UNIT 3 MANAGEMENT SYSTEMS AND PROCESSES

Structure

3.0 0BJECTIVES

After reading this Unit you will be able to:

- develop familiarity with various types of systems and processes involved in managing an organisation,
- understand the concept of a system and learn what the management information system is,
- develop an understanding about the necessity of each managerial process and its logical sequencing in relation to the other processes, and
- identify the major elements of each process.

3.1 INTRODUCTION

Having read the first two units, you know the various responsibilities and tasks expected of you as a manager. Now you have to get down to actually performing these tasks and discharging your responsibilities. For this you must understand the various systems and processes involved in managing. It does not matter whether you manage a private company, a public sector company, or even a non-commercial organisation as the essentials of managing remain the same.

In this Unit we begin by introducing the systems concept and see how it can be applied to organisations. We then move to the all important concept of management information systems and examine it in detail. Later on we shall take up for discussion the management processes of planning, controlling, organising, motivating, leading and decision- making.

3.2 THE SYSTEMS CONCEPT

Every practicing manager knows from experience that any actions and decisions taken in any particular area of activity have results which extend well beyond that specific activity. The impact of decisions in some cases affect the whole organisation and even the external environment. When a manager takes a decision he or she never views its impact in isolation but tries to understand and anticipate its repercussions on the entire organisation and the environment. The manager understands that the organisation is a totality of many inter-related and inter-dependent parts, put together for achieving the organisational objectives. This in a nutshell is the very essence of the systems concept.

A system is defined as a sum total of individuals but inter-related parts (sub-systems), which are put together according to a specific scheme or plan, to achieve the pre-stated objectives.

A system has the following components:

1. A number of sub-systems which when put together in a specific manner form a whole system
2. Boundaries within which it exists
3. A specific goal or goals. This goal is expressed in terms of an output which is achieved by receiving input and processing it to form the output.
4. Closer inter-relationship and inter-dependency amongst the various sub-systems

The inter-relationship of the sub-systems can by defined in terms of:

- The **flows** which exist among them, such as flow of information, money, materials, etc. The most important of these is the information flow which we shall discuss in the next section.
- The **structure** within which they relate to each other. This structure may be physical, geographical or organisational and shall be dealt with the in the Section 3.6.
- The **procedures** by which the sub-systems relate to one another. By procedures we mean those planned activities which affect the performance of the entire system. In the context of an organisation, this refers to planning and we shall discuss these under the heading 'planning' in Section 3.4.
- The **feedback and the control process** and mechanisms which exist to ensure that the system is moving towards its desired objectives. In this Unit, we have dealt with this in the Section 3.5 on controlling.

A system can be biological (human body), physical (machine) or social (commercial organisations, voluntary bodies, etc.) Social systems are man-made systems and the **relationships** of the sub-systems are the most critical element. Further, since social systems involve human beings, their beliefs, values, attitudes and perceptions have an important bearing on the working of the system.

A system can be closed or open. A closed system is self-sufficient and self-regulatory and has no interaction with the environment in which it exists (**Figure I**). The feedback from the output triggers off a control mechanism which then regulates the input to bring back the output to the desired level.

An open system is one which interacts with the environment in which it exists. **Figure II** illustrates an open system. All living, biological and social systems are examples of open systems. An organisation is an open system and its sub-systems are its various divisions and departments. But at the same time, it is a sub-system of the environmental system within which it operates. The environment itself consists of social, economic, political and legal sub-systems (see **Figure III**).

The importance of the systems concept to the manager is that it helps to identify the critical sub-systems in the organisation and their inter-relationships with each other and environment.

A system is always seeking an equilibrium state, that is, where all the sub-systems are at the optimum level, in tune with and at rest with each other, and the desired output is being achieved. In an open system, this level of equilibrium is never static but is always dynamic. This is because the environment is never static, it is always changing and since the open system is all the time interacting with environment, what may have been an equilibrium level today will not be so tomorrow. It is the concern of the manager to seek this equilibrium level.

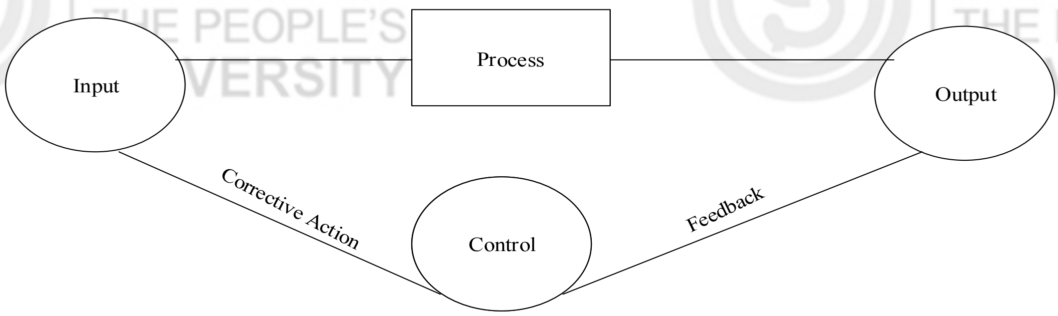

Figure I: A Closed System

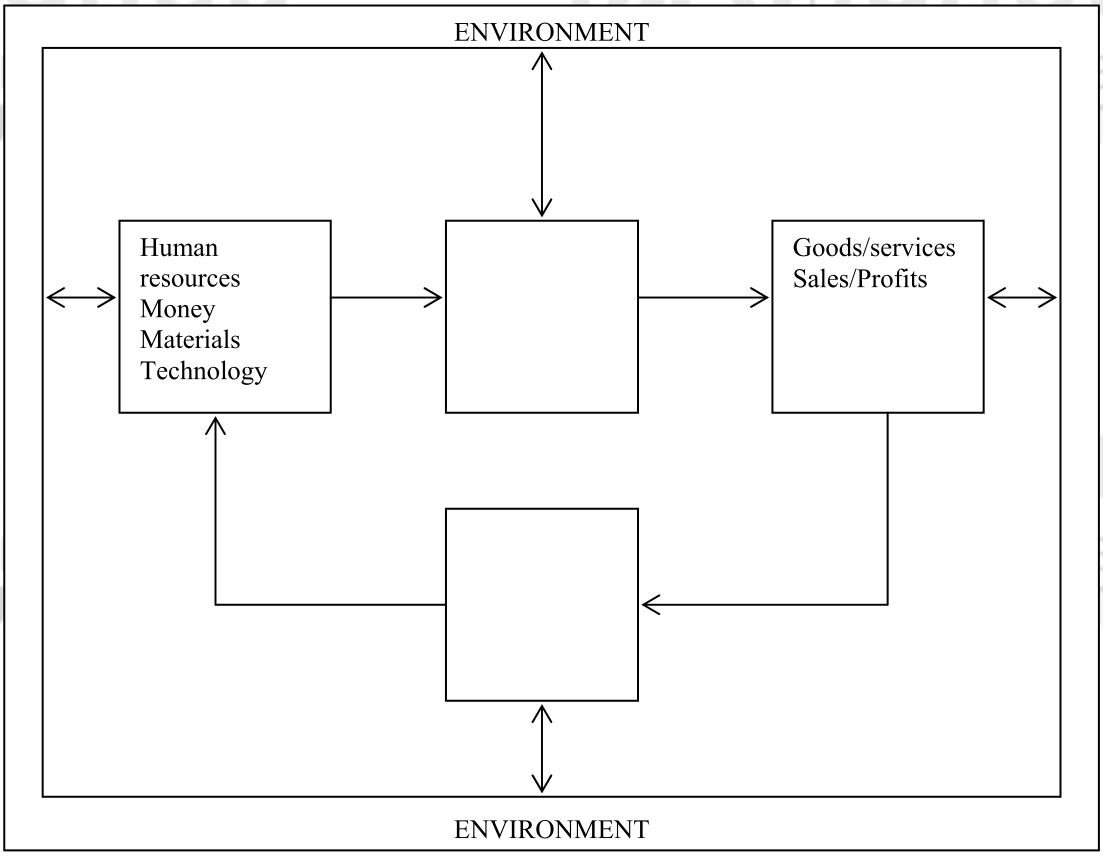

Figure II : An Open System

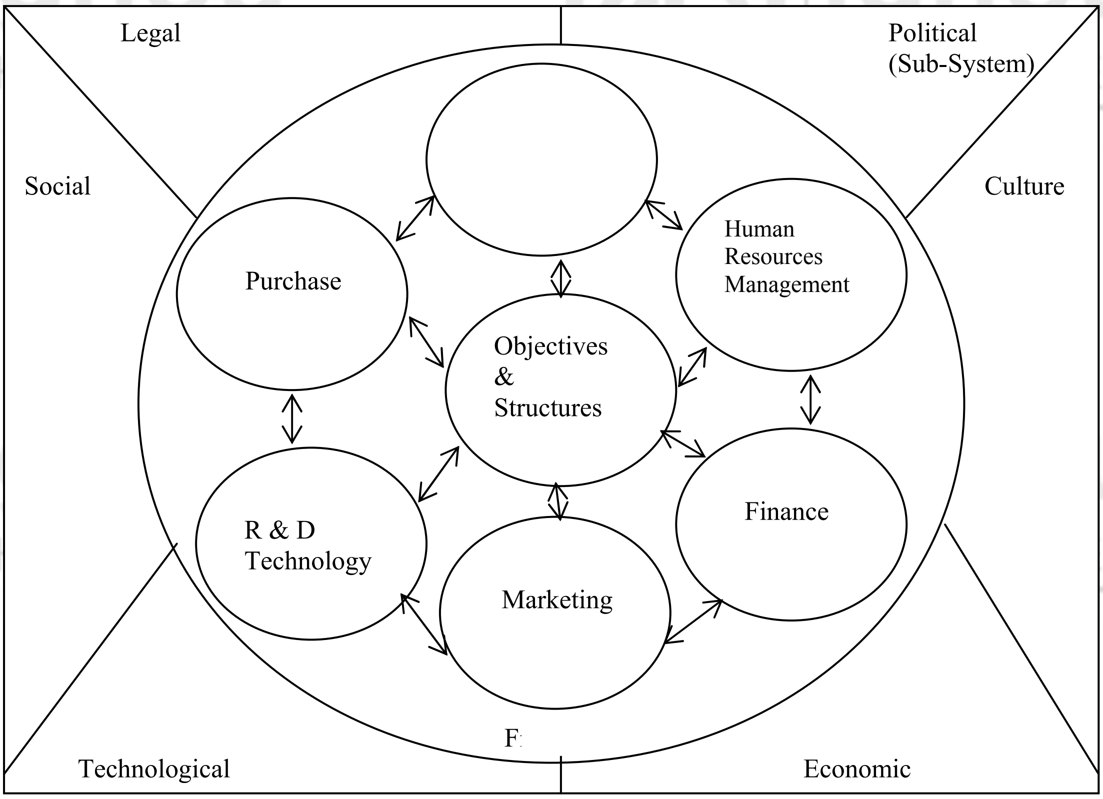

Figure III : A Firm & Its Environment

One of the most important interactions between an organisation and the environment is that of information. A manager who has information about the impending government legislation which will affect his or her organisation can suitably modify the decisions and avoid costly mistakes. Similarly, a manager who is well informed about the employee's activities, expectations, opinions and grievances can take corrective actions much before a crisis develops. We now turn our attention to this information flow and see how best it can be organised from the manager's viewpoint.

3.3 MANAGEMENT INFORMATION SYSTEM

Management Information System (MIS) refers to that system by which information is collected processed and presented to management to help it in making better decisions.

A manager makes decisions all the time and anything that helps improve the decision-making will obviously lead to better results. As we discussed in the previous section, the systems concept implies an input, a process, and an output. In case of MIS, data is the input which is processed to provide output in the form of information reports, summaries, etc. To be really useful the output must aid the manager's decision-making process. If it does not do so, it is not a management information system, but just an information system. An effective MIS should be:

i) **Timely:** A market research report, pointing out the unacceptability of milk sold in plastic containers in retail stores, presented to the manager after he has already launched his product in the market is of little use. Information is useful only when it is within the time limits of the decision.

ii) **Accurate:** If the information presented is inaccurate, the manager who takes a decision based on this will invariably end up making a mistake. However, it is not possible to have hundred per cent accurate information. But the way to overcome this is to indicate the expected range of deviation or the level of inaccuracy. Thus the manager acting on the basis of this information knows the risk he or she is taking.

iii) **Relevant:** Volumes of reports (however excellent they may be) on the export potential of cashewnut to a manufacturer of sports goods are of no value simply because it is outside his or her area of interest and activities. The manager, himself or herself, can make an important contribution in ensuring that the information received is relevant to his decision-making. To do so he or she must provide an answer to the question "What do I need to know?"

A manager's requirement of information depends on the level of management at which one is operating. In any organisation there are three broad levels of management i.e., top, middle and operating management. It is the type of decisions made by one level that distinguishes it from the others.

The top management's concern is the entire organisation or group of organisations. At the top, the manager needs to have information about changes in the environment, which can affect the very survival of the company. The decisions that the top manager makes are oriented towards the future. For example, a decision to diversify into tour packaging is not a decision which a travel agency company will make every now and then, but when it does, it totally changes the future of the company. Top management decisions cannot be taken in a regular, routine manner but only after a great deal of deliberation and consideration and are known as non-programmable decisions.

The manager at the middle level is mostly concerned with acquiring and controlling the necessary resources to implement the objectives laid down by the top management. The middle level managers are concerned with decisions which are important both in the present and future context. However, the future horizon of the operating manager decision is much shorter than that of the top management. The middle level manager is concerned with managing his or her own department, or activity rather than the entire organisation. Information needed by the middle manager relates to utilisation of resources and measurement of performance.

Managers responsible for production scheduling or customer service, who perform specific tasks, within well-defined rules and procedures, are referred to as operating managers. The decisions these managers need to make are of a routine nature and are encountered almost every day. Since the situations are repetitive, it is easy to specify how the decisions are to be made. Such decisions are known as programmable decisions. A storekeeper who orders for a new lot of packing cartons when the stock in the store is down to just the next two days supply is an example of a programmable decision.

While designing the MIS, the different types of information required by different managers must be kept in mind. The manager at the top needs more information about the environment. Regarding the internal operations of the company, the top manager is only concerned with the results as reflected in profits, sales volume, turnover, etc. Moreover, these results should be presented in a summary rather than detailed format. The middle level manager is interested in finding out why the results were not as per the expected plan, knowing about the deviations of the critical variables and taking corrective action. The operating manager's concern is with details, like the number of hours each machine operated, number of units produced per hour, etc. Most of the internal organisational information is generated at this level but as it moves upward it is reduced to a summary highlighting only the critical performance variables.

We have so far defined what we mean by the terms system and management, but have yet to talk about information. Let us understand this with the help of an illustration. A market research team interested in finding out the daily occupancy rate among star category hotels in Delhi notes down the number of rooms occupied in each star category hotel. The number of rooms sold by Ashoka Hotel on 18th September 1999, is a piece of data. In a similar manner, data on sales made by each hotel in the city is collected. All this data when put together is information. Data by itself does not convey much meaning. However, when all the data is put together we know 20 hotels in Delhi account for a sale of 1224 rooms. This constitutes a meaningful piece of information. To make it more meaningful, we may further classify the outlets by the name of hotel (Taj, Maurya, etc.) geographical location or volume of sale. From this same data we may generate a daily room requirement in Delhi.

Thus, we see that only when data is put together in a meaningful form does it constitute information. Further, the same data can be used for generating multiple reports for use by different individuals and departments.

In designing an effective MIS, the manager must understand the nature and flow of information. Information regarding government policy, legislation, competition, etc. is generated in the environment but is collected and used within the organisation. Similarly, the firm or an organisation may send out information to the environment in the form of annual reports, company balance sheets, press-releases. Besides this, the company managers and employees are also information carriers. Within an organisation, information may flow from operating level towards top management level (bottom to top) and from top to bottom. Reports, summaries and feedback about impact of decisions flow from bottom to top and decisions, instructions flow from top to bottom. Information also flows sideways from one manager to another at the same managerial level.

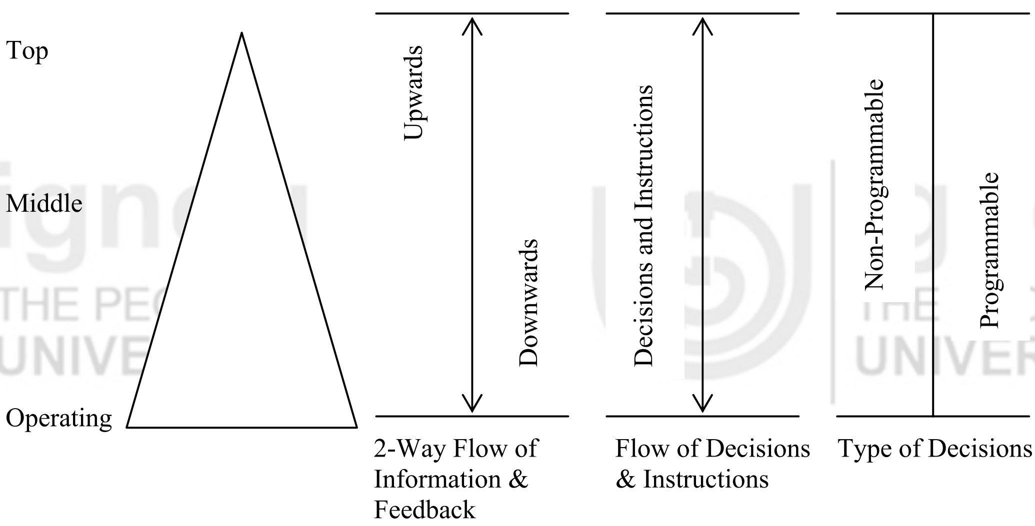

Figure IV : Levels of Management and MIS

Ideally a manager would like to collect information on all possible aspects of a situation before making a decision but that is not always possible due to constraints of time and money. The costs which act as a constraint on MIS are the costs involved in data collection, data processing and data access.

Data may be easily available within the organisation but still there is a definite cost involved in collecting it.

Suppose as a manager of a tourist transport firm you want to gather information about the experiences of all the 150 drivers in your organisation to determine how many of them faced problems in relation to their vehicle permits while operating on different routes. You may either depute a man to personally go to each employee and note down the data or you may circulate a small cyclostyled note to the drivers asking them to furnish the relevant data. Anyway you decide to do it, a cost is involved (cost in terms of mandays of the person collecting the data or the 150 cyclostyled slips of paper). Having collected all the data, someone will have to sit down and put it in a particular format (process it) so that it constitutes meaningful information which will serve your purpose. Again an element of cost is involved.

Having determined that only 30 drivers faced problems, the immediate use of the information is over. You can throw away the remaining information or if you think you may need it again next month for comparative purpose it would be wiser to store the information. The peon simply puts all the papers in a file and locks it in the filling shelf. Next month when you need the information, somebody will have to search for that particular file and make it available to you (make it accessible). Time is needed to access the information. Thus every step involves time and money.

With the advent of computers the tasks of processing and storing data have become easier, and the amount of data that can be processed and stored has increased a thousand fold. Buying, maintaining and operating a computer also involves cost. The manager has to determine whether the costs incurred in collecting, processing and accessing data are commensurate with the improvement it yields to his or her decision-making.

Check Your Progress-1

1) What is a system ? What are the different kinds of system?

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2) What do you understand by MIS?

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3) What factors should be kept in mind while designing an effective MIS?

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3.4 PLANNING

We now turn to the management processes of planning, controlling, organising and leading. A particular manager may be more concerned with say, controlling and organising, while another may be more concerned with planning. The degree of involvement with each of these processes may vary from manager to manager, but essentially all managers have to be concerned with these processes.

We shall first take up the planning process because only when there is planning can the other processes follow in logical sequence.

Planning is most basic and pervasive process involved in managing. **It means deciding in advance what actions to take and when and how to take them.**

Planning is needed, firstly for **committing and allocating** the organisation's limited resources towards achieving its objectives in the best possible manner and, secondly for **anticipating the future opportunities and problems.**

Planning is putting down in black and white the actions which a manager intends to take. Each manager is involved in planning though the scope and character may vary with the level of the manager. At the top, the managing director is involved in planning for the company's diversification over the next five years. The middle level marketing manager undertakes planning to increase the sale of products. The field sales supervisor plans the day's activities of his or her team of sales officers.

Planning implies:

i) **Making choices:** There can be any number of diversification opportunities to choose from. It is up to the management to choose the alternative which offers maximum potential for growth and profitability.

ii) **Committing resources:** A marketing manager who increases the amount earmarked for television promotion, and adds four more salesmen in each territory with the objective of achieving higher sales, is committing scarce resources (money, people, etc.) which then are not available for any other use.

iii) **A time horizon:** Planning always refers to a specific time limit within which it must be completed. The field supervisor plans movements of each of the salesgirls on a daily basis. The marketing manager plans promotion effort for the next three months, six month or twelve months. The top management may have a time perspective which may extend anywhere between 5 and 15 years.

Irrespective of the activity or level at which plans may be drawn, the critical factors is that they **focus on objectives** and are directed towards their achievement. They serve to channelise the energies of the company in the desired direction. The future is always uncertain and therefore risky. Stepping out of home on a cloudy day with an umbrella in hand is the way I cover my risk (of getting wet) against the anticipated but uncertain future rain. It may or may not rain but I am prepared. The umbrella is representative of the plan which a company draws up in **anticipation and preparation of the future opportunities and problems.** Planning implies not simply reacting to events but anticipating and preparing for them.

Planning ensures the **most efficient use of scarce resources.** Planning implies coordinated, inter-related effort towards achievement of the common objective rather than uncoordinated haphazard, arbitrary, overlapping action towards individual objectives. Joint, or coordinated effort implies pooling of resources and their optimum allocation without any wastage.

Planning is the only way by which an organisation can **exercise control** to check that it is on the desired course of action. Only when there are objectives to work for, and plans to achieve these objectives, can the manager exercise control to measure the performance of the organisation, department or subordinates. An organisation without plans and controls is like a raft marooned on high seas with no maps and compass to show the direction and no steering to maneuvre with. Planning is needed at every level of management and in every activity and department of the company. Annual sales targets, cash-flow statements, budgets of each branch, individual career development blueprint, assembly line operations, scheduling of production over a number of machines in the factory are examples of plans.

To ensure that a plan is effective and succeeds in achieving its objectives, it must have the following components:

- **Planning must start from the top.** Objectives for the entire company are defined by the top management and then they percolate down throughout the organisation. Thus, logically, planning too must start at the top. For instance one of the objectives of the top management of India Tours (a tour operator company) is to increase the sale of its package tours from 500 in 1998-99 to 750 in 1999-2000. The marketing director accordingly draws up a plan for increasing sales in existing markets and the new markets to be penetrated. From this overall plan, each area marketing manager will make his or her own annual, quarterly and monthly plans. And in turn each area sales supervisor will draw the plan for the entire sales team.

- **Planning must be flexible.** Planning is needed to anticipate and prepare for the unknown events of the future. To the extent that the future is uncertain and events may or may not occur, planning must be flexible. Flexibility implies ability to keep moving towards objectives despite unexpected occurrences. Flexibility is especially needed when there is high degree of uncertainty and risk, the lead time involved in implementing the plan is long, and cost of making mistakes is high.

- In the short-run, careful detailed planning without allowing for much flexibility will improve operational efficiency. But undue emphasis on inflexibility or rigidity may do more harm than good. Every manager has to find his or her own level of balance in allowing for flexibility.

  Short-term planning must be integrated with long range planning. The long range plans, must be broken down into short-term plans on the basis of which the managers can take action. There can always be a difference of opinion on what constitutes the long and short-term. Some define five years as the long-term and anything up to one year as the short-term. In reality the definition will vary according to the nature and scope of organisational activity for which planning is being undertaken. However, you may define the long and short-term, the point to remember is that the short-term plans must be derived from, and contribute to the long term plans.

- **Plans are good only if they are properly implemented by the people down the line.** An effective way to ensure this is to involve the people responsible for implementation in the entire process of planning.

However, despite all the above precautions, plans sometimes fail because of environmental and internal limitations. Government policies, regulations, laws, statutory obligations, and rapid social and technological changes pose external limitations on the company's planning effort. Within the company, cumbersome procedures, capital inflexibilities in terms of investments already made, inadequate or inaccurate information are the possible barriers which a company may face.

3.5 CONTROLLING

Planning and controlling go hand in hand. There can be no control without a plan and plans cannot be successfully implemented in the absence of controls. Controls provide means of checking the progress of the plans and correcting any deviations that may occur along the way.

As each worker enters the factory premises in the morning, his or her time of arrival is electronically (or manually) punched on his or her card and every evening the departure time is similarly recorded. This simple control process is effective in checking the time spent by each worker in the factory and at the end of the month for calculating his or her wages and overtime. The mere act of recording makes each worker conscious of late arrival and acts as a self-check on his or her timing. In contrast to this simple control, the annual budget for the subsidiary of a multi-location company requires a far more sophisticated process for controlling its many diverse activities.

The type of control required will vary according to the factors that are to be controlled, and the critical importance of the factors to the organisation's success. The more critical the factor the more complex is the control mechanism needed to check its progress. Finance is a very critical area of management and most companies devise elaborate and sophisticated financial controls.

A control is meaningful only when there is clear cut responsibility for activities and results. It is meaningless to have a control process which simply points out deviations but cannot pinpoint the area in which they occurred and who is responsible for taking the corrective measures.

Controls may be used to measure physical quantities (such as volume of output, number of man hours, number of units of raw material consumed per machine, etc.), monetary results (value of sale, capital expenditure, return on investment, earnings per share, etc.) or to evaluate intangibles such as employees loyalty, morale, and commitment to work. Obviously, the third kind of controls are the most difficult to design and implement. No quantitative measure can be used, but only a qualitative, descriptive evaluation is possible.

There are three basic steps involved in designing a control process :

i) **Establishment of standards:** Controls are established on the basis of plans and so the first step is to have clear plans which in turn become the standards for controlling. The sales forecast plan which sets sales targets itself becomes the standard against which actual sale is measured. However, an effective control process focuses only on the critical variables rather than controlling all the variables. It also indicates the permissible range of deviation from the expected target. Only when the actual performance is outside this range, does it become a matter of concern for the manager to find out why this has happened and take corrective action. Similarly, the marketing manager at the head office is interested in the sales figures achieved by each branch and not in the performance of individual salesperson.

ii) **Measurement of performance:** Having set standards it is necessary to devise a system for measuring the performance of individuals, departments or the company against these standards. In some cases quantitative goals can be set, such as number of units to be sold by each salesperson., number of units to be produced per machine, or the profit to be generated by each branch office. However, evaluating performance in case of managers at the top level or those operating in areas such as personnel, public relations, and administration is far more difficult. The work output cannot be translated into quantifiable terms. Only a qualitative appraisal is possible.

iii) **Correcting deviations:** The ultimate objective of the control process is to pinpoint the occurrence outside the permissible range of action to allow management to take corrective action. For example the maximum number of rejects per machine per day is fixed. When the number of rejects increases beyond this acceptable level, it is time for the production supervisor to investigate and take suitable steps to correct the situation.

The successful control process hinges on the all important concept of feedback. This refers to the information on the critical control variable of the operation or activity which, when fed back to the manager, triggers off corrective action.

Except in a self-regulated, closed mechanical system where the corrective action is taken instantaneously and automatically, most activities within an organisation require human intervention. The finance manager must find out why profits have fallen below the established level and take suitable steps to remedy this. In some cases, only a minor corrective action is needed. But sometimes the situation requires drastic action., even scrapping a department or a service whose operation has become totally unprofitable.

Within the organisation, feedback usually implies a lag between the time when the event actually occurs and the time by which information about the event reaches the concerned manager. Sales figures for the preceding months may not be available to the manager before the 7th of the current month. The manager can only take note of what happened in the past and take measures to prevent its occurrence in the future. Too long a time lag prevents any meaningful control or corrective action. To overcome this problem of time lag, most companies generate daily reports of critical variables which provide early warning signals to the manager. But even daily reports may reach two days later when they have to travel a long distance from say Guwahati to Delhi. With the introduction of computers and real time information systems (instantaneous transmission of information) this problem can largely be overcome.

All control processes should reflect the plans that they are supposed to follow. However, to be truly effective the controls must highlight the critical variables in an objective manner, and be worth their cost in installing and operating.

Budget is a traditional and widely used control process. Apart from this a company may use historical statistical data, or break-even analysis to control its operations. By the use of mathematics, many sophisticated control techniques are also possible. These pertain to implementing control for inventory management, distribution logistics and project or programme management. Some of these such as Programme Evaluation and Review Technique (PERT), Critical Path Method (CPM) will be dealt with in detail in the subsequent Units.

3.6 ORGANISING

Organising refers to the formal grouping of people and activities to facilitate achievement of the firm's objectives. Issues for discussion here are the types of organisation structure, degree of centralisation, levels of management, span of control, delegation of authority, unity of command, line and staff relationship, and staffing.

Structure refers to the specific manner in which people are grouped. An organization can group its people on the basis of the various functions (such as production, personnel, finance, marketing), geographical territories or around specific products or product lines (such as ticketing, tours, facilitation etc in the case of a travel agency). The concept of matrix organisation is a recent evolution and combines the functional and product organisation. This type of organisation is especially useful in case of projects which require both specialists as well as functional experts to execute a project within a specified time frame. Another type of organisation is by the type of customers served. For example, a hotel has organised its sales department in two groups. One group sells to institutions such as offices, banks, tour operators etc., while the other group sells to individuals. Many travels agencies have organised separate marketing teams to cater to the private sector and the public sector because of the different culture prevailing in them.

Centralisation refers to the point or level where all decision-making authority is concentrated. One-man enterprises, such as a small bread and butter stores, vegetable vendor, a self-employed car mechanic are examples of complete centralisation. As the enterprise grows, it becomes increasingly difficult for one person to manage alone and he or she has to necessarily line up other people and give them authority to take some decisions. These decisions may be routine, programmable decisions but complete centralisation is no longer possible. The decision-making authority is now vested in more than one individual. This is decentralisation.

You require information to make a decision. It is possible that information may be generated at one place but the decision is taken at another. A Bombay based company involved in making and selling ball bearings has its manufacturing facility at Pune. Every evening all information regarding the day's production, machine down time, inventory position is sent to the head office via the linked computer facility and all decisions regarding change in production scheduling are made at the head office. The introduction of real time information with the help of computers enables information generated at one place to be instantaneously transmitted thousands of miles away for making a decision. However, the real criterion for an organisation having a centralised or decentralised structure is a reflection of the top management's thinking and philosophy.

Closely related to the concept of centralisation are the concepts of levels of management and span of control. **Levels of management refers to the number of hierarchical levels under the control of a particular manager.** Machine operator, foreman, floor manager and production manager represent the levels of management in a typical production department under the director. The machine operators report to the foreman, the foreman report to the floor manager who in turn reports to the production manager who is accountable to the director. The number of machine operators who directly report to the foreman represents his span of control. There is a great deal of controversy regarding the ideal number of people that a manager can effectively control or the ideal span of control. Many management thinkers are of the view that three to seven is the ideal range. In practice, this may actually vary from one individual manager to another.

At each level of management, there is a reporting relationship between the manager and the workers. The fewer the number of people that a worker has to report to, the less will be the problem of conflict in instructions, and greater the feeling of responsibility for results. Similarly, the clearer the line of authority from the manager to the workers, the better the decision-making and communication.

The staff functionary reports directly to the top management and is not a part of the chain of command.

A company may draw up any number of ambitious plans, but if it does not have the right kind of people, it can never succeed in implementing these plans. One of the biggest challenges which a manager faces is matching the right people with the right jobs. The process of staffing starts with defining the job to be done and the necessary qualifications, skills and experience required to do it. The next step is to search for the persons with the desired background. The search may involve a number of complex steps such as advertising the job through newspapers and specialised magazines, screening the applications received in response to the advertisement, conducting a selection process which may include a variety of techniques such as written test, group discussion, personal interview, etc. Before making the final selection, it is important to be sure that the candidate fits in well with the other people and the culture of the organisation.

Having found the right candidate, it is equally important that you are able to retain him or her . Among other things, motivation and leadership provided by the top management of the organisation also plays an important role.

3.7 MOTIVATING AND LEADING

Having established plans, controls, and an appropriate structure to achieve the organisational objectives, the manager now has to get people to work. Motivation is that desire or feeling within an individual which prompts him or her to action. Every individual has needs, desires and drives, which we collectively call motives and which channelise all his or her behaviour and action towards achievement of some objectives. The manager's role is to influence each individual's behaviour and action towards achievement of common organisational objectives.

A great deal of research has been conducted in this area and there are many theories of motivation. It is not possible to explain all these theories here and we shall briefly explain the various factors that can act as motivation.

Money, is the most commonly used motivating factor in the form of salary, bonus, incentives, commissions and rewards. Salary or wage is of course the primary motivation, and the poorer the economic background of an individual the greater the motivational value of money. However, once a basic salary or wage is assured, to motivate people to work that little bit extra, achieve that ten per cent higher sales figure, incentives and commissions come in handy. Most sales organisations pay salary plus incentives to their sales people. The incentives may be calculated on the basis of individual or team results, and may be linked to a sales target. Similar incentives can be offered to the production department. However, performance linked rewards are difficult to compute in areas such as finance, personnel, and administration where work output cannot be easily measured. A percentage of total profits can be distributed to these departments as incentive.

Humans do not live by bread alone is an old saying. Man is a social animal and seeks recognition and status in society through his work. The status or position which an individual enjoys in the organisation, the number of people who work for him, the non-monetary benefits and perks which he enjoys are important motivational factors. In fact sometimes these are more important than the actual take-home pay packet.

Gupta started his career as a salesman in a medium sized company manufacturing and marketing stereo systems. Because of his analytical ability, capacity to work hard and achieve results, Gupta soon rose to be the area sales manager of North India. The owner of the company relied a great deal on Gupta's judgement and always consulted him on every important matter. Gupta was making good money performing well and enjoyed the great confidence of the great confidence of the owner, yet he felt that there was no power or position in his job which could give him a better status in society. Therefore, when the opportunity arose, Gupta joined an American Multinational as Divisional Manager, selling scientific laboratory glassware. It was the glamour, the power, and the status which the job conferred on him that motivated Gupta to join. However, two years with the multinational were enough for Gupta to realise that he had no authority to take any independent decisions and he was not deriving any satisfaction from his job. Gupta quit his job and went back to his previous employer. Thus satisfaction at work is an important motivating factor.

The lesson from Gupta's story is that the same individual will be motivated by different factors at different stages of his or her career. Generally as you move up the organisation to more important positions, the importance of money and monetary benefits as motivating factors decreases and intangible factors such as job satisfaction, confidence of the boss, good relationship with the boss, the status and respect commanded in the organisation, etc. become more important.

The physical working environment in which a person works also has tremendous motivational force. A pleasant, noise-free, well-lit room comfortable temperature, and proper facilities of telecommunication, secretarial assistance, canteen, transport, etc. are always conducive to work.

Different individual are motivated by different factors. This is because each individual in the organisation comes from a different socio-economic, cultural, religious, educational and family background, and each of these has a role in determining the degree to which he or she can be motivated by different factors.

In many developed countries, a great deal of emphasis is laid on leisure and individuals may be motivated to take up that job which affords greatest opportunity for leisure. Similarly cultural background and personal values are important influences on the effectiveness of motivating factors.

The manager's concern is to find a set of common factors which can motivate all the people coming from diverse and different backgrounds and working at different levels of management. The manager's task will be greatly simplified when he or she understands that motivational factors are present in, and can be used, in design of work, **rewards,** work **environment,** work **relationships** and work **content.** All monetary benefits and non-monetary advantages such as free medical cover, company car and driver, club membership, etc. are part of the work reward and are important motivators.

Work environment as a motivating factor, first and foremost, refers to the status of the organisation for which a person works and the mere fact of working in that organisation gives him or her that status. If a University has the reputation of being amongst the best in the world then anyone who has graduated from there is generally perceived to be at least above average, if not excellent. The actual physical factors present in the work environment also act as motivators.

Relationships developed at work, with the boss, colleagues and subordinate have an important motivating influence. The more congenial, friendly and supportive are these relationship, the greater their positive motivational value. In contrast, strained relationships which create tension and unhappiness are serious enough reasons for people to leave jobs which in all other respects seem very comfortable and attractive.

The design and content of the actual work to be done is in itself an important motivational factor. An element of freedom to experiment with new ideas within the parameters of the job fulfils the creative urge in every individual. Freedom to take decisions and assume responsibility for the results are factors which enhance an individual's self-confidence and feeling of self-esteem. The more such factors can be built into the job, the greater would be the job satisfaction of the individual performing the job. A happy, satisfied worker is a productive worker and a great asset to any organisation. If an individual is himself or herself associated with designing the content and objectives of the job, there are greater chances that he or she will work utmost to fulfil these objectives. This is the approach known as **Management by Objective (MBO)** and has tremendous motivational potential.

The manager has not only to motivate his or her people but also provide them with leadership. To that extent every manager is a leader. A manager has to **inspire** and **influence** subordinates to willingly work towards achieving the organisational objectives.

Much research has been conducted in this field and different studies have emphasised different aspects in attempting to answer the question 'What makes an effective leader' ? When put in a situation of leading, you must remember that it is a role you are performing, and that your personality has an important influence on your performance as does the situation in which you are expected to perform.

To be an effective leader, a manager must have a pleasing physical personality, ability to get along with people, qualities of honesty and integrity and be an excellent speaker. To command respect of others, the manager must excel at his or her basic job whether it is operating a machine or managing the finances of a large company. The leader must first set an example by his or her own actions rather than by just making speeches. The actions must communicate to the people that the manager belongs to them. Only when one is able to generate this feeling of oneness will he or she be able to inspire confidence in the people.

Secondly, a manager must remember that he or she is only playing a role. However, to be able to perform effectively, the role demands that the manager be perfectly objective in all his or her judgements and decisions, and be guided only by the organisational objectives and have no other considerations. For a

leader the interests of his or her people are of paramount importance and come first while personal benefits take second place.

Thirdly, the role must be moulded according to the unique situation in which the manager is placed. In our society, great emphasis is laid on personal relationships and contacts and managers are perceived to be father figures and are expected to have a paternalistic attitude towards their workers. In contrast, in the West and especially in countries with a British colonial past, the relationships between manager and worker is only confined to the work. There, if a manager were to adopt a paternalistic approach, he or she would be totally ineffective. At the same time a manager who usually follows a consultative, participative approach, seeking the opinions and consensus of subordinates before implementing any decision, in a crisis situation may adopt a very authoritarian approach and effectively manage the situation.

3.8 DECISION-MAKING

Underlying the processes of planning, controlling, organising, leading and motivating is the all important process of decision-making. Every manager makes decisions, no matter what the area of management responsibility may be. **Decision-making implies making a choice between alternatives**. The choice is made rationally after due consideration of all the pros and cons. The rational approach implies that it is a carefully thought out, deliberate and well-weighed choice, guided only by the consideration of the organisational objectives to be achieved.

In making a decision, the manager first of all defines the issue on which the decision needs to be made. Then all the possible alternatives available to tackle the issue at hand should be generated.. The third step involves a careful evaluation of each alternative to choose one which offers the best chance of achieving the objectives. Making a choice is making the decision. Follow up of the decision to ensure that it is properly carried out is very important. A decision which does not get implemented remains a decision only on paper and not in reality. The final step is to gather feedback on the impact generated by the decision. Decision-making is also important because it implies commitment of resources, the desired outcome of which is never certain. Decisions are made under conditions of uncertainty and risk. Decisions made today have implications reaching into the future. The risk arises out of the fact that the manager never has complete facts and knowledge about the implications of his or her decision and there is always the chance that wrong decisions may be taken.

Many mathematical tools and theories have been developed to improve the quality of decisions which managers have to make under risky and uncertain conditions. Linear programming, queuing theory, probability and game theory, risk analysis, and decision trees are some of these tools. These will be discussed at length at a later stage.

Check Your Progress-2

1) What do you understand by planning ?

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2) Mention the basic steps involved in designing a control process.

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3) Mention some motivating factors for the employees.

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3.9 LET US SUM UP

In this Unit we introduced the systems concept. This is a useful concept for understanding the operations of a firm by identifying the critical sub-systems, their inter-linkages and inter-dependence in the achievement of a common goal or sets of goals. There can be a number of sub-systems within the system of a firm and the most important of these is the Management Information System. The objective of a MIS is to improve the quality of decision-making by providing the relevant information at the right time. The starting point for designing an effective MIS is spelling out the objectives of the MIS, understanding the various kinds of decisions to be made at each level and the nature of information flows.

The basic processes common to every management situation are those of planning, controlling, organising, motivating and leading, and decision-making. Planning helps the manager allocate the scarce resources in the most efficient manner to achieve the organisational objectives. Controlling is the process by which the manager checks the implementation of the plans against certain pre-determined measures of performance. Organising refers to the formal grouping of people and activities for doing work. Leading and motivating are the behavioural aspects of the manager's role. The manager is expected to provide leadership by way of personal example and inspire confidence, and bring into play all those factors by which he or she can persuade, convince and motivate the subordinates to turn in their best performance. Pervading all these management processes is the process of decision-making. Every manager has to make decisions. Decision-making implies making a choice, and because there is never complete information and certainty, there is always a risk that the choice made may be wrong. It is the task of the manager to minimise this risk.

3.10 KEY WORDS

Break-even Analysis : Comparison between sales and expenses to determine that volume of production where there is no profit and no loss.

Budget : Statement of plans expressed in quantitative and financial terms for the allocation and use of resources.

Environment : The universe in which the firm operates is known as its environment and includes all those economic, political, socio-cultural, legal, demographic and other factors which have a critical bearing on its operations.

3.11 CLUES TO ANSWERS

Check Your Progress-1

1) Read Sec. 3.2 and mention about open and closed systems.
2) See the first paragraph of Sec. 3.3.
3) Timeliness, accuracy, relevance, types of information required, etc. Sec. 3.3.

Check Your Progress-2

1) Base your answer on Sec. 3.4.
2) Establishing standards, measuring performance, correcting deviations, etc. See Sec. 3.5.
3) Read Sec. 3.7.