

**BBA 2305**  
**Fundamentals of Management**  
**Study Module**

**স্কুল অব বিজনেস**  
**SCHOOL OF BUSINESS**



**বাংলাদেশ উন্মুক্ত বিশ্ববিদ্যালয়**  
**BANGLADESH OPEN UNIVERSITY**

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## **BBA 2305**

### **Fundamentals of Management**

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# INTRODUCTION TO MANAGEMENT

1

## Unit Highlights

- DEFINITION, NATURE AND SCOPE OF MANAGEMENT
- PURPOSE AND FEATURES OF MANAGEMENT, DISTINCTION BETWEEN MANAGEMENT, ORGANIZATION AND ADMINISTRATION
- MANAGING: SCIENCE OR ART? THE ELEMENTS OF SCIENCE IN MANAGING
- MANAGERIAL SKILLS AND THE ORGANIZATIONAL HIERARCHY
- MANAGEMENT PROCESS

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## Lesson 1: Definition, Nature and Scope of Management

After studying this lesson, you should be able to:

- *define the term management*
- *identify who is a manager*
- *state the nature and scope of management*

Managing is essential to ensure the co-ordination of individual efforts within an organisation. It is exciting because it deals with setting, seeking and reaching objectives of an organisation. Each and every one of us is a manager and the practice of management is found in every facet of human endeavour- educational institutions, business, government or non-government organisations, associations, mosques and families. Whatever may be the type of endeavour and/or organisation, the managerial hurdles to overcome for setting and achieving objectives are surprisingly similar for all organisations (Terry and Franklin, 1997).

### DEFINITION OF MANAGEMENT

Management has been defined by various authors/authorities in various ways. So, the definitions of management are numerous. Most of them have merit and highlight important aspects of management. A few often-quoted definitions are:

According to Terry and Franklin (1997) "The process of planning, organising, leading, and controlling the work of organisation members and of using all available organisational resources to reach stated organisational goals".

Griffin (1994) define management as "Management is a distinct process consisting of activities of planning, actuating, and controlling, performed to determine and accomplish stated objectives with the use of human beings and other resources".

Heintz Weihrich and Harold Koontz (1984) define the term management is the process of planning, organising, leading, and controlling an organisation's human, financial, physical, and information resources to achieve organisational goals in an efficient and effective manner.

All these three definitions put emphasis on the attainment of organisational goals/objectives through deployment of the management process (planning, organising leading and controlling etc.) for the best use of organisation's resources (Islam and Khan, 2006).

At this stage, we need to understand who a manager is. In simple words, ***a manager is a person who is responsible for directing the efforts aimed at helping organisations achieve their goals.***

### NATURE AND SCOPE OF MANAGEMENT

The term management is very comprehensive. Its use is wide-spread and no organised effort can be successful without proper management. As a result, some form of management is found to exist in every type of human organisation. Encyclopaedia of the Social Sciences states that there are three dimensions of the nature of management:

- (i) methods, through which some pre-determined objectives can be reached,
- (ii) combined effect of human efforts and
- (iii) some total of all those managers and employees who are associated with these efforts.

Joseph A. Lister has identified the nature of management as the co-ordination of (i) transformation, i.e., turning some factors and elements into products, (ii) social system, which satisfies employees' needs through motivation, communication and leadership, (iii) administrative system, through which the activities of the employees are controlled (Islam and Khan, 2000).

In a nutshell, the nature of management can be stated as follows (Islam and Khan, 2000):

- Management is a system comprising planning, organising, staffing, leading, and controlling.
- Elements of production of an organisation such as labour, capital, land, equipment etc. are used efficiently and effectively through management for achieving organisational goals.
- Management applies to any type of organisation.
- Management identifies a special group of people whose job is to direct the effort and activities of other people towards common objectives.
- It applies to managers engaged at all levels of organisation.
- Management is gradually turning towards professionalization.
- Management has to pay attention to fulfilling the objectives of the interested parties.
- It has to render social responsibilities.
- Management is both science and art.
- The aim of all managers is to create a surplus.
- Managing is concerned with productivity, thereby implying efficiency and effectiveness.

### **SCOPE OF THE MANAGEMENT**

Harbison and Myers (1959) offered a classic threefold concept of management for emphasizing a broader scope for the viewpoint of management. They observed management as:

- (i) **An economic resource:** As viewed by the economist, management is one of the factors of production together with land, labour and capital.
- (ii) **A system of authority:** As viewed by specialist in administration and organization, management is a system of authority.
- (iii) **A class and status system:** As viewed by sociologist, management is a class-and status system.

### **Review Questions**

1. What do you understand by management?
2. How would you define management?
3. Who is a manager?
4. State the nature of management.
5. Describe the scope of management.

## Lesson 2 : Purpose, Features of Management, Distinction between Management, Organisation and Administration

After studying this lesson, you should be able to:

- *state the purpose and importance of management*
- *describe the features/characteristics of management*
- *distinguish between management, organisation and administration*

### PURPOSE AND IMPORTANCE OF MANAGEMENT

- (a) **Management ensures efficiency:** No organization can run without management. Management is to establish an environment in which people can accomplish organisational goals with the least amount of time, money, materials and personal dissatisfaction or in which they can achieve as much as possible of a desired goal with available resources (Wehrich and Koontz, 1984).
- (b) **Sound management is the precondition for a country's success:** Management can greatly affect not only an organisation but also the socio-economic and political goals of a country. Improving economic and social standards of living and creating a better political environment are the real challenges before modern management.
- (c) **Management makes human efforts more productive:** Management makes human effort more productive. It brings better equipment, plant, offices, products, services, and human relations to our society. Effecting improvements and progress is its chief purpose. There is no substitute for good management. It is an essential social process.
- (d) **Management ensures utilization of other resources:** Allah has given us enormous resources. Most of these resources require managerial attention so that they can be used for the benefit of the society. Management is essential because it makes plans, directs employees and motivates them, co-ordinates the activities of all and ensures performance through control (Islam and Khan, 2006).
- (e) **It is management that makes much difference in ensuring a country's success:** it is often heard that there are huge natural resources in countries like Bangladesh but it is due to the absence of proper management that they are being wasted. In many countries of Asia with a poor resource base, such as Japan, Singapore, Taiwan and the like, huge industrial development has not been possible without sound management (Islam and Khan, 2006).
- (f) **More important than any other resources:** In fact management is the most important of all resources. It is vital both at the micro and the macro level. It is essential for every enterprise, for every society, for every country (Khan and Siddique, 1998).
- (g) **Technology can bear no fruit without management:** There is no disagreement among scholars regarding the importance of management in using the factors of production for achieving desired results. Scientific and technological developments can bear no fruit without management.

### FEATURES/CHARACTERISTICS OF MANAGEMENT

For a clear understanding of management, its features/characteristics may be discussed as below (Islam and Khan, 2000):

- (1) **Management is usually associated with group efforts:** It is usual to associate management with a group. Although people as individuals manage many personal affairs, the group emphasis of management is universal. Each and every enterprise entails the existence of a group to achieve goals. It is now established that goals are achieved more readily by a group than by any one person alone.

**(2) Management is accomplished through the efforts of others:** Management is sometimes defined as “getting things done through others’ efforts.” Besides the manager of a firm, there may be accountants, engineers, system analysts, salesmen and a host of other employees working but it is the manager’s job to integrate all their activities.

**(3) Management is purposeful:** Wherever there is management there is a purpose. Management, in fact, deals with the achievement of something definite, expressed as a goal or objective. Management success is commonly measured by the extent to which objectives are achieved. Management exists because it is an effective means of getting the necessary work accomplished.

**(4) Management is action-oriented:** Managers focus their attention and efforts on bringing about successful action. Successful managers have an urge for accomplishment. They know when and where to start, what to do for keeping things moving, and how to follow through.

**(5) Management is intangible:** Management is often called the unseen force, its presence being evidenced by the results of its efforts - motivation among employees, discipline in the group, high productivity, adequate surplus etc. Conversely, the identity of management may also be felt by its absence or by the presence of its direct opposite – mismanagement. The consequence of mismanagement is anybody’s guess.

**(6) Management is indispensable:** Management can neither be replaced nor substituted by anything else. Even the computer which is the wonderful invention of the twentieth century can only aid but not replace management.

**(7) Management can ensure better life:** A manager can do much to improve the work environment, stimulate people to perform better, achieve progress, bring hope and accomplish better things in life Terry and Franklin, 1997).

## **RELATIONSHIP AMONG ORGANISATION, ADMINISTRATION AND MANAGEMENT**

The terms organisation, administration and management are often used interchangeably. Sometimes they are used to mean one and the same thing. But, for the student of management, a line of distinction needs to be drawn between them and the terms need to be delimited. According to Heintz Weihrich and Harold Koontz (1984):

By **organisation** we simply mean the “collection, preservation and co-ordination of the elements of an enterprise in an integrated manner.” It also signifies the bringing together of various resources of an enterprise into a harmonious whole. It is the primary job of an entrepreneur, and the existence of an enterprise cannot be conceived of without it. The task of organisation is performed by the promoters and/or entrepreneurs themselves.

On the other hand, **administration** is the driving force of an enterprise which sets the objectives and formulates plans to achieve them. Administration also determines the principles for ensuring the effective performance of the activities of different divisions and branches of the enterprise.

**Management** is primarily entrusted with the responsibility of executing the plans and policies set by the administration for achieving pre-determined goals and objectives. The success of an enterprise/institution is thus dependent on how efficiently the management can execute plans and policies set by the administration. Thus the administration cannot be successful without the co-operation of management.

**Review Questions**

1. What are the purposes of management?
2. Is it true that management is the most important of all resources? Explain
3. Discuss the features/characteristics of management.
4. How would you distinguish management from organisation and administration?

### **Lesson 3: Managing: Science or Art? Managerial Skills**

After studying this lesson, you should be able to:

- *Understand whether management is a science or an art.*
- *Understand the different types of managerial skills*
- *Explain the relative skills needed for effective performance at different levels of management*
- *Discuss the sources of managerial skills.*

#### **MANAGING: ART OR SCIENCE?**

Managing like any other practices - whether engineering, accountancy, law or medicine - is an art (Weihrich and Koontz, 1984). Artistic application of management know-how is evident. It is understood that managing is doing things artistically in the light of the realities of a situation. But a modern manager can do better by using the knowledge, methods, concepts, theories, etc. of managing at his/her work place (Weihrich and Koontz, 1984). As a matter of fact, these knowledge, methods, concepts, theories related to managing can be treated as science.

Thus it may be said that managing in practice is definitely an art but the body of knowledge, methods, principles etc. underlying the practice is science. Even some people might opine that managing is an art struggling to become a science. As a matter of fact, the art and science of managing are not so much conflicting as complementary.

#### **Managing as an Art**

The art of managing is a personal creative power of the manager which is, more often than not, enriched by his skill in performance. In fact the art of managing involves the conception of a vision of an orderly whole created from chaotic parts and the communication and achievement of this vision. Managing is the "art of arts" because it organises and uses human talent (Islam and Khan, 2000).

#### **Managing as a Science**

Management science is a body of systematised knowledge accumulated and accepted with reference to the understanding of general truths concerning management (Terry and Franklin, 1997). It is true that the science underlying managing is inexact or a soft science at best. It is not as accurate or comprehensive as physical sciences (such as chemistry or biology) which deal with non-human entities. The inclusion of the human element in managing makes this discipline not only complex but also controversial as a pure science. Managers who attempt to manage without management science have to trust their intuition or luck at their peril rather than their expertise or skill (Islam and Khan, 2000).

#### **Managing as Both Science and Art**

Science teaches us to know while art teaches us to do. In order to be successful, managers have to know and do things effectively and efficiently. This requires a unique combination of both science and art of managing in them. It may, however, be said that the art of managing begins where the science of managing stops. Since the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily (Islam and Khan, 2000).

#### **TYPES OF MANAGERIAL SKILLS**

Robert L. Katz, a teacher and business executive, has popularised a concept developed early in this century by Henri Fayol, a famous management theorist (Stoner, 1997) and father of modern management. Fayol identified three basic skills - technical skill, human skill and conceptual skill. Diagnostic skills and analytical skills are prerequisites to managerial success.

**Technical skill:** Technical skill is the ability to use the specialised knowledge, procedures and techniques of a field of activities. Most managers, especially at the lower and middle levels, need

technical skills for effective task performance. Technical skill enables a person to accomplish the mechanics of performing a particular job.

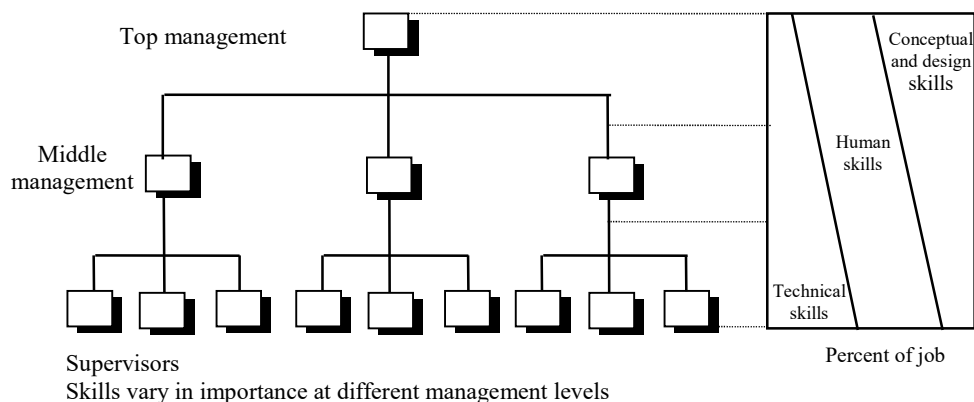
**Human skill:** Human skill is the ability to work with, understand, and motivate other people as individuals or in groups. Managers spend much of their time interacting with people both inside and outside their organisations. Human skill includes the ability to work with others and get co-operation from people in the work group.

**Conceptual skill:** Conceptual skill is the ability to co-ordinate and integrates all of an organisation's interests and activities. It requires having the ability to visualise the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole. Conceptual skills, in fact, depend on the manager's ability to think in the abstract and to view the organisation in a holistic manner.

## RELATIVE SKILLS NEEDED FOR EFFECTIVE PERFORMANCE AT DIFFERENT LEVELS OF MANAGEMENT

Fayol and Katz suggest that although all the skills i.e. technical, human and conceptual, are essential to a manager, their relative importance depends specially on the manager's rank in organisational hierarchy.

**Figure: 1.1**



### SKILLS AND MANAGEMENT LEVELS

**Source:** Heinz Wehrich and Harold Koontz, "Management: A Global Perspective", Tenth Edition, p-7.

1. **Technical skill** is especially important for first line managers who spend much of their time training workers and answering questions about work-related problems.
2. **Human skill**, although important for managers at all levels, is specially needed by mid-level managers. Their ability to tap this resource of their subordinates is more important than their own technical proficiency.
3. **Conceptual skill** is mostly needed at the top level. In fact, the importance of conceptual skill increases as one rises through the ranks of management. At higher and higher levels of organisation, the full range of relationships and the organisation's place in time are important to understand.

### ***Other Skills of Managers***

Besides the skills discussed so far, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

***Diagnostic skill:*** Successful managers are found to possess diagnostic skill. A manager can diagnose a problem in the organisation by studying its symptoms. For example, a particular division may be suffering from low productivity. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill. This problem might then be solved by transferring or training the supervisor.

***Analytical skill:*** By analytical skill we mean the manager's ability to identify the key variables in a situation, see how they are interrelated, and decide which ones should receive the most attention (Griffin, 1994). This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation.

### **SOURCES OF MANAGEMENT SKILLS**

There are primarily two sources of management skills viz. (i) education and (ii) experience. Some managers draw largely from one source or the other, whereas others rely on a combination of the three (Islam and Khan, 2000).

***Education as a source of management skills:*** The principal advantage of education as a source of management skills is that a student can follow a well-developed programme of study, thereby becoming familiar with current research and thinking on management.

***Experience as a source of management skills:*** Management education may be too general to make a manager successful in a specific field and herein comes the importance of experience as a source of management skill. By experiencing the day-to-day pressures and by meeting a variety of managerial challenges, a manager develops insights that cannot be learnt from a book.

***Training as a source of management skills:*** It is essential in many organizations that before an employee is fitted into a harmonious working relationship with other employees, s/he is given adequate training. In fact training is the act of increasing the skill and efficiency of an employee for doing a job (Islam and Khan, 2006).

### **Review Questions**

1. Is managing a science or an art or both? Explain.
2. What do you mean by managerial skill? Explain with examples the different types of skills required by a successful manager.
3. Would you describe, with the help of a diagram, the relative skills needed for effective performance at different levels of management?
4. Elaborate on the sources of management skills.
5. What do you understand by conceptual skill? Do you think education can improve the skill of a manager? Elaborate.
6. "Education can help improve the skills of a manager but experience has no alternative." Do you agree with the view? Discuss.
7. What is diagnostic skill? How is it different from analytical skill? Do you think both these skills are required of a manager?
8. Can you differentiate between technical skill and human skill? How can they be acquired?

## Lesson 4: Process or Functions of Management

After studying this lesson, you should be able to:

- *understand the process of management*
- *elaborate on the functions of managers*
- *understand what planning/ organising/ staffing/ leading/ co-ordinating/ controlling is.*

### PROCESS/ FUNCTIONS OF MANAGEMENT

A process is a systematic way of doing things. We refer to management as a process to emphasise that all managers, irrespective of their aptitude or skill, engage in some inter-related functions in order to achieve their desired goals. In this lesson we will briefly describe the functions that comprise the process of management (Islam and Khan, 2000).

**1. Planning:** Planning may be defined as making decisions in advance as to what is to be done in the future. It is a future course of action. Plans give the organisation its objectives and set up the best procedures for reaching them. Planning involves selecting missions and objectives and the actions to achieve them, it requires decision making, i.e. choosing future courses of action from among alternatives.

**2. Organising:** Once a manager has developed a work plan, the next phase of management is to organise the people and other resources necessary to carry out the plan. Organising may be referred to as the process of arranging and allocating work, authority and resources among an organisation's members so they can achieve the organisation's goals. In fact, organising involves work distribution which is guided by considerations for such things as component activities – the members of the group, and the physical facilities available.

**3. Leading:** Leading is an important job of the manager. It involves directing, influencing and motivating employees to perform essential tasks. To lead these people to contribute to organisation and group goals constitutes an essential function of the manager. In fact, the manager has to get on intimate terms with them if he wants to lead them successfully.

**4. Controlling:** The final phase of the management process is controlling. As the organisation moves toward its goals, management must monitor its progress. It must make sure that events conform to plans. Controlling involves measuring performance against goals and plans and helping correct deviations from standards. As a matter of fact, controlling facilitates the accomplishment of plans. Although planning must precede controlling, plans are not self-achieving.

### Review Questions

1. What do you mean by management process? Discuss.
2. Discuss the functions of management.

### Activity

1. Ask two managers you know of how they learned about managing. Ask what kinds of books they might have read on management. Probe to what extent these books have helped them to manage. Also ask them how their job differs from that of public administrators.

## **Lesson 5: Theories of Management: Classical School of Management Thought**

After studying this lesson, you should be able to:

- *have a brief idea about management theories and history thereof*
- *define and explain scientific management and mental revolution as propounded by Frederick Winslow (F.W.) Taylor.*
- *discuss the universal theory or Operational Management Theory of Fayol*
- *identify industrial activities mentioned by Henry Fayol and discuss Fayol's principles of management*

### **CLASSICAL SCHOOL OF MANAGEMENT THOUGHT**

#### **Scientific Management and F.W. Taylor**

Scientific management, according to an early definition, refers to “that kind of management which conducts a business or affairs by standards established by facts or truths gained through systematic observation, experiment, or reasoning (Babcock, 1927).” Promoters of this school of thought attempted to raise labour efficiency primarily by managing the work of employees on the shop floor.

Frederick Winslow Taylor (1856-1915) is generally acknowledged as “the father of scientific management.” Because of an eye problem, he could not attend Harvard University. As a result he started working as a common labourer in a small machine shop in Philadelphia, USA. Later on he worked as an apprentice, a foreman, a master mechanic and rose to the eminence of a chief engineer of a steel company after obtaining a degree in engineering through evening study. He also observed gross inefficiency, waste and widespread output restriction among workers which he termed “systematic soldering.” Hence Taylor committed himself to the relentless pursuit of “finding a better way” and developing and practising the “science” of work - the underlying laws or principles that govern various activities. He attempted to do it by using systematic study of time, motion and fatigue involved in work with a view to identifying the best way of doing a job.

Taylor’s major concern throughout his life was to increase efficiency which he considered the best recipe to serve the competing interests of both managers and workers for a larger share of a fixed economic pie. He called for a “mental revolution” or a radical change of mind among workers and management in order to fuse the interests of both groups into a mutually rewarding one (Islam and Khan, 2000).

#### **MENTAL REVOLUTION AND TYLOR’S PRINCIPLES**

Mental revolution, propounded by Taylor, was based on five vital principles (Wehrich and Koontz, 1994):

- (1) Replacing rules of thumb with science (organised knowledge).
- (2) Obtaining harmony in the group action, rather than discord.
- (3) Achieving cooperation of human beings, rather than chaotic individualism.
- (4) Working for maximum output, rather than restricted output.
- (5) Developing all workers to the fullest extent possible for their own and their company’s highest prosperity.

## FAYOL'S PRINCIPLES OF MANAGEMENT

In addition to these six management activities, Fayol identifies fourteen universal principles of management which are aimed at showing managers how to carry out their functional duties. He himself followed them:

1. **Division of labour:** This improves the efficiency of labour through specialisation, reducing labour time and increasing skill development.
2. **Authority:** This is the right to give orders which always carry responsibility commensurate with its privileges.
3. **Discipline:** It relies on respect for the rules, policies, and agreements that govern an organisation. Fayol ordains that discipline requires good superiors at all levels.
4. **Unity of command:** This means that subordinates should receive orders from one superior only, thus avoiding confusion and conflict.
5. **Unity of direction:** This means that there should be unity in the directions given by a boss to his subordinates. There should not be any conflict in the directions given by a boss."
6. **Subordination of individual interest to common good:** According to this principle, the needs of individuals and groups within an organisation should not take precedence over the needs of the organisation as a whole.
7. **Remuneration:** Wages should be equitable and satisfactory to employees and superiors.
8. **Centralisation:** Levels at which decisions are to be made should depend on the specific situation, no level of centralisation or decentralisation is ideal for all situations.
9. **Scalar chain:** The relationship among all levels in the organisational hierarchy and exact lines of authority should be unmistakably clear and usually followed at all times, excepting special circumstances when some departure might be necessary.
10. **Order:** Here Fayol means that there should be a place for everything (and everyone), and everything (and every one) should be in its place. This is essentially a principle of organisation in the arrangement of things and people.
11. **Equity:** Employees should be treated equitably in order to elicit loyalty and devotion from personnel.
12. **Stability of tenure:** Viewing unnecessary turnover to be both the cause and the effect of bad management, Fayol points out its danger and costs.
13. **Initiative:** Subordinates should be encouraged to conceive and carryout ideas.
14. **Esprit de corps:** Team work, a sense of unity and togetherness, should be fostered and maintained.

Fayol was of the opinion that the application of these principles should be flexible enough to match each specific organisational situation. Subsequently, however, the rigid application of these functions by managers came under criticism. But the fact remains that his contention that management is a continuous process beginning with planning and ending with controlling also remains popular today and can be found in nearly all management texts.

### **Review Questions**

1. Can you define scientific management? Discuss the background and focus of scientific management
2. Can F. W. Taylor be called the father of scientific management? Who were his close associates? Discuss mental revolution as enunciated by F. W. Taylor.
3. Can Fayol be called the father of modern management? Why the process of management is called universal?
4. What are industrial activities? How would you account for the development of universal process of management by Fayol?
5. Briefly describe the principles of management by Fayol.

**Unit Highlights**

- PLANNING: MEANING, NATURE, IMPORTANCE, TYPES AND STEPS
- THE STRATEGIC PLANNING PROCESS: STRATEGY AND STRATEGIC PLANNING, STRATEGIES AS GUIDES, FEATURES OF STRATEGIC PLANS
- THE STRATEGIC PLANNING PROCESS, EFFECTIVE IMPLEMENTATION OF STRATEGIES

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## **Lesson 1: Planning: Meaning, Nature, Importance, Types and Steps**

After studying this lesson, you will be able to:

- *conceptualize planning and state its nature*
- *understand the importance of planning*
- *classify plans and discuss its types*
- *discuss the steps of planning*

### **MEANING OF PLANNING**

Planning is the most basic of all managerial functions. It is the process by which managers establish goals and define the methods by which these goals are to be attained. According to Weihrich and Koontz, “Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making that is, choosing from among alternatives future courses of action.” It is, therefore, a rational approach to achieving pre-selected objectives. Planning involves determining various types and volumes of physical and other resources to be acquired from outside, to allocate these resources in an efficient manner among competing claims and to make arrangement for systematic conversion of these resources into useful outputs.

### **IMPORTANCE OF PLANNING/ WHY SHOULD MANAGERS PLAN?**

Both the conceptual and practical reasons are put forward in support of planning. Two conceptual reasons supporting systematic planning by managers are limited resources and an uncertain environment. The second most important conceptual reason is that organizations continually face environmental uncertainty in the course of accomplishing their task. Organizations meet this challenge largely through planning safeguards.

Besides, managers have several practical reasons for formulating plans for themselves, their employees, and various organizational units, viz.,

- (1) to offset uncertainty and change;
- (2) to focus organizational activity on a set of consciously created objectives;
- (3) to provide a coordinated, systematic road map for future activities;
- (4) to increase economic efficiency via efficient operation; and
- (5) to facilitate control by establishing a standard for subsequent activities. (Randall et. al., 1989).

### **TYPES OF PLANS**

Many different types of plans are adopted by managers to conduct operations, and monitor and control organisational activities. According to Weihrich and Koontz three such most commonly used plans are hierarchical, frequency-of-use (repetitiveness) and contingency plans.

#### ***Hierarchical Plans***

These plans are drawn at three major hierarchical levels, namely, the institutional, the managerial and the technical core.

**Strategic plans** generally involve planning at the top institutional level of an organisation. Strategic plans define the organisation’s long-term vision and how the organisation intends to make its vision a reality. In short, strategic planning is the determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

**Intermediate or administrative planning** is done at the level of middle management. It is done to allocate organisational resources and co-ordinate internal subdivisions of the organisation. It is also a process of determining the contributions that sub-units can make with allocated resources.

Finally, **operational planning** is the process of determining how specific tasks can best be accomplished on time with available resources. This is also done to cover the day-to-day operations of an organisation. As such, many operating plans are designed to govern the workings of the organisation's technical core.

### ***Frequency-of-use Plans***

Plans can also be categorised according to frequency or repetitiveness of use. They are broadly classified as **standing plans** and **single-use plans**.

**Standing plans** are drawn to cover issues that managers face repeatedly. For example, managers may be facing the problem of late-coming quite often. Managers may, therefore, design a standing plan to be implemented automatically each time an employee is late for work. Such a standing plan may be called **standard operating procedure** (SOP). Policies, procedures, rules are some of the most common standing plans.

**Policies:** In most cases, **policies** are standing plans. These are broad-based statements of understanding or general statement of intent. Policies define an area or provide limits within which decisions are to be made and ensure that the decision will be consistent with, and contribute to, an objective. Policies are types of plans that allow decision-makers some discretion to carry out a plan. Otherwise, there will be no difference between policies and rules. Policies must allow for some discretion.

**Rules:** Like policies, rules, too, are standing plans that guide action. Rules spell out specifically what employees are supposed to do or not to do. For example, the no-smoking campaign launched by some organisations is supported by some organisational rules.

**Procedures:** Like rules, procedures are standing plans that provide guidance for action rather than speculation. They are plans that establish a required method of handling future activities. Procedures establish customary ways for handling certain activities: hiring a clerk, participating in a co-operative housing society, obtaining a loan from a bank.

**Single-use plans** are prepared for single or unique situations or problems and are normally discarded or replaced after one use. Generally three types of single-use plans are used. These are programmes, projects and budgets.

**Programmes:** Programmes are plans of action followed in proper sequence according to objectives, policies and procedures. Thus a programme lays down the major steps to be taken to achieve an objective and sets an approximate time frame for its fulfilment. Programmes are usually supported by budgets.

**Projects:** A project is a particular job that needs to be done in connection with a general programme. So a single step in a programme is set up as a project. A project has a distinct object and clear-cut termination. "Projects have the same characteristics as programs but are generally narrower in scope and less complex. Projects are frequently created to support or complement a program (Randall et. al., 1989)."

**Budgets:** "A budget is a statement of expected results expressed in numerical terms (Weihrich and Koontz, 1994)." It is sometimes called summarised programme and most commonly expressed in terms of money i.e. taka, dollar etc. They may also be expressed in terms of any measurable units like hours, metric tons etc. It covers a particular period of time, and once the period is over, a new budget comes into being.

### ***Contingency Plans***

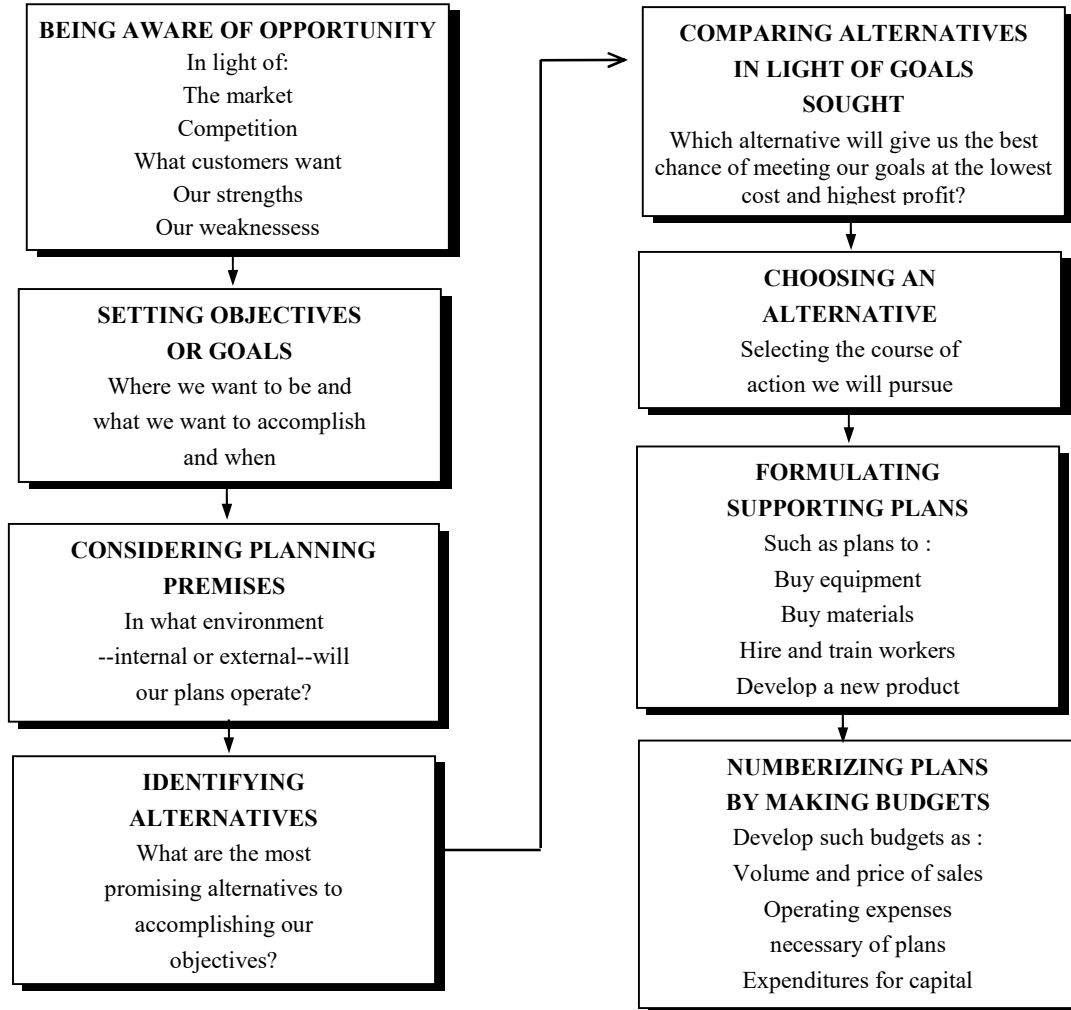
As we already know, the process of planning is based on certain premises about what is likely to occur in the environment of an organisation. **Contingency plans** are made to deal with situations that might crop up if these assumptions turn out to be wrong. Thus contingency planning is the development of alternative courses of action to be taken if events disrupt a planned course of action (Wehrich and Koontz, 1994).

### ***STEPS IN PLANNING***

Usually the same steps are followed by managers in all the cases of planning. All of these steps taken serially results in a planning process. An effective planning process appears future oriented, comprehensive, systematic, integrated and negotiated. Minor plans are normally simpler in nature and therefore, some of the steps can be easily taken. For general application, the following practical steps are discussed along with a flow chart provided by management scholars, Heinz Wehrich and Harold Koontz, (1994)."

1. **Being Aware of Opportunities:** Awareness of opportunities in the environment both external to and internal in the organization is the real beginning point for planning. At this stage managers tend to create a foundation from which they will develop their plans for the next planning period.
2. **Establishing Objectives:** Establishing specific objectives is the second step of planning. This involves determining goals or objectives for enterprise as a whole and then for each subordinate tier and unit. Establishment of objectives involves determining the same for the enterprise as a whole and for each subordinate level or unit.
3. **Developing Premises:** The third step in logical sequence of planning is the establishment of the premises or assumptions on which action statements are built. "The major principle of planning premises" according to Wehrich and Koontz, "is this: the more thoroughly individuals charged with planning understand and agree to utilize consistent planning premises the more coordinated enterprise planning will be (Wehrich and Koontz, 1994)."
4. **Determining Alternative Courses:** The fourth step is to search for and find out alternative courses of action, especially those not immediately apparent. At this stage managers decide how to move from their current position towards their decided future position. There is hardly a plan for which reasonable alternatives are not available. It is also found quite often that an alternative not considered as obvious, proves to be the best.
5. **Evaluating Alternative Courses:** Once alternative courses of action have been identified after seeking out alternative courses and examining their strong and weak points, they must be evaluated in light of how well each would help the organization reach its goals. Evaluating alternatives also includes determining the costs and expected efficiency of each.
6. **Selecting a Course:** After identifying the alternatives and considering the merits of each carefully, managers now shall have to adopt a plan and select one course of action.
7. **Formulating Derivative Plans:** Planning is not completed when a decision is made with the adoption of a general plan. Therefore, a seventh step is involved. Managers often still need to develop one or more supportive plans to bolster their basic plan and to explain the many details involved in reaching a broad major plan (Dunham and Pierce, 1989)."
8. **Numbering Plans by Budgeting:** With decisions are made and plans are set, the final step to give meaning to them is to quantify them with numbers converting them into budgets. Budgets are sometimes called numerated programs which are most commonly expressed in terms of money.

**Figure 2-1**



### **STEPS IN PLANNING**

**Source:** Heinz Wehrich and Harold Koontz; *Management: A Global Perspective*, McGraw-Hill, 1993, p.131.

### **Review Questions**

1. What do you understand by planning? State in brief the nature and importance of planning.
2. Why should managers plan?
3. What are different types of plans? Discuss them in brief.
4. Would you discuss the types of frequency-of-use plans in brief?
5. What do you mean by hierarchical plan? Discuss its types.
6. Discuss in brief the steps in planning.

## Lesson 2 : The Strategic Planning Process

After studying this lesson, you should be able to:

- *understand the meaning and nature of strategy and strategic planning*
- *describe the features of strategic plans*
- *discuss the strategic planning process*
- *identify factors that may cause failure of strategic planning*

### STRATEGY AND STRATEGIC PLANNING

Strategy is a comprehensive concept and, for this reason, it is often used in different ways. But this difference creates a major problem when some writers focus on both the end points (mission, goals, objectives) and the means of achieving them (policies and plans), but the others emphasise the means only rather than the ends in the strategic process. **Strategy**, as has already been said, refers to the determination of the purpose or mission and the basic long-term objectives of an enterprise, and the adoption of courses of action and allocation of resources necessary to achieve these aims. Therefore, objectives discussed earlier are a part of strategy formulation (Weihrich and Koonz, 1994).

### STRATEGIC PLAN

Dunham and Pierce (1989) have defined strategic planning as the top management's active and conscious effort to design a plan in order to place an organisation within its external environment. A strategic plan outlines a long-term perspective for the organisation. It specifically states the organisation's reason for existence, its strategic objectives, and its operational strategies.

A strategic plan of an organisation, therefore, answers a set of fundamental questions: what business is it doing or does it want to do in future? What kind of organisation is it or does it like to be? How is it going to conduct itself to achieve this strategic position? "A strategic plan, therefore, is a comprehensive framework that guides the decisions that determine the nature and direction of organisational activities" (Dunham and Pierce, 1989). For a broader and better understanding of strategic planning, the following three concepts need to be appreciated, viz. **organisational mission, strategic objectives and operational strategies**.

### FEATURES OF STRATEGIC PLANS

The following are some of the most important characteristics of strategic plans:

1. They are **long-term** in nature and place an organisation within its external environment.
2. They are **comprehensive** and cover wide range of organisation activities.
3. They **integrate guide** and **control** organisational activities for the immediate and long-range future.
4. They set the **boundaries** for managerial decision making. Since strategic plans are the primary document of an organisation all managerial decisions are required to be consistent with its goals.

Strategic plans, thus, set forth the long-term objectives, intermediate objectives and main purpose or basic role of an organisation (Dunham and Pierce, 1989).

### THE STRATEGIC PLANNING PROCESS

It covers several steps, starting from the initial examination of the current state of affairs, through the preparation of a plan and down to the final checks on how the plan is affecting daily performance. These steps are discussed below:

**Step-1: Planning Awareness:** The first step in developing a strategic plan is to take stock of the existing situation: an organisation's current mission, its goals, structure, strategy and performance; the values and expectations of the major stake-holders and power brokers of the organisation and the environment in which the organisation exists and operates.

**Step-2: Formulating goals:** The second step for management to develop a strategic plan is to clearly spell out what an organisation wants to achieve in the future. Formulating goals demands from manager's necessary affirmation and verification of reasons or justification of the organisation's existence, the definition of its mission or purpose, and establish strategic objectives.

**Step-3: Analysing the external environment:** Once the formulation of organisational goals is over, the next step is to look at the factors in the environment which might affect the management's ability to accomplish them. Scanning or assessing the environment is the process of collecting information from the external environment about factors having the ability to exert influence on the organisation.

**Step-4: Analysing internal environment (or own organisational resources):** The analysis of internal environment or the organisation's resources from within identifies its present strengths and weaknesses by examining its internal resources. Audit and evaluation should be undertaken in matters of research and development, production operation, procurement, marketing, and products and services.

**Step-5: Identifying strategic opportunities and threats:** Having the facts provided by assessment of the external and internal environments in steps three and four respectively, managers proceed to the fifth step. There they identify their opportunities to achieve their goals, on the one hand, and the threats that could hamper and halt them. Both these factors must be considered for effective strategic planning.

**Step-6: Performing gap analysis:** Gap analysis identifies the expected gaps between where managers want the organisation to go and where it will actually go if they maintain the current strategy. Gap analysis helps to point out areas in which an organisation is likely to succeed, but its real value lies in identifying the limitations of the present strategy and pointing out the areas requiring change.

**Step-7: Developing alternative strategies:** At this step of the strategic planning process, managers are faced with the question of whether a new strategy is required and, if so, what kind of strategy it will be. If no gap is found from the above analysis (step six), there is hardly any problem. But gap analysis quite often tends to show that some changes in strategy are required. Hence managers as a matter of course have to identify new alternatives, evaluate each of them, and choose a new or an alternative strategy.

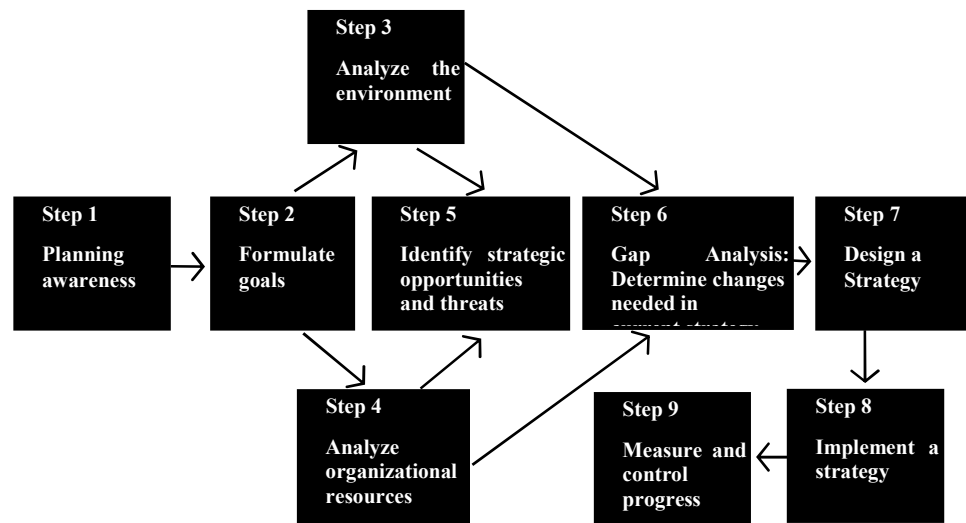
**Step-8: Implementing strategy:** However good a strategic plan may be, it can not fully utilise its potential unless it is implemented effectively at each level of the organisation. A corporate level strategy must generate appropriate strategic plans for each unit of business.

**Step-9: Measuring and controlling progress:** At the last step, managers must evaluate the effectiveness of the strategy being pursued. Necessary checking should be done by management to see whether it conforms to the strategy that they designed in step seven and is achieving the goals that they set forth in step two. At this final stage managers can employ several criteria to measure the success of a strategy. Some of them are:

- **External consistency:** How far is the strategy helping the organisation to cope with the demands of the external environment?
- **Internal consistency:** Is the strategy using organisational resources to achieve the objectives set by management?

- **Competitive advantage:** Does the strategy enable the organisation to do things better than its competitors?
- **Degree of risk:** Is the risk involved in the strategy consistent with the organisation's expectations?
- **Contribution to society:** Is the strategy socially responsible?
- **Motivation:** Is the strategy contributing to the morale, motivation and commitment of the people in the organisation?

FIGURE 2-2



#### THE STRATEGIC PLANNING PROCESS

Source: Dunham and Pierce, "Management", P.288

#### Review questions

1. How would you define strategy and strategic planning?
2. What are the features of strategic planning?
3. What concepts are to be appreciated for a better understanding of strategic planning?
4. What is meant by strategic planning process? Can you discuss the steps involved in the process?



## **Objectives and Decision Making**

**3**

### **Unit Highlights**

- OBJECTIVES: DEFINITION AND NATURE OF OBJECTIVES
- MBA AND MBA CYCLE
- DECISION MAKING: NATURE AND SIGNIFICANCE OF DECISION MAKING, RATIONALITY IN DECISION MAKING, TYPES OF DECISIONS, DECISION MAKING CONDITIONS
- THE PROCESS AND MANAGERIAL PRACTICES, THE SYSTEMS APPROACH AND DECISION MAKING

### **Technologies Used for Content Delivery**

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## Lesson 1: Definition and Nature of Objectives

After studying this lesson, you should be able to:

- *define objectives*
- *understand the nature and network of objectives*
- *discuss management by objective (MBO)*
- *discuss the MBO cycle/process*
- *describe the principles of evaluating performance*

### DEFINITION OF OBJECTIVE

All managers must be able to write good objectives, to be aware of their importance, and to understand how objectives combine to form a means-ends chain. According to Anthony P. Raia, an authority on Managing By Objectives (MBO), “as far as possible, objectives should be expressed in quantitative, measurable, concrete terms, in the form of a written statement of expected results to be achieved within a given period of time.” In other words, objectives should represent a firm commitment to attain something specific. So a well written objective should state what is to be accomplished and when (Dumham et. al., 1989).

### MANAGEMENT BY OBJECTIVES (MBO)

Management by objectives (MBO) is a comprehensive management system based on measurable and participatively set objectives. MBO is now widely practised all over the world. But, despite its large-scale application, the meaning of MBO is not yet always clear. To some people, it is an appraisal tool; others consider it a motivational technique, while others look upon it as an instrument of planning and control.

Management by objectives (MBO) has been defined by Weihrich and Koontz as “The comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organisational and individual objectives.” MBO is a comprehensive management system based on measurable and participatively set objectives.

### The MBO Cycle

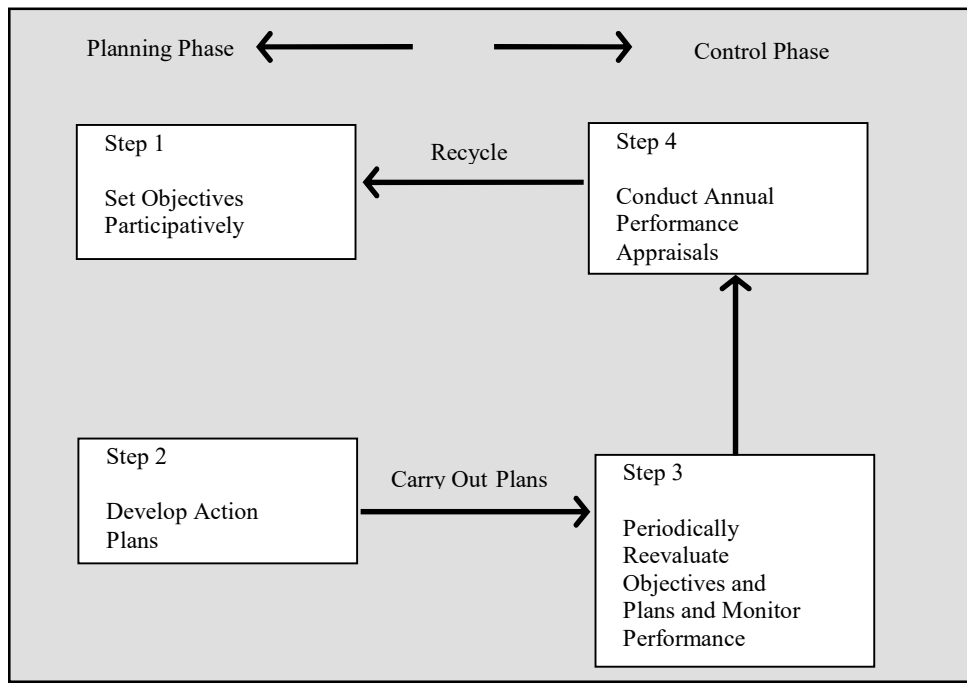
The four steps or stages of the MBO process are also called the MBO cycle. The four-step cycle illustrated below (Figure 3.1) lies at the very heart of MBO. Since MBO combines planning and control, the MBO cycle follows very closely the planning-control cycle. Steps 1 and 2 form the planning phase of MBO, and steps 3 and 4 are the control phase.

**Step - 1: Setting objectives:** A hierarchy of challenging, fair, and internally consistent objectives is the necessary starting point for the MBO cycle because it serves as the foundation for all that follows. All objectives, according to the principles of MBO, should be reduced to writing and kept aside for future reference during steps 3 and 4. Setting objectives under MBO starts at the top of the managerial pyramid and filters down, one layer at a time.

**Step - 2: Developing action plans:** With the development of action plans and addition of these statements to the objectives participatively set, the planning phase of MBO comes to an end. Managers, at each level, tend to develop plans that incorporate the objectives established in step-1. It is the responsibility of higher managers to make sure that plans of their direct subordinates complement rather than conflict with one another.

**Step - 3: Periodic review:** Attention now turns to step-3 as plans go into action requiring the following-up and monitoring of performance. Face-to-face meetings between superior and subordinate at 3-, 6- and 9-month intervals should be held regularly. These periodic check-ups help to see whether a particular set of objectives is still valid or needs revision or updating under the changed circumstances.

FIGURE 3-1



**THE MBO CYCLE**

Source: Kreitner, "Management", Third Edition, P.140

**Step - 4: Performance appraisal:** According to Kreitner, "at end of one complete cycle of MBO, typically one year after the original goals are set, the final performance is matched with the previously agreed upon objectives. The pairs of superior and subordinate managers who mutually set the objectives one year earlier meet face to face once again to discuss how things have turned out. At the time of evaluating performance during steps 3 and 4, managers need to keep in mind the following behavioural principles:

**Principle of participation:** Motivation tends to increase with increased participation in decision making and objective setting.

**Principle of feedback:** Motivation tends to increase when employees know where they stand.

**Principle of reciprocated interest:** Motivation tends to increase when the pursuit of organisational objectives goes hand in hand with the achievement of personal objectives.

**Principle of recognition:** Motivation to achieve organisational goals or objectives tends to increase when employees are recognised for their contribution.

### **Review Questions**

1. What do you mean by objective? Discuss the nature of objective.
2. Can you describe the hierarchy and network of objective? Give an idea about network of objectives.
3. How would you describe Management by objective (MBO)?
4. Can you discuss the stages of the MBO process? Why MBO process is called MBO Cycle?

## Lesson 2 : Decision Making: Nature and Significance of Decision Making, Rationality in Decision Making, Types of Decisions, Decision Making Conditions, Process and Managerial Practices of Decision Making

After studying this lesson, you should be able to:

- *understand the nature and significance of decision making*
- *discuss why decisions are taken?*
- *understand the significance of rationality in decision making*
- *discuss how decisions are made under conditions of uncertainty and risks*
- *describe the decision making process in brief*
- *discuss the ways of selecting an alternative*
- *analyse the systems approach to decision making*

### CONCEPT OF DECISION MAKING

A manager faced with two or more feasible alternatives must decide which one to select. Decision-making is, therefore, the process of identifying a set of feasible alternatives and choosing a course of action from them. Wehrich and Koontz (1994) defined decision-making as the selection of a course of action from among alternatives. According to them, “it is the core of planning. A plan cannot be said to exist unless a decision - a commitment of resources, direction or reputation - has been made.”

### TYPES OF DECISIONS

There are two basic types of decisions—programmed and non-programmed.

1. **Programmed decisions** are those that are traditionally made using standard operating procedures or other well-defined methods. These are routines that deal with frequently occurring situations, such as requests for vacations by employees.
2. **Non-programmed decisions** are unique. They are often ill-structured, one-shot decisions. Traditionally they have been handled by techniques such as judgement, intuition, and creativity.

### DECISION-MAKING CONDITIONS

Decisions are made under one of three conditions: **Certainty**, **Risk**, and **Uncertainty**. These conditions are based on the amount of knowledge the decision maker has regarding the final outcome of the decision.

**Certainty:** Under conditions of certainty the manager has enough information to know the outcome of the decision before it is made. For example, the managing director of a company has just put aside a fund of Tk. 10,00,000 to cover the renovation of all executive offices.

**Risk:** Most managerial decisions are made under conditions of risk. Risks exist when the individual has some information regarding the outcome of the decision but does not know everything when making decisions under conditions of risk, the manager may find it helpful to use probabilities. To the degree that probability assignment is accurate; he or she can make a good decision.

**Uncertainty:** Uncertainty exists when the probabilities of the various results are not known. The manager feels unable to assign estimates to any of the alternatives. While the situation may seem hopeless, mathematical techniques have been developed to help decision makers deal with uncertainty.

## THE PROCESS AND MANAGERIAL PRACTICES IN DECISION MAKING

In this section we shall examine the main four steps involved in the decision-making process in greater detail (Wehrich and Koontz, 1994). These steps include:

- (1) recognising the need for a decision i.e., problem awareness, definition and understanding;
- (2) generating or searching for alternatives;
- (3) evaluating each alternative; and
- (4) choosing form among the alternative solutions (choice-making)

**Step one: recognising the need for a decision:** The first step in the decision-making process consists of recognising that a decision is needed. Problem recognition begins when a decision maker is alerted by signal that a decision is needed. One way of looking at this first step of the decision-making process is in terms of the *detection of symptoms*. On the detection of a decision occasion, a decision maker needs to identify the problem exactly.

**Step two: generating or searching for alternatives:** After a problem has been identified, diagnosed, and understood, a manager is ready to move into the second stage of the decision-making process — the generation of a set of alternative solutions. In developing these solutions, decision makers first must specify the goals that they hope to achieve through their decision. Are they trying to reduce costs? improve product quality? increase sales? Once they have determined their goals, they can search for alternative means of reaching them.

**Step three: evaluation of alternatives:** Appropriate alternatives having been found, the next step in planning is to evaluate them and choose the right one which will best contribute to goal achievement. This is the ultimate decision making although decisions must as well be made in the other steps of planning - in selecting goals, in choosing critical premises, and even in selecting alternatives. The process of evaluation is being aided by:

- (a) **Quantitative and qualitative measurements:** In comparing alternatives for achieving an objective, people are likely to think exclusively of quantitative factors. These are factors that can be measured in numerical terms, such as time or various fixed and operating costs.
- (b) **Marginal analysis:** This is done by utilising the techniques of marginal analysis to compare additional revenues resulting from additional costs. Where the objective is to maximise profits, this goal will be reached, as elementary economics teaches, when the additional revenues and additional costs are equal.
- (c) **Cost effectiveness analysis:** It seeks the best ratio of benefits and costs; this means for example, finding the least costly way of reaching an objective or getting the greatest value for given expenditures.

**Step four: choosing an alternative:** After all the possible alternatives have been evaluated, managers are left with only one remaining viable alternative, which becomes their ultimate decision. Normally, however, several alternatives remain under consideration after the evaluation process. Thus the final stage in the decision-making process involves making judgements and choices.

### Review Questions

1. What do you understand by decision making? Why it is important?
2. Discuss the significance of rationality in decision making
3. How decisions are made under uncertainty and risks?
4. Describe the steps of the decision making process in brief.
5. Analyse the systems approach to decision making.

### **Activities**

1. Your boss offers you a promotion to a position in a location your family does not like. Make the necessary assumptions, and then state how and what you would decide.



# Organising

## 4

### Unit Highlights

- NATURE, PURPOSE, STRUCTURE, PROCESS AND LOGIC OF ORGANISING, ORGANISATIONAL LEVEL AND THE SPAN OF MANAGEMENT
- DEPARTMENTATION
- LINE, STAFF AND FUNCTIONAL AUTHORITY
- DELEGATION OF AUTHORITY, CENTRALIZATION AND DECENTRALIZATION

### Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## **Lesson 1: Nature, Purpose, Structure, Process and Logic of Organising, Organisational Level and the Span of Management**

After studying this lesson, you will be able to:

- *understand the nature and purpose of organising*
- *describe formal and informal organisation*
- *understand the structure, process and logic of organising*
- *discuss the relationship between organisation levels and span of management*
- *understand what is meant by effective span and explain the factors determining an effective span*

### **CONCEPT OF ORGANISING**

Organising means identification and classification of required activities, and grouping activities necessary to attain objectives. The assignment of each grouping to a manager with the appropriate authority to supervise it; and the provision for co-ordination horizontally (on the same or similar organisational level) and vertically (for example, corporate headquarters, division, and department) in the organisation structure (Islam and Khan, 2000).

### **THE LOGIC OF ORGANISING**

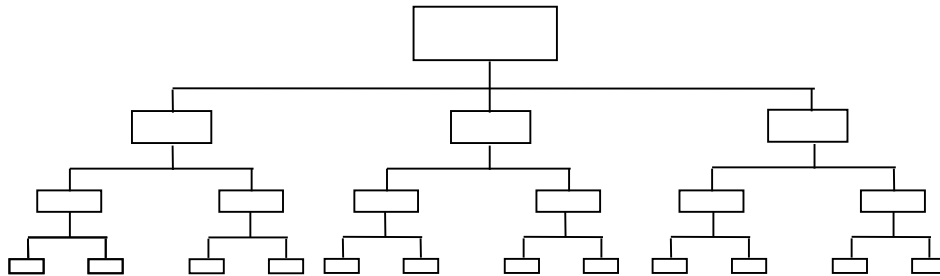
There is a fundamental logic of organising. The organising process consists of the following six logical steps:

1. Establishing enterprise objectives.
2. Formulating supporting objectives, policies and plans.
3. Identifying and classifying the activities necessary to accomplish them.
4. Grouping these activities in the light of the human and material resources available and the best way, under the circumstances, of using them.
5. Delegating to the head of each group the authority necessary to perform the activities.
6. Tying the groups together horizontally and vertically, through authority relationships and information flows.

### **ORGANISATION LEVELS AND THE SPAN OF MANAGEMENT**

While the purpose of organising is to make human co-operation effective, the reason for levels of organisation is the limitation of span of management. In other words, organisation levels exist because there is a limit to the number of persons a manager can supervise effectively even though this limit varies, depending on situations. The relationships between the span of management is associated with a few organisational levels: a narrow span, with many levels.

## Organization with Narrow Spans



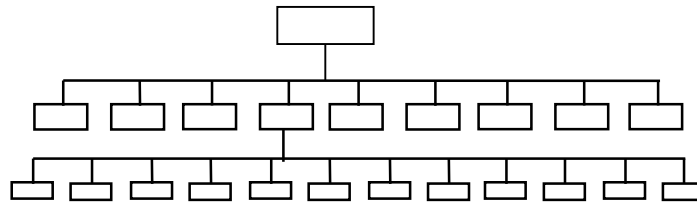
### ADVANTAGES

- Close supervision
- Close control
- Fast communication between subordinates and superiors

### DISADVANTAGES

- Superiors tend to get too involved in subordinates' work
- Many levels of management
- High costs due to many levels
- Excessive distance between lowest level and top level

## Organization with Wide Spans



### ADVANTAGES

- Superiors are forced to delegate
- Clear policies must be made
- Subordinates must be carefully selected

### DISADVANTAGES

- Tendency of overloaded superiors to become decision bottlenecks
- Danger of superior's loss of control
- Requires exceptional quality of managers

### ORGANISATION STRUCTURE WITH NARROW AND WIDE SPANS

**Source:** Heinz Wehrich and Harold Koontz, "*Management: A Global Perspective*" Tenth Edition, P.247.

## FACTORS DETERMINING AN EFFECTIVE SPAN

In fact, the number of subordinates a manager can effectively manage depends on the impact of underlying factors. Besides such personal capacities as comprehending quickly, getting along with people, and commanding loyalty and respect, the most important determinant is a manager's ability to reduce the time he or she spends with subordinates. This ability naturally varies with managers and their jobs, but several factors materially influence the number and frequency of such contacts and therefore the span of management (see table 4-1).

**Table 4-1**

<b>Factors Influencing the Span of Management</b>	
<b>Narrow spans</b> (a great deal of time spent with subordinates) related to :	<b>Wide spans</b> (very little time spent with subordinates) related to:
Little or no training	Thorough training of subordinates
Inadequate or unclear authority delegation	Clear delegation to undertake well-defined tasks
Unclear plans for non-repetitive operations	Well-defined plans for repetitive operations
Non-verifiable objectives and standards	Verifiable objectives used as standards
Fast changes in external and internal environments	Slow changes in external and internal environments
Use of poor or inappropriate communication techniques, including vague instructions	Use of appropriate techniques such as proper organisation structure, written and oral communication
Ineffective interaction of superior and subordinate	Effective interaction between superior and subordinate
Ineffective meetings	Effective meetings
Greater number of specialities at lower and middle levels	Number of specialities at upper levels (top managers concerned with external environment)
Incompetent and untrained manager	Competent and trained manager
Complex task	Simple task
Subordinates' unwillingness to assume responsibility and reasonable risks	Subordinates' willingness to assume responsibility and reasonable risks
Immature subordinates	Mature subordinates

**Source:** Heinz Weihrich and Harold Koontz; *Management: A Global Perspective*, Tenth Edition, p.250.

### **Review Questions**

1. Briefly discuss the nature and purpose of organising.
2. How would you distinguish between formal and informal organisation?
3. What do you mean by structure and process of organising? Can you explain the logic of organising?
4. Do you think there is any relationship between organisational levels and span of management?
5. What do you mean by effective span? Briefly discuss the factors determining an effective span.

## Lesson 2: Departmentation

After studying this lesson you should be able to:

- *understand the nature of departmentation.*
- *discuss basic organisation units and identify the basic patterns of traditional departmentation.*
- *analyze matrix organisations and outline the problem that can affect a matrix organisation.*

### CONCEPT OF DEPARTMENTATION

Departmentation means grouping activities and people into departments, making it possible to expand organisations, at least in theory, to an indefinite degree. Departmentation refers to the formal structure of the organisation, composed of various departments and managerial positions and their relationships to each other.

### MEANS OF DEPARTMENTATION

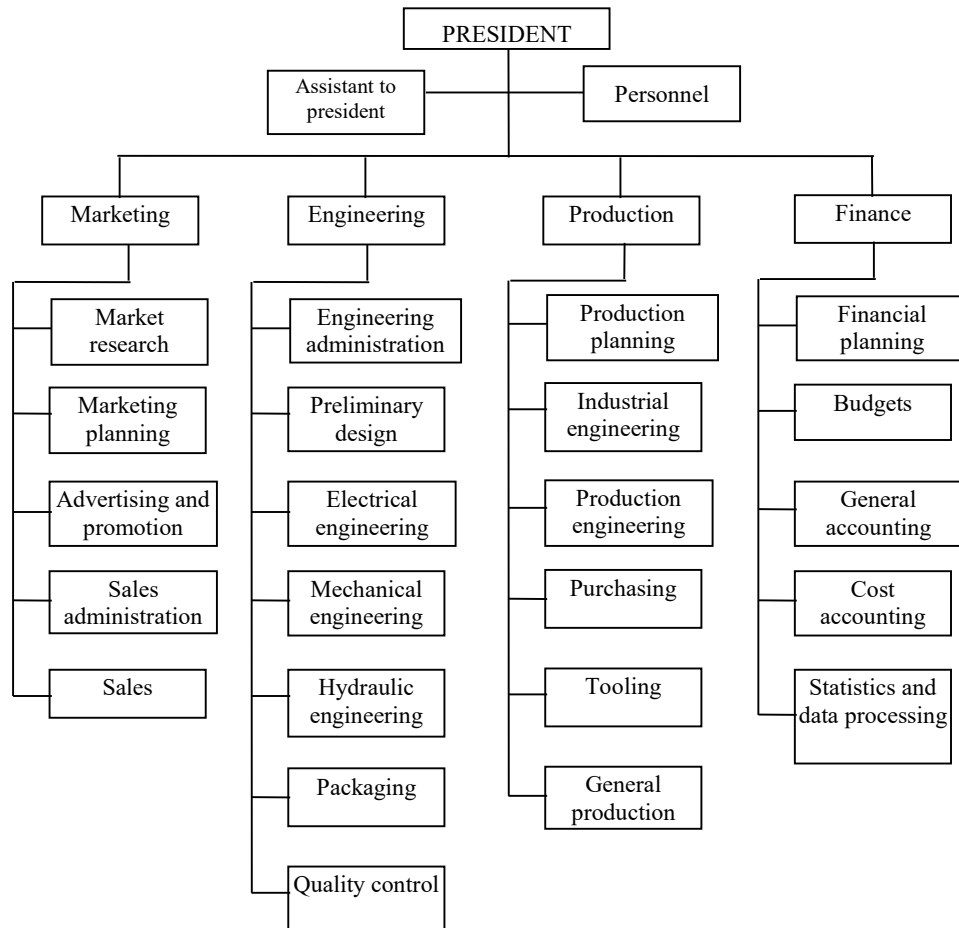
Departmentation results from the division of work and the desire to obtain organisation units of manageable size and to utilise managerial ability. An organisation structure and design are shaped significantly by the departmentation followed. The chief means of departmentation are by (1) function, (2) product, (3) territory, (4) customer, (5) process, (6) task force, and (7) matrix. An organiser is free to use any means of departmentation in constructing an organisation structure. In fact, in any given structure several means are typically used.

1. **Departmentation by function:** As mentioned, this is perhaps the most common format for departmentation. Figure 4-2 shows that marketing, production, and finance are the three most common functions in most organisations. Personnel is another major function in many organisations and encompasses recruitment, selection, training, compensation, health and safety, and labour relations.
2. **Departmentation by product:** This method places all the resources and authority under one manager to get a product or service produced and marketed. For example, the basic structure of General Motors Corporation looks something like Figure 4-4. IBM, in very simplified form, looks like Figure 4-5.
3. **Departmentation by territory:** This method is followed where nearness to local conditions appears to offer advantages, such as low cost of operation and opportunities to capitalise on attractive local conditions as they arise. Territorial departmentation is especially popular for sales where division appears feasible according to some geographic market segregation. It also provides a good arrangement for training and developing, because the executive can demonstrate his/her ability in a certain territory and thus merit promotion to a more important area. Figure 4-5 is the organisation chart for an international restaurant franchise organisation.
4. **Departmentation by customer:** This organisational form is used when great emphasis is placed on effectively serving different customer types. For instance, full-time day students and part-time night students of graduate business programs in universities usually are different in demographic profile and personal needs. Wholesale and retail publics are very different in many industries, as are government and private sector customers. For instance, banks may be departmentalised according to the markets illustrated in Figure 4-6.
5. **Departmentation by process:** This means is logical when the machinery or equipment used requires special skill for operating, or is of a large capacity, which eliminates organisational dividing, or have technical facilities which strongly suggest a concentrated location.

Economic and technologic considerations are the foremost reasons for the adoption of process departmentation. It is most commonly found in production and frequently at operative levels.

Using a process as a guide, there are three basic patterns available: (i) serial, (ii) parallel, and (iii) unit assembly. The pattern followed will determine, in part, the organisational units adopted. In few instances are any of these patterns used in pure form. More commonly, part of the work is processed under one pattern, part under another, and so forth, looks like Figure 4-2.

**FIGURE 4-2**



#### ADVANTAGES

- Is logical reflection of functions
- Maintains power and prestige of major functions
- Follows principle of occupational specialization
- Simplifies training
- Furnishes means of tight control at top

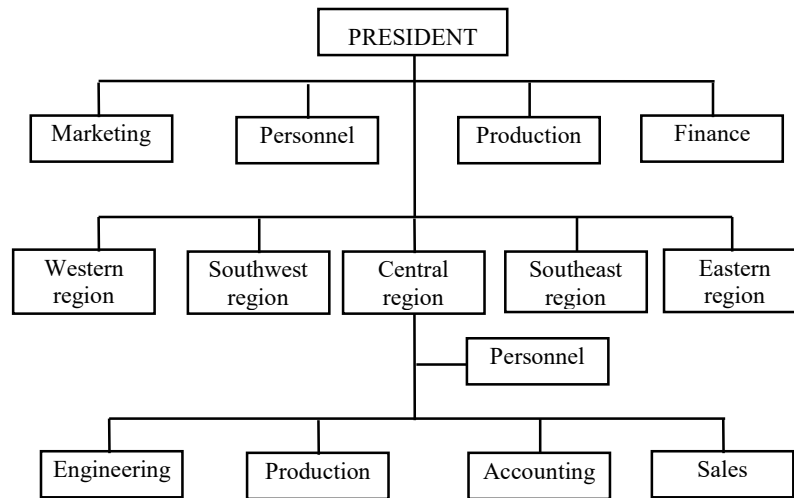
#### DISADVANTAGES

- Deemphasis of overall company objectives
- Overspecializes and narrows viewpoints of key personnel
- Reduces coordination between functions
- Responsibility for profits is at the top only
- Slow adaptation to changes in environment
- Limits development of general managers

#### A FUNCTIONAL ORGANISATION GROUPING (MANUFACTURING COMPANY)

**Source:** Heinz Weihrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.269.

**FIGURE 4-3**



#### ADVANTAGES

- Places responsibility at a lower level
- Places emphasis on local markets and problems
- Improves coordination in a region
- Takes advantage of economics of local operations
- Better face-to-face communication with local interests
- Furnishes measurable training ground for general managers

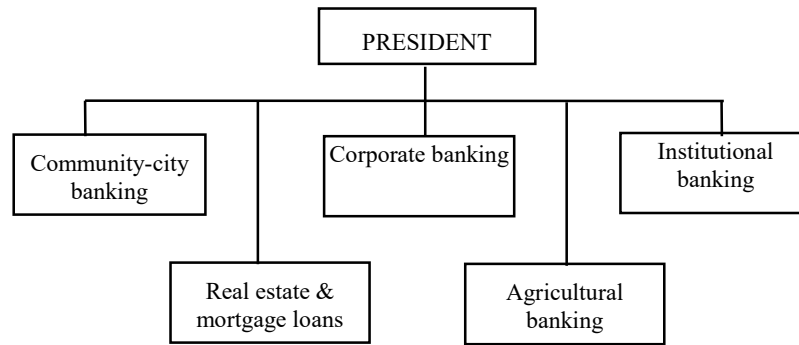
#### DISADVANTAGES

- Requires more persons with general manager abilities
- Tends to make maintenance of economical central services difficult and may require services such as personnel or purchasing at the regional level
- Increases problem of top management

A TERRITORIAL, OR GEOGRAPHIC, ORGANISATION GROUPING (WITH MINOR MODIFICATION)

Source: Heinz Wehrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.271

**FIGURE 4-4**



**ADVANTAGES**

- Encourages concentration on customer needs
- Gives customers feeling that they have an understanding supplier (Banker)
- Develops expertness in customer area

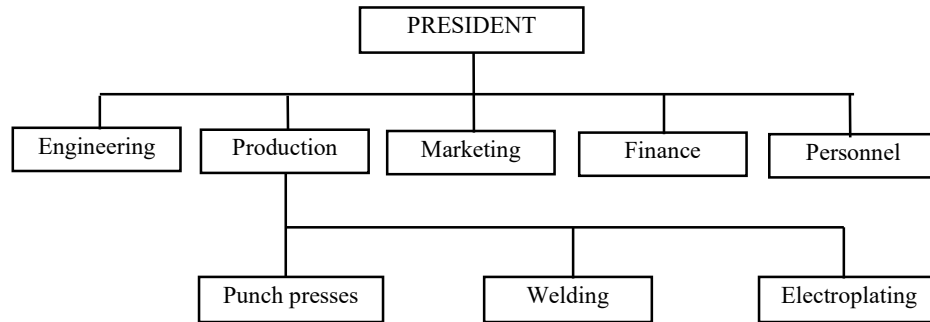
**DISADVANTAGES**

- May be difficult to coordinate operations between competing customer demands
- Requires managers and staff expert in customers' problems
- Customer groups may not always be clearly defined (for example, large corporate firms vs. other corporate businesses)

**CUSTOMER DEPARTMENTATION IN A LARGE BANK**

**Source:** Heinz Weihrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.273.

FIGURE 4-5



ADVANTAGES

- Achieves economic advantage
- Uses specialized technology
- Utilizes special skills
- Simplifies training

DISADVANTAGES

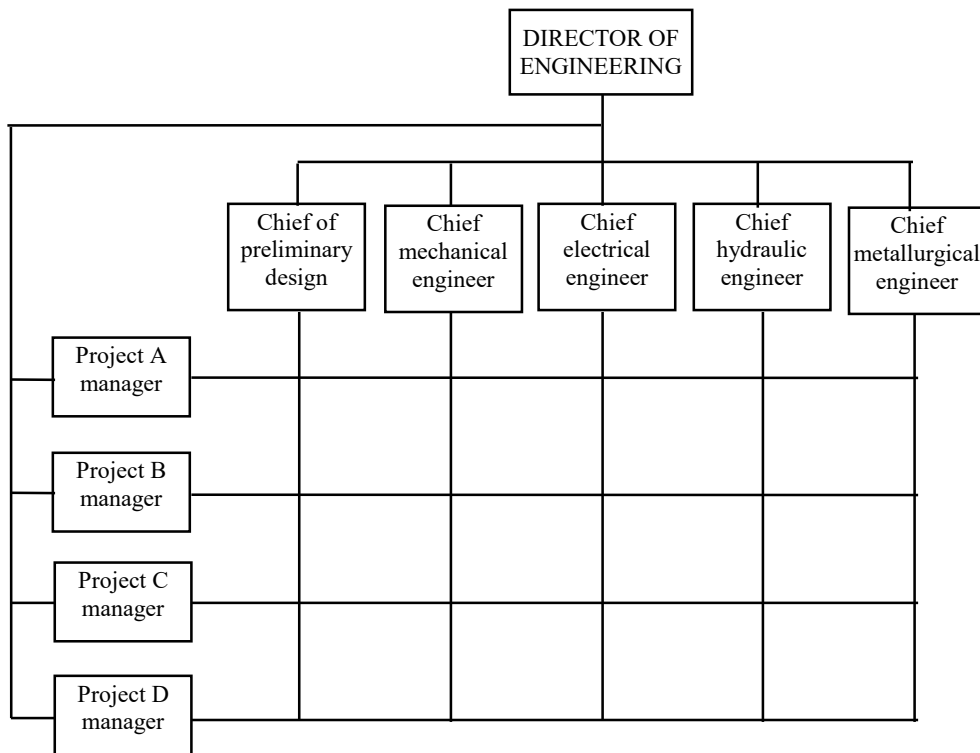
- Coordination of departments is difficult
- Responsibility for profit is at the top
- Is unsuitable for developing general managers

PROCESS OF EQUIPMENT DEPARTMENTATION

Source: Heinz Wehrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.275.

6. **Departmentation by task force:** This arrangement involves assigning a team or task force to a definite project or block of work, which extends from the beginning to the completion of a wanted and definite type and quantity of work. A task force is usually relatively small, perhaps not over a dozen members. It exists for the life of the project, and is then disbanded. It has a leader, is self-contained, and includes all the necessary knowledge and skill for performing the work.
7. **Matrix departmentation:** Matrix management was introduced in the early 1960s in response to the growing complexity and size of technically oriented enterprises, which needed more flexibility. Initially the aerospace industry and later Dow Corning, General Electric, Shell Oil, and other industry giants adopted this concept of a project management structure superimposed on a traditional functional organisation (Mee, 1964). Matrix departmentation attempts to combine functional and task force (project) departmentation designs to improve the synchronisation of multiple components for a single activity (i.e., a moon launch), to improve economics of scale, and to better serve the customer and company. Supervision is dual, encompassing technical and administrative managers, and incorporates several reporting systems and interweaves communication lines for transmitting decisions. Figure 4-6 illustrates a matrix form of organisation structure

**FIGURE 4-6**



#### ADVANTAGES

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

#### DISADVANTAGES

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

### MATRIX ORGANISATION IN ENGINEERING

**Source:** Heinz Wehrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.278.

### Review Question

1. What is departmentation? Identify the basic organisation units.
2. Discuss the chief means of departmentation.
3. What is your idea about departmentation by process? How does it work?
4. What is matrix departmentation? Elaborate on the problems that can affect matrix departmentation.

### **Lesson 3 : Line, Staff and Functional Authority**

After studying this lesson, you should be able to:

- *understand the nature of authority and power.*
- *discuss the sources of power.*
- *understand the distinction between line and staff, realising their nature as relationships rather than positions or people.*
- *explain the nature and use of functional authority as a mixture of line and staff.*

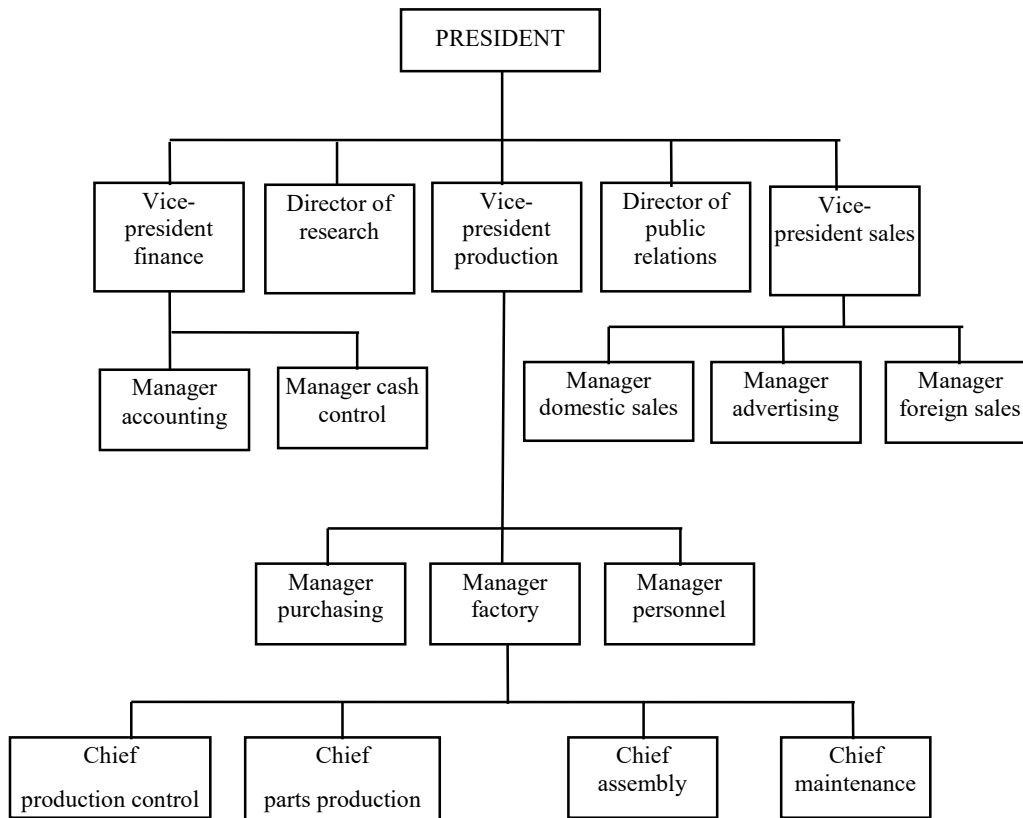
### **CONCEPT OF AUTHORITY AND POWER**

Managers must be properly vested with authority. Before concentrating on the authority in organisation, it is necessary to distinguish between authority and power. Power is the ability of individuals to induce groups. Authority in organisation is the right in a position (and, through it, the right of the person occupying the position) to exercise discretion in making decisions affecting others. It is, of course, one type of power, but power in an organisation setting. While organisation authority is the power to exercise discretion in decision-making, it almost invariably arises from the power of position, or legitimate power. When people speak of authority in managerial settings, they usually refer to the power of positions. At the same time, other factors, such as personality and style of dealing with people, are involved in leadership.

### **CONCEPTS LINE AND STAFF**

Much confusion has arisen among both scholars and managers as to what "line" and "staff" mean. As a result, there is probably no area of management that causes more difficulties, more friction, and more loss of time and effectiveness. Yet the line-and-staff relationships of the members of an organisation must necessarily affect the operation of the enterprise. One widely held view of line and staffs is that line functions are those that have direct impact on the accomplishment of the objectives of the enterprise. On the other hand, staff functions are those that help the line persons work most effectively in accomplishing the objectives. The people who adhere to this view almost invariably classify production and sales (and sometimes finance) as line functions and accounting, personnel plant maintenance, and quality control as staff functions.

**FIGURE 4-7**



**LINE AND STAFF ORGANISATION OF A TYPICAL MANUFACTURING COMPANY**

**Source:** Heinz Weihrich and Harold Koontz , "*Management: A Global Perspective*" Tenth Edition, P.296.

**Functional Authority**

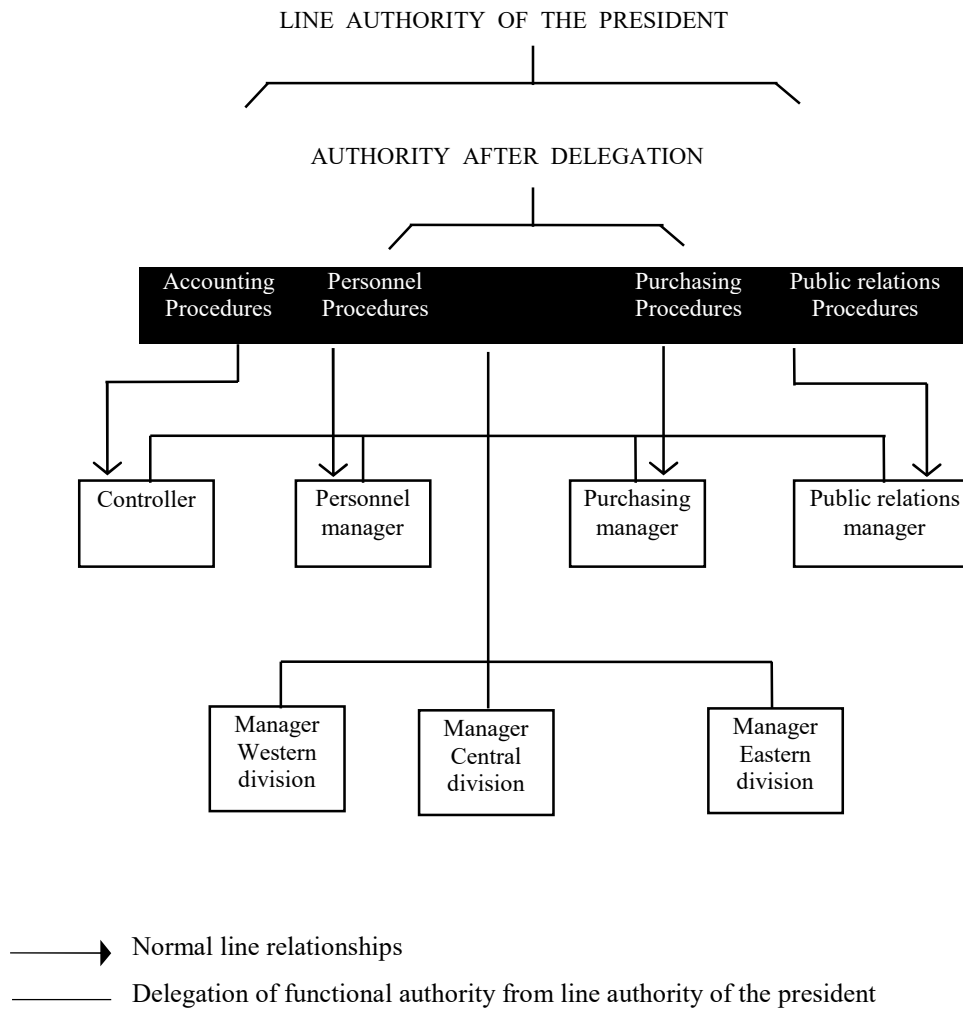
Functional authority is not restricted to managers of a particular type of department. It may be exercised by line, service, or staff department heads, but more often by the latter two because service and staff departments are usually composed of specialists whose knowledge becomes the basis for functional controls.

**Delegation of Functional Authority**

One can better understand functional authority by thinking of it as a small slice of the authority of a line superior. A corporation president, for example, has complete authority to manage a corporation, subject only to limitations placed by such superior authority as the board of directors, the corporate charter and by laws, and government regulation. In the pure staff situation, the advisers on personnel, accounting, purchasing, or public relations have no part in this line authority, their duty being merely to offer counsel. But when the president delegates to these advisers the right to issue instructions directly to the line organisations, as shown in Figure 5-10, that right is called "functional authority."

The four staff and service executives have functional authority over the line organisations with respect to procedures in the field of accounting, personnel, purchasing and public relations. What has happened is that the president, feeling it unnecessary to clear such specialised matters personally, has delegated line authority to staff assistants (or managers) to issue their own instructions to the operating department.

**FIGURE 4-8**



#### FUNCTIONAL AUTHORITY DELEGATION

**Source:** Heinz Weihrich and Harold Koontz, "Management: A Global Perspective" Tenth Edition, P.297.

### Review Questions

1. How would you distinguish between authority and power?
2. Discuss the various sources of power with examples.
3. What do you understand by line and staff concepts? Discuss the nature of line and staff relationship.
4. What is functional authority? How can it be delegated?

## Lesson 4 : Delegation of Authority, Centralization and Decentralization

After studying this lesson, you should be able to:

- *discuss the nature of centralisation, decentralisation and delegation of authority.*
- *describe the principles of delegation.*
- *explain the factors that generally determine the degree of decentralisation.*
- *learn guidelines for overcoming weak delegation.*
- *find out the relationship between decentralisation and participative management.*
- *understand the ways of obtaining the desired degree of decentralisation.*
- *recognise the importance of obtaining balance in the centralisation and decentralisation of authority.*

### DELEGATION OF AUTHORITY

Delegation of authority might appear to be, studies show that managers fail more often because of poor delegation than of any other cause. For anyone going into any kind of organisation, it is worthwhile to study the science and art of delegation. The primary purpose of delegation is to make organisation possible. Just as no one person in an enterprise can do all the tasks necessary for accomplishing group purpose, it is impossible, as an enterprise grows, for one person to exercise all the authority for making decisions. As was discussed under the subject of span of supervision, there is a limit to the number of persons managers can effectively supervise and for whom they can make decisions.

### HOW AUTHORITY IS DELEGATED?

Authority is delegated when discretion is vested in a subordinate by a superior. Clearly, superiors cannot delegate authority they do not have, whether they are board members, presidents, vice-presidents, or supervisors. Equally clear, superiors cannot delegate all their authority without, in effect, passing on their position to their subordinates. The entire process of delegation involves determination of results expected, assignment of tasks, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment.

### PRINCIPLES OF DELEGATION

The following principles are guides to delegation of authority. Unless carefully recognised in practice, delegation may be ineffective, organisation may fail, and poor managing may result (Islam and Khan, 2000).

**Principle of delegation by results expected:** Since authority is intended to furnish managers with a tool for so managing as to assure that objectives are achieved, authority delegated to individual managers should be adequate to assure their ability to accomplish expected results.

**Principle of functional definition:** To make delegation possible, activities must be grouped to facilitate accomplishment of goals, and managers of each subdivision must have authority to co-ordinate its activities with the organisation as a whole.

**Scalar principle:** The scalar principle refers to the chain of direct authority relationships from superior to subordinate throughout the organisation. The clearer the line of authority from the top manager in an enterprise is to the subordinate position, the more effective the responsible decision-making and organisation communication will be.

**Authority-level principle:** Functional definition plus the scalar principle gives rise to the authority level principle. Clearly, at some organisation level, authority exists for making a decision within the power of an enterprise.

**Principle of unity of command:** A basic management principle, often disregarded for what are

believed to be compelling circumstances, is that of unity of command: the more completely an individual has a reporting relationship to a single superior, the less the problem of conflict in instructions and the greater the feeling of personal responsibility for results.

**Principle of absoluteness of responsibility:** Since responsibility, being an obligation owed, cannot be delegated, no superior can escape, through delegation, responsibility for the activities of subordinates, for it is the superior who has delegated authority and assigned duties.

**Principle of parity of authority and responsibility:** Since authority is the discretionary right to carry out assignments and responsibility is the obligation to accomplish them, it logically follows that authority should correspond to responsibility.

## **GUIDES FOR OVERCOMING WEAK DELEGATION**

Unclear delegations, partial delegations, delegations inconsistent with the results expected, and the hovering of superiors who refuse to allow subordinates to use their authority are among the many widely found weaknesses of delegation of authority. But most of the responsibility for weak delegation lies with superiors and, primarily, with top managers. In overcoming these errors - and emphasising the principles outlined above - the five following guides are practical in making delegation tangible (Islam and Khan, 2000):

1. Define assignments and delegate authority in the light of results expected.
2. Select the person in the light of the job to be done. This is the purpose of the managerial function of staffing. It is important to remember that qualifications influence the nature of the authority delegated.
3. Maintain open lines of communication. This means that there should be a free flow of information between the superior and the subordinate, and subordinates should be furnished with information with which to make decisions and properly interpret the authority delegated.
4. Establish proper controls. But if controls are not to interfere with delegation, they must be relatively broad and designed to show deviations from plans rather than interfere with detailed actions of subordinates.
5. Reward effective delegation and successful assumption of authority. It is seldom sufficient to suggest that authority be delegated, or even to order that this be done. Managers should be ever watchful for means of rewarding both effective delegation and effective assumption of authority.

## **DECENTRALISATION VS. CENTRALISATION**

Decentralisation is a fundamental aspect of delegation: to the extent that authority is not delegated, it is centralised. Absolute centralisation in one person is conceivable. But it implies no subordinate managers and therefore no structured organisation. Consequently, it can be said that some decentralisation characterises all organisations. "Centralisation" has been used to describe tendencies other than the dispersal of authority, as in centralisation of performances. This is a problem of geography: a business characterised by centralised performance operates in a single location or under a single roof. Furthermore, centralisation often refers to departmental activities.

## **FACTORS DETERMINING THE DEGREE OF DECENTRALISATION OF AUTHORITY**

Managers cannot be ordinarily for or against decentralisation of authority. They may prefer to delegate authority, or they may like to make all decisions. Although the temperament of individual managers influences the extent of authority delegation, other factors also affect it.

Most of these are beyond the control of individual managers. They may resist their influence, but no successful manager can ignore them.

1. **Costliness of the Decision:** Perhaps the overriding factor determining the extent of decentralisation is, as in other aspects of policy, the criterion of costliness. As a general rule, the more costly the action to be decided is, the more probable it is that the decision will be made at the upper levels of management.
2. **Uniformity of policy:** Another, and somewhat related factor favouring the centralisation of authority, is the desire to obtain uniform policy. Those who value consistency above all are invariably in favour of centralised authority, since this is the easiest road to such a goal.
3. **Size:** The larger the organisation, the more decisions to be made and the more places in which they must be made, the more difficult it is to co-ordinate them. These complexities of organisation may require policy questions to be passed up the line and discussed not only with many managers in the chain of command but also with many managers at each level, since horizontal agreement may be as necessary as vertical clearance.
4. **History of the enterprise:** Whether or not authority will be frequently decentralised depends upon the way the business has been built. The enterprises that expand from within in the main – such as Marshall Field and Company and International Harvester Company – show a marked tendency to keep authority centralised, as do those which expand under the direction of their owner-founders.
5. **Management philosophy:** The character of top executives and their philosophy have an important influence on the extent to which authority is decentralised. Sometimes top managers are despotic, brooking no interference with the authority and information they jealously hoard.
6. **Desire for independence:** It is a characteristic of individuals and of groups to desire a degree of independence. Individuals may become frustrated by delay in getting decisions, by long lines of communication, and by the great game of passing the buck.
7. **Availability of managers:** A real shortage of managerial manpower would limit the extent of decentralisation of authority, as delegation of decision-making assumes the availability of trained managers.
8. **Control techniques:** Another factor affecting the degree of decentralisation is the state of development of control techniques. One cannot expect a good manager at any level of the organisation to delegate authority without having some way of knowing whether it will be used properly.
9. **Decentralised performance:** This is basically a technical matter depending upon such factors as the economics of division of labour, the opportunities for using machines and the nature of the work to be performed.
10. **The pace of change:** The fast-moving character of an enterprise also affects the degree to which authority may be decentralised. If a business is growing fast and facing the complex problems of expansion, its managers, particularly those responsible for top policy, may be forced to make a large share of the decision.
11. **Environmental influences:** The factors determining the extent of decentralisation discussed above have been largely internal to the enterprise, although the economics of decentralisation of performance and the character of change include elements well beyond the control of an enterprise's manager.

### **Review Questions**

1. What is your idea about delegation? How is authority delegated?
2. How can clarity of delegation of authority be ensured?
3. In short, discuss the principles of delegation of authority.
4. What are the guides for overcoming weak delegation?
5. What factors are to be considered in determining the degree of decentralisation of authority?
6. Differentiate between decentralisation and participative management. How can the desired degree of decentralisation be obtained?
8. Do you think that a proper balance in decentralisation can be maintained? Explain.

### **Activities**

1. Interview the chief executive of a firm, ask him to mention the strengths and weakness as well as the opportunities and threats faced by the firm.
2. Identify the departmentation pattern of a company you know of. Draw an organisation chart for the firm. Would you recommend a different departmentation arrangement? Justify.

# Staffing

5

## Unit Highlights

- NATURE OF STAFFING FUNCTION, HUMAN RESOURCE PLANNING, SYSTEMS APPROACH TO STAFFING
- RECRUITMENT AND SELECTION, PROMOTE OR HIRE, MANAGER SELECTION
- TRAINING, TRAINING PROGRAMS, MANAGEMENT DEVELOPMENT PROGRAMS
- PERFORMANCE APPRAISAL: MEANING AND IMPORTANCE, TYPES, APPROPRIATE METHOD OF APPRAISING MANAGER
- JOB CHANGE: PROMOTION, TRANSFER AND DEMOTION

## Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## **Lesson 1: Human Resource Planning and Systems Approach to Staffing**

After studying this lesson, you will be able to:

- *understand the nature of staffing function.*
- *discuss Human Resource Planning.*
- *describe Systems Approach to Staffing with the help of a diagram.*

### **HUMAN RESOURCE PLANNING (HRP)**

Planning enables managers to better cope with an uncertain environment and allocate scarce resources more efficiently. The importance of Human Resource Planning has been emphasised by some management scholars as follows:

"There continues to be in organisations a failure, particularly on the part of line managers and functional managers in areas other than personnel, to recognise the true importance of planning for and managing human resources (Schein, 1979)."

Human resource planning is sometimes referred to as manpower planning when applied to all employees, or management succession planning when strictly applied to managerial employees. It helps management find the right people for the right jobs at the right time. Human resource planning may be rightly defined as the development of a comprehensive staffing strategy for meeting the organisation's future human resource needs (Islam and Khan, 2000).

### **The Systems Approach to Staffing:**

#### **An Overview by Weihrich and Koontz (1994)**

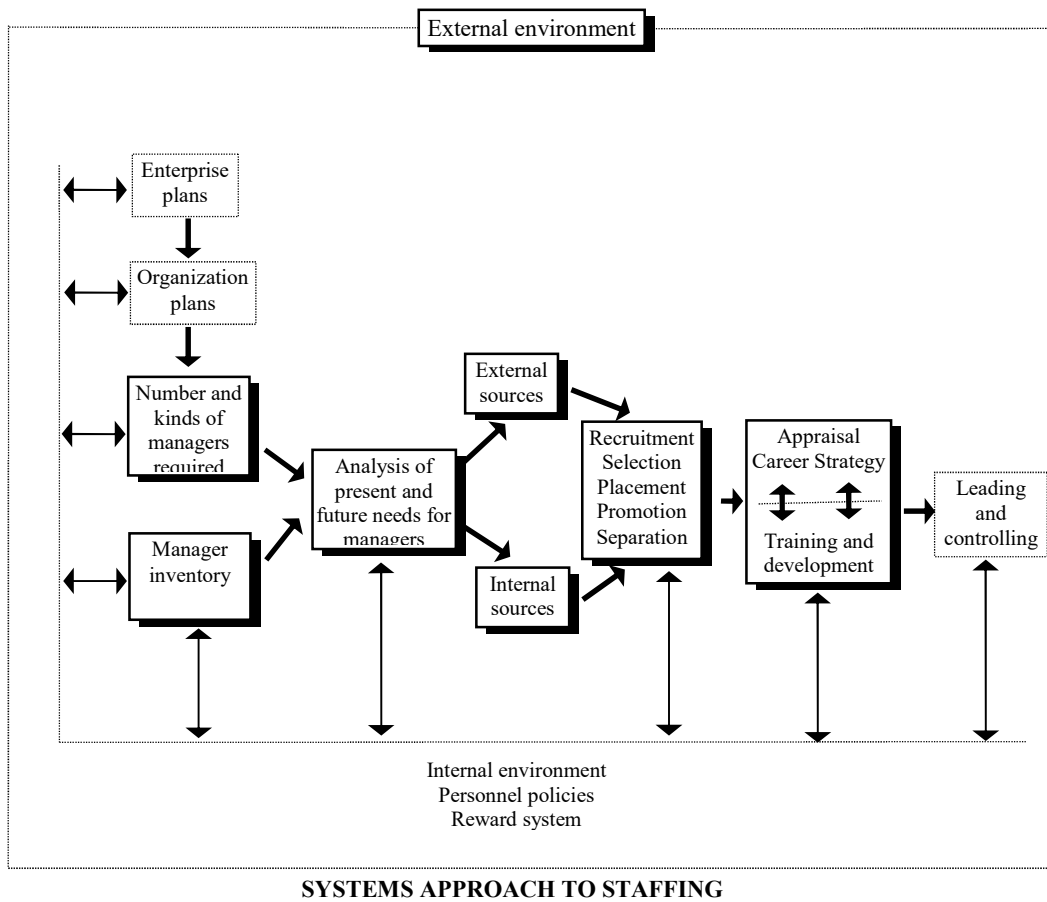
The following diagram (5-1) shows how the managerial function of staffing relates to the total management system. To be specific, enterprise plans become the basis for organisation plans, which are necessary to achieve enterprise objectives. The present and projected organisation structure decides the number and type of managers and other employees required. These demands for managers are compared with available talent through the management stock-list of inventory.

Staffing, as shown in figure 5-1, affects leading and controlling. For example, well-trained managers and employees create an environment in which people, working in groups, can accomplish personal as well as enterprise objectives. In other words, proper staffing facilitates leading. Similarly, selecting quality managers serves the purpose of controlling by preventing many undesirable deviations giving rise to major problems.

#### **Assessing Current Needs**

As long as management does not have a clear picture of the organisation's staffing position, there cannot be any meaningful forecast and formulation of a staffing plan. A first step in this direction is a time-consuming procedure called job analysis. Job analysis is the process of determining the fundamentals of a job through systematic observation and analysis. It is useful for staffing in order to achieve gainful individual-organisation matches.

**FIGURE 5-1**



**Source:** Heinz Weihrich and Harold Koontz . "*Management: A Global Perspective*" Tenth Edition. P.358.

## FACTORS TO CONSIDER IN FORECASTING THE DEMAND AND SUPPLY OF HUMAN RESOURCES

<b>Forecast Demand</b>	<ul style="list-style-type: none"><li>• Expected growth of the organisation</li><li>• Budget constraints</li><li>• Turnover due to resignations, termination, transfers, retirement, and death</li><li>• Introduction of new technology</li><li>• Minority-hiring goals</li></ul>
<b>Forecast Supply</b>	<ul style="list-style-type: none"><li>• Number of employees willing and able to be trained</li><li>• Promotable employees</li><li>• Availability of required talent in local, regional, and national labor markets.</li><li>• Competition for talent within the industry and in general</li><li>• Demographic trends (such as movement of families from one part of the country to another)</li><li>• Enrolment trends in government training programs, trade schools, colleges and universities.</li></ul>

### Forecasting Future Needs

The next step involved in human resource planning cycle is to compare projected demand and projected supply. It is often helpful for managers to visualise human resources as flowing into, through and out of the organisation. Employees tend to leave the organisation for a variety of reasons, and they must be replaced. Both internal and external sources of supply should be explored. A detailed list of future staffing requirements is the net result of human resource demand and supply forecasting. This list will tell management how many people and of what kind will be needed at specific future points in time.

### Formulation of a Staffing Strategy

To satisfy future requirements, two sets of options are open to management. First, management can rely on current employees or hire new ones. Second, employees can be trained or not trained. When these two sets of options are combined, four staffing strategies emerge: (1) do not train current employees, (2) train current employees, (3) hire but do not train outsiders, and (4) hire and train outsiders. Most often in today's larger organisations, all four staffing strategies are used simultaneously according to circumstances.

### Evaluation and Update

As it is the case with many other systems, human resource planning requires a feedback mechanism or a means of monitoring the system. By comparing the actual performance of the system on previously formulated plans, necessary corrective measures can be undertaken. Unexpected shortages and excesses of qualified people signal a defect in the planning system.

### Review Questions

1. What do you understand by staffing? Discuss in brief the nature of staffing function.
2. What is Human Resource Planning? Discuss the Systems Approach to Planning with the help of a diagram.
3. How would you (a) assess the current needs and (b) forecast future needs of employees

## Lesson 2 : Recruitment and Selection, Promote or Hire, Manager Selection

After studying this lesson, you will be able to:

- *understand the meanings of, and distinguish between recruitment and selection.*
- *describe the devices/procedures of selection.*
- *conceptualise when managerial positions should be filled up by hiring people from outside.*
- *understand the intricacies of manager selection, and define job design.*

### RECRUITMENT

The objective of recruitment is to provide a group of candidates which is large enough to let managers select the qualified employees from that they require. Before employees can be recruited, recruiters must have some clear ideas regarding the activities and responsibilities required in the job being filled. It has already been said, **job analysis** is the first step in the recruitment process. The next step is the preparation of a statement called either a **job description** or **position description** containing the contents and location of the job. Once the job or position description has been determined, an accompanying hiring or job specification is developed. A **hiring specification** is a written description of the education, experience, and skills needed to perform a job or fill a position.

### SELECTION

The purpose of recruitment is to identify a pool of qualified candidates for a job or a position. Managers use a **selection** process to evaluate each of these candidates, to make predictions of the probable levels of job performance by each, and to choose a candidate for the job. Any technique or procedure for choosing from among candidates is referred to as a **selection device**. A wide range of selection devices are available to give human resource managers information on which to base their decisions. These selection devices include:

**Application blanks:** These are forms that ask for personal information as well as information about previous training and work experiences.

**References and recommendations:** By this device, information is sought and obtained from sources other than the candidate about his or her past performance record. The employer may contact the current employer of each of the three leading candidates for the job of an accounts officer. Two are rated "perfectly acceptable employees." The third is rated "almost irreplaceable." Sometimes references and recommendations are honest, helpful and reliable.

**Interviews:** Question-and-answer sessions are held between candidate and prospective employer. It has been observed by some authorities that "the interview is probably the most widely used personnel technique, particularly in the selection procedure (Megginson, 1977). The traditional unstructured or informal format of interview has been criticised because:

- it is highly susceptible to distortion and bias.
- it is highly susceptible to legal attack.
- it is usually indefensible if legally contested. Etc.

Structured interviews are the recommended alternative to traditional unstructured or informal interviews. A **structured interview** may be defined as a series of job-related questions with predetermined answers that are consistently applied across all interviews for a particular job. Structured interviews are constructed, conducted, and scored by a committee of three to six members to try to eliminate individual bias (Kritner, 1986).

**Tests:** A wide variety of instruments are used to verify candidates' abilities, skills, behaviour, and attitudes. The best tests assess these factors that the job analysis identifies as necessary for the

candidate to perform well on the job and to do so in a standardised manner. The three top candidates for an accounting job are given an accounting test to work through.

## **PROMOTE OR HIRE**

Employee selection serves as the organisation's main conduit for human resource. Present-day managers are challenged to find the best available talent for the organisation. The manager's first step in the selection process involves, except for job openings at the lowest entry level, choosing between inside and outside talent. Usually outsiders are hired for bottom-rung positions in the organisational hierarchy. Management can promote a current employee from the same geographic location, transfer in a current position from another place or hire an outsider. The following are the advantages of promoting an insider or hiring an outsider:

***Advantages of promoting an insider:*** Three advantages of promoting an insider are: (1) promotion from within is less expensive than transferring or hiring; (2) promotable insiders are proven performers; and (3) promotion from within can have a positive motivational effect.

***Advantages of bringing in an outsider:*** Over the policy of promoting from inside, there are three advantages of transferring in or hiring an outsider: (1) bringing in outsiders helps prevent social inbreeding; (2) training costs are reduced when a qualified outsider is hired; and (3) new people tend to introduce new perspectives.

## **Review Questions**

1. What do you understand by recruitment? How would you distinguish it from selection? Describe the procedure of selection.
2. What are the devices of selection? Can you tell us when an upper-level managerial position should be filled up by promoting someone from within?
3. When should managers be hired from outside the organisation? Why is manager selection considered important?
4. What do you understand by job design? Discuss in brief the procedure of manager selection used in our country.

### Lesson 3 : Training, Training Programs, Management Development Programs

After studying this lesson, you will be able to:

- *understand the nature and significance of training.*
- *identify the methods that can be used by managers to determine the training needs of employees.*
- *discuss on-the-job and off-the-job training methods.*
- *discuss the importance and the types of off-the-job methods of management development.*

#### CONCEPT OF TRAINING

Training is the act of increasing the knowledge and skill of an employee for doing a particular job. There is often a gap between what employees actually know and what they should know. Filling this gap of knowledge in doing the job by means of training is an important task of management. Training is, therefore, a learning experience in that it seeks a relatively permanent change in an individual that will improve his or her ability to perform on-the-job. Training typically involves changing skills, knowledge, attitudes or social behaviour.

#### DETERMINATION OF TRAINING NEEDS

The following four methods can be used by managers to determine the training needs of the employees in their organisation or department:

1. ***Performance appraisal:*** Performance of each employee is measured against the performance standards or objectives established for his or her job.
2. ***Analysis of job requirements:*** The skills or knowledge specified in the job description are examined and the employees lacking necessary skills or knowledge specified therein are selected for a training programme.
3. ***Organisational analysis:*** The effectiveness of the organisation and its success in meeting its goals are analysed for determining and identifying the area and kind of training required. For example, members of a department with a high turnover rate or low performance record might require additional training.
4. ***Employee survey:*** Opinions of managers and non-managers are sought about the problems they experience in their work and what actions they deem necessary for solving the problem.

#### TECHNIQUES OF TRAINING

Management development aims at improving the overall effectiveness of managers at their existing positions as well as preparing them for greater responsibility when they are promoted. These programs have become more prevalent in recent years because of increasingly complex demands on managers. Another reason is the problem of training managers through experience alone which is a time-consuming and unreliable process.

##### On-the-Job Methods

In management development programs, on-the-job methods are usually preferred. This type of training is far more likely than the off-the-job type to be tailored to the requirements of an individual.

Four major formal on-the-job development methods are as follows:

1. ***Coaching:*** The training of an employee of a managerial cadre by his or her immediate supervising officer is by far the most effective management development technique. Unfortunately, many managers are either unable or unwilling to coach those they supervise.

2. **Job rotation:** This involves shifting managers from position to position so that they can broaden their experience and familiarise themselves with various aspects of the firm's operations.
3. **Training positions:** This is the third method of developing managers. Trainees are given staff posts immediately under a manager, often with the title of "assistant to." Such assignments give trainees a chance to work with and model themselves after outstanding managers who might otherwise have little contact with them.
4. **Planned work:** It involves giving trainees important work assignments to develop their experience and ability. Trainees may be asked to head a task force or participate in an important committee meeting. Such experiences help them gain insight into how organisations operate and also improve their human relations skills.

### **Off-the-Job Methods**

Off-the-job development techniques remove individuals from the stresses and ongoing demands of the workplace, enabling them to focus fully on the learning experience. In addition, they provide opportunities for meeting people from other departments or organisations. Thus, employees are exposed to useful new ideas and experiences while they make potentially useful contacts. The most common off-the-job development methods are in-house classroom instruction and management development programs sponsored by universities and organisations such as the American Management Association.

### **Review Questions**

1. What do you understand by training? How can a manager identify the training needs of employees?
2. Briefly discuss the methods of training usually followed by managers to enhance the efficiency of their employees.
3. Elaborate on the major formal management development methods – both on-the-job and off-the-job.

## **Lesson 4 : Job Change: Promotion, Transfer, Demotion**

After studying this lesson, you should be able to:

- *define job change.*
- *understand the nature, significance and types of promotion.*
- *discuss the bases of promotion with relative merits and demerits of "seniority" and "merit" as bases of promotion.*
- *understand the meaning and goals of transfer.*
- *identify the circumstances in which demotion becomes necessary.*

### **JOB CHANGE**

One major aspect of human resource management is the movement of personnel within an organisation i.e., their promotion, transfer, demotion and separation. This movement is also sometimes termed job change which may be either informal or formal. Under the informal plan which is more common because of its simplicity, decisions as to who should be transferred, promoted, or separated, usually vary from person to person and from time to time. In other words, whims and prejudices take the place of written rules.

### **PROMOTION**

Job change usually involves filling vacancies by the internal movement of the existing employees. These movements are usually of two types: promotions and transfers. Promotion means a change involving an employee moving to a position higher than the one formerly occupied. His responsibility, status and pay also increase. The possibility of advancement often serves as a major incentive for superior managerial performance, and promotions are the most significant ways to recognise superior performance.

### **NEEDS FOR A SOUND PROMOTION POLICY**

The first requirement of a sound promotion policy is that it must provide for uniform distribution of promotional opportunities throughout the organisation. In other words, the ratio of internal promotions to recruitment must be the same at various levels in all departments.

Secondly, a sound promotion policy must clearly state to managers and all other employees in advance about the opportunities for advancement. Organisations generally make use of various types of charts for this purpose. These charts variously known as "opportunity charts" or "promotion charts" do not promise or guarantee the promotion of an individual. They merely point out how various positions in the organisation are related to each other.

The third requirement for such a policy is to have some definite system for the selection of the employees who are to be promoted. This obviously calls for having a set of definite criteria for the purpose. This makes the process fair and objective.

Fourthly and finally, a sound promotion policy must provide for a suitable system of follow-up, counselling and review.

### **BASIS OF PROMOTION**

There is a controversy over what should be the criterion for promotion – seniority or ability? Seniority refers to the relative length of service of employees. The seniority method of promotion has been in vogue since ancient times. Historically this method should be regarded as a success. However, in modern business it is not always reliable and effective as a promotional policy. One important drawback of the seniority principle is that capable young people are likely to become impatient and demoralised “waiting-for-dead-men's shoes” and may quit looking for better opportunities elsewhere. Consequently, the organisation is most likely to be managed by second-grade people.

Therefore as far as possible merit rating should be fair, objective and transparent.

Seniority-cum-merit should be the basis of promotions where merit can be objectively tested. The term merit generally means efficiency, skill, aptitude etc. When a combination of merit and seniority is desirable, the play of discretion in the matter of selection cannot be overlooked. A sound management will also pursue a policy of properly balancing these factors.

## **TRANSFER**

Transfer usually means changes in which the pay, status and privileges of the new posts are more or less the same as the old one. In other words, a transfer is the lateral movement of an employee to change his present work group, work place or organisational unit. As against it, promotion means changes in which the pay, status and privileges, of new posts are higher as compared to the old (Stoner et. al., 1997).

## **DEMOTION**

It is just the opposite of promotion. It means the reduction or down-grading of an employee in terms of status, salary and responsibility. It is usually a punitive measure and often a first step towards discharge or dismissal. Demotion, however, becomes necessary under the following circumstances:

- (1) When an employee is found guilty of serious misconduct or indiscipline.
- (2) When a company curtails some of its activities and employees with longer service 'bump' persons in lower jobs with shorter service.
- (3) When there have been errors in promotions and these needs to be corrected.

Management can make demotions acceptable to employees by resorting to the following methods:

- (1) Leaving roles of positions and individuals ambiguous or changing titles and job responsibilities. This is likely to disguise demotions.
- (2) Maintaining the structure of the organisation fluid with the increasing use of work teams, task forces or project management. This too will help management in hiding demotions.
- (3) Making demotions without a loss of pay to demoted person.
- (4) Making individuals aware of their prospect of demotion well ahead of time (Fripathi, 1996).

## **Review Questions**

1. How would you define promotion? What are its types? Discuss each of them in brief with its significance.
2. Do you think that a sound promotion policy is necessary? Discuss the bases of promotion with their relative merits and demerits.
3. What is transfer? What are its goals?
4. What is demotion? Identify the circumstances under which demotion becomes necessary.

## **Activity**

1. Interview the manager of a company of your locality, and ask him to state the policy of promotion and demotion followed by the company.



# Human Factors in Management and Motivation

6

## Unit Highlights

- HUMAN FACTORS IN MANAGEMENT, MOTIVATION, MOTIVATION PROCESS, MOTIVATORS, MOTIVATING AND SATISFACTION
- BASIC ASSUMPTIONS ABOUT MOTIVATION, NATURE OF PEOPLE, MCGREGOR'S THEORY-X AND THEORY-Y
- VARIOUS LEADING THEORIES OF MOTIVATION - THEIR ORIGIN, STRENGTHS AND WEAKNESSES
- SPECIAL MOTIVATIONAL TECHNIQUES.

## Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## **Lesson 1: Human Factors in Management, Motivation, Motivation Process, Motivators, Motivating and Satisfaction**

After studying this lesson, you will be able to:

- *describe the human factors that affect management*
- *elaborate on the motivation process with the help of a diagram*
- *understand the meaning and significance of the key terms such as motivation, motivators, motivating and satisfaction.*

### **HUMAN FACTORS IN MANAGEMENT**

Managers should have an understanding of the roles assumed by people, the individuality of people and the personalities of people. However, the following aspects of the human factor are important and deserve a manager's careful attention:

**(1) Multiplicity of employee roles:** Employees are much more than merely a productive factor in an organisation. As members, they are associated with many organisations. They are members of families, trade associations, co-operatives, political parties, schools and so on. In these different roles every individual employee has a multiplicity of roles to play as a member of a broad social system.

**(2) No existence of an average person:** No two persons are alike. There is no average person. In fact individuals are unique - they have different needs, different tastes, different attitudes, different levels of knowledge and skills, different potentials, and different ambitions. If managers fail to understand the complexity and individuality of employees as separate human entities, they might misapply the generalisations about leadership, communication, and motivation.

**(3) The importance of personal dignity:** Managing involves achieving organisation objectives. Achieving results is important, but the means must never violate the dignity of people. The concept of individual dignity means that people must be treated with respect, no matter what their position in the organisation is.

**(4) Consideration of the whole person:** We cannot talk about the nature of people unless we consider the whole person. A human being is a total person influenced by external factors. People cannot divest themselves of the impact of these forces when they come to work. Managers must recognise these facts and be prepared to deal with them.

### **MOTIVATION**

Motivation is a psychological characteristic that contributes to a person's degree of commitment. It includes the facts that cause, channel and sustain human behaviour in a particular committed direction. However, the term motivation has been defined by authors in many ways. Some of the definitions are as follows:

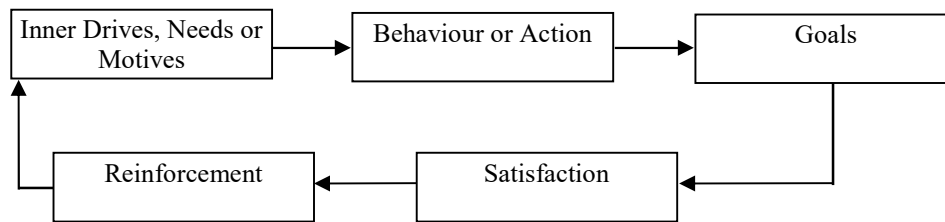
- (i) "Motivation may be defined as the state of an individual's perspective which represents the strength of his or her propensity to exert effort toward some particular behaviour" - Gibson
- (ii) "Motivation refers to expenditure of effort toward a goal" - Dubrin
- (iii) "Motivation is a predisposition to act in a specific goal directed manner" - Hellriegel and Slocum
- (iv) "Motivation is a cyclical process affecting the inner needs or drives that energize, channel, and maintain behaviour" - Steers and Lyman.

### **THE MOTIVATION PROCESS**

The motivation process may be represented by a diagram (see, figure 6.1) which begins with

inner drives and needs that motivate the individual to work towards certain goals, which the individual has chosen in the belief that those goals will satisfy the inner drives and needs. After attaining these goals, the individual consciously or unconsciously judges whether the effort has been worthwhile. As long as the individual perceives the effort as rewarding, the habit of making the effort is reinforced and the individual can be persuaded to continue or repeat that kind of effort. Reinforcement or what happens as a result of behaviour, affects other needs and drives as the process is repeated.

**Figure 6.1**



**The Motivation Process**

Employee motivation is of crucial concern to management, mainly because of the role that employee motivation plays in performance. Basically, performance is determined by (i) ability, (ii) environment and (iii) motivation. If any of these three factors is missing or deficient, effective performance is impossible.

### **Review Questions**

1. How would you describe the human factors that affect management?
2. What do you mean by motivation? Explain the motivation process with the help of a diagram.
3. Can you distinguish between motivation, motivator and motivating?

## **Lesson 2 : Various Leading Theories of Motivation - Their Origin, Strengths and Weaknesses.**

After studying this lesson, you should be able to:

- *explain the basic assumptions about motivation and people*
- *elaborate on theory-X and theory-Y assumptions about people.*
- *understand the theories of motivation*
- *elaborate on the need theories of motivation*
- *describe Maslow's Hierarchy of Needs Theory with the help of a diagram*
- *explain McClelland's Need Theory of Motivation*
- *describe the Two-factor Theory of Herzberg with the help of a diagram*
- *explain the Expectancy Theory, and Goal-setting Theory of Motivation.*

### **ASSUMPTIONS OF MOTIVATION**

In order to understand motivation in depth, we need to have some idea about certain basic assumptions about motivation as given below:

1. Motivation is one of several factors that goes into a person's performance. The other important factors are — ability, resources, and conditions under which one performs.
2. Motivation is in short supply and in need of periodic replenishment. It is like the heat in a house during winter months in northern climate. Because heat gradually escapes, the furnace must cycle on frequently to maintain the warmth of the house. Managers may try to replenish employee motivation frequently.
3. Motivation is a tool with which managers can arrange job relations in organisations. If managers know what drives the people working for them, they tailor job assignments and rewards to what makes these people "tick".
4. Motivation is commonly regarded as useful. People are usually praised for being motivated. Management also rewards those who are properly motivated and perform satisfactorily. In fact, an employee who is unmotivated can never feel good about himself.

All these assumptions run deep in the discussion about the evolution of motivation theories.

### **MCGREGOR'S THEORY-X AND THEORY-Y.**

Theory X and theory Y are two sets of assumptions about the nature of people. McGregor chose these terms because he wanted neutral terminology without any connotation of being “good” or “bad”.

#### **Theory X assumptions**

The “traditional” assumptions about the nature of people, according to McGregor, are included in Theory X as follow:

1. Average human beings have an inherent dislike of work and will avoid it if they can.
2. Because of this human characteristic of disliking work, most people must be coerced, controlled, directed, and threatened with punishment to get them to put forth-adequate effort toward the achievement of organizational objectives.
3. Average human beings prefer to directed, wish to avoid responsibility, have relatively little ambition, and want security above all.

## Theory Y assumptions

The assumptions under Theory Y are seen by McGregor as follows:

1. The expenditure of physical effort and mental effort in work is as neutral as play or rest.
2. External control and the threat of punishment are not the only means for producing effort toward organizational objectives. People will exercise self-direction and self-control in the service of objectives to which they are committed.
3. The degree of commitment to objectives is in proportion to the size of the rewards associated with their achievement.
4. Average human beings learn, under proper conditions, not only to accept responsibility but also to seek it.
5. The capacity to exercise a relatively high degree of imagination, ingenuity, and creativity in the solution of organizational problems is widely, not narrowly, distributed in the population.
6. Under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized.

These two sets of assumptions obviously are fundamentally different. Theory X is pessimistic, static and rigid. Control is primarily external, that is imposed on the subordinate by the superior. In contrast, Theory Y is optimistic, dynamic and flexible, with an emphasis on self-direction and the integration of individual needs with organizational demands.

## MASLOW'S HIERARCHY OF NEEDS THEORY

One of the most widely mentioned theories of motivation is the Hierarchy of Needs Theory put forward by psychologist Abraham Maslow. Maslow views human motivation in terms of a hierarchy of five needs, ranging from the most basic physiological needs to the highest needs for self-actualisation (see figure, 6-2). According to Maslow, individuals will be motivated to fulfil whichever need is the most powerful for them at a given time. It is in the following hierarchy of importance according to immediacy that Maslow places human needs:

(a) **Physiological needs:** These are the basic needs for sustaining human life itself, such as air, water, food, sleep, shelter, warmth and sex. They are so many basic as needs that people will be motivated to fulfil them first through whatever behaviour achieves this end. Maslow took the position that until these needs are satisfied to the degree necessary to maintain life, other needs will not motivate people.

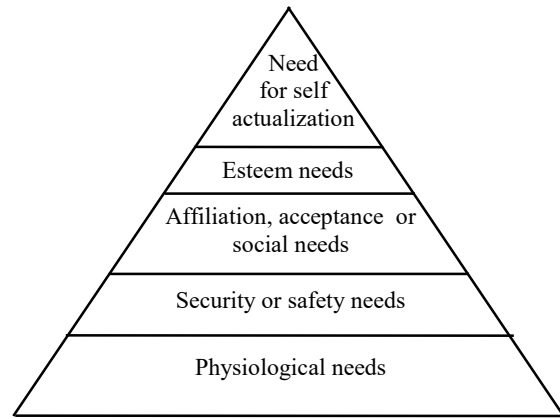
(b) **Safety or security needs:** They consist of the need for clothing, shelter, and an environment with a predictable pattern such as job security, pension, insurance etc. People are motivated to fulfil these needs only when the physiological needs are mostly satisfied.

(c) **Affiliation, acceptance, love or social needs:** Since people are social beings, they need to belong, to be accepted and loved by others.

(d) **Esteem needs:** They include the need for power, prestige, status, achievement, and recognition from others. Satisfaction of the self-esteem need leads to feelings of self-confidence, worth, capability, and adequacy, of being useful and necessary in the world.

(e) **Need for self-actualisation:** Maslow regards this as the highest need in his hierarchy. This is the concept of fulfilling one's potential and becoming everything one is capable of becoming.

Figure 6.2



Maslow's Hierarchy of Needs

### McCLELLAND'S NEED THEORY OF MOTIVATION

David C. McClelland has identified three types of basic motivating needs as - (a) need for power, (b) need for affiliation, and (c) need for achievement. They are all relevant to management and must be recognised to make an organised enterprise work well.

**Need for power:** It deals with the degree of control a person desires over his or her situation. This need can be related to how people deal with failure and success. Fear of failure and an erosion of one's power can be a strong motivator for some people.

**Need for affiliation:** Many people spend much of their time thinking about developing warm, friendly, personal relationships with others in the organisation. They have a high need for affiliation and usually are more sensitive to others' feelings, seek for jobs with a pleasant social environment that is conducive to personal interaction.

**Need for achievement:** David C. McClelland's research indicated that a strong need for achievement - the drive to succeed or excel - is related to how well individuals are motivated to perform their tasks. People with a high need for achievement like to take responsibility for solving problems.

### THE TWO-FACTOR (MOTIVATION-HYGIENE) THEORY OF MOTIVATION

Maslow's needs approach has been considerably modified by Fredrick Herzberg and his associates. In the late 1950s, Frederick Herzberg and his associates conducted a study of the job attitudes of 200 accountants and engineers in Pittsburgh. During the interviews, he asked them to recall occasions when they had been especially satisfied with their work and highly motivated in occasions when they had been dissatisfied and unmotivated. Somewhat surprisingly, he found that entirely different sets of facts were associated with satisfaction and dissatisfaction.

As **figure 6-3** shows, Herzberg placed responses from the engineers and accountants interviewed in one of 16 categories- the factors on the right side of the figure were consistently related to job satisfaction and those on the left side to job dissatisfaction. Thus, as an outcome of this research a **two-factor theory** (i.e. dissatisfiers and satisfiers) emerged. Satisfiers (Motivating factors), as recognised by Herzberg, include factors like achievement, recognition, work itself, responsibility, advancement and growth - all related to job content and rewards for performance.

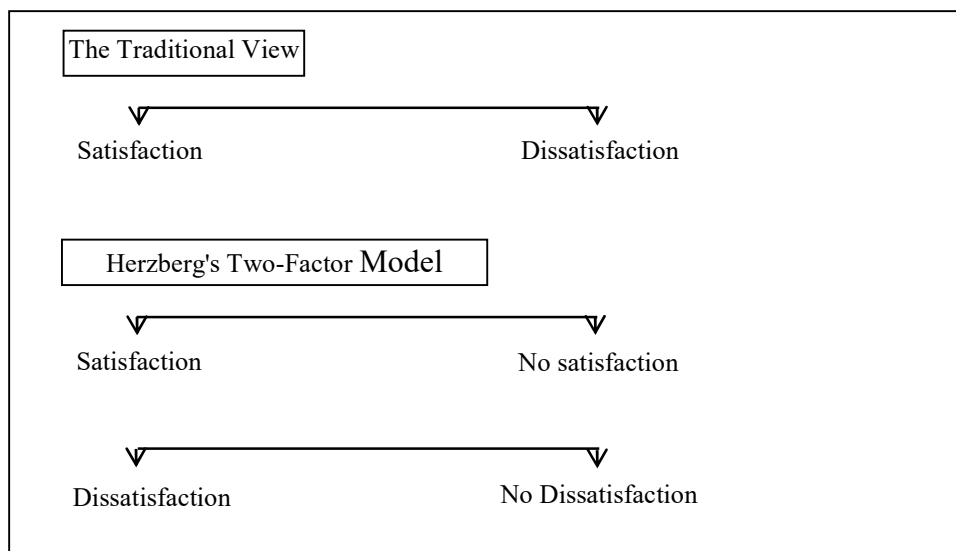
Dissatisfiers (which Herzberg terms Hygiene factors) include - company policy and administration, supervision, relationship with supervisors, work conditions, salary, relationship with peers, personal life, relationship with subordinates, status and security - most of which are related to the work environment and the rest to disturbed personal life. Positive ratings for these

factors did not lead to job satisfaction but merely to the absence of dissatisfaction.

Herzberg's study led him to conclude that the traditional model of job satisfaction was incomplete. The traditional view of satisfaction, as shown in figure 7-4, was that satisfaction and dissatisfaction were at opposite ends of a continuum i.e. employees might be satisfied, dissatisfied, or somewhere in between. But Herzberg's research identified two different sets of factors- one ranging from satisfaction to no satisfaction and the other ranging from dissatisfaction to no dissatisfaction.

Herzberg then argues that there are two stages in the process of motivating employees. **First**, the manager must see that the hygiene factors are provided at an appropriate level so that the employees become "not dissatisfied". **Second**, the manager should give employees the opportunity to experience motivation factors such as achievement and recognition, and the result is predicted to be a high level of satisfaction and motivation.

Figure 6.3



The Satisfaction-Dissatisfaction Continuum under the Traditional View and the Two-Factor Model

## THE EXPECTANCY THEORY OF MOTIVATION

Another approach, one that many believe goes far in explaining how people are motivated, is the **expectancy theory**. One of the leaders in advancing and explaining this theory is the psychologist Victor H. Vroom. He holds that people will be motivated to do things to reach a goal if they believe in the worth of that goal and if they can see that what they do will help them in achieving it. In his own terms, Vroom's theory may be stated as

$$\text{Force} = \text{valence} \times \text{expectancy}$$

Where **force** is the strength of a person's motivation, **valence** is the strength of a individual's preference an outcome, and **expectancy** is the probability that a particular action will lead to desired outcome.

## **THE GOAL-SETTING THEORY**

This theory focuses on the process of setting goals themselves. In the words of psychologist Edwin Locke, the natural human inclination to set and strive for goals is useful only if the individual both understands and accepts a particular goal. According to the goal-setting theory, individuals are motivated when they behave in ways that move them to certain clear goals that they accept and can reasonably expect to attain.

Christopher Early and Christine Shalley describe the goal-setting process in terms of four phases of a person's reasoning:

- (i) Establishment of a standard to be attained
- (ii) Evaluation of whether the standard can be achieved
- (iii) Evaluation of whether the standard matches personal goals
- (iv) The standard is accepted, the goal is thereby set, and behaviour proceeds toward the goal.

### **Review Questions**

1. Explain the assumptions about motivation and people.
2. How would you clarify the assumptions of Theory X and Theory Y?
3. Name the need theories of motivation. Elaborate with critical appreciation Maslow's Hierarchy of Needs theory.
4. Critically discuss McClelland's Need Theory of Motivation
5. What do you understand by the "Two-factor (Motivation-Hygiene) Theory of Motivation"?
6. What do you mean by "Expectancy Theory"? Critically discuss the "Porter and Lawler Model" based on Expectancy Theory.
5. Write a critical appreciation of the "Equity Theory" developed by J. Stacy Adams.
6. What do you understand by the "Reinforcement Theory of Motivation"?
7. Do you agree that motivation and commitment are higher when employees participate in the setting of goals? Discuss.
8. Name the different theories of motivation. Discuss the one which you consider most suitable for motivating our managers.

## SPECIAL TECHNIQUES OF MOTIVATION

In the previous lesson on motivation we learnt that motivation is so complex and individualised that there can be no single best answer to the question as to what a manager should do to motivate his sub ordinates. But experience suggests that they can use some specialised techniques to motivate their sub ordinates.

**(1) Management By Objectives (MBO) and goal setting:** MBO is a process of collaborative goal-setting between a manager and a subordinate with the understanding that the degree of goal attainment by the subordinate will be a major factor in evaluating and rewarding the subordinate's performance. When the manager sits with the subordinates, jointly establishes goals for them and agree that the future rewards will be based on goal attainment then he or she is expected to be more motivated to work toward the goals that merit them.

**(2) Participation in management:** Subordinates are likely to be motivated the most when they are not only consulted but are also allowed to participate in decision-making. In fact the right kind of participation yields both motivation and knowledge valuable for enterprise success.

**(3) Monetary incentives:** Money can never be overlooked as a motivator. Whether in the form of bonuses, piecework, or any other incentive pay, money is important. And, as some writers have pointed out, money is often more than monetary value. It can also mean power or status.

In order to use money as a motivator, a manager has to remember the following:

- (i) Money is an urgent means of achieving a minimum standard of living, although this minimum has a way of getting higher as people become more affluent.
- (ii) An enterprise can make its wages and salaries competitive within their industry and their geographic area to attract and hold people.
- (iii) People usually evaluate their compensation in the light of what their equals are receiving.
- (iv) Unless bonuses for managers are based to a major extent on individual performance, an enterprise is not buying much motivation with them. In so far as possible, compensation has to be based on performance.
- (v) Money can motivate only when the prospective payment is large relative to a person's income.

**(4) Modified work week/flexible working hours:** There is considerable interest among employees in altering the workweek to suit their convenience better. The primary motivational implications of the modified workweek are that modification in their routine helps them satisfy their higher-level needs and provides them with an opportunity to fulfil several of their needs simultaneously.

**(5) Quality of working life (QWL):** This is an important motivational technique, used by managers in western societies. QWL is not only a very broad approach to job enrichment but also an interdisciplinary field of enquiry and action combining industrial relations, industrial engineering, industrial psychology and sociology, organisation theory and development, leadership theory and motivation, etc.

**(6) Effective criticism:** This can be a springboard for improving an employee's behaviour and performance. Adopting a positive approach makes criticism less difficult as well as more effective. The manager should examine his or her own motives before criticising.

**(7) Job enrichment:** Making jobs challenging and meaningful is an accepted way of motivating employees greatly. In job enrichment, the attempt is to build into jobs a higher sense of challenge

and achievement. Jobs may be enriched by variety. But they also may be enriched by (a) giving workers more freedom at workplace; (b) giving subordinates a feeling of personal responsibility for their tasks; (c) encouraging participation of workers and interaction between them; (d) giving subordinates feedback on their job performance; and (e) involving workers in the analysis and change of physical aspects of the work environment, such as cleanliness, layout, temperature, lighting, etc.

In order to make job enrichment effective, the following approaches can be used:

- (i) manager should have a better understanding of what sub-ordinates want;
- (ii) if productivity increases are the main goal of enrichment, the programme must show how workers will benefit;
- (iii) it has to be recognised that people like to be consulted, to be involved, and to be given an opportunity to offer suggestions;
- (iv) people like to feel that their managers are truly concerned with their welfare. They like to know what they are doing and why. They like to be appreciated and recognised for their work.

### **Review Questions**

1. Describe the special motivational techniques used for the purpose of motivating employees.
2. What do you mean by monetary incentive? Which factors should a manager remember in order to use money as an incentive?
3. Elaborate on the non-monetary motivational techniques that are suitable for industrial workers in Bangladesh.

### **Activity**

1. Interview some of the workers/employees of a company you know, and ask them what motivates them the most.



# Leadership

7

## Unit Highlights

- DEFINITION, NATURE AND QUALITIES OF LEADERSHIP
- STYLES AND TYPES OF LEADERSHIP
- THEORIES OF LEADERSHIP

## Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## Lesson 1: Definition and Nature of Leadership, Qualities/ Ingredients of Leadership

After studying this lesson, you should be able to:

- *define leadership*
- *describe the nature of leadership*
- *distinguish between management and leadership*
- *elaborate the importance of leadership in management*
- *discuss the qualities/ingredients of leadership*

### Definition of Leadership

According to Griffin (1984) Leadership can simply be defined as the ability to influence others. For our purpose we may define leadership as the process of directing and influencing people so that they will strive willingly and enthusiastically towards the achievement of group objectives. Ideally, people should be encouraged to develop not only willingness to work but also willingness to work with confidence and zeal. Confidence reflects experience and technical expertise; zeal is earnestness, and intensity in the execution of work. A leader acts to help a group achieve objectives through the exploitation of its maximum capabilities.

### Qualities/Ingredients of Leadership

Undoubtedly, every group of people that performs satisfactorily has somebody among them who is more skilled than any of them in the art of leadership. This skill is a compound of at least four major ingredients: (a) the ability to use power effectively and in a responsible manner, (b) the ability to comprehend that human beings have different motivation forces at different times and in different situations, (c) the ability to inspire, and (d) the ability to act in a manner that will develop a climate conducive to responding and arousing motivations (Wehrich and Koontz, 1984). These are elaborated below:

(a) **Power:** This is the first ingredient of leadership. Power is the potential ability to affect the behaviour of others. The word potential suggests that one can have power without actually using it. In organisational settings, there are usually five kinds of power - legitimate, reward, coercive, referent, and expert power. A manager may have one or more of these kinds of power.

- (i) **Legitimate power:** This power is granted through the organisational hierarchy. It is the same as authority. All managers have legitimate power over their sub-ordinates.
- (ii) **Reward power:** Reward power is the power to give or withhold rewards. In general, the greater the number of rewards controlled by a manager and the more important the rewards are to the subordinates, the greater the manager's reward power.
- (iii) **Coercive power:** This type of power is the power to force compliance via psychological, emotional, or physical threat. In some isolated settings, coercion can take the form of physical punishment.
- (iv) **Referent Power:** Referent power is more abstract than the other types of power. It is usually based on identification or imitation. That is, followers may react favourably to a leader because somehow they identify with the leader, who may be like them in background, attitude, affiliation or personality.
- (v) **Expert power:** Expert power is derived from expertise. A scientist who is capable of achieving an important technical breakthrough or a manager who knows how to deal with an important but eccentric customer, are examples of expert power.

(b) **Fundamental understanding of people:** It is not enough to know the theoretical aspects of motivation. The more important is the ability of the manager to apply them to real people and situations. But a manager who understands the elements of motivation and motivation theories, is more aware of the nature and strength of human needs and is better able to define and design ways of satisfying them and to administer so as to get the desired responses.

(c) **The ability to inspire followers to apply their full capabilities:** Inspiration to do something usually comes from leaders, who may have qualities of charm and appeal that give rise to loyalty, devotion, and a strong desire on the part of followers to promote what leaders want. This is not a matter of need satisfaction; rather, it is a matter of unselfish support from followers to their leader.

(d) **The ability to develop a climate conducive to arousing motivation:** This ingredient of leadership has to do with the style of the leader and the climate she or he develops. As we know, strength of motivation greatly depends on factors that are part of an environment, as well as an organisational climate. There is no denying the fact that the primary tasks of managers are the design and maintenance of an environment for performance. (Wehrich and Koontz, 1984).

### **Review Questions**

1. Define leadership and state the nature of leadership.
2. Describe in brief the qualities/ingredients of leadership.
3. What do you mean by leadership? Can you distinguish it from management? Discuss the types of power a manager may have.

## Lesson 2 : Styles/Types of Leadership

After studying this lesson, you should be able to:

- *describe the leadership styles based on the use of authority*
- *understand the leadership continuum*
- *elaborate the leadership styles described in Managerial Grid*
- *identify the systems of management by Rensis Likert*

### STYLES/TYPES OF LEADERSHIP

Leadership styles/ types can be classified under the following categories:

1. Leadership style based on the use of authority
2. Leadership continuum, involving a variety of styles ranging from a maximum to a minimum use of power and influence
3. Leadership styles described in Managerial Grid by Blake and Mouton
4. Systems of management by Rensis Likert

#### 1. Leadership Style Based on the Use of Authority

The traditional way of classifying leadership is based on the use of authority by the leader. Those classifications are:

- (a) **Autocratic leadership:** This type of leadership is based on the use of coercive power. An autocratic leader gives orders and expects compliance. He is dogmatic and leads by the ability to withhold or give punishment or rewards.
- (b) **Democratic leadership:** The type or style of leadership that uses legitimate power can be called democratic leadership. A democratic leader usually consults with subordinates on proposed actions and decisions and encourages participation from them. This type of leader ranges from the person who does not take action without subordinates' concurrence to the one who makes decisions but consults with subordinates before doing so.
- (c) **Free-rein leadership:** The leadership style which allows maximum freedom to followers may be called free-rein leadership. A free-rein manager gives workers a high degree of independence in their operations.

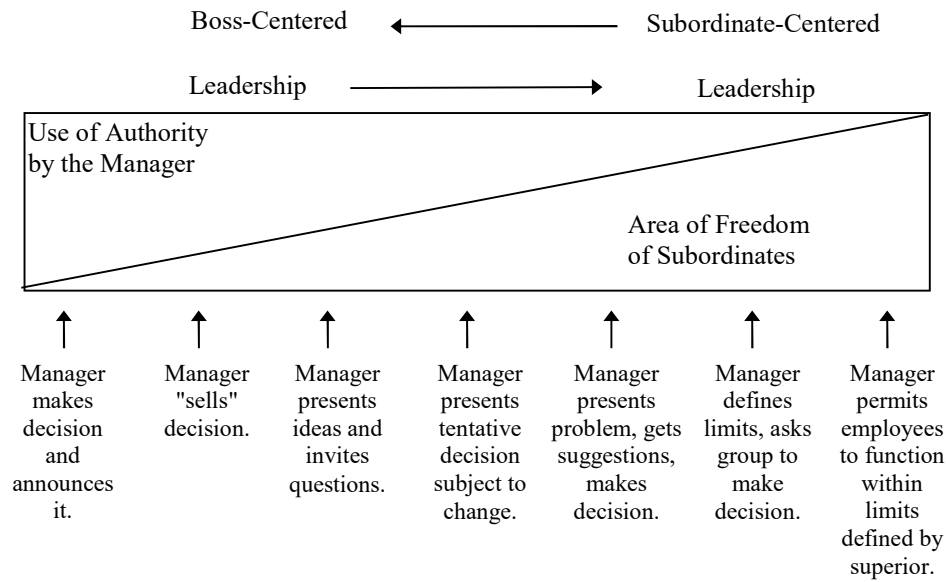
#### 2. Leadership Continuum

Robert Tannenbaum and Warren H. Schmidt developed the leadership continuum depicting the adaptation of different leadership styles to different contingencies (situations), ranging from one that is highly subordinate-centred to one that is highly boss-centred. The styles vary with the degree of freedom a leader or manager grants to the subordinates. Thus, instead of suggesting a choice between the two styles of leadership, democratic or autocratic, this approach offers a range of styles as shown in figure 7.1.

Robert Tannenbaum and Warren H. Schmidt described the various factors thought to influence a manager's choice of leadership style. While they personally favour the employee-centred type, they suggest that a manager considers three sets of "forces" before choosing a leadership style: forces in the manager, forces in employees (subordinates) and forces in the situation.

How a manager leads will undoubtedly be primarily influenced by his or her background, knowledge, experience, and values. For example, a manager who believes that the needs of the employees rather than those of the organisation must come first is likely to be subordinate-centred.

Figure 7-1



Continuum of Leadership Behaviour

Source: J.A.F. Stoner, R.E. Frecman and D.R. Gilbert, Jr, "Management", Sixth Edition, p.475.

### 3. Leadership Styles in Managerial Grid

A most useful approach to describing leadership styles is the managerial grid, developed by Robert Blake and Jane Mouton. The grid has two dimensions - concern for people and concern for production. Concern for people may include such elements as provision of good working conditions, placement of responsibility on the basis of trust rather than obedience, maintenance of self-esteem of workers and good interpersonal relations. Concern for production may also include the attitudes of a supervisor toward a wide variety of things, such a quality of staff services, work efficiency, volume and quality of output etc.

The bi-dimensional managerial grid identifies a range of management behaviours based on the various ways that task-oriented and employee-oriented styles (each expressed as a continuum on a scale of 1 to 9) can interact with each other (see figure - 7.2).

**Style 1,1** management is **impoverished management** with low concern for both people and production. This may be called laissez-faire management because the leader does not take a leadership role.

**Style 1,9** management is **country club management** having high concern for employees but low concern for production.

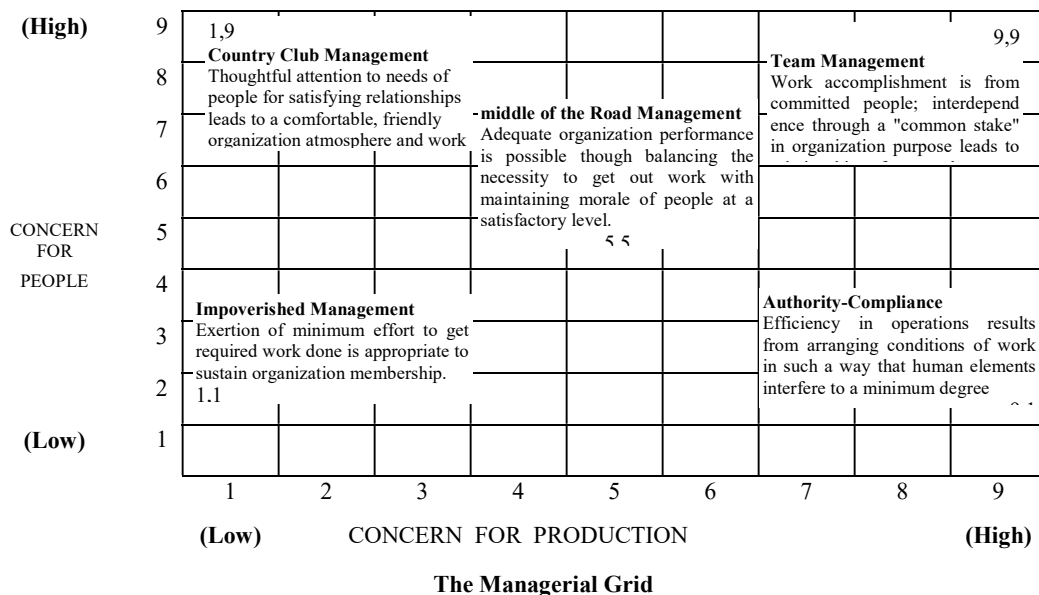
**Style 5,5** management is **middle of the road management with** medium concern for production and for people.

**Style 9,1** management is **authoritarian management** with high concern for production but low concern for employees.

**Style 9,9** management is **democratic management** with high concern for both production and employee morale and satisfaction.

Blak and Mouton strongly argue that style 9,9 is the most effective management style. They believe this leadership approach will, in almost all situations, result in improved performance, low turnover and absenteeism, and high employee satisfaction.

Figure 7-2



Source: J.A.F. Stoner, R.E. Freeman and D.R. Gilbert, Jr, "Management", Sixth Edition, p.475.

#### 4. Systems of Management by Rensis Likert

Professor Rensis Likert of Michigan University studied the patterns and styles of managers and leaders for three decades. He suggests four styles of management as:

- Exploitative-authoritative management:** Under this type, the managers are highly autocratic, have little trust in subordinates, motivate people through fear and punishment, engage in downward communication, and limit decision making to the top.
- Benevolent-authoritative management:** Managers under this type have a patronising confidence and trust in subordinates, motivates with rewards and some punishment, permit some upward communication, solicit some ideas and opinions from subordinates and allow some delegation of decision making but with close policy control.
- Consultative management:** Under this type of management managers have substantial but not complete confidence and trust in subordinates, use rewards for motivation with occasional punishment and some participation, usually try to make use of subordinates' ideas and opinions, engage in communication flow both up and down.
- Participative management:** Under this type managers have complete trust and confidence in subordinates in all matters; they always get ideas and opinions from subordinates and constructively use them.

#### Review Questions

- Describe in short the various styles of management you have studied in this lesson.
- What are the styles of leadership based on authority? Discuss them in brief.
- What do you understand by leadership continuum developed by Tanenbaum and Schmidt?
- Elaborate the leadership styles described by Blake and Mouton in Managerial Grid.
- Discuss the systems of management suggested by Rensis Likert.
- What do you understand by participative management? Why is it important?

### **Lesson 3 : Theories of Leadership**

After studying this lesson, you should be able to:

- *describe the different theories of leadership.*
- *critically evaluate the theories of leadership.*
- *differentiate between theories of leadership and describe their applicability in modern industrial settings.*

#### **TRAIT THEORY OF LEADERSHIP**

The Trait Theory, also called the "Greatman Theory" of leadership, is based on the view that leaders are born, not made. In ancient times the Greeks and Romans believed that leaders were to have certain inborn qualities. Also the first organised approach to studying leadership was to analyse the personality traits of successful leaders. It was thought that leadership traits might include intelligence, assertiveness, above average height, good vocabulary, attractiveness, self-confidence, and similar attributes.

In recent studies, the following key leadership traits have been identified:

- (a) drive (including achievement, motivation, ambition, energy, initiative and tenacity),
- (b) leadership motivation (the aspiration to lead),
- (c) honesty and integrity, self-confidence (including emotional stability),
- (d) cognitive ability, and an understanding of the business,
- (e) creativity, flexibility and charisma (the impact of these factors is, however, less clear).

#### **SITUATIONAL OR CONTINGENCY THEORIES OF LEADERSHIP**

The Trait Theory caused huge disillusionment on the ground that only a few gifted people could be leaders because of their innate qualities denied to others. Gradually attention was turned to the study of situations. The findings of this new investigation overturned the assumptions of the Trait Theory, now stating that leaders are the product of given situations. A large number of studies have been made on the premise that leadership is strongly affected by the situation from which the leader emerges and in which he or she operates. The ingenuity of this approach is indicated, for example, by the rise of Mao Tse-tung in China in the period after world War II and the emergence of Gandhi in India during the early decades of the twentieth century.

Theories belonging to the contingency approach mainly focus on the following factors.

- Task requirements
- Peers' expectations and behaviour
- Employees' characteristics, expectations, and behaviour
- Organisational culture and policies.

Let us now review some of the more recent and well-known contingency theories of leadership.

#### **CONTINGENCY LEADERSHIP THEORY BY HERSEY AND BLANCHARD**

This theory holds that the most effective leadership style varies with the readiness of employees which includes, *inter alia*, the desire for achievement, willingness to accept responsibility, and task-related ability, skill, and experience. The goals and knowledge of followers are important variables in determining effective leadership style. Hersey and Blanchard believe that the relationship between a manager and the followers moves through phases as employees develop,

and managers need to vary their leadership style. In the initial stage of readiness, high amounts of task behaviour by the manager may be appropriate, while in the later stages gradual progression towards the non-directive approach would be desirable. In the last phase, the followers would no longer expect or need direction from their manager.

## **FIEDLER'S CONTINGENCY THEORY OF LEADERSHIP**

Fred E. Fiedler and his associates at the university of Illinois have developed the contingency theory of leadership. This theory holds that people become leaders not only because of their qualities but also because of various situational factors and the interactions between group members and the leader.

Fiedler set forth two major styles of leadership — one is primarily task-oriented and the other is oriented primarily toward achieving good inter-personal relations and attaining a position of personal prominence. Fiedler was specially concerned with finding out the favourableness of the situation by which he meant the degree to which a given situation enables a leader to exert influence over a group. What differentiates Fiedler's model from the others' is the measuring instrument he used. He measured leadership style on a scale that indicated "the degree to which a man described favourably or unfavourably his least preferred co-worker (LPC)" - the employee with whom the person could work least well. This measure (scale) locates an individual on the leadership style continuum. According to Fiedler, a person who describes his least preferred co-worker in relatively favourable manner tends to be human relations- oriented and considerate of the feelings of his men. But a person, who describes his LPC in an unfavourable manner, tends to be task-controlling and less concerned with the human relations aspects of the job.

**Fiedler found three critical dimensions of the leadership situation that help determine the most effective style of leadership.**

1. **Leader-member relations:** Fiedler considered it the most important influence on the manager's power and effectiveness. If the manager gets along well with the rest of the group and if the group members respect the manager for reasons of personality, ability or character, then the manager might not have to rely on formal authority.
2. **Task structure:** With this dimension, Fiedler had in mind the extent to which tasks could be clearly spelled out and people held responsible for them. If tasks are clear, the quality of performance can be more easily controlled and the group members can be held more definitely responsible for performance.
3. **Position power:** This enables a leader to get group members to comply with directions. A leader with clear and considerable position power can obtain good followership more easily than the one without such power.

Fiedler then went on to specify eight possible combinations of these three variables (leadership situations) in the leadership situation:

Leader-member relations can be good or bad, tasks may be structured or unstructured, and position power may be strong or weak.

Fiedler's model, then, suggests that (a) an appropriate match of the leader's style (as measured by the LPC score) to the situation (as determined by the interaction of these three variables) leads to effective managerial performance, (b) except for the unusual case, it is simply not meaningful to speak of an effective leader or an ineffective leader; we can speak of a leader who tends to be effective in one situation and ineffective in another; (c) for increasing organisational and group effectiveness we must learn not only how to train leaders more effectively but also how to build an organisational environment in which the leader can perform well.

## **PATH-GOAL THEORY OF LEADERSHIP**

The Path-goal Theory developed by Martin G. Evans and Robert J. House suggests that the main function of the leader is to clarify and set goals with subordinates, help them find the best path for achieving the goals, and remove obstacles. This theory is based on the expectancy model of motivation, which states that an individual's motivation depends on his or her expectation of reward and attractiveness of the reward. Managers ensure the availability of rewards (Goals) and the "paths" that will earn them.

Evans suggests that a manager's leadership style influences the rewards available to the employees, as well as the employees' perceptions of the path to those rewards. Employees of a task-oriented manager will know exactly what productivity or performance level they must attain to get salary increases, bonuses, or promotions. Evans believes that the leadership style, most effective in motivating employees, depends on the types of rewards they most desire (Stoner et. al., 1997). House and his associates have tried to expand the Path-Goal Theory by identifying two variables that help determine the most effective leadership style — (1) the personal characteristics of employees and (2) the environmental pressures and demands in the workplace with which employees must cope.

### **Review Questions**

1. Name the leadership theories you know of. Critically discuss the Trait Theory of Leadership.
2. What are the Contingency Theories of Leadership? Discuss critically Fiedler's Contingency Theory of Leadership.
3. Describe the Contingency Leadership Theory by Hersey and Blanchard. Elaborate the three critical dimensions of the leadership situation that help determine the most effective style of leadership.
4. What do you understand by LPC? Discuss the LPC approach described by Fiedler in his Contingency Approach of Leadership.

### **Exercise**

1. Interview the managers of two enterprises of your locality, and ask them the type of leadership they follow with reasons.

# Committees and Group Decision Making

8

## Unit Highlights

- DEFINITION, NATURE AND REASONS FOR USING COMMITTEES
- PLURAL EXECUTIVE AND THE BOARD OF DIRECTORS, MAKING COMMITTEES SUCCESSFUL, DISADVANTAGES AND MISUSE OF COMMITTEES

## Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## Lesson 1: Definition, Nature and Reasons for using Committees

After studying this lesson, you should be able to:

- *define committee and state its nature*
- *explain the reasons for using committee*

### DEFINITION OF COMMITTEE

The term committee may be referred to as team, board, taskforce, commission etc. It implies the existence of a group to accomplish certain acts. It may be defined as "a group of persons to whom, as a group, some matter is committed". Committees are widely used, although they are often criticised for being time-consuming and inefficient (Weihrich and Koontz, 1994).

### REASONS FOR USING COMMITTEE

There are widespread uses of committees; the more important ones are discussed below:

1. **Superior judgement:** The most important reason for the use of committees is to arrive at a superior judgement through group deliberations. It is increasingly being recognised that most problems of modern business require more experience, knowledge, and judgement than any individual possesses.
2. **Motivation through participation:** Membership of committees permits wider participation in decision-making. There are people who seem to be against every move unless they have been previously consulted. Committee membership may help improve the situation.
3. **Avoiding concentration of authority in a single person:** The use of committee can help avoid concentration of authority in a single person. There may also be a committee to make recommendations on a problem because the manager does not wish to take full responsibility for making a decision.
4. **Sharing and transmitting of information:** Another reason for using committee is sharing and transmitting information. All the members of a committee can learn about a project or problem simultaneously.
5. **Achieving co-ordination:** Committees are very useful for co-ordinating activities among various organisational units. Committees can help a lot in this direction by co-ordinating plans and policies as well as their implementation.
6. **Representation of interested groups:** Committees are often formed with membership from different interested groups. Members of board of directors are often selected on the basis of groups interested in the company and, perhaps more often, on the basis of groups in which the company has an interest.
7. **Delaying or avoiding action:** It is well known that committees are often appointed by managers when they want to delay or avoid action. At times, committee members are chosen in a way aimed at delaying action. Careful managers know that one of the surest ways to delay the handling of a problem, and even to postpone a decision indefinitely, is to appoint a committee to study the matter.

### Review Questions

1. Can you define committee? State the nature of committee.
2. What do you mean by committee? What are the reasons for using committee?
3. What does committee mean? Why committees are used?

## Lesson 2 : Making Committee Successful, Disadvantages and Misuses of Committees

After studying this lesson, you should be able to:

- *understand what a plural executive is and its role in decision making and execution of decisions;*
- *discuss whether board of directors can be called a plural executive;*
- *discuss how committees can be made successful;*
- *elaborate the disadvantages/drawbacks of committees;*
- *point out how the misuse of committees occurs.*

### MAKING COMMITTEES SUCCESSFUL

The ever-increasing use of committees owes a great deal to the growing emphasis on group participation in organisations and group management. Yet committees are found to suffer from certain disadvantages which a manager may try to overcome by following the guidelines that appear below:

1. **Committee's authority is to be clearly stated:** A committee's authority should be spelled out clearly so that each and every member knows whether their responsibility is to make recommendations, make decisions, or merely deliberate and give the committee chief some insights into the issue under discussion.
2. **Members must be selected carefully:** If a committee is to be effective, the members must be representative of the interests they are expected to serve. They must also be competent to perform well in group.
3. **The size should be workable:** The size of committee is important. It should not be either too big or too small. If the committee is too big, there may not be enough opportunities for adequate communication among its members.
4. **Selecting a competent chairperson:** In order to make committee meetings successful, the selection of the chairperson is crucial. A competent chairperson can minimise the limitations of a committee by a proper planning of the meeting, preparing the agenda carefully, conducting the meeting effectively and integrating the ideas judiciously.
5. **Careful selection of the subject matter:** The subject should be selected carefully. Committee actions are to be kept limited to those types of subjects which are suitable for group deliberations.
6. **Committee must be cost effective:** In the long run, committees are justified if the costs are offset by tangible and intangible benefits.
7. **Circulation of minutes:** Circulation of minutes and checking conclusions are indispensable for effective communication in committees. Sometimes individuals may leave a meeting with varying interpretations as to what agreements were reached. This can be avoided by noting down minutes carefully and circulating them in draft form for correction or modification before the final copy is approved by the committee.

### DISADVANTAGES/ DRAWBACKS OF COMMITTEES

Although there are many advantages for the use of committee, it also suffers from a number of drawbacks as discussed below:

1. **Time consuming and costly:** Committee action is usually time consuming. In a committee meeting all the members have the right to be heard, to challenge and cross-examine the presentation of others, and to have their viewpoints discussed. If the committee is supposed to reach a unanimous decision, the discussion is likely to be lengthy.

2. **Cost of indecision:** Another major drawback of committee is that the discussion of less important or peripheral subjects takes up valuable time and often results in adjournment without action. It is not unusual that some hidden agenda may also prevent the committee from reaching agreement on the official agenda of the meeting.
3. **Tyranny by the influential members:** A few influential members, representing a minority view, may be in a strong position to impose their will on the majority of members. By their insistence on acceptance of their position, or of a compromise position, they may exercise an unwarranted tyranny over the majority. Sometimes, a single member may also control the committee through the power to withhold his vote.
4. **Taking compromise decision:** If differences of opinion exist among committee members, the point at which all or the majority of the committee members can agree tends to be at the least common denominator. Small groups of people frequently seek - from feelings of politeness, mutual respect, and humility - to reach conclusions on which all can agree.
5. **Splitting of responsibility:** This is one of the chief drawbacks of a committee. Since no one member of a committee feels personally accountable for the actions of the group, no individual feels personally responsible for any action taken by it.
6. **Possibility of being self-destructive:** Almost invariably, one person in a committee emerges as the leader. But when the chairman or a member becomes dominant, the nature of the committee as a decision-making group of equals changes. It then turns into a team composed of subordinate advisors or even "yes-men" following a leader.

## MISUSE OF COMMITTEES

When committees are set-up and operated, the five abuses that appear below should be carefully avoided:

1. **For unimportant decisions:** The use of committee involves cost both in terms of money and time. Thus its use should be limited to important matters. It needs mention that no busy executive can help feeling uncomfortable when time is wasted by the committee members deliberating at length on trivial subjects.
2. **For replacing a manager:** A committee cannot replace a line manager. It had better perform advisory functions. In fact most committees function in this manner, leaving the real decision-making and managing to the line executives to whom they report.
3. **For decisions beyond participants' authority:** Sometimes the important committee members, instead of attending committee meetings themselves, send subordinates who have not had the superior's authority delegated to them. As a result the committee fails to function as intended.
4. **For consolidating divided authority:** In large organisations having several departments, authority is so delegated that in some cases no one except the chief executive has adequate authority to do what must be done. If such a problem of divided authority can be eliminated either by delegating authority properly or by changing the organisation structure, the use of committee is inappropriate.
5. **For research or study:** Research and study are essentially not group activities. A group of people meeting together can hardly engage in research or study that requires individual devotion and a proper bent of mind, more than anything else.

### **Review Questions**

1. What do you mean by a plural executive? Discuss the role of the plural executive in both decision-making and execution of decisions.
2. Define plural executive. Can a board of directors be called a plural executive?
3. How can committees be made successful? Explain the drawbacks/ disadvantages of committee.
4. What are the drawbacks of committee? What abuses are to be avoided in the use of committee?

### **Exercise**

1. Ask two managers about their experiences in committees. What they have found to be most important for making committees effective and efficient? Do they have a positive or a negative view of committees? Why?

# Controlling

# 9

## Unit Highlights

- DEFINITION OF CONTROLLING, STEPS IN CONTROL PROCESS, IMPORTANCE OF CONTROL IN MANAGEMENT
- CONTROL SYSTEMS AND TECHNIQUES
- EFFECTIVE CONTROL, BUDGETARY AND NON-BUDGETARY CONTROL

## Technologies Used for Content Delivery

- ❖ BOUTUBE
- ❖ BOU LMS
- ❖ WebTV
- ❖ Web Radio
- ❖ Mobile Technology with MicroSD Card
- ❖ LP+ Office 365
- ❖ BTV Program
- ❖ Bangladesh Betar Program



## Lesson 1: Controlling Defined, Steps in the Control Process, Importance of Control in Management

After studying this lesson, you should be able to:

- *define controlling*
- *identify steps in the control process*
- *discuss the importance of control in management*

### CONCEPT OF CONTROLLING

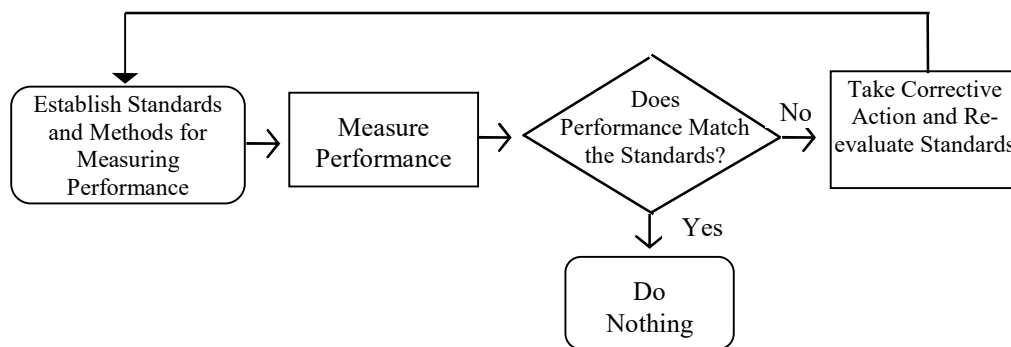
Controlling is the process of ensuring that actual activities conform to planned activities. Planning and controlling are closely related. In fact, controlling is more pervasive than planning. Controlling can also be viewed as detecting and correcting significant variations in the results obtained from planned activities.

### STEPS IN THE CONTROL PROCESS

The basic control process involves the following steps:

- (1) Establishing standards and methods for measuring performance
- (2) Measuring the performance
- (3) Determining whether performance matches the standard
- (4) Taking corrective action

Figure 8-1



#### Basic Steps in the control Process

Source : Stoner, Freeman and Gilbert, "Management", Sixth Edition, p. 559.

1. **Establishing standards and methods for measuring performance:** Standards are, by definition, simply the criteria of performance. They are the selected points in an entire planning programme at which performance is measured so that managers can receive signals about how things are going and thus do not have to watch every step in the execution of plans. Standard elements form precisely worded, measurable objectives and are especially important for control.
2. **Measuring the performance:** The measurement of performance against standards should be done on a forward-looking basis so that deviations may be detected in advance of their occurrence and avoided by appropriate actions.

3. **Determining whether performance matches the standard:** It is an easy but important step in the control process. It involves comparing measured results with the standards already set. If performance matches the standard, managers may assume that "everything is under control". In such a case the managers do not have to intervene in the organisation's operations.
4. **Taking corrective action:** This step becomes essential if performance falls short of standards and the analysis indicates that corrective action is required. The corrective action could involve a change in one or more activities of the organisation's operations. Control can also reveal inappropriate standards and in that case, the corrective action could involve a change in the original standards rather than a change in performance (Stoner. Et. al., 1997).

## **IMPORTANCE OF CONTROLLING IN MANAGEMENT**

Planning without controlling is useless. Undoubtedly, controlling also helps managers monitor environmental changes and the effects of these changes on the organisations' progress. The gravity of control in management may be ascertained from the following discussion:

- (1) **Coping with changes:** Each and every modern organisation has to cope with changes in the environment. New products and technologies emerge, government regulations are two often amended or enacted, competitors change their strategies. The control function helps managers to respond to these environmental changes as and when necessary.
- (2) **Creating better quality:** Modern industries follow total quality management (TQM) which has led to dramatic improvements in controlling. Under it, process flaws are spotted, and the process is purged of mistakes. Employees are empowered to inspect and improve their own work and this also helps change their attitudes and approaches to achieving effective control.
- (3) **Creating faster cycles:** Control helps speed up the cycles involved in creating and then delivering new products and services to customers. Speed is essential in complying with customers' orders. But modern marketing managers must remember that today's customers expect not only speed but also customised products and services..
- (4) **Adding value:** An organisation that strives to survive through competition should be able to "add value" to products or services so that customers prefer them to those offered by the organisation's rivals. Very often this added value takes the form of above-average quality achieved through exacting control procedures.
- (5) **Facilitating delegation and teamwork:** Modern participative management has changed the nature of the control process. Under the traditional system, the manager would specify both the standards for performance and the methods for achieving them. The control process, then, lets the manager monitor the employees' progress without hampering employees' creativity or involvement with the work (Stoner. Et. al., 1997).

## **Review Questions**

1. What is controlling? Discuss the steps involved in the control process.
2. State the importance of controlling in management.

## Lesson 2 : Designing Control System, Control as a Feedback System, Feedforward Control, Techniques of Future-Directed Control

After studying this lesson, you should be able to:

- *design an effective control system;*
- *describe control as a feed-back system;*
- *explain the necessity of feedforward control;*
- *identify the techniques of future-directed control.*

### DESIGNING CONTROL SYSTEMS

In order to design an effective control system the manager should know what needs to be controlled and how often progress needs to be measured. Trying to control too many elements of operation too strictly can annoy and demoralise employees, waste valuable time, money, and energy, and frustrate managers. Many of these problems can be avoided by:

- (1) **Identifying key result areas (KRAs) or key performance areas:** They are those aspects of the unit or organisation that must function effectively for the entire unit or organisation to succeed. These areas usually involve major organisational activities or groups of related activities that occur throughout the unit or organisation. These key result areas help define detailed control systems and standards and are cross-functional.
- (2) **Identifying strategic control points (SCPs):** It is needed to determine the critical points in the system where monitoring or information collecting should occur. Once such SCPs can be located, the amount of information that has to be gathered and evaluated can be reduced significantly.
- (3) **Determining Critical Point Standards (CPS):** Every goal, every objective, and every procedure becomes a standard against which actual or expected performance might be measured. In practice, however, standards may be of the following types:
  - (a) **Physical standards:** Physical standards may reflect quantities such as units of production per machine hour, yards of wire per mound of copper, or labour-hours per unit of output. Physical standards may also reflect quality, such as durability of a fabric, fastness of a colour, or softness of a cushion.
  - (b) **Revenue standards:** They usually arise from attaching monetary values to sales and may include such standards as revenue per unit sold, sales per capita in a given market, or average sale-proceed per customer.
  - (c) **Cost standards:** These standards are monetary measurements and attach monetary values to specific aspects of operations. Illustrative of cost standards may be labour cost per hour or per unit, machine-hour cost, material cost per unit, or selling cost per unit or taka of sales.
  - (d) **Capital standards:** The most widely used capital standard is "return on investment." Some other capital standards may be the ratios of - fixed investment to total investment, debt to net worth, or current assets to current liabilities.
  - (e) **Intangible standards:** Some standards are difficult to be expressed in either physical or monetary measurement. Questions — such as whether the office staff are dutiful or supervisors loyal to the company's objectives — clearly show the extent of difficulty in establishing absolute standards for quantitative or qualitative measurement.

- (f) **Goals as standards:** In complex program operations, as well as in the performance of managers themselves, modern managers find that it is possible to define goals that can be used as performance standards through research and thinking.

### **CONTROL AS A FEEDBACK SYSTEM**

Most managers exercise control through information feedback, which shows deviations from standards and initiates changes. In other words, feedback information helps compare performance with a standard and to initiate corrective action. In controlling, managers do measure actual performance, compare this measurement against standards, and identify and analyse deviations. But then, for making necessary corrections, they must develop a program for corrective action and implement this program in order to arrive at the performance desired.

### **FEEDFORWARD CONTROL**

It is now increasingly recognised that control must be directed towards the future in order to be effective. Knowing about deviations long after they occur is useless. What managers need for effective control is a system that will tell them well in time for corrective action and that problems will occur if they do not do something about them now. Feedback from the output of a system is not good enough for control. It is little more than a post-mortem, and no manager can ever change the past (Weihrich and Koontz, 1994).

### **REQUIREMENTS FOR FEEDFORWARD CONTROL**

In short, the requirements for a workable feedforward control system are:

1. Making a thorough and careful analysis of the planning and control systems.
2. Developing a model of the system.
3. Reviewing the model regularly to see whether the input variables identified and their inter-relationships continue to represent realities.
4. Collecting data on input variables regularly, and putting them into the system.
5. Assessing regularly the variations of actual input data from planned-for inputs, and evaluating the impact on the expected end result.
6. Taking action to solve problems (Weihrich and Koontz, 1994).

### **TECHNIQUES OF FUTURE-DIRECTED CONTROL**

The most common technique some managers resort to is the use of forecasts based on the latest available information. By comparing what is desired with the forecasts, managers can introduce program changes that will make the forecasts more promising. Another technique is to plan carefully in advance the availability of cash to meet requirements. Managers would hardly find it wise, for example, to wait for a report at the end of December to determine whether they had enough cash in the bank to cover checks issued in November. Yet, another technique is network planning, exemplified by PERT (Programme Evaluation and Review Technique) networks (**see lesson-3 of this unit**) which enable managers to see that they will have problems in such areas as cost or on-time delivery unless they take action now (Weihrich and Koontz, 1994) .

### **Review Questions**

1. How can an effective control system be designed? Discuss.
2. Should control be treated as a feedback system? Do you think that control should be feedforward rather than feedback in order to be effective?
3. Explain the requirements for feedforward control. What are the techniques of future-directed control?

### **Lesson 3 : Making Control Effective, Control Techniques- Budgetary and Non-Budgetary Control Devices**

After studying this lesson, you should be able to:

- *understand how to make control effective,*
- *describe the control techniques-both budgetary and non-budgetary,*
- *elaborate the types of budgets and the advantages and disadvantages of budgeting,*
- *discuss how to make budgetary control effective and*
- *describe the various non-budgetary control devices*

#### **MAKING CONTROL EFFECTIVE/REQUIREMENT FOR EFFECTIVE CONTROL**

Managers can do a great deal to improve the effectiveness of their control systems. The nine most important steps that managers can take are discussed below:

1. **Matching controls to plans and position:** Control techniques should reflect the plans they are designed to follow. Managers need the information that will tell them how the plans for which they are responsible are progressing. Controls should also be tailored to positions i.e. they may differ in between positions.
2. **Ensuring flexibility to control:** Flexibility is another essential characteristic of an effective control system. This means that the control system itself must be flexible enough to accommodate change.
3. **Ensuring accuracy:** Control systems must also be accurate. Managerial decisions based on inaccurate information may prove costly and harmful.
4. **Seeking objectivity of controls:** As far as possible, the information provided by the control system should be objective. If, on the other hand, controls are subjective, a manager's or an executive's personality may influence judgements of performance and make them less accurate.
5. **Achieving economy of controls:** A limiting factor of control systems is their cost. So in order to be effective, controls must be worth their cost. Although it sounds simple, it is very difficult to accomplish (Wehrich and Koontz, 1994).
6. **Tailoring control to individual managers:** Control systems and information are, of course, intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.
7. **Pointing up exceptions:** One of the best ways to make control effective is to make sure that it is designed to point up exceptions. In fact, controls that concentrate on exceptions from planned performance allow managers to benefit from the time-honoured exception principle and detect those areas that require their attention.
8. **Fitting the system of control to the organisational culture:** An effective control system must fit in with organisational culture.
9. **Ensuring corrective action through control:** An effective control system will disclose where failures are occurring and who is/are responsible for them, and it will ensure that some corrective action is taken. Control is justified only if deviations from plans are corrected by an appropriate authority. As a matter of fact, taking the proper corrective action necessitates sufficient authority to accomplish this task.

## CONTROL TECHNIQUES

Managers use a large number of tools and techniques for effective controlling. Therefore we need to discuss specific techniques for managing the control process. First we'll discuss budgetary control. And then we shall deal with other control techniques and methods.

### **Budgetary Control:**

Budgeting is the formulation of plans for a given future period in numerical terms. Organisations may establish budgets for units, departments, divisions, or the whole organisation. The usual time period for a budget is one year and is generally expressed in financial terms.

Budgets usually serve four control purposes: (i) they help managers co-ordinate resources; (ii) they help define the standards needed in all control systems; (iii) they provide clear and unambiguous guidelines about the organisation's resources and expectations and (iv) they facilitate performance evaluations of managers and units.

**Types of Budgets:** Most organisations use a number of different kinds of budgets - (i) financial; (ii) operating; and (iii) non-monetary'.

1. **Financial budgets:** Such budgets detail where the organisation expects to get its cash for the coming time period and how it plans to spend it. Usual sources of cash include sales revenue, the sales of assets, the issuance of stock, and loans. On the other hand, the common uses of cash are to purchase new assets, pay expenses, repay debts, or pay dividends to shareholders. Financial budgets may be of the following types:
  - (a) **Cash budget:** This is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured (Wehrich and Koontz, 1994).
  - (b) **Capital expenditure budget:** This type of financial budget concentrates on major assets such as a new plant, land or machinery. Organisations often acquire such assets by borrowing significant amounts through, say, long-term bonds or securities.
  - (c) **The balance sheet budget:** It forecasts what the organisation's balance sheet will look like if all other budgets are met. Hence it serves the purpose of an overall control to ensure that other budgets mesh properly and yield results that are in the best interests of the organisation.
2. **Operating budgets:** This type of budget is an expression of the organisation's planned operations for a particular period. They are usually of the following types:
  - (a) **The sales or revenue budget:** It focuses on income the organisation expects to receive from normal operations. It is important since it helps the manager understand what the future financial position of the organisation will be.
  - (b) **The expense budget:** It outlines the anticipated expenses of the organisation in an specified time period. It also points out upcoming expenses so that the manager can better prepare for them.
  - (c) **The project budget:** It focuses on anticipated differences between sales or revenues and expenses, i.e. profit. If the anticipated profit figure is too small, steps may be needed to increase the sales budget or cut the expense budget.

3. **Non-monetary budgets:** Budgets of this type are expressed in non-financial terms. They may include hours of direct labour, units of output, or machine hours. Such budgets are generally used by supervisors in controlling workers in the main.

- **Fixed and variable budgets**

Regardless of their purpose, most budgets must account for the three following kinds of costs:

- (a) **Fixed costs:** They are the expenses which the organisation incurs whether it is in operation or not. Salaries of managers may be an example of such cost.
- (b) **Variable costs:** Such costs vary according to the scope of operations. The best example may be the raw materials used in production. If Tk. 5 worth of material is used per unit, 10 units would cost Tk. 50, 20 units would cost Tk. 100 and so on.
- (c) **Semi-variable costs:** They also vary, but in less direct fashion. Costs for advertising, repairs and maintenance, etc. may fall under this category.

**ZERO-BASE BUDGETING (ZBB):** ZBB is quite simple. The idea behind is to divide organisation programs into "Packages" and then to calculate costs for each package from the ground up (Zero). By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period rather than merely the adjustments to an existing conventional budget.

**ADVANTAGES AND DISADVANTAGES OF BUDGETING:** As a matter of fact, budgets offer a number of advantages. They have potential drawbacks as well. Both are summarised below (Irvine, 1970) (see table: 9-2).

**Table: 9-2**

**Strengths and Weaknesses of Budgeting**

Strengths	Weaknesses
1. Budgets facilitate effective control.	1. Budgets may be used too rigidly.
2. Budgets facilitate co-ordination and communication.	2. Budgets may be time-consuming.
3. Budgets facilitate record keeping.	3. Budgets may limit innovation and change.
4. Budgets are a natural complement to planning	

**MAKING BUDGETARY CONTROL EFFECTIVE**

Budgetary control can be made effective if an organisation can ensure the following:

- (1) **Setting appropriate standard:** This is a key to successful budgeting. Many budgets fail for lack of such standards, and some upper -level managers hesitate to allow subordinates to submit budget plans for fear that they may have no logical basis for reviewing budget requests.
- (2) **Ensuring top-management support:** Budget making and administration must receive the whole-hearted support of top management. If top management supports budget making, requires departments and divisions to make and defend their budgets, and participate in this review, then budgets encourage alert management throughout the organisation.

- (3) **Participation by users in budget preparation:** Besides the support of top management, the concerned managers at lower levels should also participate in its preparation. Real participation in budget preparation is necessary to ensure success.
- (4) **Providing information to managers about performance under budget:** If budgetary control is to work well, managers need ready information about actual and forecast performance under budgets by their departments.

### **Review Questions**

- 1. How can control be made effective?
- 2. What is budgetary control? Discuss different types of budgets that can be used as control devices.
- 3. What do you mean by Zero Base Budgeting? Discuss the advantages and disadvantages of budgeting.
- 4. What are fixed and variable budgets? How can budgetary control be made effective?

### **Exercise**

- 1. Interview two managers about the controls used in their companies. Also ask them to identify standards against which performance can be accurately measured.

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