Management Principles and Techniques

HSST COMMERCE (M3)

Topic 2 *:* **Management Functions – Planning – Organizing - Decision Making – Directing – Staffing – Controlling – Reporting and Budgeting -Motivation**

Functions of Management

Management is an activity consisting of process which is mainly concerned with important task of goal achievement. No business enterprise can achieve its objective until all the members of the organization work in planned and integrated way. Therefore the process of management involves the determination of objectives and putting them in action.

According to G.R. Terry 'Management is a distinct process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish stated objectives by the use of human beings and other resources"

Management is considered a continuing activity made up of basic management functions which are Planning, Organising, Staffing, Directing and Controlling. The managers have to perform all these functions in order to achieve the desired organizational goals.

Planning

Planning the first and the most important function of management is Planning. Planning involves setting objectives in advance, a goal which is to be achieved within a stipulated time. Various alternatives are formulated in order to achieve the goals. The best alternative courses of action is then selected which will help the organization to achieve its objectives. Planning is the most basic function of management. It is deciding in advance what to do and how to do when to do and by whom it is to be done. It bridges the gap between where we are and where we want to go. All the other functions of management like organising, staffing, directing, controlling are dependent on planning. Planning is related to future and is a continuous process. All the organisation have to make a concrete plan before they start business or execute any project.

Definition of Planning

According to Theo Haiimann "Planning is deciding in advance what is to be done .When a manager plans, he projects a course of action for the future, attempting to achieving a consistent, coordinated structure of operation aimed at desired result ".

Importance of Planning

Planning increases the efficiency of an organisation. All business organizations would like to be successful, have a goodwill in the market, have higher profits. For attaining these attributes the thinking process has to be very effective. Now let's understand why planning is important for the organization.

1.Plannin provide drection: By stating in advance the objectives in clear terms, planning provides the directiin for action. If you don't know where you are going, no road will take you there.

2. Planning reduce the risk of uncertainty: planning is concerned with the future which is uncertain and very difficult to predict. Planning helps in reducing yncertainities of future as it involves the anticipation of future events.

3. Planning reduces overlapping and wasteful activities: Planning coordinates the activities and effort of individuals, divisions and departments . It leads to purposeful and orderly activities, thus avoiding averlapping and wasteful activities.

4. Planning promotes innovative ideas: Since planning is the first function of managment new ideas can take the shape of concrete plans. Thus, it aids innovative and creative thinking.

5. Planning facilitates decision-making: Planning involves searching for (decision - making). Thus, planning gives necessary guidlines for effective decision-making.

6.Planning establiahes standards for controlling: Planning clearly specific the standards/target to be achieved. Evaluation of performance against the predetermined standarf is the essence of control. Thus, planning provides the basis of control. In other words, planning is anl prerequisite for controlling.

Steps in planning process

1. setting objectives

The first and foremost step in planning is setting objectives. Objectives specify what the organisation wants to attain. Objectives are set for the entire organisation and for each department. For example, un increase in sales in 25% could be the objective of the entire organisation Objectives have to be communicated to each unit and employees at all levels.

2. Developing premises

Planning premises refers to various assumptions made by the managers abou the future for the preparation of plans To make effective plans, it is a must that planning premises are based on systematic estimates and forecasting Assessment of future demand, preferences and tastes of customers, competition prevailing in the market, etc., can be made with the help of forecasting. Planning premises may be internal or external and controllable or uncontrollable.

3. Identifying alternatives

After setting objectives and making assumptions next step would be to act upon them) There are many ways to act upon or there are alternative courses of action. All the possible alternative courses of action should be identified. For example, to increase sales by 20% there are various alternatives to achieve it. It may be adding new line of products, offering more discounts or spending huge amount towards advertising.

4. Evaluating alternatives

The next step is to weigh the pros and cons of each alternative. Positive and negative aspects of each alternative should be evaluated in terms of the objective to be achieved. For example, to evaluate certain proposals, earningsper share, interest, taxes, dividend cost, risk, returns, etc. are
taken care of and decisions taken. Alternatives are evaluated in the light of their feasibility and consequences.

5. Selecting an alternatives

Selecting the best course of action is the real point of decision making. The one to be selected should be the most feasible, profitable and with leaat negative consequences. Sometimes a combination of different alternatives may selected instead of a single one.

6. Implementing the plan

This step involves putting the plan into action, i.e., doing what is required. At the time of implementation of plan, other managerial functions also come into the scene. For example, if there is a plan to increase production, more labour, more machinery, etc., will be required. This would also involve organising resources like men, machine, material, money, etc,

7. Follow-up action

To see whether plans are being implemented and activities performed, monitoring the plans is equally important. This will help in detecting shortcomings and taking remedial measures well in advance.

Organising

After planning the next function of management is organising. Organising involves division of work among people whose efforts must be coordinated to achieve specific objectives and to implement pre-determined strategies. It is the backbone of management. After the objectives of.an enterprise are determined and the plan is prepared, the next step in the management process is to organize the activities of the enterprise

According to Louis Allen "Organising is the process of identifying and grouping the work to be performed defining and delegating responsibility and authority, and establishing

relationships for the purpose of enabling people to work most effectively together in accomplishing objectives."

Importance of Organising The following points highlight the crucial role that organizing plays in any business enterprise

1.It facilitates efficient management - Organising is necessary for the performance of other functions of management .Poor organisation may result in duplication of work and efforts.

2.It facilitates coordination and communication- Organisation creates a clear cut relationships between the departments and helps in laying down balanced emphasis on various activities. It also provides channels of communication and coordination of activities of different departments.

3.Itfacilitates growth and diversification- Sound organization helps in the growth and expansion of the enterprise by facilitating its efficient management .It also increases the capacity of the enterprise to undertake more activities.

4. It ensures optimum use of resources -Organising leads to the optimum use of all material, financial and human resources. It matches the jobs with the individuals and vice versa and ensures that job position is clearly defined.

5. It provides for optimum use of technological innovations- Sound organisation structure is not rigid. It is flexible and provides adequate scope for adoption of new technology.

6. It facilitates specialization- Organising provides a great scope for bringing specialization in every department of an enterprise through proper allocation of jobs among the employees.

Organisation as a process

It refers to the way in which the work of a group is arranged and distributed among members to efficiently achieve the objectives. It creates a relationship of one job to another and lays down the scope of authority and responsibility. The duties are fixed in such a manner so that the work is performed with speed, accuracy and economy.

Steps in the process of organising The process of organising involves the following steps

1. Determination of objectives - The purpose of the organisation must be identified. Objectives determine resources and various activities which should be done to achieve the organisational goals.

2.Identification and grouping of activities- If group members are to pool their efforts successfully, there must be proper division of the major activities. Each job should be accurately classified and grouped. This will avoid duplication of work.

3.Assignment of duties- after grouping the activities into various jobs, as per the nature of work, Similar activities should be placed under one department. Each individual should be given a particular task according to his ability and skills.

4. Establishing relationship among individuals and group- The activities which are performed by person holding different positions must be related. Every person in the organisation should know about his responsibility, authority.and accountability so that there is coordination, among individuals and departments.

Organisation structure

Organisation Structure An Organisation Structure shows the authority responsibility relationship between the various positions in the organization by showing who reports whom, It lays down the pattern of communication and coordination in the enterprise.

1. **Functional structure-** This type of organization structure is formed by grouping together all activities into functional department and putting each department under one head. Functional structure leads to specialization. It promotes efficiency and results in increased profits.
2. **Divisional Structure-** Large Companies often find it to operate as one large unit under a functional organizational structure. The size of the company makes it difficult for managers to oversee operations and screen customers. To overcome this problem, most large companies are now structured as divisional organisations.

Each division functions relatively autonomously because it contains most of the functional expertise under each unit. Division can be formed according to product, customers, processes or geographical division. For Example Samsung has multiproduct based division Each Product division has its own Manufacturing, Research and Development, Marketing, Finance departments.

Types of Organisation

1. Formal organization - Formal organization refers to a structure which is consciously designed to enable people of the organization to the work together in accomplishing the common objectives. It is predetermined by top management to facilitate smooth functioning of the organization. The authority responsibility relationship created by the organization structure are to be followed by all the employees in the organisation. It is created as result of Company's. rules and policies.

2. Informal Organisation - Informal Organisation refers to the relationship between the people in the organization based on personal likes, dislikes, emotions, attitude etc. These relationship are not in terms of procedure and regulation laid down in the formal organisation. These groups are not preplanned, they develop automatically within the organization. The membership in informal organization is voluntary. It originates as a result of social interaction

Staffing

Staffing After planning and organizing the next function of management is 'Staffing' .It is important to have a good organization structure, but it is even more important to fill the jobs with the right people. Filling and keeping the position provided for by the organization structure with right people at the right place is the staffing phase of the management function. All the managers have a responsibility for staffing.

Importance of Staffing Staffing is people centered. Success in dealing with people will depend upon the degree to which they are perceived as making realistic contribution to the.solution of management's problems. It should be remembered that every manager is expected to perform this function because he is engaged in getting things done through and with the help of people. There are various benefits of proper and efficient staffing.

a)Helps in finding efficient worker- Staffing helps in discovering talented and competent workers and develops them to work more efficiently for achievement of organizational goals.

b) Helps in increased Productivity - Staffing ensures greater production by putting right man at the right job. It helps in improved organisational productivity through proper selection according to requirement.

c)Maintains Harmony- Staffing maintains harmony in the organisation. Through proper staffing, individuals are not just recruited and selected but their performance is regularly appraised and promotions are done

d)Helps in morale boosting-Job satisfaction keeps the morale high of the employees. Through training and development programmers their efficiency improves and they feel assured of their career advancement

Staffing process

Staffing function is performed by all managers at all levels. However, its scope is different in small and large organization. In large organization there is a separate department called Human Resources Department

(HRD), with specialists to manage the people. Staffing is an inherent part of Human Resources Management as it is the practice of finding evaluating and establishing a working relationship with people.

Following are the steps involved in staffing process

1. Manpower planning- Estimation of manpower requirements in the future is the first stage in the staffing process. It is known as manpower or human resources planning. Its purpose is to make right kind of personnel available so that there is no surplus or shortage of people in any department.

2.Recruitment - Once the requirement of manpower is known, the process of recruitment starts. It is the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs. It is a positive process as it attracts suitable candidates to apply for available jobs.

3. Selection -The process of selection leads to employment of persons who possess the ability and qualifications to perform the jobs which have fallen vacant in the organisation. Selection is frequently described as a negative process as it eliminates all the candidates those who do not match up to the requirements of the job offered.

4. Placement- The candidate selected for appointment are to be offered specific jobs. A personnel should be placed on a position where there is full use of his strength and capabilities. Proper placement reduces absenteeism and turnover

5. Induction and Orientation-Induction is the process of familiarizing a new employee to the new workplace, surroundings, company's rule and regulations. Induction programme is generally informal in case of small organization. But in large organization the orientation or induction is carried on formally so that the new employee develops a favourable attitude towards the company

6. Training and Development- Training is an organized activity for increasing the knowledge and skills of people for a definite purpose .Its purpose is to achieve a change in the behaviour of the

7. Performance Appraisal- It refers to all the formal procedures used in an organization to evaluate the employees and their contributions

8. Promotion and Transfers- Promotion refers to being placed at a higher job position with more salary, job satisfaction and responsibility.

9. Compensation- Compensation of employees for their services is an important responsibility of any organization. Every organization must offer good wages, pay, salary and other rewards to attract and retain talented employees.

DECISION MAKING

Definition

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives

DECISION MAKING PROCESS

The basic characteristics of decision making are as follows:

1. It is the process of choosing a course of action from among the alternative courses of action.

2. It is a human process involving to a great extent the application of intellectual abilities.

3. It is the end process preceded by deliberation and reasoning.

4. It is always related to the environment. A decision may be taken in a particular set of circumstances and another in a different set of circumstances.

5. It involves a time dimension and a time lag. It always has a purpose. Keeping this in view, there may just be a decision to not to decide. It involves all actions like defining the problem and probing and analyzing the various alternatives which take place before a final choice is made.

SIGNIFICANCE OF DECISION MAKING

★ Decision making is important for organizational effectiveness because of its central role in the overall process of directing and controlling the behaviour of organizational members.

★ Decisions are made that cover the setting of goals, strategic planning, organizational design, personnel actions, and individual and group actions

- ★ Another major reason for studying decisions is to enable us to make better quality decisions than we do presently. This point must be emphasized strongly because the quality of our decisions is often much poorer than we realize.
- ★ Besides being unaware of our human limitations In the decision making process, we are often unaware of the methods that can be used to Increase our decision effectiveness

The decision making process includes the following components:

- The decision maker.
- The decision problem.
- The environment in which the decision is to be made.
- The objectives of the decision maker.
- The alternative courses of action.
- The outcome expected from various alternatives.
- The final choice of the alternative.

TYPES OF DECISIONS

- Organisational and personal decisions
- Routine and strategic decisions
- Policy and operating decisions
- Programmed and non-programmed decisions
- Individual and group decisions

Organizational and personal decisions

Personal decisions are those decisions that cannot be delegated to others. These decisions are meant only to achieve personal goals. Organisational decisions are those decisions that are taken to achieve organizational goals.

Routine and strategic decisions

Routine decisions are those which are repetitive in nature. For example, certain established rules,procedures and policies are to be followed. 'Strategic' decisions are those decisions which have to be deliberated upon in depth. For example, highlighting the characteristics of the school, before giving an advertisement for admissions, can bring more revenue to the school.

Policy and operating decisions

Policy decisions are those decisions which are taken at the higher level. For example, fixing pay scales for teachers. Operating decisions are those decisions which mean procedure of execution of the policy made. For example, how to disburse the arrears accumulated to a teacher

Programmed and non-programmed decisions

Non-programmed decisions are those decisions which are unstructured. For example, if a child is often absent, the class teacher can analyse the reasons for his/her absenteeism from the Information provided by the child and then advise as to how to recoup with the situation

Individual and group decisions

A decision taken by an individual in the organisation is known as 'Individual' decision, where autocratic style of functioning prevails. For example, if only the principal takes a decision without the participation of teachers, it is an individual decision. 'Group' decisions are collective decisions which are taken by a committee with a proper representation

Controlling

Controlling Process

Controlling is a systematic process involving the following steps:

1. Setting performance standards

2. Measurement of actual performance

3. Comparison of actual performance with standards

4. Analysing deviations

5. Taking corrective action

Step 1: Setting Performance Standards: The first step in the controlling process is setting up of performance standards. Standards are the criteria against which actual performance would be measured. Thus, standards serve as benchmarks towards which an organisation strives to work.

Standards can be set in both quantitative as well as qualitative terms. For instance, standards set in terms of cost to be incurred, revenue to be earned, product units to be produced and sold, time to be spent in performing a task, all represents quantitative standards

Sometimes standards may also be set in qualitative terms. Improving goodwill and motivation level of employees are examples of qualitative standards. The table in the next page gives a glimpse of standards used in different functional areas of business to gauge performance.

At the time of setting standards, a manager should try to set standards in precise quantitative terms as this would make their comparison with actual performance much easier It is important that standards should be flexible enough to be modified whenever required. Due to changes taking place in the internal and external business environment, standards may need some modification to be realistic in the changed business environment.

(ii)Measurement of actual performance: Next step in the controlling process is measurement of actual performance. Performance should be measured on an objective and reliable basis. There are various techniques for measurement of performance like personal observation, sample checking, performance reports, etc. To make comparison casier, performance should be measured in the same way the standards are set. For example, if standard output is set in terms of numbers, actual performance should also be measured in numbers, Usually measurement is done after the task has been completed. However, measurement can be done during the performance. For instance, in case of assembling work, each part produced should be thoroughly checked before assembling

Quantitative measurement is done for standards set in numerical terms. Attitude of workers, employees morale, etc., cannot be measured quantitatively. They have to be measured qualitatively through tests and surveys.

(iii) Comparing Actual Performance with Standards: The next step involves comparing the actual performance with standards. Such a comparison reveals the deviation between actual and desired results. Comparison will be easy when standards are set quantitatively

(iv) Analysing Deviations: At this stage, the extent of deviations and the causes of such deviations are to be found out Deviation means the gap between actual result and the standards set. It is important to ascertain whether deviations are within the expected range. Deviations in key areas of business requires urgent attention as compared to deviations in certain insignificant areas. Managers can rely on critical point control and management by exception in this direction.

(ii) Little control on external factors: Generally an enterprise cannot control external factors such as.government policies, etc.

(iii) Resistance from employees: Control is often resisted by employees. They see it as a restriction on their freedom.

(iv) Costly affair: Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system.

Step 5: Taking Corrective Action: The final step in the controlling process is taking corrective action. No corrective action is required when the deviations are within acceptable limits. However, when the deviations go beyond the acceptable range, especially in the important areas, It demands immediate managerial attention so that deviations do not occur again and standards are accomplished.

Meaning of Controlling

Controlling is one of the important functions of a manager In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates controlling means ensuring that activities in an organisation are performed as per the plans. Controlling also ensures that an organisation's resources are being used effectively and efficiently for the achievement of predetermined goals. Controlling is, thus, a goal-oriented function

Controlling function of a manager is a pervasive function. It is a primary function of every manager.Managers at all levels of management-top, middle and lower-need to perform controlling functions to keep a control over activities in their areas. Moreover, controlling is as much required in an educational institution, military, hospital, and a club Das in any business organisation.

Importance of Controlling

Control is an indispensable function of management. Without control the best of plans can go awry. A good control system helps an organisation in the following ways: (1) Accomplishing organisational goals: The controlling function measures progress towards the organisational goals and brings to light the deviations, if any, and indicates corrective action.

(ii)Judging accuracy of standards: A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in light of such changes.

(iii)Making efficient use of resources: By exercising control, a manager seeks to reduce wastage and apollage of resources. Each activity is performed in accordance with predetermined standards and norms. This ensures that resources are used in the most effective and efficient manner.

(iv) Improving employee motivation:A good control system ensures that employees know well in advance what they are expected to do and what are the standards of performance on the basis of which they will be appraised. It, thus, motivates them and helps them to give better performance

v) Ensuring order and discipline: Controlling creates an atmosphere of order and discipline in the organisation. It helps to minimise dishonest behaviour on the part of the employees by keeping a close check on their activities.

(vi) Facilitating coordination in action: Controlling provides direction to all activities and efforts for achieving organisational goals. Each department and employee is governed by predetermined standards which are well coordinated with one another.

Limitations of Controlling

Although controlling is an important function of management, it suffers from the following.limitations.

(i)Difficulty in setting quantitative standards: Control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task.
(ii) Little control on external factors: Generally an enterprise cannot control external factors such as government policies, etc.
(iii) Resistance from employees: Control is often resisted by employees. They see it as a restriction on their freedom.
(iv) Costly affair: Control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to Install an expensive control system.

Relationship between Planning and Controlling

Planning and controlling are inseparable twins ofmanagement. A system of control presupposes the existence of certain standards.

These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational, controlling is necessary to monitor the progress, measure it, discover deviations and Initiate corrective measures to ensure that events conform to plans

Techniques of Managerial Control

The various techniques of managerial control may be classified into two broad categories: traditional techniques, and modern techniques.

Traditional Techniques

Traditional techniques are those which have been used by the companies for a long time now. However, these techniques have not become obsolete and are still being used by companies. These include: (a) Personal observation (b) Statistical reports (c) Break even analysis (d) Budgetary control

Modern Techniques Modern techniques of controlling are those which are of recent origin and are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organisation can be controlled.

These include:

(a) Return on investment

(b) Ratio analysis

(c) Responsibility accounting

(d) Management audit

(e) PERT and CPM

(f) Management information system

Standards can be set in both quantitative as well as qualitative terms. For instance, standards set in terms of cost to be incurred, revenue to be earned, product units to be produced and sold, time to be spent in performing a task, all represents quantitative standards.

Statistical Reports

Statistical analysis in the form of averages, percentages, ratios, correlation, etc., present useful information to the managers regarding performance of the organisation in various areas

Break even point is determined by the intersection of Total Revenue and Total Cost curves. At this point, there is no profit no loss. It is beyond this point that the firm will start earning profits

Break even point can be calculated with the help of the following formula: Break even Point = Fixed Costs divided by Selling price per unit - Variable cost per unit. Break even analysis helps a firm in keeping a close check over its variable costs and determines the level of activity at which the firm can earn its target profit.

Budgetary Control

Budgetary control is a technique of managerial control in which all operations are planned in advance in the form of budgets and actual results are compared with budgetary standards. This comparison reveals the necessary actions to be taken so that organisational objectives are accomplished.

A budget is a quantitative statement for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period. It will contain figures of forecasts both in terms of time and quantities. The box shows the most common types of budgets used by an organisation. Budgeting offers the following advantages:

1. Budgeting focuses on specific and time-bound targets and thus, helps in attainment of organisational objectives

2. Budgeting is a source of motivation to the employees who know the standards against which their performance will be appraised and thus, enables them to perform better.

3. Budgeting helps in optimum utilisation of resources by allocating them according to the requirements of different departments

4. Budgeting is also used for achieving coordination among different departments of an organisation and highlights the interdependence between them.

5. It facilitates management by exception by stressing on those operations which deviate from budgeted standards in a significant way. However, the effectiveness of budgeting depends on how accurately estimates have been made about future.

Flexible budgets should be prepared which can be adopted if forecasts about future turn out to be different, especially in the face of changing environmental forces.

Sales Budget: A statement of what an organisation expects to sell in terms of quantity as well as value

Production Budget: A statement of what an organisation plans to produce in the budgeted period

Material Budget: A statement of estimated quantity and cost of materials required for production

Cash Budget: Anticipated cash inflows and outflows for the budgeted period

Capital Budget: Estimated spending on major long-term assets like new factory or major equipment

Research and Development Budget: Estimated spending for the development or refinement of products and processes

Reporting and Budgeting

Reporting

It is important element of control. It includes daily follow up of activities with help of reports which are submitted by subordinates to his/her superior. Reporting keeps him/her informed with day to day activities.

Budgeting

Budget is an estimate of future needs covering all the activities of an enterprise for a definite period of time. A budget is prepared for each separate activity of business. This is done to control the expenses of organizations within certain limit.

Coordinating

This is the process of linking several activities to achieve a functional whole in the organisation. In other words, it is the process of ensuring that persons who perform interdependent activities work together in a way that contributes to overall goal attainment. Coordinating is the management of interdependence in a work situation. It is much more than just cooperation and it involves an information giving function

We have learnt in the organising function that the work of an organisation is divided into various functional units and it is the coordinating function that ensures that all these units efficiently contribute to the objective. It is in the coordinating process that a manager has to act like a leader and her/his leadership skills are put to test.

The best coordination occurs when individuals see how their jobs contribute to the goals of the organisation. To avoid splintering efforts, the dominant goal of the organisation should be clearly defined and communicated to everyone concerned.

Communicating

As mentioned earlier, communicating is the transfer of information, ideas, understanding or feeling between people. In other words, it is the process of passing information and understanding from one person to another. It needs no further emphasis amongst library and information people. Communication is an all-pervasive phenomenon

Librarians have to communicate with each other in issuing or responding to directives and in carrying out the functions of management. They also communicate continuously with users and authorities. Communication, both written and oral, is used to obtain and give information for planning and decision making

Reporting

It has already been said that reporting is converse of directing. Reporting serves the purpose of keeping authorities and the public at large informed about the performance, achievements and shortfalls for a specific period. This function not only helps with a healthy self assessment but also by maintaining good public relations. Libraries usually generate a great amount of statistical data and reports

Budgeting

The budget is one of the plan documents. It is a statement of planned allocation of resources expressed in financial or numerical terms. Budgeting includes financial planning, accounting and controlling.

Innovating

As every organisation has to constantly grow bigger and better, innovation becomes an important function of a manager. Innovation means creating new ideas which may either result in the development of new products or finding the new user for the old ones.

Motivation

Definition of Motivation

Several authors have defined motivation in different ways. According to Robert Dublin, "Motivation is the complex set of forces starting and keeping a person at work in an organization."

According to Stanley Vance, "Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to march in a goal-directed pattern, towards restoring a state of equilibrium by satisfying the need."

Characteristics of Motivation

1. Psychological process: Motivation is a psychological process. It is the process to achieve a desired result by stimulating and influencing the behaviour of subordinates. A manager should carefully make an attempt to understand the needs, motives and desires of every employee in the organization.

2. Continuous process: Motivation is a continuous process. When one need is satisfies, another need emerges. Therefore, motivation is an incessant process until the completion of objectives. Therefore, it is the responsibility of the management to develop innovative techniques, systems and methods to satisfy the changing needs of workers

3. Complex and unpredictable: Motivation is a complex and unpredictable task. Human wants are not definite and they change according to consequences. A worker may be satisfied in present situation but due to his changed needs he may not be satisfied in future. Similarly, even two persons may not be motivated with similar behaviour and facilities. Therefore, a manager must be more conscious to motivate subordinates and to achieve objectives.

4. Pervasive function: Motivation is the pervasive function of all levels of management. Every manager from top to the lowest level in the management hierarchy is responsible for motivation. A manager is largely responsible for motivating his subordinates and secondly other subordinates in management hierarchy.

5. Influences the behaviour: The most important objective of motivation is to influence the employees' behaviour and thus bringing about the behavioural changes. The managers influence the behaviour of workers and encourage them to concentrate more on their goals.

6. Positive or negative: Motivation may be positive or negative. A positive motivation promises incentives and rewards to workers. Incentives are both financial and non financial. Negative motivation is based on punishment for poor performance like reducing wages, demotion, job termination etc. On the basis of requirements, manager can use both positive and negative motivation for better performance.

Importance of Motivation Motivating the subordinates is the fundamental duty of the manager as it ultimately helps in fulfilling the goals of the organisation.

1. Cooperation and Goals: Motivated employees cooperate willingly with the management and thus contribute maximum towards the goals of the company.

2. Productivity: Motivated employees attempt to enhance their knowledge and skills. This enables increase in the productivity

3. High Efficiency: It has been observed that when motivated employees work sincerely towards their given tasks; they develop a sense of belongingness which results in conserving the organisational resources. This results in improvement in efficiency.

4. Job Satisfaction: Higher motivation paves the way for a higher job satisfaction of the employees.A motivated employee yearning for opportunities for satisfying needs becomes loyal and committed towards his work and eventually the organisation.

5. Better Relations: The number of complaints and grievances reduce when the employees are motivated.

6. Good Image: If the employees of the organisational are motivated and satisfied with the work environment, the image of the company as a good employer boosts in the industry

.Theories of Motivation

Alderfer's ERG Theory

Alderfer developed a model of motivation aligning with Maslow's motivation theory by reducing the five needs suggested by Maslow to three needs. These needs are Existence, Relatedness and Growth

According to Alderfer, there is no hierarchy of needs and any desire to fulfil a need can be activated at any point in time. This results in the lower level needs not requiring to be satisfied in order to satisfy a higher level need.

- Existence: It refers to our concern with basic material existence motivators.
- Relatedness: It refers to the motivation we have for maintaining interpersonal relationships.
- Growth: It refers to an intrinsic desire for personal development

Process Theories Process theories concentrate on "how" part ofmotivation. They describe and analyse how behaviour is energised, directed and sustained. The theories under process theories are discussed as follows:

Expectancy Theory

Expectancy theory was propounded opposing the Herzberg's two-factor theory. This theory was developed by Vroom. The theory explains the behavioural process of why individuals choose one behavioural alternative over another.

Expectancy: Effort Performance It is the confidence that better efforts will result in better performance. It is influenced by factors like having appropriate skills for performing the job, availability of right resources, availability of critical information and getting the required support for accomplishing the goal

Instrumentality: Performance Outcome It is the faith that the individual will receive an award if he performs well. This depends upon trusting the people who decide who receives what outcome, understanding the relationship between performance and rewardand finally the transparency in the system that decides who get what outcomes.

Valence: Valence is the importance associated by an individual with respect to the expected outcome. It is an expected and not the actual satisfaction that an employee expects to receive after achieving the goals. This is dependent on individuals' needs, values, goals, preferences and source of motivation.

Equity Theory: Equity theory was suggested by J.S.Adams. The assumption behind this theory is that the employees experience strong expectations of justice, balance and fairness in treatment by their employers. This theory propounds that individuals are motivated by a desire to be treated equally at work

In this theory, two variables are important namely inputs and outcomes. According to this theory, the employee constantly assesses their level of effort against fellow workers and the reward they receive for their effort.

Inputs: These constitute of the quality and quantity of employee's contribution to work. They include time, effort, loyalty, hard work, commitment, ability, adaptability, flexibility, tolerance, determination, enthusiasm, trust in management, support from colleagues and skills

Outputs: The outputs encompass the positive and negative results that an individual gets after putting inputs into a task. They can be tangible and intangible. Examples of outputs are job security, esteem, salary employee benefits, praise, recognition, etc.

3. Reinforcement Theory

Reinforcement theory is the process of influencing behaviour by controlling the consequences of the behaviour. The theory is based upon "law of effect"which means an individual tends to repeat behaviour which is rewarded while the behaviour which gives punishment is not repeated.

4. Behavioural Theories

Behaviour is described as the way a person conducts themselves towards others. When workers are treated as humans rather than machines, they take action to their particular work situation in a constructive way by increasing.individual productivity. Thus, in lines of understanding and improving the human behaviour, McGregor and William Ouchi suggested Theory and Y and Theory Z respectively

McGregor's Theory X and Theory Y McGregor has suggested two contrasting theories on motivation based on certain assumptions Theory X Theory X revolves around the traditional approach to motivation and control. It represents traditional stereotyped and authoritarian management style. It has following assumptions:

i.An average human being is lazy and doesn't like to work. He will avoid work if he can.

ii. Most human beings lack ambition and thus don't want responsibility. They prefer to be directed rather than to lead.

iii. Most human beings are self centred and indifferent to the organisational goals.

iv. Most people are not creative to solve organisational problems.

v. Most human beings are motivated with physiological and safety

Theory y

Theory Y assumes that people are not unreliable and lazy by nature. It has a positive view on employee motivation and their behaviour. The management undertakes the responsibility of helping the employees to develop and express their creative skills. The assumptions of McGregor's Theory Y are as follows: i. An average person doesn't dislike work rather work is natural as play.

ii. An average human being will exert self control and direct himself for his objectives.

iii. An average individual knows that he will be rewarded if he is committed for the objectives. And generally these rewards are higher order needs namely ego satisfaction and self-actualisation

iv. An average person tends to seek responsibility and is ambitious

Ouchi's Theory Z

This theory was given by William Ouchi which is based upon a comparative study of American and Japanese management practices. He concluded that many Japanese management practices can be adopted in American perspective.

Following should be the features of an organisation according to Theory Z:

Trust, integrity and openness should be essential ingredients of an effective organisation.

Theory Z says that involvement of employees in related matters improves their commitment and performance.

The leader's role should be to coordinate the efforts of his subordinates.

The organization and management team should ensure that measures and programs in place should be there to develop employees.

Employees should be given greater responsibility to make decisions and understand the organisational aspects; they should be generalists. But still, they should also undertake specialised job tasks. The organization should recognize the contributions of individuals, but always within the context of the team as a whole.

Different Methods of Motivation

Organisations have evolved different techniques of motivating their employees which have been generally classified into financial and non-financial incentives.

An incentive is something that stimulates a person towards some goals. It stimulates human needs and generates the desire to perform. Therefore, an incentive is a method of motivating employees. Incentives are directly linked to increase performance in companies.

Financial Incentives

Financial incentives also known as monetary incentives are needed for meeting the basic needs of the employees. The usual incentives given to employees are discussed below: 1. Pay and

1.Allowances: Pay and allowances include salary and allowances in form of dearness allowance, house rent allowance, etc. Salaries differ from company to company whereas allowances are dependent on various factors like inflation.

2. Bonus: Some organisations have a tendency to distribute bonus to the employees. Minimum bonus limit is 8.33% of salary or wages in India under the Payment of Bonus Act, 1965.

3.Profit Sharing: Under profit sharing scheme, the employees are given a certain share in the profits of the company when the profits increase beyond a given limit. This conduct of the management induces the workers to perform more hard to gain their share of company's profits.

4. Commission: Commission is the variable part of compensation. This is generally given as a percentage of sales to the sales personnel as per their contribution to the sales. The commission rate varies from organisation to organisation.

5. Performance linked incentives: Organisations also provide salary/wages linked incentives where the amount of incentive is associated with the performance of the employee.

6. Stock options: There are many companies which offer this kind of financial incentives. The stock options give employees the right to purchase company's shares at a future date on a predetermined price.

Non-Financial Incentives Financial incentives are linked to money which is meant for meeting basic needs and hence they can motivate the employees to a certain extent. Employees cannot be always be satisfied by financial needs. The management also uses non-financial incentives to motivate the employees. These are explained as follows:

1. Status: Status means rank in the society. It is also applicable in organisational structure whereby the individuals are given designations or positions as per their abilities, skills and experience. This is a way of promotion which provides motivation to the employees.

2. Praise: Praise is more effective than any other incentive. However, this incentive should be used with great care because praising an incompetent worker would create resentment among competent workers.

3. Group Incentives: At times, group incentives act as more effective than individual incentives to motivate the employees. Particularly, when the prestige or even existence of a group is at stake, the group members work with a team spirit. This result in high morale and sequentially, increases in its productivit

4. Participation & Involvement: Involving workers to participate in management gives worker's a psychological satisfaction that their voices are also heard. This imbibes a sense of importance among the workers.

5. Opportunity for Growth: When the employees are provided proper opportunities for growth and career advancement and opportunity to develop their personality, they feel motivated and become more committed to the organizational goals.

6. Suggestion System: Many organizations which use the suggestion system make use of cash awards for useful suggestions. Sometimes, they publish the workers name with his photograph in the company's magazine or newsletter. This motivates the workers to be in search for something which can be of greater use to the organization.

Various theories of motivation have been classified on diverse bases in research.

1. Content Theories Content theories emphasise on the idea that motivation depends upon them individual needs. Need could be defined as a state in person's life that triggers action and activates behaviour. Content theorists have gathered that there is a variation in the individual needs and hence the motivation levels. Maslow's Hierarchy of Needs Need hierarchy model developed by Abraham Maslow is one of the earliest works in the area of motivation. This theory has classified the human needs into five categories. According to him, once a lower level need of an individual is met, he moves towards the next level needs.

Physical or Physiological Needs:

These needs include the basic needs of an individual which include food, air, water and shelter. They are lower-order needs and they need to be met first in order to move an individual for higher level needs.

Safety needs:

After meeting physical needs, an individual is concerned about the safety needs which include staying in a safe and secure environment. At a workplace, the managers ensure meeting of the safety needs by providing job security, medical insurance and safe gadgets and machines for working.

Social or Belongingness Needs:

These needs include the needs for love, affection and interaction with people. These needs are also called affiliation needs. Social needs are essential to humans so that they do not feel isolated and depressed. Social needs are met through friendships, family and intimacy.

Esteem Needs:

These needs include two aspects- self esteem or self respect through personal achievement and social esteem through respect and appreciation from others. Managers should motivate their subordinates by giving those awards and appreciation certificates for their achievements.

Self Actualisation Needs:

It is the pursuit of reaching one's full potential as a person. These needs are not necessarily fully satisfied owing to the exploration of new opportunities by an individual

Herzberg Two-Factor theory

Frederick Herzberg developed motivation-hygiene theory on the basis of studies to understand the factors affecting satisfaction or dissatisfaction in a work environment. These factors have been classified as motivators and hygiene factors respectively.

Hygiene Factors:

These are the basic factors in a job and also known as extrinsic factors. Although, they may not provide positive satisfaction but absence of these factors lead to dissatisfaction. Examples of hygiene factors include status, job security, salary and fringe benefits.

Motivators: These factors are internal to the jobs that provide satisfaction. These are called intrinsic factors. Absence of these factors may not to yield to dissatisfaction but their presence in a job give a sense of satisfaction. Examples of motivators are job challenge, advancement, autonomy, responsibility, etc.

McClelland's Achievement Model

David McClelland advocated a model of motivation classifying the needs classifying as achievement, affiliation and power. He proposed that an individual's behaviour at any time is guided by multiple motives.

But in most situations, one or two motives are dominant and thus motivation varies with variation of needs.

Need for Achievement:

People with a high need for achievement seek to excel and thus tend to prefer moderate risks. They choose those tasks whereby they can take personal responsibility for finding solutions to the problems. Achievers require regular feedback in order to check the progress of their achievements. The management should give high achievers challenging projects with attainable goals.

Need for Affiliation:

Those with a high need for affiliation look out for pleasant relationships with other people and need to feel accepted by other people. Such people are desirous of companionship and helping each other. High affiliation individuals prefer work that provides them with significant personal interaction.

Need for Power:

The need for power is stated by the desire to influence others. People seeking a need for power tend to be outspoken and forceful. They are willing to engage in confrontation.