MANAGEMENT CONCEPTS & BUSINESS ETHICS

Study material

CORE COURSE
For
I SEMESTER B.COM/BBA.

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UNIVERSITY OF CALICUT

SCHOOL OF DISTANCE EDUCATION

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MODULE 1
NATURE AND SCOPE OF MANAGEMENT

Managing is essential in all organized co-operation, as well as at all levels of organization in an enterprise. It is the function performed not only by corporation President and the army general but also of the shop supervisors and the company commander. Managing is equally important in business as well as non business organizations. During the last few decades, Management as a discipline has attracted the attention of academicians and practitioners to a very great extent. The basic reason behind this phenomenon is the growing importance of management in day to day life of the people.

Because of the divergent views, it is very difficult to give a precise definition to the term "Management". It has drawn concepts and Principles from economics, sociology, psychology, anthropology, history, and statistics and so on. The result is that each group of contributors has treated Management differently. Management is invariably defined as the process of "getting things done through the effort of others", getting from where we are to where we want to be with the least expenditure of time, money and efforts, or co-ordinating individual and group efforts, or co-ordinating individual and group efforts towards super-ordinate goals.

Harold Koontz defines management in a very simple form where he states that "Management is the art of getting things done through and with the people in formally organized groups".

Dalton E. McFarland defines Management as "Management is defined for conceptual, theoretical and analytical purposes as that process by which Managers create direct, maintain and operate purposive organization through systematic co-ordinated co-operative human effort."

To sum up, we can say that management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.

NATURE AND SCOPE OF MANAGEMENT

The study and application of Management techniques in managing the affairs of the organization have changed it's nature over the period of time. The nature of Management can be described as

1. Multi disciplinary

Management integrates the ideas and concepts taken from disciplines such as psychology, sociology, anthropology, economics, ecology, statistics, operation research, history etc. and presents newer concepts which can be put in practice for managing the organizations. Contributions to the field of management can be expected from any discipline which deals with some aspects of human beings.

2. Dynamic Nature of Principles

Principles are a fundamental truth which establish cause and effect relationship of a function. Based on practical evidences, management has framed certain principles, but these principles are flexible in nature and change with the changes in the environment in which an organization exists. In the field of Management, organization researches are being carried on to establish principles in changing society and no principles can be regarded as a final truth.

3. Relative, Not Absolute Principles

Management Principles are relative, not absolute and they should be applied according to the need of the organization. Each organization may be different from others. The difference may exist because of time, place, socio-cultural factors etc. A particular management Principles has different strength in different conditions and therefore Principles of Management should be applied in the light of the prevailing conditions.

4. Management, science or Art

Science is based on logical consistency, systematic explanation, critical evaluation and experimental analysis. It is a systematized body of knowledge. Management, being a social science may be called as an inexact or pseudo science. The meaning of art is related with the bringing of desired result through the application of skills. It has to do with applying of knowledge or science or of expertness in performance. Management can be considered as an art and a better manager is one who knows how to apply the knowledge in solving a particular problem.

5. Management as a Profession

The word profession may perhaps be defined as an occupation based upon specialized intellectual study and training, the purpose of which is to supply skilled service or advice to others for a definite fee or salary. Profession is an occupation for which specialized knowledge, skills and training are required and the use of these skills is not meant for self satisfaction , but these are used for the larger interests of the society and the success of these skills is measured not in terms of money alone. Management possess certain characteristics of profession, while others are missing. Therefore, it cannot be said to be a profession, though it is emerging as a profession and the move is towards management as a profession.

6. Universality of Management

There are arguments in favour and against the concept of universality. The arguments in favour of universality are:-

[a]management as a process and the various process of management are universal for all organizations

[b]distinction between management fundamentals and techniques

[c]distinction between management fundamentals and practices.

The arguments against universality are:-

[a]management is culture bound

[b]management depends upon the objectives of an enterprise

[c]management depends upon the differences in philosophies of organization

EVOLUTION OF MANAGEMENT

Creative, dynamic management is a driving force behind the success of any business. In today's marketplace, change is rapid and managers are expected to deal with a broad set of issues and needs. How they address those issues is very different today than it was a hundred years ago. Times have changed, labor has changed, and, most importantly, management philosophies have changed. The management philosophies of yesterday are valuable tools for managers to use today. The development of management thought has been evolutionary in nature under the following four parts:-

    1.Pre- Scientific Management Era [Before 1880]

    2.Classical Management Era [1880-1930]

    3.Neo-Classical Management Era[1930-1960]

    4.Modern Management Era [1950 onwards]

During pre-scientific management era, valuable contributions were made by Churches, Military organizations and writers like Charles Babbage and Robert oven. A school of thought emerged in this era is known as pre-scientific management school.

The earliest management philosophy, the classical perspective, emerged in the 19th and early 20th century in response to a problem businesses grapple with today: how to make businesses efficient operating machines. In the factory system, managers had the challenge of coordinating a huge, unskilled labor force, complex production systems, and an expansive manufacturing operation. The classical theorists like F.W.Taylor and Henri Fayol concentrated on organizational structure for the accomplishment of organizational goal.

Frederick Winslow Taylor's solution was the Scientific Management approach which proposed that productivity could be improved only by a series of precise procedures developed from a scientific observation of a situation. This approach standardized labor and training, employee hiring, and tied compensation to increased productivity. While highly successful, this approach did not take into consideration the diversity of abilities and needs within the workforce.

The neo classical writers like Elton Mayo and Chester I. Barnard tried to improve upon the theories of classical writers. They suggested improvements for good human relations in the organization. A crucial shift in management philosophy came in the 1920s with a new emphasis on human behaviors, needs and attitudes in the workplace over the economy and efficiency of

production. This new way of thinking led the way for the human resource perspective, which saw workers as a resource to be fully utilized, as opposed to tools from which to extract utility. It suggested that beyond the need for worker inclusion and supportive leadership, organizations should design jobs to meet the higher needs of their employees and utilize their full potential. This perspective paved the way for the role that human relations departments play in organizations today.

Many of today's management perspectives grew out of adaptations of the humanistic perspective. One such perspective is the systems theory, which views an organization as a series of interconnected systems that affect and are effected by each other

The modern management thinkers like Robert Schlaifer and Herbert Simon define organization as a system. They also consider the impact of environment on the effectivenss of the organization. The social system school, the decision theory school, the quantitative management school, the systems management school, etc. are the contributions of modern management era.

To sum up

(A)Early management approaches which are represented by scientific management, the administrative management theory and the human relations movement

(B)Modern management approaches which are represented by scientific management, the administrative/management science approach, the systems approach and the contingency approach

SCHOOLS OF MANAGEMENT THOUGHT

The development of thought on Management dates back to the days when people first attempted to accomplish goals by working together in groups.With the work of Frederic Taylor and Henri Fayol, there was serious thinking and theorizing about managing many years before. In the early 19th century , industrialization and the factory system saw the advent of assembly line operation and costing systems. Management Principles in business were adopted in the latter half of nineteenth century. As the concept of management evolved, various schools of management thought emerged. Thus there came a myriad ways of classifying management theories. One such classification was given by Koontz, who classified the theories into the following six groups:

- The management process school
- The empirical school
- The human behavioral school
- The social systems school
- The decision theory school
- The mathematical school

The purpose of this article is to identify the various schools of management theory, indicate the source of the differences, and to provide some suggestions for disentangling the management theory jungle. Koontz describes six schools of management theory as follows.

1. **The Management Process School**

The management process school views management as a process of getting things done with people working in organized groups. Fathered by Henri Fayol, this school views management theory as a way of organizing experience for practice, research and teaching. It begins by defining the functions of management.

2. **The Empirical School**

The empirical school views management theory as a study of experience. Koontz mentions Ernest Dale's comparative approach as an example which involves the study and analysis of cases. The general idea is that generalizations can be drawn from cases that can be applied as guides in similar situations. As such it is also known as case approach or management experience approach. According to this school, management is considered as a study of managers in practice. It is a study of success and failures in the application of management techniques by managers in their practice. Theories of management can be developed by studying large number of experiences because some sort of generalizations can be possible.

3. **The Human Behavior School**

The central thesis of the human behaviour school is that since management involves getting thing done with people, management theory must be centered on interpersonal relations. Their theory focuses on the motivation of the individual viewed as a socio-psychological being. This approach can be divided into two groups ; interpersonal behaviors approach and group behaviors approach. Emphasis is put on increasing productivity through motivation and good human relations.

4. **The Social System School**

The members of the social system school of management theory view management as a social system. March and Simon's 1958 book *Organizations* published by Wiley is used as an example, but Koontz indicates that Chester Barnard is the spiritual father of this school of management. The social system school identifies the nature of the cultural relationships of various social groups and how they are related and integrated. Barnard's work includes a theory of cooperation which underlies the contributions of many others in this school. Herbert Simon,

and others expanded the concept of social systems to include any cooperative and purposeful group interrelationship or behavior. According to this approach, the organization is essentially a cultural system composed of people who work in co-operation. As such, for achieving organizational goals, a co-operative system of management can be developed only by understanding the behavior of people in groups.

5. **The Decision Theory School**

The decision theory school of management concentrates on the rational approach to decisions where alternative ideas or courses of action are analyzed. The decision is the central focus. This approach looks at the basic problem of management around decision making – selection of suitable course of action out of the given alternatives Major contribution to this approach has come from Simon, March, Cyert, Forrester, etc. The major emphasis of this approach is that decision making is the job of every manager. The manager is a decision maker and the organization is a decision making unit. Therefore the basic problem in managing is to make rational decision.

6. **The Mathematical School**

The mathematical school of management views management as a system of mathematical models and processes. This includes the operations researchers and management scientists. But Koontz points out that in his view mathematics is a tool, not a school.

Frederick Taylor and Scientific Management

Frederick Winslow Taylor is generally acknowledged as "the father of scientific management."His experiences as an apprentice, a common labourer, a foreman, a master mechanic , and then the Chief Engineer of the Steel company gave Taylor ample opportunity to know at first hand the problems and attitudes of workers and to see the great opportunities for improving the quality of Management.

Taylor principal concern throughout most of his life was that of increasing efficiency in production, not only to lower costs and raise profits, but also to make possible increased pay for workers through their higher productivity. Taylor saw productivity as the answer to both higher wages and higher profits, and he believed that the application of Scientific methods, instead of custom and rule of thumb, could yield the productivity without the expenditure of more human energy or effort.

Taylor's famous work entitled the "The Principles of Scientific Management" was published in 1911.Scientific Management is not any efficiency device, in its essence, scientific management involves a complete mental revolution on the part of the working man in any particular establishment or industry – and is equally complete mental revolution on the part of those on the management side. The great mental revolution that takes place in the attitude of two parties is that together they turn their attention towards increasing the surplus than dividing the surplus.

The fundamental Principles that Taylor was underlying the Scientific approach of Management may be summarized as follows:-

1. Replacing rules of thumb with science.

2.Obtaining harmony in group action, rather than discord

3.Acheiving co-operation of human beings, rather than chaotic individualism.

4.Working for maximum output rather than restricted output.

5.Developing all workers to the fullest extent possible for their own and their company's highest prosperity.

Contributions of Henry Fayol

Henri Fayol (Istanbul, 29 July 1841–Paris, 19 November 1925) was a French mining engineer, director of mines, who developed independent of the theory of Scientific Management, a general theory of business administration also known as Fayolism. His contributions are generally termed as operational management or administrative management.

He was one of the most influential contributors to modern concepts of management. Fayolism is one of the first comprehensive statements of a general theory of management developed by Fayol. He has proposed that there are six primary functions of management and 14 principles of management. The Primary function of management are forecasting planning organizing commanding coordinating and controlling.Fayol's contributions were first published in the book form titled as "Administration Industrielle at Generale' in French language , in 1916.Fayol looked at the problems of managing an organisation from top management point of view. He has used the term 'administration' instead of 'management' emphasising that there is unity of science of administrator. For him, administration was common activity and administrative doctrine was universally applicable. Fayol found that the activities of an industrial organisation could be divided into six groups.

1. Technical [relating to production]

2. Commercial [buying, selling and exchange]

3. Financial [search for capital and its optimum use]

4. Security [protection of property and person]

5. Accounting [including statistics] and

6. Managerial [planning, organisation, command, coordination, and control]

Pointing out that these activities exist in business of every size, Fayol observed that the first five were well known, and consequently he devoted most of his book to analyse the sixth one, that is, managerial activity. Fayol has divided his approach of studying management into three parts;[1] managerial qualities and training [2]general principles of management and [3] elements of management

[1]Managerial qualities and training

Fayol was the first person to identify the qualities required in a manager. According to him, there are six types of qualities that a manager requires.these are as follows:

1. Physical[health, vigour and address]

2. Mental[ability to understand and learn, judgement, mental vigour, and adaptability

3. Moral [energy, firmness, initiative, loyalty, tact, and dignity]

4. Educational [general acquaintance with matters not belonging exclusively to the function performed]

5. Technical [peculiar to the function being performed] and

6. Experience [arising from the work]

General Principles of Management

Fayol has given fourteen principles of management. He has made distinction between management principles and management elements. While management principle is a fundamental truth and establishes cause-effect relationship, management element denotes the function performed by a manager. Henry Fayol strongly felt that managers should be guided by certain principles while giving the management principles, Fayol has emphasised two things.

1. The list of management principles is not exhaustive but suggestive and has discussed only those principles which he followed on most occasions.

2. Principles of management are not rigid but flexible.

Fayol evolved 14 general principles of management which are still considered important in management. These are:

1. **Division of work:**

This principle suggests that work should be assigned to a person for which he is best suited. Work should be divided up to that stage where it is optimum and just. This division of work can be applied at all levels of the organization. Fayol has advocated division of work to take the advantages of specialization

2. **Authority and responsibility:**

Responsibility means the work assigned to any person, and authority means rights that are given to him to perform that work. It is necessary that adequate authority should be given to discharge the responsibility. Authority includes official authority and personal authority. Official authority is derived from the manager's position and personal authority is derived from the personal qualities. In order to discharge the responsibility properly, there should be parity of authority and responsibility.

3. **Discipline:**

This principle emphasizes that subordinates should respect their superiors and obeys their orders. On the other hand, superiors' behavior should be such that they make subordinates obedient. If such discipline is observed, there will be no problem of industrial disputes. Discipline is obedience, application, energy, behavior and outward mark of respect shown by employees. Discipline may be of two types; self imposed discipline and command discipline. Self imposed discipline springs from within the individual and is in the nature of spontaneous response to a skilful leader. Command discipline stems from a recognized authority.

4. **Unity of command:**

Subordinates should receive orders from one superior only. If he receives orders from more than one person, he can satisfy none. The more completely an individual has a reporting relationship to a single superior, the less is the problem of conflict in instructions and the greatest is the feeling of personal responsibility for results.Fayol has considered unity of command as an important aspect in managing an organization.

5. **Unity of Direction:**

Each group of activities having the same objective must have one head and one plan. In the absence of this principle, there may be wastage, over expenditure and useless rivalry in the same organisation. Unity of direction is different from Unity of command in the sense that former is concerned with functioning of the organization in respect of its grouping its activities or planning while later is concerned with personnel at all levels in the organization in terms of reporting relationship.

6. **Subordination of individual to general interest:**

While taking any decision, the general interest, i.e., the interest of the organization as a whole should be preferred to individual interests. Individual interest must be subordinate to general interest when there is a conflict between the two. Superiors should set an example in fairness and goodness.

7. **Remuneration:**

Management should try to give fair wages to the employees and employees should have the satisfaction of being rightly paid. Remuneration must give satisfaction to both the employers and employees.

8. **Centralization:**

Everything which goes to increase the importance of subordinate's role is decentralization and everything which goes to reduce it is centralization. When a single person controls the affairs of an organization, it is said to be complete centralisation.In small concerns, a single manager can supervise the work of the subordinates easily, while in a big organization, control is divided among a number of persons. Thus centralization is more in small concerns and it is less in big concerns. Fayol's opinion was that the degree of centralization should be fixed on the basis of capabilities of the persons.

9. **Scalar Chain:**

This is the chain of superiors from the highest to the lowest ranks. The order of this chain should be maintained when some instructions are to be passed on or enquiries are to be made It suggests that each communication going up or coming down must flow through each position in the line of authority. It can be short circuited only in special circumstances when its rigid following would be detrimental to the organization. For this purpose, Fayol has suggested gang Plank which is used to prevent the scalar chain from bogging down action.

10. **Order:**

This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place. In social order, there should be right man in the right place. Placement of men and materials should be properly made. Proper space should be made available where materials can be kept safely. Each man should be provided the work for which he is best suited.

11. **Equity:**

This principle requires the managers to be kind and just so that loyalty can be won from the subordinates. Equity is a combination of justice and kindness. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. **Stability of Tenure:**

Employees should be selected on the principles of stability of employment. They should be given necessary training so that they become perfect. There should not be frequent termination of employees. Stability of tenure is essential to get an employee accustomed to new work and succeeding in doing it well.

13. **Initiative:**

Within the limits of authority and discipline, managers would encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan. Initiative increases zeal and energy on the part of human beings.

14. **Esprit de Corps:**

This is the principle of 'Union is strength' and extension of unity of command for establishing team work. Managers should infuse the spirit of team work in their subordinates.

Fayol made it clear that these principles can be applied to most organizations, but these are not absolute principles. Organizations are at liberty to adopt those which suit them or to delete a few according to their needs.

MANAGEMENT AS A SCIENCE AND AN ART

The controversy with regard to management, as to whether it is a science or art is very old. Specification of exact nature of management as science or art or both is necessary to specify the process of learning of management. Management is not easy. It is not an exact science. In fact, it is seen as an art that people master with experience.. When viewed as an art, management is remarkable, but natural expression of human behavior. It is intuitive, creative and flexible. Managers are leaders and artists who are able to develop unique alternatives and novel ideas about their organizations needs. They are attuned to people and events around them and learn to anticipate the turbulent twists and turns around them.

However, artistry in management is neither exact nor precise. Artists interpret experience and express it in forms that can be felt, understood and appreciated by others. Art allows for emotion, subtlety and ambiguity. An artist frames the world so that others can see new possibilities.

Science is extraordinary. It is a method of doing things. It is the organized systematic expertise that gathers knowledge about the world and condenses the knowledge into testable laws and principles. When science is done correctly, it can advice us in all of our day to day decisions and actions. The Process of scientific theory construction and confirmation can be viewed as involving the following steps:-

1. The formulation of a problem or complex of problems based on observation.
2. The construction of theory to provide answers to the problem or problems based on inductions from observations
3. The deduction of specific hypothesis from the theory.
4. The recasting of the hypothesis in terms of specific measures and the operations required to test the hypothesis.
5. The devising of the actual situation to test the theorem; and
6. The actual testing in which confirmation does or does not occur

Management as an art

The artistic talents of the manager can be enriched by the usage of scientific tools. The artist in any manager definitely has an edge. His creativity and productivity can be magnified by using the correct scientific methods. The art of management existed long before automation. Without doubt, the science has made the management easier. But focusing only on the science may lead to shift of focus of the entire team and create overheads. Success of managers depends on how effectively they can use the scientific aid to enhance their artistic skills. Medicine engineering, accountancy and the like require skills on the part of the practitioners and can only be acquired through practice. Management is no exception

Art is concerned with particle knowledge and personal skill for doing out the desired results. In management, a manager should have practical knowledge & skill. Otherwise his performance will be adversely affected.

Management is a way of doing a specific action while doing the function of an art is to achieve the success in a given action.

According to George R. Terry, "Art is bringing about of a desired result through application of skill." Thus, art has 5 essential features.

  i. Practical Knowledge
  ii. Personal Skill
  iii. Concrete Result
  iv. Constructive Skill
  v. Improvement through practice

These 5 functions of art also belong to the management. When a manager uses his management skill then he must have practical knowledge for solving managerial problem. A manager also has power to face the problem to find out the result, which is only possible when he/she has constructive skills. To improve the managerial skill, managerial work should be done on regular basis because regularity and practice make the work effective. So, we can say that manager is an artist since he/she posses the skill of getting the work done through and with the people. Therefore, it can be concluded that manager is an artist and management is bound to be an art.

Management as a Science

Science refers to an organized and systematic body of knowledge acquired by mankind though observation, experimentation and also based on some universal principles, concepts, and theories. Principles of science are developed through testing & observation. With the help of concept of science it can safely be concluded that management is also a science because it is based upon certain principle and concerned as a systematized body of knowledge, observation, test and experiment is a science, however it is not exact as physics, chemistry, biology, etc.

Before ·trying to examine whether the management. is a science or not we have to understand the nature of science. Science may be a described as a systematized body of knowledge pertaining to an act of study and contains some general truths explaining past events or phenomena. It is Systematized in the sense that relationships between variables and limit have been ascertained and underlying principal discovered. Three important characteristics of science are.

1. It is a systematized body of knowledge and uses scientific methods for Observation;

2. Its principles are evolved on the basis of continued observation and experiment; and

3. Its principles are exact and have universal applicability without any limitations

Judging from these criteria, it may be observed that management too is a systematized body of knowledge and its principles have evolved on the basis of observation not necessarily through the use of scientific methods. However, if we consider science a discipline in the sense of our natural science one is able to experiment by keeping all factors and varying one at a time. In the natural science it is not only possible to repeat the same conditions over and over again, which enables the scientist to experiment and to obtain a proof. This kind of experimentation-cannot be accompanied in the art of management since we are dealing with the human element. This puts a limitation on management as a science. It may be designated as 'inexact' or 'soft science'

MANAGEMENT PROCESS or SCOPE OF MANAGEMENT

Briefly, there are 5 core functions that constitute Scope of Management functions or the process of management. They are Planning, Organizing, Staffing, Directing and Controlling.
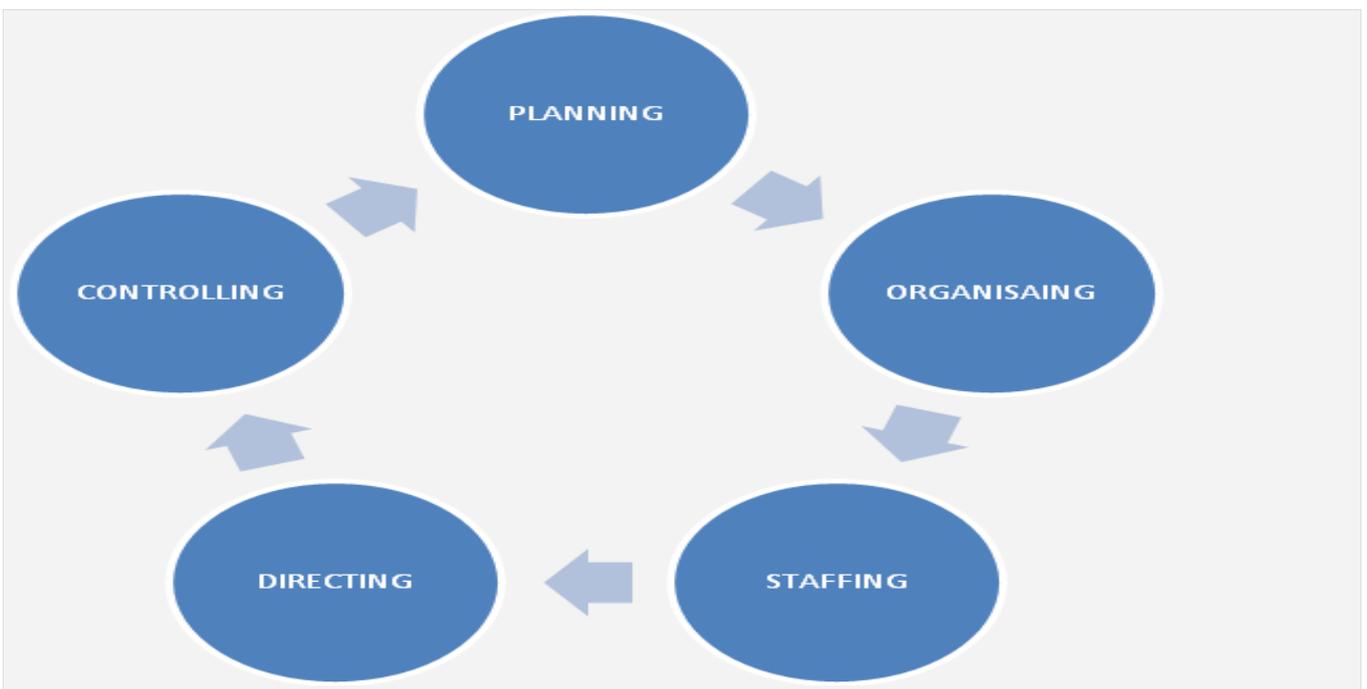
Scope /Process of Management

1. Planning

The first management function in scope of management functions that managers must perform is PLANNING. Within this function plan is created to accomplish the mission and vision of the business entity. Under the mission is considered the reason for the establishment, while under the vision is considered where business entity is aiming. The plan must define the time component and to plan necessary resources to fulfill the plan. Accordingly plan of organization is developed together with required personnel; method of leading people is defined and controlling instruments for monitoring the realization of plans. The guiding idea in the making of mentioned items is the realization of the objectives and fulfilling the mission and vision of the business entity. Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change.

Each organization should make a good first step, a good plan, because without it the organization takes a great risk of mistakes and thus compromising their business.

2. Organizing

Organizing is the second function manager, where he had previously prepared plan, establish an appropriate organizational structure in business organization. In part, it determines the ranges of management, type of organizational structure, authority in the organization, types and ways of delegating and developing lines of communication. The organization and its subsystems are placed under the plan, which was created as part of functions, ie planning. Organizing basically involves analysis of activities to be performed for achieving organizational objectives, grouping them into various departments and sections so that these can be assigned to various individuals and delegating them appropriate authority so that they can carry their work properly. In performing construction and organization in particular must pay attention to formal and informal lines of communication, because if these lines are not adequately monitored the possibility of collision between them, resulting in delays and / or even failure to achieve the goal.

3. Staffing

Staffing, as the next function of management, consists of a selection of appropriate staff for the organization to reach a goal / goals easier and more efficient. According to today's experience is well known that it is difficult to financially evaluate, quality and efficient staff. Staff is one of the more valuable, if not the most valuable resource in any successful organization. For this reason,

good planning of personnel policies, as a function of management, and corresponding execution of that selection of high quality people is becoming increasingly important. The task of this management function is to set rules related to employment and personnel policies. Staffing basically involves matching jobs and individuals. This may require a number of functions like manpower planning, recruitment, selection, training and development, performance appraisal, promotion transfer, etc. The responsibility for staffing rests on all managers at all levels of the organization. It increases as one goes up in the organizational hierarchy. In order to facilitate the effective performance of staffing function, personnel department is created in large organizations.

4. Directing

Direction is an important managerial function through which management initiates actions in the organization. It is a function of management which is related with instructing, guiding and inspiring human factor in the organization to achieve organization objectives. It is a function to be performed at every level of management. Direction is a continuous process and it continues throughout the life of the organization It initiates at the top level in the organization and follows to the bottom through the hierarchy. It emphasizes that a subordinate is to be directed by his own superior only. Direction has dual objectives. On the one hand, it aims in getting things done by subordinates and, on the other, to provide superiors opportunities for some more important work which their subordinates cannot do.

5. Controlling

Control is any process that guides activity towards some pre-determined goals. It can be applied in any field such as price control, distribution control, pollution control etc.It is an element of management process and is defined as the process of analyzing whether actions are being taken as planned and taking corrective actions to make these to conform to planning. Control process tries to find out deviations between planed performance and actual performance and to suggest corrective actions wherever these are needed. Controlling is a forward looking function as one can control the future happenings and not the past. Every manager has to perform the control function in the organization. It is a continuous process and control system is a co-ordinate integrated system.

Performance of various managerial functions in an integrated way ensures fair degree of co-ordination among individuals and departments. Co-ordination is related with the synchronization of efforts which have amount, time and direction attributes. Co-ordination is thus treated as the essence of management.

MODULE 2
FUNCTIONS OF MANAGEMENT

The management process involves performance of certain fundamental functions. One useful classification of managerial function has been given by Luther Gulick, who abbreviating them using the word POSDCORB – Planning, Organizing, Staffing, Directing, Co- Ordinating, Reporting and Budgeting. George R Terry has mentioned four fundamental functions of management, Planning, Organizing, Actuating and Controlling. In short, different scholars in the field of management have their own classification of functions of management. Some scholars add few functions and delete some other functions. The Important functions of management are discussed below: -

PLANNING

Meaning

Planning is the most crucial and foremost function of management. It is defined as the process of setting goals and choosing the means to achieve those goals. A sound planning is inperative for the successful achievement of the goals in the desired direction. It is rightly said "well plan is half done". It involves setting of objectives and goals, designing appropriate strategy and cource of action, and framing plans and procedure etc for execution of the proposed activities under the project.

Definitions

According to George R Terry, "Planning is the selecting and relating of facts and making and using of assumptions regarding the future in the visualization and formulation of proposed activities believed necessary to achieve desired results."

According to Henry Fayol, "Planning is deciding the best alternatives among others to perform different managerial operations in order to achieve the predetermined goals."

Generally speaking, planning is deciding in advance what is to be done, that is, a plan is a projected course of action.

Features of Planning

1. Planning is looking in to the future
2. It involves predetermined lines of action
3. Planning is a continuous process
4. Planning integrates various activities of an organization
5. Planning is done for a specific period
6. It discovers the best alternatives out of available alternatives

7. Planning is a mental activity
8. Planning is required at all levels of Management
9. It is the primary functions of Management]
10. Growth and prosperity of any organization is depends upon planning

Objectives of Planning

Planning in organization serve to realize the following objectives:

1. To reduces uncertainty
2. To bring co-operation and co-ordination in the organisation
3. To bring economy in operations
4. Helps to anticipate unpredictable contingencies
5. To achieve the pre determined goals
6. To reduce competition.

Advantages of Planning

Planning helps the organization to achieve its objectives easily. Some of the advantages of planning are given below:

1. It helps the better utilization of resources
2. It helps in achieving the objectives
3. It helps in achieving economy in operations
4. It minimizes future uncertainties
5. It improves competitive strength
6. It helps effective control
7. It helps to give motivation to the employees
8. It develop rationality among management executives
9. It reduces red tapism
10. It encourages innovative thought
11. It improves the ability to cope with changes.
12. It create forward looking attitude in Management
13. It helps in delegation of authority
14. It provide basis for control

Planning Process

It is not necessary that a particular planning process is applicable for all organization and for all types of plans because the various factors that go into planning process may differ from plan to plan or from one organization to another. This can be presented by using the

following diagram.

| Perception of opportunities | ⇨ | Establishing objectives | | Planning premises | ⇨ | Identification of Policies |

| Establishing sequence of activities | ⇦ | Formulation of supporting plans | ⇦ | Selection of alternatives | | Evaluation of alternatives |
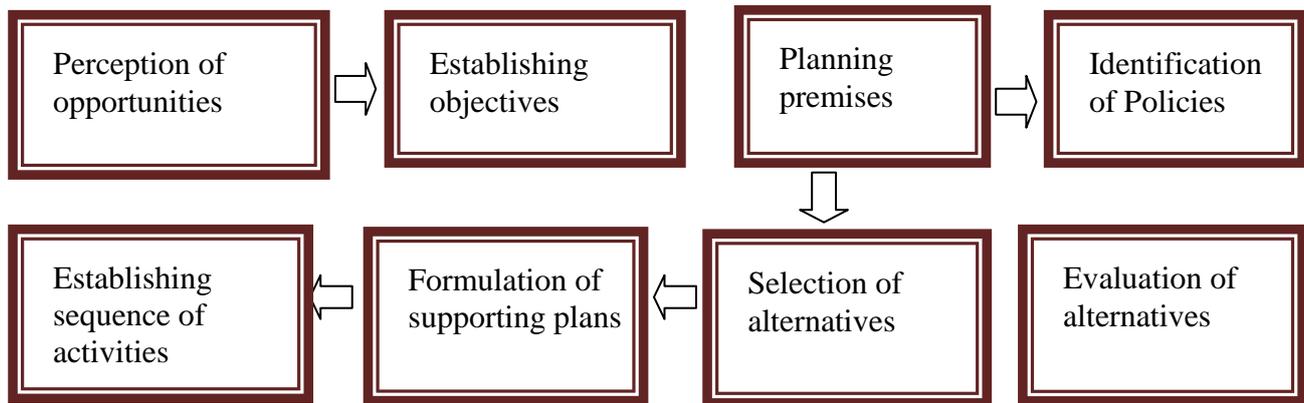
Perception of Opportunities:- It is the beginning of planning process. ThisProvides an opportunity to set the objectives in real sense. It helps to take the advantage of opportunities and avoid threats. Once the opportunities are perceived, the other steps of planning are undertaken.

1. **Establishing the objectives**:- This stage deals with the setting of major organisational and unit objectives. The organizational objectives should be specified in all key areas. Once organizational objectives are identified, objectives of lower units can be identified in that context.

2. **Establishing planning premises**:- It means deciding the condition under which planning activities will be undertaken. Planning premises may be external or internal. The nature of planning premises differs at different levels of planning.

3. **Identification of alternatives**:- This point says that a particular objectives can be achieved through various actions. Since all alternatives cannot be considered for further analysis, it is necessary for the planner to reduce the number of alternatives.

4. **Evaluation of alternatives**: - Various alternatives which are considered feasible may be taken for detailed evaluation. It is evaluated on the basis of contribution of each alternative towards the organizational objectives in the light of its resources and constraints.

5. **Selection of alternatives**: - After the evaluation, the most fit one is selected. At the same time a planner must be ready with alternatives, normally known as contingency plans, which can be implemented in changed situation.

6. **Developing supporting plans**: - After formulating the basic plan, various plans are devised to support the main plan. These plans are known as derivative plans.

7. **Establishing sequence of activities**: - After formulating basic and derivative plans, the sequence of activities is determined, so that plans are put in to action.

8. **Devising a mechanism of Project monitoring and Evaluation**.

Types of Plans

A manager is required to develop a number of plans to achieve the organizational objectives. Three major types of plans can help managers to achieve their organizational goals.

1. Operational Plans
2. Tactical Plans
3. Strategic Plans

1.Operational Plans: It is one that a manager uses to accomplish his or her job responsibilities. In other words, it is the plan used to achieve operational goals. Operational goals are the specific result expected from the departments, work groups and individuals. Operational plans may be single use plans or ongoing plans.

a. Single use plans: It is applied to those activities which do not recur or repeat. A special sales programme is an example of single use plan, because, it deals with the who, what, where, how and how much of an activity. It includes:

(i)Budget: It is a statement of expected results expressed in quantitative terms for a definite period of time. It is prepared keeping in view the objectives, resources and of the enterprise. It is a useful control device and helpful in co-coordinating the activities. It predicts sources and amounts of income and how much they are used for a specific project.

(ii)Programme: It is a sequence of activities to be undertaken for implementing the policies and achieving the objectives of an organization. It tells what is to be done to achieve the goals.

b. Continuing or ongoing plans: These are usually made once and retain their value over a period of years while undergoing periodic revision and updates. The following plans are included in this category.

(i)Policy: It provides broad guidelines for managers to follow when dealing with important areas of decision making. It is basically a general statement that explains how a manager should attempt to handle routine management responsibilities. They are standing answers to recurring questions.

(ii)Procedures: A procedure is a set of step by step direction that explains how activities or task are to be carried out. An established procedure ensures uniformity of action. Most organization has procedures for purchasing supplies and equipments. By defining steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

(iii) Rules: It is an explicit statement that tells an employee, what he or she can and cannot do. Rules are definite and rigid. Rules are "do" and "don't" statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For eg. Rules about absenteeism permit supervisors to make discipline decision rapidly and with a high degree of fairness.

2. Tactical Plans: These are plans which usually span one year or less. It is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

3. Strategic Plan: It is an outline of steps designed with the goals of the entire organization in mind, rather than with the goals of specific divisions. It look ahead over the four, five or even more years to move the organization from where it currently to where it wants to be. Top managements strategic plan for the entire organization becomes the frame work and sets dimension for the lower level planning.

Contingency Plan: These plans are used when the original plan proves inadequate because of changing circumstances.

Limitations of Planning

Following are the limitations of Planning

1. Time consuming: The management cannot prepare any plan without taking much time . A number of steps are required to complete planning process.

2. Costly: It is considered as an expensive process. A lot of money is to be spent for collection, analysis and editing of data.

3. False sense of security: The management people think that there is security, if planning is properly adhered. But this is not true in practice.

4. Technological changes: The management is not in a position to change its policies according to technological changes. It will affect the planning process.

5. Political climate: A change in the political climate leads to a change in the policy and attitude towards different financial aspects. It will affect the planning process.

6. Lack of reliable data: The success of all the plans are based on the availability of reliable data. It is very difficult to procure reliable data.

7. Initiative: Planning compels everyone to work as per plan. It reduces the scope for initiation from the part of employees and they will become more mechanical.

8. Limitations of forecasts: Planning is fully based on forecasts. If there is any defect in forecasts, the planning will lose its value.

ORGANISING

Meaning and Definition

The process of organizing involves establishing an intentional structure of roles for the staff at all levels of hierarchy in the organization. It is the function of identifying the required activities, grouping them into jobs, assigning jobs to various position holders, and creating a network of relationship, so that the required functions are performed in a co-ordinated manner, leading to the accomplishment of desired goals.

According to Koonts O Donnel. "Organizing involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments, and the provision of authority delegation and Co-ordination."

According to GR Terry, "Organizing is the establishing of effective behavioral relationship among persons so that they may work together effectively and gain personal satisfaction in doing selected tasks under given environmental conditions for the purpose of achieving some goal or objectives."

Steps in Organizing

The logical sequence of steps in organizing is mentioned below:-

1. Establishing objectives
2. Designing Plans and Policies
3. Identifying specific activities
4. Grouping activities according to available resources
5. Delegating the authority necessary to perform the activities.
6. Tying the groups together through authority relationship and communication.

Functions of Organisation

The following are the important functions of organization

1. **Determination of activities**:- It includes the deciding and division of various activities required to achieve the objectives of the organization. The entire work is divided into various parts and sub parts.
2. **Grouping of activities** :- Here, identical activities are grouped under one department.
3. **Allotment of duties to specified persons**:- For the effective performance, the grouped activities are allotted to specified persons.
4. **Delegation of authority**:- Assignment of duties should be followed by delegation of authority. It is difficult to perform the duties effectively, if there is no authority to do it.
5. **Defining relationship**:- When a group of person is working together for a common goal, it is necessary to define the relationship among them in clear terms.
6. **Co- ordination of various activities**:- The delegated authority and responsibility should be co-ordinated by a responsible person.

Principles of Organisation

The following are the important Principles to be followed by management for the success of an organization.

1. **Principle of definition**: - It says that, it is necessary to define and fix the duties, responsibilities and authority of each work. In addition to that the organizational relationship of each worker with others should be clearly defined.

2. **Principles of Objectives**:- The objectives of different departs should be geared to achieve the main objective of the organization.

3. **Division of work**:- A work should be assigned to a person according to his educational qualifications, experience, skill and interest. It will result in attaining specialization in a particular area.

4. **Principles of continuity**: It is essential that there should be a re operation of objectives, re adjustment of plants and provision of opportunities for the development of future management. This process is taken over by every organization periodically.

5. **Principles of Span of Control**: This principles determines the number of subordinates a superior can effectively manage.

6. **Principles of Exception**: Here, all the routine decisions are taken by the subordinates; senior managers will only deal with exceptional matters. It is known as management by exception.

7. **Principles of flexibility**: The organizational set up should be flexible to adjust to the changing environment of business.

8. **Principles of Unity of Direction**: All departmental goals are tuned to achieve common goal. So there should be co-ordination of all the activities.

9. **Principles of Balance**: There are several units functioning separately under on organizational set up. So, it is essential that the sequence of work should be arranged scientifically.

10. **The scalar principle**: It says that each and every person should know who is his superior and to whom he is answerable.

11. **Principle of efficiency:** The work should be completed with minimum members, in less time, with minimum resources and with the right time.

12. **Delegation of Authority**: Authority should be delegated to the subordinate for the successful completion of assigned job.

13. **Principles of responsibility**: Each person is responsible for the work completed by him. So the responsibility of the subordinates should be clearly defined.

14. **Principles of Uniformity**: The work distribution should be in such a manner that there should be an equal status and equal authority and powers among the same line officers.
15. **Simplicity and Accountability**: The structures of the organization should be simple and the higher authorities are accountable for the acts of their subordinates

Classification of Organization

1. **Formal Organisation**: It is an organizational structure which clearly defines the duties, responsibilities, authority and relationship as prescribed by the top management. It represents the classification of activities within the enterprise, indicate who reports to whom and explains the vertical flow of communications which connects the chief executive to the ordinary workers.

2. **Informal Organisation**: It is an organizational structure which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. The friendship, mutual understanding and confidence are some of the reasons for existing informal organization.

Differences between formal and informal Organisation:

Formal Organisation	Informal Organisation
1.It is created deliberately	1. It is spontaneous.
2.Authority flows from top to bottom	2. Informal authority flows from top to bottom or horizontally.
3.It is created for technological purpose	3. It arises from man's quest for social satisfaction
4.It is permanent and stable	4. There is no such permanent nature and stability
5.It gives importance to terms of authority and function.	5. It gives importance to people and their relationship.
6. It arises due to delegation of authority	6. It arises due to social interaction of people
	7. No such written rules and duties.
7.Duties and responsibilities of workers are given in writing	8. Informal organisation tends to remain smaller.
8. Formal organization may grow to maximum size	

ORGANISATION STRUCTURE

Organisation is designed on the basis of principles of division of labor and span of management. The success of the organization depends upon the competence and efficiency of the officers. It is necessary to chalk out line of authority among the people working in an organization.

Types of Organizational Structure

A brief explanation of the important types of organizations is given below:-

LINE ORGANISATION

Under Line organization, each department is generally a complete self contained unit. In this type of organization, the line authority flows from top to bottom vertically. It clearly identifies authority, responsibility and accountability at each level, departmental heads are given full freedom to control their department. This type of organization is followed in the army on the same pattern. So, it is also called military organization.

Features of Line organization

1. It consist of vertical direct relationship
2. Authority flows from top to bottom
3. Operations of this system is very easy.
4. It facilitate to know from whom one should get orders and to who one should give orders
5. Existence of direct relationship between superior and subordinates
6. The superior will take decisions within the scope of his authority.

LINE AND STAFF ORGANISATION

In this type of organization Line officers have authority to take decisions and implement them, but the staff officers will assist them while taking decisions. The function of staff officers are only an advising one. They should advise and help line managers to take proper decisions. In the fast developing industrial world, the line officers are not in a position to acquire all the technical knowledge, which are necessary for taking right decisions. That gap may be bridged with the help of staff officers. The staff officers may be experts in a particular field.

Features of Line and Staff Organisation

1. Authority flows from top to bottom
2. Line Officers will takes decisions on the basis of suggestions given by staff officers
3. Staff officers have no power to take decisions and no control over subordinates.
4. The workers get the instructions only from the line officers

Advantages of Line and Staff Organisation:

1. A line officer can take sound decisions on the basis of proper advice from the staff officer.
2. The work load of line officers would be reduced to some extent,
3. It promote the efficient functioning of the line officers
4. The principles of unity of command are followed in the line and staff organization.
5. A very good opportunity is made available to the young person to get training.
6. It facilitates the workers to work faster and better.
7. It enables the organization to effectively utilize the staff officer's experience and advice.

Disadvantages of Line and Staff Organisation

1. If the powers of authority is not clearly defined , it will lead to confusion though out the organization.
2. The line officers may reject the advice from staff officers without assigning any reason.
3. The staff officers may under estimate the powers of line officers.
4. The staff officers are not involved in the actual implementation of the programme.
5. The staff officers are not responsible if favorable results are not obtained.
6. The difference of opinion between line officers and staff officers will defeat the very purpose of specialization.
7. The line officers may misunderstand the advice given by staff officers.

FUNCTIONAL ORGANISATION

In this type of organizations, specialists are appointed in top position through out the organization.   Various activities of the enterprise are classified according to functions and functional heads will give directions related to his functions.   Workers, under functional organization, receive instructions from various specialists.

Characteristics of Functional Organisation

1. The work is divided according to specified functions.

2. Authority is given to specialists to give orders and instructions in relation to specific functions.

3. The decision is taken only after making consultations with the functional authority relating to his specialized area.

4. The executives and supervisors discharge the responsibilities of functional authority.

ADVANTAGES OF FUNCTIONAL ORGANISATION

The following points will explain the benefits of functional organization.

1. **Benefit of specialization**:- In this type of organization, each work is performed by a specialist. It helps to enhance the efficiency of the organization.

2. **Reducing work load**: Each person is expected to look after only one type of work. It reduces the unnecessary work allotted to them.

3. **Relief to line executives**: Under functional organization, the instructions are given by the specialists directly to the actual workers. Hence, the line executives do not have any problem regarding the routine work.

4. **Mass production**: Large scale production can be achieved with the help of specialization and standardization.

5. **Flexibility**: Any change in the organization can be introduced without any difficulty.

DELEGATION OF AUTHORITY

AUTHORITY

It is the power to make decisions which guide the actions of others. In other words, it is the power to give orders and make sure that these orders are obeyed. In order to finish the work in time, there is a need to delegate authority and follow the principles of division of labour.

Definitions

According to Koonts and O'Donnell, " Authority is the power ot command others to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental purposes."

According to Luis Allen,"It is the sum of powers and rights entered to make possible the performance of the work delegated."

RESPONSIBILITY

It is the obligation to do something. In other words, it is the obligation to perform the tasks, functions, or assignments of the organization. The essence of responsibility is obligation. If a person is entrusted with any work, he should be held responsible for the work that he completes

Definitions

According to Davis, "Responsibility is the obligation of individual to perform the assigned duties to the best of his ability under the direction of his executive leader."

In the words of Theo Haimann," Responsibility is the obligation of subordinates to perform the duty as required by his superior."

DELEGATION OF AUTHORITY

Delegation is a process which enables a person to assign a work to others with adequate authority to do it. The authority can be delegated but not the responsibility. Delegation of authority is considered to be one of the most important methods of training subordinates and building morals. It is acknowledged that delegation of authority is one of the surerest and best methods of getting better results.

PRINCIPLES OF DELEGATION

The following are the important principles of delegation.

1. **Delegation to go by results**: The superiors should clearly know what he expects from the subordinates before delegation of authority. It should be noted that the objective of the organization are to be accomplished in time.

2. **Non-delegation of responsibility**: Assigning duties does not mean delegation of responsibilities. A superior can delegate authority but not responsibility.

3. **Parity of authority and responsibility:** Responsibility without authority will make a person an inefficient one. So there should be a proper balance between authority and responsibility.

4. **Unity of command:** A subordinate should be assigned duties and responsibilities only by one superior and he is accountable only to the concerned superior.

5. **Definition of limitation of authority:** There should be a written manual which help a person to understand the authority in right direction.

STEPS IN SUCCESSFUL DELEGATION PROCESS

The following steps will help the successful delegation of authority.

1. **Deciding the goals to be achieved:** The purpose of delegation is to enable efficient accomplishment of organizational objectives. If it is not clearly defined, the subordinate may hesitate to accept the authority.

2. **Establishment of definite responsibility**: The authority and responsibility of each subordinate should be clear in terms. It helps to avoid duplication of authority.

3. **Determining what to delegate**: This will necessitate the evaluation of the capacity of the individual and needs of the organization.

4. **Training:** Subordinate should be properly trained in handling delegated work.

5. **Control system:** There should be a suitable control system to keep a careful watch over the performance of the subordinates.

TYPES OF DELEGATION

A brief explanation of the different types of delegation is given below:

1. **General delegation:** It means granting authority to the subordinate to perform various managerial functions and exercise control over them.

2. **Specific delegation:** Here, orders or instructions are delegated to a particular person specifically.

3. **Written delegation:** When authority is delegated in written words it is known as written delegation.

4. **Unwritten delegation:** If authority is delegated on the basis of custom or usage etc, it is known as unwritten delegation.

5. **Formal delegation:** If duties and authority are shown in the organizational structure of the enterprise, then it is called formal delegation.

6. **Informal delegation:** If a person exercising authority without getting it from the top management in order to perform his assigned duties, it is a case of informal delegation.

7. **Downward delegation:** It is a case where the superior delegate duties and authority to his immediate sub ordinate.

8. **Sideward delegation:** A person delegate authority to another person who is also in the same rank as he is in the organization.

CENTRALISATION AND DECENTRALISATION

Centralization: It means concentration of decision making authority at the top level management. All the decision are taken by the top management without delegating to the subordinate. As far as a big organization is concerned, it is not possible to run the organization for long period without delegating the authority.

Decentralization: In decentralization, each section has its own workers to perform activities within the department. According to Allen," Decentralisation refers to the systematic efforts to delegate to the lowest levels all authority except that which can only be exercised at central point."

Advantages of Decentralization

1. It saves the time of top executive and give relief to the top executive
2. Decentralisation gives the subordinates the freedom to act and make some decisions. It gives him a feeling of status and recognition.
3. It helps to coordinate the activities of the organization in a better way.
4. It helps to take prompt and quick action at the earliest.
5. It is a best devise to develop future business executives

Disadvantages of Decentralisaiton

1. It is suitable only to a big business enterprise.
2. It creates problem of co-ordination among various levels
3. There is a chance to miss the uniformity in policies and procedures.

SPAN OF CONTROL

Span of management or Span of control means the number of people managed efficiently by a single officer in an organization. It is an accepted truth that large number of subordinates cannot be supervised and their efforts coordinated effectively by a single executive. Only limited numbers of persons are allocated to the executive for dividing the work. The limit of number of members for span of control may be increased or decreased according to the levels of management.

According to Urwick, the ideal number of subordinates is four in case of higher level management and eight to twelve in case of lower level management.

Factors affecting the span of Control

The following are some of the factors which influence the span of control.

1. **Nature of work:** If the works are repetitive in nature, the supervisor can control a large number of subordinates and vice versa.

2. **Leadership qualities of the supervisor**: If the supervisor has more skill and capacity to control the subordinates, the span of management may be increase and vice-versa.

3. **Capacity of the subordinates:** If the subordinates have enough talent to perform the work assigned to them, the manager or the supervisor can control more number of subordinates.

4. **Delegation of authority**: If the authority delegates the powers of decision making, planning and execution to the subordinates, the span of control may be increased.

5. **Level of supervision:** Depending up on the requirement of supervision needed, the span of control may vary. In other words degree of span of control can be increased at bottom level and decreased at top level.

6. **Fixation of responsibility:** In case the responsibility of subordinate is clearly defined, then the superior can supervise large number of subordinates.

7. **Communication methods:** The methods used for communication is very important. If new and modern techniques are used, then lesser time is required to control and vice-versa.

8. **Using of standards:** If standards are used to detect the errors, then the executives can control more number of subordinates.

STAFFING

Staffing may be defined as a process of recruiting and equipping the people to handle various positions and perform assigned tasks in line with the structure and the overall goals of the organisation. It is the managerial function which involves managing the organisation

structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce.

According to Theo Haimann " Staffing pertains to recruitment, selection, development and compensation of subordinates ."

In the words of Benjamin, "It is the process involved in identifying, assessing, placing, evaluating, and directing individuals at work place."

Staffing Process:

The following specific activities are included in the staffing process.

1. Identification of areas of specialization to match the nature and mandate of the organisation.
2. Estimation of the future manpower requirements
3. Recruitment
4. Selection and Placement
5. Performance Appraisal
6. Placing and Training

Staffing Function

Staffing function involves Man power planning, Recruitment, Selection, Training and Development and Performance Appraisal.

MAN POWER PLANNING

Meaning and Definition

Planning of man power resources is a major managerial Responsibility to ensure adequate supply of personnel at the right time both in terms of their quality, quantity and aptitude Man power planning, which is also called HR Planning consists of putting right number of people at the right place, right time doing the right things for which they are suited for the achievement of goals of the Organisation.

Man power planning is carried out in a set of procedures. The procedure is as follows:

a. Analyse the current man power inventory
b.   Marketing future man power forecasts
c.   Developing employment programme
d.   Design training programme.

According to Geisler," Man power planning is the process including forecasting, developing, implementing and controlling – by which a firm ensures that it has the right number of people and right king of people, at the right place, at the right time, doing things for which they are economically most suitable."

Features of Man power Planning:

1. It involves determination of future needs of man power.
2. It deals with effective utilization of manpower.
3. It is a process for ensuring the availability of right people in the organisation.
4. It relates to establishing job specifications.
5. It give emphasis on better working conditions.

Man power Planning Process

The various steps of manpower planning can be identified as follows:-

1. **Projecting Manpower requirement**:- The first step in Manpower planning is to forecast organization structure that will meet the future needs of the organisation. Most of the organisations change over the period of time in terms of expansion of business, change in the nature of business etc such changes require changes in the composition of man power.

2. **Job Analysis**: It is a systematic study of jobs to know the nature and characteristics ofo people to be employed in different kinds of job. It give a clue about type of personnel required. It provides information about the nature of job, and the qualifications that are desirable in the job holder. It includes:-

   Job description:- It is a detailed study of job to know the nature and characteristics of the people in different kinds of job. It prescribes the nature of job to be performed, relationship with other jobs, purpose of the job etc. The job description statement is helpful in the process of selection, training, performance appraisal and job evaluation.

   Job specification:- The result of the job analysis is written in a statement known as job description. Job specification refers to the summary of the personal characteristics required for the job. It describes the type of person required in terms of qualification, experience , aptitude etc.

   The basic difference between job description and specification is that the former describes the details of the job, which latter describes the requirements of the person performing the job.

3. **Man power inventory**: It is not simply counting of heads presently available in organisation, but cataloguing of their present and future potentialities and aptitudes. This process involves four steps.

1. Determination of personnel to be inventories.
2. Cataloguing of factual information on each individual.
3. Detailed study of those individuals who have potential for development.

4. **Identification of Gap between availability and Required man power**:-   Now the organisation is in a position to determine the actual needs of personnel and their availability. While determining the future requirement, we have to consider the loss of personnel due to quits, discharge, mutually agreed release, death, retirement etc. After identifying the gap between the available and required man power, it should be filled up by recruitment and selection.

RECRUITMENT AND SELECTION

Recruitment is the process of finding the apt candidate and inducing them to apply for the job in an organisation. The success of any recruitment depends upon the procedure followed by the company while recruiting the members.

Definition

According to McFarland, "The term recruitment applies to the process of attracting potential employees of the company."

In the words of Edwin B Flippo, "It is the process of searching for prospective   employees and stimulating them to apply for the job in the organisation."

Sources of Recruitment

Sources of recruitment may be external or internal.

External sources: - It includes

a. Advertisement
b. Employment agencies
   i.   Public Employment Exchanges
   ii.   Pvt. Employment agencies
c. Campus recruitment
d. Deputation
e. Employee recommendations
f. Labour unions
g. Gate Hiring
h. Un solicited applications
i. Jobbers and Contractors
j. Walk in interviews

Advantages of External Sources:

1. Wider Option: - The HR manager will get wider choice in selection of candidate.

2. **New Outlook: -** It will bring some fresh air and a new approach to the problem.

3. **Wide experience:** If the new candidate has experience in various fields, the company can get the benefit of the Candidates experience.

Disadvantages

1. It is an expensive way of selecting employees

2. Lack of co-operation from the existing employees

3. It is a time consuming process

4. In this case there is a danger of non adjustment

Internal Sources: It includes

1. Transfers

2. Promotion and Demotion

Merits of Internal Sources

1. It is economical in all respect

2. It requires lesser time

3. It helps to improve the morale of the employees

4. It is a more accurate and reliable source

5. It induces the staff members to work hard

6. It helps to derive job satisfaction

7. There is no need of any industrial training

Demerits of internal Sources

1. Limited options

2. No fresh air into the organisation.

3. Chances of reducing productivity by way of frequent transfers.

SELECTION

It is the process adopted by an organisation to select adequate number of persons who are fit for the job. Selection procedure starts with the end of recruitment. Since it is a process of rejecting the application of a candidate who is not suitable for the job, selection is described as negative process.

Steps/Stages of Selection Process

Generally, the selection procedure has the following stages:

1. **Receiving and screening of Applications**: Prospective employees have to fill up Some sort of application form. After getting the filled application form, the personnel department will screen the application. Based on the screening of application, only those candidates are called for further process of selection who are found to be meeting the job standards of the organization.

2. **Preliminary interview**: - The object of conducting this interview is to know whether the applicant is physically and mentally fit for the job.

3. **Blank application**: The applicants who were selected at preliminary interview are required to fill up a blank application form. It is basically a printed form used to collect the individual bio data of the candidate.

4. **Tests:** The test is conducted by the organization for the purpose of knowing more about the applicants to be selected or rejected. There are mainly two tests. Proficiency test and aptitude test. Proficiency test refers to the testing of skills and abilities possessed by the candidate. Aptitude test refers to measuring the skills and abilities which may be developed by the applicant to perform the job in future.

5. **Interviews:** It is considered as a method of personal appraisal through a face to face conversation and observation. Interview helps the employer to evaluate the candidate regarding the personality, smartness, intelligence, attitude etc.

   There are different types of interviews are used by different organizations, like Direct interview, Indirect interview, Patterned interview, Stress interview, Systematic in depth interview, group interview etc.

6. **Checking references:** Sometimes, the applicants are requested to furnish references. The applicants may include the name and address of present educational institutions or respected or reputed persons in his locality. The information furnished in the application is checked from these persons.

7. **Medical Examinations:** This is carried out for the purpose of assessing physical fitness of the prospective employees.

8. **Final Selection:** A suitable applicant is selected on the basis of performance in the above mentioned tests and interviews. Only the required number of applicants is selected by the management.

9. **Placement:** Here a position is assigned to an individual where he can use all his efforts consistent with the requirement of his total working group and then he will get job satisfaction.

Differences between Recruitment and Selection

Basis	Recruitment	Selection
Meaning	*It is an activity of establishing contact between employers and applicants.*	*It is a process of picking up more competent and suitable employees.*
Objectives	It encourages large number of candidates for a job	It attempts at rejecting unsuitable candidates
Process	It is a simple process	It is comparatively a complicated process
Approach	It is a positive approach	It is a negative approach
Sequence	It precedes selection	It follows recruitment
Time consuming	Less time is required	More time is required

TRAINING

It refers to a Programme that facilitates an employee to perform the job effectively through acquiring increased knowledge and skills.

According to Edwin B Flippo," Training is the act of increasing the knowledge and skills of an employee for doing a particular job."

Types of Training

The training may be of

I.   On the Job Training

II. Off the Job Training

I. **On the Job Training**: It refers to the learning while actually performing a particular work or job. This type of training is more suitable to every type of employees. It includes:

    a. On specific job training

    b. Rotation of position /job rotation

    c. Special projects

    d. Apprenticeship training

II**. Off the Job Training**: Under this method, a trainee is removed from his normal working place and spends his full time for training purpose in any other place. It includes:

    a. Special course and lectures

    b. Conference

    c. Case study

    d. Role playing

    e. Management games etc

DIRECTION, CO-ORDINATION AND CONTROLLING

DIRECTION

Directing is the process of integrating the people within the organisation so as to obtain their willing co-operation towards meeting the pre determined goals.

According to Theo Haimann," Directing consists of the process and techniques utilized in issuing instructions and making certain that operations are carried on as originally planned."

Principles of Direction:

The following are the basic principles of directing:

1. **Integration of individual and organizational goals**: This implies that the individuals contribute to the organizational goals to their maximum capabilities and at the same time satisfy their personal needs.

2. **Participative decision making**: Effective direction can be achieved by involving individuals and groups in decision making process.

3. **Delegation of Authority**: The subordinates should be delegated with adequate authority in order to facilitate decision making.

4. **Effective communication**: The managers should ensure free flow of communication at all levels of organizational hierarchy.

5. **Right type of leadership**: The management should develop leadership quality among the employees.

6. **Unity of Command**: This principle states that the subordinates should get directives from one superior only and should be accountable to one superior only.

7. **Appropriateness of direction techniques**: The direction techniques selected should be according to the situation.

8. **Follow up**: The management should see that whether the direction issued by them is carried out or not.

   In simple words, direction can be described as providing guidance to workers for doing work.

Techniques of Direction

There are mainly three techniques are used for direction:

1. **Consultative direction**: Under this method, the supervisor has consultation with his subordinates before issuing a direction. The consultation is made to find out the feasibility, enforceability and nature of problem.

2. **Free rein direction**: Under these techniques, the subordinate is encouraged to solve the problem independently. The subordinate should take initiative to solve the problem.

3. **Autocratic direction**: It is opposite to free rein direction. The supervisor commands his subordinates and has close supervision over them.

CO-ORDINATION

It is a process of integrating the interdepartmental activities as unified action towards the fulfillment of the predetermined common goals of the organization.

According to Henry Fayol, " To co-ordinate is to harmonize all the activities of a concern so as to facilitate its working and its success. In a well co-ordinated enterprise, each department or division, works in harmony with other and is fully informed of its role in the organization. The working schedule of various departments is constantly turned to circumstances."

Features

1. It is not a separate function of management.
2. I t is necessary to all levels of management.
3. It is a continuous and dynamic process.
4. Group efforts are more relevant than individual efforts.
5. Unity of action is the heart of co-ordination.
6. It is a system concept.

Types of Co-ordination

The following are the important types of co-ordination.

1. Vertical co-ordination: - It refers to co-ordination between activities of a manager and his subordinates

2. Horizontal co-ordination:- It refers to co-ordination among peers – ie employees working at the same levels in organizational hierarchy and among various departments.

3. Diagonal co-ordination: It is co-ordination among the users and between users and service personnel, which is achieved through understanding, negotiation and voluntary effort.

Principles of Co-ordination:

In order to ensure effective co-ordination, the co-ordination should be based on certain principles:

1. **Personal contact**: Effective co-ordination can be achieved through personal contact. Personal contact avoids controversy and misunderstanding.

2. **Reciprocal relationship**: This principle says that all factors in a situation are reciprocally related. Each factor influences other factor.

3. **Dynamism**: Co-ordination is modified according to the external and internal actions and decisions ie co-ordination should be a dynamic one.

4. **Continuity**: It says that co-ordination is a continuous process.

5. **Self co-ordination**: According to this principle, the function of one department affects other departments and in turn, is affected by the function of other departments.

6. **Clear cut objectives**: As per this principle, the departments heads should know clearly the objectives of the organization.

7. **Effective communication**: Effective communication is very necessary for the proper co-ordination.

8. **Early stage of starting**: The co-ordination should be started even from the planning function of management.

CONTROLLING

The Control function is closely related with all other functions of management. The management control is the process of ensuring that the actual plan implementation matches with the original plan. It is an ongoing and dynamic function and linked with other function of the management in a circular relationship.

Definition

According to Koonts O'Donnel, "Controlling is the measurement of accomplishment against the standards and the correction of deviation to assure attainment of objectives according to plan."

Steps in Control Process

The control process involves four basic steps as mentioned below:-

1. **Establishing standards:**- Standard represents criteria of performance. This implies the statement of goals and objective envisaged under the planning process are stated in clear and measurable terms along with specific milestones. The standard should have some characteristics to produce effective performance.

2. **Measurement of performance against standards**: The measurement of performance is an ongoing process. Several techniques are used by the management to measure the performance.

3. **Comparing the actual performances with standards**: The measured results are compared with the project and standards. In case the performance meets the standards, then it would mean that the performance or activity is progressing in the desired direction.

4. **Taking corrective action**: In the situations when performance does not confirm to the specified criteria of the standards, then it is necessary to take corrective measures to deal with the observed deviations in the performance.

MODULE 3
MANAGER AND LEADER

Manager

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career.

Managers may direct workers directly or they may direct several supervisors who direct the workers. The manager must be familiar with the work of all the groups he/she supervises, but does not need to be the best in any or all of the areas. It is more important for the manager to know how to manage the workers than to know how to do their work well.

A manager may have the power to hire or fire employees or to promote them. In larger companies, a manager may only recommend such action to the next level of management. The manager has the authority to change the work assignments of team members.

Leader

A leader is someone who has the capacity to create a compelling vision that takes people to a new place, andf to translate that vision into action. Leaders draw other people to them by enrolling them in their vision. What a leader does is inspire people and empower them. Thus a leader is a person who has a vision, a drive and a commitment to achieve that vision, and the skills to make it happen.

Differences between Manager and Leader

Leadership and management must go hand in hand. They are not the same thing. But they are necessarily linked, and complementary. Any effort to separate the two is likely to cause more problems than it solves. The important differences between manager and leader can be discussed on the following basis.

Basis	Manager	Leader
Origin	A person becomes a manager by virtue of his position.	A person becomes a leader on basis of his personal qualities.
Formal Rights	Manager has got formal rights in an organization because of his status.	Rights are not available to a leader.
Followers	The subordinates are the followers of managers.	The group of employees whom the leaders lead is his followers.
Functions	A manager performs all five functions of management.	Leader influences people to work willingly for group objectives.
Necessity	A manager is very essential to a concern.	A leader is required to create cordial relation between person working in and for organization.
Stability	It is more stable.	Leadership is temporary.
Mutual Relationship	All managers are leaders.	All leaders are not managers.
Accountability	Manager is accountable for self and subordinates behaviour and performance.	Leaders have no well defined accountability.
Concern	A manager's concern is organizational goals.	A leader's concern is group goals and member's satisfaction.
Followers	People follow manager by virtue of job description.	People follow them on voluntary basis.
Role continuation	A manager can continue in office till he performs his duties satisfactorily in consistent with organizational goals.	A leader can maintain his position only through day to day wishes of followers.
Sanctions	Manager has command over allocation and distribution of sanctions.	A leader has command over different sanctions and related task records. These sanctions are essentially of informal nature.

LEADERSHIP

Leadership is an activity on the part of the managers to get something done by others, willingly and not by compulsion. Leadership is a process of influence on a group. Leadership is the ability of a manager to induce subordinates to work with confidence.

In the words of Koontz and O' Donnel, "leadership is the ability of a manager to induce subordinates to work with confidence and zeal."

According to Chester I Bernard, "leadership refers to the quality of the behavior of individual whereby they guide people on their activities in organized efforts"

According to Luis A Allen, "a leader is one who guides and directs other people. He gives the efforts to his followers a direction and purpose by influencing their behavior"

Thus leadership is a psychological process of influencing followers and providing guidance, directing and leading the people in an organization towards attainment of the objectives of the enterprise.

Nature or Characteristics of Leadership

1. A leader should have followers
2. leadership is basically a personal quality
3. leadership involves a community of interest between the leader and his followers
4. leadership is a process of influence
5. leadership is the function of stimulation
6. A leader ensures absolute justice
7. Leadership is a continuous, dynamic and ever evolving process.

Importance of Leadership

Without a good leader, organization cannot function efficiently and effectively. The leader guides the action of others in accomplishing the organizational goals. A good leader motivates his subordinates, creates confidence and increases the morale of workers. The importance of leadership can be discussed as follows

1. Leadership is the process of influencing the activities of an individual or a group towards the achievement of a goal.
2. An effective leader motivates the subordinates for higher level performance.
3. Leadership promotes team spirit and team work which is quite essential for the success of any organization
4. Leadership is an aid to authority as it helps in the effective use of formal authority.
5. Leadership creates confidence in the subordinates by giving them proper guidance and advice.

Functions of a Leader

The functions of a leader can be detailed as follows

1. Taking the initiative – A leader initiates all the measures which are necessary for the purpose of ensuring the health and progress of the undertaking in a competitive economy.

2. He identifies group goals

3. he represents the organization

4. He acts as an arbitrator

5. To assign reasons for his actions

6. To interpret the objectives of organization

7. To guide and direct the organization

8. To encourage team work

9. He manages the organization

Leadership Styles

The term leadership styles can be defined as a leader's behavior towards group members. It refer to the pattern of behavior which a leader adopts in influencing the behavior of his subordinates in the organizational context. Different leadership styles can be categorized as follows.

1. **Autocratic Leadership**

   Autocratic leadership is also known as authoritarian, directive, leader centered or monothetic style. Under this style, leader concentrates all authority in himself, instructs a subordinate as to what to do, how to do it, when to do it etc. He also exercises close supervision and control over his subordinates. There are three categories of autocratic leaders

   a. Strict Autocrat – A strict autocrat relies on negative influence and gives orders which the subordinates must accept. He may also use his powers to disperse rewards to his group.

   b. Benevolent Autocrat – The benevolent is effected in getting high productivity in many situations and he can develop effective human relationship. His motivational style is usually positive.

   c. Manipulative Autocrat – A manipulative autocrat leader is one who makes the subordinates feel that they are participating in decision making process even though he has already taken the decisions.

2. **Participative Leadership**

   This style is also called as democratic, consultative, group centered or ideographic style. A participative leader is one who consults and invites his subordinates to participate in decision making process. Under this style, subordinates are freely allowed to communicate with the leader and also with their fellow subordinates and take their own initiative.

3. **Laissez Faire or Free-rein Leadership**

   Under this style of leadership, the leader largely depends upon the group and its members to establish their own goals and make their own decisions. The leader is passive and assumes the role of just another member in the group. Only very little control is exercised over group members. This style is also known permissive style of leadership. This style is suitable to certain situations where the manager can leave a choice to his groups.

Qualities of a successful leader

   The following are the major innate qualities in a successful leader.

1. Physical features like height, weight, health and appearance
2. Intelligence
3. Emotional stability
4. Human relations
5. Empathy
6. Objectivity
7. Motivating skills
8. Technical skills
9. Communicative skills
10. Social skills.

MOTIVATION

   Motivation is the process of channeling a person's inner drives so that he wants to accomplish the goals of the organization. Motivation concerns itself with the will to work. It seeks to know the incentives for the work and tries to find out the ways and means whereby their realization can be helped and encouraged.

   Motivation is a Latin word which means 'to move'. Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways.

   According to Louis Allen, "motivation is the work of a manager performs to inspire, encourage and impel people to take required action"

   In the words of William G Scott, "motivation means a process of stimulating people to action to accomplish desired goals"

   Thus motivation is a process by which a need or desire is aroused and a psychological force within our mind sets us in motion to fulfill our needs and desires. An unsatisfied need becomes the motive for a person to spend his energy in order to achieve a goal.

Characteristics of Motivation

The following are the important characteristics and nature of motivation

1. Motivation is an internal feeling – Motivation is a psychological phenomenon which is a force within an individual that drives him to behave in a certain way.

2. Motivation produces goal-directed behavior – An individual's behavior is directed towards a goal.

3. Motivation is related to needs – Needs are deficiencies which are created whenever there is a physiological or psychological imbalance.

4. Motivation can be positive or negative – Positive or incentive motivation is generally based on rewards. Negative or fear motivation is based on force and fear.

5. Motivation is a continuous process – Satisfaction of human needs is a never ending process. It is a continuous process. So motivation is also a continuous process.

6. Motivation is dynamic – Needs of a person today may be different from needs of tomorrow. So motivation is highly dynamic.

Importance and benefits of Motivation

Motivation is an effective device in the hands of a manager for inspiring the work force and creating confidence in it. By motivating the work force, management can achieve the organizational goals. The various benefits of motivation are

1. A manager directs or guides the workers' actions in the desired direction for accomplishing the goals of the organization by motivating the workers.

2. Workers will try to be efficient as possible by improving upon their skills and knowledge so that they are able to contribute to the progress of the organization.

3. Ability to work and willingness to work are necessary for performing any task. These two things can be created only by motivation.

4. Motivation contributes to good industrial relations in the organization.

5. Motivation is the best remedy for resistance to changes. If the workers of an organization are motivated, they will accept any change whole-heartily for the organizational benefits.

6. Motivation facilitates the maximum utilization of all the factors of production and thereby contributes to higher production.

7. Motivation promotes a sense of belonging among the workers.

8. Motivation leads to lower turnover and absenteeism because a satisfied employee will not leave the organization.

Theories of Motivation

There are many internal and external variables that affect the motivation to work. Behavioral scientists started to search new facts and techniques for motivation. These are called as motivation theories. The most important theories are

1. Mc Gregor's Theory X and Theory Y
2. Herzberg's Two Factor Theory
3. Maslow's Need Hierarchy Theory
4. Mc Clelland's Achievement Theory

Mc Gregor's Theory X and Theory Y

The style adopted by a manager in managing his subordinates is basically dependent upon his assumption about human behavior. Theory X is negative, traditional and autocratic style while theory Y is positive, participatory and democratic. Thus these two theories are contrasting set of assumptions about human behavior.

Theory X – This is the traditional theory of human behavior which makes the following assumptions

1. The average human being has an inherent dislike of work and will avoid it if he can.
2. He lacks ambition, dislikes responsibility and prefers to be directed.
3. He is inherently self-centered, indifferent to organizational needs.
4. He is by nature resistant to change.
5. Working method of the people is generally traditional and hence there is little scope for the development and research.
6. People would be passive without active intervention by management. Hence they must be persuaded, rewarded, punished and properly directed.
7. He is gullible, not very bright.

Theory Y – As a result of many psychological and social researches Mc Gregor developed an opposing theory- theory Y. according to Mc Gregor, Theory Y is based on the following assumptions

1. Work is natural as play or rest, provided the conditions are favorable. The average human being does not inherently dislike work.
2. External control; and the thrust of punishment are not the only means for bringing about efforts towards organizational objectives. Man will exercise self direction and self control in the service of objectives to which he is controlled.

3. Commitment to objectives is a result of the rewards associated with their achievement.

4. The average humans being, under proper conditions learn not only to accept responsibility but also to seek it.

5. He has capacity to exercise a relatively high degree of imagination, ingenuity and creativity in the solution of organizational problems in widely, not narrowly distributed in the population.

6. Under conditions of modern industrial life the intellectual potentialities of people are only partially utilized.

Difference between Theory X and Theory Y

	Theory X	Theory Y
1	Theory X assumes human beings inherently dislike work and arte dissatisfied with towards work.	Theory Y assumes that work is as natural as play or rest
2	Theory X emphasizes that people do not have ambition and they shrink responsibility.	Theory Y assumes just reverse. Given proper conditions, people have ambitions and accept responsibility.
3	Theory X assumes that people in general have little capacity for creativity.	According to Theory Y, the creativity is widely distributed in the population.
4	According to Theory X, people lack self motivation and require be externally controlling and closely supervising in order to get maximum output.	In Theory Y people are self directed and creative and prefer self control.
5	Theory X emphasizes upon centralization of authority in decision making process	Theory Y emphasizes the decentra-lization and greater participation in decision making process.

Herzberg's Two Factor Theory (Motivation – Hygiene Theory)

The motivation – hygiene theory was proposed by Fredrick Herzberg, a well known psychologist, in 1959. According to Herzberg, there are two separate factors that influence motivation. They are (i) hygiene or maintenance factors and (ii) motivational factors.

Hygiene Factors – They are also called as dissatisfiers. The presence of these factors will not motivate people in an organization. Otherwise dissatisfaction will arise. Herzberg called these factors as maintenance factors because they are necessary to maintain a reasonable level of satisfaction in the employees. Any increase beyond this level will not provide any satisfaction to the employees; however, any cut below this level will dissatisfy them.

Motivation Factors – These factors are satisfiers. These are a set of job conditions which operate primarily to build strong motivational factors. According to Herzberg, the six motivational factors motivate the employees are achievement, recognition, advancement, challenging work, possibilities for growth and responsibility.

However, Herzberg model is not applied in all conditions. The classification as maintenance and motivating factors can only be made on the basis of level of persons' need satisfaction and relative strength of various needs.

Maslow's Need Hierarchy Theory

Abraham Harold Maslow, an eminent US psychologist, gave a general theory of motivation known as Need Hierarchy Theory in 1943. According to him, there seems to be a hierarchy into which human needs are arranged. The needs are as follows

1. **Physiological Needs** – these needs are related to the survival and maintenance of life. These include hunger, thirst, shelter, sex and other bodily needs.
2. **Safety or Security Needs** – These consist of physical safety against murder, fire accident, security against unemployment etc.
3. **Social or Love Needs** – these needs are also called as affiliation needs. These consist of need for love, affection, belonging or association with family, friends and other social groups.
4. **Esteem or Ego Needs** – The esteem needs are concerned with self respect, self confidence, feeling of personal worth, feeling of being unique and recognition. Satisfaction of these needs produces feeling of self confidence, prestige, power and control.
5. **Self Actualization or Self Fulfillment Needs** – Self actualization is the need to maximize one's potential, whatever it may be. It is the need to fulfill what a person considers to be his real mission in life. It helps in individual to realize one's potentialities to the maximum.

Mc Clelland's Achievement or Need Theory

David C Mc Clelland, a Harvard psychologist, has proposed that there are three major relevant motives, most needs in work place situations. According to him, the motives are

1. The Need for Achievement i.e., strives to succeed.
2. The Need for Affiliation i.e., warm relationship with others.
3. The Need for Power i.e., controls other people.

According to Mc Clelland, every motive is acquired except striving for pleasure and avoiding pain. He proposed that people acquire these needs for achievement, power and affiliation through experiences over the time. On the job, people are motivated by these needs, and the manager can learn to recognize these needs in workers and use them to motivate behavior.

Mc Clelland used the Thematic Apperception Test (TAT) to study human needs. The TAT process involves asking respondents to look at pictures and write stories about what they see in the pictures. The stories are then analyzed to find certain themes that represent various human needs.

Management By Objectives (MBO)

MBO is both a philosophy and approach of management. It isa process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates, assess the contribution of each individuals, and integrate individuals with the organization so as to make he best use of organizational resources. Thus MBO is a system for integrating managerial activities.

According to Koontz and O' Donnel, "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner, consciously directed towards the effective and efficient achievement of organizational objectives"

Features of MBO

The following are the important features of MBO

1. MBO is an approach and philosophy to management and not merely a technique.
2. MBO gives emphasis opn objectives.
3. MBO is concerned with the participation of concerned managers I objective setting and performance reviews.
4. MBO reviews performance periodically.
5. Objectives in MBO provide guidelines for appropriate systems and procedures.
6. MBO establishes a community of interest and a shared sense of vision among all the managers.

Process of MBO

The following are the stages involved in the MBO process

1. Setting of organizational objectives

    The first step in MBO is the definition of organizational objectives and purpose. Usually the objective setting starts at the top level of organization and moves downward to the lowest managerial levels. The setting objective include defining the purpose of organization, long range and short range organizational objectives, divisional or departmental objective an d individual manager's objectives.

2. Identification of Key Result Areas

    Organizational o0bjectves provide the basis for the identification of Key Result Areas(KRAs). KRAs are derived from thr expectations of various stakeholders and they indicate the priorities for organizational performance such as profitability, market standing, innovation, productivity, social responsibility etc.

3. Setting subordinates' objectives

The achievement of organizational goals is only possible through individuals. So each individual manager must know in advance what he is expected to attain. Every manager in the managerial hierarchy is both superior and subordinate (except the managers at top and bottom level). The process of objective setting begins with superior's proposed recommendations for his subordinate's objectives. In turn, the su8bordinate state his own objectives as perceived by him. Thereafter the final objectives for the subordinates are set by the mutual negotiation between superiors and subordinates.

4. Matching resources with objectives

Resource availability is an important aspect of objective setting because it is the proper application of resources which ensures objective achievement. So there should be a matching between objectives and resources.

5. Appraisal

Appraisal tries to measure whether subordinate is achieving his objective or not. Appraisal is undertaken as an on-going process with a view to find out deficiency in the working and also to remove it promptly in order to attain the objectives of organization.

6. Recycling

Though appraisal is the last aspect of MBO process, it is used as an input for recycling objectives and other actions. Recycling process include setting of objectives at various levels, action planning on the basis of those objectives and performance review. Each of these three aspects gives base for others. This process goes on a continuous basis.

Benefits of MBO

The benefits of MBO can be seen as follows

1. MBO helps in better managing the orgaisational resources and activities.
2. Since organizational objectives are defined very clearly in MBO, they help in relating the organization with its environment.
3. MBO provides greatest opportunity for personnel satisfaction because opf their participation in objective setting and rational performance appraisal.
4. MBO stimulates o9rganisational change and provides a frame work and guidelines for organizational change.

Problems and Limitations of MBO

Each organization is likely to encounter specific problems in MBO practice but some of the common problems are as follows

1. MBO is a time consuming and costly process
2. Manager's failure to teach MBO philosophy
3. Problems in objective setting
4. more emphasis on short term objectives
5. Danger of inflexibility in the organization in a dynamic environment
6. MBO creates frustration among managers

In spite of thee obstacles and problems in MBO, it continues to be a way of managing organization.

Performance Management

Performance management (PM) includes activities that ensure that goals are consistently being met in an effective and efficient manner. Performance management can focus on the performance of an organization, a department, employee, or even the processes to build a product or service, as well as many other areas.

This is used most often in the workplace, can apply wherever people interact — schools, churches, community meetings, sports teams, health setting, governmental agencies, and even political settings - anywhere in the world people interact with their environments to produce desired effects.

Armstrong and Baron defined Performance Management as a "strategic and integrated approach to increasing the effectiveness of organizations by improving the performance of the people who work in them and by developing the capabilities of teams and individual contributors."

It may be possible to get all employees to reconcile personal goals with organizational goals and increase productivity and profitability of an organization using this process. It can be applied by organisations or a single department or section inside an organisation, as well as an individual person. The performance process is appropriately named the self-propelled performance process (SPPP)

Advantages of performance management

1. **Performance based conversations**

Managers get busy with day-to-day responsibilities and often neglect the necessary interactions with staff that provide the opportunity to coach and offer performance feedback. A performance management process forces managers to discuss performance issues. It is this consistent coaching that affects changed behaviors.

2. **Targeted Staff Development**

If done well, a good performance management system can be a positive way to identify developmental opportunities and can be an important part of a succession planning process.

3. **Encouragement to staff**

Performance Appraisals should be a celebration of all the wonderful things an employee does over the course of a year and should be an encouragement to staff. There should be no surprises if issues are addressed as they arise and not held until the annual review.

4. **Rewards staff for a job well done**

If pay increases and/or bonuses are tied to the performance appraisal, process staff can see a direct correlation between performance and financial rewards.

5. **Underperformers identified and eliminated**

As hard as we try, it is inevitable that some employees just won't "cut the mustard" as they say. An effective performance management process can help identify and document underperformers, allowing for a smooth transition if the relationship needs to be terminated.

6. **Documented history of employee performance**

It is very important that all organizations keep a performance record on all employees. This is a document that should be kept in the employee's HR file.

7. **Allows for employee growth**

Motivated employees value structure, development and a plan for growth. An effective performance management system can help an employee reach their full potential and this is positive for both the employee and manager. A good manager takes pride in watching an employee grow and develop professionally.

Disadvantages of Performance Management

1. **Time Consuming**

It is recommended that a manager spend about an hour per employee writing performance appraisals and depending on the number of people being evaluated, it can take hours to write the department's performance appraisal but also hours meeting with staff to review the performance appraisal.

2. Discouragement

If the process is not a pleasant experience, it has the potential to discourage staff. The process needs to be one of encouragement, positive reinforcement and a celebration of a year's worth of accomplishments. It is critical that managers document not only issues that need to be corrected, but also the positive things an employee does throughout the course of a year, and both should be discussed during a performance appraisal.

3. Inconsistent Message

If a manager does not keep notes and accurate records of employee behavior, they may not be successful in sending a consistent message to the employee. We all struggle with memory with as busy as we all are so it is critical to document issues (both positive and negative) when it is fresh in our minds.

4. Biases

It is difficult to keep biases out of the performance management process and it takes a very structured, objective process and a mature manager to remain unbiased through the process.

Understanding and Managing Group Process

Group and Group Dynamics

Groups exist in every organization and they affect the behavior of their members. Many groups may be created for specific purposes in the organization. Besides this, there may be groups not created by the organization but are created by the people themselves. These groups become essential for functioning of the organization.

A group mat be defined as "the aggregate of small number of persons who work for common goals, developed a shared attitude, and aware that they are part of a group"

Group dynamics refers to the study of forces operating within a group. Group dynamics is defined in different ways. First, it describes how a group should be organized and operated. Second, group dynamics consists of a set of techniques such as role playing, sensitivity training etc. third, it deals with internal nature of groups, ther formation, structure and processes, and the way they affect individual members, other groups and the organization as a whole.

Group Process

Group process is the process that goes on within a group. A process can be defined as the method used by the leaders to convert the inputs int finished goods. A group process consists of the following five stages

1. Forming – when a group is initially formed, its members cannot accomplish much until they agree on what their purpose is, how they will work together and so on. In this stage, the focus is on the interpersonal relations among the members. The members assess one

another with regard to trustworthiness, emotional comfort and evaluative acceptance. Thus this stage is characterized by a great deal of uncertainty about the group's purpose, structure and leadership.

2. Storming – The storming stage is one of inter group conflict. Members accept the existence of the group, but resist the constraints, the group imposes on individuality. Further there is a conflict over who will control the group.

3. Norming – In this stage, close relationships develop and the group demonstrates cohesiveness. A new leader may emerge or the existing leader may become more aware of how much others in the group contribute.

4. Performing – The fourth stage is performing. The structure at this point is fully functional and accepted. Group energy has moved from nth setting to know and understand each other to performing the task at hand. Members' attention is directed to self-motivation and the motivation of other group members for task accomplishment.

5. Adjourning – For permanent work groups performing is the last stage in their development. However, for temporary groups there is an adjourning stage. In this stage, the group prepares for its disbandment and attention is directed towards wrapping up activities.

Work Group

A work group is a group that interacts primarily to share information and to make decisions to help each member to perform within his area of responsibility.

Characteristics of a work group

According to Rensis Likert, the important characteristics of an effective work group are as follows

1. The members are skilled in all leadership and membership roles.
2. The members of the group are attracted to it and are loyal to its members including the leader.
3. The members and leaders have a high degree of confidence and trust in each other.
4. The values and goals of the group are a satisfactory combination and expression of the relevant values and needs of its members.
5. The group is eager to help each member to develop to his full potential.
6. All the interaction, problem solving, decision making activities of the group occur in a supportive atmosphere.
7. Each member accepts willingly and without dislike the goals and expectations that the individual and the group establish for themselves.

8. The leader and members believe that each group member is possible to accomplish the objectives.

9. The supportive atmosphere of the highly effective group stimulates creativity.

10. There is high motivation in the group to use the communication process so that it best serves the interests and goals of the group.

Work Group Behavior and Productivity

As groups function and interact with other group[s, they develop their own unique set of characteristics including structure, cohesiveness, roles, norms and processes. As a result, groups may co-operate or compete with other group, and inter group competition can lead to conflict.

While people work in groups they develop ways of thinking and behaving that are different from their individual behavior which is required to perform job. They may do more or less work than they are supposed to do and different ways which is prescribed. Each member of the group contributes something towards the accomplishment of the common goal.

Work group cohesiveness affects productivity. The productivity of members of work group tends to be more uniform. This is due to high group cohesiveness, promotes high control over the level of production of the individual member and reduces the variation among those members. The relationship of cohesiveness and productivity depend upon the level of group's attitude towards organizational goals.

Team Creation and Management

A team is relatively permanent work group whose members must co-ordinate their activities to achieve one or more common objectives. As achievement of team's objectives requires co-ordination, team members depend on one another and must interact regularly. A work team generates positive synergy through co-ordinate effort. Teams have far-reaching impact in the today's work place. They have become an essential part of the way business is being done. A team is a group, but only some groups have the high degree of interdependence and commitment to success we associate with a team.

Types of Teams

On the basis of its objectives team can be classified as follows

1. **Problem solving teams** :Problem solving teams consist of groups of five to ten employees from the same department who meet for a few hours each week to discuss ways of improving quality, efficiency and the work environment.

2. **Self- managed work teams :** A self managed team includes collective control over the pace of work, determination of work assignments, and organization of breaks and collective choice of inspection procedures.

3. **Cross functional teams :** Cross functional teams are made up of employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task.

Difference Between Work Groups and Teams

Work Groups	Teams
Individual accountability	Individual and mutual accountability
Come together to share information and perspectives	Frequently come together for discussion, decision making, problem solving, and planning.
Focus on individual goals	Focus on team goals
Produce individual work products	Produce collective work products
Define individual roles, responsibilities, and tasks	Define individual roles, responsibilities, and tasks to help team do its work; often share and rotate them
Concern with one's own outcome and challenges	Concern with outcomes of everyone and challenges the team faces
Purpose, goals, approach to work shaped by manager	Purpose, goals, approach to work shaped by team leader with team members

Team Management

Team management refers to techniques, processes and tools for organizing and co-ordinating a group of individuals working toward a common goal. Modern managers should possess the essential skills like the ability to work with other functional talents in teams and lead, not by authority of command, but by expertise.

MODULE 4
ETHICS, CULTURE AND VALUES

Ethics

Ethics is not recent phenomenon. Ethical codes have been prepared along with the development of human civilization. In olden days, people might have found some of their actions was wrong and others right. The question what is right and what is wrong gave birth to ethical and unethical codes.

The word ethics is derived from the Greek word 'Ethikos' and Latin word 'Ethicus' mean custom or character. The concept of ethics deals with human beings. So it is a social science. Ethics is a branch of philosophy and is considered as normative science because it is concerned with norms of human beings.

In the words of Peter.F.Drucker, "Ethics deals with right actions of individuals"

Ethics includes the following

1. Well based standards: Ethics refers to well based standards of right and wrong that prescribe what humans ought to do

2. Study and development of one's ethical standards: Ethics refers to the study and development of one's ethical standards.

Culture

Culture is the man made part of the environment which provides a comprehensive frame work for understanding the way of life of a person, his beliefs, values, norms, behavior etc. Culture is one of those terms that are difficult to express clearly, but everyone knows it when they sense it. Our behavior is driven by three forces:

1. Human Nature: this is inherited and universally shared across all human cultures

2. Culture: Our collective programming which is learned, not inherited

3. Personality: Personality is the additional unique set of mental programme not shared with other human beings. It is partly inherited and partly learned.

    Organization culture is the [personality ogf the organization. Culture is comprised of the assumptions, values, norms and tangible signs of organization's members and their behaviors.

Kinds of Cultures

1. Strong Culture: in strong culture, the conceptual principles or values are translated very directly into people's day to day lives. For example, the military has a definite set of values and very strong culture. They are enforced through external rules and regulations as well as internal education.

2. Weak Culture: some have a set of generally accepted conceptual values, yet these do not really translate to daily life. For example, religious values in western countries.

Values

The word value is derived from French word 'valoir' which means worth, merit, usefulness or importance of a thing. Values are traits or qualities that are considered valuable. They represent an individual's highest priorities and deeply held driving forces.

A broad definition of *values,* derived from an insight into ancient India's psycho philosophical wisdom literature is "Values are states of feelings/emotions that underpin the content of a choice/decision and determine the manner of using the intellect/reason for justifying and implementing that choice/decision."

The study of values is fundamental in managing an organization's behavior.

Characteristics of Values

1. Values represent an individual's highest priorities and deeply held driving forces
2. Values are the hub of personality and is powerful force affecting behavior
3. Value varies according to time
4. Many values are relatively constant and durable
5. It contains a judgment element
6. Everyone does not hold the same values

Indian Ethos

Ethos can be defined as "the moral ideas and attitudes that belong to a particular group or society". Indian Ethos is all about what can be termed as "national ethos".

The Indian ethos is the results of Hindu way of life. Indian life has four fundamental goals (Purushartthas) such as Dharma, Artha, Kama and Moksha. To fulfill these goals human life is divided into four stages namely Brahmacharya, Grahasthasrama, Vanaprastha and Sanyasrama. To achieve the purusharthas, the Indian philosophy states three fundamental ways. They are Karma (Action), Bhakthi (Devotion) and Jnana (Knowledge). An individual can select a particular mraga which depends upon the degree and level of his psychological and spiritual evolution, his Pravirthi, Samskara (Culture), Vasana (Passion), and his Gunas. A man has Gunas namely Satva (the enlightening force), Rajas (the kinetic force) or Tams (dark force).

The Indian ethos consists of:

1. Spirit and matter: Indian ethos [places emphasis on both spirit and mater. Both these are interlinked in holistic approach. This means that man is permitted to enjoy both internal as well as external quality of life.

2. Relationship between man and universe: Indian ethos emphasizes the holistic aspect between men and cosmic. There is intimate relationship between man and universe, between men and nature. This view states that all human beings and nature are inter connected and interdependent.

3. Co- Operation: Indian ethos stresses on co-operation amongst other at work and otherwise. Excessive competition within the organization and organization to organization has destroyed many young minds and family life. Co-operation, mutual trust and respect, joint efforts and team spirit can lead an all round prosperity and success to everyone.

4. Self management: Indian ethos states that man should be able to control himself before he controls others. So every manager must manage himself before controlling his subordinates. He must know what are his strengths, weakness, dreams, goals and ambitions.

5. Meditation: Excellence in work can be achieved through Yoga. Meditation helps to concentrate and to solve many complicated problems of the organizations. Mediation results in calm mind which helps one to focus on problems in a clearer frame of mind.

6. Dharma: As per Indian philosophy Dharma means duty. It stands for all those ideals, philosophies, purposes, influences, teachings and experiences that shape our character. Every organization is required to follow its own dharma.

7. The spirit of sacrifice: Renunciation results in mental peace, inner growth and spiritual growth. It results in a higher level of consciousness.

Indian Ethos in Management (IEM)

Formally, the body of knowledge which derives its solutions from the rich and huge Indian system of ethics (moral philosophy) is known as Indian Ethos in Management (IEM). Is IEM some kind of Hindu concept of management? Certainly not. Management is behavioral science and it has to be culture specific. IEM has as its basis, the culture base of India and as a country whose culture has its roots in religion - it does draw its lessons from the religions of the land - be it Hinduism, Buddhism, or any other.

The salient ideas and thoughts of Indian Ethos in Management revealed by our ancient scriptures are:

1. *Atmano Mokshartham, Jagat hitaya cha*: All work is an opportunity for doing well to the world and thus gaining materially and spiritually in our lives

2. *Archet dana manabhyam*: Worship people not only with material things but also by showing respect to their enterprising divinity within.

3. *Atmana Vindyate Viryam*: Strength and inspiration for excelling in work comes from the Divine, God within, through prayer, spiritual readings and unselfish work.

4. *Yogah karmashu Kaushalam, Samatvam yoga uchyate*: He who works with calm and even mind achieves the most.

5. *Yadishi bhavana yasya siddhi bhavati tadrishi*: As we think, so we succeed, so we become. Attention to means ensures the end.

6. *Parasparam bhavayantah shreyah param bhavapsyathah*: By mutual cooperation, respect and fellow feeling, all of us enjoy the highest good both material and spiritual.

7. *Tesham sukhm tesham shanti shaswati*: Infinite happiness and infinite peace come to them who see the Divine in all beings.

8. *Paraspar Devo Bhav*: Regard the other person as a divine being. All of us have the same consciousness though our packages and containers are different.

Basic principles of Indian Ethos for Management (IEM):

`   The following are the six principles of Indian Ethos for management:

1. Basic principles:

    (a) Tat Tvam Asi : You are the supreme that everybody can make himself a genius.

    (b) Aham Brahmasmi : I have immense potential. I can make the impossible possible.

2. Why Work?

    Atmano Mokshartham, Jagat Hitaya Cha: For my personal growth and for the welfare of the world.

3. What is work?

    (a) Yagnaya Charatah Karma- work is to be done with the spirit of Yagna (Team work, selflessness)

    (b) Parasparam Bhavayantah –Nurture each other(Win – win Approach)

4. How to work?

    Seva and Tyag –Serve others and give your best for the good of other.

5. Spirit of Work

    Yogah Karmasu Kaushalam –Dexterity and excellence in action is yoga.

6. The Resources:

    (a)Sukshma or subtle subjective, intangible factors are equally important than Sthula or gross, concrete tangible factors. One must develop one's Third eye, Jnana Chaksu, the Eye of Wisdom, Vision, Insight and Foresight. Inner resources are much more powerful than outer resources. Divine virtues are inner resources. Capital materials and Plant & Machinery are outer resources.

    (b) Karma – Kshetra is Dharma. Kshetra implies that one should treat the work place as sacred and keep it clean and bring in orderliness and cleanliness.

Indian Ethos and Value system

Values can be defined as certain attitudes and beliefs that a person follows in his conduct. Those standards as per which an individual judges his own actions, whether he is right or wrong can be called as values. Value system comprises of all those believes and viewpoints that the parents pass on their next generation, they further pass it on to their offspring and so, the legacy goes on and on.

Value system indicates a hierarchy based on ranking of an individual's values in terms of their intensity. A well defined value system is a moral code. Indian Ethos inculcates good value system among individuals.

Value Based Indian Ethos in Management

Principles of Indian ethos in management are universally applicable and it is value based. Indian ethos in management can help an effective and holistic pattern of management which will assure all round growth in productivity, marketing and profitability. The work life of an organization is very much influenced by the ethical and moral values prevalent in the organization. But, a number of institutions all over the world are not giving much importance to the values. Values and dedications automatically bring skill.

Model of Management in Indian socio political environment

The vital canons of Indian model of management are human values and holism. Human values refer to spiritual, ethical and moral values. These values act as foundation for thoughts, action, skills and behavior. It will help to shape good character. These values help to create a good man, an excellent manager and a high quality organization. Inculcation of values in the mind of people will help to eradicate pollution from their minds. Holism means oneness or unity. The development of an individual's personality depends upon the harmonious growth and development of every part such as soul, mind and mental power. All these parts are interconnected, interrelated and interdependent. If there is unity or holism there is no conflict and disharmony.

Indian model of management is value driven holistic approach. It is much better than western model of management. The main results seen in the countries where the western model of management is in practice is the economic progress accompanied by unforeseen social breakdown and moral disorientation. There is an incredible increase in criminality. Western management is rooted in extreme individualism and has resulted in the emergence of ill developed societies. Value-Oriented Holistic management is the essence of the Indian Management thought which has been enriched by the rich Indian heritage and culture; the way we have looked at life over the ages.

The Indian ethics model emphasizes on holistic development. It provides a new model for the further development of human society. The intellectual foundation of the Indian model could be traced to three fundamental theories from Indian scriptures namely the Panchakosas Theory, the Purushartha Theory and Theory of Gunas.

Work Ethos

Work ethos or work culture refers to certain norms or behavior governing the conduct of workers involved in a work situation to achieve the organizational objectives. It is the involvement of workmen with work. The factors, responsible for poor work culture in the organization is as follows:

1. Lack of commitment
2. Lack of discipline
3. Pitiable working conditions
4. Outside political interference in the organization
5. High rate of absenteeism
6. Deterioration of general moral standards
7. Lack of recognition of merits by top management.

Indian Heritage in Production and Consumption

India has a very rich culture and heritage. The Indian civilization not only agriculture based, but there was also flourishing trade and commerce both inside and outside the country. It had contributed much to the world of business in different fields. In the earlier days, Indian economy was totally based on agriculture. People used to produce whatever they required for their self consumption, but later on needs of the people increased and consequently production was also increased. Gradually, people began to specialize in producing some items for their daily use and did not have skills and time for producing other items of their use.

After independence India has achieved great progress in the field of business and trade. In fact, India has a very rich heritage in trade and commerce, even during the past. The Indian Heritage of production and consumption can be discussed under three different phases.;

1. Ancient period [up to 750AD]

1. Farming and agriculture – Tree plantation and cultivation of food crops where very much prevalent in ancient India. People where experts in raising crops of wheat, rice, gram , pulses, sugarcane, cotton , pepper and ginger in growing fruits like pine apple , oranges and mangoes.

2. Exchange System – In ancient period, Trade was mostly practiced under Barter system, but difficulty in handling goods and fixing the exchange value of goods lead to the use of some common items like shells , food items etc. as medium of exchange. In 1835, the East India Company introduced Rupee as a medium of exchange.

3. Industry, Trade and commerce – India had flourished trade with Babylonia, Egypt, Greece and Rome in 6th Century BC. Since 7th Century AD India developed Trade contacts with Arabs. The Arabs gradually became a link between India and Europe. Ship Building has been a great Industry in India.

4. Guild System – Guilds were the association of business men having common objectives. They had their own rules and regulations to carry on the business honestly and smoothly. The behavior of the guild members were controlled through a Guild court.

2**. Medieval Period [750 to 1757AD]**

1. Trade routes – India has been well connected through roadways in earlier time also. The networks of trade routes indicate the extent to which places in the deep interior where involved in inter regional exchange of commodities.

2. Administration – Administration of medieval India was excellent. Land revenue and tax system by Emperor Akbar were well devised leaving no room for the citizen to complain.

3. Business – During this period India Excelled in the art of Perfume making so much, so that many Europeans came to India to learn those techniques of preparing Perfumes from natural flowers. With the expansion o f trading activities in the Islamic World, India acquired an added importance for West Asian countries

3. Modern Period

1. Railways – Railway revolutionized the Indian Transport System. This mode of transportation opened new frontiers for business at distant locations.

2. Post and Telegraph – during the same period Telegraph was introduced in India which played a major role in breaking th barriers of time and distance.

3. Industrial Revolution – Industrial revolution occurred in Great Britain during the second half of the 18th century. Labor was transferred from the production of primary products of the production of manufactured goods and services.

4. Moden industries in India – During the second half of 19th century, a few modern industries where introduced in India, which were fully owned and controlled by British companies. Although some industries were owned by Indian, but they could not developed fast due to lack of support from the British government.

Due to the growth of towns and cities, and rise in urban population, the demand for the products also increased. This contributed to the growth of trade and various auxiliaries to trade like banking, insurance, warehousing, communication etc. Different forms of business organizations like sole proprietorship, partnership and co-operative societies were very much prevalent in India. After Independence, Government of India took over the responsibility of promotion of trade, Industry and commerce. Government formulated five year plans for overall economic growth of the country.

MODULE 5
BUSINESS ETHICS

Business ethics is nothing but the application of ethics in business. Business ethics is the application of general ethical ideas to business behavior. Ethical business behavior facilitates and promotes good to society, improves profitability, fosters business relations and employee productivity. The concept of business ethics has come to mean various things to various people, but generally it's coming to know what it right or wrong in the workplace and doing what's right - this is in regard to effects of products/ services and in relationships with stakeholders.

Business ethics is concerned with the behavior of a businessman   in doing a business. Unethical practices are creating problems to businessman and business units. The life and growth of a business unit depends upon the ethics practiced by a businessman. Business ethics are developed by the passage of time and custom. A custom differs from one business to another. If a custom is adopted and accepted by businessman and public, that custom will become an ethic. Business ethics is applicable to every type of business. The social responsibility of a business requires the observing of business ethics. A business man should not ignore the business ethics while assuming social responsibility. Business ethics means the behaviour of a businessman while conducting a business, by observing morality in his business activities.

According to Wheeler Business Ethics is an art and science for maintaining harmonious relationship with society, its various groups and institutions as well as reorganizing the moral responsibility for the rightness and wrongness of business conduct.

According to Rogene. A. Buchholz , "Business ethics refers to right or wrong behaviour in business decisions ".

Business Ethics or Ethical standards are the principles, practices and philosophies that guide the business people in the day today business decisions. It relates to the behaviour of a businessman in a business situation. They are concerned primarily with the impacts of decisions of the society within and outside the business organizations or other groups who keep interest in the business activities . Business ethics can be said to begin where the law ends. Business ethics is primarily concerned with those issues not covered by the law, or where there is no definite consensus on whether something is right or wrong

IMPORTANCE OF BUSINESS ETHICS

There may be many reasons why business ethics might be regarded as an increasingly important area of study, whether as students interested in evaluating business activities, or as managers seeking to improve their decision-making skills.

It is generally viewed that good business ethics promote good business.

1 The power and influence of business in society is greater than ever before. Business ethics helps us to understand why this is happening, what its implications might be, and how we might address this situation.

2 Business has the potential to provide a major contribution to our societies, in terms of producing the products and services that we want, providing employment, paying taxes, and acting as an engine for economic development and thereby increases the goodwill.

3 Business malpractices have the potential to inflict enormous harm on individuals, on communities and on the environment. Through helping us to understand more about the causes and consequences of these malpractices, business ethics helps to create mutual trust and confidence in relationship.

4 The demands being placed on business to be ethical by its various stakeholders are constantly becoming more complex and more challenging. Business ethics provides the means to appreciate and understand these challenges more clearly, in order that firms can meet these ethical expectations more effectively.

5. Business ethics can help to improve ethical decision making by providing managers with the appropriate knowledge and tools that allow them to correctly identify, diagnose, analyse, and provide solutions to the ethical problems and dilemmas they are confronted with.

6 A business can prosper on the basis of good ethical standards and it helps to retain the business for long years.

7 Business ethics can provide us with the ability to assess the benefits and problems associated with different ways of managing ethics in organizations.

8 In the age of complexity in business fileds , competition is increasing day by day Good ethical standard helps the business to face the challenges

CHARACTERISTICS OF BUSINESS ETHICS

The following are the important features of business ethics:-

1. Business ethics are the principles, which govern and guide business people to perform business functions and in that sense business ethics is a discipline

2. It is considered both as a science and an art.

3. It continuously test the rules and moral standards and is dynamic in nature

4. It is based on theological principles such as sincerity, human welfare, service, good behavior etc.

5. It is based on reality and social customs prevailing in business environment.

6. It studies the activities , decisions and behavior which are related to human beings

7. It has universal application because business exists all over the world

8. Many of the ethical principles develop the personal dignity

9. Business ethics keeps harmony between different roles of businessman, with every citizen, customer, owner and investors.

PRINCIPLES OF BUSINESS ETHICS

The Principles of business ethics developed by well known authorities like Cantt, J. S.Mill, Herbert Spencer, Plato, Thomas Garret, Woodrad, Wilson etc are as follows

1. **Sacredness of means and ends** : The first and most important principles of business ethics emphasize that the means and techniques adopted to serve the business ends must be sacred and pure.It means that a good end cannot be attained with wrong means, even if it is beneficial to the society.

2. **Not to do any evil**: It is unethical to do a major evil to another or to oneself , whether this evil is a means or an end.

3. **Principle of proportionality**: This principle suggests that one should make proper judgment before doing anything so that others do not suffer from any loss or risk of evils by the conducts of business.

4. **Non co-operation in evils**: It clearly points out that a business should with any one for doing any evil acts . that

5. **Co-operation with others** This principles states that business should help others only in that condition when other deserves for help

6. **Publicity**: According to W. Wilson, anything that is being done or to be done, should be brought to the knowledge of everyone. If everyone knows, none gets opportunity to do an unethical act.

7. **Equivalent price**: According to W. Wilson , the people are entitled to get goods equivalent to the value of money that he will pay.

8. **Universal value**: According to this principle the conduct of business should be done on the basis of universal values**.**

9. Human dignity: As per this principle , man should not be treated as a factor of production and human dignity should be maintained.

10. **Non violence** : If businessman hurts the interests and rights of the society and exploits the consumer by overlooking their interests this is equivalent to violence and unethical act.

RELEVANCE OF VALUES IN MANAGEMENT

In the growing age of complexities corporate must attach great importance to customer values, shareholder values, employee values, societal values and leadership values. According to Dr. Athreya "value based management is a good recipe for long-term success of a corporate. Living on principles and values is a must for every corporate manager "

Values and ethics are the key elements for the success of a business. Organization is just a composite of individuals and that the values of the organization are only a derivative and inference from the collective value of individuals. Human values based on spiritual reality constitute the bedrock and foundation to build the ethical and moral edifice of management on top.

Management must work continuously to develop organizational values. Excellent organizations must have values and it is the duty of management to shape values that are service oriented and ethical. Values are previous reminders that the individual obey to bring order and meaning into their personal values. Without values there is no guideline for direction. The key ingredient of any culture is values. Often misunderstood, values are simply preferences and priorities, which reflect what's more important. In all organizations, values are at work every day.

If an organization values profit, productivity and quality it will prefer to operate in a way that prioritizes action and behavior that reflects those values. Another organization that values innovation, research and learning will prefer to operate in a way that prioritizes action and behavior that reflects those values. For either organization, if the values that are influencing daily behavior and actions are not aligned with the strategies then their performance and results will suffer.

ETHICAL MANAGEMENT

To create an ethical organization certain steps are to be taken. Ethical or unethical behavior of individual employees is influenced in the workplace both by their own moral development and the influence that the organization culture exerts on them. They are influenced by a group of forces that surround them such as their peers, their supervisors, and superiors, the reward system, group norms , company values and policies and the manner of their implementation. Ethical behavior can be developed and managed in a number of ways. The pivotal role to manage and develop ethical behavior among employees lies with the human resource management of that organization. Human resource management department can execute this through training, communication and discipline. The big organizations which are ethically committed, assign the primary task of managing and monitoring ethical behavior to HRM department. In some other organizations, there may be ethics officers who are entrusted with the responsibility to bring ethics and managed ethics in every endeavor of their organization.

STRUCTURE OF ETHICS MANAGEMENT

Every one who is entrusted to manage ethics in this organization is bound to prepare a sound ethical programme which should include the following components:-

1. Formal code of conduct

2. Ethics committee

3. Ethical communication

4. An Ethic office with Ethical officers

5. Ethics Training Programme

6. A disciplinary system

7. Establishing an ombudsperson.

8. Monitoring

1. Code of conduct

Several organizations that have undertaken to implement ethical behavior at their workplaces have started the process with developing and implementing codes of conduct for their employees. Codes of conduct are statements of organizational values. It comprises of three elements such as a code of ethics, a code of conduct and statement of values. a code of conduct is a written document, inspirational in contents and specifies clearly what is acceptable or unacceptable behavior at workplace and beyond ,when the employees represent their organizations outside. In general the code should reflect the managements desire to incorporate the values and policies of the organization. The statement of values envisages by the management to serve the public and normally addresses the stakeholders groups.

Code of Ethics

Every time a new business is launched anywhere in the world , whether a one man operation or a full blown brick – and- mortar corporate enterprise, the owners must adopt a code of ethics for the business. For small businesses the code is usually unwritten. And sometimes not even discussed and decided upon, but still a code exists. Larger businesses often have written codes of ethics and employees are twined in them and required to adhere to the code. A code of ethics is a buzzword to employees to observe ethical norms and forms the basis for rules of conduct. It is comprehensive enough to cover the entire scheme of organizational ethics expected to be followed by everyone in the company. It usually specifies methods for reporting violations, disciplinary action for violations and a structure of the due process to be followed.

A code of ethics in business is just as important as a sound marketing plan, a solid financial strategy, and an organized business plan.

A code of ethics must summarize the beliefs and values of the organization. Those beliefs and values should become internalized by all employees and used regularly in all business practices, no matter the type of business. Owners of businesses that routinely engage in unethical practices cannot help but pass those values and principles along to the other people working in the business. Small businesses suffer even more, because unethical behavior and actions are easier for customers to take notice of. Once customers become aware that a business does not have high ethical ideals, they will take their business elsewhere.

Codes of ethics vary among businesses, and also from one country to another,. When business grows large enough to expand its operations into other countries, It is critical to hire talent to assist in training existing personnel with regard to the integrity, understanding, responsibility, and cultural norms of the country where the new operation is located. All employees must be treated equally, and any issues of inequality must be dealt with quickly, fairly, and in a manner that is satisfactory to all.

Today, more than ever before, consumers pay a great deal of attention to corporate governance and proper behavior of businesses and their owners. Because the marketplace is flooded with numerous variations of the same businesses, promises must be fulfilled and the price and quality of products must be equal to what is advertised, or another business will step into deliver. Therefore a code of ethics where unarticulated or formally documented – is vital to ensuring that a business will succeed.

A code of ethics that is both defines and acted upon is part of the business culture of every successful business, and must become the mantra of every business owner. Growing a flourishing business through the use of sound ethical principles will reap not only the benefits of grown and prosperity, but also the satisfaction of being able to sleep soundly at night.

2. Ethics committee

Ethics committee is formed in many organizations. They are wholly devoted at work places. These committees can rise concerns of ethical nature; prepare or update code of conduct, and resolve ethical dilemma in organizations. they formulate ethical policies and develop ethical standards. The committee evaluates the compliance of the organization with these ethical norms. The members of the ethical committee should be selected from those persons who have knowledge in their industry, their code of ethics and community standards. The committee members are also conscious about the corporate culture and ethical concise of the organization.

The following committees are to be formed :-

i. Establishing an ethics committee at the board level

The committee would be charged to oversee development and operation of the ethics management programme.

ii. Establishing an Ethics Management committee

Ethics Management committee would be charged with implementing and administrating an ethics management programme, including administrating and training about policies and procedures, and resolving ethical dilemmas. The committee should be comprised of senior officers.

3. Ethical communication system

The next step is the establishment of an effective ethical communication system. Ethical communication system place an important role in making an ethics programme successful. It should allow employees to make enquiries , get advice if needed or report wrong doing. Ethical communication system is a necessity to educate employees about the organizations ethical standard and policies. It has the following objectives

i.to communicate the organizations' values and standards of ethical conduct or business to employees.

ii.to provide information to the employees on the company's policies and procedure regarding ethical conduct of business.

iii.to help employees to get guidance and resolve questions regarding compliance with the firms standards of conducts and values.

iv.to set up the means of enquiry such as telephone hotlines, suggestion boxes and email facilities for employees to contact with and get advice from competent authorities.

Along with these means of communication there are other ways , that can be used to communicate an organization's moral standards to its employees. Top management can communicate the ethical standards to lower level managers and they can communicate it to operational levels. Sometimes the organization publishes newsletters. It can be used to expose company's code or ethics. If an organization has briefing and management meeting, these can be used as a means of communicating values. Certain companies use attractive multi colored posters to publicize their codes and ethics, these posters are placed in most visible places of the organization premises.

4. Ethics office and officers

Ethics offices are to be established to communicate and implement ethics policies among employees of the organization. For this purpose an ethics officer is to be appointed. The ethics officer should develop a reputation for credibility, integrity, honesty and responsibility through establishment of such ethics monitoring bodies.

Functions of the ethics officers

1. Ethics officers are responsible for assessing the needs and risks that an organization-wide ethics programme must address.

2. To develop and distribute a code of conduct or ethics

3. To conduct ethical training programme for employees

4. To establish and maintain a confidential service to answer employees questions about ethical issues.

5. To ensure that the organization is in compliance with governmental regulations

6. To monitor and audit ethical conduct

7. To take action on possible violations of the company's code

8. To review and update code in time

5. Ethics Training Programme

To ensure a good ethical behavior in the organization the employees are to be given training. For this purpose a corporate ethical training programme is to be devised. The main objective of an ethical training program is to offer assistance to employees to understand the ethical issues that are likely to arise in their work place. When new employees are to be recruited, the induction training should be arranged for them.

This training will help to familiarize with the company's ethical code of behavior. Importance of abiding code should be dealt with at the induction meeting. A well developed and proper training programme will help the employees to understand the organizations policies and expectations, important and relevant rules, bye laws and regulations which are to be complied in the organization by the employees. For the success of the training programmes , the senior executive from every department must involve fully in the training programme.

6. Disciplinary system

Code of conduct or ethical behavior codes should be properly enforced in the organization to achieve the organization's objectives. A disciplinary system should be established to deal with ethical violations promptly and severely. If unethical behavior is not properly dealt with, it will threaten the entire social system that supports the ethical behavior of the organization. While enforcing disciplines to ensure ethical conduct, companies should be consistent. ,i.e., the company should adopt a fair attitude towards every one without any discrimination or bias.

7. Establishing an ombudsperson

The ombudsperson is responsible to help coordinate development of the policies and procedures to institutionalize moral values in the workplace. This position usually is directly responsible for resolving ethical dilemmas by interpreting policies and procedures.

8. Monitoring

To become an ethical programme fruitful and successful, an effective monitoring committee is to be formed. It can be monitored through keen observation by ethics officers, internal audits, surveys, investigations and supporting systems.

Advantages of Managing Ethics in Workplace

1. Significant improvement to society

Application of business ethics helps to avoid many evils from the society. It includes child labour, unscrupulous price fixing, harassment of employees, poverty and starvation of employees etc.

2. Cultivate strong team work and productivity

Ethical programme helps to tune employee behavior in accordance with the values preferred by leaders of the organization. It helps to build openness, integrity and a sense of oneness among all. Employees feel strong alignment between their values and those of the organization and they react with strong motivation and performance.

3. Support Employee Growth

Ethics programme help employees to face reality, both good and bad in the organization and themselves. They feel full confidence to admit and deal with whatever comes their way.

4. Insurance policy

Ethical programs help to ensure that policies are legal. Ethical principles are often applied to current, major ethical issues and become legislation. A major intent of well designed personnel policies is to ensure ethical treatment of employees.

5. Avoid Penal action

Ethical programs help to detect issues and violations early so that they can be reported or addressed which helps to avoid subsequent penal actions and lower fines.

6. Helps in Quality Management, Strategic planning and diversity management

Ethical programme identify favorite values and ensure organizational behaviors which are associated with those values. This complex effort can be aligned with values, including quality management, strategic planning and diversity management

ROLE OF ORGANIZATION CULTURE IN ETHICS

An organization culture can potentially influence the ethical conduct of the organization. Organization culture has been identified as one of the main factor which influenced the ethical conduct at workplaces. An organization can guide the conduct of its employees by embedding ethical values in its dominant culture.

Organization culture refers to a system of shared meaning held by members that distinguishes the organization form other organizations. It is a set of assumptions, beliefs, values and norms that are shared by organization members. It is the basic pattern of shared assumptions and values that governs behavior with in a particular organization. It can be created by the founder of the organization based on his or her values and expectations. Eg. Jamshedgi Tata in Tata Industries and Dhirubhai Ambani in Reliance Industries. Each organization tries to develop its own culture based on the values of its founder wants to transmit in the workplace.

Organization culture represents the common perception shared by members of an organization. Individuals with different backgrounds in an organization altogether have a tendency to describe the organization culture in almost similar terms. The strength of an organization culture has an influence on ethical behavior of managers. If the culture is strong and supports high ethical standards, it should have a very powerful positive influence on a manager's ethical behavior, In a weak culture managers are more likely to rely on sub cultural norms to guide their behavior.

An effective organizational culture should encourage ethical behavior and discourage unethical behavior. The corporate culture of a firm is evolved by its people imbibing values, good or bad which its top executives have an ethical and social conscience, than they will, by their thoughts and deeds, inspire their subordinates to exhibit these values, both inside and outside their workplace.

HOLISTIC APPROACH FOR MANAGERS IN DECISION MAKING

Profit maximization is the guiding principle for decision making in an economics – based view of management. Executives who follow this "rational" style of management believe that objectives of the business can be achieved through precise and calculated means. This dominant style of management sometimes could not produce the desired results and in such situation a more forward thinking decision making strategy called "holistic " approach can be followed by management. Holistic decision making encourages us to be aware of our actions and their impact on the whole; it ensures that we take responsibility and accept accountability for the

decisions we make and empowers us to be part of the ongoing process of change. In order to provide managers with the necessary tools to manage modern organizations with a view to building long-term sustainable competitive advantage, it is imperative that organizations embrace a more holistic approach to problem solving.

A holistic approach takes into account any number of different factors. These managers believe firm value is derived from " socially complex resources and relationships", and they are better understand the impact of their decisions on the overall culture of their company. Holistic approach to decision making is a comprehensive planning and management process that helps people to improve their quality of life and their finances while simultaneously restoring the environment on which we all depend.

It is a process that allows people to make decisions , based on their deeper values, which will be economically, socially and environmentally sound.

Holistic Management addresses all the separate parts as an integrated whole, instead of as separate parts. Holistic management is a new framework for decision making on all levels that is based on resource management of the whole. This method helps the decision makers identify all the important people and resources relating to the issue at hand and bring these elements together into a new "Whole", represented by a short "statement of purpose". With this broad holistic goal in place, the group has a bench mark by which they can measure their future decisions. A subsequent testing phase reaches back to often ignored considerations to make sure that none are being forgotten.

In holistic approach which is characterized by attention to multiple factors, including relationships are seen as visionary. Holistic managers are more likely to have a positive impact on their organization by encouraging a greater sense of employee optimism and improving overall performance of the firm. It may seem that holistic decision making may create better long term results for a company than the more traditional rational approach. The holistic managers are seen as more visionary and less autocratic.

Steps in the Holistic approach to Decision Making Process

Decision making of an organization is influenced by ethical behavior of employees, corporate culture etc It is a conscious process of making choices among alternatives with the intention of moving toward some desired state of affairs. The holistic approach to decision making involves the following process

1. Define the whole under Management.

The first step in the holistic process of management is to take stock of what is to be managed. A group of decision makers agree to use holistic management in their business,

community, family, government agency etc. They identify anyone else whose decisions will affect the entity that they are managing and invite them to become part of the process. This includes owners, administrative assistants, volunteers, laborers, agency heads, elected officials and so forth. Then they identify the physical resources and financial resources

2. Develop a Written goal statement

A written goal statement incorporates the decision makers do the following :

(a) The quality of life you desire based on your deepest values.

(b) What you need to produce to support this quality of life.

(c) A description of your resource base such as farm landscape, people, community far into the future to sustain what you need to produce

3. Assess Current situation

The next step is to assess the current situation which would assess how far we are away from your goal. It is also necessary to examine the major barrier that prevents us to realize the goals.

4. Brainstorming to achieve goal

At this point it is advised to arrange brainstorming sessions gathering all members of management team together, plus at least one creative person from outside. Human creativity and new ideas are to be encouraged.

5. Clarify possible tools and actions

Now the various ideas produced in brainstorming can be discussed and make sure everyone understands the possible actions.

6. Test possible actions against goal

Holistic management uses seven testing guidelines that help to ensure that any decision is consistent with the goal and is socially, economically and environmentally sound. The seven testing guidelines are [1].Cause and Effect [2] Weak Link [3] Marginal Reaction [4]Gross Profit Analysis [5]Energy/Money Source and Use[6] Sustainability [7]society and Culture

7. Research or Homework

The first test run will throw out some of the possible actions. Others may need more information to fully assess. This requires to consult with extension agent or other experts, library etc.

8. Retest remaining possible tools and actions.

When the home work has completed and the decision makers retest each remaining action through the testing guidelines, again quickly, remembering not to ignore on specific questions.

9. Develop Plans each year

Based on the outcome of testing, develop a biological as well as financial plan.

10. Monitor

Even a careful decision making and planning may not assure that everything is moving in the right direction and be therefore on the lookout for the earliest possible sign of deviation from our plan.

11. Control.

If any deviations are found, take corrective action.

12. Replan

If corrective actions do not solve the problem, develop a new plan.
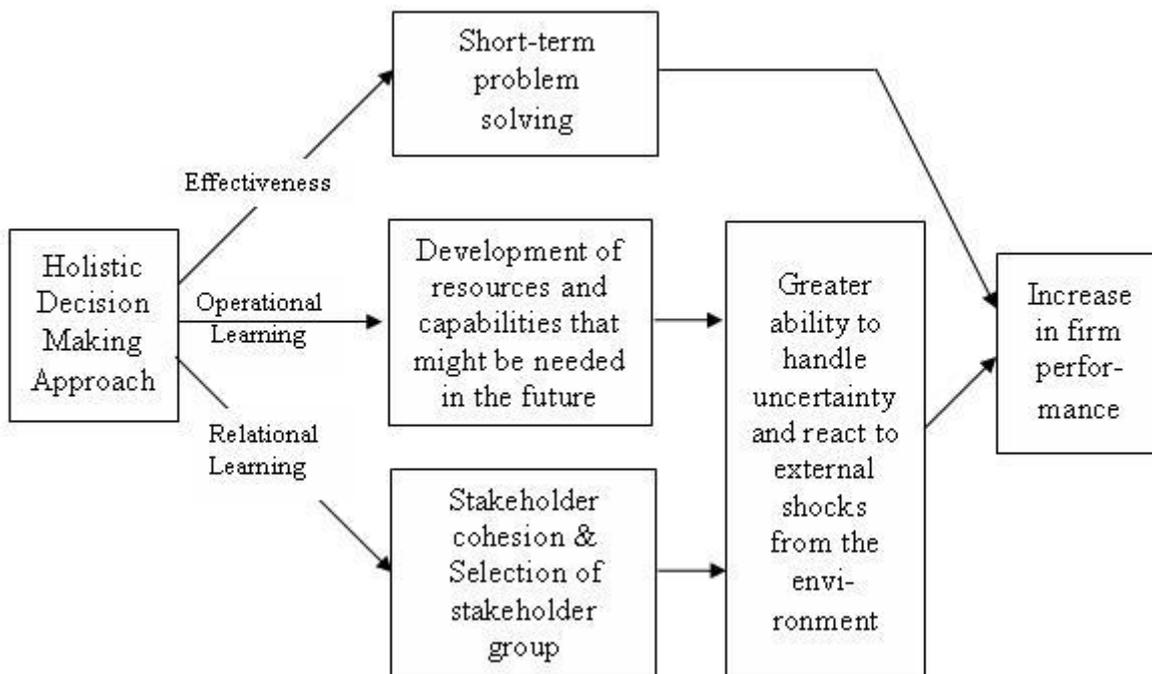
Holistic Decision Making

Syllabus

BCIB01 MANAGEMENT CONCEPTS AND BUSINESS ETHICS

Lecture Hours per week: 6

Credits: 4

Objectives:

➢ To help the students to understand the process of business management and its functions

➢ To familiarize the students with current management practices

➢ To enable the students to understand the importance of ethics in business

➢ To enable the students to acquire knowledge and capability to develop ethical practices for effective management

Module I

Nature and scope of Management; evolution of management- Schools of management thought; F.W.Taylor and Henry Fayol; principles of management; management as a science and an art; management process.

15 Hours

Module II

Functions of management- planning: types of plan; planning process; organizing: span of control, line and staff functions; centralization and decentralization; delegation; staffing: manpower planning, recruitment, selection and placement; directing: principles of direction; coordinating, and controlling

30 Hours

Module III

Manager vs leader; leadership and motivation; leadership styles; theories of motivation. MBO; Management of performance; Understanding and managing group processes; characteristics of work group, work group behaviour and productivity; team creation and management.

15 Hours

Module 1V

Ethics, culture and values: Importance of culture in organisations; Indian ethos and value systems; Model of management in the Indian socio political environment; Work ethos; Indian heritage in production and consumption.

15 Hours

Module V

Business ethics: Relevance of values in Management; Holistic approach for managers indecision-making; Ethical Management: Role of organisational culture in ethics; structureof ethics management; Ethics Committee.

15 Hours