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BASICS OF MANAGEMENT

Human beings are by nature gregarious. Community or group life has been one of earliest and most enduring features of human existence on this earth. This natural phenomenon of human beings living in groups have generated a variety of groupings such as family, clan, community friendship group, organisations, etc.

Organisations—business or social, dominate our lives. Our activities and behaviour are shaped by these organisations right from birth to death. Everyday of their lives human beings deal with organisation. There is no escape from them. Hospitals, schools, colleges, clubs, societies, local state and central government, manufacturing and trading concerns are some of the organisations we are associated with throughout our life.

Our association with some of them are close and long while they are short lived or temporary with some others. The only alternative may be a complete return to nature which very few of us may choose. This association of human beings with organisations dominates in every country irrespective of the ideology and geographical differences.

An organisation needs a system of relationship among functions; it needs stability, continuity and predictability in its internal activities and external contracts. It requires harmonious relationship among people and processes.

All organisations have certain aims and objectives before them for which they strive and do their best to achieve them through their people who run and manage the affairs. In order to define the roles of their members, their behaviour and activities, they develop certain rules and regulations, policies, practices and procedures. Organisations are thus made of objectives, people, systems and procedures.

Different definitions of the organisation make it clear that different scholars look upon organisation from different angles. Some regard it as a mechanism to achieve certain objectives by division of labour, authority and responsibility among its members and coordinating their activities. Some regard it as a network comparison of human relationships in groups. Some others regard it as a system. These different approaches to achieve its objectives are reflected in different organisation theories which have developed certain principles to guide managers in designing the organisation and making it an effective instrument of meeting business goals.

In this block, we discuss different theories of the organisation, i.e., Classical, Neo-classical theory, and Modern Organisation theory.

ESTABLISHED WAY

The term “classical” in English language refers to something traditionally accepted or long established. The beginning of the classical organisation theory can be traced back to the heydays of industrial transformation in the second half of the nineteenth century when some perceptive observers felt obsessed with the problem of growing size of the industries. In the beginning, the large scale operations were carried out by the organisations

with the help of unskilled and semi-skilled people but later on, the technological development changed the industrial scene completely. Many new economic, social and technical problems sprang up. The need for solving these problems called for the development of organisational forms and management practices which were quite different from the traditional ones. This phenomenon changed the individualistic nature of organisation and management into mechanical nature. This view was current till the first half of the twentieth century.

The classical writers viewed the organisation as a machine and human beings as different components of that machine. Their approach has focused on input-output mediators and given less attention to constraining and facilitating factors in external environment. Workers were considered to be driven by economic considerations who could be solely motivated by economic rewards. While managers were regarded as kind-hearted, rational, intelligent and qualified people. Because an organisation was treated as a machine, it was felt that its efficiency could be increased by making each individual efficient, so that both the organisation's and the workers' interests might be served. Increased human productivity would facilitate the organisation in achieving its goals and objectives while on the other hand workers would get higher wages in return for their increased productivity. Thus, management is to emphasise on the improvement of machine in order to get higher productivity from the people at the minimum expense. The emphasis was on specialisation of performance and coordination of various activities.

The classical theory was based on the following assumptions:

- (i) The relationship between workers and management was established through formal communications, defined tasks and accountability and formalised procedures and practices to minimise conflict between them.
- (ii) Workers are considered to be driven by economic

considerations who can be motivated basically by economic rewards. Money is considered the main motivator.

- (iii) The managers were characterised as rational, kind-hearted, intelligent and qualified personnel but they are supposed to deal with the workers firmly in the system.
- (iv) The theory assumes that the organisation is a machine and the people its components. In order to make any improvement in the whole system, internal factors were considered and less attention was given on factors in the external environment which may constrain and facilitate the system.
- (v) It has been assumed by the theory that both workers and managers are rational. Workers can easily perceive that their interests can be served only by increasing the productivity and getting more wages for higher productivity, on the other hand, management gets the fruits of higher productivity. Management tries to find out best ways of doing a job by introducing new improvements in machines and devoting time to such technical engineering and administrative aspect of organisation which can make the man produce as much as he can with minimum expenses so that workers can contribute more to the organisation and earn more for themselves in return.
- (vi) The theory puts special emphasis on error and particularly on the detection of error and its correction after it happens.
- (vii) The theory assumes that man is relatively homogeneous and unmodifiable while designing the jobs and in picking the extra pairs of hands.
- (viii) The classical organisation theory, in its essential character, is centralised. The integration of the system is achieved through the authority and control of the central mechanism.

Classical theorists were divided in opinion. The two streams are scientific management and administrative management. The scientific management stream of the organisation theory emphasised on the efficiency of lower levels of organisation while administrative stream focused on the efficiency of higher levels. F.W. Taylor is called the father of scientific management approach. Taylor and his followers insisted upon dividing and sub-dividing the tasks through time and motion studies because he was of the view that objective analysis of facts and collection of data in the workplace could provide the basis of determining the best way to organise the work. Thus, they investigated the effective use of human beings in industrial organisations and studied primarily the use of human beings as adjuncts to machines in the performance of routine tasks. The approach taken by this theory is quite narrow and encompasses primarily psychological variables. As such this theory is also referred to as 'Machine Theory' or 'Physiological Theory.'

The scientific management group was mainly concerned with the tasks at floor or operative levels, and these tasks were quite different from other tasks in the organisation because:

- (i) These tasks are largely repetitive in nature so that the daily activities of a worker can be sub-divided in a large number of cyclical repetitions of essentially the same or closely related activities.
- (ii) These tasks do not require any problem-solving activity by the workers who handle them. Thus, more attention was given in standardizing the working methods.

The second stream is the administrative stream of organisation theory emphasises efficiency at higher levels. It was concerned with the managerial organisation and process. Henry Fayol was the leader for this group. He, for the first time studied the functions and laid down principles of management in a systematic manner for the guidance of managers. The other contributors were Gulick, Oliver Sheldon, Mooney and Reliey,

Urwick, Weber and others. The theorists have viewed the central problem as being one where there must be identification of tasks necessary for achieving the general purpose of the organisation and of the grouping or departmentalising, to fulfil those functions most effectively.

These two approaches are similar in recognising the fact that organisation is a closed system, however, there are differences between the two.

Scott and Mitchell have pointed out four key pillars on which the classical organisation theory seems to have been built. They are: 1. Division of labour, 2. Scalar and functional processes, 3. Structure, 4. The span of control.

Division of labour refers to the division of tasks of an organisation into sub-tasks and then allot these sub-tasks or sub-parts to individuals. The allotment should be in such a way that each individual would have a small task so that he can specialise himself in that part with a view to improve the efficiency of the organisation while at the same time, the total of individuals' tasks should add up to the organisation's goals and objectives. The approach rests upon the simple assumption that the more a particular job is broken down into its component parts, the more specialised a worker can become in carrying out his part of the job and the more specialised he becomes, the more efficient the whole organisation will be. This element is the cornerstone among the four elements mentioned above because other three elements are dependent upon division of labour.

The scalar and functional processes deal with the vertical and horizontal organisation. The scalar process deals with the vertical elaboration of an organisation. In other words, it is the chain of command or the line of authority, along which authority flows from the top (chief executive) to the bottom (first line supervisor) and obligations and reporting from the bottom to the top. Each one in the organisation is told who their superiors are and who are their subordinates or to whom they are responsible

and accountable in performing their job. Delegation of authority flows from this line of command. The functional process deals with the horizontal organisation, i.e., grouping of various functions into units and clearly defining the relationship between the various heads of the units. The grouping of functions can be done on the basis of purpose, process, clientele, place and time.

It refers to the logical relationship of functions in an organisation arranged in order to accomplish the objectives. These relationships are line and staff relationships. People, departments, divisions and other segments of the organisation that are authorised to determine the basic objectives of the business and assess their achievements constitute the line. The staff is that part of the organisation which assists and advises the line on matters concerning it, in carrying out its duties. For example, in a manufacturing concern, production is a line function while personnel and finance are the staff functions.

In order to achieve the objectives, the managers are to get the work done from the unlimited number of workers in a large organisation. A manager cannot supervise an unlimited number of people. The span of control refers to the number of subordinates a supervisor can supervise effectively. Wide span yields a flat structure whereas short span results in a tall structure. Graieunas has developed a mathematical formula to show the numerical limitations of the subordinates, a manager can control.

If an organisation is designed on the above principle, it will look like a pyramid. At the top of the structure, there is head of the organisation followed by the top executive, executives, middle managers, junior managers and at the bottom the first-line supervisors. Chain of command and line of communication both flow from the top to the bottom in this structure. The line of responsibility, however flows from bottom to top. There is no provision of upward communication in this system except in relation to the results of task performance.

The classical theorists have developed certain principles of organisations for the guidance of managers and executives and they claim them as fundamental, essential, inevitable and universal. Though divergence of views exists, there is a considerable degree of unanimity on these principles. Fayol was the first to give principles of administration. He developed a comprehensive list of fourteen principles: (i) division of work; (ii) authority and responsibility; (iii) discipline; (iv) unity of command; (v) unity of direction; (vi) subordination of individual interests to general interests; (vii) fair remuneration; (viii) equity and a sense of justice; (ix) stability; (x) initiative; and (xi) teamwork spirit. These principles are more or less have a considerable degree of unanimity and some of these principles are still applied in organisations.

The classical theory suffers from various limitations. It was put under serious criticisms in the first half of the nineteenth century by the neo-classical thinkers and others. The criticisms are mainly based on the following grounds:

The classical theory is based on certain assumptions. These assumptions were found unrealistic and hence not applicable to organisations at a later date. The wrong assumptions, found unrealistic are:

The classical theorists viewed the organisation as a closed system, i.e., it has no environment and hence no interaction with the outside world. They felt that the organisation structure could be created as a house, i.e., step by step. They thought, once the organisation is created, it would run smoothly and efficiently because human beings are rational and they work more for economic rewards. In this way, the model fails to consider many environmental factors which influence upon the organisation and, thus, this assumption leads to incomplete view of actual organisational situations.

The classicists took a rigid and static view of the organisation whereas an organisation is not static but dynamic. The

organisation can instantly respond to changes in the environment and adjust accordingly. The environment influences the organisation and is influenced by it. The organisation imports inputs, transforms them and export outputs to the environment. The adjustments are necessary keeping in view the requirements of the organisational environment and its various internal parts. Thus, the best organisational pattern should meet the external and internal requirements and these requirements are ever-changing and dynamic.

A major criticism of the classical theory is that the assumption regarding human behaviour was quite unrealistic. Human behaviour is complex in nature and not as simple as was established by the classical theorists. They lack sensibility to the behavioural dimensions of an organisation and make over-simplified and mechanistic assumptions for the smooth running of the organisation, ignoring all complexities of human behaviour at work. They assumed human beings as inert machines who performs tasks assigned to them and ignored their social, psychological and motivational aspects of human behaviour. This assumption of classical behaviourists led the workers to frustration, conflict and failure and thus subordinates man to the organisation.

Human nature under this theory was also wrongly predicted, Mason Haire observed that “there are implicit assumptions about man on which classical organisation theory seems to me to be based. He is lazy, short-sighted, selfish, liable to make mistakes, has poor judgement and may even be little dishonest.”

The assumption that people at work can be motivated solely through economic rewards is wrong. Several researches in human behaviour have contradicted this assumption. Hawthorne Experiments brought seven facts to light about several other motivational and maintenance factors that motivate people at work. Such other factors may be formation of informal groups, emergence of leaders beyond the chain of commands,

improvement in productivity linked with better status and job enrichment, etc.

The theory was not only criticised for its certain assumptions that are unrealistic in modern industrial world but its certain principles formulated by classical theorists were also criticised. The main criticisms of classical principles are as follows:

Its various concepts and principles are developed by practitioners in management which are mainly based on personal experience and limited observation. They (principles) lack precision and comprehensive framework for analysis. No scientific method was used. Moreover, it is not clear whether these principles are action recommendation or simply definitions. Certain independent specifications are to be made in understanding the meaning of an organisation. The classicists have referred to the advantages of various organisational arrangements, their arguments are one-sided and they offer no objective criteria for selecting one method over other methods. March and Siman observed, perhaps the most crucial failure of the administrative management theory is that it does not conform to the practice. The theory tends to dissolve when put into testable form. Thus, not a single principle is applicable to all organisational situations and sometimes contradicts each other.

The classical theorists have claimed that these principles have universal application. This suggests that these principles can be applied in: (i) different organisations, (ii) different management levels in the same organisation, and (iii) different functions of the same organisation. The empirical researchers, however suggest that none of the principles has such characteristics. Moreover, there are many principles which are actually contradictory with other principles. For example, principle of specialisation is quite in conflict with the principle of unity of command. The following are certain classical principles which are invariably questioned:

The classical theory is based upon the hierarchical structure that establishes the authority relationship between individuals in an organisation. It refers to arrangement of individuals in superior-subordinate relationship. Today, the institutions of hierarchy based upon position within the organisation is being discounted and the technological specialisation with authority of knowledge is gaining importance.

The classical theory suggests that each person has one superior. This principle has now become outdated. The trend is changing and the organisation seeks help from other members who are not in their chain of command, such as staff personnel. The organisations formally provides such supervision and the members thus, work under multiple command instead of under unity of command.

The classical theorists have focused excessive reliance on the strength of four key pillars, i.e., division of labour, scalar and functional process, structure and span of control. The neo-classicists who do not entirely reject the principles of classical theory, have attacked these key pillars. Some of the more important points raised by them are:

Division of labour is one of the key pillars of the classical theory but this tenet is criticised on the ground that there is no exclusive basis for grouping products, process, person or place, can always be used. The considerations of expertise and economy warrant different approaches in different situations. Besides, division of labour cause depersonalisation of work at the operative level which results in loss of human relationships. Moreover, despite the fact that there is division of work among individuals and even though they may work independently of each other, the unit to which they belong specialises in a particular activity and its interdependence causes

stresses and strains. Because these individuals and units work for common goals it raises a serious problem of coordination so that work may be done efficiently, cooperatively and harmoniously. As executive of each unit is answerable to the goals set for his unit, he internalises his sub-unit goals resulting in jealously guarded functional segments in the organisation.

Division of labour, moreover, causes several human problems of work. Due to limited repetitive tasks, the workers feel boredom, monotony, psychological alienation, etc. It also fails to utilise multiple capacities of people. The theory ignores human values such as satisfaction of job.

The scalar and functional process raises another problem of delegation of authority and responsibility. It is assumed that the rational personal programme will help in selecting the personnel having capacities matching authority and responsibility in a particular position. But the neo-classicists are of the view that there is no measuring rod for measuring the capacity. Besides, in an organisation, only capacities do not work, there are so many other kinds of overlays which affect decision-making process. Moreover, as March and Siman have pointed out, in most organisational situations, people are not looking for any optional solution but they require 'satisfying' solution, i.e., solution that meet the requirements.

Classicists have laid down certain principles which, if followed will lay down a neat and perfect organisation structure, but the human behaviour disrupts the best laid organisation plans. Research showed that major conflicts between line and staff personnel in the organisation were experienced because jobs are becoming increasingly specialized have requiring a higher knowledge context. It can be felt if everything had worked in a predetermined way, there would have been no need of specialised control agencies, or organisation structure and it was the only cause for the development of control agencies.

The classical approach suggests a narrow span of control specifying the number of subordinates to 5-6 at higher level and 20 at bottom. But the view of neo-classicists favour a wider span of control having a large number of subordinates under one supervisor. According to them, there are several considerations, such as the abilities of supervisor and subordinates, nature of work, time schedules, geographic dispersion, etc. The ability to handle the responsibilities increases with the increase in level of education.

Weber's 'ideal' bureaucracy, the main constituent of the classical theory, suggests the strict adherence to rules and regulations through mindless application of the letters of the rule. The scope for individual initiative and contribution to the organisation goal is thus limited. The result is red-tapism and observation of rules and regulations becomes the main objective and the objectives for which these rules and regulations are formed, are forgotten. Robert K. Morton has rightly observed that the rules and procedures may take positive values and become ends rather than means to ends and the decision-making tends to become a routine application of precedents with little attention to alternatives not previously experienced. Today when problem-solving ability, innovativeness and creativity are required, the bureaucratic approach appears to be inadequate.

The classical theory is devoted to specialisation of different parts of organisation to maximise output with the use of minimum input. The classicists concentrate their views along with the division of labour, organisation structure, grouping of activities and span of control, etc. but not with its effects on the interrelationships. It is a need model and assumes action and communication will flow uninterrupted.

They do not envisage the development of informal groups and their leaders who control the behaviour of their members. According to neo-classicists, there is no scope for emotions and

sentiments and no conflicts due to elaborate job descriptions, policy specifications, rules and regulations, clear-cut authority and responsibility, etc. under the classical theory. In this way, it recognises tasks and not the people.

The theory provides little scope for integrating people with the organisation. The goals are set at the top without consulting the subordinates who are actually, the real executors. The decision-making is highly centralised. The theory concentrates too much of authority at the top as the people at lower level are considered to be the 'inferior lot.'

The various criticisms of the classical organisation theory should not lead one to feel that it is a useless theory and does not offer any guidance for managerial action in an organisation. In fact, still there are many classical principles which are applied successfully in many organisations. It shows that though not much, the classical theory has its validity in designing an organisation. Scott observes, "It would not be fair to say that the classical school is unaware of the day-to-day administrative problems of the organisation. The classical organisation theory has relevant insights into the nature of an organisation, but the value of this theory is limited by its narrow concentration on the formal anatomy of the organisation."

FRESH LITERATURE

The classical organisation theory focused attention on physiological and mechanical variables of the organisational functioning in order to increase the efficiency and productivity. But positive aspects of these variables could not produce the positive results in work behaviour and the researches tried to investigate the reasons for human behaviour at work. They discovered that the real cause of human behaviour is somewhat more than the physiological variable. These findings generated a new phenomenon about the organisational functioning and focused attention on human beings in the organisations. These

exercises were given new names such as 'behavioural theory of an organisation', 'human view of an organisation' or 'human relations approach in an organisation.'

The neo-classical approach was developed as a reaction to the classical approach which attracted so many behaviourist to make further researches into the human behaviour at work. This movement was started by 'Mayo' and his associates at Hawthorne Plant of the Eastern Electric Company, Chicago in the late twenties, gained momentum and continued to dominate till the sixties. An impressive account of thinking of human relations has been given by Douglas M. McGregor in his book entitled '*The Human Side of Enterprise.*'

The classical theory was the product of the time and the following reasons were responsible for its development:

- (i) The management thinking was showing signs of change because of the improved standards of living and education level. The technological changes were forcing the management to expand the size of the organisation and complexities were increasing. This also led to the fact that the management be somewhat more sympathetic and considerate towards their workers.
- (ii) The trade union movement got momentum and made the workers conscious of their rights. It was no longer possible for the management to treat the human beings at work as 'givens'.

These were two main reasons which were responsible for the change of management behaviour from autocratic to the custodial approach which was based on offer of fringe benefits apart from wages to meet their security needs.

Though neo-classical approach was developed as a reaction to the classical principles, it did not abandon the classical approach altogether, rather it pointed to the limitations of the classical approach and attempted to fill in the deficiencies through

highlighting certain points which were not given due place in the classical approach. In this regard, there were two schools of thought—one school of thought with writers as Simon, Smithburg, and Thompson, pointed out the limitations of the classical approach to structural aspect only and the analysts called this group as 'neo-classicists'. This school of thought suggested modifications to the classical principles but did not abandon the basic principles. The other school of thought which consisted of large number of writers focused on the human aspect neglected by the classicists. This group was called as human relationists or behaviourists. Both these schools were reactions to the classical theory but failed to suggest or develop any new theory except providing some points of criticism on varying counts. Both of them could be referred as neo-classicists.

Neo-classicists, endeavoured to identify the weaknesses of classicists through empirical research and most of the criticisms of classical theory have emerged through researches. Hawthorne studies were the beginning of the series. The other contributors are Roethlisberger, Dickson, Whitehead, Lippitt and White, Coach and French Jr., etc.

Neo-classical approach is based on two main points: (i) Organisational situation should be viewed in social as well as in economic and technical terms, and (ii) The social process of group behaviour can be understood in terms of clinical method analogous to the doctor's diagnosis of human organism. The neo-classicists view organisation as combination of formal and informal forms of the organisation. The informal form was missing in classical approach. They also introduced behavioural science to diagnose human behaviour and showed how the pillars of classical doctrines—division of labour, functional processes, structure and scalar chain are affected and modified by human actions. The main prepositions of neo-classical organisation theory are as follows:

1. The organisation in general is a social system composed of numerous interacting parts.

2. The social environment on the job affects the workers and is also affected by them. Management is not the only variable.
3. The informal organisation also exists within the framework of formal organisation and it affects and is affected by the formal organisation.
4. There is always a conflict between organisational and individual goals that always increases the importance of integration between these two.
5. People are interdependent and their behaviour can be predicted in terms of social factors.
6. Money is one of the motivators but not the sole motivator of the human behaviour. Man is diversely motivated and socio-psychological factors are more important.
7. Man's approach is not always rational. He behaves irrationally as far as rewards from the job are concerned.
8. Both-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits the feelings and sentiments of people who work in the organisation upward.
9. Teamwork is essential for cooperative and sound functioning of the organisation.

The neo-classical theory provides various modifications and improvements over the earlier theory and offers a more humanistic view towards people at work. Neo-classicists have also introduced behavioural science in the study of organisational functioning which has helped managers quite a lot. This approach emphasised the micro-analysis of the human behaviour. The theory has brought into light certain important factors which were altogether ignored by the classicists such as informal group, group norms, informal leader, non-economic rewards, etc. Thus, the approach gives evidence of accepting the classical doctrine though superimposing its modifications,

resulting from individual behaviour and the influence of the informal group.

The main criticisms of the neo-classical theory are as here under:

Certain assumptions on which the neo-classical theory is based do not seem to be true. For example, the assumption that there is a solution to every problem which satisfies everyone in an organisation is not true. Often there are conflict interests among various groups in the organisation that are structural and not merely psychological.

The various formats and structures of organisations given by neo-classicists are not universal. Their application is limited. There is no particular structure which may serve the purpose of all the organisations. It also overlooks some of the environmental constraints which managers cannot ignore and this lapse makes the practicability of the theory limited.

The theory lacks the unified approach of the organisation theory. In fact, it is not a theory at all. All that was done in neo-classical theory is simply modification of the classical theory rather than organisational transformation. So, this theory has almost the same limitations as the classical theory.

The theory gives too much emphasis on human aspects in the organisation. As the classicists concentrated on structural aspect, neo-classicists concentrate their attention on the human aspect. It ignores the other aspects such as formal structure, discipline, etc.

Some thinkers while criticising the theory have called it bankrupt because it suggests nothing new. Though, the theory has offered valuable contributions to the lore of organisation like the classical theory, it suffers from incompleteness, a shortsighted perspective and lack of integration among the many factors of human behaviour studied by it.

Howthorne studies at the Western Electrical Company, Chicago was the main source of inspiration to the neo-classical school. Mayo and his associates carried out several experiments there, by providing better working and living conditions and financial incentives, and they got amazing results. Productivity and efficiency went up considerably. The following facts were uncovered by these experiments:

1. The individual roles as defined and norms established by their social system differ from those of the formal organisation. Workers follow the social norms rather than try to achieve the target management thinks they can achieve even though this would have helped them earn better and as much as they physically can.
2. Non-economic rewards and social sanctions also play quite a significant role in guiding the behaviour of the workers. It is their perception of the situation that matters and not that of the management. They fear retaliation for violating the group norms. So, they follow group norms and are not motivated by the economic incentive plans.
3. The group plays an important role in determining the attitudes and performance of individual worker. Often workers do not act or react as individuals but as a member of their group. A worker can more readily accept the change in his behaviour if the group of which he is a member changes its behaviour.
4. Informal leader and not the formal leader, i.e., the formal incharge of the group as supervisor or manager, sets and enforces the group norms. Formal leader is proved ineffective unless he conforms to the norms to the group of which he is incharge.
5. There is need for communication between the ranks participation in decision-making and democratic leadership. It explains to the lower participants as to why

the management has taken a particular decision. The lower ranks are allowed to share in the decisions taken by the higher management especially in matters concerning them. Thus, suggesting that the management is just, non-arbitrary and concerned with the problems of workers and not only with the work output.

6. Increasing satisfaction leads to increased organisation effectiveness.
7. The management should possess not only technical skills but also effective social skills.
8. People are motivated in the organisation not merely by the satisfaction of lower needs but by fulfilling certain higher level needs.

The above conclusion of Hawthorne Experiments received a wide publicity and they changed the attitude and the thinking of the management significantly. This approach was further persuaded relentlessly by behaviourists.

We may look at the organisation from two different angles:

1. We may consider the overall picture of the organisation as a unit; or
2. We may consider the relationship between its various internal components.

When we consider the overall picture of the organisation, we consider all the elements—internal and external—and their effects on each other simultaneously. This approach may be called the 'goalistic view' because it tries to reach the goal of an organisation by unifying the efforts of all the elements. For example, when we consider finance, workers and their attitude, technological developments, etc. we are following goalistic view. It serves as a mean-ends analysis which in turn facilitates division of work and helps in judging the extent of success of comparing actual and targeted performance. But it does not answer many problems such as interdependence of elements,

organisations environment, interface, etc. It gives a systematic view when we consider the second approach, i.e., we examine the relationship between each element of the organisation and their interdependence. If we examine employer-employee, customer and organisation, debtors-organisation relationships, we follow systematic view.

The systems approach focused attention on the following aspects:

- (i) It integrates all elements for the proper and smooth functioning of the organisation.
- (ii) The organisation overall goals can be achieved successfully because it considers all the aspects of the problems deeply and maintains a harmonious relationship between various elements so that they work unitedly to achieve goals.
- (iii) The approach helps in acquisition and maintenance of various resources, i.e., man, material, money, and machinery, etc. for pertaining the smooth functioning of the organisation.
- (iv) It allows adaptation to internal requirements and environmental changes in order to survive and grow.

Kast and Rosenzweig define the system as an organised unitary whole composed of two or more interdependent parts, components or sub-systems and defined by identifiable boundaries form its environmental suprasystem. More simply, a system may be referred as units composed of several interdependent parts. System may be denoted as a grouping of parts and not simply an agglomeration of individual parts. Though each part performs its own functions yet they work towards a common goal. The behaviour of the entity is a joint function of the behaviours of the individual parts and their interactions. For instance, a human body may be regarded as a system, consisting of several sub-systems, such as circulatory, reproductive digestive, nervous systems, etc. Even though each

sub-system performs different and distinguished function, they depend on each other. Similarly, an organisation is composed of a number of sub-systems of sub-systems such as internal organisation, technological, psychological, structural, managerial and environment etc. which are constantly changing and evolving. A change in one may affect the other.

From the analysis of foregoing definition and discussion following characteristics of a system emerge:

A system has several parts. Each part is dynamic and affects all other parts. They are interrelated and interdependent. Interdependence of different parts is must in an organisation as a system because of division of labour, specialisation, sharing of limited resources, scheduling of activities, etc. The work of the organisation is divided into various departments, sub-departments and so on, assigning each unit an independent specialised task, which on integration culminates into the accomplishment of overall organisational goals. These parts are interconnected in such a way that a change in one part may affect the other part and in this way, the whole organisation.

A system is composed of several sub-systems. For example, in a manufacturing organisation, total manufacturing is one system, within which may exist a complete production system which again may contain an inventory control system. Conversely, a system or sub-system may form part or container of other system. For example, an individual who may be a part of one system, may also be a part or container for another physiological system.

Every system may be distinguished from other systems in terms of objectives, processes, roles, structures, and norms of conduct. So, every system is unique if anything happens in the organisation, we regard it as an outcome of a particular system and we locate the fault in the system.

Almost all systems are open. Open system imports certain factors processes them and exports them to the environment. Organisation is also an open system. It imports matter, energy and informations, from its environments, transforms or converts them into a usable product or useful service and export that product or service to the environment. This process of importing, transforming and exporting goes on indefinitely. Though the organisation exports, they do not import all but retain some energy within themselves for survival and growth. As they are open, they are to absorb shocks and influences from the environment and those that are flexible respond to adapt themselves to the environment situation.

As systems are open, they influence other systems in the environment depending upon its strengths and capacities in relation to other systems. Obviously, the influence of environment, in most cases is greater than the system's over impact on the environment.

System of Secondary Importance : In the previous section, we have suggested that a system is an integrated whole of various sub-systems. An organisation as a system can better be understood by identifying the various sub-systems within it. The levels of systems within a subsystem are called sub-systems and levels of systems within are identified by certain objectives, processes, role, structures and norms of conduct. A system is composed of various lower order sub-systems and is also a part of a super-system. The various sub-systems of the system constitute the mutually dependent parts of the large system, called organisation. These sub-systems interact, and through interaction create new patterns of behaviour that are separate from, but related to, the patterns specified by original system. The interdependence of different parts as characterised by Thompson, may be pooled, sequential, or reciprocal. When dependence is not direct, it is pooled interdependence. For example, an organisation, having sales divisions in different cities making their own buying and selling, but drawing upon

its common funds is an example of pooled interdependence. When one sub-system is directly dependent upon another, it is sequential interdependence.

Such type of interdependence may be seen in production job or assembly line when output of one sub-system is the input for the other department or sub-system. Reciprocal interdependence refers to the situation where outputs of each unit becomes inputs for another such as in production and maintenance divisions. Thus, system behaviour emerged as one, and since different variables are mutually interdependent, the true influence of altering one aspect of the system cannot be determined by changing it alone.

There are various ways of classifying sub-systems and one may support any of them. Each of the organisation unit may be treated as a sub-system. In other words, each functional unit of an organisation may be regarded as different sub-systems such as production sub-system, personnel or finance or sales sub-systems, etc. Seiler has classified four components in an organisation, i.e., human inputs, technological inputs, organisational inputs and social structure and norms. From these inputs, he has derived, the concept of socio-technical system, Kast and Rosenzweig have identified five sub-systems, i.e., goal and values sub-system, technical sub-system, psychological sub-system structural sub-system, and managerial sub-system. Katz and Kahn have identified five sub-systems. These are: technical sub-system concerned with the work that gets done; supportive sub-system concerning with the procurement, disposal and institutional relations; maintenance sub-system for uniting people into their functional roles; adaptive sub-system concerned with organisational change; and managerial sub-system for direction, adjudication and control of the many sub-systems and activities of the whole structure. Carzo and Yunouzas give three kinds of sub-systems in an organisation as a system, i.e., technical, social and power sub-systems. We shall here discuss these three sub-systems.

The technical sub-system may be referred to as the formal organisation. It refers to the knowledge required for the performance of tasks including the techniques used in the transformation of inputs into outputs. Being a formal organisation, it decides to make use of a particular technology; there is a given layout; policies, rules and regulations are framed; different hierarchical levels are developed, authority is given and responsibilities are fixed; and necessary technical engineering and efficiency consideration are laid down. The behaviour in the organisation cannot be explained fully by technical sub-system, also because there is a fundamental conflict between the individual—a part of the system and the system itself resulting from the expectancies of the organisation and that of the people—regarding the work he has to perform. It requires certain modifications in the behaviour of the man through the social and power sub-systems.

The objective of the technical sub-system is to make necessary imports from the environment, transform them into products or services and export them back to the environment. For this purpose, it involves decisions, communications, action and balance processes. Through the decision process, three main problems of what to produce, for whom to produce and how to produce are resolved. Decisions are based on information gathered from various sources. Such informations are communicated through the communication process to action centres to implement them. Through balance process, an administrative balance is obtained so that all parts may be coordinated and no one part can dominate all other parts in the organisation. These processes take place on the basis of roles assigned to people according to the requirements of the job. In order to handle the job properly one is given authority from the superiors and is assigned a status matching with the importance of the job and the individual's ability to do the job. Norms of conduct are defined in the well-designed policies, norms, rules, procedures and description of the job. Thus, the arrangement

of job in relation to each other, process and authority relations, etc. provide a structure to the technical sub-system.

As we have explained earlier, there exists a conflict between an individual and the system itself because people differ very widely in abilities, capacities, attitudes and beliefs, likes and dislikes, etc. People find the formal set-up quite inadequate to satisfy all their needs especially social ones. Gradually they are seen interacting with each other and at times by cutting across the hierarchical and departmental lines, etc. on non-formal matters. Thus, they form groups to discuss their informal matters and display their positive and negative sentiments towards each other. Sometimes, one member gets the membership of different social groups for different purposes and thus social behaviour is patterned.

The interaction between individuals and the group are generally known as informal aspect of the organisation which is the result of operation of socio-psychological forces. Such interaction can be interpreted in terms of mutual expectancies. Informal group expects certain type of behaviour from its individual member and in turn, individual has expectancies of psychological satisfaction, he hopes from the association. In this an individual modifies his behaviour according to group norms and the group modifies its behaviours according to what is expected from it by its members.

Another group of elements in social sub-system consists of status, role, norms and values. Status is a position determined as being important in the interpersonal relationship of the group. Thus, it is a social rank, prestige, sentiments and feelings of a person in comparison with a social system. Some members come to be more highly respected than others while some others born to be followers. Role is a pattern of action, expected of a person in his position involving others. Thus, it describes specific form of behaviour and develops originally from the task-requirements. Different members have to play different roles assigned to them by the group. Norm is that the general

expectation demands character for all role incumbents of a system or sub-system. Unwritten norms are followed by the members of the group. Anybody not adhering to norms are reprimanded or punished. Value is the more generalised ideological justification and aspiration. Value guides the behaviour of the members.

Power behaviour of the people in an organisation plays a very important role. As the organisation starts functioning, people realise the importance of their job in relation to others in the organisation; the benefits of their experience to the organisation; the benefits of their experience to the organisation; the crucial location of their jobs, their personality characteristics; the fact of their access to the superior authority holder. In this way, they have acquired power to some degree or the other, based on the source of their power that influences the decision-making and regulate others behaviour.

Individual's abilities to regulate the behaviour of others vary. Some persons are more powerful and some others have powerful influence areas than others have. Consequently, a power differentiation based on the amount of power enjoyed (which is again a function of success achieved and attempts made to influence the behaviour of others) develops in a power structure. It gives birth to politicking and people play opportunistic roles. Power minded people have no norms. Generally, norms are decided by the individual's interests and the opportunity of serving those interests and, therefore, sheer expediency is the norm. The power holder enjoys the status in accordance with his abilities to influence the behaviour of others in order to carry out his wishes. This part of the system is known as power sub-system.

All the three sub-systems discussed above have distinct operational field. But, in actual practice, a clear-cut distinction among the three is very difficult to make and disentanglement of one sub-system from the other poses a serious problem. The three sub-systems are intertwined by considerable overlapping.

Some behaviour pattern in the organisation are part of two sub-systems; some others are part of all the three sub-systems; some other activities are exclusive to a particular system; and still there are few behaviours which do not fall in any of the sub-systems.

These three sub-systems are mutually dependent parts of the larger system, the organisation. There is interdependence between these parts of sub-systems and the whole organisation. Moreover, organisation itself, is a sub-system of a larger system society and has many other systems in its environment. Besides each part, sub-system or system constitutes environment of the other. As such, each of them influences and in turn, gets influenced by others.

NON CONCEPT

Modern organisation theory has its evolution from the General Systems Theory whose inventor and chief architect was Bertalanffy. General system theory presents an integration of different levels of system. It provides a macro view from which we may look at all types of systems.

The modern organisation theory is of recent origin having developed in sixties, and flourished in seventies. The theory presents the answers of several questions remained unheeded to by the earlier theories. The modern theory has an analytical base and has sufficiently relied on empirical research. The theory is a fundamental one, though it presents a new paradigm. It is not simply an extension of the old theories like the classical or the neo-classical theories. Its premises are based upon a conception of organisations as open, organic and probabilistic system. It gives answers to many complex questions ignored by the classical or the neo-classical theorists as pointed out by Scott and Michell:

- (i) What are the various parts of the system?
- (ii) What is the nature of their interdependency?

- (iii) What are the processes which link the various parts of the system and facilitate their adjustment to each other?
- (iv) What are the goals of the system?

We shall now discuss how these questions are answered by the modern theorists:

Significant Parts : As every system has several parts, so the organisation being treated as a system, must also have several parts. The parts of organisation system may be classified.

Individual is an important part of an organisation and provides energy to matter and information—the organisational inputs. Individuals in an organisation come together with varied backgrounds, attitudes, motives and sentiments, they interact and influence each other and things in their environment and are also influenced by them.

Every system is formal because it lays down certain principles, rules, regulations, procedures, and norms of conduct for its proper functioning. Such rules, etc. may be oral or written. There are also hierarchical levels through which communication flows downward and upward. Organisational charts and manuals also constitutes important parts of formal system.

In a formal system, people come together and interact with each other which causes development of certain relations and sentiments— positive, negative or indifferent. These relations and developments steadily result in spontaneous development of informal groups, groups so formed satisfy many of the social needs that remained uncared for by the formal organisation.

Every organisation has hierarchical levels. It is like a pyramid consisting of layers and every layer has functional segmentation. The number of segments get reduced with the increasing level of the layer in the organisation and at the top only one layer remains that ultimately envelops the entire organisation. Every level and every individual at that level is assigned a role which is played by everybody in relation to those having role

relationships. Accordingly, an individual gets certain privileges and prerogatives over others. The technical equipment, technology employed design of machines, arrangement of jobs, etc. constitute the physical environment of the work situation. It provides, implies or embraces the physical conditions under which a person is to perform the work and it affects skills, motivations and perceptions of people ultimately leading to a particular efficiency level.

Interdependent Nature : The above parts of a system of an organisation work unitedly for the attainment of a common goal. While performing their individual roles, they hardly work independently and to prove themselves productive, they work cooperatively and in collaboration with each other. Thus, these parts interact within and between themselves and such interaction may be interpret interactions and interpret interactions.

Each part of the organisation interact with all other parts. Individuals interact with informal organisations to get their social needs satisfied which formal organisation fails to satisfy. It makes modifications in individuals and expectations of the organisations. The individual may mould the group according to his point of view and by convincing the group, they can put their viewpoint before the organisation. Thus, each part interact affecting each other and resulting in mutual modification of expectancies. Consequently demands and expectations of individual reconcile for harmonious relationships. The same may happen with organisations.

Individual performs a very minute part of the total job and even for that limited task he is to seek assistance from others such as mechanic for removing the defects of a machine or for oiling the machine, etc. Thus, the individual's job may be a part of the series of processes involved, i.e., one may be a supplier for raw material for a job while the other depends for raw materials on others. In this way no part can complete his job without the assistance of others and thus their actions affect each other.

System of Complementarity : As we have mentioned earlier no one part works in isolation. They are interdependent and interrelated. The linking processes are decision, communication, action and balance. The interrelationship between the parts effects decisions which conversely explains the relationship through the decision processes. This shows the flow of significant decisions and how decisions are arrived at through socio-metric authority, power, functional communication, etc. processes. All parts make decision and most of them especially the important ones are the product of joint efforts of various parts. Thus, the decision process links the various parts. Through communication process, various parts are able to get, store, retrieve and feed information to the action centres and such centres implement the decisions. So, through action process, decisions are implemented. Different units are controlled, integrated and balanced in order to be sure that no one part dominates the other parts.

Every system including the organisational system has certain goals. Leaving apart certain specific goals meant for a specific organisation or part, every organisation or system works towards the attainment of common goals which necessitates interaction, ability, adaptability and growth. Interaction takes place because parts are interdependent and interconnected. Stability is the objective of every system. However, static structure and the simple dynamic of every system do not seek adaptability and growth. The cybernetic system seeks adaptability but adaptability and growth are the objective or characteristics of all open living systems.

The modern organisational theory has made valuable contributions in the development of the organisational theories. The following are important:

1. The theory has an empirical and analytical base and looks at the organisations in system perspective.
2. It seeks interrelationships and interconnections amongst

various organisational parts and seeks an answer to the question arising out of such interdependence.

3. It takes holistic view, i.e., a whole is not a sum of the parts. The system approach does not approve the separate study of different parts and then integrating them to make a whole. It opines that such integration is not possible and the total system should be studied as whole and not in parts.
4. The concern of modern organisation theory is to study the interrelationships between parts and to know how these parts respond to it. Thus, the system approach opened up vast possibilities for the analysis of innumerable parts and sub-systems within an organisational system and its interaction with its environment.
5. Unlike the classical or the behavioural approaches, modern theory adopts a realistic view regarding the principles of the organisation. The theory suggests as the organisation is composed of several sub-systems, it is quite impossible to prescribe certain principles which are universally applicable or appropriate to all organisations. Such principles are possible only when the system is stable, mechanistic, and effectively closed to intervening external variables. But once we take the organisation as an open system with interactive components, we can no longer think in simplistic and unidimensional terms.
6. The theory presents an open, organic and probabilistic system of the organisation as opposed to traditional theory's closed, mechanistic and deterministic view. Open system refers to an exchange relationship of the organisation with the environment and its serious dominating influence. Organisations are organic systems because they have adaptability and flexibility to adapt themselves to the environmental situation. Organisations

are probabilistic systems because nothing is certain in an organisation, only a probability can be forecasted.

7. The classical approach followed a macro approach and the behaviourists, a micro approach but the modern organisation theory attempts a macro- micro-macro approach of the organisation. Besides, this attempt to comprehend the impact on the organisation to changes in environment has proved a new paradigm which is not merely an extension of old, rather it constitutes a real revolution in theory. It helps us understand the interrelationships between the major components of an organisation its goals, technology, structure and culture.

Though the modern theory has contributed a lot to the organisation, yet it is not free from criticisms. Notwithstanding its contribution to modern thinking, it has not lived up to the expectations, it raised at the beginning. It promised to provide an adequate and comprehensive explanation of the organisation, but this promise does not seem to be fulfilled. It was initially received enthusiastically but the initial enthusiasm could not be sustained for long.

It remains fragmented because isolated attempts have been made in this direction and no integration of techniques and concepts into a high level of abstraction was attempted. Its concepts are still evolving. Though critics regard it as an important theory of organisation, but undoubtedly it has not yet developed sufficiently as a theory of explanation in the realm of human behaviour. There is no such transformation in the theory that can eliminate the old and substitute the new.

In this chapter, an overview of various management theories was provided. In depth, the analysis of classical and neo-classical theories was furnished. The key characteristics of classical organization theory being: (a) Division of Labour (b) Functional Process (c) Structure and (d) Span of Control.

The neo-classical approach was developed as a reaction to the classical principles, it did not abandon the classical approach altogether, rather it pointed to the limitation of classical approach.

Highlights of Hawthorne experiments were also described. The major facts discovered by these experiments include the important role of groups in determining the attitude of workers; need for communication among ranks; increasing satisfaction leads to effective organization and that people in an organization are motivating higher level needs. It also provided an overview of systems approach and the modern organisational theory.

ATMOSPHERIC IMPORTANCE

Every organisation exists and operates within its environment. In fact, every organisation is a sub-system of its total environmental system. Every organisation interacts with its environment, and both affect each other.

FUNCTIONAL ATMOSPHERE

Simply stated, organisational environment refers to the environment under which an organisation exists and operates. The environment is composed of many factors, forces, conditions, influences and so on.

According to Robert Albanese:

“The environment of an organisation may be defined as a perceived set of conditions, influences, or forces external to an organisation that has relevance to the goals and tasks of the organisation.”

In the words of Robbins:

“Environment is the composition of those institutions or forces that affect the performance of the organisation but over which the organisation has little control.”

According to Prof. Keith Davis, organisational environment “is the aggregate of all conditions, events and influences that surround and affect it.”

Thus, organisational environment refers to those surroundings, factors, circumstances, institutions or influences that affect the working and existence of an organisation.

CHIEF TRAITS

Following characteristics of organisational environment highlight its nature :

Organisational environment is dynamic. It is constantly changing due to the change in the factors or forces composing it.

Organisational environment consists of many factors, forces, conditions, events, influences institutions etc. arising from many sources. These all interact with each other and create new set of influences. Thus, it is complex phenomenon. It is easier to understand in parts but difficult to understand in its totality.

The dynamic environment consists of internal and external environment. Internal environment is composed of the forces and conditions within the organisation. External environment is composed of the forces and conditions outside the organisation. There is a geographical boundary of the environment of every organisation. Forces and conditions that arise within that boundary usually affect the organisation. However, the geographical limit is determined by the area of operation of the organisation.

All the factors of the environment are mutually dependent. Each factor affects all the other factors. For instance, social factor affects economic, political, legal, religious, technical and other factors.

Organisational environment is multi-faceted. It may look different to different persons. Moreover, a slight change in factors

may cause change in the environmental scene. Again, some see a particular state of environment as an opportunity while others may perceive it as a threat.

Environment affects all organisations. The profitability, growth, prosperity, diversification, etc. of any organisation largely depend on the environment in which it exists and operates. Moreover, any change in the environment also affects an organisation in several different ways.

Every organisation imports its resources (human, physical, financial and informational) from its environment and export its goods or services to its environment.

The basic purpose of every organisation is to earn profits through satisfaction of needs of the environment. No organisation can survive and succeed without achieving this purpose.

Every organisation has to face and deal with the challenges posed by its environment. It is a precondition for the success of the organisation. In order to face challenges effectively, every organisation needs to change its plans and strategies according to the change in the environment.

EXTRA KNOWLEDGE

Every organisation needs to study and understand its environment. Survival and success of an organisation largely depends on its ability to understand and anticipate its own environment accurately. Briefly, the need for study of environment arises due to the following reasons :

1. To understand complexities of environment.
2. To obtain information about the changes that are taking place in the environment.
3. To know and understand environmental fluctuations.
4. To know and evaluate the amount of risks associated with the organisation.

5. To understand the mutual effect of the environmental factors.
6. To evaluate the plans under execution.
7. To prepare strategic/corporate planning.
8. To prepare action plans.
9. To obtain information about opportunities and threats for the organisation.
10. To evaluate strengths and weaknesses of the organisation.
11. To make the organisation environmental friendly.
12. To prepare for organisational change.
13. To ensure overall managerial effectiveness.

DIFFERENT SETS

Organisational environment can be classified under the following heads :

The internal environment means the environment composed of the conditions and forces within the organisation. In other words, internal environment is a result of the internal forces and conditions. It influences the actions and behaviour of the persons internal to the organisation. The main components/elements of internal environment are as follows:

1. Purpose or objectives of organisation.
2. Counter value system and philosophy of organisation.
3. Policies, rules and regulations of organisation.
4. Nature, composition and structure of management including the Board of Directors.
5. Authority relationships in organisation.
6. Human resources of organisation.
7. Physical assets and production facilities of organisation.

8. R & D and technological strengths of organisation.
9. Finance strength of organisation.
10. Market standing and brand equity of organisation. Internal environment is largely controllable. Hence, managing this environment is not regarded as a serious challenge for managers.

External environment consists of the forces and conditions outside the organisation. Such an environment influences the actions and behaviour of the entire organisation. It is beyond the control of the organisation. The components of external environment are being discussed under the next heading.

EXTERNAL CLIMATE

External environment may be classified into two parts :

The micro environment consists of the factors or activators within the immediate environment of the organisation. Such an environment directly affect the performance of the organisation. It is, therefore, also known as the direct-action environment. The main components or factors of such an environment are : (i) Shareholders, (ii) Consumers, (iii) Trade unions, (iv) Suppliers, (v) Market intermediaries, (vi) Competitors, (vii) Financial institutions and creditors, (viii) Government and government agencies.

The word macro means large or whole. The macro or general environment means the environment composed of all those major forces and conditions that affect the organisation's activities and behaviour. Such an environment provides opportunities and poses threats to the organisation. The macro environment forces are beyond the control of the organisation. The main components of macro or general environment include economic, social, cultural, religious, political, legal, technological, educational, international and so on. Macro environment is

sometimes classified into economic and non-economic environment. Economic factors of macro environment constitute economic environment whereas the other factors of macro environment constitute non-economic environment. The main components of macro environment are briefly described as follows :

Economic environment refers to the economic factors and forces that have economic effects on organisations. Such environment affects the direction and working of organisations. The main factors and forces of economic environment are as follows :

- (i) Economic system, whether capitalistic, socialistic, communistic or mixed economic system.
- (ii) Stage of the economy, whether developed, under-developed or undeveloped.
- (iii) Present state of economic or trade cycle, price level and rate of inflation.
- (iv) Economic structure *i.e.*, the structure and sources of national income, income distribution pattern, rate of capital formation, rate and growth of GNP, per capita income, export-import and balance of payment position, stock of foreign exchange, etc.
- (v) Economic planning, such as Five Year Plans, annual budgets etc.
- (vi) Economic policies including industrial policy, licensing policy, exim policy, fiscal policy, agricultural policy, taxation policy, labour policy, etc. These policies have far reaching effects on organisational environment.
- (vii) Economic laws, including the companies law, business laws, FEMA, competition law, banking law, law relating to securities and stock exchanges.
- (viii) Other factors including the following :
 - (a) Disposable income with consumers.

- (b) Conditions of resource market *i.e.* money market, human resource market, raw materials market, services and supply markets and so on.

All these economic factors form economic environment of an organisation. These factors influence the performance of all organisations. These factors decide the supply of inputs, their costs, quality availability and reliability of supplies and performance of organisations.

Market environment directly affects the success and failure of business organisations. The main components of market environment are as follows :

- (i) Customer or client factors such as needs preferences, attitudes, values, bargaining power, buying motives and psychology and so on.
- (ii) Product factors such as demand and image of products, features, design, utility and functions of products, product life-cycle, price, differentiation, and so on.
- (iii) Distribution factors such as channels of distribution or middlemen, level and quality of customer service, transportation system and its costs, delivery system etc.
- (iv) Promotional factors such promotional measures and promotional mix, advising and promotion media and methods and so on.
- (v) Competition-related factors such as different forms of competition and competitors, entry and exit of competitors; nature of competition, and relative strategic position of major competitors.

The single most important factor that has greatly affected modern business organisations is the technological environment. Technological environment is the most dynamic of all the environmental factors. It refers to the forces that help transformation of organisational resources into goods or services.

It is concerned with the dynamics of product and process technology, research and development, innovations in product and processes, technological obsolescence and so on. Advancement and change in technology vitally affect the organisation's product lines, plant size and location, costs, profitability, growth and development. The main components of technological environment are as follows :

- (i) Technological development, change and rate of change of technology.
- (ii) Development of automatic machines operated through computers and robots.
- (iii) Research and development in product and production processes.
- (iv) Search and use of new sources of energy e.g. atomic power, solar power, wind power and so on.
- (v) Advancement in communication system and information technology e.g. satellite communication.
- (vi) Advancement in transport system.
- (vii) Advance in packaging materials and packaging system.
- (viii) Development of new synthetic materials.
- (ix) Research and development in bio-technology.
- (x) Speed of transfer of technology between the nations and its absorption.
- (xi) Cost of technology acquisition and collaboration in technology.

Political environment has close association with the economic environment. Political environment greatly affects the economic environment and consequently the economic organisations. The components of political environment are as follows :

- (i) Political ideology of the government such as democratic, autocratic or military, socialistic or communist.
- (ii) State of political development.

- (iii) The degree of politicalisation of business and economic issues.
- (iv) The level of political morality.
- (v) Political stability.
- (vi) Efficiency of the government agencies.
- (vii) Extent and nature of governmental intervention in the business.
- (viii) Government policies with regards to social and economic organisations.
- (ix) Political parties and pressure groups.
- (x) Structure of the government.
- (xi) Centre-state relations.
- (xii) Bureaucracy and administrative system.
- (xiii) Executive and judiciary.
- (xiv) Parliament and its working.
- (xv) Foreign policy and relations.

Political environment has a great bearing on the growth and development of business organisations. It establishes an environment which may be pro-business or anti-business. It provides stability needed for long-term business planning.

Legal environment is an illegal part of the organisational environment. It is closely related with the political environment. The main components of the legal environment are as follows:

- (i) Constitutional framework of the country.
- (ii) Basic legal framework regulating the general law and order environment of the country.
- (iii) Business laws, including the Contract Act, Sale of Goods Act, Partnership Act, Negotiable Instruments Act, Arbitration Laws and so on.
- (iv) Corporate and economic laws, include the Companies Act, Banking Laws, FEMA, Competition Act, Consumer

Protection Act, Essential Commodities Act, Trade Marks Act, law relating to Cooperatives, law relating to securities and stock exchanges (SEBI etc.) and so on.

- (v) Industrial and labour laws including Industrial (Development and Regulations) Act, Factories Act, Industrial Disputes Act, the Payment of Bonus Act, Gratuity Act, Provident Funds and Miscellaneous Provisions Act and so on.
- (vi) Pollution control laws including air, water, social, noise pollution control laws, Environment Protection Act and so on.
- (vii) Judicial system and judiciary.
- (viii) Taxation system and laws.
- (ix) Economic policies such as industrial policy, licensing policy, foreign investment policy etc.

All these factors and forces form the legal or regulatory environment of an organisation. These factors regulate and control the working of all the organisations.

Socio-cultural environment influences all organisations. It is the environment of society as a whole. It consists of the following factors :

- (i) Demographic characteristics such as population, its density and distribution. Composition of population such as male, female, age, class, caste, education religion etc.
- (ii) Degree and rate of urbanisation, rate of rural-urban mobility, income distribution.
- (iii) Social values and beliefs.
- (iv) Social and religious organisations and their impact on society.
- (v) Social traditions, customs and conventions.
- (vi) Cultural heritage.

- (vii) Family structure and changes in it and family values.
- (viii) Standard literacy and education.
- (ix) Level of general awareness and consciousness of rights.
- (x) Work culture and ethics of members of society.
- (xi) Changing life-style and patterns and materialism in society.

Thus, social and cultural environment is the social and cultural fabric that affects organisations and their members.

Customs, traditions, beliefs, value system etc. mostly affect the organisations. With the change in social and cultural environment, life-style and needs of the people change. Therefore, new products appear and new managerial challenges evolve.

Historical environment consists of the events, thoughts, work-practices etc. that have taken place in the past. Historical environment also influences all the organisations. Past events, thoughts, practices always influence the future organisations. Hence, social or racial clashes, wars, political instability, administrative styles, industrial, social and political movements in the past are likely to influence the future organisations.

Natural or physical environment is created by geographical, ecological and physical factors. Weather, climatic conditions, topographical factors, geographical location, natural resources such as mountains, rivers, sea and coastal area, oil and other minerals, live stock, water-level, level of pollution etc. are the major factors that form the natural or physical environment. All these factors and their combinations affect all the organisations.

The international environment is very important in the era of globalisation. It mainly affects the organisations engaged in internal business. International environment is the result of the relationship between the countries and their trade policies. Sound international environment may lead to increased flow of capital, technology and other resources, goods and services between the countries.

Managers need to scan and analyse organisational environment.

The third step or function in the management process is directing. Planning and organising functions lay the foundation for directing function. Once the plans have been formulated, the organisation structure has been designed and competent personnel have been assigned the task and authority, the function of directing starts. It emphasises working with people by guiding, motivating, leading, communicating and supervising the subordinates with a view to achieve organisational objectives efficiently and effectively.

Directing is the process of initiating action according to some plan. It is the process of guiding, supervising, motivating, leading and influencing people for accomplishment of organisational objectives.

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

In the words of Koontz and O'Donnell, "Direction is a complex function that includes all those actions which are designed to encourage subordinates to work effectively and efficiently in both the short and long run."

According to Ernest Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability."

In the opinion of Urwick and Brech, "Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management."

According to Marshall E. Dimock, "The heart of administration is the directing function which involves determining the course, giving orders and instructions, providing the dynamic leadership."

Direction : Thus, directing is the process of guiding, instructing, motivating, influencing and leading subordinates

with a view to achieve organisational objectives efficiently and effectively. It includes issuing of orders, explaining procedures to the subordinates and seeing that they do their tasks to the best of their ability.

The nature or function of directing has been discussed in the following features/characteristics :

Directing is one of the most important functions of management. Marshall Dimock calls it the 'heart of administration (management)'. In fact, it is an indispensable function of management because it is concerned with initiating, mobilising, influencing and integrating human resource of the organisation.

Directing is all pervasive function. It is performed by all the managers at every level of the organisation. However, the amount of time and effort spent on directing varies by the level of managers. Directing is a continuous or on-going process. It is not a one-time activity or one-shot action. A manager never ceases to direct, guide, teach, coach and supervise his subordinates. *[Haimann]*

Every manager has to guide, supervise, motivate or lead his subordinates continuously.

Directing is an integrating and connecting function between the other functions of managerial process. *[Haimann]*

Directing is a dynamic function. The style of directing depends on the level of subordinates and prevailing circumstances.

Directing function has two-fold objectives :

- (i) To accomplish organisation objectives, and
- (ii) To develop managers. Thus, directing aims at not only to accomplish objectives but also to develop future managers.

Directing is the process around which all performance revolves. It is the essence of operations. *[Haimann]*

Without proper direction, no task can be effectively performed. It is essential for effective performance of tasks.

Directing consists of many activities and processes. It consists of issuing orders and instructions, explaining procedures to the subordinates. It involves motivating and leading subordinates and seeing that they do their tasks to the best of their abilities.

Directing is the core of human relations at work. It deals with interpersonal human relationships at work. Therefore, sometimes, it is also referred as the 'people' function of management. It involves the study and influencing the human behaviour and relations. Directing is founded upon communication system. In the absence of effective communication system, directing function can never be performed.

Marshall E. Dimock has very rightly stated that "the heart of administration is the directing function. . . ."

Without directing, management process remains incomplete. It is wrong to assume that good planning and good organising will automatically result in the subordinates performance of the assigned duties. The function of directing deserves equal attention along with other functions. Haimann has observed that "In order to make any managerial decision really meaningful, it is necessary to convert it into effective action which the manager accomplishes by directing." Briefly, the importance of directing is discussed in the following points :

Directing is essential to get the things done through others. Without proper guidance, instructions, supervision, motivation, no manager can get the things done as per plans. Theo Haimann has rightly observed that "nothing happens until and unless the car is put into gear and accelerator depressed. Without the issuance of directives, without guiding and overseeing subordinates, nothing or at best very little would be accomplished."

Directing initiates action. Through direction managers motivate and influence subordinates to initiate action for accomplishing the objectives. All resources will be utilised only when action is initiated. Planning, organising and controlling functions can be effectively performed when work is initiated through directing.

In order to execute plans and decisions, directing is essential. Without effective directing, no plan or decisions can be effectively executed. Faulty directing can nullify the effects of best plans and sound decisions.

According to Haimann, "Coordination is a necessary by-product of good managerial directing." In fact, effective direction contributes in coordinating activities in organisation. Directing is one of the techniques of coordination.

One of the basic objectives of directing is to develop future managers. Through directing, managers constantly coach, counsel, guide and advise their subordinates. This practice helps develop efficient future managers.

Directing helps achieve objectives effectively. Through direction, managers can integrate the individual objectives with organisational objectives. This ultimately helps in accomplishing organisational objectives.

Usually employees resist change. But through proper directing, employees can be induced to accept change pleasantly.

Directing is important for creating work environment. Through proper directing, managers can mobilize and motivate employees and influence their behaviour. Hence, they are able to create work environment in the organisation.

Through proper direction, managers can motivate employees. In the process of directing, managers can deal with many physical and psychological problems of employees and motivate them.

Effective directing means effective supervision, communication, motivation and leadership. These all contribute to the growth and stability of the enterprise.

The function of directing is irreplaceable. There is no substitute of directing. Even computer-aided work procedures cannot substitute directing. It shall always remain an irreplaceable function of management.

Following are some of the basic principles of directing :

This principle states that subordinates should be given clear understanding the objective of directing. Moreover, subordinates should also be made known of their roles in accomplishing the objectives.

This principle states that for effective directing, there should be harmony of individual objectives and organisational objectives. A good directing system should encourage fulfilment of individual objectives while at the same time contributing to the achievement of organisational objectives.

This principle states that a subordinate should receive orders and instructions from only one superior. A subordinate should have reporting relationship to a single superior. In other words, a subordinate should be accountable to only one superior. It is necessary because no one can serve two bosses at the same time.

This principle states that managers should, as far as possible, ensure direct supervision. Moreover, objective methods of supervision should be supplemented by direct personal supervision. *[Koontz and O'Donnell]*

Through direct supervision, superiors can better communicate with other subordinates. Moreover, they can view the problems first-hand and receive suggestions from the subordinates immediately.

This principle states that effective leadership is essential to

effective directing. Therefore, managers should adopt an appropriate style of leadership to ensure effectiveness of direction. Managers should vary the leadership style appropriately. The leadership style that is effective for one environment may not be effective for another environment. Hence, manager should adopt an appropriate style in order to illicit desired response from the subordinates.

This principle states that sound two-way direct communication system should be maintained to ensure effectiveness of directing. It will provide free flow of ideas, information, suggestions, complaints and grievances between superior and his subordinates.

This principle states that for effectiveness of directing, a manager must motivate his subordinates. A manager should devise and use proper techniques to satisfy the physiological and psychological needs of his subordinates. Satisfied subordinates are ready to accept orders and instructions voluntarily. Hence, managerial task of directing becomes effective and easier.

This principle emphasises that manager should try to maximise individual contribution to the attainment of objectives. Therefore, directing should aim at maximising individual contribution.

This principle states that directing can be more effective if manager ensures participation of his subordinates in the process of directing. Therefore, a manager should solicit and consider ideas, opinions, views and suggestions of the subordinates before directions are issued.

This principle requires that for effective directing, a manager should develop informal relations with his subordinates. A manager should, therefore, promote and recognise informal groups and their leaders. Informal relations can increase the effectiveness of directing because it is easier to secure cooperation of people through such relations.

This principle states that a manager should select and use appropriate techniques of directing. The selection of techniques should be based on the nature of task and the prevailing situation. The technique of supervision should be appropriate to the person supervised and the task performed.

This principle requires that a manager should follow-up the directing process and make necessary changes in it wherever necessary. It means that directing is a never-ending process. It involves constant coaching, counselling, advice, supervision, and helping the subordinates in their respective activities. This requires continuous follow-up and feed back.

The main elements or components or techniques of directing are as follows :

1. Issuing orders and instructions,
2. Supervising,
3. Motivating,
4. Leading, and
5. Communicating.

The first and foremost step in the process of directing relates to the issuing of orders and instructions. A manager is required to issue orders and instructions to initiate, modify or stop any action. These are necessary to ensure proper performance of activities necessary to accomplish organisational objectives.

An order or instruction is, in fact, conveys a decision of a manager. Therefore, the order or instruction must be properly issued. A good instruction should have the following features or essentials :

- (i) It should be clear and unambiguous.
- (ii) It should be simple and easy to understand.
- (iii) It should be brief, concise and complete.
- (iv) It should be reasonable and enforceable.

- (v) It should be logically convincing and acceptable.
- (vi) It should be compatible with the organisational objectives, policies and rules.
- (vii) It should, as far as possible, be in writing.
- (viii) It should be properly drafted or worded.
- (ix) It should be able to secure cooperation.
- (x) It should specify the time within or by which it must be complied with.
- (xi) It should pass through the managerial hierarchy from top to bottom.
- (xii) It should be backed up by feedback and follow-up action or instruction.

Supervision is an essential element of directing process. The term 'supervision' is made up of two words : 'super' and 'vision'. Supervision, therefore, means overseeing by some superior of the subordinates at work. Every superior (manager) has to see that his subordinates work as per plans and standards.

Thus, the supervision is the process of ensuring performance of subordinates in accordance with the plans, policies, programmes, procedures, methods, rules etc.

Though supervision is important at every level of management, it is mainly concerned with the operative level of management. A supervisor is usually a first line manager and deals with the rank and file employees. He teaches his subordinates in the ways in which their job can be best performed. He explains them the procedures, methods, rules etc. of the organisation. Moreover, supervisor also looks into the problems and grievances of his subordinates and helps them in resolving the same. Motivating means arousing desires and wishes in the minds of subordinates to do the best for the organisation. It is a process of stimulating or inspiring individual and groups to do things with utmost zeal and enthusiasm.

Motivation satisfies needs and meets the expectations of the employees. It creates willingness among the employees to contribute more to their jobs. This leads to higher performance. Moreover, motivated employees can readily accept organisational changes. This all helps in achieving organisational goals efficiently and effectively.

It is, therefore, the task of every manager to motivate his subordinates. He must use financial as well as non-financial incentives to motivate the employees. He must make every effort to satisfy intrinsic and extrinsic needs of the employees in order to motivate them.

According to Koontz and O'Donnell, "Leadership is the ability of a manager to induce subordinates or followers to work with confidence and zeal." Simply stated, leadership is the process of guiding and influencing behaviour of subordinates to work willingly for attaining objectives of an organisation.

Leadership plays a vital role in management. The quality of leadership usually determines success or failure of an organisation.

There are different leadership styles. Every manager must develop and adopt the style that can best inspire individuals and groups for higher, effective, and regarding performance.

Communication is the process of exchanging information, facts, ideas, emotions and understanding by two or more persons. It is a systematic process of conveying or exchanging, careful listening and understanding of the message.

Communication is successful only when desired response is elicited. Therefore, every manager must develop sound two-way communication system. Moreover, he must also be responsive the feedback and communications received from the subordinates.

Communication is the fundamental and vital to all managers. It is a basis of action and cooperation. Sound communication

system gets ideas and instructions, understood properly, results in increased performance and morale. It helps in coordinating activities in an organisation.

Control : Control is the fourth and final principal element of the managerial process. This function intends to ensure that everything occurs in conformity with the plans and predetermined goals are successfully achieved. Thus, this function aims to make things happen in order to achieve goals.

Simply stated, control means checking and correcting activities in order to ensure that things occur in accordance with the plans.

1. According to Massie, "Control is the process that measures current performance and guides it towards some predetermined goals."
2. In the words of Philip Kotler, "Control is the process of taking steps to bring actual results and desired results closer together."

In the opinion of Henri Fayol, "Control consists of verifying whether everything occurs in conformity with the plan adopted, the instructions issued, and principles established."

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

In the words of Robbins and Coulter, "Control is the process of monitoring activities to ensure that they are being accomplished as planned and of correcting any significant deviations."

According to Robert Albanese, "Managerial controlling is the process of assuring that actions are in line with desired results."

Thus, control is the process by which managers ensure that performance is in conformity with the plans and goals. It involves

setting of standards, measuring actual performance and correcting the performance if it deviates from the standards. It should be noted that function of control is concerned with checking and correcting activities of human beings and not the human beings.

Following characteristics of control clearly explain its nature:

Control is a managerial function. It is the task of every line manager. A non-manager is not required to perform control function.

Controlling is all pervasive function. Controlling exists at every management level. *[Terry]*

Every manager has to exercise control over the activities and behaviour of the subordinates. However, the scope of control varies by level of managers.

The elements' and nature of control process are universal. The control process remains the same regardless of the activity involved or its location in the organisation. *[G. Dessler]*

Every control process involves four steps or elements: (i) Fixing standards, (ii) Measuring actual performance, (iii) Comparing performance with standards and detecting deviation, and (iv) Taking corrective action if required. All these steps are involved in every control process.

Control is a continuous and never ending process. As long as organisation exists, managerial control continues to exist. It is a continuous process of setting standards, evaluating the actual performance and correcting the performance if it deviates from the standards.

Control is a dynamic process. It is not static. It involves continuous review of standards in the light of changing situations and ensuring performance in conformity with the standards. Thus, this process is subject to change with the change in the situations.

Controlling is a positive and constructive process. The purpose of controlling is positive because it aims at making things happen as desired. Terry and Franklin have rightly alarmed that "Controlling should never be viewed as negative in character It is a managerial necessity and not an impediment or a hindrance."

Control is a goal-oriented function. Objective of controlling is to assure that actions contribute to the goal accomplishment.

[Robert Albanese]

Thus, control is not an end in itself. It is a means to achieve desired results.

Control is an action-oriented function. It implies taking some corrective action to achieve desired performance. Mere evaluating actual performance is no control. Taking suitable action for correcting the deviation from desired performance is the essence of control. Thus, its essence is in determining whether the activity is achieving the desired results. *[Haynes and Massie]*

Control is a forward looking. It aims at future. It not only aims at correcting the current performance but also provides standards for future performance.

Control is one function of management and its twin is planning. In other words, controlling and planning are closely related. These functions cannot be separated. Planning and controlling may be viewed as the blades of a pair of scissors. The scissors cannot work unless there are two blades. Without objectives and plans, control is not possible.

[Wehrich and Koontz]

Control relates to checking and regulating actions and behaviour of human beings towards organisational goals. It does not aim at controlling human beings and their freedom.

Control is not meant for interfering with others. It does not aim at reducing authority of subordinates. It is simply a means of ensuring actions of subordinates are in line with the desired

results. The scope of control is very wide. It covers all the aspects of performance leading to desired results. More specifically control includes the control of quantity, quality, time and cost. Any activity to control these four aspects of performance can be included in its scope.

AIMS AND PURPOSES

Controls are intended to serve several purposes. However, the basic purpose is to ensure actions and behaviour in line with the desired results. Briefly, the principal objectives of control are as follows:

1. To direct the activities according to plans.
2. To establish coordination between objects, means and efforts of the organisation.
3. To know the progress of the activities on the basis of standards fixed.
4. To find out deviations and try to remove these deviations.
5. To get the knowledge regarding quality cost and time of work performed.
6. To regularise actions and behaviour.
7. To prevent dishonesty and establish order and discipline.
8. To maintain flow in activities of the business.
9. To stop wastage and to minimise the cost.
10. To make decentralisation and delegation of authority successful.
11. To motivate employees.
12. To ensure efficient and effective use of organisational resources.

Control is an important element of the management process. Without control, manager cannot complete the process of management. He cannot get the things done and achieve desired goals results. Robbing and Coulter state, "Control is important

because it is the final link in the functional chain of management activities. It is the only way managers know whether or not organisational goals are being met and why or why not.” Briefly, the importance of control is described in the following sub-heads.

According to Peter Drucker, “Control maintains the equilibrium between ends and means, output and effort.” When there is such an equilibrium, enterprise functions smoothly. In other words, a sound control system ensures smooth functioning of the enterprise. It ensures achievement of long- term and short-term goals by maintaining equilibrium between ends and means and output and effort.

Modern large organisations have got a lot of complexities. They produce large variety of goods and services. They use automatic and computerised techniques of production. They cover vast geographical market area and use complex distribution network. Thus, their working is influenced by many factors simultaneously. In such a situation, uniformity of actions and behaviour in entire organisation can be ensured only through effective control system.

To become competitive is one thing. But to remain competitive over a long period of time is a big challenge. Maintaining competitiveness requires effective control. Through effective control, managers may use their available resources judiciously and remain competitive.

Control is essential in order to attain organisation goals. An effective control system ensures that activities are completed in ways that lead to the attainment of organisation goals.

[Robbing and Coulter]

Control is the function intended to ensure that everything occurs in conformity with the plans. Thus, control is the essential to the success of planning. Without effective control, no plan can be successful. Terry and Franklin have rightly pointed out

that “failure of controlling means sooner or later failure of planning and success of planning means success of controlling.”

It has been rightly said that executive decisions are primarily control decisions. Control system finds deviations in actual performance from the standard. Managers have to decide how to correct the deviations. Thus, control system facilitates managers to decide about follow up actions. Control system is essential for the success of delegation and decentralisation of authority. No delegation or decentralisation of authority can produce desired results without proper control system. Moreover, a manager remains responsible even after delegation. Hence for meeting this responsibility, he has to control the actions of the delegate.

According to Peter Drucker, “The synonymous to control is direction.” It means, effective control means effective direction. Through control process management can ensure that actions are efficiently and effectively directed towards objectives of the organisation.

Effective control system ensures unity of direction. This, in turn, ensures unity and uniformity of actions and behaviour. These develop spirit of cooperation among the employees. This ultimately promotes coordination of efforts among all employees and departments.

An effective control system is vital to the employee motivation and morale. Controlling helps employees to do their work better, to win respect. It serves, as challenge and opportunity to improve performance. Employees never like a situation that is out of control because in such a situation they cannot predict what will happen to them. They become victims of caprice of managers rather than the beneficiaries. *[McFarland]*

On the other hand, effective control system ensures judicious evaluation of the employee efforts and adequate rewards. It safeguards them against raw-deal. Consequently it enhances employer the motivation and morale.

Effective control system causes every organisation member to comply the norms, rules and other standards of behaviour and action. Members are not under the temptation of greed of monetary and other gain for doing things violating the norms, rules etc. Thus, the discipline and honesty can be ensured to a reasonable extent. However, it should be noted that control cannot cure habitual dishonesty in all the cases. But management shall be regarded irresponsible if it does not make a reasonable effort to maintain discipline and honesty among its employees through effective control system. *[McFarland]*

Control system also contributes to timely performance of activities. Predecided work schedules programmes, time-tables etc. are the controlling techniques that ensure timely performance of the activities.

Through control system every action and activity is evaluated against the set standards or rules or plans. Hence, mistakes or irregularities can be detected and corrected at early stages.

A Sound Control System can ensure economy in operation. It can help in reducing and controlling overall and per unit cost of production. It is possible because control system ensure efficient and effective use and elimination of wastage of resources.

Sound control system plays vital role in ensuring organisational stability. The techniques of control such as plans, policies, rules, budgets, standards or norms of behaviour can greatly contribute to the organisational stability. These can give sound foundation to the organisation and create its own work, culture and build image and goodwill in the society.

Modern business organisations work in an ever-changing environment. Products, competition, technology, consumer likings, government policies, corporate and industrial laws, employee behaviour, social and religious beliefs etc. are changing. Such a changing situation can be managed through adaptive controls. Adaptive controls enable organisations to make

adjustments in their objectives, structure, functioning and means in accordance with the needs of the situation.

Control is a continuous or ongoing dynamic process. It may involve many steps. Usually a control process consists of the following steps :

1. Establishment of standards.
2. Measurement of performance.
3. Comparison of performance with standards.
4. Taking corrective action.

The first step in the process of control is the establishment of standards of performance. It may be noted that standards are the objectives or plans against which actual performance can be measured.

Standards may be in several forms. But they should be tangible, verifiable, and measurable. More specifically, standards should be in quantitative as well as in qualitative terms. The performance standards are generally classified into four categories :

These standards state the amount/number of product or service to be produced during a given time period.

These standards state the length of time to be allowed to make a certain product or perform a certain service.

These standards state the cost associated with producing a product or service.

These standards set the level of perfection desired.

These standards prescribe the desired type of behaviour of employees in an organisation.

Standards to be effective, should satisfy the following conditions :

- (i) Standards should be fixed in all the key areas of business.

- (ii) They should be consistent with the goals and policies of the organisation.
- (iii) They should be, as far as possible, expressed in quantitative terms. Such standards can reduce subjectivity.
- (iv) They should be precise and tangible so that everyone can understand them easily.
- (v) They should focus on achievement of results and not on procedures.
- (vi) They should be capable of achieving with reasonable effort, cost and time.
- (vii) They should be flexible and capable of being adapted to changing circumstances.
- (viii) They should be set in consultation with the employees.
- (ix) They should be objective and based on facts.
- (x) They should include the tolerance limits *i.e.* permitted limits of deviation.
- (xi) They should be revised from time to time.

The next step in the control process is the measurement of actual performance. Actual performance may be measured through personal observation, samples, reports, accounting statements etc. But managers should carefully select the methods and time measurement. Measurement methods may be quantitative as well as qualitative or a combination both.

Again the time of measurement should also be fixed with the most care. Managers should also decide a reasonable time interval for measurement of performance. It should not be so short nor so long. Too short time interval may involve too much expenses whereas too long interval may not detect deviations in performance in time.

To make measurement of performance worthwhile, it should be clear complete, precise and objective.

The third step in the control process is the comparison of actual performance with the standards. At this step, manager finds out the degree of variation or deviation between actual performance and the standard. Where manager finds no deviation, no further action is required.

Then the control process is deemed to have completed. When deviation is found in the performance, manager has to find out the extent of deviation. If the deviation is within the tolerance limits, manager need not bother. However, if the deviation exceeds the tolerance limits, the manager's attention is needed. In such a case, manager has to take some corrective action.

The fourth and final step in the control process is to take correction. At this point, manager should find out the cause of deviation. If the cause is beyond the control, manager can do nothing. If the cause is controllable, manager may either :

- (a) correct actual performance, or
- (b) revise the standards.

Manager may correct actual performance by :

- (i) providing training,
- (ii) revising compensation plan,
- (iii) redesigning job,
- (iv) changing the strategy,
- (v) changing the organisation structure and so on.

When he decides to take corrective action, he should take it immediately. Immediate action corrects problems at once and gets performance on track. Where the deviation has been the result of faulty and unrealistic standard, manager should revise the stand. The above stated four steps constitute an effective control process. This control process is basic and universal. It essentially remains the same regardless of the activity involved at the level of manager.

Late Profs. Koontz & O'Donnell and many other experts have laid down certain principles of control. Some of the basic principles of control are summarised as follows:

This principle states that control must contribute to the achievement of objectives. In other words, control must facilitate the accomplishment of organisational objectives.

This principle requires that for ensuring effective control, accurate and objective standards should be established. These standards should be specific and capable of being measured. Good standards will generally be accepted as fair and reasonable by the workers being measured.

This principle states that for effective control manager's focus should be on strategic or key points of performance. Effective and efficient control requires focus on those crucial activities or operations where variation from standards would cause greatest harm.

This principle states that control system should be able to detect deviations quickly and to take corrective action immediately with minimum of cost. The results of the control should be worth their cost-both in monetary and human term.

This principle holds that control should be exercised only by the manager responsible for the execution of the particular plan.

This principle states that effective control system should aim at preventing present as well as future deviations from the standards.

This principle states that control system should be designed to maintain direct contact between the controller and the controlled. Such a control system will ensure high quality of managerial actions and behaviour.

This principle requires that control system must be so

designed to reflect the character and structure of plans. It will help in implementing the plans effectively.

This principle states that controls should be tailored to fit the organisation structure. Responsibility for execution of plans and for correction of deviations should clearly point out in the organisation structure. Deviations from plans can best be corrected when they are associated with specific managerial positions having responsibility and accountability for action.

This principle states that controls must be designed to meet the needs of the individual manager. More specifically, control system should be tailored to suit the personality, quality and authority of the manager.

This principle holds that a manager should be concerned with and concentrate only on exceptional deviations *i.e.* significant deviations and ignore others.

This principle prescribes that controls should be flexible enough to meet the needs of changing conditions.

This principle holds that control system should be reviewed periodically.

This principle states that control should be followed by appropriate action. Any control is justifiable if measures are undertaken to correct the potential or actual deviation from the standards or plans.

An effective control system should meet the following requirements :

A control system is effective only when it is goal-oriented. Therefore, before formulating a control system, its goals should be set and properly understood by all concerned. Moreover, everyone should be made known what is his role and expected of him to contribute to the system.

A control system should be accurate. It must generate accurate and reliable information. Inaccurate information from a control system may cause the managers to take inappropriate action or no action.

Control system should be able to provide timely information. The best information has little value if it is delayed. Hence, control system should be able to receive and evacuate information quickly and timely for timely corrective action.

An effective control should be as objective as possible and not biased. It should be fair and reasonable to those about whom information is being received and evaluated.

A control system may fail if it cannot be understood by the users *i.e.* employees. A control system that is difficult to understand can cause unnecessary mistakes and confuse or frustrate employees. *[Gray and Smetaser]*

Difficult system may even be ignored by the employees and very purpose of the system may be defeated. Hence, a control system should be easy to understand.

The modern organisation operates in a dynamic environment where change is inevitable. Hence, control system should be flexible and forward looking. It should be flexible enough to adjust the changing circumstances. It should be able to take advantages of new opportunities and face challenges successfully. It must also keep pace with the ever-changing pattern of dynamic business world. *[Haimann]*

A control system must be economical to operate. The cost of control system should not exceed the value of its benefits. But the economy need not be exercised at the cost of effectiveness of the system. However, to minimise the cost, management should try to impose the least possible controls. It should be remembered that control should not become the end, rather control should be used as a means to achieve the objective. *[Grayson Jr.]*

A control system should use reasonable and attainable control standards. If they are too high or unrealistic they will not be achieved and hence will not motivate employees. Some employees may even be forced to attain the standards. In such a case, they may resort to unethical or illegal short cuts. Therefore, the control system should enforce the standards that challenge and induce people to reach higher performance levels. They should never be demotivating or encouraging deception .

[Robbins and Coulter]

Management cannot control everything that happens in an organisation. Hence, managers should focus on those points or factors that are strategic or key to the organisation's performance. They should focus on those crucial activities and operations where variation from standards would cause the greatest harm.

[Robbins Coulter]

A control system should be consistent with the organisation structure. It should be consistent with organisation's activity relationship as well as with the authority relationships. In other words, flow of information for control system should correspond with the organisational relationships. Only such a system can determine who controls what, who provides information, who will control whom and so on.

A control system should be based on exception principle. This principle states that managers should concentrate on exceptional deviations from the standard. It is due to the fact that managers cannot control all the activities. Hence, managers should concentrate on the exceptional deviations or the significant deviations in performance from the standards.

A control system should contain multiple criteria of control. It means that it should include quantitative as well as qualitative criteria of control. Such criteria are more logical and objective. They are more difficult to manipulate. They promote more accurate evaluation of performance.

An effective control system not only helps to detect deviation

from the standard but also suggests the actions to be taken to correct the deviation. Thus, an effective control should be able to point out the defect and specify the corrective act.

In order to formulate an effective control system, participation of all concerned should be ensured. In other words, control system should be a joint effort of the manager and his subordinates. Proper participation can greatly influence the success of control system.

It is a matter of fact that every organisation is different in its size, operations and needs. Hence, the system and techniques of control will differ from organisation to organisation. Moreover, the system and techniques will also differ from level to level in the organisation. Hence, control system should be designed and tailored to suit the needs of a particular organisation.

A control system should within it have a self-control system for each sub system or department. If a department can have its own control system, much of the detailed controls can be handled within the department. These departments with self-control can then be tied together by the overall control system.

[Joseph L. Massie]

A control system should be designed to maintain direct contact between the controller and the controlled. Even when there are number of control systems provided by staff specialists, the supervisor at the first level is still important because he has direct knowledge of performance.

[Joseph L. Massie]

Every control system involves human beings and hence affected by human factors. Hence, a technically well designed control system may fail if human and psychological factors are ignored. Hence, the physiological and psychological factors of human beings (i.e. needs of human beings) should be considered while formulating a control system.

It should consider and give allowance to the factors which cannot be controlled.

The system should watch the means used to achieve the ends.

The control factor should be an effective feedback mechanism.

A plethora of techniques are used in controlling operations of in organisation. A few important techniques are as follows :

GLOBAL APPROACH

1. Personal observation,
2. Setting examples,
3. Plans and policies,
4. Organisation-charts and manuals,
5. Disciplinary system,
6. Written instructions,
7. Statistical data,
8. Special reports and records,
9. Financial statements,
10. Operational audit,
11. Break-even analysis,
12. Standard costing, and
13. Budgets/Budgetary Control.

Modern Techniques

1. Return on investment,
2. Management audit,
3. Management information system,
4. Zero-base budgeting, and
5. PERT/CPM.

Personal observation technique is the oldest and most important technique of control. Under this technique, managers

occasionally visit personally the subordinates at work place and observes their performance. If they find any deviation, give instructions on the spot. Personal observation is important because it permits first-hand evaluation of work. But control through personal observation is time consuming and busy managers cannot find enough time to inspect personally. However, it should be noted that there is no substitute for direct personal observation and contact. *[Haimann]*

It is the old saying that “example is better than precepts.” Some managers follow this saying and put good examples of performance before subordinates and expect the same from them. Examples set by managers become the norm of behaviour for the subordinates.

For instance, if a manager sets the example of punctuality, his subordinates tend to follow the same easily. Thus, behaviour and actions of subordinates can be controlled through exemplary behaviour of the manager.

Organisational plans include strategies, policies, procedures, methods, rules, programmes etc. These all are important tools that guide and control the actions of all the organisation members. These prevent deviations in actions and behaviour and ensure uniformity of actions and decisions. Thus, they play crucial role in controlling activities.

Organisation charts and manuals are the documents that provide a clear picture of relationships, duties and responsibilities of organisation members. These can be used to compare performance of the members. Thus, these can serve as important control techniques.

Disciplinary system provides for reprimand, censures, criticism, disciplinary action, punishment etc. Thus, it is a negative technique of control. For minor but regular lapses on the part of an employee, reprimand is issued. Where employee repeatedly makes mistakes or where mistakes are grave, strict disciplinary

action is taken. Disciplinary system can ensure control but through negative means. It is through fear and pain. It is demoralising. Hence, it does not create congenial work climate. Managers should, therefore, be judicious in making use of this technique of control.

Written instructions are issued from time to time to the organisation members. These provide latest information and instructions in the light of changing rules and conditions. These may provide additional knowledge and even remove misconceptions of the members. Instructions may be issued through personal/ individual letters, circular letters, bulletin, notes etc. These are the supplementary control techniques.

Statistical data are important source of control. Statistical data are collected and presented in the form of tables, charts and graphs. They are analysed in numerous ways such as mean, mode, standard deviations, regression, correlation. These data serve important role in the areas of production control, quality control, inventory control and so on.

Special operational reports and records are also prepared in addition to normal reports and records. These are non-routine reports prepared by experts. They contain much deeper information. They are actually investigative reports. They, therefore, indicate the depth of the problem and suggest the means of correcting/solving the problem.

Financial statements include the 'profit and loss account' and 'balance sheet'. These show the working and financial position of a business. These are used as techniques of control. For this purpose, financial statements of different time-periods are compared and analysed. Moreover, comparison and analysis of financial statements of different firms are also made. The conclusions drawn from such comparison and analysis are used for controlling financial performance of the firm.

The audit is an effective tool of control. Operational audit relates to the internal operations of the firm. Statutory audit is

more of a nature of financial operations. Some firms use internal audit with the help of special internal staff or external audit team. It provides an overall review of working of the entire organisation. It can reveal to what extent established policies, procedures, rules, work standards and methods have been followed in the day-to-day working of the organisation. These information can be used to control the operations of the organisation.

Break-even analysis is a graphical technique of control. It is a technique of identifying the number of units of a product that must be sold in order to generate enough revenue to cover costs. Thus, it is a technique of finding out a point of break-even where total cost equals to the total revenue. Thus, this technique is useful in controlling production and sales volume in order to avoid loss. [For details and graphical presentation, refer Chapter entitled, 'Planning'.]

Standard costing is a technique of cost control. Under this technique, standard costs of material, labour, overheads etc. are determined. Then, actual costs are recorded and compared with the standard costs and variances are found out. Then causes of variance are found out. Finally, measures are taken to prevent variances in future.

Budgets are used as a control device by almost all the managers. A budget is a numerical statement showing the allotment of resources to specific activities. Managers prepare various types of budgets for various activities. They include revenue budget, capital budget, expenditure budget, production budget, sales budget, master budget and so on. Budgets are used as a technique to control the concerned activity.

When budgets are used as a technique of control, it is called the budgetary control. It is a process of finding out what is being done and comparing the actual results with the related budget data and finding out the deviations and correcting the deviation. Thus, budgetary control helps managers to control the cost or use of resources as planned.

The modern techniques of control are as follows :

1. *Return on Investment or ROI* : Return of investment (ROI) is a technique of control of overall performance. It measures the rate of return on investment *i.e.* capital employed. This technique is based on the assumption that goal of business is not to maximise profits but to optimise return on capital employed. Therefore, in this technique profit of the organisation is not taken in absolute terms but is considered in terms of capital employed. The ROI is calculated as under :

$$\text{ROI} = \frac{\text{Sales}}{\text{Total Investment}} \times \frac{\text{Net - Profit}}{\text{Sales}}$$

Managers compare rate of return between two or more periods of the organisation or of the two or more other organisations and try to reach certain conclusion. On the basis of such conclusion, managers control the activities and operations of their own organisation.

2. *Management Audit* : Management audit is yet another new technique of control. Management audit is a systematic technique of evaluation of the working, and effectiveness of management of an organisation. It is designed to make an assessment for the effectiveness of entire management process. This audit is conducted by an independent team of expert from relevant areas. This audit is a periodic event.

The audit team collects many facts and information from office records, personal interviews with the members of organisation. It also gathers information through questionnaires circulated among the members and clients or customers of the organisation. The audit team then makes certain recommendations for future guidance of management. Management uses these recommendations for controlling the working and performance of the organisation.

3. *Management Information System or MIS* : Management information system (MIS) is a system of collecting, processing and transmitting information needed by managers. More specifically, this system is a centre of facilities and personnel for collecting, processing, storing, transmitting information needed for managing an organisation. Managers use these information for planning, decision-making as well as for controlling the activities of the organisation. In this way MIS is a technique of control.
4. *Zero-base Budgeting or ZBB* : Zero-base budgeting is a new approach to budgeting and used as control technique. It is a budgeting technique which does not consider figures of previous period or year while preparing a budget. It prepares budget afresh without considering the figures of earlier year or period. It takes into account the needs of the activity. Therefore, manager has to justify his entire budget on the basis of facts of the prevailing situations. Such a budget can control the activities in the light of current situations or conditions.
5. PERT/CPM-PERT and CPM are network techniques that are also used in controlling the actions and performance. PERT stands for "Programme Evaluation and Review Technique" and CPM stands for "Critical Path Method". Though these techniques differ slightly, they are based on the same principle.

PERT/CPM is technique of scheduling complex projects involving many activities. In this technique, a network diagram is prepared that displays the sequence of activities needed to complete a project and time and cost associated with each activity. Thus, PERT not helps in planning the schedule of a project but also helps managers to monitor and control progress of the project, identify possible obstacles, and shift resources as necessary to keep the project on schedule. Thus, with a PERT/CPM a manager can ensure control of complex projects.

Though control is essential for better performance and maintenance of good standards, there are certain limitations also. Some of the limitations are discussed below :

1. *Difficulty in Setting Standards* : There are many areas in the context of a business where measurable standards of performance just cannot be set. Importance among such areas are employee morale, customer reaction, and research and development. In the absence of these, control function becomes less effective.
2. *Difficulty in Qualification* : Sometimes standards cannot be fixed in terms of quantity. Hence, control becomes even more difficult.
3. *Influence of External Factors* : There may be an effective control system but external factors which are not in the ambit of management may have adverse effect on the working. These factors may be government policy, technological changes, change in fashion, etc. The influence of these factors cannot be checked by the control system in the organisation.
4. *Expensive* : The control system involves huge expenditure on its exercise. The performance of each and every person in the organisation will have to be measured and reported to higher authorities. This requires a number of persons to be employed for this purpose. If the performance cannot be quantitatively measured then it will be observed by the superiors. The exercise of control requires both time and effort.
5. *Opposition from Subordinates* : The effectiveness of control process will depend upon its acceptability by subordinates. Since control interferes with the individual actions and thinking of subordinates they will oppose it. It may also increase the pressure of work on subordinates because their performance is regularly monitored and evaluated. The factors are responsible for the opposition of controls by subordinates.

6. *Difficulty in Pin-pointing Responsibility* : Control process is concerned with identifying the factors responsible for deviations. But, in modern times, it is difficult to do so, because a number of persons are concerned with the performance of a single job. To the extent it is so, control is weakened.
7. *Time Consuming* : There are cases when control becomes time consuming exercise. It is due to the nature of techniques used and the work itself.
8. *Limits of Corrective Action* : Sometimes deviations are found but no corrective action is possible. Sometimes, corrective action cannot be taken quickly and damages cannot be controlled.