

SATHYABAMA UNIVERSITY
FACULTY OF BUSINESS ADMINISTRATION

Subject Title: PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS

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UNIT – 1

MANAGEMENT FUNCTIONS AND STRUCTURE

Management – Definition – Basic Functions – Contributions of Taylor and Fayol. Types of structure – Line, Staff, Line and Staff, Functional, Committee, Project and Matrix Structures. Departmentalization – Centralisation – Decentralization – Span of Control – Management by Objectives – Management by Exception.

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INTRODUCTION TO MANAGEMENT

Groups of people working in an organization to develop or appraise or attain the common goal of the organization by utilizing the available resources are called Management. In simple terms it means managing the work done by the people. Just as the mind coordinates and regulates the various activities of the person, the management coordinates and regulates the activities of various members of an organization.

Management is the process of Planning, Organizing, Staffing, Directing, Coordinating and Controlling the human, physical, financial, and information resources of the organisation in an effective and efficient manner in order to maintain the common objectives.

DEFINITION:

- F.W. Taylor -“Art of knowing exactly what you want your men to do and then seeing that it is done the best and cheapest way”.
- Henry Fayol –“To Manage is to forecast, to plan, to organize, to command, to co-ordinate and to control”.
- Peter F.Drucker –”Management is work and as such it has its own skills, its own tools and its own techniques”.
- Mary Parker - “Management is the art of getting things done through and with people”.

➤ Theo Haiman and William G Scott - Management is a social and technical process which utilized resources influences human action and facilitates changes in order to accomplish organizational goals.

➤ Koontz and O Donnel - Management is the creation and maintenance of an internal environment in an enterprise where individuals working in groups goals, efficiently and effectively towards the attainment of group goals. It is the art of getting the work done through and with people in formally organized groups.

RESOURCES – 5 M'S

- 1) Men
- 2) Machine
- 3) Material
- 4) Money
- 5) Methods

FUNCTIONS OF MANAGEMENT

Planning

- Look ahead and chart out future course of operation
- Formulation of Objectives, Policies, Procedure, Rules, Programmes and Budgets

Organizing

- Bringing people together and tying them together in the pursuit of common objectives.
- Enumeration of activities, classification of activities, fitting individuals into functions, assignment of authority for action.

Directing

- Act of guiding, overseeing and leading people.
- Motivation, leadership, decision making.

Controlling

- Laying standards, comparing actuals and correcting deviation-achieve objectives according to plans.

Co-ordination

- Synchronizing and unifying the actions of a group of people.

'POSDCORB' FUNCTIONS OF MANAGEMENT:

- 1) Planning: Planning means forecasting or predicting the future activity in a specific manner or structure. It is the basic function and essential for all the organization.
- 2) Organizing: It is collection or joining of all the resources available within the organizational and outside, in order to achieve the organizational goal with efficiency.

- 3) **Staffing:** It involves appointing the right man for the right job at the right time. The management is to analyze the human resource, see if he is suitable for the job and accordingly allocate the work in the organization.
- 4) **Directing:** It is showing the correct path or correct way to achieve the organizational goal within the stipulated time.
- 5) **Controlling:** Controlling as a function involves regulating the person or examining the person whether he is working in the right way or not. In order to achieve the common goal as efficient as possible.
- 6) **Coordinating:** It is a type of support function. It involves accumulating the work to achieve the task.
- 7) **Budgeting:** It means allocation of the resources. It involves financial planning for the future activities.
- 8) **Reporting:** It is a statement showing the various activities to the top management. It shows the status of the work done.

NATURE/CHARACTERISTICS OF MANAGEMENT

1. **It is an Universal Activity:** Management is relevant in every sphere of activity. It is relevant in army, government, private household work etc. the work can be done in a more systematic manner with the application of the techniques of management. The material and human resources can be effectively handled and the goal can be attained with maximum efficiency. Ex. a student study at random and systematic manner. Later is best one.
2. **It is goal oriented:** Management focuses attention on the attainment of specific objectives. For Ex a business may aim for a particular level of sales. This can be achieved by proper forecast of sales by planning production by fixing the targets.
3. **It is an Intellectual activity:** The practice of management requires application of mind and intelligence. Every work needs to be properly planned and execute work has to be assigned to different Individuals and responsible have to be fixed on them. Ex in a manufacturing unit production finance and marketing are the important activities performed. It has to work in proper co-ordination with the other departments. Then only objectives of the firm can be achieved.
4. **It is a process:** It is process consisting of various stages/ functions such as Planning, Organising, Directing, Controlling and Co-ordination. Planning is the starting point of management and control is its last stage.
5. **Management is both Art and Science:** The practice of science needs knowledge of theory and formulae. But the practice of art requires skill management is social science. It focuses attention on the behavior of individuals and groups. The theoretical knowledge may not help always that time they require skill ex if the workers in a factory demand more pay and

threaten to go on strike if their demand is not considered. Here the skill of the manager will help to avert the strike then its theoretical.

6. **It is a Social Process:** Management deals with the behavior of individuals and group. In a work place individuals work as a team. The behavior of an individual is bound to be different while he is part of a group ex: an individual worker may be forced to join a strike program because of the union.

7. **It is an on-going Activity:** It is a continuous process planning, organizing etc have unlimited use. Management will exist as long as there are human activities.

8. **It is Intangible:** It is invisible cannot be seen, but it can be felt.

9. **Management is a Profession:** Like medical, law and engineering, management has also come to be recognized as a profession

MANGEMENT IS AN ART AND SCIENCE

Art:

- Practical know how
- Technical skills
- Concrete results
- Creativity
- Personalised nature

Science:

- Empirically Derived
- Critically tested
- General principles
- Cause and effect relationship
- Universal applicability

‘Management as a science provides principles and as an art helps in tackling situations’.

ROLE AND IMPORTANCE OF MANAGEMENT

- Achievement of group goals
- Optimum utilization of resources
- Minimum Cost
- Survival and growth
- Generation of employment
- Development of nation

MANAGEMENT VS ADMINISTRATION

Meaning

Administration as a function is concerned with determination of corporate policies, coordination of the various departments (production, finance, distribution etc.) of the organization under the control of the executives.

Management is concerned with execution of the policy within the limits setup by administration and employment of the organization for the particular objective before it. In other words Management is the doing process and administration is the thinking process.

POINTS	ADMINISTRATION	MANAGEMENT
1. Nature of work	It is concerned about the determination of objectives and major policies of an organization.	It puts into action the policies and plans laid down by the administration.
2. Type of function	Determinative	Executive
3. Scope	Takes major decisions of an enterprise as a whole	Takes decisions within the framework set by the administration.
4. Level of authority	Top-level activity.	A middle level activity.
5. Nature of status	Consists of owners who invest capital in and receive profits from an enterprise.	It is a group of managerial personnel who use their specialized knowledge to fulfill the objectives of an enterprise.
6. Nature of usage	It is popular with government, military, educational, and religious organizations.	It is used in business enterprises.
7. Decision making	Its decisions are influenced by public opinion, government policies, social, and religious factors	Its decisions are influenced by the values, opinions, and beliefs of the managers.
8. Main functions	Planning and organizing	Motivating and controlling

	functions are involved in it	functions are involved in it
9. Abilities	It needs administrative rather than technical abilities	It needs administrative rather than technical abilities.
10. Focus	Handles the business aspects such as finance	Handles the employers.

LEVELS OF MANAGEMENT

FUNCTIONS OF TOP LEVEL MANAGEMENT

- To provide a basic sense of direction to the activities of the company by setting its long range mission and translating into clear set of objectives
- To design the organization structure of the company in terms of differentiated and integrated activities, role of various positions, authority & responsibility between them.
- Top management must ensure the quality of personnel in terms of their skills, orientations and commitment
- To ensure that the resource conversion and exchange systems are designed and operated efficiently.
- Periodic review of objectives for necessary modifications is a part of this function

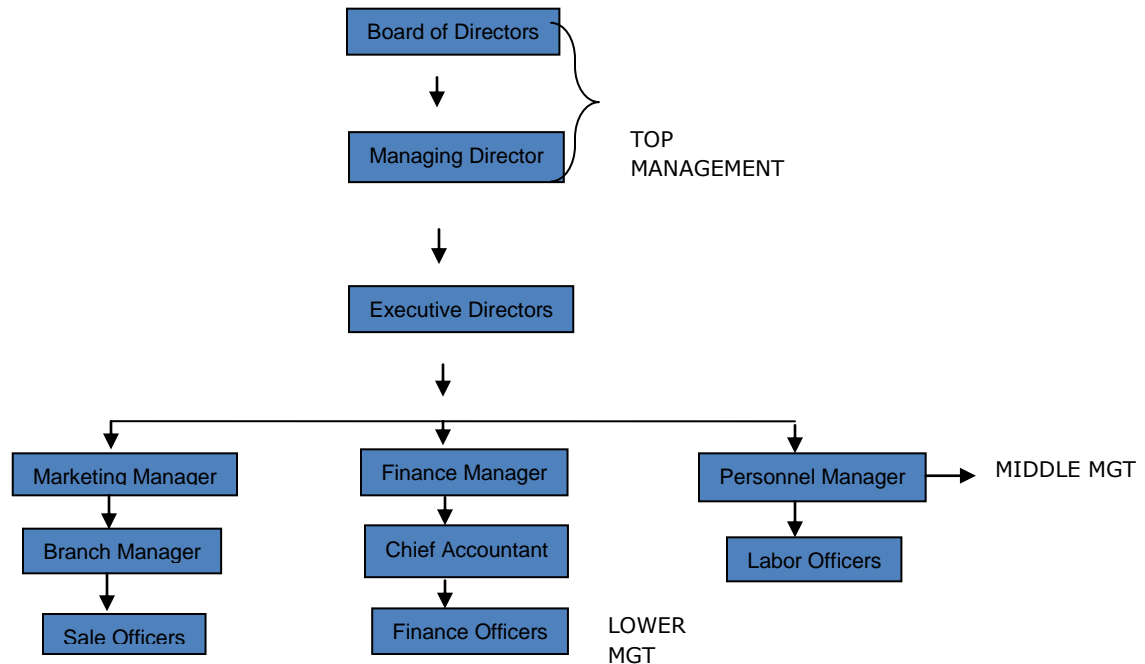
FUNCTIONS OF MIDDLE LEVEL MANAGEMENT

- To interpret and explain the plans and policies formulated by top management
- To monitor & control the operating performance
- To cooperate among themselves so as to integrate the various activities of a department
- To train, motivate and develop supervisory personnel; and
- To lay down rules & regulations to be followed by supervisory personnel.

FUNCTIONS OF LOWER LEVEL MANAGEMENT

- To plan day to day production within the goal laid down by higher authorities
- To assign jobs to workers and to make arrangements for their training and development
- To issue orders & instructions
- To supervise & control workers' operations and to maintain personal contact with them
- To arrange materials and tools and to maintain machinery
- To advise & assist workers by explaining work procedures, solving their problems etc.
- To maintain discipline and good human relations among workers
- To report feedback information and workers' problems to the higher authorities.

THREE LEVELS OF MANAGEMENT



CONTRIBUTIONS OF TAYLOR AND FAYOL

F.W.Taylor's Scientific Management (USA 1856-1915)

He started as an apprentice machinist in Philadelphia, USA. He rose to be the chief engineer at the Midvale Engineering Works and later on served with the Bethlehem Works where he experimented with his ideas and made the contribution to the management theory for which he is so well known. Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- (a) Observation
- (b) Measurement

(c) Experimentation and

(d) Inference.

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.

He conducted the experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management:

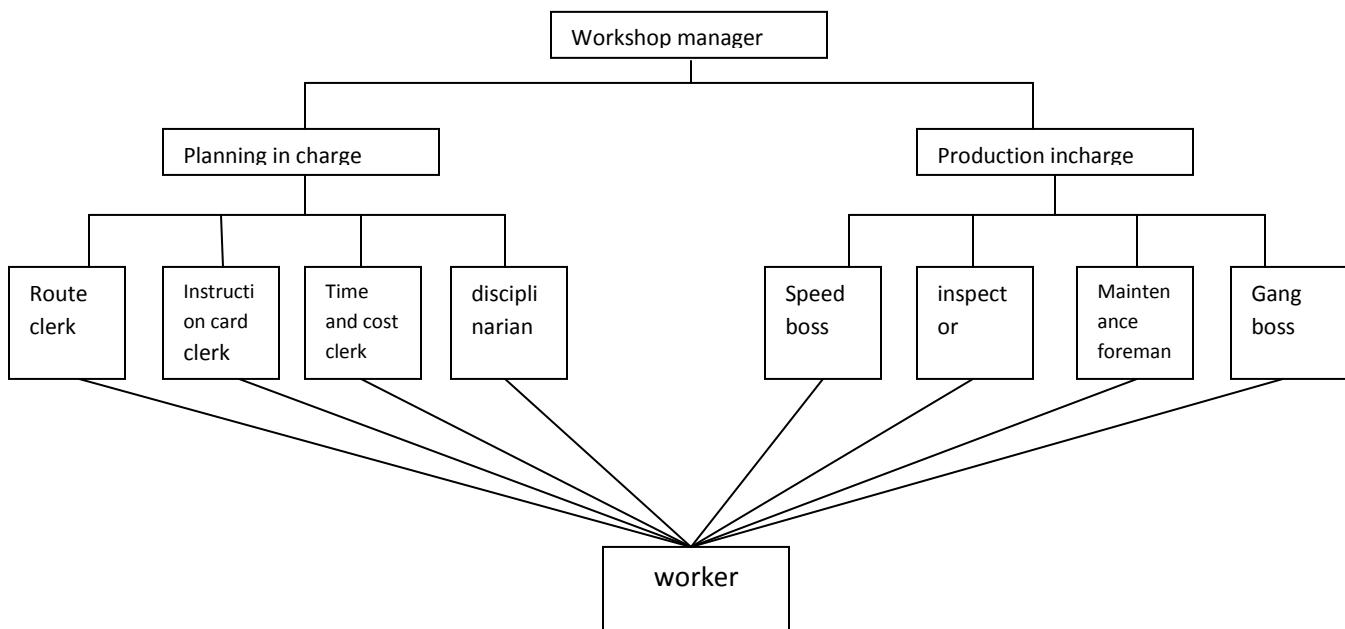
ELEMENTS AND TOOLS OF SCIENTIFIC MANAGEMENT

Taylor conducted various experiments at his work places to find out how human beings could be made efficient by standardizing the work and better method of doing the work. These experiments have provided the following features of scientific management.

1. SEPERATION OF PLANNING AND DOING: Worker was put under the supervision of a supervisor commonly known as gang boss. Thus, supervisor's job was merely to see how the workers were performing. This was creating a lot of problems, and Taylor emphasized that planning should be left to the supervisor and the worker should emphasize only operational work.

2. FUNCTIONAL FOREMANSHIP: Separation of planning from doing resulted into development of supervision system which could take planning work adequately besides keeping supervision on workers.

For this purpose, Taylor evolved the concept of functional foremanship based on specialization of functions.



3. JOB ANALYSIS: Job analysis is undertaken to find out the one best way of doing the thing. The best way of doing a job is one which enquires the least movements, consequently less time and cost.

(i) **Time study** involves the determination of time a movement takes to complete. The movement which takes the minimum time is the best one. This helps in fixing the fair work for a period.

(ii) **Motion study** involves the study of movements in parts which are involved in doing a job and thereby eliminating the wasteful movements and performing only necessary movements. This reduces the time taken in performing a work and also the fatigue of workers.

(iii) **Fatigue study** shows the amount and frequency of rest required in completing the work. After a certain period of time, workers feel fatigue and cannot work with full capacity. Therefore, they require rest in between.

4. STANDARDISATION: As far as possible, standardization should be maintained in respect of instruments and tools, period of work, amount of work, working conditions, cost of production, etc. These things should be fixed in advance on the basis of job analysis and various elements of costs that go in performing a work.

5. SCIENTIFIC SELECTION AND TRAINING OF WORKERS: A worker should be given work for which he is physically and technically most suitable like, education, work experience, aptitude, physical strength, etc.

6. FINANCIAL INCENTIVES: Financial incentives can motivate workers to put in their maximum efforts. If provisions exist to earn higher wages by putting in extra effort, workers will be motivated to earn more.

7. ECONOMY: The economy and profit can be achieved by making the resources more productive as well as by eliminating the wastages.

8. MENTAL REVOLUTION: Scientific management depends on the mutual co-operation between management and workers. For this co-operation, there should be mental change in both parties from conflict to co-operation

PRINCIPLES OF SCIENTIFIC MANAGEMENT

Taylor has given certain basic principles of scientific management. The fundamental principles are:

1. REPLACING RULE OF THUMB WITH SCIENCE: Taylor has emphasized that in scientific management, organized knowledge should be applied which will replace rule of thumb. While the use of scientific method denotes precision in determining any aspect of work, rule of thumb emphasizes estimation.

2. HARMONY IN GROUP ACTION: Group harmony suggests that there should be mutual give and take situation and proper understanding so that group as a whole contributes to the maximum.

3. CO-OPERATION: Scientific management involves achieving co-operation rather than chaotic individualism.

4. MAXIMUM OUTPUT: Scientific management involves continuous increase in production and productivity instead of restricted production either by management or by worker.

5. DEVELOPMENT OF WORKERS: In scientific management, all workers should be developed to the fullest extent possible for their own and for the company's highest prosperity.

Benefits of Scientific Management:

Taylor's ideas, research and recommendations brought into focus technological, human and organizational issues in industrial management.

Benefits of Taylor's scientific management included wider scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and workers. According to Gilbreths, the main benefits of scientific management are "conservation and savings, making an adequate use of every one's energy of any type that is expended". The benefits of scientific management are:-

1. Replacement of traditional rule of thumb method by scientific techniques.
2. Proper selection and training of workers.
3. Incentive wages to the workers for higher production.
4. Elimination of wastes and rationalization of system of control.
5. Standardization of tools, equipment, materials and work methods.
6. Detailed instructions and constant guidance of the workers.
7. Establishment of harmonious relationship between the workers.
8. Better utilization of various resources.
9. Satisfaction of the needs of the customers by providing higher quality products at lower prices.

Criticism:

1. Worker's Criticism:

- (a) Speeding up of workers: Scientific Management is only a device to speed up the workers without much regard for their health and well-being.
- (b) Loss of individual worker's initiative: Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.
- (c) Problem of monotony: By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.
- (d) Reduction of Employment: Scientific Management creates unemployment and hits the workers hard.
- (e) Weakening of Trade Unions: Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.
- (f) Exploitation of workers: Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

2. Employer's Criticism:

(a) Heavy Investment: It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not work in the workshop and directly contribute towards higher production.

(b) Loss due to re-organization: The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

(c) Unsuitable for small scale firms: various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

FAYOL

Henry fayol (1841-1925) is generally hailed as the founder of the classical management school – not because he was the first to investigate managerial behavior but because he was the first to systematize it.

Perhaps the real father of modern operational management theory is the French industrialist Henry Fayol. His contributions are generally termed as operational management or administrative management.

“To manage is to forecast and to plan, to organize, to coordinate and to control.”

He found that activities of an industrial organization could be divided into six groups:

1. Technical (relating to production);
2. Commercial (buying, selling and exchange);
3. Financial (search for capital and its optimum use);
4. Security (protection of property and person);
5. Accounting (including statistics) and
6. Managerial (planning, organization, command, coordination, and control).

He has divided his approach of studying management into three parts: (i) managerial qualities and training, (ii) general principles of management, and (iii) elements of management.

MANAGERIAL QUALITIES AND TRAINING

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

1. Physical (health, vigour, and address);
2. Mental (ability to understand and learn, judgement, mental vigour, and capability);
3. Moral (energy, firmness, initiative, loyalty, tact, and dignity);
4. Educational (general acquaintance with matters not belonging exclusively to the function performed);
5. Technical (peculiar to the function being performed); and

6. Experience (arising from the work).

GENERAL PRINCIPLES OF MANAGEMENT (14 principles of Management)

1. DIVISION OF WORK: According to him, "specialization belongs to natural order. The workers always work on the same part, the managers concerned always with the same matters; acquire an ability, sureness, and accuracy which increase their output.

2. AUTHORITY AND RESPONSIBILITY: The authority and responsibility are related, with the latter the corollary of the former and arising from it. Fayol finds authority as a continuation of official and personal factors.

3. DISCIPLINE: Discipline is obedience, application, energy, behavior, and outward mark of respect shown by employees.

4. UNITY OF COMMAND: Unity of command means that a person should get orders and instructions from only one superior..

5. UNITY OF DIRECTION: Unity of direction is different from unity of command in the sense that the former is concerned with functioning of the organization in respect of its grouping of activities or planning. Unity of direction provides better coordination among various activities to be undertaken by an organization.

6. SUBORDINATION OF INDIVIDUAL TO GENERAL INTEREST: Common interest is above the individual interest. Individual interest must be subordinate to general interest when there is conflict between the two.

7. REMUNERATION OF PERSONNEL: Remuneration of employees should be fair and provide maximum possible satisfaction to employees and employers.

8. CENTRALISATION: In small firms, centralization is the natural order, but in large firms, a series of intermediaries is required. Since both absolute and relative values of the managers and employees are constantly changing, it is desirable that the degree of centralization or decentralization may itself vary constantly.

9. SCALAR CHAIN: There should be a scalar chain of authority and of communication ranging from the highest to the lowest. It suggests that each communication going up or coming down must flow through each position in the line of authority. Fayol has suggested 'gang plank' which is used to prevent the scalar chain from bogging down action.

10. ORDER: This is a principle relating to the arrangement of things and people. In material order, there should be a place for everything and everything should be in its place.

11. EQUITY: Equity is the combination of justice and kindness. Equity in treatment and behavior is liked by everyone and it brings loyalty in the organization

12. STABILITY OF TENURE: No employee should be removed within short time. There should be reasonable security of jobs.

13. INITIATIVE: Within the limits of authority and discipline, managers should encourage their employees for taking initiative. Initiative is concerned with thinking out and execution of a plan.

14. ESPIRIT DE CORPS: This is the principle of 'union is strength' and extension of unity of command for establishing team work.

ORGANISATION STRUCTURE

Types of structure

♣ The organisation structure, being abstract, is not visible in the same way as a biological or mechanical structure, though it can be inferred from the actual operations and behavior of the organisation.

♣ To put it in simple words Organizational structure refers to the levels of management and division of responsibilities within an organisation.

♣ In an organization of any size or complexity, employees' responsibilities typically are defined by what they do, who they report to, and for managers, who reports to them. Over time these definitions are assigned to positions in the organization rather than to specific individuals. The relationships among these positions are illustrated graphically in an organizational chart.

Factors in Designing Organisation Structure

A sound organisation requires sound organisation structure. This requires the identification and analysis of activities While designing a structure, the following points should be given adequate consideration.

1. Departmentation. Departmentation is the process of arranging work to form positions functions, and other organisational elements. There are several ways of departmentation. However, any base should provide (i) facility in co-ordination (ii) advantages of specialisation, (iii) minimum cost, (iv) emphasise on important activities, (v) consideration of internal and external factors, and external factors, and (vi) development of individuals. Departmentation is not a fixed pattern, it should be checked and analysed from time to time to make necessary adjustment according to changes in internal an external variables.

2. Balancing. Each function should be given its proper emphasis with respect to its basic purpose in the organisation. Each element of the organisation should be seen in the context of total structure because no decision can be taken on a particular element in isolation. Compromise in various elements gives a balanced and workable organisation structure.

3. Focusing of Operating Responsibility. The work assignment creates responsibility. Organisation structure should clearly define the responsibility of all the individuals so that they exactly know what is expected of them. Clearly defined responsibility helps in delegating appropriate authority to various level. Moreover, when responsibility is clearly defined, the

persons can be trained accordingly to occupy the positions.

4. Establishing Span. Span of management, supervision, or control refers to the number of people one manager can supervise. There is a limit on this number; however, arbitrary designation of limits on number is misleading. In practice, the span may vary widely because a number of factors determine this. The span should be decided on the basis of its needs at various levels of organisation

5. Facilitating Units. Departmentation and responsibility centres provide as to who will perform the work. The persons heading the responsibility centres need the help of facilitating units which are created in the organisation. These units may be organised in the form of departments, sectors, or committees. In organising these units, factors like co-ordination of operating units, consistent action throughout the organisation, provision for adequate importance and control, and common use of specialised facilities should be considered.

6. Continuity. The structure is determined for future period also. As such, it should be designed in such a way that it helps in achieving the objectives of near future also. For this purpose, the structure should be kept flexible enough so that it can be adjusted to changing conditions.

Three-fold of organisation structure

The basic purpose of designing organisation structure is three-fold

1. All the necessary activities are performed and no unnecessary activity is performed.
2. There is no unnecessary duplication in performing necessary activities.
3. The various activities are performed in a synchronized or co-ordinated way.

Forms of Organisation Structure

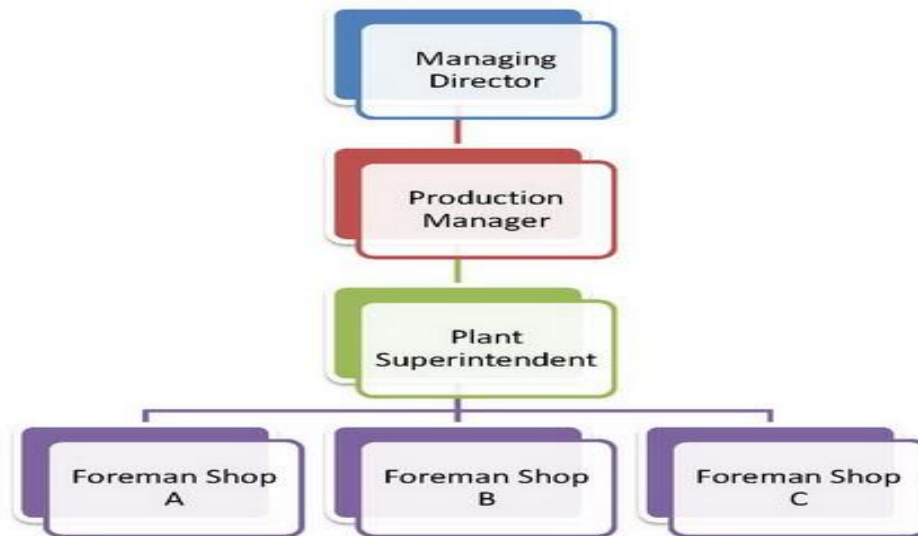
Designing of the organisation structure is ordinarily considered to be a matter of choice among a large number of alternatives. There are three traditional forms: line, line and staff, and functional organisation, and two newer forms-committee and matrix organisations. In fact, no particular form is the best and, in practice, an admixture of all these or of some is found.

1) Line Organisation

This is also known as scalar, military, departmental, or vertical organisation and perhaps is the oldest form. This concept holds that in any organisation or hierarchy derived from a scalar process, there must be a single head who commands it.

It is perhaps the oldest and the simplest organisational structure. In this kind of structure every manager exercises a direct authority over his subordinate who in turn directly reports to their superiors.

- There is a hierarchical arrangement of authority.
- Each department is self-contained and works independently of other departments.
- Lines of authority are vertical i.e. from top to bottom.
- There are no staff specialists.



Advantages

- Simple to establish and operate
- Promotes prompt decision making.
- Easy to control as the managers have direct control over their subordinates.
- Communication is fast and easy as there is only vertical flow of communication.

Disadvantages

- Lack of specialisation
- Managers might get overloaded with too many things to do.
- Failure of one manager to take proper decisions might affect the whole organisation.

However, line structures are suitable for small businesses where there are few subordinates organisations where there is largely of routine nature and methods of operations are simple.

Two ways of designing Line Organisation

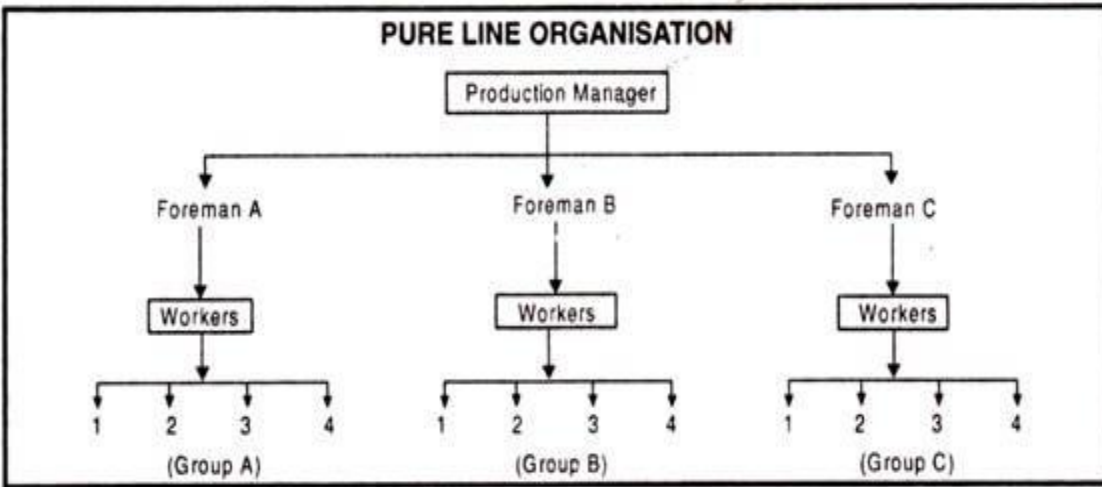
Line organisation can be designed in two ways:

- **Pure Line Organisation**
- **Departmental Line Organisation**

1. Pure Line Organisation

Under this form, similar activities are performed at a particular level. Each group of activities is self-contained unit and is able to perform the assigned activities without the assistance of others.

Pure line organisation may be depicted as follows:

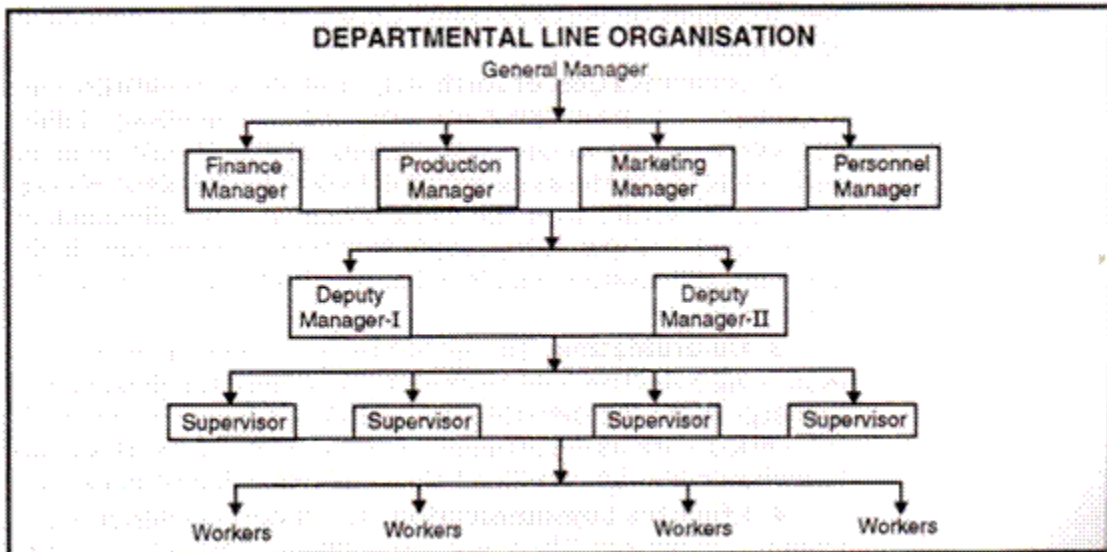


Though, this is simple in organizing but it almost non-existent in the modern world.

2. Departmental Line Organisation

Under this form, entire activities are divided into different departments on the basis of similarity of activities.

Each department is placed under one departmental superintendent. All persons in the department are subject to control by the departmental head. The basic objective of this form is to have uniform control, authority, and responsibility.



2) Line and Staff Organisation

It is a combination of line and functional structures. In this organisation a structure, the authority flows in a vertical line and get the help of staff specialist who are in advisory. When the line executives need advice, information about any specific area, these staff specialists are consulted.

For example Chief accountant has command authority over accountants and clerks in the accounts departments but he has only advisory relationship with other departments like production or sales.

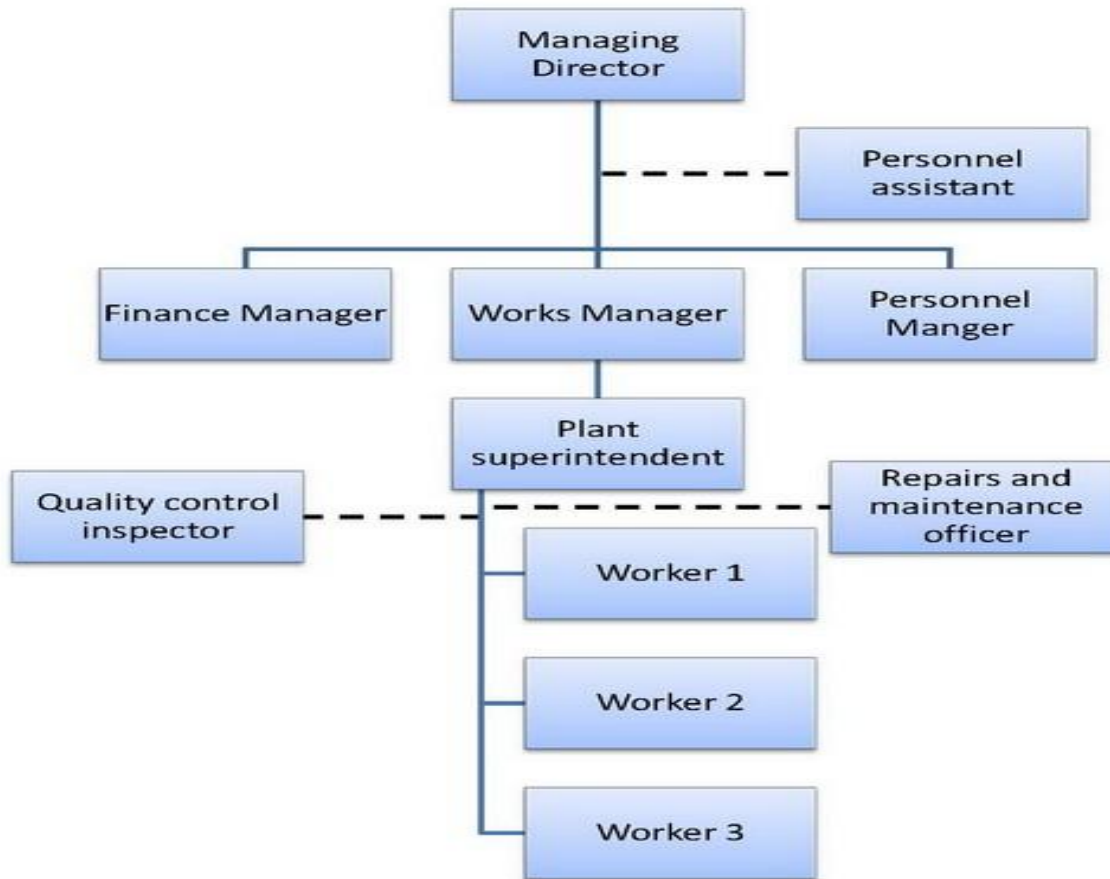


Fig.: Line and Staff Organisation

Advantages

Line managers are provided by expert advice by these specialists.

Staff managers provide specialist advice which can improve quality of decisions in various departments.

Disadvantages

Line managers and staff managers might have conflicts on particular issues.

Line and staff managers might not be clear as to what the actual area of operations is and what is expected of them. Co-ordination may be a problem.

Staff personnel are not accountable for the results and thus may not take tasks seriously.

However, Line and staff organisation is very suitable for large organisation.

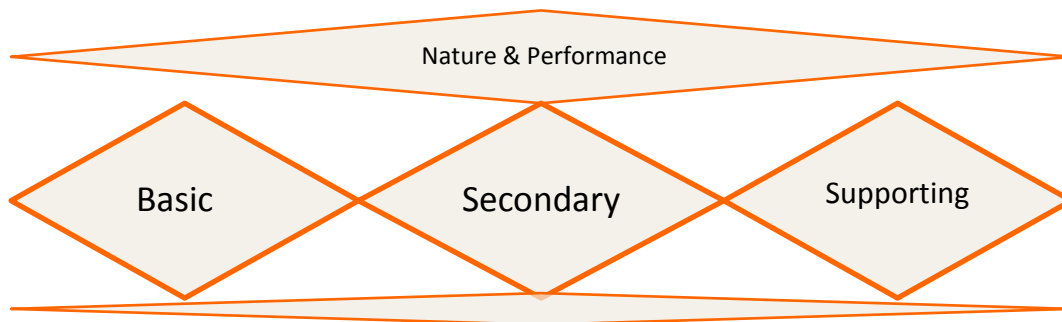
3) Functional Organisation Structure

Functional organisation structure is where “authority rests with the functional heads; the structure is sectioned by departmental groups.” The organisation is divided into a number of functional areas. This organisation has grouping of activities in accordance with the functions of an organisation such as production, marketing, finance, human resource and so on. The specialist in charge of a functional department has the authority over all other employees for his function.

It is a kind of Formal Organisation whose structure is based on organising resources to perform specialized tasks or activities in order to attain the goals of organisation.

This structure emerges from the idea that the organisation must perform certain functions in order to carry on its operations.

Functional structure is created by grouping the activities on the basis of functions required for the achievement of organisational objectives. For this purpose all the functions required are classified as shown below:-



Characteristics of Functional Organisation

1. Functional authority relationship
2. Limited span of management
3. Line and staff division
4. Organisation growth through emphasis on sub goals
5. Specialisation on functional areas

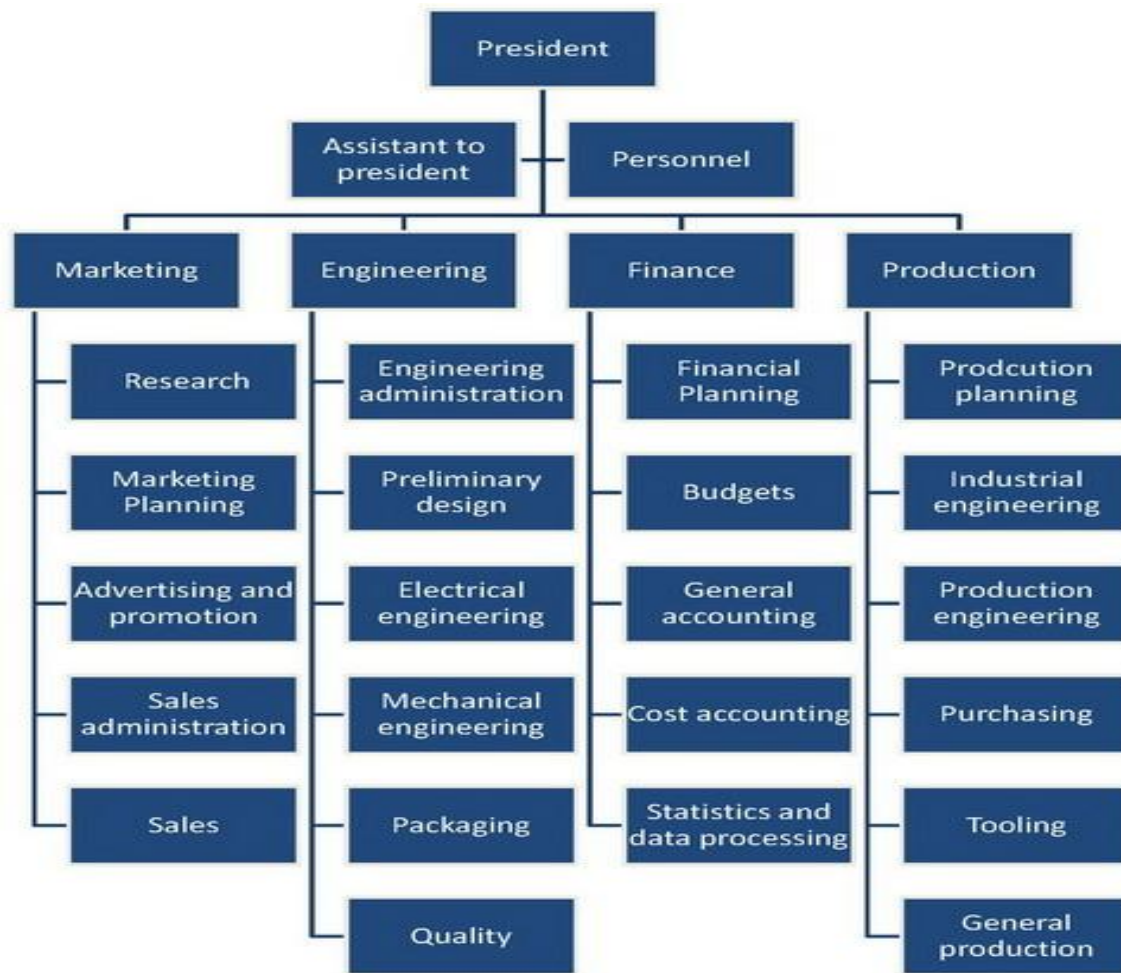


Fig.: Functional Organisation Structure

Advantages

- Is logical and reflection of functions
- Follows principle of occupation specialisation
- Simplifies training
- Better control as the manager in charge of each functional department is usually a specialist.

Disadvantages

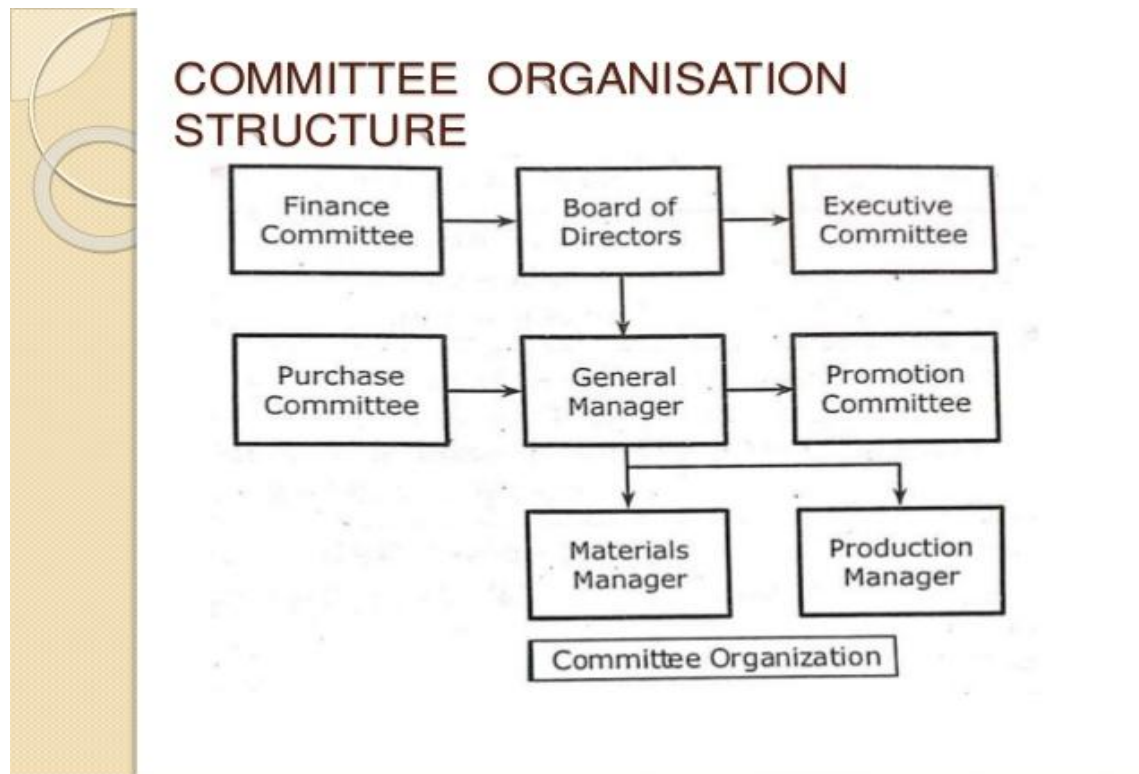
- Overspecialization and narrow viewpoints of key personnel can limit the organisation growth.
- Reduced coordination between functions.
- Conflicts between different functions could be detrimental for the organisation as a whole.
- Difficult for general managers to coordinate different departments.

However, it is much suitable for large organisations where there is ample scope for specialization. Once harmony and proper coordination among different functions is achieved, it could lead to sure success for an organisation.

4) Committee Organisation Structure

Organisation committees are quite popular at different levels for various functions. The board of directors is a committee.

Similarly, there may be executive committee, finance committee, audit committee, bonus committee, planning committee, grievance committee, etc. Exact definition of a committee is difficult because there are many different kinds of committees and the concept of a committee may be defined as a group of persons in an organization to another. However, a committee may be defined as a group of persons in an organization for taking or recommending certain decisions.



Characteristics of committee organisation

On the basis of the definition, following broad characteristics of a committee may be spelled out.

1) A committee is a group of persons there should be at least two persons. There is no limitation on the maximum number of persons. However, if number of persons rises above seven, communication tends to become centralized because committee members do not have adequate opportunity to communicate directly with one another.

2) A committee is charged with dealing with specific problems and it cannot go in for actions in all spheres of activities. There are strictly defined jurisdictions within which a committee is expected to justify its existence. Beyond these limited spheres a committee is doomed to fail as an organ of action.

3) Members of the committee have authority to go into details of the problems. This authority usually is expressed in terms of one vote for each member.

4) A committee have the authority either to take a final decision or it may merely decision or it may merely deliberate on problems without authority to decide.

5) A committee may be constituted at any level of organisation. Moreover, the members of a committee may be drawn from various levels. Usually in such a case, all the members of the committee enjoy equal authority.

5) **Matrix Organisation Structure**

- Matrix organisation combines two structures – functional departmentation and project structure.
- Functional department is a permanent feature of the matrix structure and retains authority for overall operation of the functional units.
- Project teams are created whenever specific projects require a high degree of technical skill and other resources for a temporary period.
- Project team form the horizontal chain and functional departments create a vertical chain of command.
- Members of a particular team are drawn from the functional departments and are placed under the direction of a project manager who has the overall responsibility of a particular project.



Matrix Organisation Structure

Advantage

- Is oriented towards end results.
- Professional identification is maintained
- Pinpoints product-profit responsibility

Disadvantages

- Conflict in organisation authority exists.
- Possibility of disunity of command exists
- Requires manager effective in human relations

Matrix organizations are used in industries with highly complex product systems for example, aerospace industry where project teams are created for specific space or weapon systems.

6) Project Organisation Structure

The project structure consists of a number of horizontal organisational units to complete projects of a long duration. A team of specialists from different areas is created for each project. Usually this team is managed by the project manager. The project staff is separate from and independent of the functional departments.

Advantages

- Special attention can be provided to meet the complex demand of the project.
- It allows maximum use of specialist knowledge thus chances of failure are very less.
- Project staff works as a team towards common goal which results in high motivation level for its members.

Disadvantages

As the project staff consists of personnel from diverse fields, it might be quite challenging for the project manager to coordinate among them.

Departmentation

Departmentation is process of grouping activities and people onto department make it possible to expend organization. After reviewing the plan, usually the first step in the organization process is departmentalization. Once job have been classified through work specialization, they are grouped so those common tasks can be coordinated. Departmentation is the biases on which work or individuals are grouped into manageable units. There are five traditional methods for grouping work activities.

Thus workflow analysis can be used tighten the connection between employees' work and customers' needs. Also it can help to make major performance breakthroughs throughout business process reengineering (BPR).A functional rethinking and radical redesign of business process to achieve dramatic improvements in costs, quality, service, and speed.BPR use workflow analysis to identify jobs that can be eliminated or recombined to improve company.

TYPE OF DEPARTMENTATION:

1. DEPARTMENTATION BY NUMBERS:

Departmentation by number is telling off persons who are to perform the same duties and putting them under the superior of a manager the essential fact is not what these people do, where they work? Or what they work with, it is that the success of the understanding depends only on the number of persons include in it. This method is rapidly applying in army.

DISADVANTAGES OR DECLINES REASONS

There are many reason of decline of departmentation by numbers.

- It has declined due to advance technology and demand of specialized and different skills.
- A second reason is groups composed of specialized personnel are more efficient than those based on number.
- Departmentation by number is useful only at the lowest level of the organization.
- Departmentation by number fails to produce good results

2. DEPARTMENTATION BY TIME

It is grouping activities on the basis of time. It is oldest form of departmentation and it is generally used in low level of departmentation. It is particularly applied in hospitals and steel manufacturing enterprise where continue process of service and manufacturing is used

ADVANTAGES

- It is process of working and services throughout 24 hours.
- It is continuing service process.

- Expensive machinery is used in shifts.
- Students can work evening or at night.

DISADVANTAGES

- There is lacking supervision at night.
- Exhaustion factor.

3. DEPARTMENTATION BY FUNCTION

It is grouping activities on the basis on function of an enterprise. The basic enterprise functions are production, selling, and financing functional departmentation is bases for organizing activities and in organizational structure. It organizes by function to be performed. The function reflects the nature of the business. The advantage of this type of grouping is obtaining efficiencies from consolidating similar specialties and people with common skills, knowledge and orientations together in common units

ADVANTAGES

- It is logical reflection of function.
- Maintains power of major functions.
- Simplifies training.

DISADVANTAGES

- De-emphasis of overall company objectives.
- Reduces coordination between function.
- Slow adoption to change in environment.

4. DEPARTMENTATION BY GEOGRAPHY

Departmentation by geography is followed where geographic marked appear to offer advantages. Geographic department most often use in sales and production, it is not use in finance. Departmentalization by geographical regions groups jobs on the basis of territory or geography. For example Merek, a major pharmaceutical company, have its domestic sales departmentalized by regions such as Northeast, Southeast, & Northwest

ADVANTAGES

- It emphasis on local markets and problems.
- Improves coordination in a region.
- Better face to face communication.

DISADVANTAGES

- Increases problem of top management control.

- Requires more persons with general manager abilities.

5. DEPARTMENTATION BY CUSTOMER

Departmentalization by customer groups jobs on the basis of a common set of needs or problems of specific customers. For instance, a plumbing firm may group its work according to whether it is serving private sector, public sector, government, or not-for-profit organizations. A current departmentalization trend is to structure work according to customer, using cross-functional teams. This group is chosen from different functions to work together across various departments to interdependently create new products or services. For example, a cross-functional team consisting of managers from accounting, finance and marketing is created to prepare a technology plan.

There is different difficult decision to be made in separating some type of customer departments from product departments. Business owners and managers arrange activities on the basis of customer requirements. Departmentation by customer can be defined by figure

ADVANTAGES

- Departmentation by customer emphasis on customer needs.
- It develops experience in customer area.

DISADVANTAGES

- It may be difficult to analysis customer demands.
- It requires managers and staff expert in customer problems.
- Customer groups may not always be clearly defined.

6. DEPARTMENTATION BY PROCESS

This type of departmentation is found in production and operative levels. Such type of departmentation can be found in paint or electroplating process. Departmentalization by process groups jobs on the basis of product or customer flow. Each process requires particular skills and offers a basis for homogeneous categorizing of work activities. A patient preparing for an operation would first engage in preliminary diagnostic tests, and then go through the admitting process, undergo a procedure in surgery, receive post operative care, be discharged and perhaps receive out-patient attention. These services are each administered by different departments.

ADVANTAGES

- It simplifies training.
- Achieve economic advantage.
- Uses specialized technology.

DISADVANTAGES

- Coordination of departments is difficult.
- Responsibility for profit is at the top.

7. DEPARTMENTATION BY PRODUCT

This type of departmentation used in organization where more than one product is producing. In this department all the sources and authority are placed under the control of one manager. Departmentation by product assembles all functions needed to make and market a particular product are placed under one executive. For instance, major department stores are structured around product groups such as home accessories, appliances woman's clothing, men's clothing and children clothing.

ADVANTAGES

- Places attention on production.
- Increase growth of product.
- Places responsibility for profit at division level.

DISADVANTAGES

- Requires more persons with general manager abilities.
- Presents problems of top management control
- **REWARD POWER:** Power arises from ability of some people to grant reward reward is known as reward power. University Professors have considerable reward. power they made high grade.
- **EXPERT POWER:** Power may also come from the expertness of a person or a group. This power of knowledge. Physician lowers, & university professors may have considerable influence for their special knowledge.
- **REFERENT POWER:** This is the power of admiring high esteemed leader by individuals.
- **DECISION MAKING POWER:** This power arises from the power of positions. When people speak authority in managerial setting, they are usually referring to the decision making power.

CENTRALISATION

Centralisation is the systematic and consistent reservation of authority at central point within the organisation

Benefits of Centralisation

This system results in certain advantages to the organisation

1- Facilitating Personal Leadership. Personal leadership can be a potent influence in the success of a small organisation and during its early growth stages. The success and survival of the small, young enterprise in the competitive market depends upon aggressiveness, singleness of purpose, and flexibility. Under a talented and dynamic leader, centralisation in small organisation may result in quick decisions, enterprising and imaginative action, and high mobility

2- Providing Integration. Certain amount of centralisation is necessary to unify and integrate the total operation of the enterprise. Some sort of central direction is required to keep all parts of the organisation moving harmoniously together towards a common objective. Thus, it acts as a binding force on the various parts of the organisation.

3- Uniformity of Action Centralisation brings uniformity in all actions in the organisation. Thus, to the extent that the organisation wishes all its units to do the same thing in the same way or the same time, there must be centralisation of appropriate decisions.

4- Handling Emergencies. When emergency decisions affecting all the units of the organisation are to be taken, centralisation is necessary. The more acute emergency or the more acute competition requires greater centralized decision-making.

5- Other Benefits. Besides, centralisation minimizes duplication of work and wastages require easier control, and makes communication easier.

However, these advantages of centralisation are limited in certain circumstances and particularly in smaller organisations. A stage comes when decentralisation becomes desirable to achieve its advantages and where the limitations of centralisation come in the way of successful organisational functioning.

DECENTRALISATION

Decentralisation has become the prevailing philosophy for organising activities on the part of large organisations.

Benefits of Decentralisation

Many organisations, which were centralized at earlier stages, have been forced to go for decentralisation simply because they could not cope up with the situation under centralized authority. This show the benefits of decentralisation which are as follows:

1. Reducing Burden to Top Executives. Decentralisation is necessary for solving the problems of expanding organisations. It is the means by which the chief executive can extend his leadership over a giant organisation, when the chief executive makes operating decisions and with problems of immediate urgency, he finds it almost impossible to adopt the relaxed and

contemplative point of view necessary for planning and thinking ahead. Decentralisation relieves this pressure on the chief executive and provides him time to think for the future and to make plans accordingly.

2. Facilitating Diversification. Decentralisation can facilitate the growth and diversification of product lines. Divisionalization facilitates diversification and is successful under decentralisation. For under decentralisation, each product line is treated as a separate unit and proper emphasis is given on all important matters such as present position, future prospects, and comparative efficiency, can be given.

3. Ensuring Marketing Innovations. Customers require satisfaction in respect of supply of qualitative products, regularity of supply, and at cheaper rates. Marketing innovations ensure better customer satisfaction. Each organisation has to carry on these marketing innovations for its existence and growth. In a decentralized organisation structure, higher level people get much time for the creativity and innovations. The impact of decentralisation on both product and market has proved by the various organisations.

4. Motivating Managers. Various research studies have shown that an organisation structure itself can influence the people within the organisation. The extent to which the organisation facilitates participation, communication, delegation, mutual interaction, and interdependence, motivates people for higher productivity. Decentralization tends to emphasise those desirable characteristics in whatever type of structure it is found.

5. Encouraging Development of Managers. Managers are made, not born and decentralisation is one of the best methods of developing managers in the organisations. Other methods of management development have their own contributions in this field. However, giving managers management jobs to do and to delegate authority for decision-making make them more mature and competent and broad-based. The problem of succession is overcome this way and the future growth and success of the organisation are ensured as most organisations find lack of managerial talent a limiting factor in growth. Perhaps, the necessity of management development is one of the compelling reasons for decentralisation.

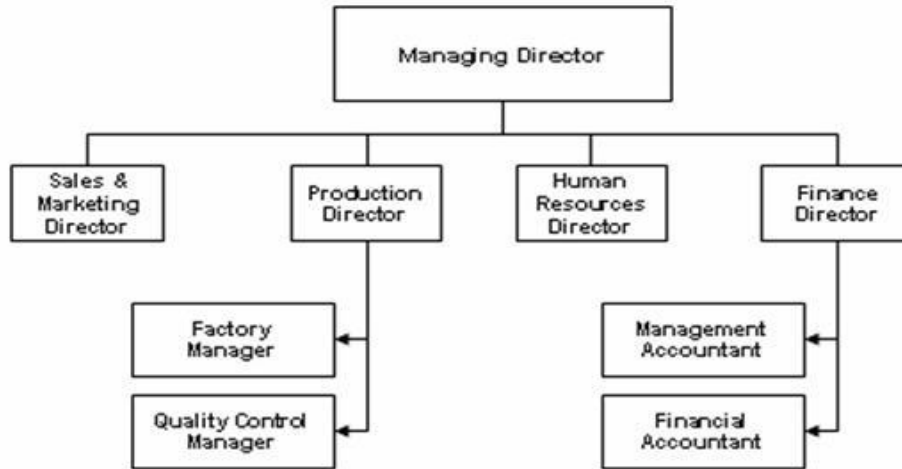
SPAN OF CONTROL

In a business of more than one person, unless the business has equal partners, then there are managers and subordinates. Subordinates are workers controlled by the manager.

A hierarchy describes the structure of the management of the business, from the top of the company – the managing director, through to the shop floor worker, who reports to their foreman, in a manufacturing business.

The hierarchy of a business is usually best understood by drawing an **organisation chart** showing which levels of management and employees report to whom.

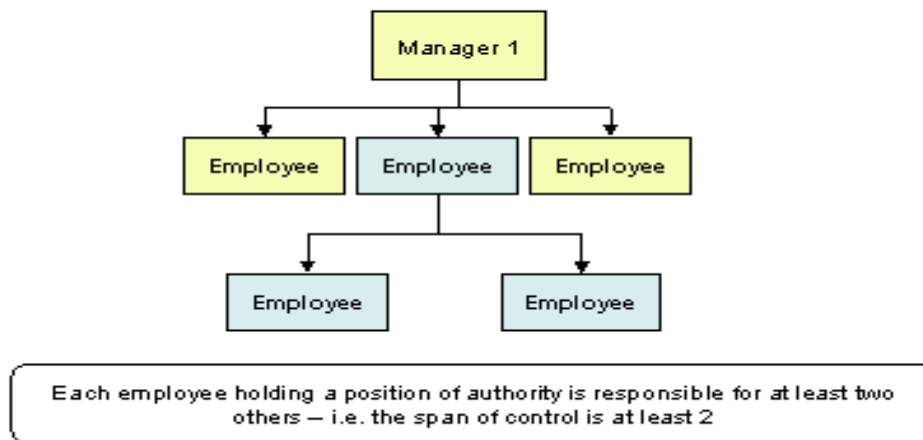
An example of a hierarchy is shown in the diagram below



A span of control is the number of people who report to one manager in a hierarchy. The more people under the control of one manager - the wider the span of control. Less means a narrower span of control.

An example of a narrow span of control is shown in the diagram below:

Example of a Narrow Span of Control

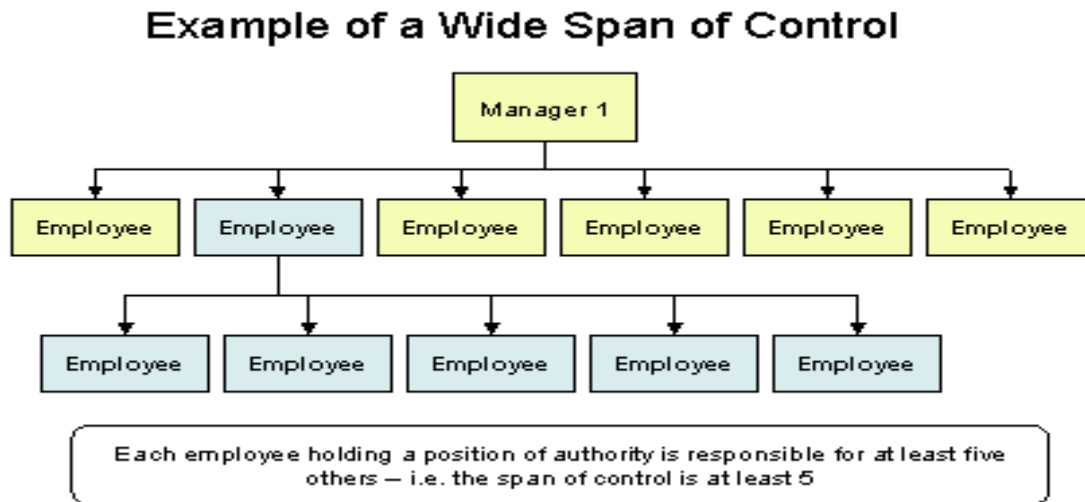


The advantages of a narrow span of control are:

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily
- Feedback of ideas from the workers will be more effective

- It requires a higher level of management skill to control a greater number of employees, so there is less management skill required

An example of a wide span of control is shown in the diagram below:



The advantages of wide span of control are:

- There are less layers of management to pass a message through, so the message reaches more employees faster
- It costs less money to run a wider span of control because a business does not need to employ as many managers

The width of the span of control depends on:

The type of product being made – products which are easy to make or deliver will need less supervision and so can have a wider span of control

Skills of managers and workers – a more skilful workforce can operate with a wider span of control because they will need less supervision. A more skilful manager can control a greater number of staff

A tall organisation has a larger number of managers with a narrow span of control whilst a flat organisation has few managers with a wide span of control.

A tall organisation can suffer from having too many managers (a huge expense) and decisions can take a long time to reach the bottom of the hierarchy

BUT, a tall organisation can provide good opportunities for promotion and the manager does not have to spend so much time managing the staff

Chain of command is the line on which orders and decisions are passed down from top to bottom of the hierarchy. In a hierarchy the chain of command means that a production manager may be higher up the hierarchy, but will not be able to tell a marketing person what to do.

The advantages of hierarchies are:

- Helps create a clear communication line between the top and bottom of the business – this improves co-ordination and motivation since employees know what is expected of them and when.
- Hierarchies create departments and departments form teams. There are motivational advantages of working in teams.

The disadvantages of hierarchies are:

- The formation of departments can mean that:
 - - Departments work for themselves and not the greater good of the business.
 - - Departments do not see the whole picture in making decisions.
- Hierarchies can be inflexible and difficult to adjust, especially when businesses need to adapt to changing markets – remember employees do not tend to react well to change.

1) Span of control refers to the number of immediate subordinate who report a manager.

(2) Different level of organization level is also called span of control.

FACTORS DETERMINING AN EFFECTIVE SPAN

There are several factors which influence the span of management.

1- TRAINING OF SUBORDINATES

The better training of subordinates increases the necessary superior subordinate's relationship. Well trained subordinates require less time of their managers also they have less contact with their managers. Training programs increase in new and more complex industries.

2-CLARITY OF DELEGATION OF AUTHORITY

Although training enables managers to reduce the frequency of time consuming contact but delegation of authority should be clear. If a manager clearly delegates authority to task with a minimum of the managers time and attention. But if a manager delegate's authority unclearly than subordinate give his maximum.

3-CLARITY OF PLANS

If plans are well defined if they are workable, if the delegation of authority toward plan is clear, if the subordinate understands what expected than little of a supervisor time will be required on the other hand if plan cannot be drawn accurately and subordinates do much of their own planning, they may require considerable guidance.

4- USE OF OBJECTIVE STANDARD

A manager must find out, either by personal observation or through the use of objective standards, whether subordinates are following plans. Obviously, good objective standards enable managers to avoid many time consuming contact.

5- RATE OF CHANGE

Certain enter rises change much more rapidly than others. The rate of change is very important in formulating and maintaining policies. It may explain the organization structure of company's railroad, banking and public utility companies.

6- COMMUNICATION TECHNIQUES

Communication techniques also influence the span of management. If every plan, instruction, order or direction has to be communicated by personal contact than managers time will be heavily burdened. An ability to communicate plans and instructions clearly and concisely also tends to increase a managers span.

7- AMOUNT OF PERSONAL CONTACT NEEDED

Many instances, face to face meetings are necessary. Many situations cannot be completely policy statements planning documents or other communications that do not involves personal contact. An executive may and valuable information's by meeting to subordinates and by discuss problems with them. Some problems can be handled only in face to face meeting so the best way of communicating problems, instructor, and subordinates is to spend time in personal contact.

8- VARIATION BY ORGANIZATION LEVEL

Several research projects have found that the size of the most effective span differs by organizational level. For example, it was studied that when a greater number of specialties were supervised, effective spans were narrower at lower and middle levels of organization but were increased at upper levels.

9- COMPETENCY OF MANAGERS

A manager who is competent and well trained can effectively supervise more people than who is not.

10- MATURITY AND MOTIVATION OF SUBORDINATES

The more mature subordinates may delegate more authority, thus widening the span.

MANAGEMENT BY OBJECTIVE (MBO)

Management by objectives (MBO) is now practiced all over the world. Yet, despite its wide applications, it is not always clear what is meant by MBO. Some says that it is an appraisal tool; other sees it is a motivational technique; still others consider MBO a planning and control

device. In other words, definitions and applications of MBO differ widely. MBO process consists of setting goals at the highest level of the organization, clarifying the rules of responsible persons for achieving the goals. Some still define MBO in a very narrow, limited way.

❖ **MANAGEMENT BY OBJECTIVES (MBO):-**

A technique used for improving the performance of management. It shapes a clearly structured, generally applicable implementation methodology out of the various concepts and theories of management. It is also called “result management” or “management by results”.

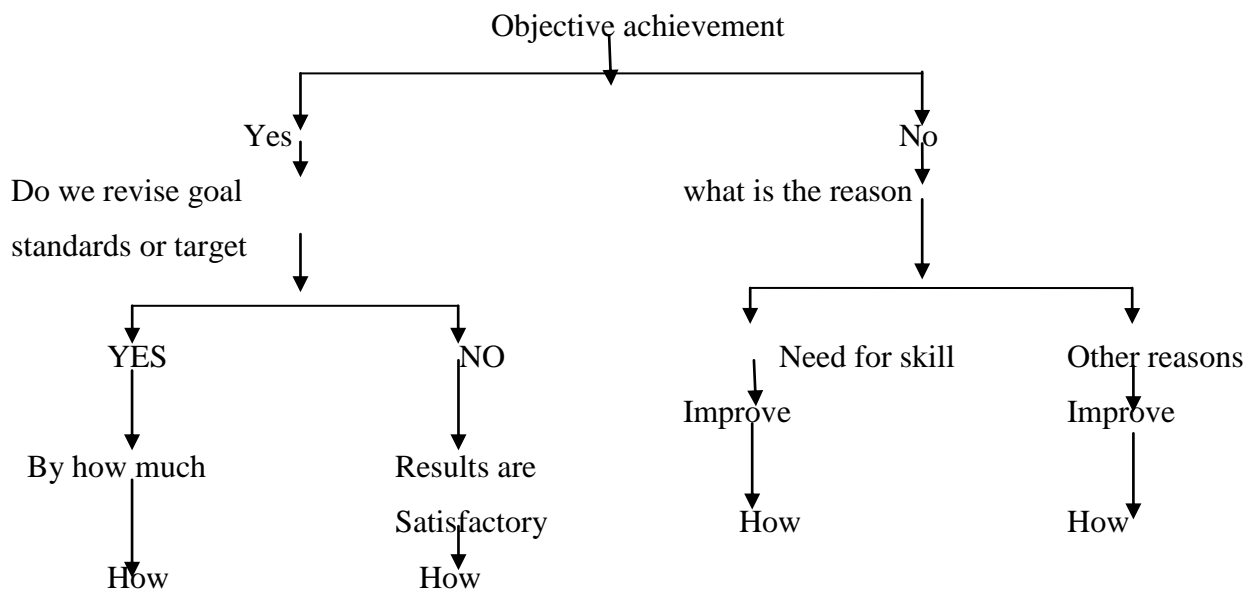
STEPS IN MBO OR PROCESS OF MBO:-

- Setting objectives.
- Developing action plan.
- Appraising annual performance.

PRECAUTIONS FOR MBO PROCESS:-

- Setting clear and well defined objectives.
- Communicating the objectives to achieve results.
- Integration of department objectives with overall organizational objectives.
- Set reasonably attainable objectives.
- Consideration for uncontrollable, factors while fixing the individual factors i.e, objectives.
- Review of objectives periodically and change if necessary.
- Complete participation by all personnel.

FLOW CHART FOR MBO



MBO HAS THREE ELEMENTS

1. Managers (Subordinate manger) should be measured what they accomplish rather than how they spend their time.
2. Manager must be well informed of their objectives. Manager objectives are their duties that they must perform.
3. Manager and their subordinates should jointly set performance objectives.

ADVANTAGES OF MBO:-

- ⇒ Provides a basis for planning.
- ⇒ It provides meaning and direction to people.
- ⇒ Better coordination is possible.
- ⇒ It constitutes standards and so it is a controlling measure.
- ⇒ It is a motivating device.
- ⇒ It shows the path to the management to think ahead.
- ⇒ It makes individuals more aware of the organizational goals.
- ⇒ It makes evaluation process more equitable by focusing on specific accomplishment. It also lets subordinates know their objectives will.

LIMITATIONS:-

- ⇒ Not all objectives can be quantified.
- ⇒ This may cause tension and resentment.
- ⇒ It is difficult for the superiors to help instead of judging the subordinates.
- ⇒ Not all people are capable of participating.

MANAGEMENT BY EXCEPTION (MBE):-

It is a system of identification and communication that signals to the manager when his attention is needed. MBE is a controlling technique.

- ♣ **PROCESS OF MBE**
- ✓ **MEASUREMENT.**
- ✓ **PROJECTION.**
- ✓ **SELECTION.**
- ✓ **OBSERVATION.**
- ✓ **COMPARISION.**
- ✓ **DECISION-MAKING**
- ❖ **MEASUREMENT:-**

By assigning values to past and present performances, exceptional areas can be identified.

❖ **PROJECTION:-**

All the values that are meaningful to the organizational objectives are to be extended (projected) to see further or future requirements (whether they can be achieved or not).

❖ **SELECTION:-**

This involves the criteria and method which the management will use to follow the progress path towards organizational objectives.

❖ **OBSERVATION:-**

Current performance are observed and measured so that managers are aware of the current state of affairs in the organization.

❖ **COMPARISION:-**

Involves the evaluation of the actual performance against planned performance, identifying the exceptions that require attention and reporting the variations to the management.

❖ **DECISION MAKING:-**

Involves prescribing the action that must be taken in order to bring performance back into control or to adjust expectations to reflect changing conditions within and outside the organization or to exploit the opportunity.

❖ **DIFFERENCE BETWEEN MBE AND OTHER PRACTICES:-**

♣ Superiors attention is drawn only in the case of exceptional differences between planned performance and actual performance.

♣ When there is no such large or exception difference, the decisions are taken by subordinate manager.

♣ All exceptional work should go through the entire process till normally is established.

❖ **ADVANTAGES:-**

✓ Executives are left with more time to tackle bigger and tougher issues as the details of small problems are left to the subordinates.

✓ There is better utilization of managerial talent across the organization as even the subordinates get to implement their own decisions and solve problems in their way, however small they may be.

✓ It increases the span of management and delegation of authority is improved.

✓ It provides great opportunity and thus to increase confidence and motivation.

✓ It uses the latest knowledge on trends, history and business data.

✓ It forces every manager to be thorough and precise and also up-to-date with all relevant information.

- ✓ It helps to identify problems before they became big.
- ✓ It also prevents last minute rush and panic.
- ✓ Increased chances of better performance and hence improves motivation.
- ✓ Communication is improved between different segments of an organization.
- ✓ Better organizational cohesiveness for the achievement of objectives.
- ❖ **LIMITATIONS/DISADVANTAGES:-**
- ✓ Training subordinates to be almost at the level of superiors, but still retaining them at the lower level, often leads to demotivation and stress among individuals.
- ✓ Too much focus on results leads to lack of quality in the process.
- ✓ Too much Newly established organizations and organizations with a dynamic environment cannot adapt this technique.
- ✓ Establishing standards i.e, both qualitative and quantitative takes a lot of time and involves a lot of effort and precision (accuracy).
- ✓ Proper (suitable) and knowledgeable subordinates need to be found, which is a difficult process.
- ✓ Subordinates act out of over confidence and think they can handle better/bigger problems.
- ✓ Keeping track of all the latest trends is often tedious.
- ✓ Lack of accuracy leads to magnifying even the slightest change in trend and creating problems for the organization and the executive.

Questions

Part A

1. Define management
2. What is 'PODSCORB'?
3. Who is the father of scientific management?
4. Define planning.
5. What is meant by committee form of management?
6. Define decentralization.
7. Define centralization.
8. What is span of control?
9. Define MBO
10. What do you mean by MBE?

Part B

1. Define management. Explain the various functions of management.
2. What is meant by organization structure? Explain its types.
3. Explain Fayol's 14 principles of management.
4. What is Departmentation? Explain the different methods of Departmentation.
5. Discuss MBO in detail and state its merits and demerits.
6. Explain the steps involved in MBE. What are its disadvantages?
7. Differentiate between the centralization and decentralization
8. Write the merits and demerits of centralization
9. Write the advantage and limitation of decentralization
10. What are the steps involved in scientific management by F.W.Taylor