PRINCIPLES OF MANAGEMENT

TEXT AND CASES

PRAVIN DURAI

ALWAYS LEARNING

PEARSON

Principles of Management

Text and Cases

Pravin Durai

Dean
School of Management Studies
St Joseph's College (Autonomous)
Tiruchirappalli
Tamil Nadu

PEARSON

Chennai • Delhi

Published by Pearson India Education Services Pvt. Ltd, CIN: U72200TN2005PTC057128, formerly known as TutorVista Global Pvt. Ltd, licensee of Pearson Education in South Asia.

ISBN 978-93-325-3081-2
eISBN 978-93-325-4468-0

Head Office: A-8 (A), 7th Floor, Knowledge Boulevard, Sector 62, Noida 201 309, Uttar Pradesh, India.

Registered Office: Module G4, Ground Floor, Elnet Software City, TS-140, Block 2 & 9, Rajiv Gandhi Salai, Taramani, Chennai 600 113, Tamil Nadu, India.

Fax: 080-30461003, Phone: 080-30461060

www.pearson.co.in, Email: companysecretary.india@pearson.com

Contents

Preface

In today's fast-paced, complex and culturally-diverse work environment, managers often find their existing knowledge inadequate and outdated. These managers need to learn, utilize and adapt modern management concepts and practices to achieve corporate and personal excellence. *Principles of Management* has been written in response to these increasing requirements of practising managers and students of management. This book enables future managers to get acquainted with current management concepts, practices and trends even before stepping into the actual work environment.

This comprehensive and reader-friendly book covers the entire field of management and enables individuals to perform their managerial functions with precision and confidence. To facilitate better, deeper and easier understanding of management concepts, each chapter in the book has several unique real-life examples, including the inspirational life stories of globally renowned managers. *Principles of Management* also satisfies the long-felt need of Indian students for a book with Indian case studies and examples, and highlights the challenges faced by managers in organizations from the developing world.

Organization

This book has 21 chapters, which help students and practising managers acquire insights into the different domains of management. Based on the functions and trends in management, these chapters are divided into seven parts. Each part has been given adequate weightage in terms of treatment and coverage to help readers gain detailed knowledge even on emerging areas of management; namely, change management, strategic management and international management. The seven parts and their objectives are:

Part I—Management: A Conceptual Framework familiarizes readers with the elements, evolution and environment of management and also elaborates on the social responsibilities of managers.

Part II—Planning, Decision Making and Forecasting focuses extensively on all activities connected with organizational planning.

Part III—Organizing enables readers to gain insights into the organizing function. The areas of discussion in this part include organizational structure and authority, responsibility and accountability.

Part IV—Staffing discusses the management of human resources (HR). This part includes HR planning, procurement, development, compensation, evaluation and maintenance.

Part V—Directing elaborates on the important elements of directing; namely, communication, leadership and motivation.

Part VI—Controlling and Coordination discusses the topics that facilitate efficient control of the organizational resources. This part comprises chapters on controlling and coordination.

Part VII—Emerging Topics provides an insight into emerging areas of management such as change management and international management.

Features

Each chapter includes some unique features that help readers gain an in-depth understanding of the concepts in the chapter.

Learning Objectives

The learning objectives outline the main learning goals of each chapter.

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the meaning and characteristics of management
2. Enumerate the objectives, levels and functions of management
3. Discuss the roles of management
4. Differentiate between management and administration
5. Debate whether management is science, art or profession
6. List the challenges facing management

Chapter-opening Vignettes

Examples from the lives of inspirational Indian managers are used to illustrate complex management concepts.

India's Inspirational Managers

Mukesh Ambani is the chairman and managing director (CMD) of Reliance Industries Limited (RIL), the flagship company of Reliance Group. As a result of Mukesh's effective leadership and path-breaking management practices, RIL has now become the largest private-sector enterprise in India and also features in the *Fortune* 500 list of companies. The annual revenue of Reliance Group has also crossed USD 44 billion. For his stupendous performance as a top manager of this company, Mukesh has been conferred the best leader award by a number of globally renowned institutions. Mukesh's unique formula for management includes, among others, (i) establishment of an open system of management through the introduction of standard operating procedures (SOPs) and standard operating conditions (SOCs), (ii) adoption of a disruptive style of management as against the feudal style to easily meet the future challenges, (iii) investing in good talent and building competencies, (iv) demanding excellence and aiming for the best in everything, (v) diligence and foresight in planning and (vi) challenging the limits and never accepting defeat.

The success story of Mukesh Ambani is proof that the bold and innovative practices of managers can make a momentous difference to the fortunes of organizations. Keeping the accomplishments of Reliance's top manager in the background, let us now learn the basics of management in this chapter.

Real-world Examples

Numerous boxes highlight the unique management practices of Indian companies and provide students with real-world applications and perspectives.

Box 1.1 Leadership and Teamwork at BHEL

The role of managers is pivotal in influencing the attitude and behaviour of employees. Effective leadership calls for effective communication with and motivation of employees. In due course of time, effective leadership will result in the development of a positive work culture. Organizations may adopt different leadership styles and strategies for achieving employee cooperation. In this regard, leading power equipment manufacturer BHEL's strategy is worth mentioning.

BHEL encourages its managers to adopt transparent channels of communication, an open work environment, teamwork and respect for new ideas and thoughts to ensure the desired level of employee involvement. Similarly, new employees are encouraged by their managers to freely voice their ideas. Peers facilitate this process by extending their undying support and encouragement to these employees. The overall objective of managers at all levels of the management at BHEL is to convert the whole organization into a family through necessary freedom and support to all its members.

Source: http://careers.bhel.in/bhel/jsp/peoplefocus.jsp#pplfocus (last accessed in April 2014).

Summary

The summary at the end of each chapter recapitulates the key topics discussed in the chapter.

Summary

1. Management is a process concerned with the effective utilization of human and physical resources for attaining organizational and individual goals through a facilitating environment.
2. The characteristics of management are: (i) it is a process, (ii) it is a goal-directed activity, (iii) it is a decision-making activity, (iv) it involves effective integration and utilization, (v) it is practised at

roles. Informational roles involve roles of monitor, disseminator and spokesperson. Decisional roles include entrepreneur, disturbance handler, resource allocator and negotiator roles.

6. Managerial skills for success include technical skills, conceptual skills, human skills, political skills, diagnostic skills and digital skills.

Review Questions

Review questions at the end of each chapter help students gauge their understanding of the concepts in the chapter.

Review Questions

1. Define the term management and state its characteristics.
2. What are the different objectives of management?
3. Critically examine the various levels of management in an organization.
6. Enumerate the various roles performed by managers as a part of their profession.
7. Describe the managerial skills essential for the success of managers.
8. Distinguish between administration and management.

Case Study

A detailed case study along with discussion questions at the end of each chapter replicates real-life situations faced by managers and enables readers to correlate theoretical topics to actual practice.

Case Study

Clash of Ideologies at Birla Textiles Limited

Birla Textiles Limited was founded in 1966 in Mumbai to produce polyester fabrics. It manufactured a variety of products including men's wear, women's wear, kids wear and sportswear. This company grew gradually over a period of time and today has presence in almost every part of the country. It has 20,000 employees and seven factories. The founder chairman of this company, Motilal, upheld certain beliefs on management. They are: (i) managers at all levels must plan and work towards steady progress and strictly avoid dramatic actions and activities; (ii) structure should always be hierarchical and decisions must conform to such hierarchy; (iii) managers, especially those at the top, must adopt a "hands-on" approach in the sense that all major decisions must be personally vetted by them before being finalized; (iv) managers must always show respect for heritage, i.e. a respect for the past; (v) development of employee loyalty and sincerity should be the cornerstone of any human resource management activity and (vi) major decisions must be taken only one at a time.

Motilal has always been proud of his management philosophy and strongly believed that these beliefs and ideas contributed in no small measure to the success wisdom and orthodox practices of the management. A staunch believer in radical management practices, Jamanlal felt that the conventional style of management has little relevance to the present globalized era and one ought to be a risk taker to achieve a quantum leap in the scale and performance of an organization. He thus sought all his managers to think and plan "big" so that the company moves to a "spectacular progress" trajectory from a "steady progress" mission.

Jamanlal was also working towards abandoning, circumventing or completely reworking on the old managerial philosophy, policies and practices of Birla Textiles Limited with the intention of reinventing them and building an altogether different company. His proposal to adopt a disruptive style of management to change the status-quo got mixed response. One section of managers comprising mostly the aged and experienced viewed his moves with suspicion and described them as unwanted, unsafe and too adventurous, while another section dominated by highly educated but young managers applauded them and felt that they were long overdue and appropriate for the future.

Questions

1. How do you view the beliefs, attitude and actions of the new chairman, Jamanlal?

Supplements and Media Resources

A full range of resources that support teaching and learning is available on the companion Web site of this book: www.pearsoned.co.in/pravindurai.

- PowerPoint lecture slides provide the outlines and key topics of each chapter.
- An online study guide provides brief summaries and reviews of the key information in each chapter.

Acknowledgements

I wholeheartedly thank all those who have helped me in the development of this book. I sincerely acknowledge the wealth of information gathered from the Web sites of Indian and foreign business organizations for enriching the theoretical content of this book with practical and real-life examples. I am grateful to several Indian organizations that have given me permission to use their content.

I am indebted to all the reviewers for their critical comments and excellent suggestions, which greatly helped me in enhancing the quality of this book.

I express my gratitude to the Jesuit management of the 170-year-old St Joseph's College (Autonomous), Tiruchirappalli, for their unstinted support and encouragement. My students and colleagues have played a critical role in shaping my thinking and also provided me with new perspectives on the subject.

I give special thanks to my wife, Pramila Pravin, and my children, Ashwin and Sherine, for all their love, affection and encouragement.

Finally, I record my deep sense of appreciation and gratitude to Pearson Education for its continuous support and also for publishing this book. I acknowledge the contributions of Pradeep Kumar Bhattacharjee and Priya Christopher in the form of useful suggestions that have helped in the development of this book.

I welcome critical reviews and feedback from readers, which may be e-mailed to pravindurai@rediffmail.com.

Pravin Durai

About the Author

Pravin Durai is Dean, School of Management Studies, St Joseph's College (Autonomous), Tiruchirappalli and a visiting faculty at the Tiruchirappalli branch of the Southern India Regional Council of the Institute of Chartered Accountants of India (ICAI). He is a member of the Governing Body of St Joseph's College, Tiruchirappalli. He was also a member of the Board of Studies for M.Com. courses at Bharathidasan University. A Ph.D. in organizational behaviour, Dr Durai holds master's degrees in commerce and business administration.

In his teaching career spanning over twenty-five years, Professor Durai has guided the research conducted by seven doctoral and 42 M.Phil. scholars. He has also published many articles and case studies in reputed journals and carried out UGC-funded research projects on the HR and ethical practices of manufacturing firms across Tamil Nadu. Dr Durai is the author of *Human Resource Management,* which was published by Pearson Education in 2010. He has vast experience in conducting Government-sponsored training workshops for young entrepreneurs of Tamil Nadu.

This page is intentionally left blank

CHAPTER 1

Introduction to Management

CHAPTER OBJECTIVES

After reading this chapter, you should be able to:

1. Understand the meaning and characteristics of management
2. Enumerate the objectives, levels and functions of management
3. Discuss the roles of management
4. Differentiate between management and administration
5. Debate whether management is science, art or profession
6. List the challenges facing management

India's Inspirational Managers

Mukesh Ambani is the chairman and managing director (CMD) of Reliance Industries Limited (RIL), the flagship company of Reliance Group. As a result of Mukesh's effective leadership and path-breaking management practices, RIL has now become the largest private-sector enterprise in India and also features in the *Fortune* 500 list of companies. The annual revenue of Reliance Group has also crossed USD 44 billion. For his stupendous performance as a top manager of this company, Mukesh has been conferred the best leader award by a number of globally renowned institutions. Mukesh's unique formula for management includes, among others, (i) establishment of an open system of management through the introduction of standard operating procedures (SOPs) and standard operating conditions (SOCs), (ii) adoption of a disruptive style of management as against the feudal style to easily meet the future challenges, (iii) investing in good talent and building competencies, (iv) demanding excellence and aiming for the best in everything, (v) diligence and foresight in planning and (vi) challenging the limits and never accepting defeat.

The success story of Mukesh Ambani is proof that the bold and innovative practices of managers can make a momentous difference to the fortunes of organizations. Keeping the accomplishments of Reliance's top manager in the background, let us now learn the basics of management in this chapter.

Introduction

Every organization requires talented and committed managers to ensure success and stability in its business operations. Managers are needed to design, develop and maintain an organizational environment that encourages both individual and group performance and cooperation. Managers also provide good leadership and definite direction to their subordinates, which enable them to fulfill the goals of the organization. Thus, every organization, whether big or small, public or private, profit or service-oriented, should have managers to manage its operations. Managers usually perform at higher, middle and lower levels of an organization.

What the managers do as a part of their job is usually known as management. All managers perform certain management functions for effectively coordinating, and supervising the activities entrusted to their subordinates. These fundamental management functions are planning, organizing, staffing, leading (also called directing) and controlling. To be successful in their work, managers need to possess different managerial skills such as leadership skills, team-building skills, communication skills, and motivational skills. However, the skills and attributes required for effective management and goal accomplishment must be updated and upgraded constantly. This is because managers have to work in a constantly changing environment characterized by rising competition, changing technologies and an increasingly assertive workforce.

The primary purpose of any management is to create an internal environment suitable for the members of the organization to perform their jobs efficiently and effectively. The internal environment is normally made up of factors such as the organization (including organizational culture, structure and control system), its employees and the physical resources.[1] The internal environment so developed by the management may enable or disable its efforts to accomplish the goals of the firm. An enabling environment would help managers to create surplus in their operations while a disabling environment could become an obstacle to achieving success. Certainly, the surplus or deficit arising out of resource mobilization and utilization by an organization is an indicator of its managerial efficiency.

Meaning of Management

Though the term management encompasses the physical as well as human resource management of a firm, it is primarily concerned with the latter. Indeed, management is all about managing people effectively and dealing with people-centred problems professionally. Managers need to lead, inspire, direct and decide on matters relating to employees in a way that facilitates the accomplishment of organizational goals. In brief, management involves, "getting things done by other people."[2] In this context, we shall now see a few definitions of management.

Definitions of Management

"Management is the process of planning, organizing, leading and controlling the work of organization members and of using all available organization resources to reach stated organizational goals." —James A. Stoner, *et al.*[3]

"Management involves coordinating and overseeing the work activities of others so that their activities are completed efficiently and effectively." —Stephen P. Robbins[4]

"Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims." —Harold Koontz and Heinz Weihrich[5]

"Management is the process consisting of planning, organizing, actuating, and controlling, performed to determine and accomplish the objectives by the use of people and resources." —George R. Terry[6]

"Management is the process undertaken by one or more persons to coordinate the activities of other persons to achieve results not attainable by any one person acting alone." —Thomas N. Duening and John M. Ivancevich[7]

In simple terms, we may define management as a process concerned with the effective utilization of human and physical resources for attaining organizational and individual goals through a facilitating environment.

Characteristics of Management

Based on the definitions given in the preceding section, we may list out the characteristics of management as follows:

- Management is *a process* involving a series of activities. It involves performance of certain functions and activities, such as planning, organizing and directing, by the managers. Thus, it is not an end by itself; rather, it is a means of achieving the goals of the organization.
- It is a *goal-directed activity* as the accomplishment of goals is the primary consideration in determining the activities of the managers. Thus, all the managerial activities are decided and guided by the definite goals and objectives of the firm.
- Management is principally a *decision-making activity* as it often involves the evaluation of available alternatives to deal with specific problems and the selection of the best alternatives to resolve them. The effects and consequences of such decisions are usually felt over a period of time in the future.
- Management involves the *effective integration and utilization* of both physical and human resources towards goal accomplishment. However, the thrust of management is on efficient management of human resources.
- Management is an extensive activity *practised at different levels* of an organization. Management is usually classified as top, middle and lower (first line) levels.
- It is *universal in character* as every form, size and nature of an organization requires management to manage its affairs. As such, management is applicable to organizations performing business, charity, military, sport, cultural and political activities.
- Management is a *dynamic activity performed continuously* in organizations. It shapes and reshapes itself depending upon the trends and developments in its environment.

- Management is a *group-based activity.* The presence of a group with at least two people is a prerequisite for management because the basic task of managers is getting work done through others.

The core function of management is to achieve efficiency and effectiveness in accomplishing the goals of the firm. Efficiency here implies obtaining optimum output or productivity from the reasonably minimum use of organizational resources. Similarly, effectiveness stands for doing only those activities that contribute to the accomplishment of goals in an efficient manner. In this regard, the management thinker and philosopher, Peter Drucker, has identified a few major tasks of management. They are, (i) framing the organizational objectives and mission clearly (ii) achieving the required level of work productivity and (iii) ensuring adherence to social responsibilities.[8]

Objectives of Management

To properly plan and effectively execute the activities of an organization, it is important to have clear-cut, long-term objectives and short-term goals. In case of profit-making organizations, the primary objective of the management is making as much profit as possible. In contrast, the management of non-profit-making organizations would have "need satisfaction" as their focus. Every organization may be driven by one or more of the following objectives:

- To constantly attempt to accomplish the predetermined performance and productivity goals of the firm
- To develop an environment that facilitates the minimum use of physical and human resources to achieve maximum output
- To build a mutually beneficial relationship between the employers and employees. This relationship is essential to achieve effective coordination and cooperation in resource mobilization and goal accomplishment
- To provide stability and growth to the operations of the organization through consistent innovations and quality enhancement initiatives. Organizations require stability and growth to build a desirable future for all its members
- To work continuously towards the betterment of the society by satisfying the organization's social responsibilities in an efficient and fair manner

Management experts usually make a distinction between the performance of an organization and its management. Organizational performance indicates how effectively and appropriately an organization determines its objectives. In this regard, managers help in achieving organizational performance by developing achievable objectives and minimizing any obstacles to the accomplishment of such objectives. For instance, when managers choose a goal that exactly reflects the market realities and customer requirements, it may be described as an appropriate goal for the organization. The ability of managers to "do the right thing" is usually the measure of organizational performance. Managerial performance, alternatively, is concerned with how efficiently the managers do their job and accomplish the work assigned to them. The ability of managers to "do things right" is the measure of managerial performance.[9]

Levels of Management

All managers perform certain administrative (decision making) and managerial (execution) roles as a part of their job. However, the extent of each role performed by them usually depends on their position in the management. The authority and responsibility of a job is also determined by the location of the job in the managerial hierarchy. The time and effort spent on managerial functions like planning, directing and controlling differs from one level of management to another. Typically, the management of an organization is classified into three categories as top, middle and front-line management. We shall now see them in detail.

Top Management

Managers who operate from the highest level of an organization are usually called top managers. These managers are generally few in number but vested with enormous powers. Top managers are entrusted with the overall responsibility of managing the whole organization. They make organization-wide decisions with long-term implications for the survival and growth of the firm. They are even empowered to set new directions for the organization. These managers usually spend more time on planning and directing, and less time on controlling. Further, they determine the nature of the relationship between the organization and its external environment. They also guide the firm's interactions with external individuals and institutions.

Positions like chief executive officer, president, vice-president, managing director, chief financial officer and chief operating officer are usually regarded as constituents of top management. Top managers often deal with the unstructured problems and issues of the firm (for which no best solution is available) and develop policies and guidelines for resolving them. Such policies and guidelines convert unstructured problems into structured problems (for which correct solution is available). Top-level managers are normally accountable only to the owners who invest their resources in the organization. The board of directors who represent the interest of these owners ensure that the actions of the top managers are in accordance with the general organizational interest.

Middle Management

Managers belonging to this category fall between the top management and front-line management. They receive goals, orders and directions from the top management and implement them through front-line managers. In this regard, each middle manager supervises a number of front-line managers normally within the related field. Managers at this level generally distribute their time fairly equally among planning, organizing and controlling. These middle managers transmit the organizational goals to the front-line managers and then direct, coordinate and control their efforts toward its accomplishment. Middle managers are more interested in the near future and plan their activities accordingly. Hence, they set short-term goals for their subordinates, which finally lead to the achievement of the long-term objectives of the firm.

Middle managers usually deal with the semi-structured and structured problems of the firm. Positions like regional heads, divisional heads, project leaders and directors of research wings are examples of middle managers. The increasing presence of teams and projects in organizations has greatly enhanced the role and relevance of today's middle managers.[10]

Front-line Managers

Front-line managers are usually positioned at the bottom of the managerial hierarchy and operate directly above the non-managerial employees. They serve as a liaison between the management and the workers. The primary responsibility of front-line managers is to execute the goals and plans entrusted to them by the middle management. These managers direct the activities of the workers and get the organizational goals achieved through them. They normally spend more time and effort on controlling and less time on planning. They are primarily concerned about accomplishing the day-to-day organizational activities such as the manufacture of goods and delivery of services.

Front-line managers are also responsible for motivating the employees at work and persuading them to observe the rules and regulations relating to safety and health. They deal with structured problems and resolve them by applying the guidelines and policies prescribed by the higher level management. These managers are usually known by titles such as supervisors, line managers, operational managers, sectional/departmental heads, office managers and shift managers.

Functional Management

Managers at each level of the organization will have to discharge certain functional responsibilities depending upon their specializations. According to Thomas N. Duening and John M. Ivancevich, function refers to those activities that the manager actually supervises consequent to their horizontal specialization of the management process.[11] Some of the important organizational functions are production, finance, marketing and human resources. Usually, each manager is assigned a function and the designation —marketing manager, human resource manager and production manager—reveals the function performed by the manager. However, when managers assume responsibilities for all the activities of the entire organization or its branch office, then they become general or line managers. These managers then supervise their subordinates who perform different functions like marketing, finance, human resources, etc. Managerial activities like planning, organizing, directing and controlling are the same for both general and functional managers. Figure 1.1 shows the classification of managers based on their functions. We shall now see the rules and responsibilities of functional managers.

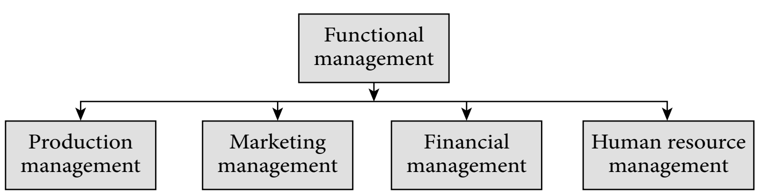

Figure 1.1

Classification of Managers

Production Management

Production management is responsible for all aspects of a production process. Production managers plan, supervise, coordinate and control the resources and activities required to produce goods in a cost-effective manner. Production managers oversee activities like production scheduling, staffing, machines and materials procurement, development and maintenance of quality standards and implementation of quality enhancement programmes. They coordinate production-related activities with other departments, supervise and motivate their subordinates and also review their performances. Production managers usually act as the link between the top management and first-line managers including supervisors. They ensure that the goals and policies of the organization are implemented effectively. In a nutshell, they ensure that quality goods are produced within the prescribed time limit.

Marketing Management

Marketing management is concerned with planning, directing, coordinating and controlling the marketing activities that promote goods and services. Marketing managers are responsible for conceptualizing new product ideas, determining product prices, channel development and product promotion. They also undertake activities like estimating manpower requirements, training and motivating sales staff and evaluating their performance, conducting market research, product positioning and differentiation and managing customer relations. However, the exact role and responsibilities of marketing managers are determined by the size of the organization, nature of the product or services and characteristics of the industry. In general, these managers focus on marketing programmes that meet the business goals of the organization and report to the top management.

Financial Management

Financial management involves the management of the finance department. Financial managers are responsible for the arrangement and allocation of funds. They are responsible for the implementation of a firm's financial goals and budgets and increasing the efficiency of the firm's financial operations. They fulfil the organizational goals by controlling the cost of funds and optimizing fund utilization. They also undertake activities like financial analysis and planning, fund and asset management, investment decision, payroll preparation and taxation. They also supervise preparation of financial reports such as the income statement and balance sheet. Further, these managers train and motivate their team members and also evaluate their performance. They liaise between the organization and the financial institutions that lend necessary funds.

Human Resource Management

The primary objective of human resource (HR) management is to ensure the well-being of the employees at work from their joining to their exit from the organization. HR management is a unique function because HR managers not only supervise the activities of their own department but also advise other functional managers on matters relating to labour management in their departments. HR managers usually act as liaison between the top management and the employees of different departments. Like other functional managers, they too perform managerial functions like planning, organizing, directing, controlling and coordinating with employees for their own departments. Besides, they also perform certain specialized functions such as manpower planning, recruitment and selection, training and development, integration, performance evaluation, compensation fixation, maintenance of employee welfare, safety and health and separation of all employees. These managers also involve themselves in activities like maintenance of employee discipline, grievance identification and redressal, prevention and settlement of industrial disputes and promotion of industrial relations.

Management Process or Functions

Managers perform certain interrelated activities or functions while getting work done through their subordinates. Since these managerial activities are carried out in a systematic way to accomplish the goals of the firm, it is known as management process. In this regard, Henri Fayol identified planning, organizing, coordinating, commanding and controlling as the five primary functions of management.[12] However, the universally accepted basic managerial functions performed for organizational goal accomplishment are planning, organizing, leading (directing) and controlling (see Figure 1.2).[13] Let us now discuss them briefly.

Planning

Planning helps an organization in formulating clear-cut objectives and determining the best course of action for achieving them. It involves steps such as the analysis of the existing environment, forecasting the future scenario, formulating specific objectives and goals, and determining the resources and activities required for goal accomplishment. Planning is generally considered to be the foremost function in the management process because of its critical role in deciding the success of the organization. Planning is carried out by all managers at all levels. It forms the basis and provides direction for other managerial functions such as organizing, directing and controlling. This is because the accomplishment of organizational goals is the ultimate purpose of all managerial functions.

Planning may initially cost the organization in terms of time and resources but it can considerably reduce future uncertainties and difficulties in its operations. It enables the organization to predetermine the right mix of physical and human resources

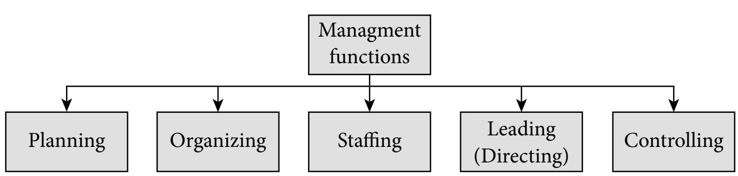

Figure 1.2

Management Functions

to achieve optimum operational efficiency. It also enables the employees to know in advance what is expected of them. This knowledge, in turn, can help them to work in a systematic manner to fulfil those expectations.

Organizing

Organizing is a vital step in converting plans into action by putting in place the necessary structure and resources. Organizing involves the arrangement and allocation of the necessary physical and human resources for achieving the goals of the firm. The specific steps involved in the organizing process are: (i) establishing the organizational structure, (ii) determining the work, authority, responsibility and accountability of each member in relation to the job, (iii) assembling and allocating physical, financial, informational and other resources required for task execution and (iv) developing conditions appropriate for the optimum utilization of available resources. However, each firm may require a unique organizational structure based on its goals and the availability of required resources.

Since the organizing process involves attracting, assigning and maintaining people for goal accomplishment, staffing usually becomes an integral part of the organizing function. However, due to the complexities involved in the mobilization, maintenance and motivation of the employees in the organization, many experts tend to view staffing as an independent managerial function. We shall now discuss the role and responsibilities of the managers in staffing.

Staffing

Staffing function is performed by all the managers when they involve themselves in activities related to human resources such as the selection and motivation of their subordinates. The guiding principle of the staffing function is the selection of the right person at the right time for the right position at the right cost. Managers may perform the staffing function jointly with the human resource managers or alone in the absence of an exclusive HR department. Generally, the activities involved in staffing are recruitment and selection, training and development, performance evaluation, compensation and benefits fixation and industrial relations maintenance. Even large organizations with exclusive HR departments widely involve line managers in the staffing function. This is because of their good knowledge of the jobs, job holders and job environment in their own department.

Leading

Leading is also known by different terms like directing, supervising and guiding. Leading as a managerial function aims at positively influencing the behaviour of subordinates. By effectively leading, managers look to secure the best and willing cooperation of individuals and groups to achieve the organizational goals. Leading essentially involves activities like directing, communicating with and motivating the employees. As good leaders, managers should influence, inspire and motivate their subordinates as they work. Managers should also establish an encouraging work environment that keeps the individual and group morale up. The efficacy of leadership usually depends on a manager's own personal traits and also the situation involved.