105TT26

by Anu Cde

MANAGEMENT PROCESS

MASTER OF BUSINESS ADMINISTRATION
(TRAVEL & TOURISM MANAGEMENT)
First Year, Semester-I, Paper-V

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MBA (TTM) : MANAGEMENT PROCESS

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FOREWORD

Since its establishment in 1976, Acharya Nagarjuna University has been forging ahead in the path of progress and dynamism, offering a variety of courses and research contributions. I am extremely happy that by gaining 'A+' grade from the NAAC in the year 2024, Acharya Nagarjuna University is offering educational opportunities at the UG, PG levels apart from research degrees to students from over 221 affiliated colleges spread over the two districts of Guntur and Prakasam.

The University has also started the Centre for Distance Education in 2003-04 with the aim of taking higher education to the door step of all the sectors of the society. The centre will be a great help to those who cannot join in colleges, those who cannot afford the exorbitant fees as regular students, and even to housewives desirous of pursuing higher studies. Acharya Nagarjuna University has started offering B.Sc., B.A., B.B.A., and B.Com courses at the Degree level and M.A., M.Com., M.Sc., M.B.A., and L.L.M., courses at the PG level from the academic year 2003-2004 onwards.

To facilitate easier understanding by students studying through the distance mode, these self-instruction materials have been prepared by eminent and experienced teachers. The lessons have been drafted with great care and expertise in the stipulated time by these teachers. Constructive ideas and scholarly suggestions are welcome from students and teachers involved respectively. Such ideas will be incorporated for the greater efficacy of this distance mode of education. For clarification of doubts and feedback, weekly classes and contact classes will be arranged at the UG and PG levels respectively.

It is my aim that students getting higher education through the Centre for Distance Education should improve their qualification, have better employment opportunities and in turn be part of country's progress. It is my fond desire that in the years to come, the Centre for Distance Education will go from strength to strength in the form of new courses and by catering to larger number of people. My congratulations to all the Directors, Academic Coordinators, Editors and Lesson-writers of the Centre who have helped in these endeavors.

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105TT26: MANAGEMENT PROCESS
SYLLABUS

Objectives:
a) To understand the important basic management concepts.
b) To understand the process of management in an organizational context.
c) To be able to use the principles of management well.

Unit - I
PLANNING: Significance and process of Planning – types of Plans –Premising: Decision Making - Types of decisions, steps in the decision-making process, Rationality in Decision Making – Management by objectives: Process, Preconditions for successful MBO Programme.
Learning outcome:
- Understand the organizational planning and its necessity for achieving the objectives.

Unit - II
ORGANIZING: Purpose and Process of organizing - Organization structure – significance, Formal and Informal Organizations, distinction, principles of Organization – Departmentation; Objectives, Methods of Departmentation - Span of Control: Factors determining the span of Control – Delegation: Process, Advantages, and Principles of effective Delegation – Decentralization: When to decentralize and howto decentralize – Line and Staff, conflicts: View Points of Line and staff, Measures to improve Line and Staff relationship – Committees;Reasons for using Committees, Limitations, Conditions for the successful operation of Committees.
Learning outcome:
- Understand the organization structure and its implications with line and staff.

Unit - III
STAFFING: Importance of Staffing – Recruitment, Selection, Placement, Induction, Training, Compensation - Essential Skills and personal characteristics of the Managers.
Learning outcome:
- Knows the manpower requirements, coordination, and management of staffing.

Unit - IV
DIRECTING: Assumption of Human BehaviorTheoryX and Theory Y-significance of Human factor in managing leadership: Ingredients of Leadership, Functions of a Leader, Trait approach to Leadership, Leadership Behavior and Styles based on the use of Authority, Likert'sFour systems of Management and Managerial Grid, Path goal approach to Leadership Effectiveness.
Learning outcome:
- Understand the various motivational theories and leadership styles.

Unit - V

CONTROLLING: Basic control process, problems of controlling process, Types of controls, Prerequisites, Requirements of Adequate Control, Effective control.

Learning outcome:

- Aware of the organizational controlling mechanism and techniques.

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CONTENTS

MANAGEMENT PROCESS

OBJECTIVES:

After studying this lesson, the learner will be able to:

1. **Explain** the concept, nature, scope and importance of planning in the management process.
2. **Analyse** the steps involved in decision–making and the factors influencing rational decisions.
3. **Distinguish** between different types of plans and various categories of managerial decisions.
4. **Apply** the principles of Management by Objectives (MBO) in organizational situations.
5. **Evaluate** the limitations of planning and suggest measures to overcome them.

PLANNING

Figure 1: Steps in Planning Process

THE CONCEPT OF   PLANNING

Planning is the most fundamental function of management. An organization can succeed in effective utilization of its human financial and material resources only when its management decides in advance its objectives, and methods of achieving them. Without it purposive and coordinated effort is not possible, and what results are chaos, confusion and wastage of resources. Planning involves determination of objectives of the business, formation of programmes and courses of action for their attainment, development of schedules and timings of action and assignment of responsibilities for their implementation. Planning thus precedes

all efforts and action, as it is the plans and programmes that determine the kind of decisions and activities required for the attainment of the desired goals. It lies at the basis of all other managerial functions including organizing, staffing, directing and controlling. In the absence of planning, it will be impossible to decide what activities are required, how they should be combined into jobs and departments, who will be responsible for what kind of decisions and actions, and how various decisions and activities are to be coordinated. And, in the absence of organizing involving the above managerial activities, staffing cannot proceed, and directing cannot be exercised. Planning is also an essential prerequisite for the performance of control function, as it provides criteria for evaluating performance. Planning thus precedes all managerial functions.

Definition of Planning : Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done. It is the process of determining a course of action, so as to achieve the desired results. It helps to bridge the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment. According to Koontz, O'Donnell and Weihrich, *"Planning is an intellectually demanding process; it requires the conscious determination of courses of action and the basing of decisions on purpose, knowledge and considered estimates".*

Planning is a process which involves anticipation of future course of events and deciding the best course of action. It is a process of thinking before doing. To plan is to produce a scheme for future action; to bring about specified results, at specified cost, in a specified period of time. It is deliberate attempt to influence, exploit, bring about, and control the nature, direction, extent, speed and effects of change. It may even attempt deliberately to create change, remembering always that change (like decision) in any one sector will in the same way affect other sectors. Planning is a deliberate and conscious effort done to formulate the design and orderly sequence actions through which it is expected to reach the objectives. Planning is a systematic attempt to decide a particular course of action for the future, it leads to determination of objectives of the group activity and the steps necessary to achieve them. Thus, it can be said that planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results.

Planning is thus deciding in advance the future state of business of an enterprise, and the means of attaining it. Its elements are :

1. What will be done – what are the objectives of business in the short and in the long run?
2. What resources will be required – This involves estimation of the available and potential resources, estimation of resources required for the achievement of objectives, and filling the gap between the two, if any.
3. How it will be done – This involves two things : (i) determination of tasks, activities, projects, programmes, etc., required for the attainment of objectives, and (ii)

formulation of strategies, policies, procedures, methods, standard and budgets for the above purpose.

4. Who will do it – It involves assignment of responsibilities to various managers relating to contributions they are expected to make for the attainment of enterprise objectives. This is preceded by the breaking down of the total enterprise objectives into segmental objectives, resulting into divisional, departmental, sectional and individual objectives.

5. When it will be done – It involves determination of the timing and sequence, if any, for the performance of various activities and execution of various projects and their parts.

MYTHS ABOUT PLANNING

There are certain commonly prevalent myths and fallacies about planning. An attempt is being made to highlight some of the important concepts of planning by way of its distinguishing features, so as to clarify the misconceptions:

i. Planning does no attempt to make future decisions : Planning choosing of the more desirable future alternatives open to a company, is the process so that better decisions may be made.

ii. Planning provides a frame of reference within which the present decisions are to be made. At the same time, a plan often leads to additional but related decisions. For example, a college plan to introduce a new degree or diploma, necessitates the need for decisions like what should be the duration of the course leading to the degree or diploma, together with detailed curricula in the specific courses to be included, the system of evaluation of examination, and the necessary practical training, if any, etc.

iii. Planning is not just forecasting or making projections : Forecasts are mere estimates of the future, and indicate what may or may not happen. However, corporate planning goes beyond these forecasts and asks questions like :

    a) Are we in right business?
    b) What are our basic goals and objectives?
    c) When shall our present products become obsolete?
    d) Are our markets expanding or shrinking?
    e) Do we want to merge or go for takeover?

(i) Planning is not a static process : Indeed, plans are obsolete as soon as they are executed, because the environment assumed in their preparation may have already changed. Planning is a continuous process. It involves continuous analysis and adjustments of the plans and even objectives in the context of changing circumstances.

Activity – 1: Reflective Task

Task:
List any five decisions you took in the last month. Classify them into programmed and non-programmed decisions with justification.

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Expected Outcome:
Learner will relate decision concepts to real life and understand classification.

NATURE AND SCOPE OF PLANNING

The nature of planning can be understood by focusing on its following aspects:

1. Planning is a Continuous Process

Planning deals with the future, and future, by its very nature, is uncertain. Although the planner bases his plans on an informed and intelligent estimate of the future, the future events may not turnout to be exactly as predicted. This aspect of planning makes it a continuous process. Plans tend to be a statement of future intentions relating to objectives and means of their attainment. They do not acquire finality because revisions are needed to be made in them in response to changes taking place in the internal as well as external environment of enterprise. Planning should, therefore, be a continuous process and hence no plan is final, it is always subject to a revision.

2. Planning concerns all Managers

It is the responsibility of every manager to set his goals and operating plans. In doing so, he formulates his goals and plans within the framework of the goals and plans of his superior. Thus, planning is not the responsibility of the top management or the staff of planning department only; all those who are responsible for the achievement of results, have an obligation to plan into the future. However, managers at higher levels, being responsible for a relatively larger unit of the enterprise, devote a larger part of their time to planning, and the time span of their plans also tends to be longer than that of managers at lower levels. It shows that planning acquires greater importance and tends to the longer in the future at higher than at lower management levels.

3. Plans are arranged in a Hierarchy

Plans are first set for the entire organization called the corporate plan. The corporate plan provides the framework for the formulation of divisional departmental and sectional goals. Each of these organizational components sets its plans laying down the programmes, projects, budgets, resource requirements, etc. The plans of each lower component are aggregated into the plans of successively higher component until the corporate plan integrates all component

plans into a composite whole. For example, in the production department, each shop superintendent sets his plans, which are successively integrated into the general foremen's, works manager's and production manager's plans. All departmental plans are then integrated in the corporate plan. Thus, there is a hierarchy of plans comprising the corporate plan, divisional/department plans, sectional plans and individual manger's unit plans.

4. Planning Commits an Organization into the Future

Planning commits an organization into the future, as past, present and future is tied in a chain. An organization's objectives, strategies, policies and operating plans affect its future effectiveness, as decisions made and activities undertaken in the present continue to have their impact into the future. Some of the plans affect the near future, while others affect it in the long run. For example, plans for product diversification or production capacity affect a company long into the future, and are not easily reversible, whereas plans relating to the layout of its office locations can be changed with relatively less difficulty in the future. This focuses on the need for better and more careful planning.

5. Planning is Antithesis of States Quo

Planning is undertaken with the conscious purpose of attaining a position for the company that would not be accomplished otherwise.

Planning, therefore, implies change in organizational objectives, policies, products, marketing strategies and so forth. However, planning itself is affected by unforeseen environmental changes. It, therefore, needs examination and re-examination, continual reconsideration of the future, constant searching for more effective methods and improved results.

Planning is thus an all pervasive, continuous and dynamic process. It imposes on all executives a responsibility to estimate and anticipate the future, prepare the organization to cope with its challenges as well as take advantage of the opportunities created by it, while at the same time, influence tomorrow's events by today's pre-emptive decisions and actions.

IMPORTANCE OF PLANNING

While planning does not guarantee success in organizational objectives, there is evidence that companies that engaged in formal planning consistently performed better than those with none or limited formal planning and improved their own performance over a period of time. It is very rare for an organization to succeed solely by luck or circumstances. Some of the reasons as to why planning is considered a vital managerial function are given below:

i. Planning is essential in modern business : The growing complexity of the modern business with rapid technological changes, dynamic changes in the consumer preferences and growing tough competition necessities orderly operations, not only in

the current environment but also in the future environment. Since planning takes a future outlook, it takes into account the possible future developments.

ii. **Planning affects performance :** A number of empirical studies provide evidence of organizational success being a function of formal planning, the success being measured by such factors as return on investment, sales volume, growth in earnings per share and so on. An investigation of firms in various industrial products as machinery, steel, oil, chemicals and drugs revealed that companies that engaged in formal planning consistently performed better than those with no formal planning.

iii. **Planning puts focus on objectives :** The effectiveness of formal planning is primarily based upon clarity of objectives. Objectives provide a direction and all planning decisions are directed towards achievement of these objectives. Plans continuously reinforce the importance of these objectives by focusing on them. This ensures maximum utility of managerial time and efforts.

iv. **Planning anticipates problems and uncertainties :** A significant aspect of any formal planning process in collection of relevant information for the purpose of forecasting the future as accurately as possible. This would minimize the chances of haphazard decisions. Since the future needs of the organization are anticipated in advance, the proper acquisition and allocation of resources can be planned, thus minimizing wastage and ensuring optimal utility of these resources.

v. **Planning is necessary to facilitate control :** Controlling involves the continual analysis and measurement of actual operations against the established standards. These standards are set in the light of objectives to by achieved. Periodic reviews of operations can determine whether the plans are being implemented correctly. Well developed plans can aid the process of control in two ways.

b) First, the planning process establishes a system of advance warning of possible deviations from the expected performance. Second contribution of planning to the control process is that it provides quantitative data which would make it easier to compare the actual performance in quantitative terms, not only with the expectations of the organization but also with the industry statistics or market forecasts.

i. **Planning helps in the process of decision making :** Since planning specifies the actions and steps to be taken in order to accomplish organizational objectives, it serves as a basis for decision-making about future activities. It also helps managers to make routine decisions about current activities since the objectives, plans, policies, schedules and so on are clearly laid down.

ADVANTAGES AND LIMITATIONS OF PLANNING

The importance of formal planning has already been discussed. A vigorous and detailed planning programme helps managers to be future oriented. It gives the mangers some purpose and direction. A sound blue print for plans with specific objective and action statements has numerous advantages for the organization which are as follows :

1. Focuses Attention on Objectives : Since all planning is directed towards achieving enterprise objectives, the very act of planning focuses attention on these objectives. Laying down the objectives is the first step in planning. If the objectives are clearly laid down, the execution of plans will also be directed towards these objectives.

2   Ensures Economical Operation : Planning involves a lot of mental exercise which is directed towards achieving efficient operation in the enterprise. It substitutes joint directed effort for uncoordinated piecemeal activity, even flow of work for uneven flow, and deliberate decisions for snap judgement costs. This helps in better utilization of resources and thus minimizing costs.

3. Reduces Uncertainty : Planning helps in reducing uncertainties of future because it involves anticipation of future events. Effective planning is the result of deliberate thinking based on facts and figures. It involves forecasting also. Planning gives an opportunity to a business manager to foresee various uncertainties which may be caused by changes in technology, taste and fashion of the people, etc. Sufficient provision is made in the plans to offset these uncertainties.

4. Facilitates Control : Planning helps the managers in performing their function of control. Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control by furnishing standards of control. It lays down objectives and standards of performance which are essential for the performance of control function.

5. Encourages Innovation and Creativity : Planning is basically the deciding function of management. It helps innovative and creative thinking among the managers because many new ideas come to the mind of a manager when he is planning. It creates a forward looking attitude among the managers.

6. Improves Motivation : A good planning system ensures participation of all managers which improves their motivation. It improves the motivation of workers also because they know clearly what is expected of them. Moreover, planning serves as a good training device for future managers.

7. Improves Competitive Strength : Effective planning gives a competitive edge to the enterprise over other enterprises that do not have planning or have ineffective planning. This is because planning may involve expansion of capacity, changes in work methods, changes in quality, anticipation tastes and fashion of people and technological changes, etc.

8. Achieves Better Coordination : Planning secures unity of direction towards the organizational objectives. All the activities are directed towards the common goals. There is an integrated effort throughout the enterprise. It will also help in avoiding duplication of efforts.

Thus, there will be better coordination in the organization.

Limitations of Planning : Sometimes, planning fails to achieve the expected results. There are many causes of failure of planning in practice. These are discussed below :

1. Lack of reliable data : There may be lack of reliable facts and figures over which plans may be based. Planning loses its value if reliable information is not available or if the planner fails to utilize the reliable information. In order to make planning successful, the planner must determine the reliability of facts and figures and must base his plans on reliable information only.

2. Lack of initiative : Planning is a forward looking process. If a manager has a tendency to follow rather than lead, he will not be able to make good plans. Therefore, the planner must take the required initiative. He should be an active planner and should take adequate follow up measure to see that plans are understood and implemented properly.

3. Costly process : Planning is time consuming and expensive process. This may delay action in certain cases. But it is also true that if sufficient time is not given to the planning process, the plans so produced may prove to be unrealistic. Similarly, planning involves costs of gathering and analyzing information and evaluation of various alternatives. If the management is not willing to spend on planning, the results may not be good.

4. Rigidity in organizational working : Internal inflexibility in the organization may compel the planners to make rigid plans. This may deter the managers from taking initiative and doing innovative thinking. So the planners must have sufficient discretion and flexibility in the enterprise. They should not always be required to follow the procedures rigidly.

5. Non-acceptability of change : Resistance to change is another factor which puts limits on planning. It is a commonly experienced phenomenon in the business world. Sometimes, planners themselves do not like change and on other occasions they do not think it desirable to bring change as it makes the planning process ineffective.

6. External limitations : The effectiveness of planning is sometimes limited because of external factors which are beyond the control of the planners. External strategies are very difficult to predict. Sudden break-out of war, government control, natural havocs and many other factors are beyond the control of management. This makes the execution of plans very difficult.

7. Psychological barriers : Psychological factors also limit the scope of planning. Some people consider present more important than future because present is certain. Such persons are psychologically opposed to planning. But it should not be forgotten that dynamic mangers always look ahead. Long-range wellbeing of the enterprise cannot be achieved unless proper planning is done for future.

MEASURES TO OVERCOME LIMITATIONS OF PLANNING

Some people say that planning is a mere ritual in the fast changing environment. This is not a correct assessment on managerial planning. Planning may be associated with certain difficulties such as non-availability of data, lethargy on the part of the planners, rigidity of procedures, resistance to change and changes in external environment. But these problems can be overcome by taking the following steps :

i. Setting Clear-cut Objectives : The existence of clear-cut objectives is necessary for efficient planning. Objectives should not only be understandable but rational also. The overall objectives of the enterprise must be the guiding pillars for determining the objectives of various departments. This would help in having coordinated planning in the enterprise.

i. Management Information System : An efficient system of management information should be installed so that all relevant facts and figures are made available to the mangers before they perform the planning function. Availability of right type of information will help in overcoming the problems of complete understanding of the objectives and resistance to change on the part of the subordinates.

ii. Carefully Premising : The planning premises constitute a framework within which planning is done. They are the assumptions of what is likely to happen in future. Planning always requires some assumptions to be made regarding future happenings. In other words, it is a prerequisite to determine future settings such as marketing, pricing, Government policy, tax structure, business cycle, etc. before giving the final shape to the overall business plan. Due weightage should be given to the relevant factors at the time of premising. It may be pointed out that the premises which may be of strategic significance to one enterprise may not be of equal significance to another because of size, nature of business, nature of market, etc.

iii. Business Forecasting : Business is greatly influenced by economic, social, political and international environment. The management must have a mechanism of forecasting changes in such environment. Good forecasts will contribute to the effectiveness of planning.

iv. Dynamic Managers : The persons concerned with the task of planning should be dynamic in outlook. They must take the required initiative to make business forecasts and develop planning premises.

A manager should always keep in mind that planning is looking ahead and he is making plans for future which is highly uncertain.

i. Flexibility : Some element of flexibility must be introduced in the planning process because modern business operates in an environment which keeps on changing. For achieving effective results, there should always be a scope to make necessary addition, deletion, or alternation in the plans as is demanded by the circumstances.

ii. Availability of Resources : Determination and evaluation of alternatives should be done in the light of resources available to the management. Alternatives are always present in any decision problem. But their relative plus and minus points are to be evaluated in the light of the resources available. The alternative which is chosen should not only be concerned with the objectives of

the enterprise, but also capable of being accomplished with the help of the given resources.

iii. Cost-Benefit Analysis : The planners must undertake cost-benefit analysis to ensure that the benefits of planning are more than the cost involved in it. This necessarily calls for establishing measurable goals, clear insight to the alternative courses of action available, premising reasonable and formulation of derivative plans keeping in view the fact that environment is fast changing.

BASIC PRINCIPLES OF PLANNING

The important principles of planning are as follows:

i. Principle of contribution to objective : The purpose of plans and their components is to develop and facilitate the realization of organizational aims and objectives. Long-range plans should be interwoven with medium-range plans which, in turn, should be meshed with short-range ones in order to accomplish organizational objectives more effectively and economically.

ii. Principle of limiting factors : Planning must take the limiting factors (manpower, money, machines, materials, and management) into account by concentrating on them when developing alternative plans, strategies, policies, procedures and standards.

iii. Principle of pervasiveness of planning : Planning is found at all levels of management. Strategic planning or long-range planning is related to top management, while intermediate and short-range planning is the concern of middle and operative management respectively.

4 Principle of navigational change : This principle requires that managers should periodically check on events and redraw plans to maintain a course towards a desired goal. It is the duty of the navigator to check constantly, whether his ship is following the right direction in the vast ocean to reach the distinction as scheduled. In the same way, a manager should check his plans to ensure that these are processing as required. He should change the direction of his plans if he faces unexpected events. It is useful if plans contain an element of flexibility. It is the responsibility of the manager, to adapt and change the direction of plans, to meet the challenge of constantly changing environment that could not be foreseen.

1. Principle of flexibility : Flexibility should be built into organizational plans. Possibility of error in forecasting and decision- making and future uncertainties is the two common factors which call for flexibility in managerial planning. The principal of flexibility states the management should be able to change an existing plan because of changes in environment, without due cost or delay, so that activities keep moving towards established goals. Thus, an unexpected slump in demand for a product will require change in sales plan as well ass production plan. Change in these plans can be introduced, only when these possess the characteristics of flexibility. Adapting plans to suit future uncertainties or changing environment is easier if flexibility is an important consideration while planning.

CATEGORIES AND LEVELS OF PLANNING

Planning can be classified on different bases which are discussed below :

i. Strategic and Functional Planning : In strategic or corporate planning, the top management determines the general objectives of the enterprise and the steps necessary to accomplish them in the light of resources currently available and likely to be available in the future. Functional planning, on the other hand, is planning that covers functional areas like production, marketing, finance and purchasing.

ii. Long-range and short-range planning : Long-range planning sets long-term goals of the enterprise and then proceeds to formulate specific plans for attaining these goals. It involves an attempt to anticipate, analyze and make decisions about basic problems and issues which have significance reaching well beyond the present operating horizon of the enterprise. Short-range planning, on the other hand, is concerned with the determination of short-term activities to accomplish long-term with the determination of short- term activities to accomplish long-term objectives. Short range planning relates to a relatively short period and has to be consistent with the long-range plans. Operational plans are generally related to short periods.

iii. Adhoc and Standing Planning : Adhoc planning committees may be constituted for certain specific matters, as for instance, for project planning. But standing plans are designed to be used over and over again. They include organizational structure, standard procedures, standard methods etc.

iv. Administrative and Operational Planning : Administrative planning is done by the middle level management which provides the foundation for operative plans. Operative planning, on the other hand, is done by the lower level mangers to put the administrative plans into action.

1. Physical Planning : It is concerned with the physical location and arrangement of building and equipment.
2. Formal and Informal Planning : Various types of planning discussed above are of formal nature. They are carried on systematically by the management. They specify in black and white the specific goals and the steps to achieve them. They also facilitate the installation of internal control systems. Informal planning, on the other hand, is mere thinking by some individuals which may become the basis of formal planning in future.

LEVELS OF PLANNING

In management theory it is usual to consider that there are three basic level of planning, though in practice there may be more than three levels of management and to an extent there will be some overlapping of planning operations. The three level of planning are as under :

1. Top Level Planning : Also known as overall or strategic planning, top level planning is done

by the top management, i.e. board of directors or governing body. It encompasses the long-range objectives and policies of organization and is concerned with corporate results rather than sectional objective. Top level planning is entirely long-range and is inextricably linked with long-term objectives. It might be called the 'what' of planning.

2. Second Level Planning : Also known as tactical planning, it is done by middle level mangers or department heads. It is concerned with 'how' of planning. It deals with deployment of resources to the best advantage. It is concerned mainly, but not exclusively, with long- range planning, but its nature is such that the time spans are usually shorter than those of strategic planning. This is because its attentions are usually devoted to the step by step attainment of the organization's main objectives. It is, in fact, oriented to functions and departments rather than to the organization as a whole.

3. Third Level Planning : Also known as operational or activity planning, it is the concern of department managers and supervisors. It is confined to putting into effect the tactical or departmental plans. It is usually for short-term and may be revised quite often to be in tune with the tactical planning.

ESSENTIAL STEPS IN PLANNING

Planning is a process which embraces a number of steps to be taken. It is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires a serious thought on numerous factors necessary to be considered in making plans. Facts are collected and analyzed and the best out of all is chosen and adopted. The planning process, valid for one organization and for one plan, may not be valid for all other organizations or all types of plans, because various factors that go into planning process may differ from organization to organization or plan to plan. For example, planning process for a large organization may not be the same as for a small organization. The steps generally involved in planning are as follows :

1. Establishing Verifiable Goals or Set of Goals to be Achieved : The first step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. There are many types of objectives managers may select: a desired sales volume or growth rate, the development of a new product or service, or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on number of factors: the basic mission of the organization, the values its managers hold, and the actual and potential ability of the organization.

2. Establishing Planning Premises :   The second step in planning is to establish planning premises, i.e. certain assumptions about the future on the basis of which the plan will be intimately formulated. Planning premises are vital to the success of planning as they supply economic conditions, production costs and prices, probable competitive behaviour, capital and

material availability, governmental control and so on.

1. Deciding the planning period : Once upper-level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. Business varies considerably in their planning periods. In some instances plans are made for a year only while in others they span decades. In each case, however, there is always some logic in selecting a particular time range for planning. Companies generally base their period on a future that can reasonably be anticipated. Other factors which influence the choice of a period are as follows: : (a) lead time in development and commercialization of a new product; (b) time required to recover capital investments or the pay back period; and
(c) length of commitments already made.

2. Findings Alternative Courses of Action : The fourth step is planning is to search for and examining alternative courses of action. For instance, technical know-how may be secured by engaging a foreign technician or by training staff abroad. Similarly, products may be sold directly to the consumer by the company's salesmen or through exclusive agencies. There is seldom a plan for which reasonable alternatives do not exit, and quite often an alternative that is not obvious proves to be the best.

3. Evaluating and Selecting a Course of Action : Having sought alternative courses, the fifth step is to evaluate them in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research.
4. Developing Derivative plans : Once the plan has been formulated, its broad goals must be translated into day-to-day operations of the organization. Middle and lower-level managers must draw up the appropriate plans, programmes and budgets for their sub-units. These are described as derivative plans. In developing these derivative plans, lower-level managers take steps similar to those taken by upper-level managers – selecting realistic goals, assessing their sub-units particular strength and weaknesses and analyzing those parts of the environment that can affect them.
5. Measuring and Controlling the Progress :Obviously, it is foolish to let a plan run its course without monitoring its progress. Hence the process of controlling is a critical part of any plan. Managers need to check the progress of their plans so that they can (a) take whatever remedial action is necessary to make the plan work, or (b) change the original plan if it is unrealistic.

Case Study

Introductory Case Study: Planning Failure at "Coastal Travels Pvt. Ltd."

Background

Coastal Travels Pvt. Ltd., a mid–sized travel agency located in Visakhapatnam, had been operating successfully for nearly ten years. The firm specialized in customized domestic tour packages and hotel reservations. With the rapid growth of digital travel platforms such as MakeMyTrip and Goibibo, the management felt the need to expand into online booking

services. However, the company entered the digital market without a structured planning process.

Problem Situation

The Managing Director announced that the firm would launch an online portal within three months. No formal market research was conducted, nor were resource requirements estimated. The IT team was small, employees were not trained, and no clear targets were fixed. Within six months of launch:

- The website faced frequent technical failures
- Customer complaints increased
- Operating costs rose by 35%
- Traditional loyal customers shifted to competitors

Stakeholders

- Top Management
- IT and Operations staff
- Travel agents and suppliers
- Customers
- Financial partners

Managerial Issues

- Absence of systematic planning
- No premising or forecasting
- Lack of coordination between departments
- Decisions taken on intuition rather than analysis

Importance to the Lesson

This case demonstrates:

- Why planning must precede action
- The role of decision-making in resource allocation
- Need for MBO and measurable objectives
- Consequences of ignoring planning principles

Figure 2: Decision Making Cycle

DEISION-MAKING

THE CONCEPT OF DECISION MAKING

Decision-making and problem-solving are basic ingredients of managerial leadership. More than anything else, the ability to make sound, timely decisions separates a successful manager from a non-successful. It is the responsibility of managers to make high quality decisions that are accepted and executed in a timely fashion. On the face of it the decisions should be cohesive, conjectured, contingent, flexible, improved, influencing, intuitional, non-judgemental, objective, operational one. One of the most important functions of a manager is to take decisions. Whatever a manager does, he does through decision-making. Each managerial decision is concerned with the process of decision-making. It is because of this pervasiveness of decision-making that Professor Herbert Simon has said the process of managing as a process of decision-making. According to him, a post or position cannot be said to be managerial level until and unless the right of decision-making is attached to it. As a matter of act, it is the core of executive activities in a business organization.

Decision-making is a mental process. It is a process of selecting one best alternative for doing a work. Thus, it is a particular course of action chosen by a decision maker as the most effective alternative for achieving his goals. According to D.E. McFarland, "A decision is an act of choice- wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives". In the words of Haynes and Massie, "A decision is a course of action which is consciously chosen for achieving a desired result".

Hence decision-making is a typical form of planning. It involves choosing the best alternative

among various alternatives, in order to realize certain objectives. A decision represents a judgement, a final word, and resolution of conflicts or a commitment to act in certain manner in the given set of circumstances. It is really a mental exercise which decides what to do.

Leaders must be able to reason under the most critical conditions and decide quickly what action to take. If they delay or avoid making a decision, this indecisiveness may create hesitancy, loss of confidence, and confusion within the unit, and may cause the task to fail. Since leaders are frequently faced with unexpected circumstances, it is important to be flexible - leaders must be able to react promptly to each situation. Then, when circumstances dictate a change in plans, prompt reaction builds confidence in them.

CHARACTERISTICS OF DECISION MAKING

The essential characteristics of decision making are given below:
1. It is a process of choosing a course of action from among the alternative courses of action.
2. It is a human process involving to a great extent the application of intellectual abilities.
3. It is the end process preceded by deliberation and reasoning.
4. It is always related to the environment. A manager may take one decision in a particular set of circumstances and another in a different set of circumstances.
5. It involves a time dimension and a time lag.
6. It always has a purpose. Keeping this in view, there may just be a decision not to decide.
7. It involves all actions like defining the problem and probing and analyzing the various alternatives which take place before a final choice is made.

IMPORTANCE OF DECISION MAKING

As a leader, you will make decisions involving not only yourself, but the morale and welfare of others. Some decisions, such as when to take a break or where to hold a meeting, are simple decisions which have little effect on others. Other decisions are often more complex and may have a significant impact on many people. Therefore, having a decision-making, problem-solving process can be a helpful tool. Such a process can help you to solve these different types of situations. Within business and the military today, leaders at all levels use some form of a decision-making, problem-solving process. There are several different approaches (or models) for decision- making and problem solving. We would briefly discuss it in this lesson as well.

It is beyond doubt that the decision making is an essential part of every function of management. According to Peter F. Drucker, "Whatever a manager does, he does through decision making". Decision making lies deeply embedded in the process of management, spreads over all the managerial functions and covers all the areas of the organization. Management and decision making are bound up and go side by side in every activity performed by manager. Whether knowingly or unknowingly, every manager makes decisions constantly.

Right from the day when the size of the organization used to be very small to the present day huge or mega size of the organization, the importance of decision making has been there. The significant difference is that in today's complex organization structure, the decision making is getting more and more complex. Whatever a manager does, he does through making decisions. Some of the decisions are of routine and repetitive in nature and it might be that the manager does not realize that he is taking decisions whereas, other decisions which are of strategic nature may require a lot of systematic and scientific analysis. The fact remains that management is always a decision making process.

The most outstanding quality of successful manager is his/her ability to make sound and effective decisions. A manager has to make up his/her mind quickly on certain matters. It is not correct to say that he has to make spur of the moment decisions all the time. For taking many decisions, he gets enough time for careful fact finding, analysis of alternatives and choice of the best alternative. Decision making is a human process. When one decides, he chooses a course alternative which he thinks is the best.

Decision making is a proper blend of thinking, deciding and action. An important executive decision is only one event in the process which requires a succession of activities and routine decisions all along the way. Decisions also have a time dimension and a time lag. A manager takes time to collect facts and to weigh various alternatives. Moreover, after decides, it takes still more time to carry out a decision and, often, it takes longer before he can judge whether the decision was good or bad. It is also very difficult to isolate the effects of any single decision.

Activity – 2: Mini Application

Task:
Visit a nearby travel agency and identify how they plan for peak tourist season. Prepare a one-page note on their planning premises.

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Expected Outcome:
Ability to observe practical planning process in tourism organizations.

DECISION MAKING PROCESS

The following procedure should be followed in arriving at a correct decision:
1. Setting objectives : Rational decision-making involves concrete objectives. So the first step

in decision-making is to know one's objectives. An objective is an expected outcome of future actions. So before deciding upon the future course of efforts, it is necessary to know beforehand what we are trying to achieve. Exact knowledge of goals and objectives bring purpose in planning and harmony in efforts. Moreover, objectives are the criteria by which final outcome is to be measured.

2. Defining the Problem : It is true to a large extent that a problem well defined is half solved. A lot of bad decisions are made because the person making the decision does not have a good grasp of the problem. It is essential for the decision maker to find and define the problem before he takes any decision.

Sufficient time and energy should be spent on defining the problem as it is not always easy to define the problem and to see the fundamental thing that is causing the trouble and that needs correction. Practically, no problem ever presents itself in a manner that an immediate decision may be taken. It is, therefore, essential to define the problem before any action is taken, otherwise the manager will answer the wrong question rather than the core problem. Clear definition of the problem is very important as the right answer can be found only to a right question.

3. Analyzing the problem : After defining the problem, the next step in decision-making is analyzing it. The problem should be thoroughly analyzed to find out adequate background information and data relating to the situation. The problem should be divided into many sub-problems and each element of the problem must be investigated thoroughly and systematically. There can be a number of factors involved with any problem, some of which are pertinent and others are remote. These pertinent factors should be discussed in depth. It will save time as well as money and efforts. In order to classify any problem, we require lot of information. So long as the required information is not available, any classification would be misleading. This will also have an adverse impact on the quality of the decision. Trying to analyze without facts is like guessing directions at a crossing without reading the highway signboards. Thus, collection of right type of information is very important in decision making. It would not be an exaggeration to say that a decision is as good as the information on which it is based. Collection of facts and figures also requires certain decisions on the part of the manager. He must decide what type of information he requires and how he can obtain this.

4. Developing Alternatives : After defining and analyzing the problem, the next step in the decision making process is the development of alternative courses of action. Without resorting to the process of developing alternatives, a manager is likely to be guided by his limited imagination. It is rare for alternatives to be lacking for any course of action. But sometimes a manager assumes that there is only one way of doing a thing. In such a case, what the manager has probably not done is to force himself consider other alternatives. Unless he does so, he cannot reach the decision which is the best possible. From this can be derived a key planning principle which may be termed as the principle of alternatives. Alternatives exist for every decision problem. Effective planning involves a search for the alternatives towards the desired goal.

Once the manager starts developing alternatives, various assumptions come to his mind, which he can bring to the conscious level. Nevertheless, development of alternatives cannot provide a person with the imagination, which he lacks. But most of us have definitely more imagination than we generally use. It should also be noted that development of alternatives is no guarantee of finding the best possible decision, but it certainly helps in weighing one alternative against others and, thus, minimizing uncertainties.

While developing alternatives, the principle of limiting factor has to be taken care of. A limiting factor is one which stands in the way of accomplishing the desired goal. It is a key factor in decision making. If such factors are properly identified, manager can confine his search for alternative to those which will overcome the limiting factors. In choosing from among alternatives, the more an individual can recognize those factors which are limiting or critical to the attainment of the desired goal the more clearly and accurately he or she can select the most favourable alternatives.

5. Selecting the Best Alternative : After developing alternatives one will have to evaluate all the possible alternatives in order to select best alternative. There are various ways to evaluate alternatives. The most common method is through intuition, i.e., choosing a solution that seems to be good at that time. There is an inherent danger in this process because a manager's intuition may be wrong on several occasions.

The second way to choose the best alternative is to weigh the consequences of one against those of the others. Peter F. Drucker has laid down four criteria in order to weigh the consequences of various alternatives. They are :

a) Risk : A manager should weigh the risks of each course of action against the expected gains. As a matter of fact, risks are involved in all the solutions. What matters is the intensity of different types of risks in various solutions.
b) Economy of Effort : The best manager is one who can mobilize the resources for the achievement of results with the minimum of efforts. The decision to be chosen should ensure the maximum possible economy of efforts, money and time.
c) Situation or Timing : The choice of a course of an action will depend upon the situation prevailing at a particular point of time. If the situation has great urgency, the preferable course of action is one that alarms the organization that something important is happening. If a long and consistent effort is needed, a slow start gathers momentum approach may be preferable.
D) Limitation of Resources : In choosing among the alternatives, primary attention must be given to those factors that are limiting or strategic to the decision involved. The search for limiting factors in decision-making should be a never ending process. Discovery of the limiting factor lies at the basis of selection from the alternatives and hence of planning and decision making. There are three bases which should be followed for selection of alternatives and these are experience, experimentation and research and analysis which are discussed below :

In making a choice, a manager is influenced to a great extent by his past experience. He can give more reliance to past experience in case of routine decisions; but in case of strategic decisions, he should not rely fully on his past experience to reach at a rational decision.

Under experimentation, the manager tests the solution under actual or simulated conditions. This approach has proved to be of considerable help in many cases in test marketing of a new product. But it is not always possible to put this technique into practice, because it is very expensive.

Research and Analysis is considered to be the most effective technique of selecting among alternatives, where a major decision is involved. It involves a search for relationships among the more critical variables, constraints and premises that bear upon the goal sought.

6. Implementing the Decision : The choice of an alternative will not serve any purpose if it is not put into practice. The manager is not only concerned with taking a decision, but also with its implementation. He should try to ensure that systematic steps are taken to implement the decision. The main problem which the manager may face at the implementation stage is the resistance by the subordinates who are affected by the decision. If the manager is unable to overcome this resistance, the energy and efforts consumed in decision making will go waste. In order to make the decision acceptable, it is necessary for the manager to make the people understand what the decision involves, what is expected to them and what they should expect from the management.

In order to make the subordinates committed to the decision it is essential that they should be allowed to participate in the decision making process. The managers who discuss problems with their subordinates and give them opportunities to ask questions and make suggestions find more support for their decisions than the managers who don't let the subordinates participate. The area where the subordinates should participate is the development of alternatives. They should be encouraged to suggest alternatives. This may bring to surface certain alternatives which may not be thought of by the manager. Moreover, they will feel attached to the decision. At the same time, there is also a danger that a group decision may be poorer than the one man decision. Group participation does not necessarily improve the quality of the decision, but sometimes impairs it. Someone has described group decision like a train in which every passenger has a brake. It has also been pointed out that all employees are unable to participate in decision making. Nevertheless, it is desirable if a manager consults his subordinates while making decision.

7. Follow-up the Decisions : Kennetth H. Killer, has emphatically written in his book that it is always better to check the results after putting the decision into practice. He has given reasons for following up of decisions and they are as follows:

(i) If the decision is a good one, one will know what to do if faced with the same problem again.

(ii) If the decision is a bad one, one will know what not to do the next time.

(iii) If the decision is bad and one follows-up soon enough, corrective action may still be possible.

In order to achieve proper follow-up, the management should devise an efficient system of feedback information. This information will be very useful in taking the corrective measures and in taking right decisions in the future.

Figure 3: Types of Managerial Decisions
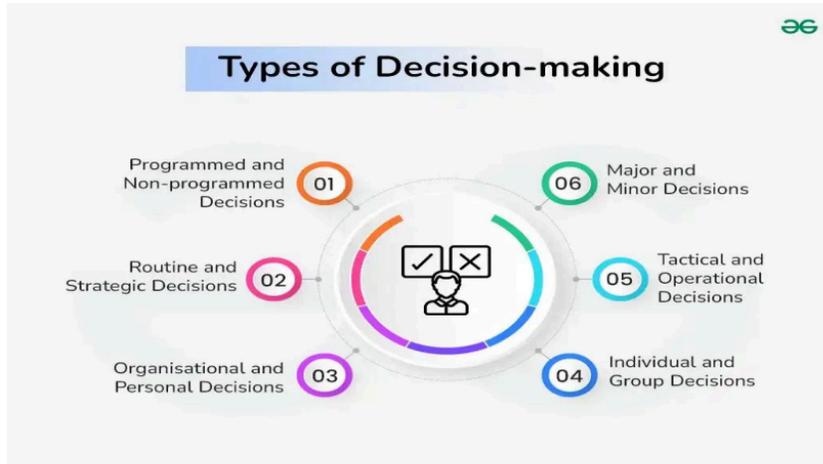
TYPES OF DECISIONS

Decisions have been classified by various authorities in various ways. The main types of decisions are as follows :

1. Programmed and non-programmed decisions : Professor Herbert Simon has classified all managerial decisions as programmed and non- programmed decisions. He has utilized computer terminology in classifying decisions. The programmed decisions are the routine and repetitive decisions for which the organization has developed specific processes. Thus, they involve no extraordinary judgement, analysis and authority. They are basically devised so that the problem may not be treated as a unique case each time it arises.

On the other hand, the non-programmed decisions are the one-shot, ill structured, novel policy decisions that are handled by general problem- solving processes. Thus, they are of extraordinary nature and require a thorough study of the problem, its in-depth analysis and the solving the problem. They are basically non-repetitive in nature and may be called as

strategic decisions.

2. Basic and routine decisions : Professor George Katona has made a distinction between basic decision and routine decisions. Routine decisions are of repetitive nature and they involve the application of familiar principles to a situation. Basic or genuine decisions are those which require a good deal of deliberation on new principles through conscious thought process, plant location, distribution are some examples of basic decisions.

3. Policy and operative decisions : Policy decisions are important decisions and they involve a change in the procedure, planning or strategy of the organization. Thus, they are of a fundamental character affecting the whole business. Such decisions are taken by the top management. On the contrary, operating decisions are those which are taken by lower levels of management for the purpose of executing policy decisions. They are generally concerned with the routine type of work, hence unimportant for the top management. They mostly relate to the decision-makers own work and behaviour while policy decision influences the work and behaviour of subordinates.

4. Individual and group decisions : Individual decisions are those decisions which are made by one individual – whether owner of the business or by a top executive. On the other hand, group-decisions are the decisions taken by a group of managers – board, team, committee or a sub-committee. In India, individual decision-making is still very common because a large number of businesses are small and owned by a single individual. But in joint stock Company's group decisions are common. There are both merits and demerits of each type of decision.

TOOLS OR TECHNIQUES OF DECISION MAKING
The following are some of the important decision making techniques :
    A. Qualitative Techniques
    B. Quantitative Techniques
    C. Qualitative Decision Making Techniques

There is a great importance of generating a reasonable number of alternatives, so that one can decide upon the better quality items and make better decision.
Generating a reasonable number of alternatives is very useful for solving any complex problem. There are following means of generating the alternatives :

    A. Brainstorming
    B. Synectics, and
    C. Nominal Grouping

Brainstorming

This technique was developed by Alex F. Osborn, and is one of the oldest and best known techniques for stimulating the creative thinking. This is carried out in a group where members are presented with a problem and are asked to develop as many as potential solutions as

possible. The member of the group may be experts, may be from other organizations but the members should be around six to eight. The duration of the session may be around 30 minutes to 55 minutes. The premise of brainstorming is that when people interact in a free and exhibited atmosphere, they will generate creative ideas. The idea generated by one person acts as a stimulus for generating

idea by others. This generation of ideas is a contagious and creates an atmosphere of free discussion and spontaneous thinking. The major objective of this exercise is to produce as many deals as possible, so that there is greater likelihood of identifying a best solution.
The important rules of brainstorming are as given below :

   (i)   Criticism is prohibited.
   (ii) Freewheeling is always welcome.
   (iii) Quantity is desirable.
   (iv) Combination and improvements are sought.

One session of brainstorming exercise generates around 50 to 150 ideas. Brainstorming is very useful in research, advertising, management, armed forces, governmental and non-governmental agencies.
Limitations of Brainstorming

The limitations of brainstorming are given below :
   (i)   It is not very effective when a problem is very complex and vague
   (ii) It is time consuming
   (iii) It is very costly
   (iv) It produces superficial solutions.
   (b)   Synectics

This technique was developed by William J.J. Gordon. It is recently formalized tool of creative thinking. The word Synectics is a Greek word, meaning the fitting together of diverse elements. The basic purpose of

synectics is to stimulate novel and even bizarre alternatives through the joining together of distinct and apparently irrelevant ideas.

The selection of members to synectics group is based on their background and training. The experienced leader states the problem for the group to consider, group reacts to the problem stated on the basis of their understanding and convictions. When the nature of the problem is thoroughly reviewed and analyzed, group proceeds to offer potential solutions. The leader has to structure the problem and he/she can use various methods to involve the preconscious mind, like role-playing, use of analogies, paradoxes, metaphors and other thought provoking exercises. This helps in generation of alternatives. The technical expert assists the group in evaluating the feasibility of ideas. It also suffers from some limitations of brainstorming. This

is more useful and appropriate for solving complex and technical problems.

(C) Nominal Grouping : This was developed by Andre Dellbecq and Andrew Van de Ven. Nominal group is very effective in situations where a high degree of innovation and idea generation is required. It is highly structured and follows following stages :

Stage-I : Around seven to ten participants with different background and training are selected, familiarized with a selected problem like what alternatives are available for achieving a set of objective.

Stage-2 : Each member is asked to prepare a list of ideas in response to the identified problem, individually for achieving a set of objective.

Stage -3 : After ten minutes, the member shares ideas, one at a time, in a round-robin manner. The group facilitator records the ideas on a blackboard or flip chart for all to see.

Stage-4 : Each group member then openly discusses and evaluates each recorded ideas. At this point, it may be rewarded, combined, added or deleted.

Stage-5 : Each member votes ranking the ideas privately. Following a brief discussion of the vote, a final secret ballot is conducted. The group's preference is the arithmetical outcome of the individual voter, these are followed by concluding meeting.

(a) Quantitative Techniques
There are a number of quantitative techniques for decision-making that are discussed below :

(a) Stochastic Methods : In many management decisions, the probability of the occurrence of an event can be assumed to be known, even when a particular outcome is unpredictable. Under these conditions of risk, stochastic methods will be useful. Actually, stochastic methods merely systematize the thinking about assumptions, facts and goals that is involved in decisions under conditions of risk.

Three steps are basic to formalizing the factors to be considered in a decision involving probabilities : (i) The decision maker should first lay out, in tabular form, all the possible actions that seem reasonable to consider and all the possible outcomes of these actions (ii) The decision maker must then state in quantitative form a probability distribution, projecting chances of each outcome that might result from each act. In this step, it may only be possible to assign probabilities that are reasonable estimates. The key to this step is to state explicitly the various probabilities that might be attached to each act-outcome situation (iii) finally, the decision maker must use some quantitative yardstick of value (usually rupees) that measures the value of each outcome. It is then possible to calculate an average of the outcome-values weighted by the assigned probabilities; the result is called the expected monetary value.

To illustrate the use of these steps, suppose that a Store Manager of Ramson Limited must

decide whether to stock Brand A or Brand B. Either brand can be stocked but not both. If A is stocked and it is a success. The manager can make Rs. 200/-, but if it is a failure, there can be a loss of Rs. 500/-. If Brand B is stocked and it is a success, the manager can make Rs. 400/-, but if it is a failure, there can be a loss of Rs. 300/-. Which brand should be stocked? Without some idea of the probabilities of success and failure of these brands, the manager's thinking cannot be quantified. But assume that the manager's feelings about the probabilities of each outcome are shown in Table 5.1

Table 5.1 : Stochastic Table

Probability of	Brand A		Brand B
Success	0.80		0.50
Failure	0.20		0.50
(b) Payoff Table	: The Store	Manager	can present the above

information in tabular form, showing the conditional values for each strategy (choice of brand) under each state of nature (the combination of uncontrollable factors, such as demand, that determine success or failure). The simplest payoff table as the first step in stating strategies and possible outcomes is shown in Table 5.2.

With the information in Table 5.1 the Store Manager can use subjective estimates of risks assumed above and multiply the conditional values by their probability of occurrence. This calculation will result in expected values. Table 5.2 shows the expected value pay off, using the assumed payoff in Table 5.1 and the above feelings about the probability of success for Brands A and B.

Table 5.2 Payoff Table

State of Nature (Demand)

Strategy	Success	Failure
Stock Brand A	Rs. 200/-	Rs. 500/-
Stock Brand B	Rs. 400/-	Rs. 300/-

From the expected value payoff table 5.3, the store manager can determine the total expected value for each strategy by obtaining the sum of the expected values for each state of nature. If Brand A is stocked, the total expected value is Rs. 60/- (Rs. 160-100); if Brand B is stocked, the total expected value is Rs. 50/- (Rs. 200-150); therefore, under the assumptions in this case, the store manager would decide to stock Brand A, because its total expected value is Rs. 10/- more than if Brand B were stocked. Obviously, if the total expected value for stocking each brand had been negative, the manager would decide not to stock either, because there would probably be a loss under either strategy.

Table 5.3 : Expected Value Payoff Table

State of Nature
Strategy   Success   Failure

| Stock Brand A | Rs. 160/- | Rs. 100/- |
| Stock Brand B | Rs. 200/- | Rs. 150/- |

(c) Simulation Techniques : Often, when a management problem is too complex to be answered by series of mathematical equations, it is possible to simulate the probable outcomes before taking action. In this way, the manager may rapidly try out on paper (or with a computer) the results of proposed actions before the actions are taken. By trying out several policies, it is possible to determine which one has the best chance of providing the optimum result.

The idea of randomness represented by random numbers is at the heart of simulation. Random numbers are numbers, each of which has the same chance of being selected. Tables of random numbers are now readily available.

One type of simulation is used in queuing problems, one in which the need for personnel or equipment varies over a time period but the determination of the peak demands cannot be estimated because the occurrence is random or due to chance. With simulation, the manager can try out available strategies as they might result in different outcomes, depending upon probabilities from a table of random numbers. For example, the store manager may wish to determine the work schedules for three sales people to serve customers and to decide whether to add a fourth salesperson. The problem arises from not knowing when customers may appear in the store. Experience may indicate the probabilities that at some hours of the day all three sales people will be serving customers, but that at other times the sales people will be idle. In simulating the traffic for a day, the manager may wish to use subjective probabilities for those times in which there are no data from experience, but even if there are no experience data, it is still possible to simulate an activity by using random numbers.

In practice, simulation is carried out by electronic computers. In seconds, a computer can perform thousands of simulation trails and at the same time compile all costs. At the present time, inventory decision rules are commonly tested on computers. The executive specifies such things as reorder points and order quantity and the computer determines the costs of that policy over the same period of time. After many different policies are put through the series of simulation runs, the best policy can be selected

(c) Breakeven Analysis : The simplest approach for showing the relationship of revenue to cost is the breakeven chart. Revenue and cost can be studied by directing attention to : (i) total revenue and total cost, (ii) average revenue and average cost per unit of output, and (iii) changes in revenue and cost. Breakeven analysis directs attention to the first of these. Breakeven

analysis implies that at some point in the operations total revenue equals total cost-the breakeven point. This analysis can be handled algebraically or graphically; however, in all cases, the first step is to classify costs into at least two types-fixed and variable.

The distinction between total fixed and total variable costs stresses that only variable costs will increase with an increase in the production rate of output. However, it should be clear that when average cost per unit is considered, fixed cost per unit of output will decline as volume increases- the constant fixed costs are spread over more units of output. Variable costs per unit of output may increase proportionally with an increase in output , or they may decrease per unit of output (for example, if quantity discounts are significant), or they may increase per unit of output (if the quantity of materials is very short and thus price increases as output increases). In most industries, variable costs per unit can reasonably be assumed to be constant, and thus total variable costs will appear as a straight line (linear) when plotted against various quantities of output. The cost- volume-profit relationship can best be visualized by charting the variables. A breakeven chart is graphical representation of the relationship between costs and revenue at a given time.

The simplest breakeven chart makes use of straight lines that represent revenue, variable costs, and total costs. The construction of this chart requires only that the cost and revenue be known at two points (volumes of output), because only two points are required to draw a straight line. The point at the Y intercept (left hand side of chart) is given by definition : Revenue line will start at zero volume; variable costs also will start at zero volume; fixed costs will be given level on the Y axis because, by definition, they would continue even if there were no production. Cost and revenue data at an actual volume level provide the basis for the necessary second point. All other points on the lines are the results of the assumption of linear relationships for both revenue and costs.

Activity – 3: Analytical Writing

Task:
Prepare a short report on "Risks of planning without data" with examples from tourism industry.
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ExpectedOutcome:
Development of analytical and writing skills.

Case Study for Self-Assessment

"Tourism Development Plan of Telangana State Tourism (TSTDC)"

Background

Telangana State Tourism Development Corporation planned to promote eco-tourism in Adilabad district. The objective was to increase tourist footfall by 25% within two years. The corporation prepared infrastructure but failed to plan for:

- Trained guides
- Local community involvement
- Online promotion
- Transport connectivity

As a result, despite good facilities, occupancy remained low and revenue targets were not met.

Questions

1. Identify planning deficiencies in the case.
2. Which decision-making steps were ignored?
3. Suggest an MBO framework for TSTDC.
4. How could forecasting have improved results?
5. Prepare an alternative action plan.

Improved Self-Assessment Questions

A. Short Answer Questions (with Answers)

1. **Define Planning.**
   Answer: Planning is deciding in advance what is to be done, how, when and by whom to achieve organizational objectives.
2. **What are planning premises?**
   Answer: Assumptions about future conditions such as market demand, costs, and government policy on which plans are based.
3. **State two limitations of planning.**
   Answer: Lack of reliable data and resistance to change.
4. **Meaning of programmed decision?**
   Answer: Routine and repetitive decisions handled through established procedures.
5. **Expand MBO.**
   Answer: Management by Objectives.

B. Essay Type Questions (with Hints)

1. **Explain the nature and importance of planning.**
   Hints: Continuous process – goal orientation – reduces uncertainty – facilitates control – coordination.
2. **Describe steps in decision making process.**
   Hints: Objectives – problem definition – analysis – alternatives – selection – implementation – feedback.
3. **Discuss types of managerial decisions.**
   Hints: Programmed vs non-programmed – strategic vs operational – individual vs group.
4. **Explain MBO process and preconditions.**
   Hints: Goal setting – participation – performance appraisal – organizational support.

C. Analytical MCQs

1. Planning is called the _____ function of management.
   a) Last
   b) Primary ✔
   c) Unnecessary
   d) Optional
2. Non-programmed decisions are:
   a) Routine
   b) Repetitive
   c) Strategic ✔
   d) Clerical
3. MBO emphasizes:
   a) Centralization
   b) Participation ✔
   c) Autocracy
   d) Informality
4. Breakeven analysis is a:
   a) Qualitative tool
   b) Quantitative tool ✔
   c) Psychological tool
   d) Legal tool
5. Brainstorming aims at:
   a) Criticism
   b) Idea generation ✔
   c) Cost control
   d) Discipline

References and Suggested Readings

Text Books

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4. L.M. Prasad, *Principles and Practice of Management*, Sultan Chand, New Delhi, 2019.
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LESSON-2
ORGANISING

Objectives of the Lesson

After studying this lesson, the learner will be able to:

1. **Explain** the meaning, nature and importance of organising in the management process.
2. **Distinguish** between formal and informal organization structures.
3. **Analyse** the principles of departmentation and span of control.
4. **Apply** the concepts of delegation and decentralization in organizational situations.
5. **Evaluate** line and staff relationships and measures to resolve conflicts.

INTRODUCTION TO CONCEPT

Organization is the backbone of management. Without efficient organization, no management can perform its functions smoothly. Sound organization contributes greatly to the continuity and success of the enterprise. Once Andrew Carnagie, an American industrialist said, "Take away our factories, take away our trade, our avenues of transportation, our money. Leave nothing but our organization, and in four years we shall have re-established ourselves". That shows the significance of managerial skills and organization. However, good organization structure does not by itself produce good performance – just as good constitution does not guarantee great presidents or good laws a moral society. But a poor organization structure makes good performance impossible, no matter how good the individuals may be. The right organizational structure is the necessary foundation; without it the best performance in all other areas of management will be ineffectual and frustrated.

Figure 1: Organization Structure of a Travel Company

MEANING AND CHARACTERISTICS OF ORGANISATION

Process of Delegation The term 'organization' connotes different meanings to different people. Many writers have attempted to state the nature, characteristics and principles of organization in their own may. For instance, to the sociologists organization means a study of the interactions of the people, classes, or the hierarchy of an enterprise; to the psychologists organization means an attempt to explain, predict and influence behaviour of individuals in an

enterprise; to a top level executive it may mean the weaving together the functional components in the best possible combination so that an enterprise can achieve its goals. The word 'organization' is also used widely to connote a group of people and the structure of relationships.

Some important definitions of organization are given below :

"It is grouping of activities necessary to attain enterprise objectives and the assignment of each grouping to a manager with authority necessary to supervise it". Koontz and O'Donnel
*"The process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work more effectively together in accomplishing objects".*Louis A. Allen *"The structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationship, and integrates its activities towards common objectives".* Joseph L. Massive

From the above definitions, it is clear that organizing is the process of determining the total activities to achieve a given objective, grouping and assigning of activities to individuals, delegating them authority necessary to perform the activities assigned and establishing authority relationship among different positions in the organization.

An analysis of the above definitions reveals the following characteristics of an organization :
1. It is a group of individuals which may be large or small.
2. The group in the organization works under the executive leadership.
3. It is a machine or mechanism of management.
4. It has some directing authority or power which controls the concerted efforts of the group.
5. The division of labour, power and responsibilities are deliberately planned.
6. It implies a structure of duties and responsibilities.
7. It is established for accomplishment of common objectives
8. It is a functional concept.

Sound organization brings about the following advantages :

1. Facilitates attainment of the objectives of the enterprise.
2. Facilitates optimum use of resources and new technological development.
3. Facilitates growth and diversification.
4. Stimulates creativity and innovation.
5. Facilities effective communication.
6. Encourages better relations between the labour and the management.
7. Increase employee satisfaction and decreases employee turnover.

NATURE OF ORGANISATION

The term 'organization' is used in two different senses. In the first sense it is used to denote the process of organizing. In the second sense, it is used to denote the results of that process, namely, the organizational structure. So, the nature of organization can be viewed in two ways:

a) Organization as a process; and

    b)   Organization as a structure or framework of relationship.

Organization as a process : As a process, organization is an executive function. It becomes a managerial function involving the following activities :

    (i)   Determining activities necessary for the accomplishment of the business objective.
    (ii)   Grouping of interrelated activities.
    (iii)   Assigning duties to persons with requisite competence,
    (iv)   Delegating authority, and
    (v)   Coordinating the efforts of different persons and groups.

When we consider organization as a process, it becomes the function of every manager. Organizing is a continuous process and goes on throughout the life time of an enterprise. Whenever there is a change in the circumstances or material change in situation, new type of activities spring up. So, there is a need for constant review and reassignment of duties. Right persons have to be recruited and necessary training has to be imparted to enable them to be competent to handle the jobs.

The process of organization thus, involves dividing the work into rational way and interpreting the activities with work situation and personnel. It also represents humanistic view of the enterprise since it is the people which are uppermost in the process of integration of activities. Continuous review and adjustment makes this dynamic as well.

Organization as a structure or framework of relationships : As structure, organization is a network of internal authority, responsibility relationships. It is the framework of relationship of persons, operating at various levels, to accomplish common objectives. An organization structure is a systematic combination of people, functions and physical facilities. It constitutes a formal structure with definite authority and clear responsibility. It has to be first designed for determining the channel of communication and flow of authority and responsibility. For this, analysis of different types has to be done. Peter F. Drucker suggests following three types of analysis :

    (i) Activities analysis
    (ii) Decision analysis, and
    (iii)Relations analysis,

A hierarchy has to be built-up i.e., a hierarchy of positions with clearly defined authority and responsibility. The accountability of each functionary has to be specified. Therefore, it has to be put into practice. In a way, organization can be called a system as well.

The main emphasis here is on relationships or structure rather than on persons. The structure once built is not liable to change so soon. This concept of organization is, thus, a static one. It is also called classical concept. Organization charts are prepared depicting the relationship of different persons.

In an organizational structure, both formal and informal organizations take shape. The former is a per-planned one and defined by the executive action. The latter is a spontaneous formation, being laid down by the common sentiments, interactions and other interrelated attributes of the people in the organization. Both formal and informal organizations, thus, have structure.

STEPS IN THE PROCESS OF ORGANISING

The managerial function of organizing may be called as the 'process of organizing'. When the objectives have been set and policies framed, the necessary infrastructure of organization has to be built up. The concentration goes to activities and functions. These form 'the building blocks' of the organizational structure. There are no such rules as to which will lead to the best organizational structure. But the following steps can be of great help in the designing a suitable structure, which will laid in achieving enterprise objectives :

1. Clear definition of objectives : The first step in developing an organizational structure is to lay down its objectives in very clear terms. This will help in determining the type, stability and basic characteristics of the organization. In fact, organization activities are detailed in terms of objective to be achieved.

2. Determining activities : In order to achieve the objectives of the enterprise, certain activities are necessary. The activities will depend upon the nature and size of the enterprise. For example, a manufacturing concern will have production, marketing and other activities. There is no production activity in retail establishment. Each major activity is divided into smaller parts. For instance, production activity may be further divided into purchasing of materials, plant layout, quality control, repairs and maintenance, production research etc.

3. Assigning duties : The individual groups of activities are then allotted to different individuals according to their ability and aptitude. The responsibility of every individual should be defined clearly to avoid duplication and overlapping of efforts. Each person is given a specific job suited to him and he is made responsible for its execution. Right man is put in the right job.

1. Delegating authority : Every individual is given the authority necessary to perform the assigned activity effectively. By authority we mean power to take decisions, issue instructions, guiding the subordinates, supervise and control them. Authority delegated to a person should commensurate with his responsibility. An individual cannot perform his job without the necessary authority or power. Authority flows from top to bottom and responsibility from bottom to top.

2. Coordinating activities : The activities and efforts of different individuals are then synchronized. Such coordination is necessary to ensure effective performance of specialized functions. Interrelationship between different job and individuals are clearly defined so that everybody knows from whom he has to take orders and to whom he is answerable.

3. Providing physical facilities and right environment : The success of an organization depends upon the provision of proper physical facilities and right environment. Whereas it is important to have right persons on right jobs, it is equally important to have right working environment. This is necessary for the smooth running and the prosperity of the enterprise.

4. Establishment of structural relationship for overall control : It is very essential to establish well defined clear-cut structural relationships among individuals and groups. This will ensure overall control over the working of all departments and their coordinated direction towards the achievements of predetermined goals of business.

5. It is thus clear from the foregoing analysis that organization provides a structural framework of duties and responsibilities. It not only establishes authority relationship but also provides a system of communication. The various processes of organization

explained above are technically performed through

a) departmentation
b) (b) delegation of authority and fixation of responsibilities and
c) (c) decentralization of authority subject to central control through centralization of decision-making.

Activity – 1: Observation Task

Task:
Visit any hotel or travel agency and draw its organization chart showing reporting relationships.

……
……
……
……
……

Expected Outcome:
Learner understands practical organization structures.

OBJECTIVES OF ORGANISING

Every economic activity which is deliberately done has some purpose. When a group of people assemble without any per-planed aim or purpose, it is not an organization but just a mob. But when, for instance they are invited to participate in a conference, an element of purpose has been introduced. A purpose refers to commitment to desired future. Objectives and purposes, generally, are interchangeable terms.

Why should business enterprise organize itself ? The answer to this question brings out its objectives. Objectives of a business organization are distinguished from the objectives of other social organizations. To put it more precisely, the nature of an organization (i.e. political, social, religious or economic) can only be known by studying its objectives.
The following may be, generally speaking, the objectives (or purpose) of organizing business:

1. Effective management of the enterprise : Effective management largely depends upon effective organization. It is the effective organization which ensures proper balance between authority and responsibility. It achieves a clear line of communication, and defines the areas of work. It is the organization which allows the top management to concentrate on overall planning and supervision, leaving the routine work for the lower levels of administration. It saves the entire enterprise from adhocism, over-lappings and inefficiency.
2. Maximum production at minimum cost : The activities are allotted according to the principle of division of labour. The efficient system of organization encourages every employee to make his best

3. contribution in raising output. The increase in output and control of wasteful expenditure helps to decrease the cost of production. The profitability of the concern will also go up.

4. Sustained growth and diversification : A business enterprise should be a growing organism. With the passage of time, an enterprise must expand its activities. It should also aim at diversification of products and markets.

5. A static business soon grows stale and get out of run. It should grow from a small scale concern to a medium scale one and from a medium scale concern to large scale one. Organization plays an important role in this respect. Execution of policies in organized manner builds the necessary capacity and confidence in undertaking bigger activities.

6. Cooperation of employees : The organizational structure will succeed only if employees cooperate in the work. The employees learn working in closer cooperation of others. The management introduces various incentive schemes and gives monetary and other benefits to the employees, so that they work in a team spirit.

7. Discharging social responsibility : Maximizing of profits, no doubt, is the motive of every business. Without profit, no business can exist. But business is a part and parcel of society at large. It cannot survive long by exploiting consumers and society. It has to serve the society by providing it with goods of good quality at reasonable prices. It has to ensure smooth supply of goods as per the needs to consumers. The service motto cannot be realized without a well-knit organization structure. So, to discharge social obligation is an important objective of building up sound organization.

The purpose of sound organization is :

i. to establish an activity-authority environment in which people can perform most effectively.

ii. to make group action efficient and effective by providing centres for decision making and a system of communication to effectively coordinate individual efforts towards group- goals.

iii. to create relationships which minimize friction, focus on the objective, closely define the responsibilities of all parts and facilitate the attainment of the objective.

iv. to subdivide the management process by which plans are translated into actions so as to make management most effective.

Thus, to sum up we can say that organization is a process by which the manger brings order out of chaos, removes conflicts between people over work or responsibility, and establishes an environment suitable for teamwork.

PRINCIPLES OF ORGANISATION

Effective and efficient working of any organization depends on how the managerial function of organization is being performed. The function of organization can be carried effectively with the help of under mentioned principles:

i. Division of work : While structuring organization, division of work, at the very outset, should be considered as the basis of efficiency. It is an established fact that group of individuals can secure better results by having division of work. Therefore, while designing the

ii. organization we should aim at making suitable grouping of activities. This is also called the principle of specialization.

iii.   Attention to objectives : An organization is a mechanism to accomplish certain goals or objectives. The objectives of an organization play an important role in determining the type of structure which should be developed. Clearly defined objectives facilitate grouping of activities, delegation of authority and consequently effective coordination.

iv.   Span of management : Span of management also refers to span of control signifying the number of subordinates reporting directly to any executive. It is an established fact that larger the number of subordinates reporting directly to the executive, the more difficult it tends to be for him to supervise and coordinate them effectively. This important principle of management should also be kept in mind.

v.   Unity of command : Organization structure should also be designed in such a way that there exists unity of command in the sense that a single leader is the ultimate source of authority. This facilitates consistency in directing, coordinating and controlling to achieve the end objectives.

vi.   Flexibility : While designing the organization it should be kept in mind that organizational structure should not be regarded as static. Every organization is a living entity in a living environment which is fast changing . As such there must be sufficient room for changing and modifying the structure in the light of environmental changes so that the ultimate objective of the organization is achieved.

vii.   Proper balance : It is important to keep various segment or departments of an organization in balance. The problem of balance

viii.   basically arises when an activity or a department is further divided and subdivided into smaller segments. The problems of balancing also crops up with the growing of any organization in its size and functioning.

ix.   Management by exception : It is a fundamental principle that makes any organization effective in its true sense. This principle signifies that problems of unusual nature only should be referred upward and decided by higher level executives in the managerial hierarchy, whereas the routine problems should be passed on to lower levels and resolved there. Application of this principle as such, certainly requires adhering to the principle of delegation of authority. The principle of exception is thus of significant practical utility and applies to all levels in the organization structure.

x.   Decentralization : This principles is of great significance to big organizations. Decentralization implies selective dispersal of authority to help departments and units to run effectively and efficiently without frequent interruptions from the top of the enterprise. It requires very careful selection of what decisions to push down into the organization, of what to hold at or near the top specific policy making to guide the decision-making, selection and training of people and adequate control. Decentralization, as such, embraces all areas of management and evidently is of overwhelming significance in organization structure.

xi.   Departmentation : Departmentation is the process of grouping activities into units for purposes of administration. In other words, it denotes grouping of related jobs and activities without violating the principle of homogeneity over which an executive has authority to exercise and assert. The main advantages of departmentation are that it enables individual executive to mange his subordinates effectively since a manageable number of persons are brought under the direct supervision of individual executive.

xii.   Efficiency : The organization should be able to attain the predetermined objectives at the minimum cost. It is done so, it will satisfy the test of efficiency. From the point of view of an individual, a good organization should provide the maximum work satisfaction. Similarly, from the social point of view, an organization will be efficient when it contributes the maximum towards the welfare of the society.

xiii.   Scalar principle : Scalar chain refers to the vertical placement of superiors starting from

the chief executive at the top through the middle level to the supervisory level at the bottom. Proper scalar chain or line of command is prerequisite for effective organization.

xiv. Unity of direction : This means that each group of activities having the same objectives should have one plan and one head. There should be one plan or programme for each segment of work which is to be carried under the control and supervision of one head or superior. If different plans or policies are followed in one department by the subordinates, confusion is bound to occur.

xv. Continuity : The form of organization structure should be such which is able to serve the enterprise to attain its objectives for a long period of time.

xvi. Coordination : The principal of coordination underlines that there should be proper liaison and cooperation between different departments and units of work. Unity of efforts for the accomplishment of desired objectives is the main aim of organization. This can be achieved through the principle of coordination.

xvii. Authority and responsibility : Authority should commensurate with responsibility. While assigning the responsibility, authority should also be assigned. If authority is not granted, the subordinates cannot discharge their responsibility properly.

ADVANTAGES OF ORGANISATION

The primary duty of management is to achieve the objectives of the enterprise. The objectives may be social, economic, political or religious. Proper organization of men, materials, money and equipment is necessary. Organization is the mechanism through which management directs, coordinates and controls the business. A sound organization offers the following advantages, which summarizes its importance :

1. Enhancement of managerial efficiency : A sound organization brings a proper coordination among various factors of production and leads to their optimum utilization. It avoids confusion, duplication and delays in work. It motivates the worker by proper division of work and labour. It reduces the work load of executives by delegation of authority.

2. Growth, expansion and diversification : Organization provides the framework within which an enterprise can expand and grow. Through organization, management can multiply its strength. In a good organization, the money and effort spent on different activities are in proportion to their contributions. It is through proper organization setup that many firms have grown from humble beginning to a giant size.

3. Specialization : A sound organization structure provides the benefits of specialization. Various activities are allocated between different individuals according to their qualifications, experience and aptitude. It increases their efficiency. Systematic organization of activities helps to secure economics and to minimize costs.

4. Adoption of new technology : A properly designed and well- balanced organization permits prompt adoption and optimum use of technological improvements. It has the capacity to absorb changes in the environment of business and to provide a suitable reaction to such changes. A good organization helps in the development of new and improved means of doing things.

5. Coordination : Organization facilitates coordination of diverse activities. Different functions are welded together to accomplish the desired objectives.

Clear lines of authority and responsibility between various positions, ensure mutual cooperation and harmony in the enterprise. A good organization enables people to work with team spirit.

6. Training and Development : By delegating authority to lower levels, training and development of future executives is made possible. A good organization puts 'right man at the right job' and provide them right training and managerial development programmes. By appointing employees in different department assigning them different jobs, their training needs can be ascertained.

7. Creativity, initiative and innovation : A good organization encourages initiative and creative thinking. Employees are motivated to break new grounds and try unconventional methods. A sound organization offers the scope for recognition of merit followed by financial incentives to the personnel showing creativity.

8. Check on corrupt practices : A weak and unsound organization is source of corruption and inefficiencies. Well organized, well- defined, disciplined and sound organizations boost the morale and motivation of workers. It develops a feeling of involvement, belongingness, devotion, honesty and sincerity among employees. It prevents corruption, inefficiencies and wastage in an enterprise.

9. Proper weightage to all activities : A sound organization divides the entire enterprise into different departments, sections and sub- sections according to the functions to be performed by them. Each function of an enterprise has got its own importance. Emphasis is given according to their relative importance. Funds and manpower is allocated to their relative importance.

10. Better human relations : Human beings involved in an organization are only dynamic element of organization. A dedicated and satisfied group of persons proves an asset to any establishment. An organization, built on sound principles, helps harmony in human relations. With properly defined authority, responsibility and accountability, different persons enjoy job-satisfaction. Organization consists of human beings and their satisfaction helps in improving human relations.

Thus, organization is the foundation of management. Sound organization is an indispensable mean for efficient management and better business performance. It not only facilitates efficient administration but also encourages growth and diversification. It provides for optimum use of new technology, stimulates innovation and creativity.

FORMAL AND INFORMATION ORGANISATION

Formal organization refers to the structure of relationships deliberately built up by the top management to realize the objectives. In this form instructions, responsibility, authority, accountability, lines of command, and positions and authority are clearly defined and declared. Each person is aware of his duties and authority. Every subordinate is expected to obey his supervisor in the formal chain of command. Each individual is fitted in the organization like a cog in the machine. It is designed after careful identification, classification and assignment of business activities. So, it is conscious creation of relationships.

Informal organization refers to the network of personal and social relationships which arise spontaneously when people working together interact on personal whims, likes and prejudices. Such relations are not created by the top management and they are not recognized formally. The informal groups sometimes run parallel to the formal ones. Informal relations are not portrayed on organization charts and manuals. An informal organization provides an

opportunity to workers to come close to each other, develop a feeling of cooperation and coordination among themselves.

Difference Between Formal and Informal Organizations
The difference between formal and informal organizations can be enumerated briefly as below:

1. Formation : Formal organization is deliberately created by management. It is the result of a conscious and deliberate effort involving delegation of authority. On the other hand, informal organization arises spontaneously and no conscious efforts are made to create it. It takes place on the basis of relationships, caste, culture,
2. occupations and on personal interests etc. No delegation of authority is essential in informal organization.
3. Basis : A formal organization is based upon rules and procedures, while an informal organization is based upon attitudes and emotions of the people. It depends on informal, social contacts between people working and associating with one another.
4. Nature : A formal organization is stable and predictable and it cannot be changed according to the whims or fancies of people. But an informal organization is neither stable nor predictable.
5. Set up : A formal organization is a system of well defined relationships with a definite authority assigned to every individual. It follows predetermined lines of communication. On the contrary, an informal organization has no definite form and there are no definite rules as to who is to report to whom. Even a low-placed employee may have an informal relationship with an officer far above him in the formal hierarchy.
6. Emphasis : In a formal organization, the main emphasis is placed on authority and functions. In an informal organization the stress is on people and their relationships.
7. Authority : Formal authority is attached to a position and it flows from top to bottom. Informal authority is attached to a person and it flows either downwards or horizontally.

1. Existence : A formal organizations exists independently of the informal groups that are formed within it. But an informal organization exists within the framework of a formal structure.
2. Rationality : A formal organization operates on logic rather than on sentiments or emotions. All activities follow a predetermined course. As an association between like-minded people, an informal organization has little rationality behind it. In an informal organization, activities are influenced by emotions and sentiments of its members.
3. Depiction : Formal organization can be shown in an organization chart or a manual. But an informal organization cannot be depicted in the chart or manual of the enterprise.

FORMS OF ORGANISATION STRUCTURE

Organization requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. The establishment of formal relationships among the individuals working in the organization is very important to make clear the lines of authority in the organization and to coordinate the efforts of different individuals in an efficient manner. In order to organize the efforts of individuals, any of the following types of organization structures may be set up : (i) Line organization, (ii) Line and staff organization, (iii) Functional organization, (iv) Committee organization, (v) project Organization, and (vi) Matrix organization. The nature, merits and demerits of line organization, and line and staff organization are discussed as under :

Line Organization

The line organization represents the structure in a direct vertical relationship through which authority flows. It is the simplest from of organization structure and is also known as scalar or military organization.

Under this, the line of authority flows vertically downward from top to bottom throughout the organization. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. Every person in the organization is in the direct chain of command as shown in Fig.1

General Manager

Finance

Production
Manager   Manger   Marketing
                                                 Manager

Superintendent   Asstt. Finance Manager   Asstt.   Marketing
                                                 Manager

Foreman   Accountants   Sale Supervisors

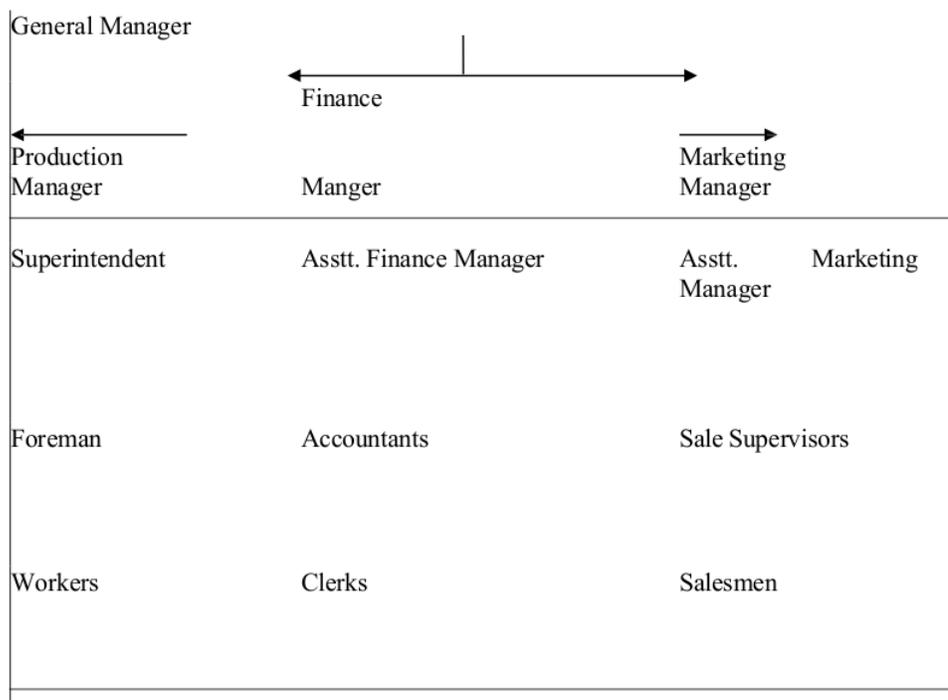Workers   Clerks   Salesmen

Fig. 1 : Line Organization

In line organization, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line authority not only becomes the avenue of command to operating personnel but also provides the channel of communication, coordination and accountability in enterprise.

Advantages of Line Organization
   i.   It is very easy to establish line organization and it can be easily understood by the employees.
  ii.   If facilitates unity of command and thus conforms to the scalar principle of organization.
 iii.   There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their jobs.

iv. It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible.

v. It facilitates prompt decision-making because there is definite authority at every level. An executive cannot shift his decision making to others, nor can the blame be shifted.

Disadvantages of Line Organization

(i) With growth, the line organization makes the superiors too overloaded with work. If the executive try to keep up with every activity, they are bogged down in myriad details and are unable to pay proper attention to each one. It will hamper their effectiveness.

(ii) There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.

(iii) Line organization is not suitable to big organizations because it does not provide specialists in the structure. Many jobs require specialized knowledge to perform them.

(iv) There is partially no communication from bottom upwards because of concentration of authority at the higher levels. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.

In spite of these drawbacks, the line organization structure is very popular particularly in small organizations where there are less number of levels of authority and a small number of people. A modification of this structure is line and staff organization under which specialists are attached to line executives to provide them specialized assistance on matters of great importance to be enterprise.

Line and Staff Organization

The line executive is often described as the individual who stands in the primary chain of command and is directly concerned with the accomplishment of primary objectives. Line organization provides decision-making authority to the individuals at the top of the organization structure and a channel for the flow of communication through a scalar chain of authority. Line executives are generalists and do not possess specialized knowledge which is a must to tackle complicated problems. With a view to give specialist aid to line executives, staff positions are created throughout the structure. Staff elements bring expert and specialized knowledge to provide advice to line managers so that they may discharge their responsibilities successfully.

In line and staff organization, the line authority remains the same as it does in the line organization. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their specialty to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organization as they are employed to provide expert advice to the line officers. Staff means a supporting function intended to help the line manager. In most organizations, the use of staff can be traced to the need for help in handling details, gathering data for decision-making and offering advice on specific managerial problems. Staff investigates and supplies information and

recommendations to managers who make decisions. Specialized staff positions are created to give counsel and assistance in each specialized field of effort as shown in Fig.2

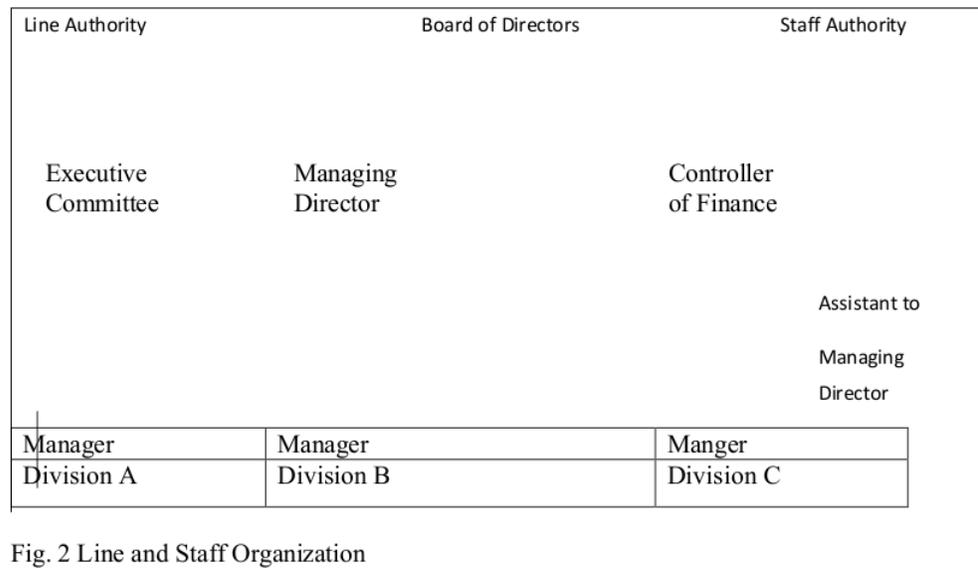| Line Authority	Board of Directors	Staff Authority
Executive Committee	Managing Director	Controller of Finance
		Assistant to Managing Director
Manager Division A	Manager Division B	Manger Division C

Fig. 2 Line and Staff Organization

Line and staff structure has gained popularity because certain problems of management have become very complex and, in order to deal with them, expert knowledge is necessary which can be provided by the staff officers. For instance, personnel department is established as staff department to advise the line executives on personnel matters. Similarly, finance, law and public relations departments may be set up to advice on problems related to finance and accounting, law and public relations.

The staff officers do not have any power of command in the organization as they are employed to provide advice to the line officers. In most organizations, the use of staff can be traced to the need for help in handing details, gathering data and offering advice on specific managerial problems.

Advantages of Line and Staff Organization
  i.   Specialized knowledge. Line managers get the benefit of specialized knowledge of staff specialists at various levels.
  ii. Reduction of burden. Staff specialists relieve the line managers of the botheration of concentrating on specialized functions like accounting, selection and training, public relations, etc.
  iii. Proper weightage. Many problems that are ignored or poorly handled in the line organization can be properly covered in the line and staff organization by the use of staff specialists.
  iv. Better decisions. Staff specialists help the line executives in taking better decisions by providing them with adequate information of right type at the right moment and expert advice.
  v.   Flexibility. Line and staff organization is more flexible as compared to the line organization. General staff can be employed to help line managers at various levels.
  vi. Unity of command. Under this system, the experts provide special guidance without

giving orders. It is the line manager who only has got the right to give orders. The result is that the enterprises takes advantage of functional organization while maintaining the unity of command i.e., one subordinate receiving orders from one boss only.

Demerits of Line and Staff Organization
Line and staff organization suffers from the following drawbacks :

i. There is generally a conflict between the line and staff executives. There is a danger that the staff may encroach on the line authority.
ii. Line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
iii. The allocation of duties between the line and staff executives is generally not very clear. This may hamper coordination in the organization.
iv. Since staff men are not accountable for the results, they may not be performing their duties well.
v. There is a wide difference between the orientation of the line and staff men. Line executives' deals with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical.

Superiority of Line and Staff Organization over Line Organization
Line and staff organization is considered better than the line organization because of the following reasons :

i. Staff makes available expert advice to line executives. This is necessary to deal with complex problems of management. For instance, personnel department is established as a staff department to advise the top executives and other line executives on personnel matters.
ii. Better decisions are ensured in line and staff organization as compared to a simple line organization.
iii. Line and staff structure is more suitable for large organizations as expert advice is always available. The line managers can make use of the knowledge of staff specialists to deal with complicated problems. Therefore, line and staff organization is certainly better than line organization.

THE CONCEPT OF AUTHORITY

Authority is a legal power which is possessed by a person from his superior officers and with the help of which he succeeds in getting the things done by his sub-ordinates. Authority is the key to managerial functions. If the managers do not possess required authority, they will not be able to perform their duties properly. A manager is in a position to influence his subordinates only by the use of his authority. It is the authority which enables him to discharge the important functions of planning, co- ordination, motivation and controlling etc. in an enterprise. If proper authority is not vested in him, he cannot perform these functions in the required manner and he cannot be held responsible for all these functions in the absence of proper authorities. It is only the authority by virtue of which he dominates his sub-ordinates and gets work done by them.

Definitions

- "Authority is the right to give order and the power to exact obedience".   –   Henri Fayol
- "Authority is the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance".   – Koontz and O'Donnell

While concluding the meaning of authority it can be said that authority in ordinary sense of the term is nothing more than a legal right. It empowers an individual to take decisions. He is given a right to command and to exercise control over those who are responsible for the execution of policies and programmes of the enterprise. For decisions taken the authorized person is held responsible and is made answerable to his superiors and the organization as a whole.**Case Study**

Introductory Case Study: Reorganization at "GreenPath Holidays"

Background

GreenPath Holidays, a Hyderabad-based tour operator, expanded rapidly after the boom in domestic tourism. The company started with 12 employees but grew to 75 within three years. However, the organizational structure remained the same as in the initial stage. All decisions were routed through the founder–director.

Problem Situation

- Booking team reported directly to the director
- Marketing and operations were not separated
- Customer complaints increased
- Employees were confused about authority
- Delays occurred in issuing tickets and confirmations

Stakeholders

- Director and senior managers
- Tour executives
- Hotel and transport partners
- Customers

Managerial Issues

- Absence of clear departmentation
- Over-centralization
- Poor delegation
- No formal authority–responsibility structure

Linkage to Lesson

The case highlights:

- Need for proper organization structure

- Importance of span of control
- Role of delegation and decentralization
- Line and staff coordination

FACTORS FOR SUCCESSFUL USE OF AUTHORITY

For the successful use of authority following factors may be taken into consideration:

1. Favourable Atmosphere : For the implementation of authority, favourable atmosphere must be created in the enterprise so that sweet human relations may be established in the enterprise.
2. Justified Behaviour : The second important use for successful implementation of authority is the justified behaviour of the officers towards their subordinates. They must feel and treat all the employees on an equal ground. If they do not do so, the employees may not contribute their efforts towards the attainment of objectives of enterprise.
3. Mutual Co-operation and Faith : There must be mutual co- operation and mutual trust between officers and employees of the enterprise for the successful use of authority.
4. Interest in the work : A very important condition of the successful use of authority is that the employees must have an interest in the work for which they are responsible. If they are not interested in their work, it may be very difficult for the higher officers to implement their authority.
5. Respect to Superiors : There must be an atmosphere in the enterprise in which the employees pay their best regards to their bosses. If they do not have a feeling of regard for them, they may not obey their orders.

SOURCES OF AUTHORITY

There are three different schools of thought about the sources of authority which are discussed below :

1 Formal Authority Theory
According to this theory, all authority originates in the formal structure of an organization. The ultimate authority in a joint stock company lies with the shareholders. Shareholders entrust the management of the company to the Board of Directors and delegate to it most of their authority. The Board of Directors delegates authority to the chief executive and chief executive in turn to the departmental managers and so on. Every manager or executive possesses authority because of his organizational position and this authority is known as formal authority. Authority conferred by law is also regarded as formal authority. Subordinates accept the formal authority of a manager because of his position in the organization. The subordinates are aware of the fact that if they disregard the formal authority they will be punished according to the rules and regulations of the company. The formal authority theory further states that the superiors have the right to delegate their authority. Thus, formal authority always flows from top to bottom.

2 Acceptance Theory
This theory states that authority is the power that is accepted by others. Formal authority is reduced to nominal authority if it is not accepted by the subordinates. The subordinates accept the authority if the advantages to be derived by its acceptance exceed the disadvantages

resulting from its refusal. The subordinates give obedience to the managers because they visualize the following advantages :

a) Receipt of financial incentives.
b) Contribution in attaining the objectives of the enterprise.
c) Fulfillment of responsibilities.
d) Appreciation from colleagues.
e) Setting of an example for others.
f) Responsibility to leadership of superior
g) Moral obligation because of regard for old age, experience, competence, etc.

According to acceptance theory, authority flows from bottom to top. A manager has authority if he gets obedience from the subordinates. Subordinates obey the manager because of the fear of losing financial rewards. This theory emphasizes sanctions that a manager can use and overlooks the influence of social institutions like trade unions.

3 Competence Theory
The supporters of this view assert that an individual derives authority because of his personal qualities and technical competence. Many persons derive informal authority because of their competence. For instance a person possesses expert knowledge in a particular subject. People will go to him for guidance in that matter even though he has got no formal authority.

Activity – 2: Mini Application

Task:
Identify any two situations where lack of delegation created problems in your college or workplace.

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Expected Outcome:

Ability to relate delegation concept to real situations.

MEANING AND SOURCES OF POWER

Power is a method of operating in order to influence the behaviour of others. It is the power politics within the organization that gives rise to power centres in the organization. The power-centres need not necessarily be located at the position of higher authority. Nobody wants to lose power because power can be used in desirable or undesirable ways.

Power may be defined as "the ability to exert influence. If a person has power it means that he is able to change the attitude of other individuals".

In any organization for sound organizational stability, power and right to do things must be equated, when power and authority for a given person or position are roughly equated, we may call the situations as "Legitimate Power".

Sources of Powers

If we study the origin and sources of power we cannot forget the name of John French and Berhram Raven. They have written that there are five sources of power which are found at all levels of the organization. They are as follows :

(i) Legitimate Power : The power corresponds to the term authority. It exists when an influencer acknowledge that the influencer is lawfully entitled to exert influence. In this the influence has an obligation to accept this power.

(ii) Reward Power : This power is based on the influencer having the ability to reward the influence for carrying out orders.

(iii) Corrective Power : It is based on the influencer's ability to punish the influence for not carrying out orders or for not meeting requirements.

(iv) Referent Power : It is based on the influencer's, desire to identify with or imitate the influence. For example – a manager will have referent power over the subordinates if they are motivated to emulate his work habits.

(v) Expert Power : This power is based on belief that the influencer has some relevant expertise or special knowledge that the influence does not have. For example a doctor has expert power on his patients.

In having the study of power the role of the influence in accepting or rejecting the attempted influence is very important. It must be noted that each of the five power bases is potentially inherent in a manager's position and his activities.

Difference between 'Authority' and 'Power'
If we study from close in practice the terms 'Authority' and 'Power' are generally used interchangeably but there is a clear-cut difference between these two words and they are as follows :

i. Right to Command : Authority is the right to command where as power is the ability or power to command.

ii. Right to Exercise : Authority usually resides in the position in the organization, but power is exercised by the person. Authority includes the right to exercise which have been institutionalized.

iii. Positional and Legitimate : Authority is always positional and legitimate and is conferred on the position. But power is not institutional, rather it is personal. It is acquired by people in various ways and then exercised upon others. It is acquired through political means or by having certain personal attributes.

iv. Authority Increases : It has been observed that authority increases as soon as one goes up in the organizational hierarchy, but it need not necessary be accompanied by more power.

2. In actual practice – the power centres may be located at the power levels in the organization. Therefore, one cannot have an idea of power centres in an organization by merely looking at its organization chart.

i. Authority Relationships : In practice, authority relationships are modified by power politics in the organization. Some individuals may have more power and less authority

         or more authority and less power. It is the operating mechanism of the organization which is relevant for studying organizational behaviour.

   ii.   Authority a Downward Concept : Authority is a downward flowing concept; whereas power flows in all directions.

   iii.   Delegation of Authority : Authority can be delegated to the lower levels in the organization. The lower we go down the lesser is the authority.

DELEGATION OF AUTHORITY AND ITS METHODS

Delegation means devolution of authority on subordinates to make them to perform the assigned duties or tasks. It is that part of the process of organization by which managers make it possible for others to share the work of accomplishing organizational objectives. Delegation consists of granting authority or the right to decision-making in certain defined areas and charging the sub-ordinate with responsibility for carrying through the assigned tasks.

Delegation refers to the assignment of work to others and confer them the requisite authority to accomplish the job assigned.

1. In the words of F.G. Moore – "Delegation means assigning work to others and gives them authority to do it."

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

3. E.F.L. Brech has also said – "Delegation is a process of sharing a few or all of the four elements of the management process, i.e. command, planning, co-ordination and control". He goes on to say that the delegation is not a question of issuing instructions but is a bringing down of the executive's responsibility and transmission of part or all of it to other persons.

Since one person constitutes only one man power, so F.G. Moore has once said that – "Delegation, therefore, is necessary for enlarging his capacity by asking trusted subordinates to share his burden." Without delegation says S.S. Chatterjee, "The very existence of organization is shattered at once. If there are no duties to be divided and no authorities to be shared in the enterprise, the existence of an organization structure is nullified and becomes absurd. Management of that organization becomes impossible without delegation." For this reason activities are to be integrated, co- ordinated and unity of purpose to be achieved, this necessitates effective delegation.

METHODS OF DELEGATION

In a big manufacturing concern the following may be the methods of delegation of authority to ensure better result, unified direction and command and effective delegation :

1.   Administrative Delegation – When a few of the administrative functions are delegated to sub-ordinate staff it is called administrative delegation. These functions are generally of routine nature, e.g. to maintain discipline, to supervise the work, to recommend for the reward or punishment etc.

2.   Geographical Delegation – When the work of enterprise is located at different distant places it is not possible for an executive to mange the whole affairs single

handed. He then proceeds to delegate his authority to those who are posted at the places where physically he cannot be present round the year. This is known as geographical method of delegating the authority.

3. Functional Delegation – When the enterprise is organized on the basis of functional organization, the delegation of authority is also done on the functional basis. All the heads are given to manage their departments according to their skill, knowledge and experience of course, they are accountable to the chief executives.

4. Technical Delegation : This method of delegation of authority is based on technical knowledge and skill. Here the authority is delegated in order to get the advantages of expert and experienced hands and their technical skill.

7.1 ELEMENTS OF DELEGATION AND ITS TYPES

The elements of delegation of authority involve three steps :

1. Authority : The superior grants authority to the subordinate to carry out the assigned task or duty. This may include right to use resources, spend money, engage people, etc.

2. Responsibility : The superior entrusts some responsibility or duty to a subordinate.

3. Accountability : The last step in delegation is concerned with creating an obligation to carry out duty or responsibility and render an account of the results achieved through the use of delegated authority. The subordinate must be held accountable for the exercise of authority granted to him. By accepting the duties and authority, a subordinate becomes responsible to his superior.

Authority : Authority is the sum of the rights entrusted to an individual to make possible the performance of the work delegated. It includes such rights or powers as that spending money, of using certain kinds of quantities of materials, of hiring and firing people. Allen talks of authority of knowledge, authority of position and legal authority. Authority of knowledge according to him is possessed generally by the staff specialists appointed by the company. The consultants more often influence the action of persons in line by virtue of the knowledge possessed by them. Similarly, some persons acquire authority by virtue of their position. For instance, a person close to the person having line authority wields considerable authority. A Private Secretary to Managing Director or even a Staff Assistant may have no formal power and authority. Legal authority is the authority which is entrusted to a person by the law of the land. A company, for instance, is a legal person which enjoys several rights under the Companies Act. The organizations are built on authority relationships between their members. Authority is a building force in an organization and is the key to the executive job. An executive cannot get things done through others without the right to command them. Responsibility : Responsibility represents the work or duties assigned to a person by virtue of his position in the organization. It refers to the mental and physical activities which must be performed to carry out the task or duty. That means every person who performs some kind of mental or physical activities as an assigned task has responsibility. In order to enable the subordinates perform his responsibility well, the superior must clearly tell the former as to what is expected of him. In other words, the delegator must determine clearly the task or duty that is assigned to the delegatee. The duty must be expressed either in terms of function or in terms of objectives. If a subordinate is asked to control the operations of a machine, the duty is in terms of function. But if he is asked to produce a certain number of pieces of a product, the duty is in terms of target or objective. Determination of duties in terms of objective will enable the subordinate to know by what standards his performance will be evaluated.

According to Alwin Brown, responsibility is capable of being understood in two senses. In one, it denotes the definition of a part or role to be performed in administration. In the other, it denotes the obligation for the performance of that part. Two meanings are reciprocal. In most circumstances, there is so little difference between the concept of the part and the concept of the obligation that it is more useful to view them as inseparably-related aspects of the same concept, and to refer to them by single term. Taken in this sense, many authors have held that responsibility cannot be delegated. But authority and responsibility are co-extensive; and responsibility or duty can be delegated within the framework of authority. In fact, it is the accountability which cannot be delegated. Therefore, it is essential to make a distinction between responsibility and accountability.

Responsibility or duty implies the task assigned to a person to be completed in accordance with the standards laid down. It is his superior who has entrusted this task to him. He should not find any difficulty in expecting it because his superior knows his plus and minus points at work. He would not assign a task which the subordinate is unable to complete. In fact he has divided and sub- divided the task pertaining to this division in such a manner that each one of his subordinates gets the task of his choice. Hence there is no ground for the subordinate to object the duty assigned to him by his superior unless the superior has acted deliberately in an indicative manner. If he does so, there are other ways to remedy the situation.

Whenever the superior assigns any task to his subordinate, it is implied that he has delegated his responsibility. In this process, though he may hold his subordinate accountable for the task delegated to him, but he continues to be accountable to his own boss on the ground that accountability can never be delegated.

The extent of authority delegated should be commensurate with the responsibilities or duties assigned. In other words, there must be a balance between responsibility and authority. However, in practice, it is very difficult to achieve a balance between responsibility and authority.

According to McGregor, the realities of business place most managers in situations where they cannot effectively control everything that affects the results they are attempting to achieve. Uncontrollable factors include unexpected changes in consumer preferences, action of labour unions, government legislations and the fluctuations of business cycles. The recognition of these problems does not reduce or destroy the utility of this concept. If a manager is abreast of the time, he will make allowance for the unforeseen events outside the control of the subordinate. Many factors prevent a superior to delegate sufficient authority. The risk of losing control is an important factor. Real or presumed non-availability of qualified subordinates, lack of delegating skills and enhancement of one's indispensability are the other factors which cause an imbalance of responsibility and authority. An effective manager is willing to delegate authority as needed to accomplish the desired objectives.

Responsibility can not be delegated or transferred. The superior can delegate to subordinate the authority to perform and accomplish a specific job. But he can not delegate responsibility in the sense that once duties are assigned, he is relieved for his responsibility for them. This delegation of tasks does not absolve the superior from his own responsibility for effective performance of his subordinate. In other words, we can say that responsibility is divided into two parts at the time of delegation : (a) operating responsibility; and (b) ultimate responsibility. The subordinate assumes only the operating responsibility for the task. The superior retains ultimate responsibility for getting the job done. If the subordinate fails to perform the job

(operating responsibility), the superior is held responsible for this failure (ultimate responsibility). To explain that the ultimate responsibility cannot be shifted or reduced by assigning duties to another. Newman cites the example of a person borrowing money from the bank and then realigning it to his son. This transaction with his son in no way reduces his own obligation and responsibility to repay the money to the bank.

Responsibility may be specific or continuing. It is specific when on being discharged by a subordinate it does not arise again. Thus, a consultant's responsibility is specific. It ceases when the assignment is completed. The responsibility of a foreman is, however, of a continuing nature.

Accountability : Accountability is a logical derivative of authority. When a subordinate is given an assignment and is granted the necessary authority to complete it, the final phase in basic organization relationship is holding the subordinate responsible for results. In other words, the subordinate undertakes an obligation to complete the assignment by the fair use of authority and account for the discharge of responsibility assigned.

Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established by the superior. Creation of accountability is the process of justifying the granting of authority to a subordinate for the accomplishment of a particular task. In order to make this process effective, the standards of performance should be determined before assigning a task and should be accepted by the subordinate. An important principle of management governing this basic relationship is that of single accountability. An individual should be answerable to only one immediate superior and no more.

The extent of accountability depends upon the extent of delegation of authority and responsibility. A person cannot be held answerable for the acts not assigned to him by his superior. For instance, if the production manager is given responsibility and authority to produce a specified quantity of certain product and the personnel department is given responsibility and authority for the development of workforce, the production manager cannot be held accountable for the development of workforce. "Accountability is, by the act which creates it, of the same quality and weight as the accompanying responsibility and authority".
Accountability cannot be delegated : Though it is incurred as a result of assignment of duty and conferring of authority, accountability in itself cannot be delegated. The diligent cannot abdicate responsibility. He remains accountable to his superior for that which the latter has delegated to him. Since accountability cannot be delegated, the accountability of persons higher in the hierarchy for the acts of subordinates is unconditional.

TYPES OF DELEGATION

The important kinds of delegation of authority are as follows :
1. General and Specific Delegation :

    i.   General Delegation : It is that delegation in which the authority is given to perform general managerial functions, like planning, organizing, directing etc. The sub-ordinate managers perform these functions and enjoy the authority required to carry out these responsibilities. The Chief Executive exercises over all control and guides the subordinates from time-to-time.

   ii.   The Specific Delegation : Specific Delegation relates to a particular function or an

assigned task. The authority delegated to the production manager for carrying out this function will be a specific delegation. Various departmental managers get specific authority to undertake their department duties.

2. Formal or Informal Delegation :
  i.   Formal Delegation : Formal delegation has been considered as a part of organizational structure. Whenever a task is assigned to a person, the required authority is also given to him. This delegation is a part of the normal functioning of the organization. Every person is automatically given authority as per his duties. When production manager gets powers to increase production then it is formal delegation of authority.
  ii. Informal Delegation : This delegation does not arise due to position but it arises according to the circumstances of the case. A person may undertake a particular task not because he has been assigned it but because it is necessary to do his normal work.

3. Written or Unwritten Delegation :

  (i)   Written Delegation : Written delegation is normally given through letters, instructions, circulars etc. Whatever has been delegated it must be in writing.
  (ii) Unwritten Delegation : Unwritten delegation is given to the person concerned not in any particular way but through conventions, customs and usages the other party has to do work accordingly.

4. Downward or Upward Delegation
  (i)   Downwards Delegation : Downwards delegation is a common type of delegation and is used in every type of the working concern. This delegation has been considered as a superior's delegation of authority to his immediate subordinate.
  (ii) Upward Delegation : This type of delegation takes place when a subordinate assigns some of his tasks to his superiors. This is an uncommon type of delegation and its instances are very rare.

PRINCIPLES OF DELEGATION

The following principles may be considered as essential for effective delegation of authority :
  (i)   There must be Proper Planning : An executive must plan as to what is to be achieved, if delegation of authority is made. He should define clearly the objectives to be achieved and the functions to be performed by delegating the authority. The job should be designed and divided in such a way as to achieve the objectives. The subordinates must understand clearly what activities they must undertake and what delegator expects from him.
  (ii) Select appropriate subordinate of delegation : The subordinate should be selected in the light of the work to be achieved. The qualification of the individual concerned may influence the nature of the delegation of authority. This is the purpose of the managerial function of staffing, most carefully considered.
  (iii) Maintain purity of authority and responsibility : Authority should be delegated commensurate with responsibility. This is on the assumption that where subordinates are held responsible for performance of certain duties it is fair that they should be vested with the necessary authority to carry out such duties. Although technically it would be inaccurate to stress the questions of equality as the executive does without a certain amount of authority, there must be adequate correlation between duty and authority

delegated.

(iv) Ensure unity of command : This is one of the common principles of organization advocated by Henry Fayol which stresses that subordinates should have only one boss to whom he should be accountable, to avoid confusion and friction. Of course, in practice, it is not possible to follow this principle.

(v) Maintain adequate communication : There should be free and continuous flow of information between the superior and the subordinate with a view to furnish the subordinate with relevant information to help him make decisions and also to interpret properly the authority delegated to him. Plans may change and decisions have to be taken in the light of the changed conditions.

(vi) Reward effective delegation : Effective delegation and successful assumption of authority must be rewarded. This will provide a proper environmental climate for fuller delegation and effective assumption of authority.

(vii) Establish a climate of confidence : The subordinate to whom authority is delegated must generally feel free from fear and have a feeling of confidence that delegation will not result in punishment but is an opportunity for his own self-development and growth.

(viii) Establish a strong belief in delegation: For delegation to be successful, the man who delegates must himself be convinced of the need and benefits of delegation. He must also be willing to allow his subordinates to make mistakes although he can be strict if the same mistake is repeated.

(ix) Proper Selection and Training of Personnel : Selection of personnel to various jobs should be fair and just. It should not be arbitrary but it must be based on certain principles. Only right persons should be placed on the right job. The person selected must also be given proper training to enable him to handle the post efficiently and to perform the assigned job properly. Proper selection and training helps to develop their self-confidence and morale.

(x) Proper Control Techniques be Developed : In a good organization proper control techniques be developed and major deviations from standard should be checked. There should be no interference in day- to-day functioning of subordinates.

Figure 2: Process of Delegation

VARIOUS STEPS IN THE PROCESS OF DELEGATION

The following steps are essential and they must be kept in mind while delegating :
1. The delegation should define the result expected from his subordinates.
2. Duties should be assigned according to the qualifications, experience and aptitude of the subordinates. They may be described either in terms of activity or set of activities to be performed by a subordinate or
3. in terms of results that are expected from the performance of activities.
4. For Example : How much sale is to be achieved by salesman? It is better to assign duties in terms of results expected, because the subordinate knows in advance the terms in which his performance will be judged, while assessing duties and responsibilities.
5. The delegator must ensure that subordinates understand and accept the assignment, otherwise delegation would be meaningless or ineffective.
6. Adequate authority must be given to sub-ordinates – The authority to be delegated to each particular sub-ordinate is determined in advance. The delegator confers upon the subordinate the right to act in a specified way within limited boundaries. It decides what actions we may take and what action we cannot take. Proper authority to any sub-ordinate not given in time, will not give or produce expected results.
7. For Example : A sales manager, charged with the responsibility of increasing sales of company's product should be given authority to hire competent salesmen, pay wages and incentives, allow concessions, within specified limits.
8. The subordinate must produce expected results from the task assigned to him – It is obligatory on the part of the subordinate that he must give satisfactory performance from the tasks assigned. He becomes answerable for the proper performance of the assigned duties and for the exercise of the delegated authority. Authority without accountability is likely to be misused. Accountability without authority may be frustrating to the subordinates. The extent of accountability depends upon the extent of delegated authority and responsibility. A subordinate cannot be held responsible for acts not
9. assigned to him by his superior. He is accountable only to his immediate superior.
10. Proper Evaluation of the Performance must be made – In the end, information and control system must be established to check and evaluate the performance of the subordinates to whom authority has been delegated. Duties, authority and responsibility are the three interdependent essential steps in the process of delegation. In this connection an eminent authority H.W. Newman has said – "These three inevitable attributes of delegation are like a three legged stool, each depends on the others to support the whole and no two can stand alone." What to delegate and when to delegate are two ticklish questions which a delegator has to answer to himself within the framework of the organization?

An executive according to *Louise A. Allen* can follow the undermentioned rules while delegating :
1. Established goals that are to be attained.
2. Define and enumerate the authority which the delegatee can exercise and the responsibility he is to shoulder.
3. Motivate the subordinate and provide him sufficient guidance. If necessary proper and adequate training should also be given to the delegatee before authority is delegated to him.

4. Ask for the completed work. In between if any help is needed by the delegatee he should be provided with such help either directly through someone who knows the work and is writing of help.
5. Establish an adequate control so as to supervise and provide necessary guidance.

MERITS OF DELEGATION

(i) *It avoids wastage of time :* Present-day management is a complicated process. A manager has to perform various functions as a matter of routine work. It is not possible for him to give proper attention to all matters coming to him. Delegation helps him in transferring the less important subject to his juniors and attends to more important works.

(ii) *It helps in training the new incumbents :* The lower units that use the delegated power, get a spontaneous feel of their future responsibility. They become aware of the works at the higher level to which they may be promoted. Delegation also helps in developing the managerial personnel within the organization.

(iii) *It avoids over-work* : Delegation shifts some portions of the responsibility and work from the shoulders of the manager. To quote Beach : "The over worked manager who learns the art of delegation, is at one and the same time able to relieve himself of some of his burden, increase the competence of his men, and raise the level of accomplishment of his unit.

(iv) *It develops increased sense of responsibility* : Delegation generates an increased sense of responsibility in the subordinate personnel. It also increases their working capacity and helps in enhancing their unspotted caliber which could be helpful for management.

(v) Delegation also helps in avoiding any kind of act at a higher level which may, otherwise undermine the powers vested in the lower level units.

(vi) *It avoids delay* : Delegation helps in taking timely and accurate decisions. The personnel at lower level, being delegated, act quickly which serves the organization with due economy, efficiency and rapidly.

Figure 3: Types of Departmentation
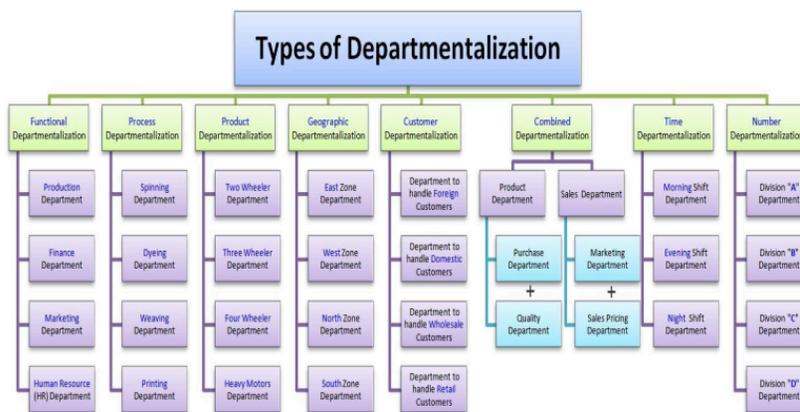
RELATIONSHIP OF AUTHORITY AND RESPONSIBILITY

In every business unit, internal organization is necessary for its efficient and smooth running. Under internal organization, duties are determined and distributed among the employees. All activities are combined and co- ordinated. The lines of authority are to be determined, a well recognized principle, to be followed for any organization and management.

In the internal organization of any concern, there must be a proper assignment of duties among the various personnel. This means that some people assign and some others have to perform those duties. The former people have an authority. The latter are subordinates to the former. The relationship of authority and subordination among the various personnel and groups should be properly determined. The position of each individual is to be fixed, i.e., whether he is to be in the position of authority or in the subordinate position. This work is very important. In this connection, the following principle is to be followed. The greater the responsibility attached to a post, the higher will be the position of the person holding the post, in the hierarchy. Thus, it is stated that authority should go with responsibility.

When the duties are assigned, there will be two types of employees. Some have authority and others take up responsibility. The former occupy a superior position, while the latter are placed in a subordinate position. Authority refers to the right to make decision and to command subordinate to follow these decisions. It is the supreme coordinating power and is very important for the managerial job. Responsibility refers to the obligation of a subordinate. Every subordinate has to perform the duty assigned to him. The essence of authority is obligation. It arises from the superior- subordinate relationship. It has a meaning, only when it is applied to a person. Authority seems to flow from the superiors to the subordinates. Every manager can see that his orders are executed by persuasion, coercion or economic social sanctions. Persuasion is the best means. Otherwise, the task may not be successfully accomplished, responsibility cannot be delegated. But authority can be delegated.

When these expressions 'Authority' and 'Subordination' are used, they should not create a sense of superiority or inferiority in the minds of the employees. Authority cannot be concentrated in the hands of one or a few individuals. It appears to flow from top to bottom. But it is not really so. There must be de-personalization of orders. This will help in developing good industrial relations among all the employees.

In management literature, responsibility is one of the most misunderstood words, usually, responsibility is referred to as 'Delegation of Responsibility' holding a person responsible or carrying out a responsibility. People use the word responsibility in different senses as referring to a duty, an activity or an authority. Actually responsibility can be defined as the 'obligation' of a subordinate to perform a duty which has been assigned to him.

Thus, obligation is the essence of responsibility. Normally the superior subordinate relationship gives rise to this responsibility as the superior is vested with the authority to require specified services from his subordinates. In case of business, this authority is generally a result of the contractual arrangement under which the subordinate has agreed to perform certain services in return for a monetary reward. In this sense, authority flows from the superior to the subordinate manager to whom certain duties are assigned and responsibility is the obligation of the subordinate to accomplish these duties. Responsibility can be discharged by a single action or it may be a continuous obligation.

DISTINCTION BETWEEN AUTHORITY AND ACCOUNTABILITY

The term 'Accountability' is used by a few writers in the field of management to indicate the managers' liability for the proper discharge of the duties by his subordinates. In the military, the concept of accountability is used to indicate the duty and an officer to maintain accurate records and to safeguard public property and funds.

Thus, the three words confusingly used in varying sense in management literature are authority, responsibility and accountability. A less confusing use would be to use the word 'authority' as referring to the power to get something done, the word responsibility as the liability of the individual for failing to discharge his responsibility. One is thus accountable for failures to his boss. Accountable is similar to tendering of accounts in its case, which refers to discharging of the responsibility. To carry out responsibility, a manager requires adequate authority or power.

DISTINCTION BETWEEN RESPONSIBILITY AND DELEGATION

Whilst a manager can delegate his authority to his subordinates, responsibility cannot be so delegated. A manager is responsible for the performance of his duties even though he may delegate to a subordinate, authority to accomplish a service and the subordinate also in his turn may delegate a part of authority received by him. Therefore, delegation does not absolve a manager of his own responsibilities to perform his duties. In short no manager can shift responsibility to his subordinates. For example, the managing director of a company employed by the board of directors cannot avoid total responsibility for the conduct of the enterprise. Therefore, responsibility cannot be delegated in this sense. A manager cannot relieve himself of his responsibility although he can delegate authority and assign duties to his subordinates.

DIFFICULTIES IN DELEGATION

There is a fear aspect in delegation which plays a dominant role in a decision as to "what to delegate" and "to whom to delegate". Executive knows for certain that once authority is delegated they will loose the grip over their subordinates and also control over the operations. It is natural that the executives may not like to lose either the grip or control over the operation. But the important psychology is that by their nature executives have no confidence in their subordinates. They feel that the subordinates are not capable of shouldering the responsibility, therefore, the question of delegation of authority does not arise.

Sometimes, executives suffer from inferiority psychosis. They know for certain that though they occupy a position of strength but their knowledge and skill are not up to the mark. Their subordinates are well equipped and thus they may do the assigned job well. No executive would like to delegate when he feels that his subordinate may surpass him.

From the above discussion we may come to a conclusion that there are three types of fears which discourage delegation and thus create difficulties in delegation. They are :

1. Fear of loosing the grip and control over the operations;
2. Fear of not a better performance by the sub-ordinate to whom the authority may be delegated; and
3. Fear of better performance by the subordinate to whom the authority may be delegated.

The above difficulties arise out of –
    (i) Luck of mutual confidence;
    (ii) Non-existence of atmosphere of team-work;
    (iii)Non independence in thinking and behaviour;
    (iv)No proper and ambiguous definition of common goals to be achieved;
    (v) No inter-exchange of ideas and suggestions;
    (vi)No favourable management climate;
    (vii)   Existence of element of fear and frustration ; and
    (viii)   Incapable hands manning the executive positions.

Delegation is an important managerial technique. Every effort should be made to encourage delegation. This creates a sense of belonging among subordinates. It develops the personality of the subordinates and helps in evaluating the managerial performance. It also induces a sense of security among both the executives and their subordinates. A favourable management climate should be created for encouraging delegation.

MEANING OF DECENTRALISATION
Decentralization is a word that we frequently hear take about by political leaders and business managers. Many of them view decentralization as panacea or a magical device that will compensate for poor management, encourage participation, increase efficiency, and raise morale. Most people do not have a clear view of what decentralization is and, as often as not when an organization is having "decentralization", it is for the wrong reasons and in the wrong way the term is understood and used.

Earnest Dale mentions four criteria to measure the extent of decentralization in an organization. He states that whenever decentralization is greater.
    1. The greater is the number of decisions made at lower levels;
    2. The more important are the decisions made lower levels;
    3. The more is the number of areas in which decisions can be made at lower levels; and
    4. The fewer are the people to be consulted the less is the checking required on the decisions made at the lower levels.

The way many people use the term, decentralization mean about the same thing as delegation– simply pushing authority down to subordinates. But decentralization means much more than simple delegation. Decentralization is a philosophy of the organization and management, one that implies both selectively determining what authority to push down into the organization; developing standing plans (such as policies) to guide subordinates who have this authority delegated to them; and implementing selective but adequate controls for monitoring performance. Thus, decentralization is a philosophy of organization and management which involves both selective delegation of authority as well as concentration of authority through the imposition of policies and selective but adequate controls.

According to McFarland, decentralization is a situation in which ultimate authority to command and ultimate responsibility for results is localized as far down in the organization as efficient management of the organization permits. According to Allen, decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points. Thus, decentralization means reservation of some authority (to plan, organize, direct and control) at the top level and delegation of authority to make routine

decisions at points as near as possible to where action takes place.
Essential Characteristics of Decentralization

The essential characteristics of decentralization are :
(i) Decentralization not the same thing as delegation – It is something more than delegation. Delegation means demi-transfer of responsibility and authority from one individual to another. But decentralization means scattering of authority throughout the organization. It is the diffusion of authority within the entire enterprise. Delegation can take place from one person to another and be a complete process. But decentralization is completed only when the fullest possible delegation is made to all or most of the people. Under delegation control rests entirely with the diligent, but under decentralization, the top management may exercise minimum control and delegate the authority of controlling to the departmental managers. It should be noted that complete decentralization may not be possible or desirable, but it certainly involves more than one level in the organization.
(ii) Decentralization is distinct from dispersion – Decentralizing is often confused with the separation of physical facilities which is not correct. Dispersion occurs when plants and offices are located at different places with physical distance between them. Performance of work in dispersed plants and offices does not necessarily lead to decentralization. Decentralization can proceed without separation of facilities and facilities can be separated without decentralization. A company may be highly decentralized even though all physical facilities and employees are located in a single building. Thus, decentralization can take place even without dispersion.
(iii) Decentralization is not a type of organization. Some people believe that a company can decentralize by changing its organizational structure. This is not true. Decentralization may be achieved even without changing the organizational structure as it refers primarily to the systematic delegation authority throughout the organization industries in which markets are less uncertain, production processes technologically less dynamic and competitive relationships more stable, tend to become more centralized.

Gauging the Degree of Decentralization
How decentralized a particular organization is? There are no hard and fast rules, but the following guidelines may be used to test the degree of decentralization in a company :
The narrower the breadth of the control imposed on managers, the greater the decentralization:

1. Thus, a company in which each product-division manager simply has to report once or twice a year on the rate of return his division has earned on its investment is more decentralized. The division in which a variety of day-to-day production, marketing, and personnel decisions are monitored is less decentralized;
2. The greater the discretion permitted by the company's policies, procedures and rules, the greater the decentralization;
3. The greater the breadth of decision in terms of the number of functions they cover, the more the decentralization. Thus, the company in which division managers are authorized to take production, marketing and personnel decisions is more decentralized than one in which the managers can take only production and personnel decisions;
4. The less a subordinate has to check with his superior before taking decisions, the greater is the degree of decentralization – Thus, a company in which a manager does not have to check at all with his superior is more decentralized than one in which the manager must get most of his decisions approved beforehand;
5. The closer the level to which the decision is made in the relation to the point where the problem arise, the greater the decentralization – Suppose a customer in Maharashtra

6. has a problem, and the western division manager is authorized to make the necessary decisions, then to that extent the company is more decentralized than if the boss in the New Delhi had to make the decisions; and

6. The more important are the decisions that can be made at the lower levels, the greater the decentralization – For example, a company in which divisional managers can make equipment purchase decisions of up to Rs. 500,000 is more decentralized than one in which they are authorized to make these decisions up to a limit of Rs. 1,00,000.

Advantages of Decentralization
The merits of decentralization are listed below :

1. It leads to a competitive climate in the organization.
2. It relieves the management of much workload;
3. It makes jobs at the lower levels of the organization more attractive and interesting. As a result, the level of motivation of the employee increases;
4. It encourages initiative at lower levels where the employees are allowed to participate in the decision-making process;
5. Decision made closer to the actual situations is likely to be more realistic. Effective decisions are possible because of the speed and first-hand knowledge that decentralization provides.

ii.

(i) Disadvantages of Decentralization
(ii) It increases the administrative cost due to duplication of specialized services and the appointment of capable executives at lower levels;
(iii) It becomes difficult for top management to exercise control over what people at lower levels are doing or even to know what decisions they are taking;
(iv) Emergency situations cannot be tackled properly in decentralized structure. Adjustment to changing conditions may be difficult; and
(v) It hampers uniformity in decision making and consistency of procedures.

DECENTRALISATION VS. DELEGATION
Though both delegation and decentralization are related concepts, but the distinction between the two terms must be clearly understood.
Decentralization could be differentiated from delegation in the following way :

(i) Delegation creates authority-responsibility relationship between a superior and his subordinates, whereas decentralization refers to the creation of semi-autonomous decision-making units or even profit centres functionally related to the top management. In other words, decentralization is diffusion of decision making authority throughout the multiple layers of the organization;
(ii) Decentralization is simply not an extension of delegation. The purpose of delegation may be confined to relieve the excessive burden of key managerial personnel, but decentralization has a deeper meaning bordering on a new philosophy of organization and management;
(iii) Delegation is a process whereby the superior assigns certain tasks and responsibilities within his control to his subordinates, immediately vests part of his decision-making authority in them and precisely it is an obligation from them for proper discharge of authority conferred upon them and for effective performance in the area of delegated activity. But, on the other hand, decentralization refers to structural dispersal of authority for decision making in various facts of organizational

operations throughout the organization in the form of semi autonomous units, subject to overall control by the top management.

(iv)   Delegation takes place between a superior and a subordinate and is a complete process. It may consist of certain tasks alone. But decentralization involves spreading out the total decision-making power throughout the organization.

(v)   Sheer pressure of managerial workload forces managers to delegate a part of their burden to their subordinates, as a matter of necessary with few alternatives. Decentralization, on the other hand, could be only one of the options open to an enterprise out of several alternative ways of organizing expanding operations. This means that delegation of authority could take place without decentralization, whereas there can be no decentralization without delegation of authority.

(vi)   In case of delegation of authority, the diligent has directive responsibility in relation to his subordinates. But in a decentralized setting, direction is to a large extent substituted by control by the top management. The control mechanism is also elaborate so as to ensure that the dispersal of authority strengthens the entire organization and that the semi autonomous units have a central focus on viability and vitality of the organization; and

(vii)   Delegation could be a routine administrative activity involving only managers and their subordinates while decentralization is a conscious and deliberate organizational action with strategy overtones, to manage growth and expansion under conditions of environmental pressures, challenges and opportunities.

CENTRALISATION OF AUTHORITY

According to Allen, centralization is the systematic and consistent reservation of authority at central points in an organization, while decentralization refers to consistent and systematic dispersal to the lowest levels all authority except that which can only be exercised at central points. Centralization denotes that a majority of the decisions having to do with the work being performed are not made by those doing the work but at a point higher in the organization. Everything that goes to increase the importance of the subordinate's role is decentralization, everything which goes to reduce it is centralization.

Centralization represents certain attitudes and approaches which the management follows. The major implication of centralization is the reservation of decision-making power in regard to planning, organizing, directing and control at the top level. The other implications will depend on the philosophy of management. For instance, in a company where the top management is very particular about the use of authority, it will make all the operations and decisions at lower levels subject to its approval.

Centralization of authority has certain merits also. In case of centralization, most of the decisions are taken not at a point where work is being done, but at a point higher in the organization. They may involve considerable cost and delay in making the decisions. Centralization of authority increases the burden on the top managers and hampers the growth of low level managers. Because of these disadvantages, absolute centralization is not found in practice. Different organizations follow centralization in different degrees. It should be noted that complete decentralization is also not a feasible proposition of creating an effective organization structure. Some authority must be reserved at the highest level of management. Greater the reservation of authority at the top level, higher is the degree of centralization and lower is the degree of decentralization and vice-versa.

CENTRALISATION VS. DECENTRALISATION

Centralization and decentralization are the opposite ends of an organization continuum. On the one hand, centralization brings uniformity of policy and action, utilizes the skills of centralized and specialized staff, and enables closer control over operating units. And on the other hand, decentralization tends to effect faster decision-making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they have a greater share in management decision- making.

The question of centralization or decentralization is a matter of degree. It is not possible to conceive of an organization which is exclusively centralized as some decentralization of authority is bound to exist. Likewise, there can be no absolute decentralized structure as the top executive cannot delegate all his authority. The issue of centralization and decentralization has to be decided objectively taking into consideration the size and nature of enterprise, diversity of the company's product, economies of division of labour, location of markets, nature of services to be performed, availability of trained and efficient managers, philosophy of management, etc. Centralization is not a system of management good or bad by itself, capable of being adopted or discarded at the whim of managers or of circumstances; it is always present to a greater or less extent.

Activity – 3: Reflective Exercise

Task:
Compare advantages of centralization and decentralization in tourism business.

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Expected Outcome:

Critical understanding of structural choices.

Case Study for Self-Assessment

"Organization Restructuring at Incredible India Tours"

Background

Incredible India Tours operated through three branches in Vijayawada, Guntur and Nellore. All purchase of hotel rooms, vehicles and guides was controlled by head office. Branch managers had no authority to negotiate local contracts.

Issues

- Slow customer response
- Loss of local opportunities
- High workload at head office
- Conflict between line managers and HR staff

Questions

1. Identify problems of over-centralization.
2. Suggest suitable departmentation for the firm.
3. Design a delegation framework.
4. How can line–staff conflict be reduced?

Improved Self-Assessment Questions

A. Short Answer Questions (with Answers)

1. **Define Organising.**
   Answer: Organising is the process of identifying activities, grouping them, assigning to individuals and establishing authority relationships.
2. **What is span of control?**
   Answer: Number of subordinates directly reporting to a manager.
3. **Meaning of delegation?**
   Answer: Transfer of authority from superior to subordinate for performance of tasks.
4. **Formal organization means?**
   Answer: Officially designed structure with defined authority and responsibility.
5. **Line authority refers to?**
   Answer: Direct authority to command subordinates.

B. Essay Type Questions (with Hints)

1. **Explain principles of organization.**
   Hints: Unity of command – scalar chain – span of control – specialization.
2. **Differentiate formal and informal organization.**
   Hints: Origin – purpose – structure – flexibility.
3. **Discuss delegation process and its advantages.**
   Hints: Steps – empowerment – motivation – managerial development.

4. **Explain line and staff conflicts and remedies.**
   Hints: Role ambiguity – authority clash – communication.

C. Analytical MCQs**

1. Organising is concerned with:
   a) Planning
   b) Grouping of activities ✔
   c) Motivation
   d) Budgeting

2. Narrow span of control results in:
   a) Flat structure
   b) Tall structure ✔
   c) Decentralization
   d) Informality

3. Delegation without authority leads to:
   a) Efficiency
   b) Confusion ✔
   c) Innovation
   d) Teamwork

4. Informal organization emerges due to:
   a) Rules
   b) Social relations ✔
   c) Policies
   d) Manuals

5. Staff authority is mainly:
   a) Advisory ✔
   b) Command
   c) Financial
   d) Legal

References and Suggested Readings

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LESSON-3
STAFFING

OBJECTIVES

After studying this lesson, the learner will be able to:

- **Explain** the meaning, importance and process of staffing in organizations.
- **Analyse** the steps involved in recruitment, selection and placement.
- **Distinguish** between induction, training and development practices.
- **Apply** appropriate compensation and performance practices in service organizations.
- **Evaluate** essential skills and personal characteristics required for managers.

Figure 1: Staffing Process

THE CONCEPT OF RECRUITMENT

Selection of a suitable candidate is the most important function of personnel department. If a right candidate is not selected, such an error can prove to be very costly for an undertaking. Many organizations, therefore, have developed sophisticated recruiting and selection methods. Manpower planning must precede recruitment and selection. The present and future requirements should also be kept in mind while planning for manpower.

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organization. In simple words, the term recruitment stands for discovering the sources from where potential employees will be available. The scientific recruitment leads to greater productivity, better wages, high morale, reduction in labour turnover and better reputation. It stimulates people to apply for jobs and hence it is a positive process.

Figure 2: Sources of Recruitment

Sources of Recruitment

Internal Sources
- Previous Applicants
- Present Employees
- Employee Referrals
- Former Employees

External Sources
- Advertisements
- Campus Recruitment
- E-Recruitment
- Employment Exchange
- Walk-ins and Write-ins
- Contractors
- Acquisition and Mergers
- Professional Associations
- Mergers and Acquisitions

SOURCES OF RECRUITMENT

Basically there are two sources of recruitment namely internal and external

   (A) Internal Sources

Best employees can be found within the organization. When a vacancy arises in the organization, it is offered to an employee who is already on the pay roll. Internal sources include promotion and transfer. When a higher post is given to an employee who deserves that post, it stimulates all other employees of the organization to work hard. The employees can be informed of such a vacancy by internal advertisement.

1. Transfer : Transfer involves the shifting of an employee from one job to another. At the time of transfer, it is ensured that the employee to be transferred to the new job is capable of performing it. In fact, transfer does not involve any drastic change in the responsibilities and status of the employee. On the other hand, promotion leads to shifting an employee to a higher position carrying higher responsibilities, facilities, status and pay.

2. Promotion : Many companies follow the practice of filling higher jobs by promoting employees who are considered fit for such positions. Filling vacancies in higher jobs from within the organization has the following merits :

(a) Improves morale : When an employee from inside the organization is given the higher post, it helps in increasing the morale of all employees. Generally every employee expects promotion to a higher post (carrying more status and pay) if he fulfils the requirements.

(b) No error in selection : When an employee is selected from inside, there is no possibility of errors in selection since every company maintains complete record of its employees and can judge them in a better manner.

(c) Promotes loyalty : It promotes loyalty among the employees as they feel

secured on account of chances of advancement.

(d) No hasty decision : The chances of hasty decisions are completely eliminated as the existing employees are well tried and can be relied upon.

(e) Economy in training costs : The existing employees are fully aware of the operating procedures and policies of the organization. The existing employees require little training and it results in the economy in training costs.

(f) Self-development : It encourages self-development among the employees since they can look forward to occupy higher posts.

Disadvantages : The following are the disadvantages of internal sources :

(i) It discourages capable persons from outside to join the concern.

(ii) It is possible that the requisite number of persons possessing qualifications/experiences skills/attitudes required for the vacant posts may not be available in the organization.

(iii) For posts requiring innovations and original thinking, this method of recruitment cannot be followed.

(iv) If only seniority is the criterion for promotion then the person filling the vacant post may not be really capable.

In spite of the disadvantages, this is frequently used as a source of recruitment.

(B) External Sources

Every enterprise has to tap external sources for various positions. Running enterprises have also to recruit employees from outside for filling up positions whose specifications cannot be met by internally available employees, and for meeting the additional requirements of manpower. The following external sources of recruitment are commonly used by the enterprises :

1. Direct Recruitment : An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise specifying the details of the jobs available. It is also known as recruitment at factory gate. The practice of direct recruitment is generally followed for filling casual vacancies requiring unskilled workers. Such workers are known as casual or badly workers and they are paid remuneration on daily wage basis.

2. Unsolicited Applications : Many qualified persons apply for employment to reputed companies on their own initiative. Such applications are known as unsolicited applications. They serve as a good source of manpower. A proper record may be kept of such applications and the candidates may be called for interview whenever the need arises. In a country like India, where there is large scale unemployment, unemployed persons also contact the employment sections of various organizations to ascertain if they can be casually employed. This source is very useful for recruiting unskilled workers. It does not involve any cost of advertising the vacancies. Whenever regular workers absent themselves in a large number or whenever there is a rush of work, this source of recruitment may be used. This is the cheapest method of getting labour supply on an adhoc basis.

3. Advertisements : Advertising the job has become a fashion of the day with the large scale enterprises, particularly when the vacancy is for a higher

post or when there are a large number of vacancies. This helps in informing the candidates spread over different parts of the country. This method increases the choice of the management. The necessary information about the company, job descriptions and job specifications may be given in the advertisement itself for the benefit of the candidates. Usually, this method brings in a flood of response from quite unsuitable candidates. This increases the cost of selection of employees. Therefore, advertisement copy should be drafted in such a way that only the suitable candidates are tempted to apply.

4. **Employment Agencies** : Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled, semi-skilled operative jobs. In some cases, compulsory notification of vacancies to employment exchange is required by law. However, in the technical and professional areas, private agencies and professional bodies appear to be doing most of the work. Employment exchanges and selected private agencies provide a nation-wide service in attempting to match personnel demand and supply. They bring the job givers in contact with the job seekers.

5. **Education Institutions** : Jobs in industry have become increasingly varied and complexed to the point where school and college degrees are widely required. That is why, many big organizations maintain a liaison with the colleges, vocational institutes and management institutes for recruitment to various jobs. Recruitment from educational institutions is a well-established practice of thousands of business and other organizations. Organizations which require a large number of clerks or which seek applicants for apprenticeship programmes usually recruit from institutions offering vocational/professional courses.

6. **Labour Contractors** : Labour contractors continue to be a source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organization. The disadvantage of this system is that if the contractor himself decides to leave the organization, all the workers employed through him may follow suit. This system of recruitment is losing popularity these days. It has been abolished in the public sector enterprises in India.

7. **Recommendations** : Applicants introduced by existing employees, friends and relatives may prove to be a good source of recruitment. Indeed, many employers prefer to take such persons because something about their background is known. When a present employee or a business friend recommends a person, a type of preliminary screening takes place. Some organizations have agreements with the unions of employees to give preference to close relatives of existing or retired employees if their qualifications and experience are suited to the vacant jobs.

Filling a vacancy from external sources has the following advantages:

(a) The employees recruited under this system possess varied and broader experience.

(b) Under this system of recruitment, fresh viewpoints are attracted.

Filling a vacancy through external sources suffers from the following disadvantages :

(a) This system is more expensive. The concern has to make huge

expenditure on advertisement, holding of written test, interview, training, etc.

(b) This system of recruitment reduces incentive to good work among the lower cadres.

(c) This system of recruitment results in young men being placed over the older and more experienced persons of the lower services. This causes among them more jealousy.

THE CONCEPT OF SELECTION

The process of selection leads to employment of persons having the ability and qualifications to perform the jobs which have fallen vacant in an organization. It divides the candidates for employment into two categories, namely, those who will be offered employment and those who will not be. This process is more of 'rejection' since more candidates may be turned away than are hired. That is why, selection is frequently described as a *negative process* in contrast with the positive process of recruitment. The basic purpose of the selection process is choosing right type of candidates to man various positions in the organization. In order to achieve this purpose, a well organized selection procedure involves many steps and at each step more and more information is obtained about the candidates.

Activity – 1: Field Task

Task:
Collect a recruitment advertisement of any hotel/travel firm and list competencies demanded.

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Expected Outcome:
Understanding industry skill requirements.

7

Difference between Recruitment and Selection

1. Recruitment is the process of searching for prospective employees and stimulating them to apply for jobs in the organization. On the other hand, selection means employment of workers or establishing a contractual relationship between the employer and the worker.

2. Recruitment is a positive process of searching for prospective employees, whereas selection is a negative process because it involves rejection of unsuitable candidates.

3. The purpose of recruitment is to create a large pool of applicants for the jobs in the organization. But selection aims at eliminating unsuitable candidates and ensuring most competent people for the jobs.

4. Recruitment is a relatively simple process as the candidates are required to fill in the prescribed forms and deposit with the employer. But selection is a complex and lengthy process under which the candidates have to pass through a number of stages before getting the offer for a job.

Significance of Selection

Selection has become a critical process these days because it requires a heavy investment of money to get right types of people. Induction and training costs are also high. If the right types of persons are not chosen, it will lead to a huge loss of the employer in terms of time, effort and money. Therefore, it is essential to devise a suitable selection procedure. Each step in the selection procedure should help in getting more and more information about the applicant to facilitate decision-making in the area of selection.

Absenteeism and employee turnover are the important problems which are being faced by most of the organizations. The intensity of these problems can be reduced if, in the future, all selections are made carefully so that there are 'round pegs in the round holes'. Whenever unsuitable employees are appointed, the efficiency of the organization goes down. Such employees will shirk work and absent themselves from the work quite often. They may also be compelled to leave their jobs. If this happens, all the expenses incurred on the selection and training of such employees will go waste.

Proper selection and placement of personnel goes a long way towards building up a stable work-force. It keeps the rates of absenteeism and labour turnover low and increase the morale of the employees. If the employees are quite suitable according to the requirements of the jobs, they show higher efficiency and productivity. This enables the organization to achieve its objectives effectively.

STAGES IN SELECTION PROCEDURE

There can not be a rigid procedure of selection suitable for all types of organizations as shown in Fig. 1. The number of steps in the selection procedure and the sequence of steps vary from organization to organization. For instance, some organizations do not hold preliminary interview, test or screening, whereas in other organizations such as commercial banks, preliminary tests are given to eliminate a large number of unsuitable applicants. Similarly, in some cases, medical examination is given before final selection and in others, medical check up follows final selection. Thus, every organization designs a selection procedure which suits its requirements. However, the main steps which could be incorporated in the selection procedure are discussed below :

Receiving Applications
Screening of Application
Employment Tests   Rejection of
Interview   Unsuitable
Background Investigation

Candidates Medical Examination
Final Selection

1. Preliminary Interview : In most of the organizations, the selection programme begins with preliminary interview or screening. The preliminary interview is generally brief and does the job of eliminating the totally unsuitable candidates. The preliminary interview offers advantages not only to the organization, but also to the applicants. If an applicant is eliminated at this stage, the organization will be saved from the expenses of processing him through the remaining steps of the selection procedure and the unsuitable candidate will be saved from the trouble of passing through the long procedure. Preliminary interview may take place across the counter in the organization's employment office. It may consist of a short exchange of information with respect to organization's interest in hiring and the candidate's enquiry. It may serve primarily to determine whether it is worthwhile for the applicant to fill in an application blank. Candidates who pass this crude screening are usually asked to fill in the application blank.

2. Receipt of Applications : Whenever there is a vacancy, it is advertised or enquiries are made from the suitable sources, and applications are received from the candidates. Standard application forms may be drawn up for all jobs and supplied to the candidates on request. The application form is useful for several reasons. It gives a preliminary idea of the candidate to the interviewer and helps him in formulating the questions to be asked from the candidate. The written information about age, qualifications, experience, etc. may prove to be of great value to the interviewers. Forms make the processing of application very easy since there is uniformity of filling the data in the application form.

3. Screening of Applications : After the applications are received, they are screened by the screening committee and a list is prepared of the candidates to be interviewed. Applicants may be called for interview on some specific criteria like gender, desired age group, experience and qualifications. The number of candidates to be called for interview is normally five to seven times the number of posts to the filled up.

4. Employment Tests : Employment tests are used to select persons for various jobs. They help in matching the characteristics of individuals with the vacant jobs so as to employ right kinds of personnel. The following types of tests have gained popularity these days :

(a) Intelligence Tests : Intelligence tests are used to judge the mental capacity of the applicant. They evaluate the ability of an individual to understand instructions and make decisions. They are widely used in all types of organizations for the purpose of proper selection.

(b) Aptitude Tests : Aptitude means the potential which an individual has for learning the skills required to do a job efficiently. Aptitude tests measure an applicant's capacity and his potential of development. Aptitude tests are the most promising indices for predicting a worker's success.

(c) Proficiency Tests : Proficiency tests are designed to measure the skills already acquired by the individuals. They are also known as performance, occupational or trade tests. They are used to test the level of knowledge and proficiency acquired by an applicant. A trade test

takes a sample of individual's behaviour which is designed as replica of the actual work situation such as typing. A trade test should be differentiated from the aptitude test. An aptitude test measures the potentials of the applicant to learn skills required on a job.

(d)   Interest Tests : Interest tests identify patterns of interest in those areas in which the individual shows special concern, fascination and involvement. These tests suggest what types of jobs may be satisfying to the employees. Interest tests are more often used for vocational guidance. They help the individuals in selecting occupations of their interest.

(e)   Personality Tests : Personality tests probe for the qualities of the personality as a whole, the combination of aptitude, interest and usual mood and temperature. It is vary difficult to devise and use personality tests because they are concerned with discovering clues to an individual's value system, his emotional reactions, maturity, etc.

(f)   Interview : Although application blank and employment tests provide a lot of valuable information about the candidate, yet they do not provide the complete set of information required about the applicant. Hence, interview may be used to secure more information about the candidate. The main purposes of an employment interview are : (i) to find out the suitability of the candidate, (ii) to seek more information about the candidate, and (iii) to give him an accurate picture of the job with details of terms and conditions and some idea of organization's policies. The actual data of the applicant given in the application form may also be checked and more information may be taken from the candidate. This occasion is also utilized for testing the capability and personality of the applicant. Thus, interview affords an opportunity to develop a clear picture of the candidate.

It is customary to have an interview in several stages especially for senior positions. There may be a preliminary interview by the head of the department. The final interview is taken by the interview or selection committee consisting of chairman of the organization, head of department, personnel manager and may be some outside experts. During the interview, the members of the selection committee appraise each candidate according to merits. At the end of interview of each candidate, the chairman consults the members and after a brief discussion finalizes the grading of the candidate. After the completion of interview of all the candidates, a panel is prepared. The number of persons in the panel is generally about two to three times the number of vacancies to be filled up.

Although personal interview is perhaps the most widely used method for selecting the personnel, it has certain limitations too. *Firstly*, it can test only the personality of the candidate and not his skills and ability for the job. *Secondly*, it depends too much on the personal judgement of the interviewer which may not always be accurate. That is why, in most of the organizations, occupational and other tests are given to the candidates before they are called for the final interview.

5. Medical Examination : The pre-employment physical examination or medical test of a candidate is an important step in the selection procedure. Though in the suggested selection procedure, medical test is located near the end, but this sequence

need not be rigid. The organizations may place the medical examination relatively early in the process so as to avoid time and expenditure to be incurred on the selection of medically unfit persons. Some organizations either place the examination relatively early in the selection procedure or they advise the candidates to get themselves examined by a medical expert so as to avoid disappointment at the end.

The objectives of physical examination are : (i) to ascertain the applicant's physical capabilities to meet the job requirements; (ii) to protect the organization against the unwarranted claims under the Workmen's Compensation Act or against law suits for damages; and (iii) to prevent communicable diseases entering the organization. The physical examination should disclose the physical characteristics of the individual that are significant from the standpoint of his efficient performance of the job he may be assigned or of those jobs to which he may reasonable be expected to be transferred or promoted. A qualified medical expert appointed by the organization should certify whether the candidate is physically fit to the requirements of a job. A proper medical examination will ensure higher standards of health and physical fitness of the employees and will reduce the rates of accident, labour turnover and absenteeism.

Background Investigation : A referee is potentially an important source of information about the candidate's ability and personality if he holds a responsible position in some organization or has been the boss or employer of the candidate. Prior to final selection, the prospective employer normally makes an investigation on the references supplied by the applicant and undertakes more or less a thorough search into the candidate's past employment, education, personal reputation, financial condition, police record, etc. However, it is often difficult to persuade a referee to give his opinion frankly. The organization may persuade him to do so by giving an assurance that all information will be treated as strictly confidential.

Final Selection : After a candidate has cleared all the hurdles in the selection procedure, he is formally appointed by issuing him an appointment letter or by concluding with him a service agreement. The appointment letter contains the terms and conditions of employment and pay scale and other benefits associated with the job.

INDUCTION AND PLACEMENT

Induction : When an individual successfully clears all the steps involved in selection, he is selected. Induction is concerned with the problem of introducing or orienting a new employee to the organization. It consists of familiarizing new employees with their jobs, introduction with his fellow workers, company policies etc. It is considered as a part of the selection process. "A good orientation programme will leave the employee firmly established in the new job, comfortable and relaxed in his relations with other members of the department and content with his position in the firm. Though orientation takes a small amount of time from productive activity, it repays the firm many times over in better personnel relations". (Layman and Gubellini).

There are two phases of induction training programme. The first phase is generally conducted by the personnel department. It is concerned with giving the new employee a friendly welcome briefing him in the matters concerned with the company's background, products, health and welfare plans. He may be taken around the factory and introduced to the security officer, time keeper and cashier. The employee may then be asked to report to the department concerned. The second phase of the induction programme is conducted by the head of the department in which he is to work. The employee is given information regarding production process, work rules, working conditions etc. The employee is then informed about the customs prevalent in the organization such as dress, lunch, refreshments, etc. Good induction is a good business for the firm and a basic desire of most, if not all the new employees. If the new employee is allowed to sink or swim, the adjustment period either is considerably lengthened with consequent losses in productivity, or it is eliminated altogether by resignation, with consequent losses in turnover costs.

Objects of Systematic Induction

     (a)   To promote a feeling of belongingness and loyalty among the employees.

     (b)   To provide information to the employee regarding policies of the organization.

     (c)   To give information to the new employee as to leave rules, location of canteen etc.

     (d)   To build confidence in the new employee so that he can become an efficient worker.

The success of induction programme mainly depends on the ability of the persons who conduct it. A comprehensive induction programme usually covers the following :

     (a)   The company and its products.

     (b)   The geography of the plant.

     (c)   The structure of the organization and the functions of the various departments.

     (d)   Terms and conditions of employment, amenities and welfare facilities available.

     (e)   Standing orders including grievance and disciplinary procedures.

     (f)   Accident prevention

     (g)   Personnel policy and source of information.

     (h)   Working routines and production

     (i)   Employee's own department and job and how it fits into the general organization.

     (j)   Organizational culture and ethos

Placement : The candidates selected for appointment are to be offered specific jobs. There should be a perfect matching of the requirements of the job and the abilities/skills of the employee concerned. Only then effective placement will take place. In practice, right placement is not an easy task. It may take a long time before a candidate is placed on the right job. Generally, the candidate is appointed on probation of one year or so. During this period, he is tried on different jobs. If his performance is satisfactory, he will be offered a permanent post and placed on the

job for which he is most suitable. He may need some training to do the job better.

Therefore, his training needs must also be identified during the probation period.

If during the probation period, an employee is not found suitable, the management may transfer him to some other job to which he may be expected to do justice. But if the management cannot offer him a job which he can do well, it may sack him or give him time and training to improve himself to do the job better.

Case Study

Introductory Case Study: Staffing Challenges at "Deccan Voyages"

Background

Deccan Voyages is a Bengaluru-based inbound tour operator handling European tourists. After COVID-19 recovery, the company suddenly received large group bookings. To meet demand, it recruited 25 employees within one month without proper selection procedures.

Problem Situation

- New recruits lacked communication skills
- Guides were unfamiliar with heritage routes
- Customer feedback ratings dropped from 4.6 to 3.2
- High employee turnover within six months

Stakeholders

- HR manager
- Tour guides
- Operations executives
- Foreign tourists
- Partner hotels

Managerial Issues

- Absence of scientific recruitment
- No structured induction
- Inadequate training
- Poor compensation design

Relevance to Lesson

The case reflects:

- Importance of systematic staffing
- Need for training in tourism
- Role of skills and competencies

- Link between staffing and service quality

CONCEPT OF TRAINING

After the selection of people for various jobs, the next function of staffing is to arrange for their training and development. This is because a person, however carefully selected is not moulded to specifications and rarely meets the demands of his job adequately. Earlier, it was thought that the training of personnel was unnecessary on the ground that the new employees would gradually pick up all the particulars of the job. But as the processes and techniques of production are becoming more and more complicated, it is being increasingly realized that the formal training is important not only for new recruits but also for existing employees. Training function, in fact, has become the corner stone of sound management.

According to Flippo, "Training is the act of increasing the knowledge and skills of an employee for doing a particular job." Training involves the specific job. Its purpose is to achieve a change in the behaviour of those trained and to enable them to do their jobs better. Training makes newly appointed workers fully productive in the minimum of time. Training is equally necessary for the old employees whenever new machines and equipment are introduced and/or there is change in the techniques of doing the things. In fact, training is a continuous process. It does not stop anywhere. The managers are continuously engaged in training their subordinates.

Training is different from education. Training is the act of increasing the knowledge and skill of an employee for doing a particular job. It is concerned with imparting specific skills for particular purposes. On the other hand, education is a broader term concerned with increasing the general knowledge and understanding of the employee's total environment. Thus, when we teach a person how to assemble two objects and tighten a nut, we are training him to do a specific job but when we are giving him a course in engineering, it is education. The distinction between the two is like the distinction between applied and pure sciences.

PURPOSE OF TRAINING

Training is the act of enhancing the knowledge and skills of an employee for performing a particular job. The main objective of training is to achieve a change in the behaviour of the trainees. In order to achieve this objective, any training programme should try to bring positive changes in :

  (i) Knowledge
  (ii) Skills ; and
  (iii) Attitudes.

An attempt to increase the knowledge of a trainee would help him know facts, policies, procedures and rules and regulations pertaining to his job. An attempt to increase his skills would help him learn technical and manual skills necessary to do his job efficiently. The training programme should also mould the attitude of a worker towards other co-workers, supervisor and the organization. It should also

create in him a sense of responsibility, interest in his job and appreciation of enterprise's goals and policies.

BENEFITS OF TRAINING

(a) Benefits of Training to the Organization : The major benefits of training to the organization are discussed below :

1. Quick learning : Training helps to reduce the learning time to reach the acceptable level of performance. The employees need not learn by observing others and waste a long time if the formal training programme exists in the organization. The qualified instructors will help the new employees to acquire the skills and knowledge to do particular jobs within a short interval of time.

2. Higher production : Training increases the skills of the employee in the performance of a particular job. An increase in skills usually helps increase in both quality and quality of output. Training is also of great help to the existing employees. It helps them to increase their level of performance on their present job assignments.

3. Standardization of procedures : With the help of training, the best available methods of performing the work can be standardized and taught to all employees. Standardization will make high levels of performance rule rather than the exception. Employees will work intelligently and make fewer mistakes when they possess the required know-how and have an understanding of their jobs and of the interdependence of one job on another.

4. Less Supervision : If the employees are given adequate training, the need of supervision is lessened. Training does not eliminate the need for supervision, but it reduces the need for detailed and constant supervision. A well-trained employee is self-reliant in his work because he knows what to do and how to do. Under such situations, close supervision is ordinarily not mandatory.

5. Economical operations : Trained personnel will be able to make better and economical use of materials and equipment. Wastage will also be low. In addition, the rate of accidents and damage to machinery and equipment will be kept to the minimum by the well trained employees. These will lead to less cost of production per unit.

6. Higher morale : The morale of employees is increased if they are given proper training. A common objective of training programme will mould employees' attitudes to achieve support for organizational activities and to obtain better cooperation and greater loyalty. With the help of training, dissatisfaction, complaints, absenteeism and turnover can also be reduced among the employees. Thus, training helps in building an efficient and cooperative workforce.

7. Preparation of future mangers : When totally new skills are required by an organization, it has to face great difficulties in the selection process. Training can be used in spotting out promising men and in removing defects in the selection process. It is better to select and train from within the organization rather than seek the skilled employees from the outside sources. Training may be imparted to qualify them for promotion to more responsible jobs.

8. Better management : A manager can make use of training to manage in a better way. To him training the employees can assist in improving his planning, organizing, directing and controlling. For instance, maintaining higher standards of quality, building a satisfactory organization structure, delegating authority and stimulating employees are all assisted by effective training.

(b) Benefits of Training to Employees : Training helps the employees or workers in the following ways :

1. Confidence : Training creates a feeling of confidence in the minds of workers. It gives safety and security to them at the workplace.
2. New Skills : Training develops skills which serve as a valuable personal asset of the worker. It remains permanently with the worker himself.
3. Promotion : Training paves the way for promotion and self-development.
4. Higher Earnings : By imparting skills, training facilitates higher remuneration and other monetary benefits to the workers.
5. Adaptability : Training develops adaptability among workers. They don't worry when work procedures and methods are changed.
6. Increased Safety : Trained workers handle the machine safely. They also know the use of various safety devices in the factory. Thus, they are less prone to industrial accidents.

Training Principles and Techniques

According to Pigors and Myres, training principles and techniques include :
1 The trainee must want to learn. His motivation to improve his job performance or to learn a new skill must be high.
2 There should be some reward at the conclusion of training viz., promotion or a better job.
3 The trainer should tell the trainee as to whether he is learning the job correctly. This is known as feed back.
4 This is best accomplished through learning by doing rather than by listening.
5 The material to be learned should be developed in stages.
6 When the trainee gives correct response, he has learned the job.

Training Procedure
1 First of all, the instructor must be prepared. He should know both his job and how to teach it. On the basis of job analysis and job description, various operations should be planned. In order to avoid delays, everything must be ready before training starts.
2 The next step is the preparation of the trainee. The fact that the employee is learning the job for the first time should be kept in mind. The importance of the job, its relationship with the other

jobs and importance of rapid and effective learning, should be explained.

3   The operations should then be presented carefully and patiently. The sequence of the entire job is explained by taking one point at a time.

4   The performance of the trainee should then be tried by asking him to explain each step and do the practical.

5   The employee is then put on the job. In the follow up action, his performance should be frequently checked and questions should be encouraged.

TYPES OF TRAINING

Various types of training programmes are not mutually exclusive, but invariably overlap and employ many of the same techniques. Some of the more common types of training programmes are examined below :

1. Induction or Orientation Training

It is a training programmes used to induct a new employee into the new social setting of his work. The new employee is introduced to his job situation, and to his co-employees. He is also informed about the rules, working conditions, privileges and activities of the company, what the company does, how it serves the community and other particulars pertaining to the company.

Most of the information is likely to be embodied in an employee handbook which is distributed to all employees, and in the case of a rank and file workers, the orientation may consist only of a brief explanation by a member of the personnel department or the supervisor under whom the employee will work. Induction training can, however, be more elaborate, particularly in the case of supervisory and management employees. Some companies show movies explaining company activities, others arrange for a lecture or a series of lectures on the company and its practices. In some cases, the new employee spends anywhere from a day to several moths in each department to gain first-hand experience in the various types of work and an overall view of how the activities of one department affect those of other departments.

In the new employee is an unskilled or a semi-skilled worker, for example a machine operator, he may be asked to spend some time on the shop-floor in order to familiarize himself with the machines, equipment and working conditions.

In some companies the complete induction programme is divided into two phases. In the *first phase*, induction is done by the personnel department which supplies to the new employee all sorts of information relating to the company. In the *second phase*, induction is done by the supervisor. He has the responsibility of seeing that both the newcomer and the work team accept each other. The supervisor should follow a set induction procedure. A ten step programme provides for :

(a)   Greeting the newcomer cordially;
(b)   Displaying a personal interest in the newcomer;
(c)   Reviewing his terms of employment;
(d)   Giving additional information;
(e)   Showing the newcomer around;
(f)   Explaining the importance of his job in relation to other jobs;
(g)   Introducing the newcomer to the rest of the work team;
(h)   Telling the newcomer his duties;
(i)   Selecting a person who can assist the newcomer on the job; and
(j)   Following up frequently.

The induction training not only helps personal adjustment of the new employee to his job and work group but also promotes good morale in the organization. In view of these advantages, many large companies give much importance to induction training.

2. Refresher Training

As the name implies, the refresher training is meant for the old employees of the enterprise. The basic purpose of refresher training is to acquaint the existing workforce with the latest methods of performing their jobs and improve their efficiency further. Retraining programmes are designed to avoid personnel obsolescence. The skills with the existing employees become obsolete because of technological changes and because of the tendency of human beings to forget. Thus, refresher training is essential because of the following factors :

(a)   Rapid technological changes make even the most qualified workers obsolete in course of time because new technology is associated with new work methods and job requirements. Existing workers need to learn new work methods to use new techniques in doing their jobs.
(b)   Workers require training to bring them up-to-date with the knowledge and skills and to relearn what they have forgotten.
(c)   Refresher training becomes necessary because many new jobs which are created due to changes in the demand for goods and services are to be manned by the existing employees.

The existing talented employees may also be given adequate training to make them eligible for promotion to higher jobs in the organization. It is known as 'training for promotion'. The purpose of training for promotion is to develop the existing employees to make them fit for undertaking higher job responsibilities. This serves as a motivating force to the employees.
3. Job Training

The object of job training is to increase the knowledge of workers about the jobs with which they are concerned, so that their efficiency and skill of performance are improved. In job training, workers are enabled to learn correct methods of handling machines and equipment, avoiding accidents, removing bottlenecks, minimizing

waste, etc.

4. Promotional Training

Many concerns follow a policy of filling some of the vacancies at higher levels by promoting existing employees. This policy increases the morale of workers. They try to put up maximum efficiency so that they may be considered for promotion. When the existing employees are promoted to superior positions in the organization, they are required to shoulder new responsibilities. For this, training has to be given to them so that they may not experience any difficulty to shoulder the responsibilities of the new position to which they have been promoted.

Activity – 2: Role Play

Task:
Conduct a mock interview for tour guide position in groups.

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Expected Outcome:
Learners practice selection techniques.

4
METHODS OF TRAINING

There are many methods of training. The method selected should be best suited to a specific organization's needs. The various factors generally considered for selecting a method include - skills required, qualifications of candidates, cost, time available, depth of knowledge required etc. The following methods are usually employed for training :

1.   On the Job Training

Under this method an employee is instructed by some experienced employee, a special instructor or supervisor. The success of this type of training mainly depends on the qualified trainers. Usually training in crafts, trades, technical areas etc., is given by keeping the unskilled or semi-skilled worker under the guidance of some skilled workers. The increasing labour costs in industry have made it essential that even the simplest job should be carried out in a most economical manner. Therefore, training in improved methods can be given to the new employees.

During second world war, millions of workers were trained for different jobs. This method of training proved to be a great success. However, its success largely depends on the trained instructor otherwise the quality of his trainees will be very poor.
        Advantages

    (i)   The workers learn the job in actual conditions rather than the artificial conditions. It motivates employees to learn.

    (ii)   It is less expensive and consumes less time.

    (iii)   The training is under the supervision of supervisors who take keen interest in the training programme.

    (iv)   The production does not suffer under this method.

    (v)   The trainee learns rules and regulations while learning the job.

    (vi)   It takes less time as skill can be acquired in a short period.

Limitations

    (i)   The training is highly disorganized and haphazard.

    (ii)   The supervisor may not be in a position to devote time and hence faulty training may take place.

    (iii)   The experienced trainers may not be available

    (iv)   There is a lack of motivation on the part of the trainee to received training.

2.   Apprentice Training

In many industries such as metal, printing and building construction, this system of training is widely in use. The apprentice training may last for four to five years. The worker is usually absorbed by the concerned industry after training period is over. They get practical knowledge on the job and theoretical knowledge in the classroom lecture. The workers get some stipend during their training period. It is the oldest and most common method of training in creates, trades and technical areas.

The standards fixed in apprentice training are slightly rigid. The mechanical apprentice programme in an organization, for example, may take four years. Progress reports are periodically submitted. Like other employees, an apprentice is also entitled to bonus, vacation and other facilities.

Advantages

    (a)   Trainees receive some stipend during training

    (b)   The trainees get valuable skill which carries good demand in the market.

    (c)   From employer's point of view, it is cheap source of labour and in addition a skilled work force is maintained.

    (d)   It reduces labour cost and production cost as labour turnover is very low.

    (e)   The loyalty of the employees is increased.

Limitations

    (a)   The training period is very long and the trainee requires regular supervision which may not be given.

    (b)   Rigid standards make this method unsatisfactory.

    (c)   If a worker fails to learn after long period of training he may not be absorbed. This may create labour problem in the firm.

    (d)   It is an expensive method.

3.   Vestibule Training (Training Centre Training)

Vestibule means a passage or room between the outer door and the interior of a building. In order to reach the inner of a house, one must pass from vestibule. Under vestibule training, workers are trained on special machines in a separate location i.e. classrooms. The vestibule school is run by the personnel department. Training is given in artificial conditions which are just like the real life situations.

The supervisor is relieved of training the new employees. He can concentrate on his other important assignments such as quality and quantity of output. This method is followed when the number of persons to be trained is very large.

Advantages
- (a) The trainer is a specialist and possesses specialization in teaching.
- (b) Since the training is given off the job, trainees can concentrate on learning.
- (c) The Instructor can give individual attention as he has no other work assigned to him.
- (d) The employee learns the job in a short time.

Disadvantages
- (a) Training is given under artificial conditions, hence the worker may not adjust when he is put on actual job.
- (b) It is expensive method as duplicate equipment is required.
- (c) If demand for workers is uneven, vestibule school may remain unused for a considerable time.
- (d) Splitting of responsibilities may lead to organizational problems.

4. Internship Training

In this method of training students get practical training while they study. A proper liaison is established between the technical institutions and business houses where students are sent during their vacations. Thus, there is a balance between theory and practice and students get practical knowledge while studying.

The chief drawbacks of this method are :

- (a) It can be used for training only of skilled and technical workers.
- (b) The time taken is usually long.

An example may be given here from M.B.A. (Master of Business Administration) courses being run by various universities of India. A close liaison is kept between the university and industry. The students doing M.B.A. are sent to the different industries during vacations. Thus they learn practical work also while doing their professional course.

5. Learner Training

Learners are those persons who are selected for semi-skilled jobs and lack even the basic knowledge of industrial engineering. These learners are first given education in vocational schools where they get knowledge of arithmetic, workshop mathematics and learn the operation of machines. They can be assigned regular jobs after training.

MANAGERIAL SKILLS

A skill is an individual's ability to translate knowledge into action. Hence, it is manifested in an individual's performance. Skill is not necessarily inborn. It can be developed through practice and through relating learning to one's own personal experience and background. In order to be able to successfully discharge his roles, a manager should possess three major skills. These are conceptual skill, human relations skill and technical skill. Conceptual skill deals with ideas, technical skill with things and human skill with people. While both conceptual and technical skills are needed for good decision-making, human skill in necessary for a good leader.

The *conceptual skill* refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. It short, it is his ability to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as manager moves up to higher positions of responsibility in the organization.

The *technical skill* is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production. Whereas this type of skill and competence seems to be more important at the lower levels of management, its relative importance as a part of the managerial role diminishes as the manager moves to higher positions. In higher functional positions, such as the position of a marketing manager or production manager, the conceptual component, related to these functional areas becomes more important and the technical component becomes less important.

Human relations skill is the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability

> (a) to recognize the feelings and sentiments of others;
> (b) to judge the possible actions to, and outcomes of various courses of action he may undertake; and
> (c) to examine his own concepts and values which may enable him to develop more useful attitudes about himself. This type of skill remains consistently important for managers at all levels.

Figure 3: Managerial Skills Pyramid

THE MANAGER AND HIS JOB

Management performs the functions of planning, organizing, staffing, directing and controlling for the accomplishment of organizational goals. Any person who performs these functions is a manager. The first line manager or supervisor or foreman is also a manager because he performs these functions. The difference between the functions of top, middle and lowest level management is that of degree. For instance, top management concentrates more on long-range planning and organization, middle level management concentrates more on coordination and control and lowest level management concentrates more on direction function to get the things done from the workers.

Every manager is concerned with ideas, things and people. Management is a creative process for integrating the use of resources to accomplish certain goals. In this process, ideas, things and people are vital inputs which are to be transformed into output consistent with the goals.

Management of ideas implies use of conceptual skills. It has three connotations. *First*, it refers to the need for practical philosophy of management to regard management as a distinct and scientific process. *Second*, management of ideas refers to the planning phase of management process. *Lastly*, management of ideas refers to distinction and innovation. Creativity refers to generation of new ideas, and innovation refers to transforming ideas into viable relations and utilities. A manager must be imaginative to plan ahead and to create new Ideas.

Management of things (non-human resources) deal with the design of production system, and acquisition, allocation and conversion of physical resources to achieve

certain goals. Management of people is concerned with procurement, development, maintenance and integration of human resources in the organization. Every manager has to direct his subordinates to put the organizational plans into practice.

The greater part of every manager's time is spent in communicating and dealing with people. His efforts are directed towards obtaining information and evaluating progress towards objectives set by him and then taking corrective action. Thus, a manager's job primarily consists of management of people. Though it is his duty to handle all the productive resources, but human factor is more important. A manager cannot convert the raw materials into finished products himself; he has to take the help of others to do this. The greatest problem before any manager is how to manage the personnel to get the best possible results. The manager in the present age has to deal efficiently with the people who are to contribute for the achievement of organizational goals.

Peter F. Drucker has advocated that the managerial approach to handle workers and work should be pragmatic and dynamic. Every job should be designed as an integrated set of operations. The workers should be given a sufficient measure of freedom to organize and control their work environment. It is the duty of every manager to educate, train and develop people below him so that they may use their potentialities and abilities to perform the work allotted to them. He has also to help them in satisfying their needs and working under him, he must provide them with proper environment. A manager must create a climate which brings in and maintains satisfaction and discipline among the people. This will increase organizational effectiveness.

Recently, it has been questioned whether planning, organizing, directing and controlling provides an adequate description of the management process. After an intensive observation of what five top executive actually did during the course of a few days at work, Henry Mintzberg concluded that these labels do not adequately capture the reality of what managers do. He suggested instead that the manager should be regarded as playing some ten different roles, in no particular order.

Role Performed by Managers
1. Interpersonal Roles

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.

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.
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
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.

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.

Spokesman : 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

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.

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.

Resource Allocator : In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.

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.

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.

Characteristics of Professional Managers

1. Managers are responsible and accountable : Managers are responsible for seeing that specific tasks are done successfully. They are usually evaluated on how well they arrange for these tasks to the accomplished. Managers are responsible for the actions of their subordinates. The success or failure of subordinates is a direct reflection of managers' success or failure. All members of an organization, including those who are not managers, are responsible for their particular tasks. The difference is that managers are held responsible, or accountable, not only for their own work, but also for the work of subordinates.

2. Managers balance competing goals and set priorities : At any given time, the manager faces a number of organizational goals, problems and needs all of which compete for the manager's time and resources (both human and material). Because such resources are always limited, the manager must strike a balance between the various goals and needs. Many managers, for example, arrange each day's tasks in order of priority the most important things are done right away, while the less important tasks are looked at later. In this way, managerial time is used effectively.

A manager must also decide who is to perform a particular task and must assign work to an appropriate person. Although ideally each person should be given the task he would most like to do, this is not always possible. Sometimes individual ability is the decisive factor, and a task is assigned to the person most able to accomplish it. But sometimes a less capable worker is assigned a task as a learning experience. And, at times, limited human or other resources dictate decisions for making work assignments. Managers are often caught between conflicting human and organizational needs and so they must identify priorities.

3. Managers think analytically and conceptually : To be an analytical thinker, a manager must be able to break a problem down into its components, analyze those components and then come up with a feasible solution. But even more important, a manager must be a conceptual thinker, able to view the entire task in the abstract and relate it to other tasks. Thinking about a particular task in relation to its larger implications is no simple matter. But it is essential if the manager is to work towards the goals of the organization as a whole as well as towards the goals of an individual unit.

4. Managers are mediators : Organizations are made up of people, and people disagree or quarrel quite often. Disputes within a unit or organization can lower morale and productivity, and they may become so unpleasant or disruptive that competent employees decide to leave the organization. Such occurrences hinder work towards the goals of the unit or organization; therefore, managers must at times take on the role of mediator and iron out disputes before they get out of hand. Setting conflicts requires skill and tact. Managers who are careless in their handling conflicts may later on find that they have only made matters worse.

5. Managers make difficult decisions : No organization runs smoothly all the time. There is almost no limit to the number and types of problems that may occur : financial difficulties, problems with employees, or differences of opinion concerning an organization policy, to name just a few. Managers are expected to come up with solutions to difficult problems and to follow through on their decisions even when doing so may be unpopular. This description of these managerial roles and responsibilities shows that managers must 'change hats' frequently and must be alert to the particular role needed at a given time. The ability to recognize the appropriate role to be played and to change roles readily is a mark of an effective manager.

Activity – 3: Reflective Exercise

Task:
Prepare a one-page induction plan for a newly joined front office executive.

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Expected Outcome:
Application of induction concepts.

Case Study for Self-Assessment

"Guide Recruitment at Andhra Heritage Tours"

Background

AHT recruited 40 local youth as guides for Buddhist circuit. Selection was based only on local language knowledge. No training in history or communication was given.

Results

- Tourists dissatisfied
- Complaints to Ministry of Tourism
- Contracts cancelled

Questions

1. Identify gaps in staffing process.
2. Design selection criteria for guides.
3. Prepare a 5-day training module.
4. Suggest compensation plan.

Improved Self-Assessment Questions

A. Short Answer Questions (with Answers)

1. **Define Staffing.**
   Answer: Staffing is the process of acquiring, developing and maintaining human resources for organizational roles.
2. **What is recruitment?**
   Answer: Process of attracting potential candidates for jobs.
3. **Meaning of induction?**
   Answer: Introducing new employee to organization and job.
4. **Two types of training?**
   Answer: On-the-job and off-the-job training.
5. **Name one managerial skill.**
   Answer: Human relations skill.

B. Essay Type Questions (with Hints)

1. **Explain staffing process in detail.**
   Hints: Manpower planning – recruitment – selection – placement – training.
2. **Discuss selection techniques.**
   Hints: Tests – interviews – reference checks.
3. **Explain importance of training in tourism sector.**
   Hints: Service quality – safety – cultural sensitivity.
4. **Describe managerial skills and characteristics.**
   Hints: Technical, human, conceptual – leadership – ethics.

C. Analytical MCQs**

1. Staffing begins with:
   a) Selection
   b) Manpower planning ✔

    c) Training
    d) Appraisal

2. Interview is a tool of:
    a) Recruitment
    b) Selection ✔
    c) Induction
    d) Promotion

3. On-the-job training includes:
    a) Lecture
    b) Coaching ✔
    c) Seminar
    d) Conference

4. Human skill is most needed at:
    a) Top level
    b) Middle level
    c) All levels ✔
    d) Lower level only

5. Compensation affects:
    a) Motivation ✔
    b) Planning
    c) Controlling
    d) Discipline

References and Suggested Readings

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- NSDC – Tourism Skill Council Occupational Standards.

DIRECTING

OBJECTIVES:

After studying this lesson, the learner will be able to:

1. **Explain** the concept and importance of directing as a managerial function.
2. **Distinguish** between Theory X and Theory Y assumptions of human behaviour.
3. **Analyse** different leadership styles and their suitability to organizational situations.
4. **Apply** motivational and communication techniques in tourism organizations.
5. **Evaluate** modern leadership models such as Likert's systems and Managerial Grid.

Theory X and Theory Y

One important organisational implication of the hierarchy of needs concerns the philosophies and techniques that have a bearing on how to manage people at work. Douglas McGregor, taking a cue on motivation from Maslow's need-based theory, grouped the physiological and safety needs as "lower-order" needs and the social, esteem and self-actualization needs as "upper- order" needs. McGregor proposed two alternative sets of assumptions about people at work, based upon which set of needs were the active motivators. He labelled these sets of assumptions – one basically negative as – Theory X and the other basically positive – as Theory Y. After viewing the way in which managers dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mould his or her behaviour toward subordinates according to these assumptions.

According to McGregor, people should be treated differently according to whether they are motivated by lower-order or higher order needs. Specifically, McGregor believed that Theory X assumptions are appropriate for employees motivated by lower-order needs. Theory Y assumptions, in contrast, are appropriate for employees motivated by higher-order needs, and Theory X assumptions are then inappropriate. In addition, McGregor believed that in the 1950s when he was writing, the majority of American workers had satisfied their lower-order needs and were therefore motivated by higher-order needs. Therefore, he proposed such ideas as participative decision-making, responsible and challenging jobs, and good group relations as approaches that would maximize employee's job motivation. Unfortunately, no evidence confirms that either set of assumptions is valid or that accepting Theory Y assumptions and altering one's actions accordingly will lead to more motivated workers.

What is Leadership

It is difficult to define the term "leadership". However, as a starting point, we may proceed with the workable definition that a leader is one who leads others and is able to carry an individual or a group towards the accomplishment of a common goal. He is able to carry them with him, because he influences their behaviour. He is able to influence their behaviour, because he enjoys some power over them. They are willing to be influenced, because they have certain needs to satisfy in collaboration with him. *French and Raven* have proposed the

following bases of power for a person exerting influence:

1. Legitimate- That the targets of influence, followers or sub-ordinates understand that the power the leader enjoys is legitimate and they should comply with his orders in order to meet their own goals.
2. Reward-That the followers know that the leader has the power to grant promotions, monetary inducements or other rewards if his orders are complied with.
3. Coercive- That the followers know that if the leader's orders are not complied with, he has the power to hire, fire, perspire and discharge the followers.
4. Expert- That the followers know that the leader possesses specialist's knowledge in the field they lack it.
5. Referent- That the followers feel attracted towards him because of his   amiable manners, pleasing personality or they feel that he is well connected with high-ups.

It is apparent then that the first three power bases indicate positional power, which one derives from one's position. The other two indicate personal power, which is based on the individual's own characteristics. In any case, the leader exercises his influence because of one or more of these types of power and obtains compliance from the followers. How far he succeeds in his attempts will depend upon several other factors that we will discuss during the course of this lesson.

Leadership is, therefore, regarded as the process of influencing the activities of an individual or a group in efforts towards goal achievement in a given situation. This process, as *Heresy and Blanchard* suggest, can be explained in the form of the following equation:
$L = f (L, F, S,)$

That is, the leadership is a function of the leader(L), the follower(F) and other situational variables(S). One who exercises this influence is a leader whether he is a manager in a formal organization, an informal leader in an informal group or the head of a family. It is undoubtedly true that a manager may be a weak leader or a leader may a weak manager, but it is also equally probable that a manager may be a true leader or a leader may be true manager. *A manager who is a true leader as well is always desirable*. Situational variables include the whole environment like the task, the group, organizational policies, etc.

Figure 1: Directing Process

Activity – 1: Self-Assessment

Task:
Answer a short questionnaire to identify your dominant leadership style.

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Expected Outcome:
Learner gains self-awareness about behaviour.

11.1 Leadership Styles

Leadership style is the way a managerial leader applies his influence in getting work done through his subordinates in order to achieve the organizational objectives. The main attitude or belief that influences leadership style is the perceived role of the manager versus the role of the subordinates. It depends upon the role of the leader whether he likes to work more of a colleague, facilitator and decision maker and on the other hand the response of the subordinates would determine the particular style to be in application. Broadly speaking, there are three basic leadership styles: -

1. Autocratic or Dictatorial Leadership: In this leadership style the leader assumes full responsibility for all actions. Mainly he relies on implicit obedience from the group in following his orders. He determines plans and policies and makes the decision-making a one man show. He maintains very critical and negative relations with his subordinates. He freely uses threats of punishment and penalty for any lack of obedience. This kind of leadership has normally very short life.

2. Democratic Leadership: In this case, the leader draws ideas and suggestions from his group by discussion, consultation and participation. He secures consensus or unanimity in decision-making. Subordinates are duly encouraged to make any suggestion as a matter of their contribution in decision-making and to enhance their creativity. This kind of leadership style is liked in most civilized organization and has very long life.

3. Laissez-faire Free Rein Leadership: Quite contrary to autocratic leadership style, in this leadership style the leader depends entirely on his subordinates to establish their own goals and to make their own decisions. He let them plan, organize and proceed. He takes minimum initiative in administration or information. He is there to guide the subordinates if they are in a problem. This kind of leadership is desirable in mainly professional organization and where the employees are self-motivated. Leader works here just as a member of the team.

We shall now discuss the roots of such leadership styles i.e. we shall try to understand as to how these different leadership styles have been evolved by the management scholars.

11.2 Approaches to the Study of Leadership Styles

There are broadly three major approaches to the study of the leadership phenomenon. Attempts have been made to understand this phenomenon by studying (i) traits of the leader, (ii) behaviour of the leader or (iii) situations in which leadership is exercised. The trait approach

was followed during the 1930s-1960. The behavioural approach attempted to explain leader behaviour in terms of his styles or practices, but altogether neglected the follower and situational characteristics. Therefore, an approach, called the situational approach, which had the potential to incorporate important variables, developed during the 1970s.

I.Trait Approach

There have always been very few persons in society or organizations who are leaders. The vast majority of people constitute the followers. But what is it that distinguishes leaders from non-leader? Or what make a person the successful leader? It is, perhaps, something that is in-born in him and which the followers lack. This approach stresses the in-born qualities or characteristics of an individual.

One way to identify the traits is to ask the leader himself how he considers himself different from his followers or what distinguishing characteristics he possesses. Another way is to analyze the past and the present of the leader in terms of his family background, education, career events, etc. and build up a list of traits or attributes that the leader possesses. In both cases, a leader's life becomes highly interesting only when he has emerged as a leader. This compilation of a list of traits or attributes does not give any predictive power and therefore, investigators have tended to relate leadership even with handwriting [graphology], skull shape [phrenology] and occult influence of stars [astrology].

A number of studies have been conducted to identify traits or characteristics that can be used to distinguish successful from un- successful leaders or followers. As *Ivancevich et al* have suggested, the most researched traits include the following: -

1. Physical characteristics — Age, appearance and height
2. Social background — Education, social status and mobility
3. Intelligence — Judgement, knowledge, decisiveness and fluency of speech

1. Personality — Alertness, dominance, extroversion, independence, creativity and self-confidence
2. Task-related Characteristics. — Achievement drive, initiative, persistence, enterprise and task orientation.
3. Social characteristics — Attractiveness, popularity, sociability and interpersonal skills.

Different studies have identified different numbers of traits. With each study, the list of traits studied has become longer and longer. Some traits are, however, common to all the studies. In general, there appears to be a consensus that effective leaders possessed intelligence, social maturity and breadth, inner motivation and achievement drive, and a human relations attitude. However, inability to value the followers' ideas, poor human relations, display of emotional immaturity, and poor communication skills have been regarded as dysfunctional to effective leadership.

Criticism

The trait approach is weak in several respects. But before we list the basic criticisms, we would like to give some examples of leadership that will themselves throw up the main shortcomings

of this approach. Mahatma Gandhi, a frail man, not even adequately clothed, but wedded to truth, became the Father of the Indian nation. Lal Bahadur Shastri, a short stature person, after becoming the Prime Minister, used to be an object of amusement, but not very long thereafter, when the Indian Army marched into Pakistani territory, he became a hero and died at the height of his glory while negotiating a settlement at Tashkent. Indira Gandhi, without much formal education, was in 1971, after the Bangladesh war, acclaimed as 'Chandi' and 'Durga' in Ramlila grounds and presented with a sword, etc., by her staunch critics. But the same " pride of the nation" fell from grace in 1977.

Our purpose is not to comment upon anyone's leadership, but to highlight the fact that the leader remaining the same, his effectiveness has varied in different situations. His or her inborn characteristics are given but whether one succeeds or fails as leader, perhaps, depends upon something else. It seems a person is at his best when he comes across a situation, which needs him. Further, not many things were common among those who succeeded or failed.

In times of crisis, a simpler form of leadership is required. Leaders emerge more easily in unstable situations. Decisions in such situations relate to either/or. Many alternatives are not available. Full cooperation is forth- coming from all corners. But the complexity of decision making is heightened in the not-so unstable situations when on the spot decisions are not needed and consultation and generation of the search process is possible.

Most organizations, no doubt, dynamic but not so unstable as to be crisis-torn, have complex tasks and so, a hierarchy of leaders is required. Therefore, most leadership situations are highly complex and cannot be adequately explained by the trait approach.

We now list criticisms leveled against this approach.

1. There is no finite set of traits to distinguish successful from unsuccessful leaders. Rarely, if ever, do two lists agree on the essential characteristics of the effective leader. A survey by *Bird and Stogdill* shows: [i] Less than 5 per cent of the traits are common in four or more of the studies surveyed, and [ii] leaders are not markedly different from their followers. The same traits are widely distributed among the non-leaders as well.

It is difficult to indicate what mix of traits is necessary to make an effective leader. Its measurement is problematic.

No consistent relationship is discernible between attributes and leader behaviour.

This approach stresses the inborn qualities or characteristics of individuals and therefore, in turn, questions the value of training individuals to assume leadership positions. Training may help improve a person if he possesses the basic traits. Therefore, it was essential first to identify those who possess these traits and then impart training only to such persons. Accordingly to this approach, training would be fruitless in the case of others. This view seems to be inappropriate in the light of the aforesaid criticisms and inconsistent with the results of training programmes.

2. Different traits appear necessary for different roles even in the same organization. At lower managerial levels where there is a direct contact between the worker and the supervisor, technical knowledge is of paramount importance. At middle management levels where they interpret and elaborate policies, human relations skills are more important than technical knowledge. At higher managerial levels where ideas are generated, policies are framed, strategic and long- term planning is undertaken, ideational resource possessing conceptual skills gains pre-eminent position. Organizations compete, not with products, with people. So uniformity of traits across all levels is questioned.

3. Leadership in a large organization demands a specialized limited role, but a multiplicity of roles has to be played in a small organization. Therefore, a different combination of traits for

the two roles would be required.

4. The approach does not consider what the leader does, ignores followers and their effect on the leader. The effectiveness of leadership is dependent to a large extent on the situation or environment surrounding the leadership or influence process.

5. It requires an initial separation of people into " leaders" and "non- leaders" or " good leaders" and " not so good leaders". But there appears to be no particular correlation between a man's ethics and morals and his power to attract followers.

6. When an individual is faced with a problem, then only the presence or absence of the trait required in that situation becomes known. That is, a trait in order to get expressed needs a situation, without which, the presence or absence of that trait in a particular individual may not be known.

There is, therefore, an increasing recognition of wide variations in the characteristics of individuals who become leaders in similar situations and of even greater divergence in the traits of leaders working in different situations. Despite its shortcomings, no approach is entirely worthless. It is on the basis of its weaknesses that the foundations of new approaches are laid. Thus, the trait approach paved the way for later approaches like the behavioural and the situational.

Figure 3: Likert's Four Systems

II. *Behavioural Approach*

When it was apparent that the trait basis was not adequate to explain the leadership phenomenon, the theorists directed their attention to the study of leader behaviour. This approach was advocated during the 1950s-1960s. The roots of this approach lie in how the

management viewed the workers. Under the spell of the traditional management approach, men were regarded as inert appendages to the machine. It was the function of management to coerce, direct and motivate them through the offer of economic rewards. Management attempted to reduce wastes of time and material to increase efficiency and no consideration was shown to men as assets. In other words, the philosophy was that people were, by nature, lazy uncreative and irresponsible, and so leadership has to be directive. However, during the 1930s, the Hawthorne experiments exploded the myth of management thinking. *Elton Mayo* and his associates discovered the existence of informal groups and informal leaders and laid stress on interpersonal relationships as a significant influence on productivity. Therefore, the scientific management advocates ignored human behaviour and expressed sole concern for output, whereas the human relations movement showed an overriding concern for people.

These two movements gave birth to leaderships studies which characterized leaders as basically adopting a particular leadership style, say, dictatorial/autocratic/authoritarian/democratic/supportive/consultativ e/participative or the laissez faire/free-rein type. These studies were organized to examine the impact of a particular leadership style over individual and group behaviour. The dictatorial leader was one who had absolute authority and used threats and punishments to extract work out of people. An authoritarian leader was one who claimed recourse to authority vested in him to hire, fire and reward people. He issued directions and maintained formal relationship with people. Democratic or participative leaders considered subordinates' views in organizational matters, provided guidance on their work problems and emotionally involved themselves in helping workers achieve organizational as well as individual goals. The laissez-faire or free- rein leader supplied information to the group members, but displayed little emotional involvement and a minimum of participation in the group activities. He lets them decide themselves without laying down any procedures. This amounts to virtual absence of formal leadership or is analogous to abdication of responsibility.

Studies of the type just mentioned were inconclusive and brought out conflicting results. On the whole, it was revealed that authoritarian or autocratic leaders improved production temporarily, but depreciated human assets seriously. In the case of democratic leaders, output was not as high as in the case of the autocratic ones, but quality was better and human problems were minimum. Laissez-faire or free rein leaders evoked an altogether a different response. Here, organization suffered on both the counts-products as well as human relations. In the final analysis, these studies appeared to suggest that leadership style could be either/or, i.e., just of one particular type and the best leadership style was the democratic type involving all workers in decision-making.

In somewhat similar vein, *Tannenbaum and Schmidt* considered a range of leader behaviour [7 points] from the manager able to make decisions which non-managers accept at one extreme of the continuum, and the manager and non-managers jointly making decisions within limits defined by organizational constraints at the other end of the continuum. This continuum suggests that there is scope for a variety of leadership practices, but it is again indicative of the dominant philosophy of a leader. It does not predict that different departments of the same organization could follow different leadership styles. Perhaps, the authoritarian style may be appropriate for the production department, but a democratic style may have to be used in the research and development department. It is also silent in regard to the fact that the same leader could adopt different styles for different matter. *Golembiewski* suggests that different kinds of leadership styles are appropriate for different kinds of problems. There are some roles that are peculiar to the superior, such as setting general goals. The generally appropriate leadership style in such a case is leader centred. For " mixed" roles like relocating

machines on which individuals have worked for many years, an appropriate leadership style is group-centred. However, there are some roles that are peculiar to the subordinates such as deciding how to use a tool. In such a case, one may even use the free-rein leadership style.

A number of studies have lent support to the two basic styles of leadership-authoritarian and democratic. Before we discuss some of the important studies, we may point out that various terms like authoritarian, autocratic, leader-centred, task-oriented, job-centred, goal attainment, initiating structure or concern for production leaders have been treated in most studies at par. Terms like democratic, participative, group-centred, employee-centred, relationship- oriented, group maintenance, consideration or concern for people leaders have again been taken to mean more or less the same thing.

i)   *University of Michigan Studies*

The Institute for Social research at the University of Michigan conducted a number of studies to identify styles of leader behaviour that result in increased work-group performance and satisfaction. Their studies resulted in the development of two distinct styles of leadership: [I] the job-centred {task-oriented} leadership style emphasizing the use of rules, procedures, and close supervision of subordinates, and [ii] the employee-centred {relationship-oriented} leadership style emphasizing delegation of authority and responsibility and concern for employee welfare, needs, advancement and personal growth.

The use of both styles led to increase in production, but it was slightly higher in the case of the job-centred leadership style. However the use of direct pressure and close supervision led to decreased satisfaction and increased turnover and absenteeism. The employee-centred approach led to improved work flow procedures and more cohesion in interaction. This resulted in increased satisfaction and decreased turnover and absenteeism. This fact would obviously suggest the superiority of the employee-centred leadership style.

Criticism

These studies have met with the following criticisms:

1. A serious point of criticism is that these studies fail to point out whether leader behaviour is the cause or effect. A productive group may suggest it to the leader to adopt an employee-centred approach. Whether the employee-centred leadership style makes the group productive or whether the productive group induces the leader to be employee-centred is not clear.

2. It suggests leader behaviour to be of one particular type and static whereas, in practice, it changes from situation to situation. A particular leadership style is appropriate in a normal circumstance and an altogether different one when there is pressure is an extra- ordinary situation.

3. The use of a questionnaire completed by subordinates introduces an element of employee bias in it and may not present the true view of the leadership style. The individuals and groups that are satisfied and attracted towards the leader are more likely to describe the leader as considerate than those who are conflict-ridden and dislike the leader.

4. As in the trait approach, these studies also did not take into consideration the nature of the subordinate's task or the personal characteristics, group characteristics or other situational variables.

ii) *Ohio State Studies*

Initiated in 1945, the Bureau of Business Research studies by *Fleishman and others* at the Ohio State University identified two independent leadership dimensions called Initiating Structure and Consideration which meant more or less the same thing as task behaviour and relationship behaviour of a leader. These concepts were identified as a result of two types of questionnaires: [I] Leader Behaviour Description Questionnaire [LBDQ] completed by the peers, superiors and subordinates; and [ii] Leader Opinion Questionnaire [LOQ] scored by the leaders themselves. The scores derived from the responses to the questionnaire were used to indicate a manager's style of leadership. These studies revealed that it was just not a question of either/or, rather many shades of styles or combinations of styles are possible. A management may score high on both dimensions, low on both, or high on one and low on the other. A large number of individual research efforts were undertaken to determine the effect of the initiating structure and consideration on group performance and morale. In the beginning, it was widely believed

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Case Study

Introductory Case Study: Leadership Crisis at "Eastern Ghats Resorts"

Background

Eastern Ghats Resorts, located near Araku Valley, employed 60 staff including receptionists, housekeepers and activity coordinators. The new resort manager adopted a highly authoritarian style, believing that employees were lazy and needed strict supervision.

Problem Situation

- Employees were not allowed to take decisions
- Suggestions were discouraged
- Absenteeism increased
- Guest complaints about rude service rose by 40%
- Two experienced supervisors resigned

Stakeholders

- Resort manager
- Frontline employees
- Guests
- Local community partners

Behavioural Issues

- Theory X orientation
- Lack of motivation
- Poor communication
- Absence of participative leadership

Linkage to Lesson

The case demonstrates:

- Impact of leadership style on service quality
- Need for human–centred directing
- Relevance of Theory Y and participative approach

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that the most effective leadership style was high on both the initiating structure and consideration. But later the results amply demonstrated that no single style emerged as being the best. In some situations, high initiating structure and high consideration style would prove effective, but in some others, even low initiating structure and low consideration style could prove effective.
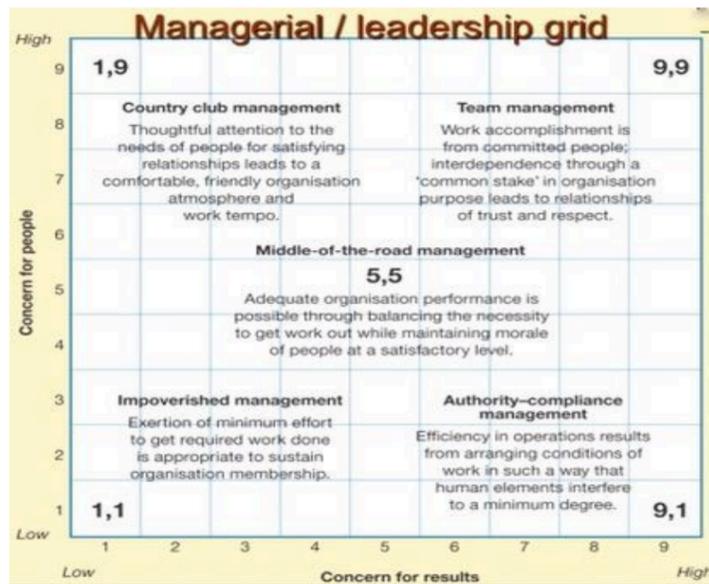
Studies show that low consideration and high initiating structure go with grievances and turnover; and so improved consideration and reduced structure would lead to decline in grievances and turnover. However, as *Fleishman and Harris* suggest, there must be certain critical levels beyond which increased consideration or decreased structure have no effect on grievance or turnover rates. But leader behaviour characterized by low consideration is more critical than behaviour characterized by high structure. Apparently, a manager can compensate for high structure by increased consideration, but a low consideration manager cannot compensate by decreasing his structuring behaviour.

Criticism

The Ohio State studies and Michigan studies were being carried out at the same time, but the Ohio State studies marked a break from the rest in the sense that instead of a single continuum, they used two separate dimensions. This was a significant step forward in itself. However these studies suffered from more or less the same weaknesses as the Michigan studies. A few of such weaknesses are listed here:

1. These studies again did not consider the situational factors and the influence of these factors on leader effectiveness. Very little is known about how these styles affect work group performance. An individual's productivity is influenced by many other factors such as his social status within the group, type of technological process employed, his psychological reward from working with a particular type of leader, his expectations of a certain style, etc. Even the formality of the organizational structure was an important influence on the effectiveness of a given leadership style.

2. The use of two questionnaires- one to be completed by the subordinates and the other by the leaders themselves has also come in for severe criticism. The perceptions of the two are not likely to agree. This presents a serious measurement problem: how is leadership style measured – as perceived by the leader or the subordinates?

Figure 2: Managerial Grid

Managerial / leadership grid

High
9 **1,9** **9,9**

Country club management
Thoughtful attention to the needs of people for satisfying relationships leads to a comfortable, friendly organisation atmosphere and work tempo.

Team management
Work accomplishment is from committed people; interdependence through a 'common stake' in organisation purpose leads to relationships of trust and respect.

Concern for people

Middle-of-the-road management
5,5
Adequate organisation performance is possible through balancing the necessity to get work out while maintaining morale of people at a satisfactory level.

Impoverished management
Exertion of minimum effort to get required work done is appropriate to sustain organisation membership.

Authority–compliance management
Efficiency in operations results from arranging conditions of work in such a way that human elements interfere to a minimum degree.

1 **1,1** **9,1**
Low
Low 1 2 3 4 5 6 7 8 9 High
Concern for results

Activity – 2: Observation

Task:
Observe communication practices in any hotel front office and list barriers noticed.

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Expected Outcome:
Understanding of real communication issues.

iii) *Managerial Grid Study*
Blake and Mounton have used "Concern for Production" and " Concern for People" in their Managerial Grid on horizontal and vertical axes respectively. These two terms convey the same meaning as used in the Ohio state studies with the difference that "concern for" shows a predisposition about something and so is an attitudinal dimension, whereas initiating structure and consideration represent behaviours as perceived by others and so, are observed behaviour.

An Axis can be divided into 9 points. As the leader advances from 1 to 9 on horizontal scale, his concern for production increases and it becomes maximum when the leader has reached point 9, Similarly, when he travels along the vertical scale, his concern for people becomes maximum when he reaches point 9.

The five leadership styles mentioned in the figure above mean the following:

Impoverished (1-1)	Extension of minimum effort to get required work done.
Country Club (1-9)	Thoughtful attention to needs of people for satisfying relationship
Middle of the Road (5-5)	Balancing the necessity to get out work while maintaining the morale of people at a satisfactory level.
Task (9-1)	Interference from human elements permitted to a minimum degree.

Committed people having common stake in Organizational purpose.

Behavioural Theories: A final Look

As distinct from the trait approach, behavioural theories endeavoured to explain the leadership phenomenon in terms of the behaviour of the leader. What the leader does was regarded as more important than the leader's personal characteristics. Therefore, the investigators examined the practices or styles that leaders adopted and gave the impression that a leader had a dominant philosophy. A leader was either, say, authoritarian or democratic. For the first time, the Ohio State studies considered two independent leadership dimensions and revealed that leadership style could be any mix of the two dimensions. (They isolated two dimensions of a leader's style, perhaps, only for statistical convenience. In a later work, four to twelve dimensions have been studied.) This research, no doubt, advanced our knowledge, but its stress on effective leader behaviour being characterized by high initiating structure and high consideration or ineffective leader behaviour being marked by low scores on both dimensions, however, seems misplaced.

There is a lot of evidence to question this inference. In the military organization during wartime in the field, a high initiating structure and low consideration style would be most appropriate. A similar parallel may be drawn in the case of the fire-fighting department when a house is on fire. Moreover, there are contradictory findings in regard to relationship between supervision and productivity. Likert[17] has found general supervision to be associated with high productivity. In contrast, in Nigeria, Hersey's study has found close supervision to be associated with high production.

In the light of these facts, the search for the most effective leadership style appears to be a wild goose chase. The research findings suggest that a universally accepted "best" style is inappropriate for the complexities of modern organizations. If one considers a single style of leadership to be the best for every kind of organization at every level with any kind of subordinates, one ignores important influencing factors like subordinate characteristics, task characteristics, group cohesiveness, cultural differences, customs, traditions, level of education, standard of living and the like. As a leader's style does not operate in a vacuum and is intended to influence other's behaviour, these situational factors cannot be ignored. It is

highly unrealistic to talk of a single best or normative style of leadership.
Measurement of these concepts poses another problem. These approaches used questionnaires to measure leadership styles. The questionnaire method has limitations and is controversial. Scientific rigour cannot be applied in studies which are likely to by affected be perceptual differences and a variety of interpretations of questions. However, behavioural researchers have universally accepted no measurement methodology-questionnaire, observation, or interviews. This is, therefore, an unavoidable limitation.

III. Situational Approach

Behavioural approach advanced our knowledge in understanding the leadership phenomenon by explaining various combinations of leadership styles. What characteristics an individual possesses did not explain his emergence as a leader nor did it explain what mix of traits one should have to prove effective if one happens to be placed in a leadership position. The trait approach, in effect, explained some of the desirable characteristics that leaders had or a leader should have. But it could not suggest with certainty that one who possesses particular characteristics shall be a leader. The behaviour approach, learning from the weaknesses of the trait approach, went a step further to explain the practices available to a leader in order to discharge his leadership dimensions are available. But this again failed to indicate a " best" style of leadership, which was universally appropriate.

As a result, it was recognized that it is not style that matters; in fact, no style is good or bad, it is the situation that makes it so. What makes a style to be effective or ineffective is the situational difference. The behavioural approach failed to consider this situation as an important element. It merely thought of various leadership practices that prove productive or not so productive, but it did not consider its "why".

It is, therefore, clear that it is not a matter of the best style, but of what style is likely to be effective in a particular situation. What is relevant for an industrial setting may not be relevant for an educational institution. What is relevant for an administrative office in an educational institution may not be relevant for the teaching staff. A number of leader behaviour styles may be effective or ineffective depending on the important elements of the situation.

Leader behaviour is affected by several situational factors like managerial characteristics, subordinate characteristics, group factors, organizational factors, etc., which, in fact, constitute the environment of the leader. It is difficult to list all these factors, but it suggests that leadership is a very complex process. The situational theories attempt to provide at least partial examination of how these factors impact on leaderships.

i) Fiedler's Contingency Theory

Fiedler's Contingency Theory specifies that the performance of a group is contingent upon both the motivational system of the leader and the degree to which the leader has control and influence in a particular situation. That is, a leader's effectiveness is contingent upon the favourableness or unfavourableness of the situation. The favourableness of the situation is dependent upon leader-member relations, the task structure and leader position power. If leader member relations are good, task is structured and leader position power is weak, the situation is regarded as highly favourable. A leader operates in a particular situation and its favourableness or unfavourableness determines the effectiveness of his orientation. It is obviously a question of the kind of leadership style is effective only in a particular situation. Let us now understand these variables.

Leadership style is measured by using an instrument called "esteem for least preferred co-worker"{LPC}. Accordingly to this, the respondent has to think of all co-workers he or she has ever had and to describe the one person with whom he or she has been least able to work well, that is, the person he/she least prefers as a co- worker. This need not be someone with whom, he works at the time. The description is made by rating that person on a simple bipolar scale scored from 1 to 8, with 8 representing the mot favourable perception of one's least preferred co-worker. The lower the LPC score { an average item value of about 2}, the greater is the task- orientation of the least preferred co-worker. Such a person is described in a very negative, rejecting manner with the basic goal of task accomplishment. The higher the LPC score [in the neighbourhood of 5 to 8], the greater is the willingness to perceive even the worst co-worker as having some reasonable positive attributes. Such a person has as his basic goal the desire to be related with others. The person seeks to have strong emotional ties with the co-workers. Over twenty items were used in LPC scales and the score is obtained by summing the item values.

Leader-Member Relations: This variable measures the referent power of the leader, whether the group accepts or rejects him as its leader.

Task Structure: If the task is highly specific, can be done only in one way and the rules and procedures for the task are clearly laid down, leaving no scope for different interpretations, it is said to be highly structured. In this situation, the leader's ability to influence the group is restricted because the task dilutes the leader's potential influence. If the task is completely non-routine, paths to reach the goal are many, the task is regarded as highly unstructured and if the leader possesses more knowledge than the followers do, he has great potential for influence.
Leader Position Power: This indicates the extent to which the leader possesses reward, punishment and legitimate power bases. In most business organizations, leaders have high position power. In most voluntary and social organizations, leaders tend to have low position power.

As Fiedler has considered three additional variables, viz., leader- member relations, task structure and leader position power in addition to leader's employee-orientation, eight combinations of these additional variables are possible ranging from a highly favourable situation to a highly un-favourable situation. The middle position between these two extremes represents a situation intermediate in favourableness for the leader. He plotted his responses indicating the degree of favourableness of the situation on the horizontal scale and employee-orientation [high and low] or LPC score on the vertical scale. Figure given on next page has emerged as a result.

Above the midline in the figure is positive relationship between LPC score and group performance, i.e., high LPC or employee- oriented leaders performed better. Below that line is negative relationship, i.e., low LPC or task-oriented leaders performed better than high LPC or employee-oriented leaders. Thus, the employee- oriented leader succeeded in situations intermediate in favourableness, whereas the task-oriented leader was successful in highly favourable or un-favourable situations.

These results seem to be quite plausible. The task-oriented leaders performed most effectively in highly favourable situations. Low LPC leaders are basically motivated by task accomplishment. In favourable situations, when tasks are structured but leader member relations are good, even the task-oriented behaviour of the leader seems to be friendly and considerate. The workers perceive it as appropriately fitting

the situation and support him. In an un-favourable situation, when the task is unstructured, relations between the two are not good, power position is weak, he becomes more concerned with performance. Employees who wish to perform well are quite anxious and so, they engage themselves in achieving the primary goal of the group. If the leader possesses a more knowledge than the followers, the followers are willing to accept his task-orientation to improve their knowledge for handling unstructured tasks.

A high LPC leader obtains better group performance in conditions of moderate or intermediate favorableness in which (i) the task is structured but the leader is disliked and therefore, demonstrates that he cares for the unstructured task and the leader depends upon the willingness and creatively of the group's members to accomplish the goals.
The whole idea can be summarized as follows:

Leadership Style	*Effectiveness is Contingent upon*
Task-oriented	Favourable leadership situation
Un-favourable leadership situation	
Relationship Oriented	Situation intermediate in favourableness for the leader

Fielder's Contingency Model: An Evaluation- In the past, both consideration and structure have been observed to be effective under different conditions, but Fiedler's contingency theory goes a step ahead and helps resolve confusion about optimum conditions for a considerate, people-oriented leader compared with a more structured, task-oriented leader. It is also one of the first approaches to leadership that included situational factors within its theoretical framework. No doubt, it has not covered subordinate characteristics, group characteristics, etc - some of the most important elements in the situation, but it has covered some ground in these directions and so, will continue, to inspire researchers in the field. It does not talk in terms of good or bad style, but states that each of the leadership styles can be effective in certain situations. As leadership effectiveness is a function of the leader's motivational base and the interaction of situational factors, the organization may improve the effectiveness of a particular work environment by either modifying the situational factors or attempting to change the manager's leadership style. Here also, Fiedler is of the opinion that it is difficult to train task-oriented leaders to behave as the considerate type and so it is expedient to match existing leadership style with jobs calling for that type of leader. Change in the job assignment may be preferred to change in the leader.

Despite this added understanding of the phenomenon, the theory is not free from criticisms:

i. The first problem is, what is LPC? It is a measure of the leader's personality or his motivational base. As the manager's motivational bases are in a flux, it may be a futile effort to engineer the job to fit the manager's style.

ii. Fielder's model suggests that leaders are either task-oriented or employee-oriented and therefore, according to him, leadership style is essentially a one-dimensional concept which we have earlier shown is of doubtful validity.

iii. His model does not take into account that the leader can influence the situation once he knows the existence of a particular kind of the situation.

iv. The theory is based on small samples and therefore, its empirical validity is questioned.

> ***v.*** The theory is static in nature and ignore the long-range influence of the situation on the leader and the group.

ii) *Tri-Dimensional Leader Effectiveness Model and Situational Leadership Theory.*

Hersey and Blanchard at the Centre for Leadership Studies, Ohio University, have used tow concepts-task behaviour and relationship behaviour. Taking a cue from Reddin's 3-D Management Style Theory, they have also added and effectiveness dimension which, in their analysis, represents environment. According to them, what matters is not the actual behaviour as such, but its appropriateness to the environment in which it is used. They regard the leader's basic style as stimulus and it is the response to this stimulus that can be considered effective or ineffective. Unlike those who argue that there is one best style of leadership and make value judgement about the stimulus; the situationalist or environmentalists evaluate the response or results. One may agree that a high concern for both production and people is desirable in organizations, but is may be appropriate even for high-task high-relationship managers to engage in a variety of different behaviours as they face different contingencies or situations in their environment. For example, they suggest that if a manager's subordinates are emotionally mature and can take responsibility for them, the appropriate style of leadership may be low task and low relationship. Thus, any leadership style can be effective or ineffective depending on the environment.

It is, therefore, obvious that it is the interaction of the basic style with the environment that results in a degree of effectiveness or ineffectiveness. Hence, effectiveness may be regarded as a continuum and it is only a question of the degree of effectiveness of a particular style ranging from extremely effective to extremely ineffective.

SITUATIONAL LEADERSHIP THEORY:

An Evaluation-This seems to be, by so far, the most comprehensive leadership theory and suggests appropriate leadership styles for the varying levels of maturity of the followers. Depending upon the level of maturity of his followers, a leader, in order to be effective, should use a corresponding leadership style from among the four quadrants. The theory is still in a nascent stage and we are not yet aware of any researches based on this theory. However, it appears to us that the leader's judgement of maturity of followers is conditioned by several factors including his personal prejudices. Based on this subjective judgement - for which, in fact, there is no way to be objective, one may adopt an undesired leadership style and prove the theory to be wrong. It is also quite possible, that swayed by other situational variables such as the individual's needs, a leader may adopt a style which, according to theory, is inappropriate for a particular maturity level, but still it may prove to be effective. That is, if the lower order needs of an individual are potent, even the high task and low relationship behaviour may prove effective despite the fact that the individual has high levels of maturity. The theory seems to be sound theoretically, but it may prove to be difficult for application in practice.

iii) *Path - Goal Theory*

House was baffled by the contradictory findings in the leadership area and so, advanced his own situational theory of leadership. It was, first of all, Evans who talked of the effects of supervisory behaviour on the path-goal relationship and later, *House* developed it into the theory based on Vroom's Expectancy Theory of motivation. In Vroom's Expectancy Theory of motivation, there are, among others, two key variables: expectancies and valences.

Expectancy is the perceived belief concerning the likelihood that a particular behavioural act will be followed by a particular outcome. This degree of belief varies between 0 and 1. Valence is the strength of an employee's preference for a particular outcome. Obviously, for certain things, employee's valences will be positive and for certain others, negative. Expectancy and valence combine multiplicatively to determine one's motivation.

The Path-Goal theory states that an individual's attitude or behaviour can be predicted from (i) the degree to which the job or behaviour is seen as leading to various outcomes (called "expectancy") and (ii) the evaluation of these outcomes (called "valence"). One is satisfied with the job if one thinks that it leads to things that are highly valued and works hard if one believes that efforts will lead to things that are highly valued. It is the function of the leader to influence the valence (i.e., goal attractiveness) and expectancy (i.e., goal paths) perceptions of subordinates, by increasing personal pay-offs, making the path to these pay-off's easier by clarifying it, reducing road blocks and pitfalls and increasing the opportunities for personal satisfaction in route. This will increase the motivation of the subordinates. In order to enable the leader to help the subordinates reach their highly valued job-related goals, the specific style of leader behaviour is determined by two situational variables— characteristics of the subordinates and the characters of the work environment.

The theory envisages four types of leader behaviour:
  i.   Instrumental behaviour is the planning, organizing, controlling and coordinating of subordinate activities by the leader.
  ii.   Supportive behaviour shows consideration for employees' needs and their welfare.
  iii. Participative behaviour implies consultation with subordinates and sharing of information with them.
  iv.   Achievement-oriented behaviour suggests setting challenging goals for subordinates and also displaying confidence in their ability to do a good job.

The two situational variables mentioned earlier, i.e., characteristics of the subordinate and the characteristics of the work environment moderate the relationship between the leader style and the behaviour of the subordinate. The Path-Goal Theory proposes that leader behaviour will be viewed acceptable to the subordinate to the extent that the subordinate sees such behaviour as either an immediate source of satisfaction, or as needed for future satisfaction. But the subordinate's own characteristics, such as, ability, being internals or externals (whether they believe what happens to them is under their control or because of fate) and needs and motives, influence their perceptions. Accordingly, they view a particular leadership style favourably or un-favourably. For example, a subordinate having the ability to effectively accomplish a task is not likely to view favourably a directive or instrumental behaviour. A subordinate having high safety and security and security needs may accept an instrumental leader style, but those with high social and esteem needs may react more positively to a supportive leader.

The second major variable is the characteristics of the work environment which include three broad aspects: (i) the subordinate's tasks - structured or unstructured; (ii) the primary work group- its characteristics and stage of development; and (iii) the formal authority system or organizational factors such as (a) the degree to which rules, procedures, and policies govern a subordinate's work; (b) high pressures or stressful situations; and (c) situations of high uncertainty. These characteristics of work environment will influence subordinate behaviour in relation to a particular leadership style. For example, the axle assembler in an auto plant-

securing front and rear assemblies to chassis springs performs a highly structured and repetitious task. In such a situation, instrumental behaviour would be regarded as unnecessary and inappropriate. A leader who is supportive is likely to have more satisfied subordinates than one who is directive. But a directive leadership style would be welcome where the task is unstructured and there is need for providing clarifications as, for example, if a manager of an industrial relations team gives guidance and direction on how to process a grievance for arbitration.

Thus, the leader behaviour, modified by the characteristics of the subordinates and the work environment, influences the perceptions of valences and expectancies which can result in higher motivation, satisfaction, and performance. Figure given below shows the effect of the work environment or task structure on leader behaviour and subordinates' job satisfaction. On the vertical axis, we have shown job satisfaction, ranging from low to high. On the horizontal scale is represented leader directiveness, ranging from low to high. The task structure moderates the relationship between leader behaviour and subordinates' job satisfaction. It may be seen that when the task is structured, the leader who is low in directiveness is more satisfying to the employees, whereas if the task is unstructured, a more directive leader is highly satisfying as the clarifies the ambiguities and therefore, paths to their goals. Path-Goal Theory: Evaluation- House's Path-Goal Theory of leadership has been formulated and developed only very recently. A few researches that have been undertaken on the basis of the theory have confirmed its basic propositions - that instrumental leader behaviour is more effective than supportive behaviour for subordinates working on unstructured tasks, and supportive leader behaviour results in high employee satisfaction when subordinates are performing structured tasks. The main contribution of this theory lies in the fact that it has identified key leadership styles and situational factors and has shown the relationship between these variables in a complex organizational setting. It highlights that the relationship between the leader and the subordinates does not exist in a vacuum. A number of situational factors have to be considered before a leader can decide a particular style for a particular group of subordinates. In general, tasks are structured at lower levels and unstructured at higher levels and therefore, it also implies that different leadership style will be required for different occupational groupings and levels of the organization's hierarchy. The chief merit of this theory is in the fact that it not only suggests what

type of style may be most effective in a given situation, but also attempts to explain why it is most effective. It gives situation, but also attempts to explain why it is most effective. It gives some indications to the leader of the style he should use in a situation.

Despite this contribution, the theory appears to suffer from the following shortcomings:

i. The theory is quite complex and its testing poses a serious problem. The measurement of leadership style itself is difficult. Researches have not yet been conducted on participative or achievement- oriented leadership styles to indicate any measurement methodology.

ii. It looks rather surprising that with subordinates performing routine tasks a leader has to be supportive. This, perhaps, signifies greater emphasis on motivation and satisfaction than performance.

Being very recent in formulation, it is still more a tentative tool than a theory.

### IV.	An Integrative Model of Leadership

We have examined various approaches to study and understand the leadership phenomenon. The Trait approach identified the traits only when a person had emerged, as a leader and therefore, it had no predictive power. Learning from the weaknesses of the trait approach, the foundations of the Behaviour approach were laid, but this approach wholly concentrated on leader behaviour as if it was occurring in a vacuum while other variables were ignored. Situational theories attempted to fill in these gaps. But no single theory can ever accommodate all the variables and as more and more elaborate theories are advanced, their complexity increases. This fact reduces their applicability in practice. In fact, leadership is such a complex phenomenon that even after integrating the knowledge generated by the formulation and testing of various approaches to the study of leadership, we are not yet nearer the solution. However, to have a full view of the present state of knowledge in this area, we may talk about an integrative model of leadership as developed by Ivancevich et al.

Activity – 3: Mini Project

Task:
Design three motivational incentives for seasonal tourism employees.

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Expected Outcome:
Application of motivation theories.

Case Study for Self-Assessment

"Motivation Issues at Krishna Houseboats"

Background

Krishna Houseboats in Vijayawada employed 18 crew members. Pay was fixed, no

incentives, and captain used abusive language. Tourist ratings declined sharply.

Questions

1. Identify directing problems.

2. Which leadership style is followed?

3. Suggest motivational plan.

4. Recommend communication improvements.

Improved Self-Assessment Questions

A. Short Answer Questions (with Answers)

1. **Define** Directing.

   Answer: Directing is guiding, leading and supervising employees to achieve organizational goals.

2. **Meaning of Theory X.**

   Answer: Assumes employees dislike work and need control.

3. **What is leadership?**

   Answer: Ability to influence people towards goals.

4. **Name one communication barrier.**
   Answer: Semantic barrier.

5. **What is motivation?**
   Answer: Process of stimulating people to act.

B. Essay Type Questions (with Hints)

1. **Explain importance of directing in service sector.**
   Hints: Customer contact – behaviour – quality.
2. **Discuss Theory X and Theory Y.**
   Hints: Assumptions – managerial implications.
3. **Explain leadership styles based on authority.**
   Hints: Autocratic – democratic – free rein.
4. **Describe Likert and Managerial Grid models.**
   Hints: Systems 1–4 – 9,9 style.

C. Analytical MCQs**

1. Directing deals with:
   a) Structure
   b) Human element ✓
   c) Finance
   d) Materials
2. Theory Y assumes:
   a) Workers avoid work
   b) Workers seek responsibility ✓
   c) Need strict control
   d) No creativity
3. Managerial Grid 9,9 style is:
   a) Impoverished
   b) Team management ✓
   c) Authority compliance
   d) Country club
4. Communication means:
   a) Talking only
   b) Two-way process ✓
   c) Writing
   d) Orders

5. Path–goal theory relates to:
   a) Planning
   b) Leadership ✓
   c) Budgeting
   d) Control

References and Suggested Readings

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- ILO Report on Tourism Workplace Behaviour.

CONTROLLING

OBJECTIVES:

After studying this lesson, the learner will be able to:

1. **Explain** the concept, nature and importance of controlling in management.
2. **Analyse** the steps involved in the basic control process.
3. **Distinguish** between different types of control techniques.
4. **Apply** prerequisites and requirements for effective control in tourism organizations.
5. **Evaluate** problems faced in the controlling process and suggest remedies.

Figure 1: Basic Control Process
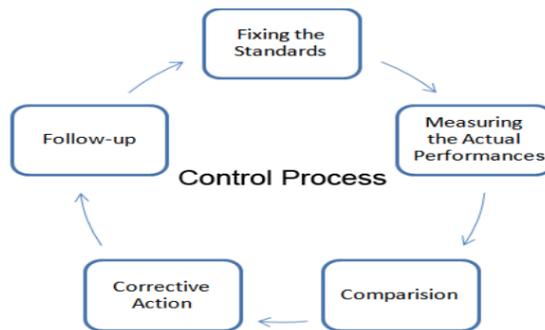
Concept of Control

Control is the process through which managers assure that actual activities conform to planned activities. According to Breach, "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance."

According to George R. Terry, "Controlling is determining what is being accomplished i.e., evaluating the performance and if necessary, applying corrective measures so that the performance takes place according to plans."

According to Billy E. Goetz, "Management control seeks to compel events to conform plans".

According to Robert N. Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of Koontz and O'Donnell, "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment

of objectives according to plans."

In the words of Haynes and Massie, "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

In the words of J. L. Massie, "Control is the process that measures current performance and guides it towards some predetermined goals."

In the words of Henry Fayol, "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions".

From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be not controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

Activity – 1: Practical Task

Task:
Collect monthly electricity bill of a small hotel and compare with previous month to identify variance.

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Expected Outcome:

Understanding measurement and comparison.

9
Characteristics of Control
Managerial control has certain characteristic feature. They are:

1. Control is the function of every manager. Managers at all levels have to perform this function to contribute to the achievement of organisational objectives.
2. Control leads to appraisal of past activities. The deviations in the past are revealed by the control process. Corrective actions can be initiated accordingly.
3. Control is linked with future, as past cannot be controlled. It should anticipate possible deviations and to think of corrective action for the control of such deviations in the

future. It is usually preventive as presence of control system tends to minimise wastages, losses and deviations from standards.

4. Control is concerned with setting standards, measurement of actual performance, comparison of actual performance with predetermined standards and bringing to light the variations between the actual performance and the standard performance.

1. Control implies taking corrective measures. The object in checking the variations or deviations is to rectify them and prevent their recurrence. It is only action which adjusts performance to predetermined standards whenever deviations occur.

2. Control can be exercised only with reference to and or the basis of plans. To quote Mary Cushing Niles - "Whereas planning sets the course, control observes deviations from the course or to an appropriately changed one".

3. To some people, control is opposite of freedom. This is not true. Control is based on facts and figures. Its purpose is to achieve and maintain acceptable productivity from all resources of an enterprise. Therefore, control aims at results and not at persons. It is for correcting a situation, and not for reprimanding persons.

4. Information or feedback is the guide to control. The feedback is helpful to the manager to determine how far the operations are proceeding in conformity with plans and standards, and where remedial action is called for.

5. Control involves continuous review of standards of performance and results in corrective action which may lead to change in the performance of other functions of management. This makes control a dynamic and flexible process.

6. Control is a continuous activity. It involves constant analysis of validity of standards, policies, procedures etc.

CONTROLLING

Controlling can be defined as that function of management which helps to seek planned results from the subordinates, managers and at all levels of an organization. The controlling function helps in measuring the progress towards the organizational goals & brings any deviations, & indicates corrective action. Controlling helps managers monitor the effectiveness of their planning, organizing, and leading activities. Controlling determines what is being accomplished — that is, evaluating the performance and, if necessary, taking corrective measures so that the performance takes place according to plans. Control is a primary goal-oriented function of management in an organisation. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.

Every manager needs to monitor and evaluate the activities of his subordinates. It helps in taking corrective actions by the manager in the given timeline to avoid contingency or company's loss.

Controlling is performed at the lower, middle and upper levels of the management.

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that

an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.☐ Controlling is a goal-oriented function.

☐ It is a primary function of every manager.
☐ Controlling the function of a manager is a pervasive function.

IMPORTANCE OF CONTROLLING

After the meaning of control, let us see its importance. Control is an indispensable function of management without which the controlling function in an organization cannot be accomplished and the best of plans which can be executed can go away. A good control system helps an organization in the following ways:1. Accomplishing Organizational Goals.

1. The controlling function is an accomplishment of measures that further makes progress towards the organizational goals & brings to light the deviations, & indicates corrective action. Therefore it helps in guiding the organizational goals which can be achieved by performing a controlling function.

2. Judging Accuracy of Standards
   A good control system enables management to verify whether the standards set are accurate & objective. The efficient control system also helps in keeping careful and progress check on the changes which help in taking the major place in the organization & in the environment and also helps to review & revise the standards in light of such changes.

3. Making Efficient use of Resources Another important function of controlling is that in this, each activity is performed in such manner so an in accordance with predetermined standards & norms so as to ensure that the resources are used in the most effective & efficient manner for the further availability of resources.

4. Improving Employee Motivation
   Another important function is that controlling help in accommodating a good control system which ensures that each employee knows well in advance what they expect & what are the standards of performance on the basis of which they will be appraised. Therefore it helps in motivating and increasing their potential so to make them & helps them to give better performance.

5. Ensuring Order & Discipline
   Controlling creates an atmosphere of order & discipline in the organization which helps to minimize dishonest behavior on the part of the employees. It keeps a close check on the activities of employees and the company can be able to track and find out the dishonest employees by using computer monitoring as a part of their control system.

6. Facilitating Coordination in Action
   The last important function of controlling is that each department & employee is governed by such pre- determined standards and goals which are well versed and coordinated with one another. This ensures that overall organizational objectives are accomplished in an overall manner.

FEATURESOFCONTROLLING

☐ An effective control system has the following features:
☐ It helps in achieving organizational goals.
☐ Facilitates optimum utilization of resources.
☐ It evaluates the accuracy of the standard.
☐ It also sets discipline and order.
☐ Motivates the employees and boosts employee morale.
☐ Ensures future planning by revising standards.
☐ Improves overall performance of an organization.
☐ It also minimises errors.

Controlling and planning are interrelated for controlling gives an important input into the next planning cycle. Controlling is a backwards-looking function which brings the management cycle back to the planning function. Planning is a forward-looking process as it deals with the forecasts about the future conditions.

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.

Figure 2: Types of Control

Types of Control
- Feedforward control
- Concurrent
- Feedback control

| Input | → | Processes | → | Output |

- Feedforward control Anticipates problems
- Concurrent Control Corrects problems as they happen
- Feedback control Corrects problems after they occur
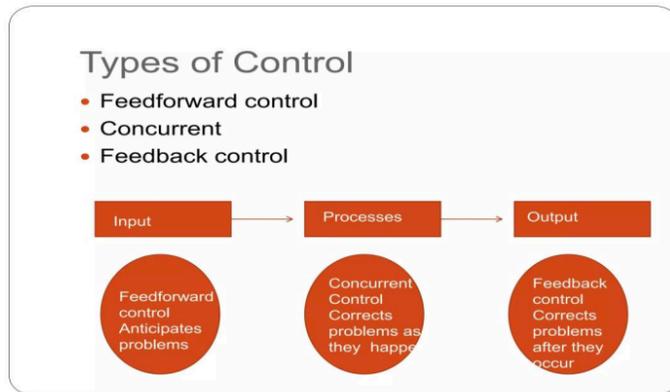
TYPESOFCONTROL

There are three types of control viz.,
1. Feedback Control: This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.
2. Concurrent control: It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred. Example: control chart.
3. Predictive/ feedforward control: This type of control helps to foresee problem ahead of occurrence. Therefore action can be taken before such a circumstance arises.

TECHNIQUES OF CONTROLLING:

There are many controlling techniques which were also commonly known as controlling aids. Generally these controlling techniques can be categorized into two types i.e., Traditional Techniques and Modern Techniques. Now in this article we can concentrate on both the techniques in detail. So that one can understand them well and can practice well in their organizations to achieve their predetermined

objectives.
1. Traditional Control Techniques:

The essence of control function is to confirm whether the actions are going according to plans or not. If they are not accordance with the plans then management should take a corrective action to overcome such deviations. For this purpose management should determine standards so that they can easily be compared with them.

For this purpose many techniques have been developed. Among them traditional such as Budgeting and Budgetary Control, Cost Control, Production Planning and Control, Inventory Control etc. are the best examples. Though modern techniques have been developed to improve

the quality of controlling process but still today these techniques are being used extensively in the organizations.

Figure 3: Budgetary Control Chart
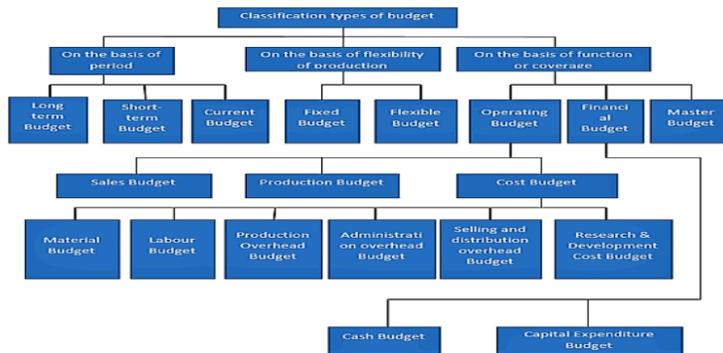
I. Budgeting and Budgetary Control:

Budgeting:

A widely used tool for management control is budget. It is a quantitative expression of plan of action. It refers to the plan of an organization expressed in financial terms. It determines financial estimations relating to various activities of an organization for a fixed period of controlling actual performance.

The following are the important definitions of a budget:

"A budget is pre-determined statement of management policy during a given period provided a standard for comparison with the results actually achieved". — J. L. Brown & L.R. Howard "A budget is a financial or quantitative statement prepared prior to a defined period of time of the policy to be pursued during that period for the purpose attaining a given objective".— I. C. W. A England.

From the above definitions the following characteristics can be summarized:
1. A budget generally relates to a given future period
2. It differs from objectives or policies because it is set down in specific numerical terms
3. It should be flexible
4. It is fundamental to the organization and hence, it receives the attentions and support of the top management.

Importance of Budgeting:

1. Budgeting involves drawing up budgets based on well-defined plans of action.
2. It serves another important purpose i.e., coordinating plans and activities of various departments and sections.
3. It facilitate control over expenses, income, costs and profits.

Case Study

Introductory Case Study: Cost Control at "Godavari Cruise Lines"

Background

Godavari Cruise Lines operates daily river cruises for pilgrims and tourists. During 2023 the company noticed declining profits despite increased ticket sales. Fuel expenses, food wastage and overtime payments had risen sharply.

Problem Situation

- No standard cost was fixed for trips
- Supervisors did not maintain log books
- Actual expenses were reviewed only at year end
- Pilferage in kitchen stores
- Maintenance delays

Stakeholders

- Cruise manager
- Accounting staff
- Crew members
- Passengers
- Suppliers

Managerial Issues

- Absence of budgetary control
- No performance standards
- Weak feedback system
- Lack of corrective action

Importance to the Lesson

This case shows:

- Need for timely control
- Role of standards and measurement
- Corrective action in service operations
- Link between planning and controlling

Types of Budget:

There are many types of Budgets which are generally used in an organization.
They are:

(i) Sales budget – It represents the plan of sales for a given period.

(ii) Purchase budget – It presents the quantities of raw materials and other consumable items to be purchased by a manufacturing company.

(iii) Cash budget – It is a statement of the anticipated receipts and payments for a given period along with the resulting surplus or deficit.

(iv) Expense budget – It lays down the estimates of the standard or norm of operating expenses of an enterprise for a given period.

(v) Capital budget – This type of budget outlines the anticipated expenditure on plant, machinery, equipment and other items of a capital nature.

(vi) Revenue budget – It indicates the income or revenue expected to be earned from sale of Goods produced or purchased for re-sale.

(vii) Production budget – It shows the volume of production to be undertaken for a given period together with the material, labour and machinery requirements sometimes production budgets also show the anticipated cost of production.

(viii) Labour budget – It indicates the types of skills of labourers and the numbers in each Category estimated to be required in a given period along with the standard wages payable.

(ix) Master budget – This is prepared for the whole enterprise by compiling the different Sectional budgets which is finally adopted and worked upon.

Budgetary Control:

It is the process of preparing various budgeted figures for the organization for the future period and then comparing with the actual performance for finding out variances. This enables management to find out deviations and take corrective measures at a proper time. Hence, a budget is a means and budgetary control is the end result.

(1) "Budgetary control is system which uses budget as a means of planning and controlling all aspects of producing and or selling commodities or services".

(2) "Budgetary control is the planning in advance of the various functions of business so that the business as a whole can be controlled".

From the above two definitions, the following characteristics of budgetary control can be extracted:

(1) It implies the planning of activities for each department.

(2) It involves recording of actual performance for sake of comparison and control.

(3) It involves taking the necessary steps to improve the situation and to prevent further deviations.

(4) It involves the co-ordination among various department plans and budgets.

Advantages:

(1) The budgetary control aims at the maximization of profits of an organization.

(2) It provides the management with a means of control over planned programmes.

(3) It facilitates co-ordination among various activities of an organization.

(4) Wastage is minimized and hence efficiency can be achieved.

(5) Budgetary control enables the introduction of incentives schemes of remuneration.

(6) It creates consciousness among the employees.

(7) The national resources will be used economically and wastage will be eliminated.

(8) It provides an effective means by which top management can delegate authority and Responsibility without disturbing overall control.

Limitations of Budgetary Control:
(1) The future uncertainties reduce the utility of budgetary control system.
(2) Budgetary control may lead to conflicts among functional departments.
(3) The lack of co-ordination among different departments results in poor performance.
(4) The cost of employing additional staff for budgeting increases the expenditure of an
    Organization which generally cannot be afford by small enterprises.

II. Cost Control:
The cost of production is an important factor in calculating the income of an organization.
Hence, every organization tries it level best to keep the cost within the reasonable limits. The
techniques of cost control involve the setting of cost standards for various components of cost
and making comparison of actual cost data with standard cost. This process is known as
standard costing. This standard costing refers to a pre-determined estimate of cost with can be
used as a standard. This standard cost forms the basis of control under standard costing. Actual
cost is compared with the standards, variations are analysed and suitable action are taken to
overcome such variations. Thus standard costing may be regarded essentially as a tool of cost
control. Advantages:

(1) It helps in discovering efficient and inefficient activities in an organization.
(2) It provides valuable information for submitting tenders or quoting prices of products and
    services.
(3) It reduces cost of an organization.
(4) Cost records become a basis for planning future production policies.
(5) The reasons for variations in profit can be ascertained.

Limitations:
(1) It is very expensive to apply.
(2) The success of this method depends on the reliability and accuracy of standards.

III. Production Planning and Control:

It is an important function of production manager. This is the function of looking ahead,
estimating
difficulties to be occurred and remedial steps to remove them. It guides and directs flow of
production so that products are manufactured in a best way.

Following techniques are helpful in production planning and control:
(i) Routing – It is the determination of exact path which will be followed in production. It
    determines the cheapest and best sequence of activities to be followed.
(ii) Scheduling – It is the determining of time and date when each operational activity is to be
    Started and completed.
(iii) Dispatching – It refers to the process of actually ordering the work to be done.
(iv) Follow up and Expediting – It is related to evaluation and appraisal of work performed.
(v) Inspection – It is to see whether the products manufactured are of requisite quality or not.

IV. Inventory Control:

It refers to the control of materials in an efficient manner, which ensures maximum return on working capital. It is very important for the smooth functioning of production department. Its main objective is to maintain a suitable supply of material at the lowest cost.
This control is exercised at three phases:

(i) Purchasing of materials
(ii) Storing of materials
(iii) Issuing of materials.

This can be exercised by establishing various criteria such as:
(i) Safety inventory level
(ii) Maximum inventory level
(iii) Reordering level
(iv) Danger level

V. Profit and Loss Control:
It is a simple and commonly used overall control tool to find out the immediate profit or cost factors responsible for either the success or failure of business. As a controlling device it enables the management to influence in advance revenues, the expenses and consequently even profits.

The sales, expenses and profit of different departments are compared. The department becomes a cost centre. The in charge of the department is responsible for its performance. Even historical comparison is done to assess the performance. In case there are deviations in performance than immediate steps are taken to rectify them.

VI. Statistical Data Analysis:
It is an important control technique. This analysis is possible by means of comparison of ratios, percentages, averages, trends etc., of different periods with a view to find out deviations and causes.

This method is applicable in case of inventory control, production control and quality control. The minimum and maximum control limits are fixed and deviations with in these limits are allowed.

It variations go beyond limitations then immediate steps are taken to correct them. Statistical control charts are prepared with the help of collected data and permissible limits are plotted. This chart will give an idea whether everything is going as per the plans or not. Hence, analysis of data is important device of control.

2. Modern Techniques:
Besides the traditional techniques which were discussed above, there are many other techniques which have been evolved in modern times. These techniques are also called non-budgetary techniques.

I. Return on Investment Control (ROI):
One of the most successfully used control technique of measuring both the absolute and the relative success of a company is by the ratio of net earnings to investment the company has

made. This approach often referred to a ROI. If the rate of return on investment is satisfactory, it will be considered as good performance. The return on investment can be compared over a period of time as well as with that of other similar concerns.

The return on investment can be computed with the following formula:
II. Programme Evaluation and Review Techniques (PERT):

The success of organization depends on its activities for the accomplishment of an objective within stipulated time and cost. Management should determine activities to be performed and their inter- relationships so that estimated resources and time needed to complete these activities as per schedule and to monitor and control the time and cost of the project.

Through network analysis technique the time can be minimized to complete the project and also overall project cost can be minimized. For this purpose PERT and CPM are the two important types of network analysis used in modern management.

It is a technique of project which is used in the following managerial functions:
i. Planning:
The planning of project includes the listing of different jobs that has to be performed to complete the venture. Here, requirements of men, material and equipment are determined along with the costs and duration for the various jobs, in the process of planning.
ii. Scheduling:
It is the arrangement of the actual jobs of the project according to sequence of the time in which they have to be performed. At this stage calculation of manpower and materials required are calculated along with the expected time of completion of each job.
iii. Control:
The process of control starts with comparison of the difference between schedules and actual results.

They analyse of difference and the corrective action taken is the essence of control process.
The most important condition for implementing PERT is the breaking up of the project into activities and determining the order of occurrence of these activities i.e., deciding activities which are to be completed before. The next step is to draw graph, which explains the activities outlining the predecessor and successor relations among them. A thorough understanding of the steps associated with the construction of the graph is important for understanding of PERT.

Activity – 2: Mini Exercise

Task:
Prepare a simple control checklist for tour bus operations.

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Expected Outcome:

Ability to design control tools.

Advantages:
The following are the important advantages of PERT are:
(1) It forces managers to chalk-out a plan to integrate all the activities as a whole.
(2) It is instrumental for concentrating attention on critical elements that may need modifications.
(3) It is helpful in solving problems of scheduling the activities of one-time projects i.e., the Projects which are not taken on routine basis.
(4) It helps in completing a project on schedule by coordinating different jobs involved in its completion.

Limitations:
(1) The expected time for each activity of any programme cannot be determined with certainty.
(2) It is suitable for programmes where time is essential consideration.

III. Critical Path Method (CPM):
The technique is helpful in finding out the more strategic elements of a plan for the purpose of better designing, planning, coordinating and controlling the entire project. It was developed by walker of Dupont Company in 1950s, under this technique a project is broken into different operations or activities and their relationships are determined.
These relations are shown with the help of diagram known as network diagram. The network diagram may be used for optimizing the use of resources and time. This technique is based on the assumption that activity times are proportional to the magnitude of resources allocated to them and by making a change in the level of resources, the activity times and the project completion time can be varied.

Objectives of CPM Analysis:
The following are the main objectives of critical path analysis in a network:
(1) To estimate a route or path between two or more activities which maximizes some measures of performance.
(2) To locate the points of hurdles and difficulties in the implementation of any project.
(3) To determine starting and ending times for each activity.
(4) To determine the slack associated with each non-critical activity.

Advantages:
The application of CPM leads to the following advantages:
(1) It determines most critical elements and pays more attention to these activities.
(2) It results in the maximum utilization of resources and facilities.
(3) It provides standard method for communicating project plans, schedules and costs.
(4) It concentrates on the timely completion of the whole project.
(5) It improves the quality of planning and controlling.
(6) It eliminates waste of time, energy and money on unimportant activities.

Limitations:
CPM is having two major limitations:
(1) It has limited use and application in routine activities for recurring projects.

(2) Time given for different activities may prove to unrealistic.

PERT and CPM Compared:

PERT and CPM as techniques of planning and control have certain similarities as well as differences.

The two techniques are similar in the following respects:

(1) Both CPM and PERT use the project network as their basis.

(2) The concept of critical paths and activity slack are common to both.

(3) Both the techniques are basically time-oriented. They are now used for cost control as well.

The differences between the two techniques are the following:

(1) PERT is used for new industries with rapidly changing technology having more uncertainties, while CPM is used for construction projects where uncertainties are limited.

(2) CPM is activity-oriented while PERT is event-oriented.

(3) CPM lays stress on the element of costs whereas PERT is concerned essentially with the time factor.

IV. Management Information System (MIS):

This system emphasizes on providing timely, adequate and accurate information to the right person in the organization which in turn helps in making right decisions. It is a planned technique for transferring of intelligence within an organization for better management. Under this method data from all possible sources are collected and properly processed for using in future. So this system should be designed in such a way that helps management in exercising effective control over all aspects of the organization.

MIS is of two types:

(1) Management operating system and

(2) Management reporting system.

The first one meant for meeting the information needs of the lower and middle level managements and second one is to supply information to top level management for decision-making.

V. Break Even Analysis:

A significant and popularly used control technique among the business enterprises and industries is the analysis of break-even point which explains the relationship between sales and expenses in such a way as to show at what volume revenue exactly covers expenses. This technique measures profit corresponding to the different levels of output. Hence, the study of cost- volume-profit relationship is frequently referred to as break even analysis.

In the words of Matz and Curry "Break-even analysis indicates at which level costs and revenue are in equilibrium". Thus, break-even analysis is associated with the calculation of break-even point. It is also known as no profit, no loss point. This point can be calculated mathematically and charted on graph paper also.

The method of calculating break-even point is as follows:

Assumption:

The break even analysis is based on the following assumptions:

(i) All elements of cost i.e., production, administration and selling and distribution can be Segregated into fixed and variable components.

(ii) Variable cost remains constant per unit of output and thus fluctuates directly in proportion

to changes in the volume of output.
(iii) Fixed cost remains constant at all volumes of output.
(iv) Volume of production is the only factor that influences.
(v) There is a synchronization between production and sales.

Advantages:
The break even analysis renders many advantages for managerial guidance.
(i) It helps in calculating of profit for different sales volumes.
(ii) Calculation of sales volume to produce desired profit can be possible.
(iii) It emphasizes on calculation of selling price per unit for a particular break-even point.
(iv) It helps in determination of margin of safety.
(v) It helps in calculating of sales required to offset price reduction.
(vi) It helps in choosing the most profitable alternatives.
(vii) It helps in determining the optimum sales mix.
(viii) It helps in calculation of sales volume required to meet proposed expenditures.

Limitations:
The break even analysis is based on number of assumptions which are rarely found in real life. Hence, its managerial utility becomes limited.

Its main limitations are as follows:
(i) This analysis overlooks the time lag between production and sale.
(ii) The assumption of keeping factors like plant-size, technology and methodology of Production constant in order to get an effective break-even chart is unrealistic in actual life.
(iii) The sales-mix is also not a constant variable.
(iv) The valuation and allocation of costs in an organization is usually arbitrary and hence it reduces the usefulness of this analysis.
(v) This analysis does not take into account the capital invested in the production and its costs which is very important factor in profitability decisions.

VI. Management Audit:
This audit reveals irregularities and defects in the working of management. It also suggests the ways to improve the efficiency of the management. It examines and the reviews various policies and functions of the management on the bases of certain standards. It emphasis to evaluate the performance of various management processes of an organization.

According to Taylor and Perry, "Management audit is the comprehensive examination of an enterprise to appraise its organizational structure, policies and procedures in order to determine whether sound management exists at all levels, ensuring effective relationships with the outside world".

According to the Institute of Internal Auditors, Management audit is a "future oriented, independent and systematic evaluation of the activities of all levels of management for the purpose of improving organizational profitability and increasing the attainment of the other organizational objectives".

Hence, from the above two definitions it can be concluded that management audit concentrates on the examination of policies and functions of the management on the basis of certain standards and norms.

Objectives:
The following are the main objectives of management audit:
(i) It assists management in achieving co-ordination among various departments of the organization.
(ii) It detects any irregularity in the process of management and also it suggests improvement to achieve best results.
(iii) It assists all levels of management through constant watch of all activities of the organization.
(iv) It suggests changes in the policies and procedures for a better future.
(v) It ensures most effective relationship with the outsiders and the most efficient internal organization.
(vi) It concentrates on performance of the management through close observation of inputs and outputs.
(vii) It ensures the establishing good relations with the employees and to elaborate duties, rights and liabilities of the entire staff.
(viii) It recommends better human relation approach, new management development and overall organizational plans and objectives.

Importance:
Management audit is very important for its usefulness and is outlined as follows:

(i) It assesses the soundness of plans adopted and the adequacy of control system for making Plans successful.
(ii) It is useful in giving advices to the prospective investors.
(iii) It is very much useful in reviewing plans and policies.
(iv) It gives proper advice to the management to perform their functions well.
(v) Financial institutions may get management audit conducted to ensure that their investment in the company would be safe and secured in the hands of the management.

Advantages of Management Audit:
It provides us following advantages:
(i) It helps the management in preparing plans, objectives and policies and suggests the ways and means to implement those plans and policies.
(ii) Proper management audit techniques help the business to stop capital erosion.
(iii) Management audit increases the overall profitability of a business through constant review of solvency, profitability and efficiency position of the concern.
(iv) Management audit eradicates the inefficiencies and ineffectiveness on the part of the management.
(v) The techniques of management audit are not only applicable to all factors of production but also to
all elements of cost.
(vi) It helps the top management to take effective decisions in time.
(vii) It helps the management in strengthening its communication system within and outside the business.
(viii) It helps management in preparation of budgets and resources management policies.
(ix) It helps management in training of personnel and marketing policies.
Disadvantages:
The disadvantages of management audit can briefly be stated as follows:
(i) The installation of this audit technique involves heavy expenditure.

(ii) Due to ineffectiveness and inefficiency of the management auditor, management audit cannot
provide result oriented service.
(iii) Management auditors may be engaged in some activities detrimental to social objects of auditing for
example evasion of tax.
Advantages of controlling
☐ Saves time and energy
☐ Allows managers to concentrate on important tasks. This allows better utilization of the managerial
resource.
☐ Helps in timely corrective action to be taken by the manager.
☐ Managers can delegate tasks so routinely chores can be completed by subordinates.
On the contrary, controlling suffers from the constraint that the organization has no control over
external factors. It can turn out to be a costly affair, especially for small companies.
Limitations of Controlling:
The defects or limitations of controlling are as following:
1. Difficulty in Setting Quantitative Standards:
It becomes very difficult to compare the actual performance with the predetermined standards, if these standards are not expressed in quantitative terms. This is especially so in areas of job satisfaction, human behaviour and employee morale.
2. No Control on External Factors:
An organization fails to have control on external factors like technological changes, competition, government policies, changes in taste of consumers etc.
3. Resistance from Employees:
Often employees resist the control systems since they consider them as curbs on their freedom. For example, surveillance through closed circuit television (CCTV).
4. Costly Affair:
Controlling involves a lot of expenditure, time and effort, thus it is a costly affair. Managers are required to ensure that the cost involved in installing and operating a control system should not be more than the benefits expected from it

Activity – 3: Reflection

Task:
Identify any situation where lack of control caused service failure.

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Expected Outcome:

Relating theory to experience.

Case Study for Self-Assessment

"Quality Control at Tirupati Darshan Travels"

Background

The company operated daily packages to Tirumala. Complaints increased regarding late departure, poor food and guide behaviour. No monitoring system existed.

Questions

1. Identify control gaps.
2. Design service standards.
3. Suggest monitoring methods.
4. Prepare corrective action plan.

Improved Self-Assessment Questions

A. Short Answer Questions (with Answers)

1. **Define Controlling.**
   Answer: Process of ensuring that actual performance conforms to planned performance.
2. **Name first step in control process.**
   Answer: Setting standards.
3. **What is feedback control?**
   Answer: Control after completion of activity.
4. **Meaning of variance?**
   Answer: Difference between planned and actual results.
5. **One prerequisite of control?**
   Answer: Clear organizational objectives.

B. Essay Type Questions (with Hints)

1. **Explain steps in controlling process.**
   Hints: Standards – measurement – comparison – correction.
2. **Discuss types of control.**
   Hints: Feed forward – concurrent – feedback.
3. **Describe problems in controlling.**
   Hints: Resistance – measurement issues – cost.
4. **Explain features of effective control system.**
   Hints: Economy – flexibility – accuracy.

C. Analytical MCQs**

1. Controlling is related to:
   a) Future only
   b) Past only
   c) Plans ✔
   d) Motivation

2. Budget is a tool of:
   a) Directing
   b) Staffing
   c) Controlling ✔
   d) Organising
3. Feed forward control is:
   a) After action
   b) During action
   c) Before action ✔
   d) None
4. Variance analysis compares:
   a) Two firms
   b) Plan and actual ✔
   c) Two years
   d) Two products
5. Effective control should be:
   a) Rigid
   b) Flexible ✔
   c) Costly
   d) Complex

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