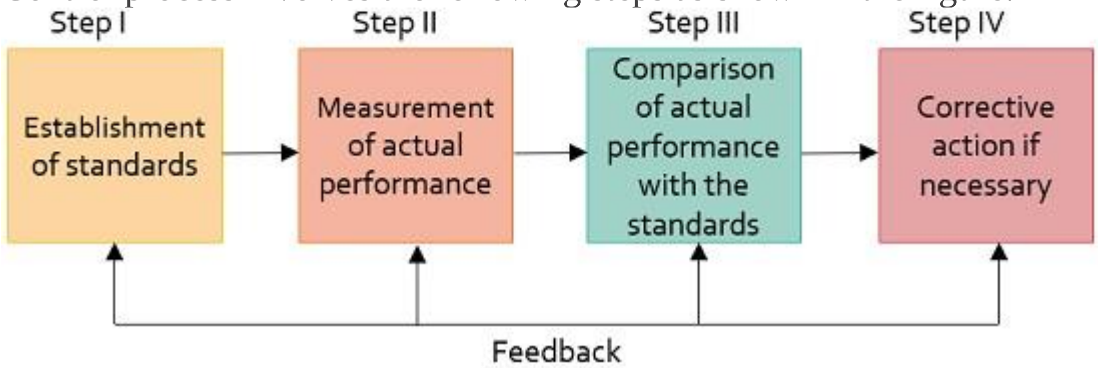
**7. Delegation is the key to Control:**
An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

**8**. **Control Aims at Future**:
Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

**9. Control is a Universal Function of Management:** Control is a basic or primary function of management. Every manager must exercise control over the subordinates' performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions. Therefore, control is an essential managerial function at every level. The process of management is incomplete without controlling.

## Process of Controlling

Control process involves the following steps as shown in the figure:




**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.

## Technique 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 fulfil 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. 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)**

To control the organisation properly the management needs accurate information. They need information about the internal working of the organisation and 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.