

# JOURNAL OF DEVELOPMENT ADMINISTRATION

SPECIAL ISSUE, November, 1973

## MANAGEMENT FOR DEVELOPMENT

This SPECIAL ISSUE is devoted to a single theme "Management for Development" and covers a series of radio talks, given by the Director and Faculty of the Academy of Administrative Studies, broadcast through the Sri Lanka Broadcasting Corporation

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(Published Semi-Annually by the Academy of Administrative Studies  
28/10, Longdon Place, Colombo 7)

2—A 02360—1,511 (10/73)



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The opinions expressed in this Journal are those of the individual authors and not necessarily those of the Academy of Administrative Studies or the Institutions for which they work.



## EDITORIAL

R. G. GOMEZ

Management educators all over the world have noted from time to time that, while every one accepts that a physician should have attended medical school, a pianist should have been trained to play a piano or a barber to have learnt the tonsorial arts, it has been tacitly accepted that a manager could manage without any management training. Perhaps he could learn the art and the science of management by sheer experience, usually at high cost to others, but it is now recognised that a professional manager could and should have learnt his work in the same way that the physician or pianist or barber is accepted to have learnt his job.

It is in recognition of this changing trend of thinking that the Sri Lanka Academy of Administrative Studies and related institutions have been set up. Naturally, under the influence of such organisations, the old attitudes to management are fast changing. But the institutions themselves often find it difficult to carry their messages to a larger audience without assistance from the mass media networks.

It is in this context that the Sri Lanka Academy of Administrative Studies and the Sri Lanka Broadcasting Corporation have co-operated in a series of talks over the network of the S.L.B.C. dealing with various topics in management which it is hoped have been of general interest to a wide audience.

This special issue of the Journal of Development Administration contains the talks given over the S.L.B.C. While they cover a wide area, it is not pretended that the coverage is comprehensive. But if the publication of these talks assists state officers and others to achieve some degree of familiarity with the concepts mentioned and their application, the purpose for which they were given would be satisfied and both the S.L.B.C. and the Academy of Administrative Studies would have reason to be glad.

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# Management for Development in Sri Lanka

E. J. DE SILVA

MANAGEMENT is an important element of all purposeful social activity—whether the task be the construction of an irrigation tank, the operation of a factory, the running of a shop or maintaining an office. In any of these activities, it may be seen that management is concerned with the conversion of different types of resources through the use of human effort into products and services. Viewed in another way, management is a process whereby unrelated resources are integrated through organizations for the accomplishment of objectives. It is a way of obtaining results by “making things happen”.

We could appreciate the functional role of Management by comparing two organizations which perform similar activities and possess the same amount of material, financial and human resources. The difference in their efficiency of operations and effectiveness in achieving objectives would be largely determined by the manner in which their resources are integrated and used by them. Mere availability of resources by itself would not ensure the achievement of organizational results. It is the manner of the use of resources—or what may be called the managerial process—which makes the significant difference.

Management was referred to as an important element of all purposeful social activity. Even plentiful resources have to be managed if objectives are to be achieved. When, however, resources become less abundant or scarce the tasks of management become all the more important and exacting. That is why in a less developed country like Sri Lanka, Management assumes such crucial importance.

Let us for a moment look at the problems of development in our country. On the one hand there is the problem of raising the Gross Domestic Product of the country sufficiently fast so that with present rates of population growth it is possible to obtain an adequate improvement in the living standard of the people. On the other hand there is the problem of generating sufficient employment to meet the backlog of existing unemployment as well as the increment to the labour force. On one side we are plagued by difficulties arising out of the scarcity of resources such as capital and foreign exchange, which are of such central importance to the expansion of the productive base of the economy. On the other side we are beset with difficulties arising out of the severe restriction of opportunities for our most plentiful resources namely labour. There are also the complex problems arising out of low productivity whatever the resource may be. All these problems raise important challenges to Management.

A more efficient use of capital, for instance, requires more efficient management systems and processes. Substantial increases in planned output of the agricultural and industrial sectors would similarly need to be based on increased managerial capabilities in these sectors. Increasing export incomes would in turn require effective managerial

**action** for reaching the cost and quality levels necessary to make our products more competitive in world markets. An increase in savings without which the resources necessary for rapid economic growth cannot be found, is directly linked with more efficient managerial practices with productivity as the key word.

There is another dimension to the problem of management for development which must be referred to. This would have been to some extent implicit in the comments already made. This factor arises from the fact that development is a much wider concept than economic growth. Development means growth plus something else. If it meant only growth it could have been understood in the relatively simple terms of increasing output, raising the gross domestic product and raising per capita incomes. Development however means growth plus change. In countries like Sri Lanka this involves a qualitative change in the conditions of life of the people and in the entire social framework. This naturally makes the tasks of management much more difficult and complex. There is no need to over-emphasize the difference between the management of a business firm for profit and for instance the management of a programme for agrarian reform.

It would thus be clear that management is a crucial consideration for development. It should be equally clear that management capability itself should be developed if our development objectives are to be realised. There has been a tendency for development plans in less-developed countries to take management capability for granted. Such an approach lacks realism as inadequate management capability is part of the problem of underdevelopment. A development plan which does not take this factor into consideration cannot expect to achieve any degree of success. The close linkages that exist between management and development have to be recognised and a plan for the development of management has to be evolved as part of an overall development plan.

Our next task is to locate the main work areas within management that needs to be improved for the task of development. Though managerial roles and work specialities would differ with different types of activities and organizations, some general considerations in the task of improving management for development could be highlighted.

Firstly, approaches to Development Administration need to be increasingly applied in the Management of Development Programmes. Currently there are two schools of thought regarding approaches to Development Administration. One is the Administrative systems approach. Its emphasis is on increasing rationality and economy in achieving public goals. It seeks to do so with a balanced administrative growth strategy. This is by generating extensive and complementary centres of productive rationality. Examples are personnel systems, budgetary and fiscal procedures, planning processes etc. which need to be simultaneously developed. The second strategy advocated by this school is the selective development of key institutions and processes. The second school of development administration adopts the social systems approach. This approach looks to the inter-relationship of factors in the social system to find the source of higher productivity. Reforms in the social, economic, and political sub-systems having linkages with the administrative sub-system are considered to be equally necessary in the development of public administration. Using either of these approaches, change in the administrative system and its processes could be increasingly aligned with the developmental

processes of policy making, plan formulation, programme and project implementation, integrated administrative control systems and the progress review and feedback needed for continued effectiveness in administrative action for development.

Next there is the need for programmes in organization development. Such programmes in all production sectors of our economy need to take into consideration policies and structures ; work systems and procedures ; group inter-actions ; and environmental linkages and transactions. Organizations for this purpose, need to be seen as open social systems inter-acting with their task and contextual environments in society. Developing organizations would also involve programmes for innovation, renewal and change. This is in order that each agency could meet the challenges of its internal and external problems within the environment of the country today. The work of different organizations also has to be related and integrated within the requirements of sector programmes and the total plan of social and economic development.

Organization development would in turn require the upgrading of the managerial process which includes the skills, abilities, and problem solving capabilities of individuals and groups of individuals involved in managing. Improved planning by selecting organizational objectives, and the policies, programmes procedures and methods for achieving them, would provide a better framework for integrated decision making. Through work organization, people and resources would be better co-ordinated to achieve the results expected. Such a task would also require the involvement and motivation of the work force. Improving the managerial process also needs integrated control systems to ensure that organization sub-systems are performing in conformity with plans. This entire process in turn has to be linked by systems of data processing, informing flow and communication which would assist in improved decision making throughout the management sub-systems at different levels.

Management Development would also require performance improvement in specific functional or operational sub-systems. Improving production management would result in greater economies leading to a lower cost per unit of production or increases in total output or in per capita productivity. Both these would assist in production optimization. On the other hand the development of personnel management could improve programmes and procedures connected with selection and recruitment, placement, managing career development, staff evaluation and reporting and improved programmes in staff motivation, training and development. Similarly the improvement of financial management may have to largely rely on developing financial planning, budgeting, accounting, evaluation and audit processes. The use of output-based budgets and financial plans may provide a more effective framework for management planning and control.

As an appreciable amount of capital is tied up with supplies and materials required by organizations for their operations, considerable economies may be obtained by a rationalized system of supplies and materials management. Considerations as to better tendering and contract procedure; quality inspections and control; adoption of economic order quantities; and improved supply and stock control systems, would all assist to im-

prove managing supplies and materials in organizations. In so far as sale of goods and services produced by organizations are concerned, the development of marketing and sales management would also constitute an aspect worthy of consideration. Such a programme would indeed form the base for any export drive of local goods in international commodity markets.

The improvement of organizations, managerial processes and functional sub-systems of management would also be greatly facilitated by the adoption of modern management tools and techniques to suit our needs. An entire range of approaches, tools and techniques are available to us from systems analysis; computer based models; linear programming; input output analysis; simulation techniques; work study; network analysis; programme budgeting and techniques for organizational analysis. However the indiscriminate use of any of those technologies without regard to factors such as the appropriate level of sophistication, the available data base and skills; and other criteria of social costs and benefits—may not yield the desired results. Selectivity in the use of these tools, techniques and approaches has therefore to be emphasized.

In conclusion, it must be pointed out that all these organisational processes, managerial roles, functional sub-systems, and other modern tools and techniques described so far, need integration and synthesis in actual operation if managers are to obtain results in accordance with their objectives, plans and programmes. With a view to elaborating each of these factors which contribute towards improving management in the task of development 13 more talks provided by the staff of the Academy of Administrative Studies will follow in this programme.

# Introduction to the Development of Management Thought

NEIL FERANDO

AS a well known economist has recently observed "the challenges of any period depend on the tasks that face those living in it". The task and challenges which management faces, have changed both in orientation and content in different countries at different times. These changes are in turn reflected in many ways in the different strands of development in management thought.

Management as a problem solving endeavour became crystallised as far back as the 18th century in the West with the setting up of factory production methods with the Industrial Revolution. Factory owners also performed the roles of entrepreneur and manager. Their main tasks were in co-ordinating resources, handling large groups of workers and combining several processes of production to meet the challenges of the market. A similar pattern may be visible in management tasks within the industrial and commercial sectors in our country even to-day.

In the West during the 19th century the factory became differentiated from the firm as a legal entity. This was reflected in differences of orientation and skills which were required. Whereas factory production was mainly concerned with labour, production and organization processes, the firm was interested in the market, finance and capital, and the development of new staff skills. Production units underwent change with respect to their size, requirement of management information, capital intensity of technology and the resulting need for economy by rationalizing work techniques. Specialization of administrative and technical skills was also needed to operate large scale factories and firms. The separation of management from ownership was another underlying factor influencing these changes. The role played by engineers and accountants in developing management thought during this period reflected the skills that were required to meet the tasks and challenges of these times.

However, systematic and scientific forms of management analysis (rather than an exclusive concern with management problems), set the trends in management thinking during this century. New types of personnel policies were needed for the growing numbers of professional, scientific and skilled employees. The development of the behavioural sciences illuminated the field of human personality and problems in motivation of workers. A humanistic tradition which developed in management thinking partly reflected the problems of alienation and social atomization in the West. Alongside with these developments another trend is visible. With the higher costs of capital goods, the pressures of new organizational forms and the challenges of international market competition, new management systems and techniques have emerged. These are mainly oriented towards increasing

efficiency and output and lowering costs. As such, the different orientations of management thought are separate strands woven into the socio-economic and political fabric of industrial societies in recent times.

Even at the risk of over simplifying, three main currents of management thought may be identified. The first, is the Mechanistic Instrumental School typified by Weber, Taylor, Fayol and the more recent work of Simon, Hitch and others. Their main concern is the improvement of organization efficiency. The second, is the Organismic Community School represented in the writings of Mayo, Barnard, Parsons, and Selznick and more recently by Likert and Maslow. Their main concern is a humanistic challenge of the first school and the need for adaptation and survival of organizations in the environment. The third school has attempted the synthesis of both these approaches such as in the work of J. D. Thompson, writers who adopt a systems approach to organization and management, and more recently in the "Minnowbrook Perspective" on developing management. A brief outline of each of these main currents of thought would be appropriate.

The Mechanistic Instrumental School with its concern for efficiency and rational production processes, sought predictability and control to achieve certainty in the management process. Organizations were viewed as closed systems with environmental factors held as constants for predictability and certainty in achieving goals. Thus organization and the people working in them were seen as rational systems concerned with maximizing economic gains in response to economic incentives. Therefore organizations and personnel were regarded as technical or mechanistic instruments to achieve goals and were thus treated in a standardized fashion. Taylor, Fayol and Weber emphasised different aspects of management within this common orientation.

Taylor, Gilbreth and others within the scientific management tradition were concerned with the efficiencies at the shopfloor level. Tasks and work processes were made routine by time and motion studies. Piece rate wages were to be introduced to motivate the workforce. The work of these writers reflects the engineering bias in their mechanistic view of man by their excessive concern with production efficiency. On the other hand Fayol together with Urwick, Gulick and others comprising the Administrative Management Tradition were mainly concerned with structural relations and management functions within organizations. Their concern was in how tasks were to be related to authority responsibility patterns and grouped into departments. The inter-relationship of departments to achieve efficiency, and the managerial functions of planning, organizing, co-ordinating, control and command to serve the aims of efficiency was the main focus of their attention. These writings were from the perspective of experience in business and military type organizations and has the flavour of prescriptive proverbs in management literature.

The writings of Weber on Bureaucracy influenced some of the other writers of this Mechanistic School. He spelt out a legal rational model of bureaucracy which was based on rationalized organization structures, specialization of duties, formalized rules, impersonality of decisions and motivation by salary and career prospects. This he considered to be the most appropriate organizational form for achieving efficiency. Like others in this school, his concern was for order and certainty in work processes to achieve goals. Some

of the main criticisms of his work stem from his exclusion of human factors within the organization and the impact of the outside environment and client system, as well as the inability of his approach in explaining change.

The efficiency oriented traditions of this school are reflected to-day in the works on Management Science. For instance, Herbert Simon conceives organization behaviour mainly as networks of decisions. He advocates rational decision making by using planning and computer techniques for increasing efficiency. Hitch and others stress the need for rational resource allocation by Planning, Programming-Budgeting Techniques. This focus on efficiency criteria has led to the increasing use of computers by the use of techniques ranging from systems analysis, linear programming, input output analysis to simulation and gaming models.

On the other hand, the Organismic Community School of management thought not only voices a humanistic challenge to these efficiency advocates, but also emphasises the need for the dynamic inter-action and adaptation of organizations within their environment. This school views management as being subject to influences which cannot be controlled or predicted—partly due to the human factor within organizations as well as the nature of the environment. Employees within organizations are seen to be inter-acting and adjusting to their environment to meet individual and group needs arising from processes of socialization and motivation. Organizational survival combined with human effectiveness are considered more important goals than mere rational efficiency.

Elton Mayo together with Roethlisberger and Dickson who comprise the Human Relations Tradition state that work satisfaction depends on the informal social patterns of the work group. Workers were activated by a "logic of sentiments" whereas management was concerned with the "logic of cost and efficiency". Spontaneous forms of co-operation were advocated to understand and resolve conflicts. Chester Barnard who takes a similar position viewed management as co-operative action to achieve co-operative purposes as well as to satisfy individual motives. He suggested a balance between organization inducements with worker contributions. Communication and informal organizations were seen to help in such efforts.

Merton, Selznick and Gouldner on the other hand mounted an attack on the dysfunctions of Bureaucracy. Rules and procedures within bureaucracy were said to result in official formalism and as ends in themselves, which in turn hinders innovation and change. Similarly departmentalism and work differentiation in bureaucracy is seen as leading to conflicting goals and resulting conservatism. Fixing performance levels may also lead to achieving only such minimum levels of prescribed behaviour.

A Neo-Human Relations Tradition can be traced to recent times through Maslow, McGregor, Argyris, Bennis, Likert and Herzberg. Maslow for instance viewed man as having a hierarchy of needs ranging from physical needs which when satisfied progressively led to successive needs such as security, social inter-action and self actualization. Each successive need becomes the key motivator of behaviour. In a similar manner, McGregor urges the need for achieving organization goals through the motivation and goals of individuals within organizations. Likert too advocates employee centred helping relationships,

participation in decision making and organization integration through individuals acting as linking pins in overlapping groups. Bennis and Argyris view organizational development as related to non-hierarchical "matrix" type patterns of structure, inter-personal and intergroup development and job enrichment. Herzberg on the other hand advocates a motivation-hygiene approach to increase motivation, job satisfaction and enrichment of employees.

The Organismic Community School is perhaps a partial approach to management development. Human Relations techniques may be used for manipulating workers. Also, if organizations provide for all the needs of its members, this may lead to demands of total loyalty to such agencies. Nevertheless this school of thought has assisted in improving personnel management practices, participative organization forms and has reiterated the worth of the individual workers.

Finally, the Systems School of Management Thought which has greater contemporary importance views both earlier schools as providing only partial approaches to management development. It thus attempts to synthesise both views within a systems framework of analysis. Management of organizations is viewed as a totality involving the simultaneous synthesis of behaviour at 4 levels—the structural functional level connected with structure, technology and formal networks, the human relations level concerned with informal relationships, motivation and communications, and environmental level related to cultural and social value systems and external linkages and transactions, and finally on the level of organization change, innovation and survival. Organizations are thus seen as complex sets of mutually dependent and inter-acting variables in terms of these 4 dimensions. As this school anticipates dynamic patterns of inter-action, conflict within organizations is viewed as a natural by product of group behaviour.

J. D. Thompson for instance concurs with Simon and Parsons in that decision making in organizations is considered as based on bounded rationality and aims at satisficing or satisfactory accomplishment and not maximization. Further he says, organization structure needs to be developed and made consistent with technological requirements and co-aligned with the realities of the task environment. Other writers of this school view organizations as structured socio-technical systems having goals, technology, structure psycho-social and managerial sub-systems. These sub-systems inter-act with each other and the environment in a process of dynamic equilibrium.

In conclusion, the development of management thought could be seen to illuminate many dimensions of organizational and managerial behaviour. The approach one takes may well be conditioned by the tasks and challenges faced by managers and organizations in our times.

# Approaches to Development Administration

NEIL FERNANDO

IN analysing approaches to development administration, three aspects should be considered. Firstly, we need to know what exactly is the objective or orientation of this field distinct from other fields of inquiry. Secondly, its scope of attention or subject matter may need to be reviewed. Finally, a brief consideration of the strategies of administrative change would be covered in this talk.

When considering the objectives or orientation in this field, one observes that development administration as a focus of inquiry or as an area of action arose from the need to gear administrative machinery and its functions to the needs of development. Earlier forms of public administration were mainly concerned with maintaining law and order, collecting revenue, and operating a minimum of social services that were needed by the community. However, the tasks of economic and social development specially in Third World countries required a different type of administration. The conceptual orientation considered more appropriate to meet the challenges and perform tasks of development came to be known as development administration.

Development Administration examines how public policy goals involving political, social, and economic change could be implemented. As one writer in this field observed "the study of development administration can help to identify the conditions under which a optimum rate of development is sought and the conditions under which it could be obtained." Thus, development administration as a separate focus of research tries "to relate different administrative roles, practices, organisational arrangements and procedures to the maximisation of development objectives."

As the focus of inquiry in this field would be rather clear, we may now attempt to summarise the scope of its activities. These activities may be distinguished as to whether we refer to development administration as a field of study and research or as an area of action. As a field of study, development administration due to its problem and action oriented interests has come to be a multi-disciplinary venture. Its main borrowings have been from organisation theory, public administration, and the new trends in political sociology, development economics and management science.

Organisation theory has infused an organisational dimension into this field. If public goals are to be achieved, the required organisational changes with respect to goals and policies, technologies, psycho-social and structural inter-relationships within organisations need to be improved for enhancing capability and performance. Through the use of systems approaches, organisations have been viewed as socio-technical systems operating within an environment. In this respect development analysis has focussed both on the

internal organisational factors as well as an environmental relations in its concern for gearing organisations to the overall development process. Similarly, new trends in public administration as represented for instance by writers within the "Minnow Brook Perspective" have introduced an action dimension into development administration. This school of writers urges for a greater client involvement, environmental responsiveness and advocacy of values on the part of public administrators in order to achieve development goals. As such, earlier concepts suggesting the neutrality of public administrators with respect to environmental goals has been de-emphasised. Inter-disciplinary approaches in politics and sociology have also enriched the study of development administration. It is being recognised that administrators in the public sector have to appreciate political and social forces within their tasks environment if their efforts towards development are to be socially valued and made more effective.

On the other hand, the contributions of development economics and management science has emphasised several ways for improving efficiency and productivity within the public sector. Development planning for instance as Gunnar Myrdal has pointed out, has become the intellectual matrix for development ideology in Third World countries. Perhaps many Third World countries have yet to evolve an implementation process geared to new concepts in development planning. Perhaps the contribution of management science to development administration in this respect is of some significance. Rationality in decision making in the planning, allocation and use of resources has been increasingly sought by the use of computer technology. For instance Planning Programming Budgeting Techniques, Systems Analysis, Linear Programming, Network Analysis, Input Output Analysis, and Simulation and Gaming Models are some of the techniques of management science which have now come within the ambit of the study of development administration.

As an area of action, the practice of development administration has received varying emphasis in different countries. However, three foci of interests may be identified. At the central levels of government, improvements have been sought through major administrative reforms, setting up of new agencies such as Corporations and by instituting rationalised processes for planning, programming and budget management. At the field levels of administration the emphasis has been on improving action programs of departments involved in extension activities. In this respect project formulation and management has received considerable attention with a view to more effective plan implementation. Similarly, structural reforms connected with development activity in agriculture and industry has obtained priority. The third focus of interest in development administration practice has been in making available more effective staff services such as management training, consultancy and research, and technical aid to line managers in their development effort.

In this background of the aims, and the scope of attention within the field of development administration, the strategies adopted for administrative change would

finally be considered. Edward Weidner for instance, observes that the strategies of change adopted in administrative development may be either planned or unplanned on the one hand, or include structural change or growth of the administrative system on the other. It is believed that the ideal is by combining growth with system change either by planning or due to the catalytic influences of environmental stimuli. However a short run payoff through planned growth or a long run payoff through planned system change is often adopted. On the other hand, the more common forms of administrative reforms are unplanned and arise from pragmatic considerations aimed at demands for growth or by accommodation crisis of conditions through structural changes of administrative systems.

When analysing the different strategies proposed for administrative reforms, Warren Ilchman has made an illuminating contribution. He says that the advocates of development administration fall into two schools of thought—the administrative systems school and the social systems school. A brief summary of these two approaches may perhaps be appropriate.

The administrative systems school views the different departments, agencies and related administrative processes in the public sector administration of a country as a inter-related whole or a "system". Adopting such a perspective, writers of this school advocate a strategy either of balanced or unbalanced growth. The balanced growth strategy which is advocated by many United Nations consultants basically considers piecemeal change in the administration to be inadequate and self defeating. They urge for the simultaneous development of administration in several related activities such as in budgeting, fiscal policy, personnel development, field administration and other inter-related fields. It is intended by this to create complementary centres of development within the administration which would result in its balanced growth. The unbalanced growth strategy of the administrative systems school as advocated by A.H. Hanson and others, argues for a more selective identification and the development of fewer growth points in the administrative system. They emphasize the need for increasing administrative capabilities in making rational decisions for increasing efficiency and productivity within the system. For this purpose the development of planning units, public corporations and other development agencies together with improving general management practices is recommended.

The social systems school on the other hand views the problem of administrative development from a broader perspective of the whole society. Public Administration of a country is considered to be closely linked with other social, political and economic organisations and processes to form a social system. Development is therefore conceived within the framework of the entire social system and not only of the system of administration. In this school of thought too, both balanced and unbalanced growth strategies are advocated. Writers of the balanced growth strategy such as Fred Riggs state that independent centres of power need to be generated in a society with these functioning

inter-dependently for providing resources and obtaining performance. Perhaps on the basis of his observations of Far Eastern countries, Riggs clasifies most Third world countries into what he calls "Prismatic Societies". One feature of these societies is that their administrative systems partly due the considerable power they wield in society act as drags on political development. Thus, the development of counter balancing power centres outside the administration is an important feature of this strategy.

On the other hand the unbalanced growth strategy of the social systems school is seen to be more practically oriented as in the writings of M. J. Esman and R. Braibanti. Esman for instance advocates developing the administrative system but linked with the selective development of political parties, interest group associations and the mass media. As the functioning of public administration relates to each of these other institutions and processes, such a strategy is considered appropriate both for the development of administration and the society .

In conclusion, it would be readily agreed that the tasks of development would necessarily include the need for developing administration in the public sector. But in such a task, the nature of objectives and the strategies of development which are adopted would assume importance. In this challenge, we could learn both from the practices and also the resaerch which has been done within the expanding field of development administration.

# Organisation Development—I

K. S. KULATUNGE

WE live in a transitional society. Everything about us is in the process of rapid change. Old traditions, customs and beliefs are breaking down giving way to new cultures, and new ways of life. There is change in the attitudes of individuals and expectations of the people. In our societies, the gap between the rising expectations of the peoples and the achievements of the society has constantly widened. A society has to achieve its objectives through organisations which may take the form of economic, political, social or governmental organisations. It is generally accepted, that there is a significant time lag, in bringing about change in the objectives of organisations to meet the expectation levels. There is a similar time lag, in making changes required in the capacities of organisations, to meet organisational objectives.

Organization development is an attempt to close these time lags, and to make organisations more attuned to the needs of the society, and improve their effectiveness. In other words, organisation development is a conscious response to change, a deliberate strategy intended to change the beliefs, attitudes, values and structures of organisations in order that they can meet the challenges of time more effectively. Planned change requires a deep understanding of the structure and process of organisations. As a very simple definition, we can describe an organisation as an integrated structured process, where people interact to meet certain objectives. People are the most important element in organisations. Therefore, if we try to analyse organisations in terms of people, we can say that organisations are people with objectives, or goal oriented. They are people working in groups, or psycho-social systems. They are people using knowledge and techniques, or technological systems. And finally organisations are people working together, or integrated structures of activities.

It would be useful to take a deeper look at each of these facets of an organisation. Firstly, we mentioned that organisations are people with objectives. Here the distinction has to be made, between the objectives of individual members of an organisation, and the organisational objectives. We all have our own personal objectives in joining an organisation, the most important being to earn a living. On the other hand, we also have our own concepts of the organisational objectives. Organisational effectiveness would depend to a great extent on the compatibility of individual objectives with the organisational objectives. In organisation development, one of the vital tasks is therefore to integrate the individual concepts of personnel and organisational objectives. In modern bureaucracies and high technology oriented organisations, there is a tendency towards greater alienation of the organisational members from their work, and the total organisational goals. In most cases this widening gap can be reduced, and closer identity established between individual objectives and organisational objectives, only with, radical,

structural and attitudinal changes. Worker participation in management which has been now introduced in our country is a step in the correct direction to bring about such congruency between individual and organisational goals.

Organisational objectives are structured in a hierarchical pattern. The broad objective of a total organisation is divided into sub objectives, and these in turn, are further divided into sub-sub objectives, and so on. The means of the higher objectives become the end of the lower objective. The existence of such a means-ends chain, or a hierarchy of objectives, provides a framework for purposeful and consistent behaviour of the total organisation. One of the draw-backs in the large public sector organisations in Sri Lanka seems to be the lack of clear definition of the sub objectives of the component units at the lower echelons of the organisation. Broad objectives of a government department or a corporation at the national level, expressed in vague terms of, for example, the provision of a particular service, do not become strong instruments of control or motivation. We seem to place more importance on organisation charts depicting the organisational hierarchy or officialdom, rather than the hierarchy of objectives which devolve on such positions. For organisational effectiveness it is very essential that the organisational objectives are divided and sub-divided into the lowest levels of operational objectives. Organisations must adapt themselves to change. Therefore it is also essential that objectives at all levels are subjected to constant review, and renewed if necessary, and communicated explicitly to all concerned.

We described organisations as people working in groups or psycho-social systems. The psycho-social system, or the individual in social relationships, can be understood in terms of motivation and behaviour taking place in an environment which includes status and role systems, group dynamics, influence systems and leadership. Although individuals have unique behavioural patterns, the generalisation can be made that the process of behaviour is similar for all individuals. Human behaviour is not spontaneous and aimless. It is caused, motivated and goal directed. Behaviour towards goals is generated as a reaction to a stimulus which is filtered through a system of wants or needs. Different patterns of behaviour occur in different individuals due to variations in their perception, cognition and motivation. In organisation development it is important to understand what motivates the individual towards productivity. In the public sector where the scope for motivation through material incentives is limited other forms of motivation in the way of meeting social and self actualisation needs become significant.

A person's organisationally defined status and his individually perceived role influence his own behaviour and how others behave towards him. Organisations do not exist in a vacuum. In countries like ours, socially defined status too, which depends on caste, community, family and public school ties have significant implications on one's organisational status. In bureaucratic organisations great importance is attached to status symbols and signs of office. Designations, the size of the room or the table, whether an office peon is standing by the door or not, all go to make the total image of the holder of the office. Therefore, even highly placed officials try to protect these trappings of office with much vehemence.

Group dynamics is a fundamental aspect of organisational systems. Each individual of an organisation is a member of various formal and informal small groups within the organisation. These small groups play a vital mediating role between the individual and the organisation. Interactions within small groups tend to develop shared sentiments. social research has demonstrated that motivation is more a function of group dynamics than an individual variable. It has been also confirmed that group processes are one of the most important factors facilitating or inhibiting change. Organisational effectiveness can be enhanced by parallel improvements in individual and small groups.

Influence systems and leadership are the other important element in the psycho-social system in organisations. Influence has been described as "change in behaviour of a person or group, due to anticipation of the responses of others". Behaviour can be influenced through emulation, suggestion, persuasion and coercion. Power is the basis on which influence systems function. In contemporary organisations power is both unilateral and by-lateral. While superiors wield more power than the subordinates, subordinates in turn influence the actions of superiors. Today, power equalisation per-se within the organisation is considered a desirable thing, and coercive power is being fast replaced by normative social power. Authority or institutionalised power is a very important concept in the study of organisations. It is possible to identify three basic categories of authority. These are charismatic authority, traditional authority and legal-rational authority. Charismatic authority depends on the magical qualities of the individual leaders. With the common acceptance of the status and role systems over time, charismatic authority generally evolves into traditional authority. With the system getting formal legitimisation, traditional authority in turn can evolve into legal-rational authority. Authority is effective only to the extent that it is accepted by the governed. With the spread of education and democratic ideals the zone of acceptance of authority has narrowed down.

Influence systems provide the broad setting for organisational leadership. The three main components of leadership are the leader, the led and the situation. Certain personal traits as intelligence, emotional maturity, high achievement motivation and appropriate attitudes to human relations, provide higher potential for successful leadership. But there is no such thing as a best leadership style. In the ultimate analysis this is dependent on all three elements of leadership, that is the leader, the followers, and particularly the situation. "The determination of an appropriate style involves the consideration of all the elements of the psycho-social system of an organisation".

The technological system of an organisation represents the complex of knowledge and techniques used in the transformation of inputs into outputs. It is determined by the task requirements of the organisation. Traditional management theories did not take technologies into consideration in their analysis of organisations. The impact of technology on organisational structures, job design, and as a determinant of the human inputs of an organisation is today well recognised. Increased specialisation, dehumanisation

of jobs, and job alienation are some of the problems created by modern technology. Rapidly changing technology calls for the replacement of mechanistic forms of organisation structures and management systems with more organic systems. Adoption of more flexible management systems becomes more important in the developing countries, where the imposition of modern technologies on traditional societies create highly unstable environments.

The other element of organisation we have to discuss is that of organisation structure. Organisation is defined as the established pattern of relationship among the components or parts of the organisation. The structure is closely tied up with the process of organisation. The formal structure of an organisation, is generally presented with organisational charts, job descriptions, work procedures, formal rules etc. Traditional management theories are more concerned with the design of logical organisation structures. The principles of division of labour, unity of command, span of control, and the concepts of authority, responsibility and accountability are some areas in which traditional theories excel. These theories apply more in stable environments and often break down when confronted with rapid change, and increasing complexity of organisations. Increased differentiation both vertical and horizontal in contemporary complex organisations create problems of integration which call for innovations in organisational structures and introduction of new approaches to management such as project management.

Just as the goal systems, psycho-social systems, technological systems and the structural systems in an organisation are closely inter-related and make up an integrated whole, the organisation itself is only a subsystem in the total societal system. Therefore, organisation development has to take into account the interfaces and the linkages that a given organisation has with the larger societal system. Especially in public sector organisations where the very objectives of the organisation are derived from wider social objectives, organisation development has to take place within the broad framework of the social goals.

## Organisation Development—II

ABAYA JAYASUNDERA

In the earlier talks of this series a detailed description of today's administrative environment was spelled out. The dominant characteristics of this environment are interdependence rather than competition, turbulence and uncertainty, rather than readiness and certainty, large scale rather than small scale. When examined from the point of purposes, processes, and personnel we see a shift in all three dimensions of the administrative environment. The shift in purposes becomes all the more clear when one realises that the role of public administration in national development stresses heavily on programme advocacy and problem solving in addition to its traditional role of fulfilling legal and procedural requirements of governmental operations.

The increase in technical content and managerial requirements of the tasks related to national development and the constant need and ability to sense the totality of environmental forces have resulted in a shift in the processes of public administration.

From the personnel perspective, the values and attitudes, orientations and behaviour, which were once considered proper and appropriate are now redundant and inappropriate. Further administrative assignments of today are complex and burdensome and are in critical need of new skills, attitudes, values and behaviour. Hence, the shift in personnel,

The organisation that is required to operate in such environment handling complex and varied tasks will have to look different and behave differently from the more conventionally designed organisations. The structure of a conventionally designed organisation follows a hierarchical or pyramidal alignment and integration of separate relatively autonomous functional units. Organisational behaviour within and between the functional units is patterned in accordance with a number of administrative principles such as line-staff dichotomy, division of labour or departmentation, scalar principle, span of control, unity of command and primacy of superior-subordinate relationships. The traditional approaches to administration shaped the organisational effort around established notions of administrative propriety, i.e., the principles of administration with little reference to the task to be performed or goal to be achieved.

Although the basic motive of the conventionally designed organisation is the rational and efficient achievement of goals it is undeniable that this type of organisation carries within it the seeds of inefficiency. The emphasis on reliance of rules, regulations and canons of procedure can and often does have the consequences so as to lose sight of substantive objectives and goals. Displacement of goals—in which means become ends is an occupational hazard of this type of organisation. Occasionally a state of trained in-

capacity develops where an official so adept in the application of knowledge and skills valid in a specific context becomes in-capable of action in a change of that context. The ambiguous nature of this characteristic of this organisational form which is or was considered a social invention makes us ponder for a while as regards its usefulness in regard to today's developmental tasks. In my view those functions of an organisation which can be formalised and routinized or these organisations which deal wholly with functions that can be formalised and routinized, the conventional or bureaucratic form of organisational structure seems quite suitable. A very appropriate example in this context is that of the Department of Elections. This organisation has been able to formalise and routinise most of the tasks connected with its objective. This process has contributed to its efficient and effective functioning. The strength of the bureaucratic type of organisation lies in its capacity to manage efficiently the routine and the predictable aspects of human affairs.

Conditions Prevailing in the country right now and the demands of development raise doubts about its contemporary viability especially in regard to developmental tasks. The usefulness of an organisation particularly in the public sector depends on its ability and capacity for sensing and responding to the environment for which it serves. The environment surrounding the public sector organisations are in a state of flux. Today events occurring in other parts of the world affect us. Problems in one area of necessity creates difficulties elsewhere. Slow response to suddenly erupting events could lead to unfortunate and disastrous consequences. The failure of act has been and will be as disastrous as reacting in an indifferent or callous way.

The critical and crucial nature of the happenings of recent times should open our minds, eyes and ears to an organisational system that could move beyond the rigidities that characterises bureaucracy and towards planned change through collaborative efforts.

Any organisational system or sub-system may be thought of as having a mission to perform. In organisations which characterise the contemporary administrative environment there are a wide variety of missions each requiring varying types and qualities of skills, resources and facilities. Rather than attempting to co-ordinate these diverse activities across organisational lines as it occurs in the conventional type of organisation, the organisation envisaged creates managerial unity over the resources of time, funds, material, people, technology and administrative processes necessary for the successful achievement of a prescribed goal.

Organisation development is a currently popular phrase used to describe an approach to induce growth, learning and adeptiveness in organisations. As explained by Alexander Winn the term organisational Development implies, 'a normative re-education strategy intended to affect systems of beliefs, values, and attitudes within the organisation so that it can adapt to the accelerated rate of change in technology, in our environment and society in general. It also includes formal organisational restructuring which is frequently initiated, facilitated and reinforced by the normative and behavioural change. Changing attitudes and values, modifying behaviour and inducing change in structure and policies are then the three core objectives of organisation development.

The change oriented organisation takes action to create the desirable rather than prevent the undesirable. We may term such types of organisation as Pro-active rather than reactive. Pro-active organisations determine their goals and objectives and cause events to occur or things to happen. Pro-action, of course, requires the skill and ability to sense the environment for opportunities as well as problems.

Many meaningful plans have failed because organisations function to meet and effectively deal with problems of the previous decade rather than with opportunities emerging in the years just ahead. The need for pro-action is no where greater than in a situation such as ours.

This factor alone calls for policy makers, administrators and all others concerned with societal activities to pay heed to the process of organisation development. A typical programme of organisation development takes into consideration many aims and objectives. It aims at creating an open, problem solving climate throughout the organisation. Such an environment is sadly lacking in most of our public sector organisations. Another aim of organisational development is to supplement the authority associated with role or status with authority of knowledge and competence. Further it attempts to locate decision making and problem solving responsibilities as close to the information sources as possible. Building trust among individuals and groups throughout the organisation is another vital aspect. A very important aim is to make competition more relevant to work goals and to maximise collaborative efforts. These could be and have been achieved in a couple of public sector organisations. Now coming on to a more difficult area organisation development aims at developing a reward system which recognises both the achievement of the organisation's objective and the growth of its people. It tries to increase the sense of ownership of organisation objectives throughout the workforce. It encourages managers to manage according to relevant objectives rather than according to past practices. And a final consideration in organisation development is its aim to increase self-control and self-direction for people within the organisation.

When one considers organisation development programmes, particularly in the the public sector, one must take into consideration the institutional constraints that are peculiar to it. Public sector is characterised by the unusual opportunities for multiple access to multiple decision makers. Multiple access is in intention if not always in effect a major way of obtaining assurance that public matters receive attention from a variety of perspective and dimensions. While multiple access to decision makers has certain positive features that could encourage organisation development it could also be treated as a likely constraint in that there is a possibility of conflict arising at different points in the decision making structure in regard to such programmes.

Another likely constraint, arises from the heterogeneity of purposes, processes and personnel employed by the organisations of the public sector.

Third constraint arises from the peculiarity of command linkages that exist in the public sector organisations. Command linkages in the public sector are characterised by competing identifications and affiliations which permit and sometimes even encourage a fragmentation of the managerial hierarchy at various levels.

Fourth constraint arises from the resulting weak linkages between career public servants and the political representatives. Reasons for such weak linkages are many. Firstly, career public servants and political representatives are weakly linked due to the brief tenure of office of the latter. Secondly, the career public servants especially those at the top of ten weakens their own managerial linkages as they sometimes seek irreconcilable, political, administrative and personal goals. Finally the occurrence of a slippage between the higher and lower career public servants is another reason for the weak linkages that exist in the public sector. What appears as burdensome and cumbersome to the top executives are perceived as necessary means for security and promotions by the lower. These four institutional properties of the public sector organisations tend to inhibit and even complicate the achievement of an organisation development programme.

Another area that has to be taken into consideration when examining constraints is what can be called the habit background, or sub cultures of public sector organisations. The habit background of the public sector organisation can be observed from various angles. It is well known to most of us in the public sector that when delegation is resorted to it has always been with a view to maximise the delegator's sources of information and to minimise the control exercised by the delegatee and finally as mentioned earlier, public sector organisations tend to lay heavy stress on procedural regularity and caution all of which may not encourage organisation development.

Constraints, I must say, are a part of organisational life or for that matter of everyday life. One should not be discouraged by the existence of real perceived or imaginary constraints. While we may not attain the ideal, any attempt at realising the aims of organisation development stated earlier is bound to add to our experience in this process. I must not fail to mention the particular effort of organisations in the Ministry of Communications and the Management of the Ceylon Transport Board are attempting to achieve most of the aims and objectives that could be conceived of in an organisation development programme. The Ceylon Transport Board which is one of the largest organisations of its kind in the world has introduced some dimensions of organisation development through worker participation. This organisation has thought it not only desirable but also necessary to get across the perspective of this decision to those participants very frankly and openly. I happen to collaborate in this venture and from my experiences it is possible for me to state that organisation development has made a resounding start at least in one or two public sector organisations in Sri Lanka.

# The Managerial Process—I

RANJITH M. WITHANA

IN the first talk of this series, what is meant by Management in its common usage has been briefly referred to as the 'function or process which is concerned with the utilisation and conversion of different types of resources into products or services, by human effort.'

In this talk it is my intention to examine and analyse how this managerial process or function works, or rather to put it more accurately, how it should function or work if it is to effectively achieve its objectives. Let me simplify this concept with a very common illustration, namely the public sector function of providing a road passenger transport service. This involves the recruitment of the necessary human personnel, which we call the members of the work organisation, who will be collectively engaged in running this enterprise. It also involves as you would know the procurement of other necessary machinery and equipment as buses, workshops etc., and the deployment of these resources by the personnel now grouped in the organisation, to achieve the objective of providing a satisfactory transport service.

Two important features of the managerial process thus stand out. Firstly, the resources should be obtained and then secondly, these be efficiently or optimally used or converted to achieve the ultimate goal or objective. Looking at it in another way we could say that the resources used like human effort, working of the machinery, money spent, etc., are 'inputs' of the process and the service provided are 'outputs'. Since we measure the 'inputs' and 'outputs' by a common yardstick of a financial valuation, the whole operation should not work at a loss. That is the cost of 'inputs' should not exceed the value of 'outputs' achieved. The totality of activities and sub activities which comprise the overall operation described in this simple illustration, I hope conveys clearly what we mean by the managerial process.

Let us now look at some of the basic principals or procedures that should be followed in the entire operation if it is to be successfully carried out, and see in what manner they help us to understand the managerial process in a simple way. These principles are sometimes referred to as the constituent elements of the process.

One of the most important principles or requirements is that the personnel that are carrying out the operation should be organised in terms of the specific tasks they have to perform to make the total operation a success. This we term organising. Organising has to be done so as to bring out the specialised tasks and for which a term we also use is the 'division of labour'. This brings out another important factor, namely that in the division of labour there has to be a group of personnel who have the authority and the power to make decisions as to how the enterprise should be run. They are mainly responsible for how the entire operation is carried out and we call this group of persons,

the managers. Their actions as we see later becomes a pivotal point in a discussion of the managerial process. The identification of the decision makers (i.e., the managers), the specialised staff and the other members then comprise the work group or organisation. Therefore developing the relationships between the different groups and their specialised tasks is an important aspect of the organising principle. In some of the earlier talks the importance of developing this work group, namely the organisation from different points of view and considerations have been dealt with.

As important as organising the work, is the need to plan the manner in which and how the organisation and its individuals are to carry out the work. Planning is really action oriented and obviously this work plan has to fit into the specialised functions already identified in the organising process. Planning is an overall activity which is indispensable for efficient management. It involves identifying the necessary resources, determining in which manner and using what technology they are to be processed, what skills to develop among the personnel, what norms of performance to achieve, and in what specific form and at what particular time the final output is to be obtained. The success of any managerial operation would depend on the extent to which managers, and on their initiative, the other members of the work organisation have planned the work steps and the manner in which they are to achieve the objectives or goals of the operation.

Planning and organising leads us to the next important element in the managerial process, namely of entrusting responsibility to the personnel at different levels of the organisation to satisfactorily carry out the varied work operations already planned, and for them to decide on appropriate action at certain stages. We use the term delegation for this, and it is also central in the process of management, because though the responsibility of making decisions are vested with people with authority higher up in the organisation for an effective work arrangement it is impossible for them to decide and be responsible for all the activities and work that are carried out daily. Delegation has to be done in such a way that the most important activities would be done by the people higher up where as the less important work would be delegated to people holding positions of lesser responsibility.

With the spelling out of these few important principles or procedures which are essential for a efficient managerial operation we come to two others, which are also equally important, namely the function of co-ordinating and controlling the separate activities. Planning and organising are in themselves not sufficient unless the managers regularly ensure that work goes according to plan and where necessary varying it when occasion demands such variations. The controlling function is to ensure that the organisation is all the time working towards the objectives as planned and forecasted. Co-ordinating also becomes a focal point of the managerial process, because the ultimate output as we see

require the close relationship and harmonious working of the different activities and specialities, so that they integrate at each stage, until the final objectives are achieved. To illustrate this further some of the specialised work may be concerned with purchasing material for a particular production activity. These then have to be used in the production operation. These products then have to be priced and marketed, which then becomes a specialised marketing function. The function which is concerned with determining the remuneration, incentives and work conditions and other requirements of the personnel, is called personnel aspect of management. These are some of the common specialised functions into which the total managerial process is compartmentalised. In addition to ensuring that these distinct functional areas are separately planned, organised and controlled, they have to be regularly co-ordinated with each other at different levels in the organisation and integrated to achieve the ultimate end product or goal, which is a mix of all the functional outputs. Co-ordination ensures that the functional activities do not work in opposition to each other, in which case resources are wasted and objectives by passed.

The above outlined basic principles of the managerial process should be carried out to make the total operation of the entire organisation a success. Their universality was identified in one of the first systematic studies of the process of management, as early as the beginning of this century, by a practising manager named Fayol in France and around the sametime by an Englishman named Urwick. By identifying these constituent elements, Fayol and Urwick separately were able to demonstrate the unifying nature, in other words the similarity of the managerial process irrespective of the nature of the enterprise, technology or type of the work operations. In view of the fundamental nature and the general applicability of the principles, they are used even today for a superficial understanding and an elementary treatment of the managerial process.

Since these basic principles were enunciated by Fayol and Urwick a vast body of knowledge has grown from different sources to show that the managerial process is a much more complex operation. The complex nature of the process could be briefly depicted by a short reference to the lines in which deeper analysis and a study of the components of the managerial process have been carried out since the beginning of this century.

These studies have considered the managerial process to be centred around the tasks, and the persons who perform the tasks, and the dynamic inter-relationships firstly between the different tasks themselves, secondly between the tasks and the persons who perform the tasks, thirdly between the individuals and the work groups and finally between the individual, the tasks and the organization. The earlier mentioned basic principles or elements as organising, planning, controlling and co-ordinating cannot be effectively carried out until a manager has an insight and an understanding of the tasks and the persons and their above referred to inter-relationships.

An outline of the fields of study that have grown during the course of this century to analyse and get a better understanding of the above activities and inter-relationships would demonstrate the vast body of knowledge that has come into existence about the managerial process, and therefore the complexity of the process itself.

The sciences of engineering, physics, mathematics and their offshoots in work study, operation research have been attempting to analyse and measure the individual task and these tied up with the contribution from economics, statistics, political science and the recent area of finance and accounting have been mainly concerned with the problems of inter-relationships of the different tasks and attendant matters of optimum utilisation of the resources. The subject area of behavioural sciences, which grew out of physiology, psychology, sociology and anthropology have been concerned with the study of the behaviour of persons, as individuals and as members of a group in a work organization, specially in relation to the factors that promote a better performance of their tasks and facilitate co-operate activity.

These voluminous studies in the different areas in addition to having contributed to a deeper understanding of the managerial process, would also, we hope indicate the complexity of the process which therefore defy simpler understanding. To present it as an overall concept, I cannot do any better than go back to the commencing statement, that it is a process which utilises and converts different types of resources by human effort, into meaningful products and services.

## The Managerial Process — II (Motivation)

GEORGE WIJESINGHE

MOTIVATION is one of the main elements in the managerial process. Expressed in very simple language, motivation means the process by which a manager gets his employees to achieve profitable levels of output.

Looking back on the processes of motivation which we have commonly observed, we may be able to identify four approaches.

Firstly, we have had the experience of managers who motivate their subordinates in an authoritarian manner by compulsion and by threats. We might refer to this approach as motivation by threat.

Secondly there are managers who adopt a moral approach. For example, one might shower benefits and facilities on one's employees in the hope that they will perform more effectively out of a sense of gratitude.

Thirdly there is motivation by bargaining. In this process the manager decides to be less authoritarian in regard to rules, regulations and the restrictions of the employees' freedom because, by doing so, he bargains for more effective performance on the part of the employees.

Finally we would have observed a process of motivation by competition. In this approach the manager adopts a system of inter-personal or inter-group competitions with the expectation that the individual or the group, as the case may be, will be motivated to out do the other and thereby increase the overall level of output.

Before we draw out the general characteristics of these four approaches let us examine very briefly their merits and de-merits.

In the first approach—motivation by threat, as we called it—the employee is really used as a tool to achieve the goals set by the manager.

In the second process the manager concedes to a certain extent the importance of the human element in his approach to motivation : but still, he uses benefits and facilities in order to get his subordinates to help him to achieve the goals he requires. He tends to be concerned with these goals far more than with the human element.

In the third approach the sense of independence which the employees have, their bargaining power and the benefits they obtain by bargaining are the main advantages that accrue to them in this process. However, in this case too, bargaining is a tool which the manager adopts to secure the co-operation of his subordinates in the achievement of his goals.

Finally, in motivation by competition, the sense of achievement which the employees will have in performing more effectively than their peers or peer-groups, is one of the merits of the system. However, competition is really a tool which the manager uses to satisfy his need for achieving organizational objectives.

There is a very significant characteristic in all these approaches, namely that, in adopting these processes, the manager is primarily concerned with his own need to achieve the level of output which the organization expects of him. In this process he is, in effect, making use of his employees—he is really manipulating his subordinates so as to satisfy his own needs. We used the term “motivation” in describing these four approaches : but the term “manipulation” would have been more appropriate.

The crucial factor in this distinction between manipulation and motivation is the consideration of the employees’ needs. The importance attached to the consideration of the needs of the person being motivated is based primarily on two vital factors. Firstly, all human beings have needs: a person will have different needs and, at any given period of time, one need may attract his attention predominantly. Secondly, it has been observed empirically that one can motivate another most effectively only by satisfying the latter’s needs.

This observation is based on a more fundamental principle—namely that all human behaviour is occasioned by a cause or stimulus, that this cause or stimulus, gives rise to a need or tension and that a human being adopts some form of behaviour to achieve a goal which, when achieved, will lessen or eliminate the need or tension. To illustrate this principle we could take the example of a hungry man. The man’s empty stomach is a cause or stimulus which gives rise to his need for food : to satisfy this need he decides on his goal which is obviously the procuring of food : to achieve this goal he adopts a certain form of behaviour, and once his goal is achieved he lessens or eliminates the cause as well as the need.

Although people differ in their needs, it is possible for us to speak of human needs in terms of a basic pattern which is equally applicable to all.

Abraham Maslow who expounded his theory of the hierarchy of needs mentioned five basic needs which are common to all human beings . These are—

Firstly, our physiological needs such as food, clothing and shelter ;

Secondly, our security needs—man needs to feel secure that he could continue to satisfy his basic needs without severe hindrance ;

Thirdly, our social needs—our need to have friends and to be treated as friends by others ;

Fourthly, our ego needs such as our need for recognition, prestige, status and independence ; and

Fifthly, our self actualization need which is our need to achieve what we might consider to be our vocation in life.

These needs generally appear in the order which I have just mentioned. This hierarchical principle is generally true in that a person is seldom concerned about his higher needs (let us say, his ego needs) when his attention is devoted to lesser needs (let us say, his security needs). Of course there may be an occasional exception to this general rule.

Another important principle is that a satisfied need is not a motivator. A person who is satisfied in regard to his physiological and security needs is not likely to be motivated effectively by means of a salary raise unless, of course, the raise in salary will satisfy his need for prestige or status.

The principles we have examined could now be summarized as follows :—

- (1) We all have needs. At a given time one particular need attracts out attention predominantly ;
- (2) One's behaviour is an outcome of these needs ;
- (3) Such behaviour is goal directed ;
- (4) Our needs generally confirm to a hierarchical order ; and
- (5) A satisfied need is not a motivator.

Now let us apply these principles to the manager's tasks of motivating his subordinates. In a manager's inter-action with his subordinates, he needs to be aware of the latter's needs. A subordinate will have many needs, and among these there may be one which attracts his attention much more than, the others at a given time. Hence is necessary that a manager should maintain a close inter-personal relationship with his subordinates, and he needs to do this as a continuous process rather than by fits and starts.

Sometimes, among our subordinates we may have one who idles. Such a person we have often described as lazy or indifferent. Fixing such labels does not solve the problem. The question is, have we tried to analyse the cause or stimulus which occasioned such behaviour and secondly, have we identified the type of goal which that person is seeking to achieve. Perhaps, that subordinate is having a very strong social need : may be, this need is not satisfied because his colleagues do not move as freely with him as he would have wished : it may also be that his boss gives him a cold shoulder whereas his previous boss treated him a friend.

I remember a significant incident where a certain manager assigned new tasks to two of his subordinates (let us call them Piyasena and Palitha). Almost daily he used to check with these two persons regarding the progress they had made on these tasks. Piyasena was very happy that his boss did so. But, Palitha was annoyed at this and mentioned to one of his colleagues " I cannot understand why my boss should, every morning, pry and probe what I am doing ". Now, it seems clear that Piyasena was having a strong social need, and to him the visits of the boss satisfied that need. On the other hand it is very probable that in Palitha's case the social need was relatively satisfied and therefore a further satisfaction of this needs did not act as an effective motivator. Probably he had a very strong ego need : probably he liked to be independent and he was seeking the prestige that would accrue to him if he did the job all by himself.

So, in a manager's inter-action with his subordinates, it is necessary for him to make certain assessments regarding his sub-ordinates' needs and groom his interactions with them in terms of these needs. Thereby, he could motivate them by satisfying the need upper most in their priority of needs.

In analysing the hierarchy of needs Behavioural Scientists have adopted a medical analogy to describe the lesser needs, namely the physiological, security and social needs. They have described these needs—particularly the physiological and security needs—as hygiene factors. In as much as a person will fall ill if certain nutritional factors are absent in his physical hygiene, so will an employee be de-motivated if these three needs are not satisfied. One inference from this observation is that a manager can motivate a person by satisfying these three needs only up to a point of reasonable satisfaction. Thereafter the satisfaction of these needs ceases to be a positive motivator. Another inference is that we could motivate an employee positively only by satisfying his higher needs—that is, his ego and self actualization needs.

Considering the first observation we might ask ourselves whether in our social context we could consider the social needs as having very limited motivational potential. I am inclined to the view that we feel that social need to a greater extent than the Westerner. Our strong family ties and our keenness in community activities are manifestations of this. The lesson our managers could gather from this observation is that there is very great scope for motivating subordinates by satisfying their social needs. This is particularly applicable to the manager who is in his ivory tower cut off from the common man and from his employees lower down his ladder.

Regarding the second inference we hear the common lament that most jobs are routine ones which do not afford an opportunity for the satisfaction of ego needs. This may be true to some extent. However, let us consider the following situation.

A certain boss in a private organization noticed one morning that there was a breakdown in the office telephone system. Knowing that a particular subordinate of his was efficient in attending to jobs of this nature, he got named Jayantha Silva to see that the situation was set right. Jayantha's normal tasks were of a very routine nature and this particular assignment was not part of his normal functions. Any way, he contacted a friend of his in the Department of Telecommunication and saw to it that the telephone system was set right in a few hours. The communication between the boss and this subordinate ended there. Recognition for the latter's efficiency was overlooked. The boss did not snatch the opportunity he had for satisfying his subordinate's ego needs even in a small way by complimenting him for his efficiency. In fact, Jayantha was so de-motivated on this occasion that he firmly decided that he would never do this type of task again.

We have innumerable instances of this type both in the private and public sector. As managers we need to snatch whatever opportunities that arise to satisfy our subordinate's ego needs for prestige and recognition. By doing so we could make good, at least partly, the short-comings in certain classes of jobs which do not lend themselves to job enrichment.

In motivation, what matters most is the attitude of the manager towards those whom he is motivating. A manager needs to cultivate the attitude of genuine concern for his employees as men and not merely as workers. In fact, in the cases of Palitha and Jayantha Silva referred to earlier, the managers involved in these situations might have been more effective motivators if they had the correct attitude.

A manager who is oriented towards manipulating his employees may adopt certain means to get his employees to perform better, but fail to achieve positive results in the long run. Whereas one who is oriented towards genuinely motivating his subordinates may adopt the same means and continue to obtain favourable and positive results.

Let us take the case of management providing facilities for sports contest and tournaments for its employees. If the manager's attitude is such that he treats these activities merely as a means of creating a sense of gratitude in the minds of his employees so that, thereby, he could "buy" their loyalty, then he is oriented towards manipulating his subordinates. Such a manager's inter-action with his subordinates will very soon reveal this attitude. Indeed, in such circumstances a false facade of genuine concern may help in the short run, but will be detrimental as employees become wise to the situation. On the other hand, if the manager treats these activities as opportunities for the employees to satisfy their need for prestige and sense of achievement and show this attitude in his inter-action with his employees, then he is oriented towards genuinely motivating his subordinates.

## The Managerial Process—III

A. P. HAPUDENIYA

THE two earlier talks on the Managerial Process highlighted a few of its main elements. The process itself seeks to inter-relate and integrate the use of resources through organisations for the accomplishment of objectives. The elements of this process which has been examined so far, were the functions of organising, planning, controlling, co-ordinating and motivating. In this talk I intend to spotlight the functions of decision making, communicating and leadership. These are three other equally important elements in the managerial process.

The function of decision making is one which we all perform in our daily activities. For instance, a housewife has to decide what items of food she has to buy for her home, where these items could be bought at the least cost or required quality, and how these could be best prepared to satisfy the needs of her family. All these decisions are taken within the limits of the family budget allocation set aside for food consumption. Managerial decisions making reflects many of these characteristics and problems.

In identifying his purposes and objectives, the manager selects between alternatives. He has to decide on how best the resources of the organisation are to be allocated to each of its activities. The making of choices between one or another course of action is thus always with him. Decision making by managers could be either simple or complex. Simple decisions involve a single choice among alternatives, whereas complex decisions are a product of a series of alternatives varying with policies, previous decisions and environmental uncertainties. Decision making may also be either basic or routine. The difference between these two types is the magnitude of the consequences of error from decisions with regard to the organisation as a whole.

Managers also make either programmed or non-programmed decisions. The routine decisions which are repetitive could be programmed. But novel, unstructured and policy type situations normally call for non-programmed decisions. Some writers have also distinguished between different strategies of decision making. Centralised and comprehensively planned decision making of a "synoptic" type is advocated by Tinbergen. However, Lindblom and others favour a strategy of disjointed incrementalism where decision making is dispersed and essentially incremental in nature.

Decision making as a managerial process is best made at the lowest level in the organisation which is consistent with good operations. In this regard, decision making in both public and private sector organisations today is seen to be somewhat unduly centralised. People will support what they help to create. Thus participatory forms of decision making are needed both within and outside organisations for generating greater responsibilities and commitment of employees and the public to development goals, policies and processes.

Common weaknesses of management decision making in this country stem from hesitation to take risks, inadequate appraisal of adverse consequences, lack of awareness of objectives and a fear of change. Improving decision making processes within organisations would thus involve a better understanding of organisational aims and operations in conditions of uncertainty. Problem areas and issues need to be clarified and problem solving skills improved. Internal communication need to be strengthened and linked to appropriate relationships between decision and action. Innovative action within organisations need to be encouraged and managers permitted to be adventurous in taking risks within limits.

The second element in the managerial process which we will touch upon in this talk is the function of communication. This process encompasses all human behaviour in organisations which result in an exchange of meaning. How well we manage or supervise often depends on how well we communicate. A manager's prime responsibility is to get things done through people. Neither the soundness of his ideas nor the reasoning embodied in managerial decisions alone is adequate. Decisions become effective only in so far they are clearly formulated and effectively transmitted to achieve the desired action or results.

Communication processes usually involve several elements—a communicator, the transmittal of a message, a respondent or communicatee, a response and a feedback. Communications may be downwards (as in the transmittal of policy and directives), upwards (as by the supply of statistics, information or reports), or sideways (as in matters of mutual concern, and requests for co-operation). Communications may also be oral, or written ; Individual or collective ; or take formal or informal patterns.

Wherever practicable oral communications are preferable to written communications as face to face relationships enables clarification of doubts and chances of a more complete understanding. It is also said that the strength of a favourable response to an order is in inverse ratio to the distance the order has to travel. As such, oral communications confirmed in writing may perhaps obtain the best results.

Weaknesses in communication are usually traceable to the communicator, the receiver or operative conditions between the two. Barriers affecting the communicator are usually lack of interest of knowledge, lack of proper presentation by way of audibility or legibility, and attitudinal factors of status, hostility, emotion or differential perceptions. Similar conditions may prevail with the receiver who may in addition have preconceived ideas and some element of "deafness". Weaknesses in the communication situation is normally due to "noise", distance traversed, delays and communication gaps.

If better communication is desired in the managerial process several methods may be fruitful. A manager must be well informed or in other words his span of information must be wider than his span of communication. He must have a positive belief in both the importance and effectiveness of communication and must establish a reputation for sincerity and truthfulness in his messages. Every management decision must be accompanied by a plan for communicating it to those who are affected. Decision making must

also have a sensitivity to feedback from such communications. Recent applications of cybernetics and information science systems to managerial processes has also tended to enhance the value of communications in the improvement of managerial processes.

The third element of the managerial process which I will touch on briefly is that of leadership. At present, more stress is laid on the functions of leadership, rather than on the personality traits of the manager as a leader. There is a wide range of leadership styles and behaviour from which a manager could choose. Three such styles could be broadly described as authoritarian, laissez-faire and democratic behaviour patterns. Each style has an effect on both the leader and the led and has different degrees of effectiveness under different management situations and environmental conditions.

Tannebaum and Schmidt in a well-known contribution conceives leadership styles as a outcome of three influences—forces in the leader, forces in the group and thirdly, the situation concerned. The factors influencing the leader are his value system, his confidence in the group members, his own leadership inclinations and his feeling of security specially in the uncertain management situations. The factors influencing the group members are the need for independence by the group, their readiness to assume responsibility, the degree of interest understanding and identification with organisation goals, their extent of knowledge and experience and the expectation of the group in the sharing of decision making responsibilities. The factors influencing the situation relate to the type of organisation, the extent of group effectiveness, the nature of the problem itself and the degree of pressure on time which is inherent in the situation.

Leader behaviour of managers within the environmental context of this country today also involves a consideration of a few other factors. For instance, the leadership style which would be most appropriate should enable the optimisation of efficiency and effectiveness in terms of organisation goals. The level of employee motivation also need to be raised together with enhanced team work and morale. Finally, the leader style of management should induce an increasing readiness to accept change.

Another dimension to the managerial process of leadership has been added in the writings of Phillip Selznick. He draws a distinction between an organisation and an institution. An organisation is conceived to be a technical instrument purely designed to achieve objectives, whereas an institution is imbued with value beyond the technical requirements of the task at hand. Apart from ability to survive and obtain resources from its environment, an institution is able to diffuse its normative and value system for compliance by other organisations and social groups within its environment. Thus according to Selznick one of the most important functions which has to be performed by leader is the defusion of organisational value systems in order that these could become normative standards for strategic subsystems within a society. This emphasis on the process of institutionalisation as a function of managerial leadership has been taken up

by a multi university research programme in America. This research programme which has been carried out in countries in Latin America, the Middle East, North Africa, India Malaysia, Thailand and Phillipines and emphasises the value of institution building in Third World Countries. It would thus perhaps be of great value if such a programme is launched in this country too, with a view to stimulating more effective processes of institution building.

In conclusion, it may be seen that the three talks provided so far on the managerial process have isolated and elaborated on a few functions performed by the manager. The elements of the process which have been highlighted are those concerned with organising, planning, controlling, co-ordinating, motivating, decision making, communicating and leading. It may be realised that these functions are in separate categories only for the purpose of analysis. In actual practice all these functions are meshed and inter-related within a single managerial process. Perhaps it could be said that a significant contribution to the improvement of the management process could be provided by a better integration of all these different functions and roles which a manager has to perform into one unified and smooth going process. In the talks that would follow in this series, an attempt would be made to relate the managerial process and how it functions within the operational subsystems of management.

# Production Management

J. BANDARAGODA

THE basic concepts of managerial process and organisation development discussed in the earlier papers can now be extended to consider the details of special functional areas of management. Production Management is one of these functional areas. To produce generally means to create goods and services for which there is a need expressed in the form of demand by the community. But, in a more practical approach, in defining production we mean the manufacture of tangible goods by the transformation of energy and materials. In this pragmatic approach, the highest efficiency in production is supposed to be obtained by manufacturing the required quantity of product, of the required quality at the required time, by the best and cheapest method.

To relate production activity to these criteria, the right quantity, right quality, right time and the correct price is an enormous and complex problem. The present-day production manager feels this complexity in a much greater intensity. He has to meet a double challenge. On the one hand, he has to satisfy the consumer by way of price and quality of the products, and on the other, he has to organize production so efficiently that there is sufficient return to pay the employees a satisfactory wage and to reward the owners of the means of production for their efforts, investments and the risk taken. To successfully tackle these challenges, he can make use of several management tools, or, what one might call, modern aids to management. Taking these requirements into consideration, by production management we mean the management of production through the application of planning, control and other modern management techniques.

Having described what production management is, we wish to emphasise on the importance of proper production management in the present context of our country. At the turn of a year which has been declared a "production year" it is quite appropriate that we seriously think in terms of ways and means of improving our production management. A large number of government agencies are actively engaged in production activity in manufacturing commodities like cement, petroleum, steel, textile, ceramics and agriculture. The private sector is taking an increasing interest in industry, specially, in several small industries encouraged by the government itself in an attempt to save our scarce foreign exchange and to solve the growing unemployment problem. In this kind of work situations the production manager has to gainfully make use of the modern techniques to plan and direct his work rather than constantly think of his daily detail.

Planning and control should necessarily be an integrated process.

A proper strategy for planning should originate from the organization's overall objective itself. It should consider the capabilities within the organisation as well as the opportunities available in the environment or the market. Planning begins with an analysis of given data on the basis of which a proper scheme for the utilization of resources can be outlined so that the organisation can have a desirable target that may be most efficiently attained. This overall plan then should set out sub-targets for the various sections of the organization, in terms of certain predetermined time periods, and these sub-targets are so decided that in achieving them the ultimate objective is attained. It is useful to realise that the operations in a well organised production system should invariably be based on a predetermined production plan.

However, there may be instances when the organization is compelled to deviate from the set targets. Control becomes necessary to detect such deviations as well as to take proper action in such instances. Control in this context is a word which is very often misunderstood and misinterpreted by most of us. It does not mean any authoritarian action that should be taken by the management. Nor is it any mere influence process. Its main objective is to bring back the activities in an organization in conformity with its decided plan, by rectifying errors or causes for such deviations or by even modifying the plans if absolutely necessary. Control initiates and supervises operations with the help of a control mechanism that feeds back information about the progress of work and helps the management to take necessary remedial action.

Let us now consider the detailed functions of production management, apart from the line operative functions which actually result in the ultimate output, there can be several staff functions such as, product design, process design, supply, production control, cost control and maintenance.

It may be useful to consider each one of these functions a little more in detail :

1. Product design is actually a planning activity involved in determining the attributes of the finished product. This function is usually carried out by the research and development section of the organization and encompasses fundamental research as well as operations research.

2. Process design is also a planning activity involved in determining the methods of combining the various resources to produce the attributes as developed by product design. Plan lay-out, tool design and job design are the principal phases of this function. Analysis of work methods is usually carried through various work study techniques. The objective of work study is to improve conditions and methods that will permit the manufacture of the products of the required quality at minimum cost achieving increased productivity. The present day practice of industrial engineering comes basically from the

pioneering work done by F. W. Taylor and Frank Gilberth in this field. One of the examples which Taylor gave in his book "Principles of Scientific Management" illustrated that in the handling of pig iron, the labour output was increased from 12 tons per day to 47 tons per day as a result of new methods. These methods of work simplification and work measurement have been refined since then, but have traditionally constituted the basic tools of the practising industrial engineer. A larger number of process problems are analysed through the use of what may be called "Schematic Models". A Schematic Model means all those methods which involve the graphical representation of the way in which a "system" operates. Some examples are flow process charts and flow diagrams, multiple activity charts, routine sequence diagrams, assembly diagrams, Gantt charts and block diagrams.

3. The function of supply is to provide the proper quantities of necessary materials at the proper time and place and at the lowest cost consistent with the required quality. The storage, transportation and disposal of scrap or waste are the problems that confronts the management in this context. Several inventory models are used as tools to solve some of these problems. In a model that is commonly used economic order quantity is determined taking ordering costs and carrying costs into consideration.

4. Production control in manufacturing process is the function of determining and controlling the activities that directly relate to production as decided by the production plan. Depending on whether the production is continuous, intermittent or some combination of the two, certain controls are used. Whatever the type be, the function can be generally sub-divided into routing, scheduling, dispatching and follow-up. A proper sequence of different operations and a time schedule for these operations at the machine have to be determined at this stage. Sometimes it may be necessary to determine whether or not to make a product. The questions generally asked are "how much?" "how many?" "when?" "how long?" "where?" and the like. This in fact is a complex of inter-related factors which in total determine the whole structure of the production system. They have to be resolved in favour of that set which best accomplishes the organizational goal. Now, this becomes an economic problem of "most efficient allocation of scarce resources to multiple ends". The choice of the best solution is actually a problem in sub-optimisation. One solution may lead to minimising machine cost, while another solution may lead to minimising total machine time. Obviously, it is necessary to make the choice that is consistent with the objectives of the larger organization of which the shop flow is only a part.

In some cases the number of choices may be so few that the best can be chosen by inspection. In other cases the number of constraints may be so large and complex that a technique called Linear Programming can be extremely helpful. Linear Programming is a method whereby some objective function is either minimised or maximised while at the same time satisfying the various constraints placed on potential solutions.

We can consider a simple example to illustrate the general nature of Linear Programming. Suppose in a textile mill there are three machines for warping, weaving and finishing, all of which are required to manufacture any product. There are three constraints in the form of capacity limitations of the three machines. For a week, the warping machine can handle only 24 hours of work, the weaving machine only 44 hours and the finishing machine only 60 hours. At present suppose there are two types of textile products, A and B in demand. One yard of textile A requires 2 hours on the warping machine, 1 hour on the weaving machine and 6 hours on the finishing machine, while textile B requires 2 hours of warping, 5 hours of weaving and 2 hours of finishing. The profit contribution per yard of textile A is Rs. 6.00 and that of textile B is Rs. 9.00. Our objective naturally is to maximise our profits. Now this is a typical Linear Programming problem. It is easily seen that different combinations of products, A and B can be manufactured within these given limitations ; but there is one set which gives us the maximum total profit contribution for both. The solution to this problem can be obtained graphically or by a mathematical technique called the Simplex Method.

Let us now come back to the other functions of production management mentioned earlier.

5. Quality control is the function of insuring that the attributes of the product conform to prescribed standards. The control system adopted should be able to determine the capability of equipment and men to produce the specified products and also to detect any changes. The type of inspection whether it should be continuous, regular, or random is an important consideration.

6. Cost control is a phase of general accounting procedure by means of which the details of the costs of materials, labour and fixed expenses are recorded, summarised analysed and interpreted. There are several techniques of statistical control that help the manager in this respect. Using these techniques, expected value and limits of variations can be evaluated leading to a stable chance cause system.

7. Maintenance of plant and equipment, machinery and tools is a function that helps continuous economical production. This is linked up with equipment selection as well as replacement. An important aspect of this function is to determine the economic life of an equipment and to decide among the alternatives available such as repair and replacement. In the servicing function of large organisation like a Transport Service, it may be useful to apply certain techniques divided from the probability theory such as the waiting line model or the Queueing model. This is concerned with a systematic use of a number of servicing channels in the face of random demand for such service.

We have now briefly mentioned some of the important functions of production management and some common management techniques that are used in carrying out these functions. The necessity to programme several independent activities to obtain some given or alternative outputs becomes the most important aspect of production management. For example, in the coconut oil industry, a variety of products might be made utilising the same basic inputs and factory capacities. Production management must decide on the most profitable allocation of available capacities over time, among the various product lines to meet the anticipated demand for each product. This is a programming problem that may be much more complex than it usually appears to be. This complexity, however, can be tackled through techniques of mathematical programming which includes, in addition to linear programming that we have already mentioned earlier, the methods like Transportation, Dynamic Programming and Parametric Programming.

The necessity to make inferences from less than complete information and to predict the outcome of future events under uncertainty is also another important aspect. This is usually handled through the various sampling techniques in Statistics and the use of probability theory.

In summary, we can say that production is a process in which a set of inputs are converted to a set of outputs. The process may be simultaneously a physical, economic and human process. The inputs are essentially materials, human skill and equipment. The outputs are the goods and services desired by the community. The solution of the economic problems encountered in the process is facilitated by several modern management techniques.

# Development of Personnel Management

V. SARVALOGANAYAGAM

PERSONNEL Management has been defined by the Institute of Personnel Management of the United Kingdom as “ a responsibility of all those who manage people as well as being a description of the work of those who are employed as specialists. It is that part of management which is concerned with people at work and with their relationships within an enterprise. It aims to achieve both efficiency and justice neither of which can be pursued successfully without the other. It seeks to bring together and develop into effective organisation the men and women who make up an enterprise, enable each to make his own best contribution to its success both as an individual and as a member of working group. It seeks to provide fair terms and conditions of employment and satisfying work to those employed ”.

Thus it will be seen the term Personnel Management has two connotations—it refers to the Management of people by managers and the other to the specialist function of Personnel Management. The first namely the motivation, and leadership of people and communication within the enterprise has already been dealt with in an earlier lecture in this series.

I propose to confine myself to the second aspect of Personnel Management namely the development of personnel policies and their effective implementation. It is very essential that an organization should state as explicitly as possible its personnel policy.

A leading manufacturing company in Sri Lanka runs an impressive advertisement which has nothing to do with the product it markets. The advertisement says “ manpower is our most precious asset. We believe that a healthy, efficient and contented working team is an asset to the employer, the industry and the country ”. Not many organisations either in the private sector or the public sector have such clear cut definition of their personnel policy. A well-defined personnel policy is an essential pre-requisite for the development of personnel management in any organisation.

The broad objective of the personnel function in any organisation may be stated as follows :—“ to provide the right number of employees with the right skills at the right time with suitable motivation to enable the organization to meet its short and long-term objectives at an economic cost. ”

Thus the personnel function involves recruitment and selection of employees, their training, promotion and development, the relations between employer and employees and of managements with Trade Unions ; internal communication and consultation, the terms and conditions of employment including wages and salaries,

health, safety, welfare and employee services. In other words it is the Personnel Manager's duty to recruit and retain workers in an organisation. Let us look at each of these functions in greater detail.

One of the major responsibilities of the Personnel Manager is to recruit a suitable and sufficient number of people for the organization to achieve its objectives. If for instance it is the declared intention of the organization to give employment to the dependents of its employees then the Personnel Manager would recruit in that fashion. If on the other hand recruitment is to be merit, a proper system of recruitment has to be evolved and developed. This would require a Job Analysis, a Job Description and a Job Profile to enable the Personnel Manager to look for the right type of person. In the public sector we had the problem recently of recruitment to the clerical and allied grades. The Ministry of Public Administration was confronted with the problem of recruiting people into the clerical service from tens of thousands of applicants. If it adopted the traditional way of examinations and interviews it would have taken a long time to complete the procedure. The Minister of Public Administration decided to utilize the service of the computer to reduce the time involved and to make the selection process more objective and acceptable. This innovation has found much acceptance among the people today. In the Public Sector more than the Private Sector it is essential to ensure and to make it appear that a just and fair system of recruitment is adopted in selection of employees.

Once a selection is made the new recruits have to be trained in their sphere of work. Not many men and women enter employment with skills sufficient to discharge their duties without further training. Thus induction training is an integral part of the development programme of the employees.

The next major function in Personnel Management is performance appraisal. Performance appraisal is crucial to training development and promotions. Unless an organisation has an objective system of performance appraisal, a system of performance appraisal which would look at an employee's performance from the stand point of the organisation as well as that of the employee himself, output in any organisation is not bound to be that good as it could be. In the public sector we have adopted the annual confidential report as the instrument of performance appraisal. Trade Unions in public service have asked for and in recent years succeeded in changing this system of reporting. Confidential reporting system tends to breed distrust between the employees and his immediate superiors. An open system of reporting, a report which is known both to the employees and his supervisor, it is felt would throw a greater sense of responsibility on the reporting officer and the officer being reported on. A common standard of assessment or a standardisation of the appraisal has to be ensured so that there is uniformity in the evaluation of the performance of employees particularly in a large organisation like the State. We at the Academy are constly telling the managers in public service that performance appraisal should be taken very seriously and done not as a routine chore but as a responsibility exercise which involves the future of both the organisation and the employee. A lax and indifferent report can prove disadvantages to both the organisation and the employee. Thus it is important that an effective and objective

system of performance appraisal should be developed to evaluate the performance of its employees, based on which evaluation would depend the career and prospects of the employee as well as his organisation.

Performance appraisal can serve as useful aid for assessing training needs and for making promotions within the organisation. The importance of a system of promotion and career development based on objective evaluation of performance can hardly be overstressed particularly in large organisations with strong trade unions. Training of personnel both at induction level and thereafter at frequent intervals is now recognised as essential to the progress of any organisation. Sad to say except a very few large organisations, no organisation in this country has paid serious attention to setting up of training units and providing the necessary training for its employees.

One of the major areas of industrial disputes in any organisation is salaries and wages. Industrial disputes arise as a protest against the quantum of wages and also as a protest against discriminate payment of wages. It is not possible to avoid the former except by continuous dialogue with the trade unions and by continuous research through a pay research unit into problems of wages and quantum of wages. This would obviate the necessity for adhoc appointments of salaries commissions and create a favourable climate for wage negotiation with trade unions.

The second area of disputes in wages can be overcome to a great extent by basing the salaries structure on an agreed system of job evaluation. Job evaluation is the assessment of the relative importance of the different jobs in an organisation and the placing of these jobs in a hierarchy. Job evaluation helps to justify and to explain rationally and objectively, the salary differentiations that occur within an organisation. This would also minimise problems of salaries anomalies occurring.

Salaries and wages are however, not the only areas of industrial disputes in any organisation. Disputes arise from matters affecting discipline, promotions, etc. It is essential that a system of grievances, procedure be evolved to ensure that people have a chance of airing their grievances. One of the biggest causes for sudden out burst of industrial strife and emotion is the lack of a proper system of grievance procedure. A machinery like the Whitley Councils in the United Kingdom or the joint councils system adopted in the private sector would prove very useful to provide a forum to employees with grievances.

Studies in industrial psychology have shown that most employees who have a sense of grievance want to have a hearing. It is said that with sympathetic and attentive listening quite many of the disgruntled employees have been pacified.

The story is told of an employee who walked into a Personnel Manager's office and complained bitterly of the food served in the canteen. The Personnel Manager listened very patiently and attentively and at the end of the interview promised to look into the matter and improve the service provided by the canteen. Unfortunately, pressure of work prevented him from taking any action on the matter for some time. A fortnight later

the employee walked in again and much to the surprise of the Personnel Manager was in a pleasant mood. She told him that the quality of the food had improved since her last visit to him and thanked him for the kind intervention on the matter.

The moral of this story is not that Personnel Managers should manipulate situations of similar nature by pleasant and attentive hearing. It is that most employees have often times felt a need to be heard by somebody higher up and unless this safety valve is properly and efficiently utilised sudden eruptions are unavoidable.

Finally, every organisation has to define its attitude towards trade unions and workers' organisations. Today particularly in our part of the world no organisation would dare say publicly that they are opposed to trade unions, although most of them would in private have many harsh things to say about trade unions. Trade unions as responsible organisations of workers are an essential part of industrial democracy. The sooner this is accepted the better it is for all the parties concerned. I am glad to say that successive governments of Sri Lanka have accepted this position and taken trade unions as part and parcel of development strategies. Unless a proper understanding is reached with trade unions through meaningful and continuous dialogue no organisation can ever prosper.

Time does not permit one to take a greater look at these and other functions of Personnel Management such as welfare, safety, hygiene, etc. All of these go together to make Personnel Management an essential function of any organisation.

Personnel Management one must re emphasize is not one of hiring and firing employees. It is a responsibility is to ensure that a healthy, efficient and satisfied work force, which would lead the organisation on to its objectives willingly, is always available.

# Marketing Management

K. M. K. U. KAMALGODA

FIRST, I would like to clear a misconception regarding marketing. It is mistakenly thought that marketing is nothing but selling. Goods are manufactured in a manner the manufacturer desires and then given to the salesman to sell. Selling concerns itself with the tricks and techniques of getting people to exchange their cash for a product. The customer is somebody "out there" who with proper cunning can be separated from his loose change.

Such companies demand salesman who will be aggressive, resourceful, dashing,, prepared to take risks and in general possessing all those characteristics expected of 19th century entrepreneurs. Such orientation can work and of course, has worked. However the success of such companies is short lived. Their competitors can hire even better salesmen and produce a product more suited to the customer. This has happened in Sri Lanka, among manufacturers as widely different as razor blades and biscuit makers.

Selling, thus focusses on the needs of the seller—that of converting his product for cash.

Marketing, on the other hand, is concerned with the needs of the buyer. The concept of marketing introduces the marketing man at beginning rather than end of the production cycle. What a marketing minded firm would offer for sale is determined not by the seller but by the buyer. That is marketing through its research and studies will establish for the production engineer the particular design the customer wants in a product, the price he is willing to pay and where and when he wants it.

Marketing, then, is consumer-oriented and its functions is to create consumer satisfaction. It has been argued that politically and socially this is the most acceptable course. It is also economically the most sound. It takes more trouble and effort to produce what people do not want and try to persuade them to take it, than to produce what they do-want or will-want when informed of its nature and existence. Mistaken marketing decisions lead to misallocation and waste of resources, in fact to lower productivity.

The consumer thus stands at the very centre of the marketing universe. The marketing strategy consists of a mixture of such elements as product policy, price policy, promotional policy and distribution policy. The degree to which these elements get mixed depends on certain forces outside the organisation itself. These forces spring from the socio cultural environment, the political and legal environment, the economic environment and the existing business structure. All these factors in turn operate within the framework of the resources and objectives of the firm.

The particular program devised by a marketing manager from the above elements and forces, constitutes what is known as the 'marketing mix'. Let us take a closer look at each of these ingredients.

From the socio-cultural environment comes the view that man's attitudes and behaviour are influenced by several levels of society-culture, social class, family life cycle, reference groups and face to face groups. The challenge to the marketer is to determine which of these social levels is the most important in influencing the demand for his product.

The most enduring influences over an individual comes from his culture. It is our culture for instance that creates a demand for a product like chillies even when prices are very high, whereas in a Western culture there is no such demand.

It is culture that places a product in its social context and defines how it is to be used. The social implications of the concept 'perfume' for instance are basically feminine. Any advertising that goes against such culturally accepted values may have rather dubious results.

Social class positions attained either on the basis of money, occupation, education or inheritance, reflects to a considerable extent an individual's style of life. Differentiating consumers on the basis of social class is superior to the conventional method of income which has the weakness of assuming that a rich man is just a poor man with more money. The two may differ considerably in their values, tastes and spending habits. Significant differences, for instance, may be found among different social classes with respect to magazine readership, leisure activities, type of food consumed, fashion interests and acceptance of new ideas.

Family life cycle concept, that is, that there are definite social changes in the different stages in the life of a family, is a more accurate index of spending behaviour than age. Thus, the critical dates in the life of an individual may not be his birthdays so much as the days when a change occurs in his family status, for example, when he marries, or when his first child is born, or when his child attains school going age. To understand a person's social behaviour it may be more relevant to consider which stage in the life cycle he has reached than how old he is.

Reference groups are groups in which the individual has no membership but with which he identifies and may aspire to belong. Many young girls may identify themselves with film stars and may frequently imitate their dress. Reference group influence however is more on the lines of taste and hobby rather than on basic attitudes.

Groups that have the most immediate influence on a person's taste, opinion and attitudes are face to face groups. This includes all the small groups with which an individual comes into contact : his family friends, neighbours, fellow workers, club members and so forth. His informal group memberships are influenced largely by his occupation, residence, and his stage in the life cycle. For the marketer this means that brand choice may, increasingly be influenced by one's peers. In such products as cigarettes, type of dress to be worn and liquor consumed, the influence of peer groups is unmistakable.

The political and legal environment takes into account Government controls over the product, over pricing, over competitive practices and other variables such as taxes, labelling requirements, patents and trade mark and licensing requirements. The type of labour legislation prevalent in the country as well as the level of labour satisfaction or dissatisfactions as evidence by the frequency of strikes is also an important factor.

The economic environment is important for the marketing mix not only in terms of the individual level of income but also in terms of national development. The ability and willingness of the individual to spend is dictated in a large measure by the level of national development. The foreign exchange position of Sri Lanka, for instance decides to a considerable extent the type of goods available in the local market, as well as the discretionary spending power of the individual.

By existing business structure we mean the degree of competition prevalent in an industry, trade practices and attitudes, amount of market information available, methods of financing available and so forth. The vegetable business, for instance, in Sri Lanka is largely in the hands of private traders who act as middle-man on a commission basis.

So far, we have touched on the external forces that impinge on the marketing manager's policy formulation. But what of the factors within the organisation itself ?

The product as stated earlier must be the result of consumer research and reflect what the consumer wants under the marketing concept. A product is viewed as having social, cultural and psychological dimensions in addition to its intrinsic qualities. The style and quality of a person's clothes, is a good example of a product enhancing the social position of the person more than satisfying his utilitarian needs.

In Pricing Policy a common method used is to calculate the cost of the product and add a profit margin to it. To adopt this method as the sole basis, of fixing a price is unrealistic. It ignores demand. It does not, take into account the psychological aspects of pricing—how much a customer is willing to pay for that product nor the prices of competitors. Nor does it consider the alternatives or substitutes the buyer may have. In arriving at a price decision besides these factors one should also consider the auxiliary services that may have to be provided. For example in electrical goods installation, warranties repair and maintenance and so forth.

Physical distribution is another aspect that has to be co-ordinated within the total marketing mix. This includes marketing channels, storage and transport. The type of product for instance, will determine largely the type of retail outlet it would be sold. That is, products can fall into any one of the following categories :

Convenience goods : that is products which customers purchase frequently, immediately and with minimum effort,

Shopping goods : where the customer before purchasing compares the product on suitability, quality, price and style, and

Speciality goods : where the customer is willing to make a special purchasing effort like ladies apparel that caters to a special group of customers.

Convenience goods like cigarettes should be available in practically every boutique while shopping goods are best made available where there is a cluster of shops like in Pettah or Fort.

Promotion, the final aspect includes advertising, personal selling and other merchandising techniques. Giving gift coupons with the product or giving free samples are some merchandising techniques. Advertising whether it be radio, newspaper, magazine, billboard or window display is intended to induce in the mind of the customer a change of attitude to buy the product. Any advertisement to be successful must have four essential ingredients. It must attract Attention; It must evoke an Interest ; it must createa desire and finally, it must end in a positive Action of purchase. The final aspect that is Action in terms of a purchase would depend not only on the type of promotional method used but also on the successful marketing mix of all the other elements.

Promotion may also be used to induce consumers to come to a particular shop. Certain items may be sold at half-price drawing the consumer to the store hoping that the consumers would buy other items besides the ones advertised. Price promotion that is selling an item, say toothpaste—20 cents below normal selling price for a definite period is another technique that marketing men use.

The specific degree with which these elements get mixed in the marketing strategy will ultimately be influenced by the resources of the company and the company objectives. In defining the company objectives the end user of the product or the Target market has to be defined. In other words answers to such questions as who buys the product, who uses the product, how is the product used, where is the product bought and why is the product bought has to be sought.

Thus in the final analysis, the marketing concept calls for customer orientation backed by integrated marketing aimed at generating customer satisfaction and long run consumer welfare as the key to attain long run profitable volume.

# Developing Supply and Materials Management

C. S. CHINNAIAH

THE efficient implementation of the Five-Year Development Plan drawn up by the Government demands, among other things, effective supply management in all sectors of the economy in the country.

The starting point of all economic activity is the existence of human wants. To satisfy hunger and thirst, to secure shelter and provide clothing were the chief aims of primitive man and constitute even today the motive force of all society. The primary concern of supplies management is to achieve the satisfaction of human needs by ensuring the supply of the necessary materials and services as economically and effectively as possible. Efficient Supplies Management is as fundamental to a national economy as it is to a household economy.

The functions of purchasing and supply, material utilisation and disposal and inventory control have come a long way from their store-keeping and pay and obtain origins into a highly specialised field of management, just as accountancy has outgrown the days of simple book-keeping into various specialised areas of financial management.

The importance of the role of supplies management in development will be evident from a glance at the world history of development. We see the emergence of the Arabic races as traders of exotic oriental spices, of the Vikings and Norwegians as traders in fur, the Spaniards, Portuguese and Dutch as traders in slaves, ivory and gold and the British as traders in coffee, cotton, tea and rubber and later as suppliers of manufactured goods. In this century we have seen the emergence of the Americans and Japanese as business entrepreneurs with their tentacles spread out in the form of partnership syndicates dealing with the purchase, production and supply of goods.

The whole matrix of the development process is generally one of supply and production activities, whether they are undertaken by the private sector or public sector. It is therefore clear that supply management plays a crucial role in keeping the process of production moving.

This country imports nearly half its requirements of food from abroad. This accounts for much of the foreign exchange that is earned by the export of agricultural products. The total business turnover is about Rs. 2,000 million annually. Most of the industries

set up in this country are more or less isolated development projects and the missing links, so to speak, have largely to be provided through a supplies chain connecting local industries with the various foreign industries which cater to our requirements of raw materials.

Practically all the machinery required for our industries, most of the liquid and solid fuels, tools, fertilisers and other agro-chemicals for the agriculture and the plantation industry are imported. About 50 per cent. of the finished textiles and over 90 per cent. of the yarn cotton to feed the local textile industry are also imported.

The total import trade is of the order of Rs. 2,500 million and the export trade is of the order of Rs. 2,100 million, the deficit being made up of foreign aid, suppliers' credit and other forms of deferred payment, which leaves the obligation of repayment to future generations.

Another significant fact is that about a quarter of the working population in this country is in the field of supply management in one form or another.

It is estimated that on an average 70 cents in the rupee are spent on purchase of materials, and that every day approximately ten million rupees are spent on materials in Sri Lanka. Further, about 60-80 per cent. of the working capital of Sri Lanka is tied up in stocks, and materials account for a substantial portion of the country's Gross National Product. Therefore, even modest savings in materials cost can make an enormous contribution to profits on investment and to the country's development.

The crucial importance of materials management not only to the individual enterprise but also to the nation at large is self-evident. Unless the right materials, of the right quality, in the right quantity, are made available at the right place and at the right time, any organization will run into difficulty. Insufficient or irregular supplies will not only hold up or slow down production but will also result in under utilisation of capital, plant and labour—a very costly form of waste.

Supply failures can crush an army into defeat, bring production to a halt, force transport into immobility, hold up development, cause starvation or malnutrition and a host of other catastrophes which can throw society into chaos.

The factor of supply has decided the fate of many a great battle in history. Wars have been won or lost according to the availability of vital supplies. It is said that Hitler lost World War II, despite his mighty war machine and his lighting initial victories, chiefly because his supply lines broke down. General Rommel is reported to have withdrawn from Africa after his brilliant campaign, because he could not maintain his supply of munitions, food and water to his men at the front.

The gravity of the financial situation, in which this country finds itself at present, demands the highest possible efficiency in materials management for reducing overall materials and production costs, releasing capital unnecessarily tied up in stocks and conserving valuable foreign exchange.

Most of the efforts that could be made to minimize cost of production lie in the field of supply management. In fact in many organizations materials management is one of the few remaining fields, in which management has room for manoeuvring for cutting down cost of production. Economists tend to distinguish between industries that are labour intensive and those that are material intensive. However, in the final analysis all industries are material intensive. It is only a matter of degree. Materials account for 60, 70, even 80 per cent. of the total cost of the product. Therefore, it is obvious that materials management offers plenty of scope for cost reduction.

Efficient utilisation of capital is necessary at the best of times. It should be an objective of the highest priority in Sri Lanka today, when capital is so scarce and costly. The achievement of this objective involves the need to resolve between two conflicting principles. First, the need to maintain a stock level, which will ensure an unfailing source of supply to sustain the working of the organisation and second, to keep down to the lowest possible level investment in stocks, inventory carrying cost, and losses arising from redundancy, obsolescence, damage, deterioration and pilferage etc.

Efficient supplies management involves the balancing of one against the other with the view to arriving at the optimum result. Surpluses and shortages have both to be avoided. They are really the obverse and reverse of the same coin—poor inventory control.

One of the chief reasons which have hindered our development as a nation has been our failure to organise our national supplies into some form of order and system. Many of the headlines and news items in any of the major dailies in this country deal with deficiencies of one sort or another in the system of supply, whether they be for production, consumption or services. The greater part of the inefficiencies and most of the problems in production are due to mismanagement in the handling of supplies.

Supplies account for a large proportion of the expenditure in all sectors of the economy. A substantial part of the annual budgetary expenditure of the Government is devoted to the procurement of various supplies, materials and equipment. It is imperative that the public sector secures the best possible value for money from the vast outpouring of the public purse. Material research, material utilization, value analysis and value engineering, quality assurance and supplier evaluation techniques, have to be applied effectively for achieving this end. The concept of value buying is all important.

The other equally important requirement is to utilize the available resources to the best possible advantage by proper classification and coding of materials, determination of interchangeability of stock items, standardisation and variety reduction, prudent purchasing based on tight investment, proper storage, maintenance and security of materials and scientific stock and stores control.

The steadily worsening foreign exchange crisis poses a tremendous challenge for supply management in this country, with the drastic reduction in imports forced by the crisis on the one hand and the urgency of the need for rapid and extensive development on the other. The situation calls for intensive research in the exploitation of local sources of supply and the systematic development of these resources. Necessity, it is said, is the mother of invention. The economic morass in which we now flounder demands considerable ingenuity and creative thinking in the supply management field.

Stepping up productivity to the highest possible level is the need of the hour. The need to increase the productivity of material resources is just as great as the need to raise the productivity of human resources.

Productivity may be defined in one way as a function of providing more and more of everything for more and more people with less and less consumption of real resources.

The most challenging part of the definition is that with the words 'with less and less consumption of real resources'. The old maxim, 'a little goes a long way' is very pertinent in the present context, when the situation requires that every material resource used should be made to go the longest possible way. It is necessary not only to achieve pre-determined goals or targets with minimum consumption of resources but also to maximise achievement by getting the best out of the resources used.

In Sri Lanka, as in other developing countries in the East, the problem is not one of shortage of manpower as in the developed countries, but rather one of steadily growing shortage of material resources. Productivity should therefore pave the way for import substitution, exploitation and development of local sources of supply, reduction in the consumption of materials imported from abroad and getting the best out of them.

Sri Lanka, which is committed to achieving the ideal of a socialist democracy and the goal of full employment, is faced with the problem of achieving objectives which are constantly expanding through use of resources which are continually diminishing.

This dilemma calls for materials management of the highest possible quality in all sectors of the economy.

In these days of ever increasing shortages of even the necessities of life and steeply falling incomes and the fast dwindling purchasing power of money, the problem of supply management has become very acute both to the individual home and to the nation at large. The need to get the best value for money in procurement, for careful inventory control, for proper storage and maintenance of materials and to make the best possible use of supplies and eliminate waste in every form, is of the highest importance today both to the housewife and to the supply manager in a public or private enterprise.

Speedy and effective development is the supreme need of Sri Lanka. For the successful achievement of this vital objective, perhaps nothing is so important as efficient supply and materials management in every sector of the economy.

# Developing Financial Management

P. SIVASUBRAMANIAM

FINANCIAL Management may be defined as the methods, systems and techniques which are employed to process and interpret information required by the executives of an organisation in planning, directing and controlling the programmes, projects and activities of the organisation with a view to maximise profits or minimise losses or to achieve the goals at the minimum cost.

Financial Management is an integral part of the managerial processes which may be broadly classified as :

- (a) Planning ;
- (b) controlling ;
- (c) organising ; and
- (d) motivating.

Accountants employ financial systems and techniques to—

- (a) assist management in planning and decision making ;
- (b) develop budgets for the organisation and for each of its functional areas ;
- (c) produce information for controlling operations ; and
- (d) correctly determine assets and liabilities as on the last day of each accounting period.

2. At the planning stage, the managerial process can be seen as a series of decisions. Each decision is a choice amongst available alternatives according to certain criteria and/or objectives. Financial Management methods, systems and techniques help to identify and illuminate the alternatives in the light of the organisation's financial objectives.

Alternative courses of action can be converted into capital costs, operating and maintenance costs, prices, revenues and profits. The plan which is likely to result in maximum profits can be chosen. Where results cannot be measured or converted into money values, the plan which will achieve the target or goal at the minimum total cost can be chosen. During the 1960's the procedures and techniques for evaluating capital expenditure were expanded and developed. Today it is the standard practice in almost all organisations to evaluate capital expenditure in terms of Discounted Cash Flow, Net present Value or Internal Rate of Return.

A person faced with the choice of having Rs. 100 now or Rs. 105 in one year's time would normally elect to have Rs. 100 now, because he can invest the Rs. 100 now and have more than Rs. 105 at the end of one year. This example illustrates the concept that Rs. 100

due in one year is not worth as much as Rs. 100 now. If ten percent is taken as a normal rate of return, the Rs. 100 due in one year will at present be worth only Rs. 90.91. If it is necessary to wait two years for the Rs. 100, then taking compound interest at 10% the present value will be Rs. 82.64.

When considering investment opportunities with earning patterns which are not the same, valid comparisons can be made only by discounting the future expected earnings to present values. Similarly when costs are incurred at different intervals they too should be converted to 'present values'.

The excess of the 'present value' of expected future earnings of a project over the 'present value' of costs to be incurred on that project is known as the Net Present Value. The Project or Investment that gives the highest Net Present Value is the most profitable one. In calculating the Net Present Value, a pre-determined rate of interest is employed and this rate is either the borrowing rate or the average return on capital employed by the organisation in other projects i.e., a cut-off rate.

The internal rate of return, on the other hand, is the rate of interest at which the present value of expected future earnings equals the present value of costs to be incurred. The project that gives the highest Internal Rate of Return is to be preferred over the others.

While the Net Present Value technique indicates whether a capital expenditure is viable or not, at a given rate of interest, the Internal Rate of Return indicates the maximum rate of interest up to which it is viable.

Management has also the responsibility to fix prices for its products and services.

The marginal costing system provides a useful basis for price fixing. Under this system all costs that vary directly with the quantity of the product or service produced are treated as variable costs while the costs that are not influenced by the volume of output i.e. costs such as rent, depreciation, insurance, etc. are treated as fixed costs. The proposed selling price per unit minus the variable cost per unit gives the contribution per unit. This contribution per unit is then multiplied by the number of units that could be sold per annum, at that selling price, to give the annual contribution by the product. This calculation is repeated for all suggested selling prices, and the selling price at which the annual contribution by the product is highest is selected as the one that will maximise profits.

Marginal costing technique is also useful in deciding between alternatives.

Limiting Factor analysis is an extension of the marginal costing technique used to advantage in allocating limited resources to the best advantage.

If there is only one scarce resource, than the product that gives the highest contribution per unit of that resource is the most profitable one to produce and sell. Therefore maximum resources should be allocated to that product.

The final product of the management process of planning is represented in the Budget, which is essentially a financial document. The budget comprises of functional budgets, such as production, sales, personnel, finance, capital expenditure, research and development, all co-ordinated into a plan of action. Behind each budget are the actions of the people, their performances and the costs they incur.

3. The managerial process of controlling is the systematic appraisal of results to ensure that actual operations follow plans. If there are deviations from the plans corrective action is taken. Financial management plays a key role in controlling performances and costs through (a) budgetary control and (b) standard costing.

The Accountant traditionally has been at his strongest when producing control information. Accounting for control produces data at regular intervals, in a standard form, so that actual performances can be compared with plans and budgets, and differences identified and analysed by causes. It not only makes such comparisons possible but also provides feed back information to operate and guide the progress of an organisation. Accountants have developed various systems to produce the required reports at regular intervals for different levels of management.

The classification of costs is the basis of all accounting systems and is an essential step in summarising detailed costs. Normally Accountants classify costs by functional areas : production, marketing, research and development, finance and administration. Within these functions costs are collected by cost centres. An organisation operating a budgetary planning and control system will have the cost centres so planned that results by responsibilities flow directly from them.

The concept of management by objectives requires that once the objectives of an organisation are established, responsibilities have to be delegated to the different levels of management requiring them to achieve the accepted goals and targets. Similarly the budgetary control system seeks to establish departmental budgets relating the responsibilities of executives to the requirements of a policy, and then to continuously compare actual results with the budgets to secure by individual action the objective of that policy. The management by objectives approach thus consolidates itself in budgetary control.

Standard Costing has been defined by the Institute of Cost and Management Accountants as follows :

“ The preparation of standard costs and their use to clarify the financial results of a business particularly by the measurement of variations of actual costs from standard costs and the analysis of the causes of the variations for the purpose of maintaining maximum efficiency by executive action. ”

No action is taken if the actual results are in agreement with those planned. However, if the actual result is in variance with the plan, then an assessment is made whether the variation is significant, because variations are brought to the notice of management only if they are significant.

Standard Costing techniques thus spotlight the areas where management should concentrate their energies to secure significant benefits to the organisation. Without this aid effort may be diffused on all operations showing good and bad performance. In the limited time available for control purposes, executives need their attention concentrated on the exceptions rather than the normal. Thus the concept of standard costing in the managerial process of controlling incorporates the 'management by exception' principle. In addition, standard costing provides a base for price fixing and measuring efficiency.

4. The managerial process of organising is the establishing of a framework in which responsibilities are defined and lines of authority and communication are laid down.

The total results achieved, converted to money values and expressed as a percentage on Capital employed, reflects the effectiveness of the organisation.

With the introduction of budgets for each cost centre and responsibility centre and the identification, location and controlling of responsibilities and costs, the effectiveness of each of the links in the organisation structure can be measured and used to develop an efficient organisation structure.

The introduction of a standard costing system requires the thorough examination and study of current systems and procedures to develop standards. This preliminary examination and study alone results in many instances in developing efficient organisation structures.

The work of an internal audit and internal control systems also result in increasing the efficiency of an organisation.

The financial system of every organisation provides a useful store of information which can aid management in the formulation of policy and control of the Organisation. Thus financial systems, carefully designed for each organisation, bearing in mind the information requirements of the various functions and levels of management, will go a long way in improving the efficiency of an Organisation.

An efficient financial system can be designed for an organisation by taking the following steps :—

(i) Defining clearly—

- (a) the objectives of the organisation ;
- (b) the activities in which it is engaged ; and
- (c) its organisation structure.

- (ii) Listing the information requirements of the various parties, i.e. the executives of the Organisation, shareholders, customers, suppliers, members of the public, the Inland Revenue Department and other Government Departments.
- (iii) Determining the data that will be required to provide the information to the various parties.
- (iv) Deciding on the manner of collecting the data and the sources from which they would be collected.
- (v) Designing the appropriate forms and documents on which the data will be recorded.
- (vi) Determining the methods of testing the data collected for accuracy and completeness.
- (vii) Deciding on the methods, procedures and techniques of processing the data into meaningful information, taking into consideration the information requirements of the various executives.
- (viii) Determining the methods of testing the processed information for accuracy.
- (ix) Deciding on the methods of communicating the information to the respective executives.
- (x) Deciding on the methods of storing the information and retrieving them on request.
- (xi) Testing whether the executives and the other parties are satisfied with the information given to them, and
- (xii) Improving the system on the basis of feed back information.

## Issues in Developing Management Systems

E. J. DE SILVA

AS this is the last talk in the series, it might be relevant to examine the linkage that exists between the subject of developing management systems, with the earlier talks that have gone on the air. The thirteen earlier talks in this series placed emphasis on five important aspects in the development of management in particular, and management systems in general. The main theme in this series is that the development of management has a pivotal role to play in the development of this country. Secondly, the task of developing the public administration within this broader task which has to be performed, was outlined. Thirdly, an emphasis was placed on the need for organization development the reason being that development activities need to be performed through organizations or organized activity of one kind or another. Fourthly, within this context the importance of some of the elements of the managerial process were stressed. These elements were organising, planning, controlling, co-ordinating, motivating, decision making, communicating and leadership. And finally five of the more important functional areas of management were emphasised in regard to their importance in the task of management development. These were production, personnel, finance, supply and materials, and marketing.

It may be realised that an improvement in any one or other aspect of management as described above may not ensure an integrated development of the total management system itself. It is in this context that the current emphasis of systems approach to management is of great value. A systems approach provides a framework for visualising the internal and external factors related to organizations and their management as an integrated whole. Most of us are aware of the story of a group of seven blind men who were assigned the task of describing an elephant. As each blind man was located at a different part of the elephant, each claimed to have a complete understanding of the animal. However if we take a systems approach to understanding an elephant, it would include not only all the parts as described by these blind men. It will also include other sub-systems which have a bearing on the behaviour of this animal such as his ecology, the herd of which he is a part, and the relationship the animal has to other animals including man. Furthermore, all these aspects or sub-systems do not operate in isolation but are related to one another in an interactive manner.

This example would indicate that by a system we mean an organized or complex whole ; an assemblage or combination of things or parts which form a complex or unitary whole. Within a systems perspective for developing management, all aspects related to the organization and management of an enterprise within its task environment needs to be examined and considered in an integrated manner. Let us take a simple example. Before a large manufacturing and retailing organization is to take a decision on how many lorries

it must have to transport its raw materials and finished products, it has to consider a wide range of factors. It has to consider sales turnover at the retail outlets, the cost of storage at the retail points as against storage in the main agency warehouses, the pattern of production and purchase of raw materials needed for production which makes best use of financial and other resources, together with other factors connected with the cost of transport and the purchase and maintenance of the desired fleet of vehicles that are required. By adopting a systems approach to management all related activities and functions would be considered in an integrated manner in order to optimize resources and effectiveness. This applies to even such a seemingly simple decision as to the number of lorries which are required in this example.

The need to reconcile conflicting objectives of different sub-systems within large complex organizations is a persistent requirement in developing its management system. We are all aware that the different people who work in different divisions of the same organization consider that the sub-objective of their division or sub-department is the main one for the total organization. For example, the Sales Division feels that marketing is the real test of the product or service of the enterprise, and that the survival and growth of the organization depends on the efficiency and effectiveness of their sales activities. But the production branch personnel feel that they are the real line managers of the enterprise and that it is on the basis of their production efficiency that the whole enterprise would eventually rest. On the other hand the Finance Division would feel that their task of planning controlling, and managing financial resources is the pivotal function within the enterprise. Similarly, the Personnel division would place greater emphasis on the human resources and not the non-human resources of the organization. Each of these points of view would be valid to some extent only when it is treated in isolation. However, if we are to develop the total management system within an enterprise, all these different points of view and managerial functions have to be reconciled one with the other. In doing this, some of the sub-objectives of different branches within the organization may have to be under-played whereas some others may need to be given greater prominence. In effect an integrated systems approach would enable an optimum performance for the total overall organization, whereas, performance in some divisions may only be sub-optimised.

Earlier views of management development considered that maximisation was possible in organization operations. However, when we adopt systems approaches in developing management systems, it would be clear that all that is possible in view of the whole range of conflicting sub-objectives and management functions within large complex organizations is rather optimisation of overall performance. This may well be far less than a total maximisation objective. In fact some feel that optimisation itself may be too difficult a task and what is practically feasible is only a satisfactory, achievable level of performance which may be called a "satisficing" function for management. In effect, satisficing would have to be performed taking into consideration overall organization objectives and its relation to the needs of the task environment within which the organization functions.

If we use systems concepts for the development of management systems, three elements could be identified as a part of every system and sub-system. These would be

materials, energy and information flow. The material aspect of a management system involves the facilities and raw materials which flow through the technological process for which the organization has been set up. The energy component includes both human and non-human sources of energy. Finally, the information component facilitates inter-relationship amongst sub-systems and provides the linkage necessary to develop the system as a whole.

Within this broad context of materials, energy and information flow, six key sub-systems or functions essential to the smooth working of any organization could be identified for the purpose of developing its management system.

- (1) A senior sub-system designed to measure changes within the system and to provide more effective relationships with the environment. This would be usually a task involving institutional leadership, where management relates changes in the environment to organizational change and vice versa.
- (2) An information processing sub-system, which collects, classifies and processes information and data needed by the organization at all working levels.
- (3) A decision making sub-system, which receives information and sends out directives in regard to the planning and execution of work in the organization.
- (4) A processing sub-system, which utilises information, energy and material to accomplish the task and the objectives of the organization.
- (5) A control component, which ensures that all sub systems within the organization perform according to planned targets. Such a sub-system would provide a feedback control on the operation of the organization, and finally,
- (6) A memory or information storage sub-system which may take the form of files, records, manuals, procedures, computer programmes or human experience.

An integrated systems approach to the development of management systems would involve an inter-related programme of development in all these six sub-systems which comprise and cover the six main functions performed by any organization. One of the main devices by which the development of management systems is facilitated is through a new training and development methods called organization development. In particular, organization development activities center on the organization as a work team. Its focus is on the improvement of the problem solving capabilities of the organization through the management of its culture and its ability to learn. Since the thrust of organization development is towards more effective problem solving in organizational work teams, secondary outcomes may be one or more of a variety of changes in such areas as leadership style, work design, work flow, organizational structure, and even technology.

The techniques used in an organization development programme frequently involves the following processes :—

- (i) Identification of problems ;
- (ii) Setting problem priorities ;
- (iii) Development and sharing of data concerning these problems ;
- (iv) Joint action planning, which emphasises alternatives ;
- (v) Implementation and testing of selected alternatives, and finally ;
- (vi) Periodic review and further action. Action will tend to fan out as clearer diagnosis and additional alternatives become apparent.

Some of the advantages which usually result from an organization development programme may be the following. Such a programme may create an open, problem solving climate through out the organization. It may help to locate decision making and problem solving responsibilities as close to the information sources as possible. Usually such a programme also tends to build trust among individuals and group throughout the organization and makes competition more relevant to work goals and for maximising collaborative efforts.

In conclusion, to sum up the several talks which have been held in this series, it would be apparent that there is no cook-book recipe which would be readily applied to the development of management in this country. As the talks may have indicated any programme of developing management would necessarily involve several factors such as the importance placed on the need to develop management in general and public sector management in particular. Linked with this would be the need to develop organizations, the managerial process through which organizations are planned and managed to achieve programme results. Finally there is the need to reconcile the functional requirements of the different sub-systems of management within each organization as well as inter link different organizations one with the other to meet the challenges of the larger social system of which these organizations are parts. The integration and reconciliation of these different task and problems could perhaps be best put into effect by the adoption of a systems perspective to management development on the one hand and by the adoption of organization development techniques on the other.

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