

## INTRODUCTION

The course on Public Administration/Management has following objectives:

1. Understand the concept of public administration/ management/organization
2. Understand the evolution of the concept of public administration and its importance
3. Understand the role of government
4. Understand the role and core functions of public manager
5. Understand the structure of government /organizations
6. Create understanding about the skills required by the public manager in imparting duties
7. Understand the changing role of government and role of public managers.

**Importance of Course:** The course on public administration/management is important as every citizen must understand the functioning of government. Besides, whether one works in private or public organization, or one is doing ones own business or whatever the profession, this course is useful as it helps understand organizations and their functioning. It also helps us understand the environment in which we are working.

### Introduction: definitions, concepts & setting

At the end of lecture the students should be able to understanding:

- The meaning of PA
- The practice of public administration (PA)
- Public administration as a subject of study
- Definition of Public administration
- Public administration, democracy and rights of citizens

### The Meaning

The word ‘administration’ has been derived from Latin words ‘ad’ = to and ‘ministrare’ = serve and ‘Public’ =people or citizens

Thus the word administration means to execute the policy of government to serve public.

Management is also defined as Cooperative human endeavour to achieve given goals. Traditionally management is also defined as Management = POSDCORB which stands for Planning, Organizing, Staffing, Directing, Coordination, Reporting, Budgeting.

In general administration and management are used interchangeably.

### Public Administration

A public administration as a practice is as old as the human civilization. When human beings started living in society in an organized way they started the practice of administration, because they started to live cooperatively in society. It is said that when a man tried to lift a stone and was unable to do so alone and was helped by another man, the practice of ‘management/administration began.

### Egyptian Pyramids (1491 BC)

You must have seen Egyptian pyramids and must have thought how such huge structure was built. The construction of Egyptian pyramids in 1491 is an example of practice of administration, as it involved cooperative effort of thousands of people.



### Mohenjodaro and Harrapa

In Pakistan Mohenjodaro and Harrapa civilizations are a magnificent example of practice of administration. The two cities had well planned roads, granary, wells and walls around the city to protect it. Such planning of city shows that the rulers managed the city well.

So we can say that public administration as a practice is old as civilization But Public Administration as a discipline to be taught in formal educational institution, started after World War I (1914), in USA and then in Europe. The emergence of public administration as discipline in USA and Europe was due to the changing role of government. The Great Depression in USA and Europe brought large scale unemployment and low wages, and falling demand for goods. It was felt that in these circumstances the government should invest to provide jobs. Thus, the role of government was seen as prime mover in economy.

### Why Public Administration Received Impetus as A Subject?

Following were the reasons for the emergence of public administration as a subject:-

1. Expanding welfare role (distributive) of the government
2. The emergence of private sector and regulatory role, of government
3. The need for increased efficiency in the Organization
4. Development of Science and Technology
5. Better management of public matters through training in USA

### Definition of Public Administration

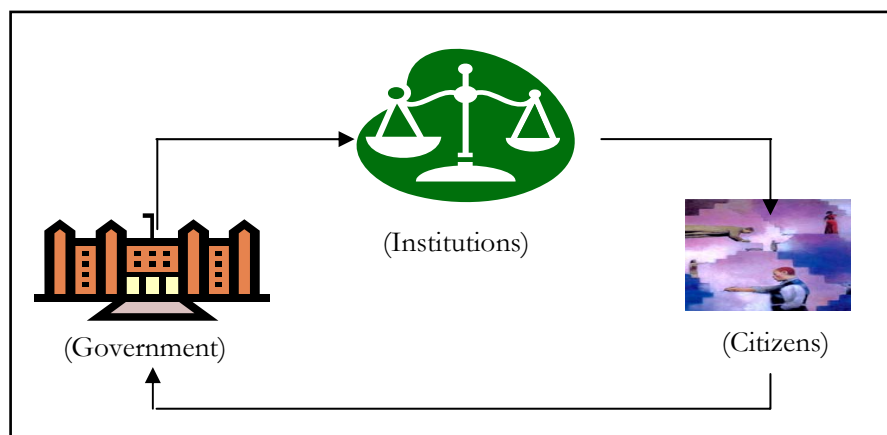
Now we will look at various definitions of public administration to better comprehend the concept:

- ❑ “Public administration.... is the action part of government, the means by which the purposes and goals of government are realized”.
- ❑ ‘Public administration as a field is mainly concerned with the means for implementing political values...’
- ❑ “The process of public administration consists of the actions involved in effecting the intent or desire of a government. It is thus the continuously active, ‘business’ part of government, concerned with carrying out the law, as made by legislative bodies (or other authoritative agents) and interpreted by the courts, through the processes of organization and management.”
- ❑ It is a cooperative group effort in a public setting;
- ❑ It covers all the three branches --- executive, legislative, and judicial -- and
- ❑ their interrelationships;

All these definitions explain us different dimension of the subjects. These definitions might confuse us and we might say that there is really no such subject as “public administration,” but rather that public administration means different things to different observers and lacks a significant common theoretical or applied meaning, or we might say that public administration is everywhere:-

But two things definitely emerge from the above definition. These are:-

1. The study of public administration overlaps a number of other disciplines, including political science, sociology, economics, psychology, and business administration. and
2. Public administration is the use of managerial, political, and legal theories and processes to fulfill the goals of government (welfare of public).



Now before we further proceed to understand public administration we need to understand certain concepts like and state and government. The diagram shows that citizens of any country are user of services and provider of services.

### **Institutions of State**

The institutions of state are as follows:-

- ❑ Legislature: Parliament (National and Provincial Assemblies) makes laws for the organization
- ❑ Judiciary: (Supreme Court & Provincial Courts) - and Session Courts) interpret laws
- ❑ Executive ( National, Provincial) implements laws

The Ministries, Division, Departments /Directorates are the organizations that function under the executive to implement law. For example the police department has the responsibility to maintain peace & order

### **Government**

Government is process of governing. It is the use of power derived from the law that is made/approve by the legislature. It is means, methods, manner, or system of governing society and organization.

The government of Islamic Republic of Pakistan derives its systems and methods from the Constitution (1973). Article 90-99 of the Constitution gives provision for Rules of Business. The Rules of Business 1973 provide. The roles, responsibilities and function of government organizations (ministries, departments etc)

### **What is Democracy**

When we talk of state and government it is important to mention that what form of government Pakistan has. Pakistan is a parliamentary Democracy. The word democracy is a Greek word where “demos” mean people and “Krates” means authority.

### **Values of Democracy**

Democracies have certain values and these are:-

- ❑ Individualism
- ❑ Equality
- ❑ Liberty

### **Individualism**

Individualism means that the dignity and integrity of individual is of supreme importance. It suggests that achieving the fullest potential of each individual is the best measure of the success of political system and government

### **Equality**

All normal individuals are equal in their talents but also each individual has an equal claim to life, liberty and the pursuit to happiness

### **Liberty**

Citizens should have the right to the maximum opportunity to select own purpose in life and choose means to accomplish these. The citizen should be facilitated rather than hindered in their pursuit to a meaningful life.

### **Concepts**

The students must understand the following concepts:-

- ❑ **Organization:** The structure and framework created to perform certain functions to achieve goals.
- ❑ **Management:** Cooperative human effort to achieve goals
- ❑ **Process:** a systematic mechanism to complete an activity

- **Efficiency:** Efficiency =  $\frac{\text{Output}}{\text{Input}}$ : Efficiency relates to maximization of goals  
example:  $\frac{10}{4} \rightarrow$  output = 2 = efficient  
 $\frac{10}{6} = 1.66 =$  less efficient.
- **Government:** A government is the process of governing, it comprise organization, system, rules etc.
- **State:** As State has territorial jurisdiction, it has people and institutions.
- **Democracy:** Democracy is a form of government in which people has authority and right to elect their representative.
- **Democratic values:** Democratic values are life, liberty & individualism.

## EVOLUTION OF PUBLIC ADMINISTRATION

At the end of the lecture students should be able to understand:

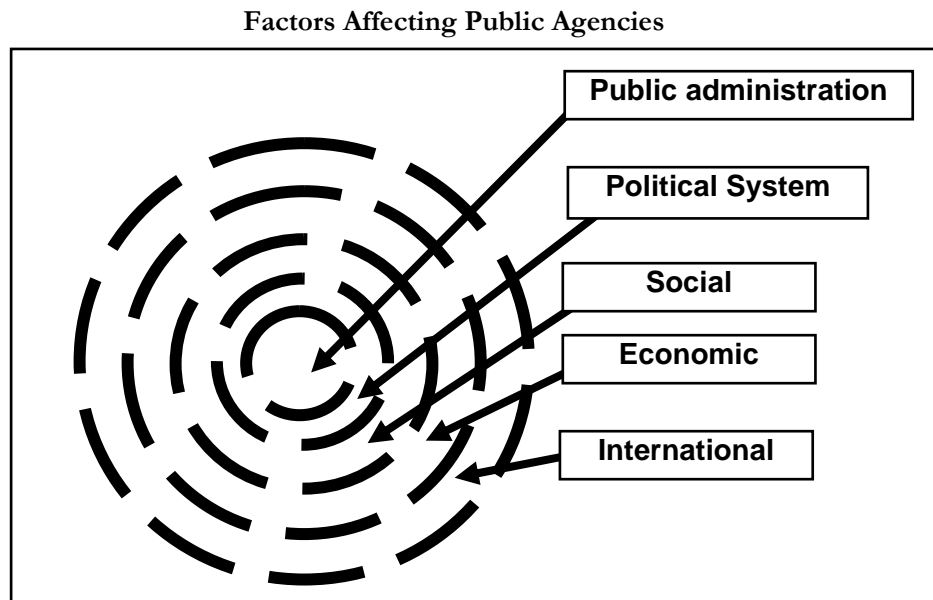
- Relationship between public administration, democracy and rights (Constitution of Islamic Republic of Pakistan 1973)
- Evolution of Public administration/ management and
- The work of the contributors of the Classical School

In the last lecture we talked about democracy and democratic values. Why did we mention these two concepts in the context of public administration/management? The mention was made because we would like to know about the rights of citizens and the response of government toward democratic values. These values and how people should respond to the work of public organizations is important. But we know people differ over the degree to which they influence day-to-day operation of public agencies because they do not know their rights and the procedures of government agencies. The 1973 Constitution contains Fundamental Rights and Principles of Policies which give basic rights to citizens. Some of the articles pertaining to human dignity and respect given in constitution are as follows:-

- (1) **Security of persons:** No person shall be deprived of life or liberty saves in accordance with law.
- (2) **Safeguards as to arrest and detention:** No person who is arrested shall be detained in custody without being informed, as soon as many are not, of the grounds for such arrest, nor shall he be denied the right to consult and be defended by a legal practitioner of his choice.
- (3) **Slavery, forced labor, etc., prohibited:** slavery is non-existent and forbidden and no law shall permit or facilitate its introduction into Pakistan in any form.
- (4) **Inviolability of dignity of man, etc.:** The dignity of man and, subject to law, the privacy of home, shall be inviolable.
- (5) **Freedom of movement, etc.:** Every citizen shall have the right to remain in, and subject to any reasonable restriction imposed by law in the public interest, enter and move freely throughout Pakistan and to reside and settle in any part thereof.
- (6) **Freedom of assembly:** Every citizen shall have the right to assemble peacefully and without arms, subject to any reasonable restrictions imposed by law in the interest of public order.
- (7) **Freedom of association:** Every citizen shall have the right to form associations or unions, subject to any reasonable restrictions imposed by law in the interest of (sovereignty or integrity of Pakistan, public order or morality.)
- (8) **Freedom of trade, business or profession:** Subject to such qualifications, if any, as may be prescribed by law, every citizen shall have the right to enter upon any lawful profession or occupation, and to conduct any lawful trade or business:
- (9) **Freedom of speech, etc** Every citizen shall have the right to freedom of speech and expression, and there shall be freedom to the Press, subject to any reasonable restrictions imposed by law in the interest of the glory of Islam or the integrity, security or defense or Pakistan or any part thereof, friendly relations with foreign States, public order, decency or morality, or in relation to contempt of Court, (commission of) or incitement to an offence.
- (10) **Freedom to profess religion and to manage religious institution:** Subject to law, public order and morality:-
  - (a) every citizen shall have the right to profess, practice and propagate his religion; and
  - (b) Every religious denomination and every sect thereof shall have the right to establish, maintain and manage its religious institutions.
- (11) **Safeguard against taxation for purposes of any particular religion:** No. person shall be compelled to pay any special tax the proceeds of which are to be spent on the propagation or maintenance of any religion other than his own.
- (12) **Safeguard as to educational institution in respect of religion, etc.:** No person attending any educational institution shall be required to receive religious instruction, or take part in any religious ceremony, or attend religious worship, if such instruction, ceremony of worship relates to a religion other than his own.

- (13) **Equality of citizens:** (1) All citizens are equal before law and are entitled to equal protection of law. (2) There shall be no discrimination based on sex alone. (3) Nothing in this Article shall prevent the State from making any special provision for the protection of women and children.
- (14) **Non-discrimination in respect of access to public places:** (1) In respect of access to places of public entertainment or resort, not intended for religious purposes only, there shall be no discrimination against any citizen on the ground only of race, religion, caste, sex, residence or place of birth.

The way democracy functions in the political tradition of a country have important influence on the working of public organization. This is illustrated in Figure which shows the international, social, economic, political system influence on public administration. The figure shows public administration in the centre and all other systems influencing it. Thus public administration exists and functions under these influences and is driven by these systems.



### Evolution of Public Administration

One of the definitions of Public Administration is that public administration is about management of public programmes. As we have learnt that during the period of Indus Valley civilization cities were well constructed and planned and that the practice of public administration is old. But as a subject it is new. We would now see the development of this practice as a subject.

The evolution of public administration/ management is discussed in following paragraphs. The study of public administration is divided in following Schools:

1. The Classical School
2. Human Relations School
3. Behavioural School
4. System School
5. Management Science School
6. Power and Politics School

### Classical School

We will examine the work of Classical School and see the theory presented by this school. We will review the work of the main contributors of this school. The main contributors of this school are:

- Woodrow Wilson
- Leonard D. White
- W. F. Willoughby

- Fredrick Winslow Taylor
- Henry L. Gantt
- Frank and Lillian Gilbreth
- Max Weber
- Henri Fayol

The growth of public administration has to do with the growth of markets and the fall out of market imperfection. Example of market imperfection is pollution, i.e., markets produce goods and the markets would not care if in the production of goods, they pollute environment. For example a manufacturer who emits smoke will pollute the environment. Environment if gets polluted will effect the health of people. Who is responsible for this situation? Governments intervene to correct market imperfection and may tax the polluter.

The institutions of government therefore should be effective to control market imperfections. Similarly if private schools charge more fees then government should open schools for those who cannot pay high fee. How to make government institutions effective?

To answer this question we need to look at the works of those who contributed to the efficient working of organizations. Those studying work in the organization developed theories and concepts for increasing the efficiency and effectiveness of organization

In USA the study of government began in late 19th century. The first Essay was on ‘The Study of Administration’ 1887 written by Woodrow Wilson (American Scholar and late President of USA) His essay was of very practical nature. In his essay he pointed out following things:-

- It addressed the inefficiency and corruption in USA government in late 1880’s
- He said that political scientist had given little attention to how government operates
- He was impressed by the business, industry and technology
- He believed that the work of government should be accomplished with the efficiency of private sector.
- He believed that there should be separation of politics from administration

Another article that appeared was on ‘Introduction to the Study of Public Administration’ (1926) by Leonard D. White. In his paper:

- He commented that government should function in the context of democratic values (role of states in human affairs). According to him there are 2 concerns in public administration:
  1. Efficiency: to improve the functioning of organization.
  2. Democratic values: that the organizations should keep in view the democratic values when providing services.

W. F Willoughby in his article ‘Principles of Public Administration’ (1927) emphasized the idea of ‘value free’ science of management. By value free service he meant that those executing public programmes should be neutral unbiased and provide services without discrimination.

### **F. W Taylor**

Fredrick Winslow Taylor is called the ‘father of scientific management’. He worked as machine operator in Midvale Steel Company in USA. He observed the workers using shovels for unloading coal and iron ore what he observed was that when workers shovel rice coal they can lift 3.75 lbs. And when they shoveled iron ore they could lift 38 lbs.

His question was which is the right load?

In order to find the answer he thought that he should inquire and he thought should ask people. But then he thought he should conduct experiment to find the right answer. He thought the experiment will give the right output.

### The Shovelling Experiment

In order to conduct the experiment he selected 2 best shovelers and told them that they will be paid double wages if they did what was told to them. The two selected men were the best in the company. They had reputation of working hard and honestly. The two men shovelled the whole day, in two different places until they were tired but not over-tired (a good day's work). Their supervisor noted down the following:

1. What was the number of shovelful in a day by each worker?
2. Weight of load in shovel (38-39 lbs) by each worker

His experiment gave him results that if different kinds of shovels were used, the shoveller can lift load between 21.5 lbs to 38 lbs. But this was possible if the worker was well trained and worked consistently.

### Results of the Experiment

- There is scientific way of doing things and he called it 'one best way'
- Replace rule of thumb with science
- Obtain harmony in group action rather than discord
- Achieving cooperation of human beings rather than chaotic individualism
- Working for maximum output rather than restricted output (productivity)
- Developing all workers to the fullest extent for their own and company's prosperity
- Workers should be carefully selected

We must remember that the time period of Taylor was mid 19th century, and the impact of industrial revolution on organizations were imminent. The organizations were demanding more output from labour. This demand led to dissatisfaction in the labour because the labour thought that if they gave more output more will be expected.

### Concepts

- **Classical School of Management:** They believe the efficiency of organizations can be increased by following standards (scientific management).
- **Value free:** without bias.
- **Theory:** set of assumptions based on observation or experiment which explain phenomenon or situation.



**CLASSICAL SCHOOL OF THOUGHTS – I**

At the end of the lecture the students will be able to understand:-

- ❑ The work of Classical school
- ❑ Scientific management concepts like efficiency
- ❑ The concept of Weber's bureaucracy
- ❑ Henri Fayol's General Principles of Management
- ❑ The concepts in Human Relation Approach

As mentioned early the main contributors to the classical thought are:-

- Woodrow Wilson
- Leonard D. White
- W. F. Willoughby
- Fredrick Winslow Taylor
- Henry L. Gantt
- Frank and Lillian Gilbreth
- Max Weber
- Henri Fayol

The work of Max Weber, Henry L. Gantt, Frank and Lillian Gilbreth and Henry Fayol will be discussed.

In the last lecture we made effort to understand Taylor's scientific management and the underlying assumptions. We also tried to see the Results of his experiment.

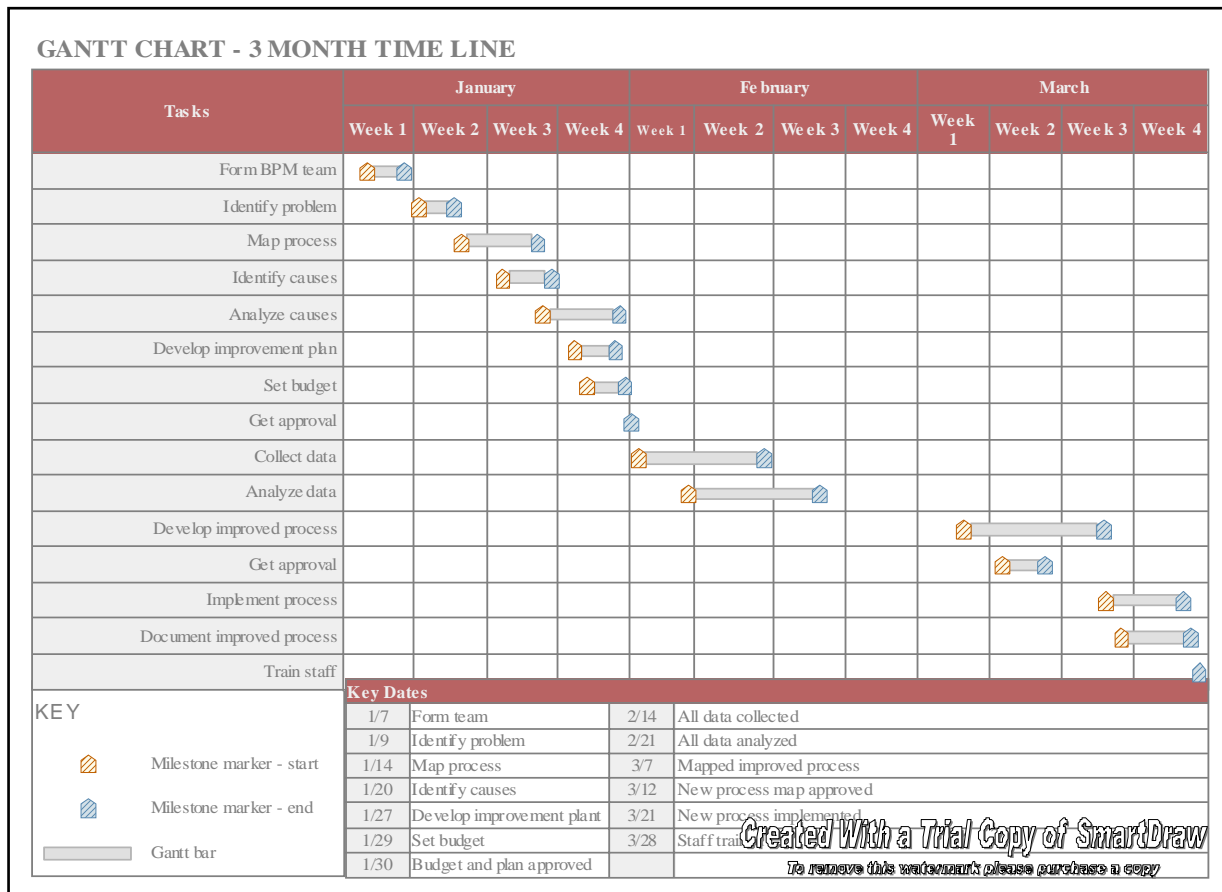
**Henry L GANTT**

Gantt also belongs to the classical school, because he was also trying to focus on efficiency and maximization of output. He emphasized the need for developing mutuality of interests between management and labour, which mean a "harmonious cooperation," between both. He asserted:

- ❑ That in all problems of management the human element is the most important."
- ❑ The importance of time, as well as cost, in planning and controlling work
- ❑ This led eventually to the famous Gantt chart, (Figure below) which is basis of such modern techniques as the Program Evaluation and Review Technique (PERT).

This chart enables managers to break work in task and then determine to how much time and resources will be required to complete each task.

Gantt chart



**Frank and Lillian Gilbreth**

Frank and Lillian Gilbreth strongly supported the ideas of Taylor. (Frank and Lillian were husband and wife). Gilbreth became interested in wasted motions in work. He observed the work of bricklayers and said that it can be reduced from 18 to 5 movements. He met Taylor in 1907 and combined his ideas with Taylor to improve productivity of workers. Frank and Lillian Gilbreth emphasized the following:-

- Application of scientific-management principles (time and motion study)
- The need to understand workers personalities and needs

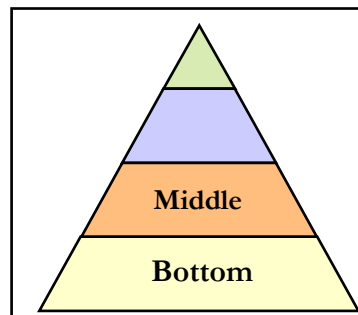
**Theory of Bureaucracy**

**Max Weber (1864-1920)**

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his life long work on the study of organizations led to believe that specific kind of organizations called “bureau” (desk), will help in the growth of markets. He gave following main characteristics of the bureaucracy.

**General Characteristics**

- Hierarchy of authority
- Impersonality
- Written rules and documents
- Promotion based on achievement
- Specialized division of labor
- Efficiency



Figure

**Hierarchy of Authority**

- Hierarchy is the various levels in the Organization.

**Authority**

Authority is the ability to exercise influence over a group of people. As shown in the figure a hierarchical organization looks like Pyramid.

Weber distinguished three main types of authority:

1. Traditional Authority: The authority that one inherits, e.g. the son of king will be the future king. In traditional societies the authority is transmitted.
2. Charismatic: It is the authority that one possesses because of one's personal traits and abilities. E.g. TV artist, sports stars.
3. Rational-legal Authority: It is the authority that is acquired as a result of a position. E.g. Policeman has authority because of the position.

One may possess a mix of these above authorities.

**Impersonality**

The official is provided all equipment to carry out his duties; he does not own the "means of administration." Activities are completed impersonally, which means that the 'self' of individual is not involved in the work.

**Written Rules and Documents**

Bureaucracy demands that the written rules of the organization be strictly followed and that the officials remain loyal. All the work in organization is written. Compliance is to the written instructions.

**Promotion Based on Achievement**

Bureaucracy requires the tasks assigned to an official performed and completed in an efficient and effective manner, and promotion is based on the level of skill and ability of the official.

**Specialization/ Division of Labour**

Each person should perform a given and assigned task

Example:

1. A person assigned the task of typing should only perform that task. He should not be asked to do other task. If he/she continues to perform the task he/she will develop competence in that area.
2. Pin making: Another example is of pin making given by Adam Smith. If the pin is made by one person he will take longer. But if the wire is straightened by one person, the other person cuts the wire and the third person rounds the head of the pin, then the output can be increased due to specialization.

**Henri Fayol**

Henri Fayol is called the father of modern management theory. He was a French Industrialist. His book on 'General Administration' appeared in 1916. It was written in French. Fayol found that activities of industrial undertaking could be grouped in 6 parts

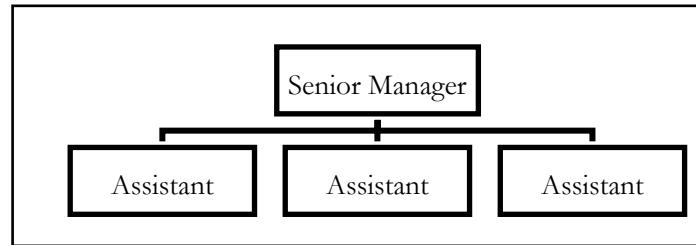
1. Production
2. Commercial
3. Financial
4. Security (protection of property)
5. Accounting
6. Managerial

**General Principles of Management**

He gave following 14 general principles of management:

1. Division of work
2. Authority & Responsibility
3. Discipline: respect for agreement
4. Unity of command: receive order from one superior only

The figure below shows senior manager supervising the work of 3 Assistants. All 3 receive order from one superior.

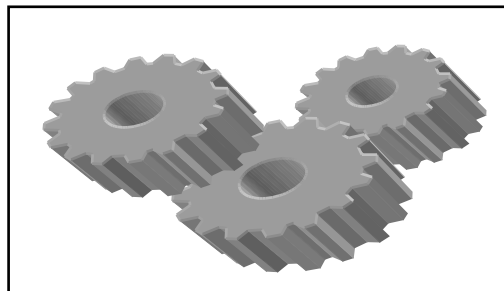


- Unity of direction: each group of activities with same objectives must have one head and one plan.
5. Subordination of individual interests to the general interest: The managers should work in the interests of organization.
  6. Remuneration: methods of payment should be fair and give maximum satisfaction to employee and employer
  7. Centralization: The extent to which the authority is concentrated in one person or dispersed in the organization
  8. Scalar chain (line of authority) or chain of command
  9. Order: a place for everything and every thing in its place
  10. Equity: justice and fairness on the part of managers
  11. Stability of tenure of personnel
  12. Initiative: keenness to work
  13. Esprit de corps: union is strength (teamwork)

### Main Feature of Classical School

The main focus of the classical school was as follows:-

1. The task of administration is not political but technical, i.e. only carry out the will of the political authority.
2. Its emphasizes is on material and methods instead of human element in the organization
3. It treated people as 'cogs in the machines' people in the organization were like other machines and tools.
4. Focus was to increase productivity.



It improves organizational efficiency and ensures high productivity due to economic incentives to workers.

### Human Relation Approach

- ❑ This approach started as a reaction to the classical approach.
- ❑ It was initiated in 1930's with the "Human Relation Movement".
- ❑ Research and Theory development in the 1950s and 1960s provided further conceptual grounding to this school of thought.
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**Concepts**

- ❑ **Productivity:** increasing output per worker
- ❑ **Division of work/specialization:** assign work clearly to one person so that he improves the skills
- ❑ **Authority:** ability to influence others
- ❑ **Impersonality:** “self” on individual is not involved in the work.
- ❑ **Hierarchy:** various levels or tiers in the organization
- ❑ **Time & motion study:** to study the movements of workers and eliminate unnecessary and inefficient movements

**CLASSICAL SCHOOL OF THOUGHTS – II**

Lecture 4 is continuation of the evolution of public administration & management. At the end of the lecture students will be able to understand:-

1. Human relations school and the work of the main contributors

**Contributors of This Approach**

The main contributors to human relation schools were Elton Mayo, Chester I. Barnard and Herbert Simon.

The Human Relations School was the response to Classical School. Those who believed in the assumptions of classical school ignored the human element in the organizations. They looked at human beings as mechanical devices. Initially the methods of Classical Schools worked, and then gradually these stopped giving intended results.

Human relations theory has diverse tradition of models, techniques, research findings, and ideas that often trace their roots back to the Hawthorne Experiments.

**Hawthorne studies**

Elton Mayo, Roethlisberger and other undertook the famous experiment at Hawthorne plant of the Western Electric Company at Cicero, Illinois, USA, between 1927–1932. Before that from 1924 to 1927, the National Research Council (USA) did study in collaboration with Western Electric Company to determine the effect of illumination and other conditions on workers and their productivity

Researchers conducting the experiments at the Hawthorne Plant of Western Electric Company placed two groups of employees doing the same work into separate rooms.

One group was treated as the control, and the second was test group. The control group is one for which the variables like light, temperature and working conditions are not changed. The test group is one for which the variables like light temperature etc., are changed. The test group in the Hawthorne Experiment was exposed to various experimental changes such as increased lighting, decreased lighting, rest, pauses, and so on. For the test group the light was gradually decreased. It was decreased to the extent that it was as little as moonlight.

The researchers of Western Electric Company expected the experiments to lead to different levels of performance for the experimental (control) group, and for the test group. To the amazement of the researchers, both groups increased their performance.

The Researchers concluded that the experimental design was problematic, which allowed extraneous factors to enter the design that led to these unanticipated results. What Mayo and his colleagues found that employees in the groups were treated as special. They were given attention by management, separated from other employees, and encouraged to perform. They found in general that improvements in productivity were due to social factors as morale, good relations with managers and members of group. Employees who are given attention by management, who are treated as special, and who perceive their work as significant can become highly motivated and thus become more productive. This phenomenon arising basically from people being “noticed” is called Hawthorne effect. What the Hawthorne studies emphasized that organizations are not just machines & tools but are also social systems.

**Chester I. Barnard**

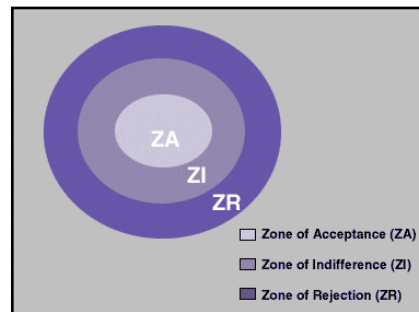
Chester I. Barnard wrote the most influential book entitled “The Function of the Executive”. He was the president of Bell Telephone Company in New Jersey, USA from 1927 to 1948. Barnard was much influenced by Mayo and others of Human Relation Schools. His analysis of the manager was that the manager has to understand the behaviour of people in organization and maintain a system of cooperative effort in formal organizations. In his book he emphasized the following:

- ❑ He focused on the social implications (aspects) of organization. In response to Scientific Management Theory, Barnard added the human component to the work situation.
- ❑ He argued that the manager's role included gaining cooperation, defining purposes, and providing a system of communication.
- ❑ He believed that the subordinate was the ultimate source of authority; he or she chooses whether to accept or reject orders given by the manager.

According to him subordinates had three zones or range of orders that workers will operate under:

- ❑ The zone of rejection,
- ❑ The zone of acceptance,
- ❑ The zone of indifference

### The Three Zones of Employees



According to Bernard If employees are managed properly, the zone of acceptance can extend into the zone of indifference, thereby increasing the worker's tolerance for the manager's orders.

- ❑ If managed inappropriately the zone of indifference will turn into the zone of rejection, thereby decreasing the worker's tolerance for the manager's orders.
- ❑ Barnard believed that organizations could be improved by the adoption of:
  - ❖ A cooperative attitude between functional units (worker & managers)
  - ❖ Interdepartmental instruction (coordination among departments)
  - ❖ The cross training of personnel (training of employee from different departments of the organization)

### Herbert Simon (1916 – 2001)

Herbert Simon was influenced by Bernard's work and his focus in the organization was human behaviour particularly focusing on decision making. He pointed out that Classical School focused on rational processes of increasing output, ignoring that human beings have limited cognition and knowledge of complex problems.

According to him group behavior requires not only the adoption of correct decisions, but also the adoption by all members of the group of the same decisions.

According to Herbert Alexander Simon organizations are important because it:-

- ❑ It provides the environments and structure that mold and develop personal qualities and habits
- ❑ Provides those in responsible positions with the means for exercising authority and influence over others
- ❑ Structures communications, determines the environments of information in which decisions are taken

The major contribution of Simon was to the understanding of decision making in organization and artificial intelligence. Simon got Nobel Prize in Economics in 1978. (For his work see: <http://citiseer.ist.psu.edu/correct/15784>)

**Concepts**

- ❑ **Illumination experiment:** the experiment conducted at Hawthorne Electric Plant to study the group behaviour on performance.
- ❑ **Hawthorne effect:** when group receives attention from supervisor
- ❑ **Productivity:** output per worker
- ❑ **Human Relations School:** the view that human behaviour (group) has important influence on productivity and performance of organization



**HUMAN RELATIONS SCHOOLS****Text Books**

**Khan, Sultan**, *Public Administration with Special Reference to Pakistan*, Urdu Bazar, Lahore (latest edition)  
 Nigro and Nigro, *Modern Public Administration*, Harper & Row, NY (latest edition)

At the end of the lecture the students will be able to understand the following:-

1. Main features of Human Relations Schools
2. The concept of behaviour and the common features of behavioural School and Human Relations
3. Theory X and Theory Y
4. Maslow hierarchy of need i.e. the concepts in need theory
5. Concepts and main features of System school

We will now conclude Hebert Simons work. But before we do that we attempt to see how Simon classified administrative behaviour.

He has classified the administrative behaviour as follows:-

1. The study of bureaucracy: In order to understand decision making, it is better to understand the structure of organization, because the structure determines behaviour.
2. Human relations pertaining to motivation and increasing job satisfaction: The study of human relations and motivation determines the performance in organization.
3. Decision-making studies emphasizing cognitive processes and the rational components of administrative behaviour: The decision making behaviour in organization is based on cognitive process as well as rational

In his view, all behaviour involves conscious or unconscious selection of particular actions. For example:

If a manager has to decide to fire Mr. X., the conscious considerations would be like the employee was undisciplined, and continuously performed unsatisfactorily. His unconscious consideration might be that the manager did not like him personally.

**Main Features of Human of Relation Approach**

This is a brief snapshot of the human relations theories. The Human Relations School focused on the:-

- Individuals behaviour, cognitive decision-making process and nature of authority in organization
- Informal, interpersonal relationship, group dynamics and communication pattern

**Behavioural School**

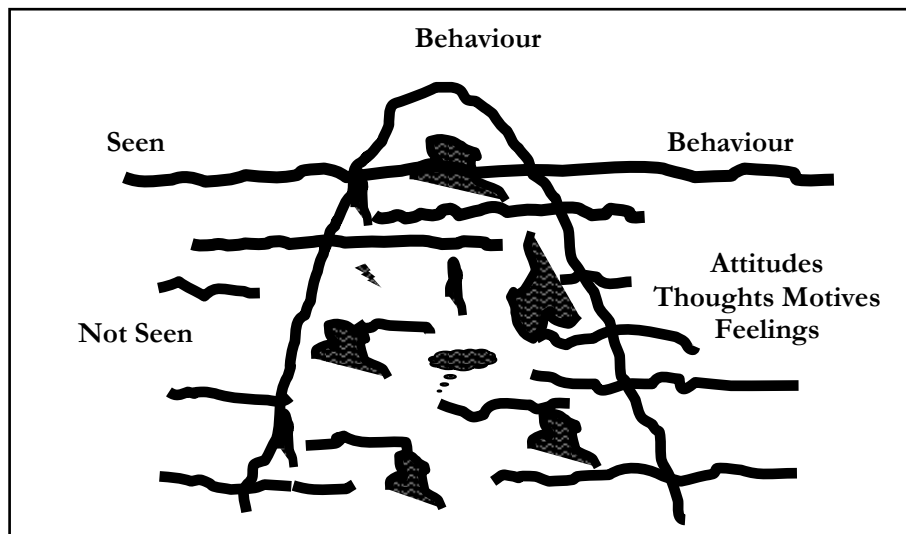
The Behavioural School looked at human motivation and social environment in which the organizations work. They studied the behaviour of individuals in the organization and the affect of behaviour on organizational performance. The main contributors to Behavioural School were Psychologists and Sociologists.

**What is behaviour?**

Behaviour is defined in general sense as actions of people that are seen. As you can see in the figure the behaviour that can be seen is really the tip of the ice being. Below this tip is the unseen attitudes, thoughts, feelings, perception, motive etc. The unseen attitudes etc. drive certain behaviour which is seen.

For example we can see the behaviour of a person who violates traffic signal or who litters around. From this behaviour we can infer his perceptions and attitudes towards rules and cleanliness respectively.

Figure



The Human Relation School and Behavioural School have many things in common. These are:

1. Both focus on motivation of people
2. Both emphasizes Clarity of communication
3. They emphasize interpersonal relationship: How people relate with each other
4. Both look at individual and group behaviour: Behaviour of people in the group and individual behaviour

### Main Contributors of Behavioural

The main contributors whose work is analyzed are:-

1. Douglas McGregor
2. Abraham Maslow

### Douglas McGregor:

Douglas McGregor presented a theory called Theory X and Theory Y. His Theory X and Y are the negative and positive assumption about human behaviour.

### Theory X

Theory X has negative assumptions, which are as follows:-

1. Dislike work: It is assumed that human beings are lazy and docile, therefore, they avoid work.
2. Avoid responsibility: Because human beings are lazy, they do not want to take any responsibility.
3. They need to be supervised: From the above two assumption it follow that they need to be supervised. As human beings are lazy, therefore, in order to get work out of them they need to be closely supervised.

### Theory Y

Theory Y is a positive assumption about human behaviour, and its assumptions are just the opposite of Theory X. These assumptions are:

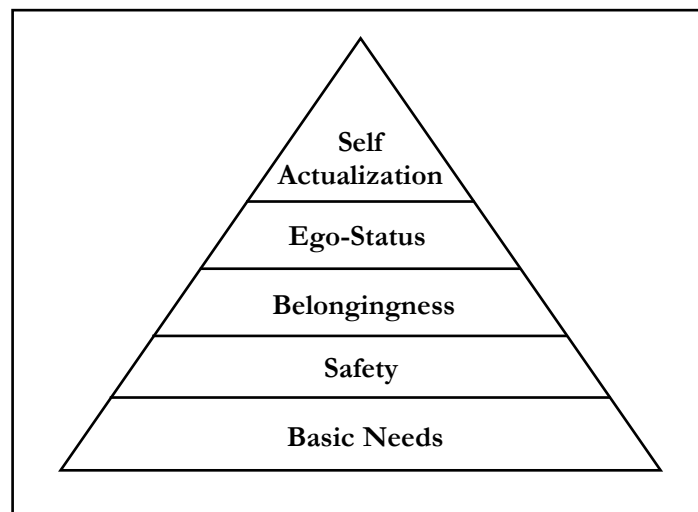
1. People accept responsibility: Because they are willing to work and agile and active. They want to achieve goals for the organization and accept responsibility.
2. Can exercise control: Because they are responsible, therefore, they want to have control over things
3. Have capacity to be creative: People want to be creative and look for challenge.

4. Can work as natural as rest or play: For people work and rest are equal, i.e. people want to work and rest which is natural they cannot rest all the time because it becomes boring and they cannot work all the time because it becomes dull as well

### Maslow's Need Hierarchy

This theory was developed by Abraham Maslow. This theory has received more attention from managers. Maslow viewed human motivation as a hierarchy of five needs (see figure) ranging from the most basic physiological or basic needs to the highest level of need for “self actualization”. According to Maslow, individuals will be motivated to fulfill the most pressing need at a time. The importance of need depends on the deprivation of the need and current situation. If the individual is deprived of basic need he will be at that level of need. For example the basic needs are food, clothing and shelter. If one is hungry and is starving one will not be able to think of higher level of need i.e. safety. The needs at the lower level must be satisfied before one moves to higher level of needs.

Figure



### System Schools

The main contributors of system schools are:-

1. Fermont E. Kast
2. James E. Rosenzweig
3. William Scott

The word ‘system’ is borrowed from biological sciences to social science. It attempts to see organizations as other systems, like irrigation system, Ecosystem, circulatory system, digestive system, solar system, etc.

Some of these are mechanistic system, some are organic system. The mechanistic system is static e.g. these do not change with changes outside the system. Organic systems are not static. Organic System responds to external environment.

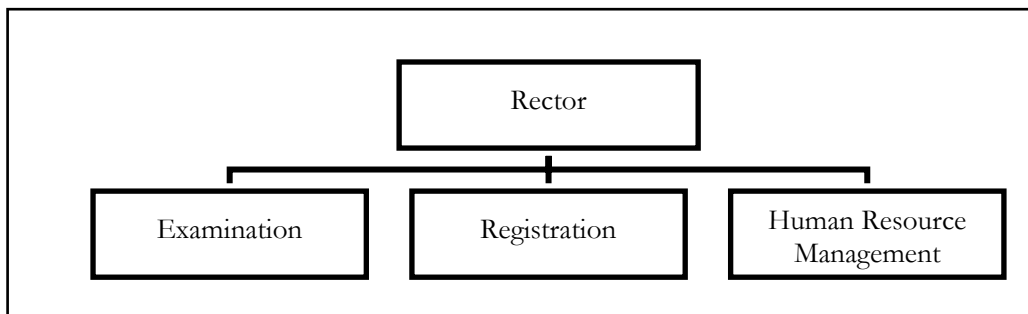
There are two basic components of system Theory. These are:-

- ❑ System School views organization as “unified, purposeful system composed of interrelated parts”
- ❑ This theory provides opportunity to look at organization as a whole and *as part of larger* external environment

## Parts of Organization

An organization comprise of many parts or sub-system. The figure shows an organization structure of a university. Three sub-system i.e. Examination, Registration and Human Resource management are shown. These sub-systems or parts of organization constitute one big organization. Since organizations are compared to organic system, these are changeable. The organization as a whole responds to external system.

Figure

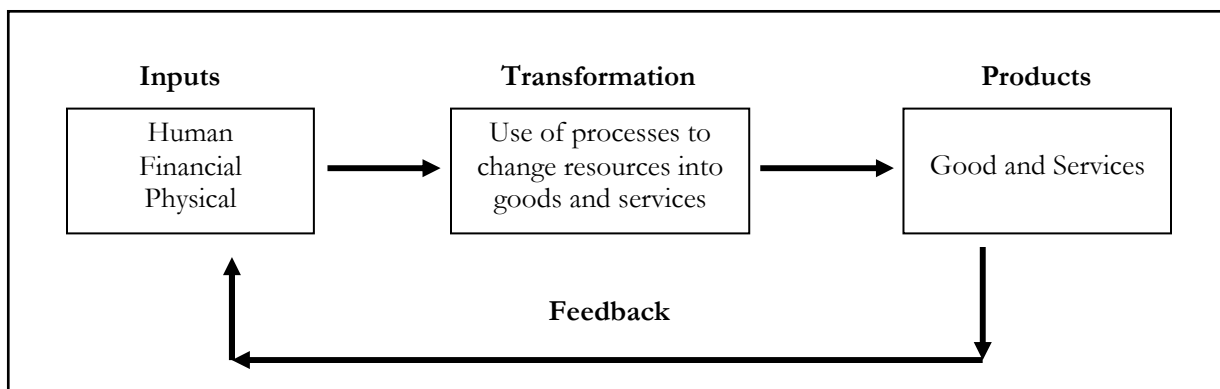


## Key Concepts in System School

Following are some key concepts in System Theory:-

- ❑ Subsystem: The part that make up the whole
- ❑ Synergy: whole is greater than the sum of its part The combine effect of system
- ❑ System boundary: Boundary separates system from the external environment
- ❑ Open & closed system: system that interacts with its environment is open system
- ❑ Feedback: return of information to the organization. The figure below shows the feed back mechanism.

Figure



The theories or schools of thoughts that we have tried to understand explain us one aspect of organization. Therefore, we cannot say that one theory is better than other. In fact all theories if studied are helpful in explaining organizational behaviour, and explain us different aspects of organization.

The classical theories help us understand the mechanical aspects like line of command, unity of direction hierarchy etc. While Human and Behavioural Schools help us understand the human side of organizations.

## Concepts

- ❑ **Theory X:** The negative assumptions about human behaviour
- ❑ **Theory Y:** The positive assumptions about human behaviour
- ❑ **Behaviour:** Actions of Individual that can be observed

- **Need Hierarchy:** Human needs are placed in different levels, from the basic level to the highest level.
- **Sub-System:** The part that make up the whole
- **Feed back:** Return of information to the organization

**POWER AND POLITICS**

At the end of the lecture the students will be able to understand the following:-

1. concept of power and politics
2. types of power and conflict
3. the importance of power in organization

The main contributors of power and politics school are:-

Harold Laswell  
Robert Dhal  
Antony Jay (reintroduced Machiavelli's concept of power)

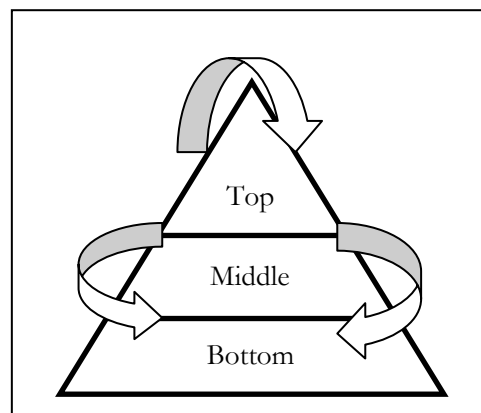
This school attempts to understand the concept of power in organization. It defines power as personal characteristics by which one person can influence or dominate another person. In organizations, power is the ability of one person or department, to influence other people or departments, in order to bring about the desired results. Without power, organizations will not be able to achieve their goals, because managers exert influence to force people to do things that they want. Another element in organization is politics.

Politics is about controlling resources (material, human, financial, information etc.). It is also about distribution of resources. Who gets what, how, when and where (Harold Laswell 1936). Politics is often understood as undesirable, because it is perceived as “maneuvering” and manipulation” by people.

Power is synonymously defined with authority. Authority comes with the job that one is holding, and power and authority are perceived as one, although power subsumes authority. “Power and Politics School” views authority as only one of the available sources of organizational power.

It may be mentioned that power is aimed at in all directions in the organizations, i.e. the top managements power would be felt from top to bottom sideway as well. It can be understood as the presence of an individual being felt.

Figure



There are various types of power that managers use in the organization.

These are:

- Legitimate Power
- Reward/Punish Power
- Expert Power
- Referent Power

**Legitimate Power**

It is the authority given by the organization to the formal management position a manager holds. For example: Power of DCO, Nazim, and Policeperson. These personnel have power because they hold certain position.

**Reward / Punish Power**

The power which stems from the ability to bestow rewards which include benefits like food allowance, overtime cash allowance and other fringe benefits. Example: Adults can reward or punish children; managers give cash awards to their sub-ordinates for good performance.

**Expert Power**

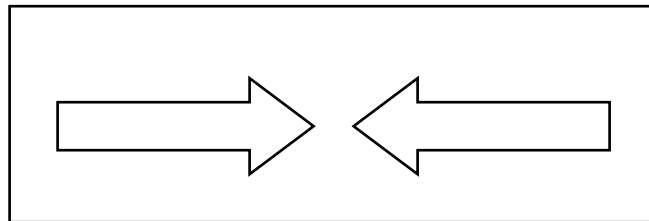
It is the power possessed by an individual based on experience, or some skills and ability. Example: computer expert, specialist doctor

**Referent Power**

Organizations are always finding ways of using the effective and suitable way of utilizing the experience and knowledge of reputable managers as far as employee referrals are concerned.

**Conflict**

Conflict is a natural outcome of the close interaction of people. It is defined as difference, disagreement and dissension. When there is disagreement and dissension people will have a view point and suggestion that is different. In order to have their views prevail people will try to find means by which give and take will occur.



Therefore, individuals and groups will use power and political activity to handle their differences and manage conflict.

**Conflict- as Positive and Negative**

Conflict can have positive or negative affect on the organization. The positive affect is when manager agree to some new view points of the disagreeing group/individual.

Conflict can be a positive force because it challenges the status quo, encourages new ideas and approaches, and leads to change.

However, too much conflict can be harmful to any organization. Because too much conflict can lead to dead lock and things may not move. Some degree of conflict always occurs in all human relationships.

**Reactions of Managers**

Most managers have a negative view toward politics and believe that politics will more often hurt than help an organization in achieving its goals. Politics is also seen as a negative element. But some kind of politics is always there in organization and if that is understood managers can use it in a positive way.

Political behaviour is common to practically all public or private organizations, and should be used positively by involving people in decision making.

Most managers think political behaviour occurs more often at upper rather than lower levels in organization. But political behaviour is common to people in organization, therefore, it occurs at all levels, but it is more at the top.

Political behaviour arises in certain decision domain, such as structural change, but is absent from other decisions, such as handling employee grievances.

Organizational decision-making and problem-solving, is also a political process. Organizational actors seek to satisfy not only organizational interests, but also their own wants and needs; driven by self-interest.

### **Three Dimensional Typology**

For the purposes of understanding organizational political behaviour, Farrell and Peterson (1982) proposed a three-dimensional typology. The dimensions are:

1. Where the political activity takes place -- inside or outside the organization
2. The direction of the attempted influence -- vertically or laterally in the organization
3. The legitimacy of the political action:

The purpose of three dimensional typology is to identify if the political activity is within the organization or outside and where is the influence of politics and are the actions legitimate. This helps in controlling and managing political behaviour in organization.

### **Concepts**

- ❑ **Power:** ability to influence people using any type of power
- ❑ **Politics:** who gets what, how and when using the power that one possesses.
- ❑ **Organizational behaviours:** the interaction and behaviour of employees in the organization



## HISTORY OF PUBLIC ADMINISTRATION – I

At the end of the lecture the students will be able to understand:-

1. The Management Science School
2. Understand the practice of public administration in the following periods:-
  - Indus Valley Civilization
  - Moghul Period
  - British Period

### The Management Science School

At the beginning of World War II, Great Britain desperately needed to solve complex problem in warfare. The British formed a team of mathematician, physicists and other scientist. The British were able to achieve technological breakthrough. When the war was over the applicability of Operations Research (OR) to problems in industry became apparent. Over the years OR (the use of mathematic, statistics) procedure came to called the management science. It is the application of mathematics, statistics & economic models to the problems of organization. It also involves determining relationship between two or more variables. For example: age and learning, income and expenditure, training and efficiency etc.

### Public Administration in the Sub-Continent

Today's administrative systems and procedures in Pakistan have its roots in particular to the British period. Two hundred years of British rule still have its vestiges and remnants on the structure, rules, procedures and organizational behaviours. But the British changed the structure to the extent of what their goals were in the sub-continent. The retained the structure at the district level which they inherited from Moguls.

Sub-continent to a bedrock of many civilizations as it stood at the cross roads of Central Asia, Middle East and South East of sea, as such is influenced by Greeks, Arabs and Central Asians.

Administrative process in Pakistan is the result of years of assimilation of the cultural and administrative practices of Indus Valley Civilizations including Aryans, Greeks, Persian, Maurya, Moghuls and British.

### Traditional Functions of Government

Before we discuss what administrative structure existed in this part of the world, we must understand the traditional function of the government. These functions are as follow:-

1. Maintain law and order (peace and security). For any government to rule it must maintain internal peace and security. Without peace and security government will not be able to perform its other functions.
2. Tax collection: It is the second but important functions governments taxes are collected to provide for defence i.e. external threat. Also governments have to provide for welfare and public goods like roads etc.
3. Defence: The government has to protect country from external threat and has to maintain army.
4. Maintenance of mint: Governments have to supply currency and coins. This is government's responsibility to maintain mints & printing of notes.

### Indus Valley Civilization

In the sub-continent two civilizations of ancient time i.e. Mohenjodaro and Harrapa were very developed cities between 3250- 2750 BC. The ruins of these cities tell us that the rulers maintained a good sewage and water supply system. The city had granary and bricks were used in the construction of houses.

Gordon Childe writes:

The remains of many well planned streets and municipal system of drains, regularly cleaned, reflect the vigilance of some regular municipal government. Its authority was strong enough to secure observance of town planning bye-laws’.

“Granaries at Harrapa were constructed in planned and coordinated manner. Grain was source of wealth and collected as taxes.”

The Maurya Empire in early 4th century BC had government official who looked after agriculture improvement, measured land and inspected irrigation system.

During this period government employees were divided into three categories:

1. District Officials were responsible for irrigation, land measurement, hunting, agriculture, roads and distance stones.
2. Officials who dealt with military: Army was maintained to defend the borders and it was well looked after.
3. Capital Management: There were 6 boards, each managing i) supervision of factories, ii) care of foreigners, iii) births & deaths, iv) trade & commerce, v) inspection of manufactured articles and vi) collection of sales tax. (Taken from Kautilya, *Arthashastra*, Book II, Ch. XXXVI)

The book by Kautilya is one of the oldest books on Public Administration written during Maurya period. This book was written for the officials who were responsible for running the government, so that they understand their duties and responsibilities.

### Moghul Period

Moghul administrative system has clear imprints on the present day public management in Pakistan. Moghul period lasted over two centuries (16th – 18th), during which many rulers including Sher Shah Suri and Akber, reigned. Though Suri was not Moghul ruler but his administrative system was adopted by succeeding rulers. Suri, developed a centralized system of administration, divided the empire into 47 divisions, with several sub-divisions under each division. He organized survey of land under cultivation, effective tax system, criminal justice system, Road network: for defence and postal service: He constructed the present Grand Trunk (GT) road, which runs from Peshawar to Calcutta.

He established gardens and hospitals and promoted public welfare. He was guided by the principle that ‘no one should be deprived of state benefaction and no one should have superfluity of the same’. Many Moghul Rulers followed Sher Shah Suri. But Akber's period is longest and many developments took place. Akber ruled the sub-continent for nearly 50 years. He developed the administrative system mainly borrowed from Sher Shah Suri.

The empire was divided into, provinces, divisions, districts and villages. These terms are used even now. Village was the lowest unit and it was governed by headman, accountant and watchman. The British did not change this system and existed up to the partition of sub-continent and later.

During the time of Akbar human resource management was done. Career civil service system with hierarchical structure existed. Entry to civil service was not restricted based on religion or geographic origin. Akber further improved the system:

1. Revenue collection system: During Akber period revenue collection system was improved. It was based on survey and classification of soil. The land was classified as agriculture and non-agriculture. Within the agriculture the land was graded State tax was then fixed and charged according to the type of soil.
2. Judicial system: Judicial Officers were appointed at the district, town and village levels.
3. Law enforcement: Kotwal (chief police officer), with only civil authority was appointed in important towns. In rural areas faujdar (army chief) was appointed to control crime.

After Akber, for over hundred years no real administrative system could develop, mainly because the disarray of the empire began with Jahangir, who first allowed the East India Company to set up a factory in 1642 at Balasore for medical service provided by the Surgeon of the company on the ship.

The East India Company, which was a trading Company and had its Board of Governors, was granted charter on 31 Dec., 1600 to trade freely into and from East Indies, by the British Parliament.

### British Period

The beginning of British Rule in the sub-continent started and the East India Company gradually expanded its operations. In 1609 - the authority to trade was further extended. In 1661 - the Company was empowered to declare war on and have peace with any ruler.

The Regulating Act 1773 was passed by British parliament granting the British government powers to regulate the affairs of the Company in India. By this time the British government was not ruling directly India. All matters and powers were given to the company to rule.

In 1757 the victory at Plassey paved the way for the British rule. There were innumerable battles and conflict before the British government's direct rule which really started after 1857 (war of independence).

### Concepts

- **Traditional functions of government:** maintain law & order, tax collection, defence and maintenance of mint
- **Tax system:** a system that collects revenue for the government
- **Judicial system:** a system that interprets law and provides justice to citizens
  
- **East India Company:** It was a company (like the multinational company of today) that came to trade goods, especially spices. But in the process of trade they found goods other than spice like cotton.

## HISTORY OF PUBLIC ADMINISTRATION – II

At the end of the lecture the students will be able:

To know the history of public administration during British period.

The 1857 war of Independence is a turning point in the history of subcontinent from many perspectives. From the perspective of public administration it can be said that events that led to 1857 war of Independence were that the British had tried to divide the two religions of the sub-continent. But it is also said that British had become lax in administration and they did not expect the locals to rise up-against them. When the war erupted and spread, it was realized that things should not be left to the company to be managed. Therefore, the government in London stepped in to rule directly.

In 1858 a constitutional document “Government of India Act 1858” was passed by the British Parliament. Now the Secretary of State was to exercise powers previously given to the Company. These powers were to suppress all local up rising and use force against any up rising.

A Council of 15 members was created under the Act. It was to conduct all business relating to Government of India in UK.

The Act was a comprehensive written constitution for the subcontinent. The Constitution was unitary and the provincial governments derived their powers by devolution from the central government under the control and direction of Governor General. This meant that the control of administration of the subcontinent was in London. Even the Governor General for the sub-continent was appointed by the British government and the ultimate control was of Secretary of State sitting in London who was answerable to the British Parliament.

The initial structure of civil service in the sub-continent was laid by the East India Company (EIC). The employees of EIC initially belonged to Mercantile Service (1601 – 1858) and then the Imperial Service 1858 -1947. During this period of British rule in sub-continent, the civil service of EIC underwent changes according to the requirement of colonial rule. The employees of EIC were divided into ‘covenanted’ (higher employees) and ‘un-covenanted’ employees (lower level of service). The covenanted civil servants signed agreement with the Company regarding terms and conditions of the service. The un-covenanted did not sign any agreement and these could be removed any time without giving any benefits.

Atchison Commission (1886-87) recommended that distinction between covenanted and un-covenanted service should be abolished and ‘Imperial Civil Service’ should be established. This nomenclature was later on changed to ‘Indian Civil Service’. The Commission also recommended the creation of Provincial Civil Service

The India Civil Service was organized on the principle that ‘it would be characterized by integrity and ability’ (Philip Woodruff, *The Men who Ruled India*). It developed standards of honesty and conduct and the system grew where power was combined with confidence and bust.

To train man for career in Indian Civil Service (ICS) in the sub-continent, East India College was established in 1806 at Hailey bury England. Entry to the College and service was open to natural-born British. The Government of India Act 1853 provided young men of sub-continent to compete for the entry to the College, irrespective of religion, place of birth, descant colour or race. The College offered residential course of two years where young men were taught by eminent scholars of the time. The College imbibed a sense of pride in the young men at the College.

The civil servants were paid salaries and wages which allowed them a proper standard of living according to the responsibilities, which meant that their salaries should not be meager and that they should not resort to unfair means of earning.

The Indian Civil Service Act 1861 freed the service from the rule of seniority and seniority was not the only criteria of promotion. With some safeguards the Act allowed appointment from outside. Public Service Commission was established in 1926, as a recruiting agency.

The Government of India Act 1935 provided security of tenure: i.e. no officer could be dismissed until heard in his defence and was given the right to appeal up to the Secretary State.

The British left noteworthy administrative heritage in such areas as law, finance, education, railways, public works and public health. The foundation of modern Police was laid in 1861. The Police Act 1861 introduced a uniform system of police. In each district Superintendent of Police was appointed with hierarchy of Deputy Superintendent and inspectors. The police system that British has set-up functioned efficiently for a long time.

The British made several noteworthy contributions in the area of public financial management. Great stress was laid upon land a revenue collection procedure which was greatly improved. These were important as land revenue provided 15% of total revenue. The British reconstituted a system of committees of revenue as Boards of control over districts administered by collectors who assessed and received land revenue. By creating compact revenue system in fact they revived part of Akbar's system. Treasury functions were reorganized and placed under Auditor General. Income tax procedure was also introduced. Various financial functions were given to the provinces. Under the Act of 1935 the federal budget was to be presented to the legislature and was to show separate estimates of expenditure of votable and non-votable were shown. The British gave the system of law administration. They codified the law and introduced the system of judicial and expanded the court system. Three levels for both civil and criminal courts came into being, small courts, district or city courts and provincial courts.

The Charter of 1833 provided for Indian Law Commission (1833) which inquired into the powers and rules of all courts and police establishment, all forms of judicial procedures and the nature and operation of all laws. As a result of the work of Commission the first Indian Penal Code was enacted.

The Indian Universities Act 1904 brought improvements in the education system. As a result of the Act the education system was improved and better teachers were employed, cramming for examination was reduced, closer inspection of College was done. The British gave to the sub-continent institutions like post and telegraph, railways, irrigation system, public works department etc. But Pakistan came into existence under condition which caused strain for public administration, as public administration was confronted with grave challenges.

At the time of independence professional non- Muslims out numbered Muslims and there was large exodus of non-Muslims from the part that constitutes Pakistan. Non Muslims were more educated and were more in important position.

The public administration of the new country faces following problem:

- ❑ Dearth of trained labor (civil servants economists, doctors, engineers): There was grave vacuum of trained and professional civil servants. At the time of independence, there were around 100 civil servants.
- ❑ Refugees: Millions of dislocated and displaced people moved from Pakistan to India and vice versa.
- ❑ Inadequate physical infrastructure: The part which became Pakistan had no industry, roads were inadequate, there were few.
- ❑ Constitution making: The major task was of constitution making. Pakistan faced leadership crisis after the death of Quaid-i-Azam. The leadership and political crisis shelved the process of Constitution making. It was in 1973 that Pakistan got the Constitution – which could provide framework for government.

## CIVIL SERVICE

At the end of the lecture the students will be able to understand:

1. The concept of civil service
2. The structure of civil service in Pakistan at the time of independence.

### What is Civil Service?

Civil service has been defined in the Civil Servant Act 1973. But this word also has general meaning as well, which are that civil means “public” and public are the citizens of a country. By this connotation it means that civil servants are a group of people who serve public and in that sense civil service is different from military service.

Words like Public, Civil, and Government are used interchangeably. Officers and officials working in government organization are all public servants because they draw their salaries from public exchequer.

### Recruitment of Public Servants:

The recruitment of civil servants takes place by the following two methods:

1. Public Service Commissions (Federal & Provincial) are constitutionally Grade 15 and above
2. The autonomous organization recruit people directly (test & interview by the organization)

The structure of Federal and provincial Government is as under:-

#### Federal Government

Ministries  
Division/s  
Attached Department  
Autonomous Bodies  
Public Enterprises

#### Provincial Government

Department  
Directorate  
Autonomous Bodies  
Example: Development Authorities  
District/Tehsil Office

At the federal level the apex organization is ‘ministry’, for example Ministry of Health and Population. The ministry is headed by Minister each ministry may have two or more than two divisions. Divisions are usually also located in Islamabad. Below Division is “attached department”. The administrative control of the department is with the Division which is controlling it. Autonomous bodies are much independent because, these have their Board of Governors who makes policy decision for the organization. In this way these are independent administratively.

### What are the Functions Performed by the Government?

The government performs these functions:

- Maintains Peace
- Provides Defence
- It collects Revenues and
- It Maintains currency

How does it perform these functions? It performs these functions through its representatives i.e. public servants or civil servant who are paid salary from the government treasury (exchequer). In addition to these traditional functions modern governments perform many additional functions. These are:

- It provides Utilities (electricity, telephone, gas)
- It maintain Government Accounts
- It maintains Foreign Relations
- It maintains Cantonments

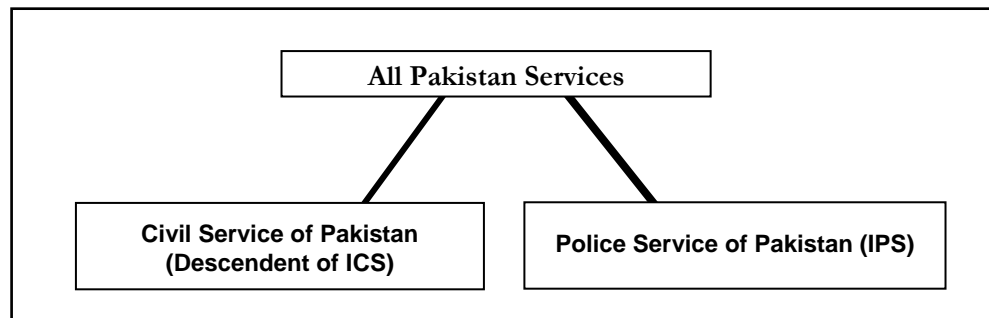
- It regulates, distributes and allocates goods and services in the society.

The functions of today's government have increased because of following reasons:-

- Population that is provided services has increased manifold and hence the nature of problems social, economic, political and global problems have changed. In fact these have become complex.
- The territory of the government has increased in size
- Technological improvement and advancement
- Because of technological improvement the nature specialization/division of labour has changed and become more complex

Therefore, in order to perform new functions the governments changed the structure and added more functions. At the time of independence Pakistan inherited the civil service structure which was laid out by the East India Company and subsequently modified by the British government to its own requirement. The structure of the services existing in Pre-partition sub-continent was adopted in Pakistan with little modifications. The following two categories of the services were maintained.

1. All-Pakistan Services
2. Central Services



1. **The All Pakistan Services:** The all Pakistan Service was descendent of All-India Services. The All Pakistan Service was created in Pakistan. It comprised Civil Service of Pakistan (CSP) and the Police Service of Pakistan (PSP). Officers of these services served under central as well as the provincial governments. Officers when served under the Provincial Government were controlled by Provincial Government concerned but the basic control remained with centre.
2. **Civil Services of Pakistan (CSP):** The CSP in Pakistan was the descendent of the Indian Civil Service (ICS) in India. At the time of independence It consisted of: Former ICS officers, Officers who served in World War 2, and Finance service officers and Officers selected by Competitive Examination held in 1949 & 1950
3. **Police Service of Pakistan (PSP):** The PSP in Pakistan was the same as Indian Police Service (IPS) in sub-continent. At the time of partition it consisted of those officers who opted for Pakistan. The posts held by PSP officers included Inspectors-Generals, Superintendents, Deputy Superintendents, Assistant Superintendents etc. Most of the PSP officers served under Provincial Government.
4. **Central Services:** Like the Central Services before partition the Central Services in Pakistan were controlled by Central government. Before the Administrative Reforms (1973), there were 13 Central Services which are discussed below:-
  - i. **Pakistan Foreign Services (PFS):** The PFS offices are officers working diplomatic missions abroad. In the beginning, specialized duties were also performed by PFS officers. But separate services were constituted which met the requirements for specialized jobs in foreign missions.

- ii. **Accounts Services:** These services included the Pakistan Audit and Accounts Service (PAAS), Pakistan Military Accounts Service (PMAS) and Pakistan Railway Accounts Service (PRAS).

The officers belonging to the services held post pertaining to finance and accounts ministries. The offices included ministries, attached departments, subordinate offices, corporations etc. As financial advisors, accountant-general, auditors-general etc

- iii. **Pakistan Customs and Excise Services (PCES):** These were formally formed in 1959. It was the combination of Sea Customs Service and Central Land Customs and Excise Services. The posts included Assistant Collector, Deputy Collector and the posts with corresponding status in CBR.
- iv. **Pakistan Taxation Service:** It consisted of junior officers promoted from provincial and class II services on ad-hoc basis. In 1957, it was upgraded to class I status. It held posts of commissioner of income tax, deputy commissioner of income tax, income tax officer etc.
- v. **Pakistan Military & Land Cantonment Service:** Officers of this service were appointed as cantonment Executive offices and were in-charge of maintenance and control of lands within the cantonment areas as well as the local governments.
- vi. **Pakistan Postal Service:** It was constituted by combining: Pakistan Postal Service and Telegraph Traffic Service. Telegraph Engineering Service. In 1965, the Telegraph Service was separated.
- vii. **Trade Service of Pakistan:** It was created to meet the requirements in commercial fields in Pakistan and in missions abroad. This cadre was formally constituted in 1970.
- viii. **Information Service of Pakistan (ISP):** It was formed in 1963 for posts requiring journalistic qualifications for appointments in Pakistan and in foreign missions.
- ix. **Economic Pool:** In 1950, an economic pool was constituted. Its officers were drawn from CSP and from accounts and finance services. However, it was not made a regularly constituted service. The other services were:
  - x. **Central Secretariat Services.**
  - xi. **General Administrative Service.**

## Conclusions

What we conclude is that the service structure of the colonial period was adopted. The political situation of the country did not permit to review the structure. The structure that was inherited more biased towards maintaining law and order, the structure was not geared towards the development of the new country.



## CIVIL SERVICE REFORMS

At the end of lecture the students will be able to understand:

1. The need for reforms in civil service
2. Understand the structure of civil service and the need for training in civil service

### Reforms of the Civil Service

Soon after the independence, the government decided to review the system of administration and some foreign experts were invited to study and make recommendation in this connection. The famous among those expert reports were the two Reports on administrative reforms. These were:

1. Egger Report 1953
2. Gladieux Report

In 1953 Rowland Egger of USA made following observations about the civil service of Pakistan:

1. It is oriented towards academic notion of intelligence and ability. It is obsessed with interests of those already in service.
2. Recruitment standards are out-dated and recruitment techniques are far removed from currently accepted good practices.
3. The selection system is self-perpetuating and tends to repeat its own type, as though civil service drew most of its inspiration from looking in the mirror.
4. Members of civil service are supposed to be like a box of interchangeable part in assembly line.

Rowland Egger recommended the following to improve civil service working:

- a. Unification of the entire group of employees into Civil Service of Pakistan with internal grouping for administrative purpose e.g. Administration, Foreign Service, Accounts etc.
- b. Standardized pay scales based on comprehensive job analysis
- c. The generalists should not dominate other services.
- d. There is need to have specialization in the civil service.

In 1955 Mr. Bernard Gladieux also from USA was engaged by government as consultant on Public Administration. He was strongly critical of the superiority of the generalists over the specialists. He said that technical and professional civil servants also possessed administrative skills and should be encouraged to hold higher positions.

In 1955 the First Five Year Plan of the Government of Pakistan also took note of dominance of the generalists cadre of civil service over other cadres.

It was recommended in the plan that non-technical Central Superior Services should be converted into branches of this combined civil services all having identical pay scales, prospects of promotion and leave. These should be treated as if they were the branches of a single central service.

### Pay and Service Commission (1962)

In 1962 the Pay and Service Commission also criticized the reservation of the senior posts for the CSP especially at the centre. This report recommended that the entire public service should be build up in seven tiers of groups. These are as following:

Group F	4 Grades	Unskilled workers
Group E	4 Grades	Semi-skilled workers
Group D	5 Grades	Skilled workers and rank and file staff
Group C	5 Grades	Lower inspectional and middle supervisory staff
Group B	4 Grades	Basic officer class

Group A	4 Grades	Managerial class, District level upto Divisional level
PAS (Pakistan Administrative Service)	4 Grades	Top directly and higher administrative post.

### Working Group (1969)

A Working Group which comprised of CSP as well as non-CSP officers was appointed by the Government to study the structure of the civil service. The Working Group gave the following recommendations:

- ❑ All branches of civil service should have same status, though they should retain their individuality
- ❑ For ex-cadre positions, same criteria should be used as for the cadre services
- ❑ There should be no difference of pay scales of the provincial and central civil servants.

### Administrative Reforms Committee (1972)

This committee was appointed to study all aspects of the civil service and made the following recommendations based on careful observations:

- ❑ All services and cadres should be merged into a unified graded structure with equality of opportunity for all who enter service at any stage based on the required professional and specialized competence necessary for job.
- ❑ All “classes” among government servants would be abolished and replaced by a unified graded structure: a peon at the bottom and Secretary at the top.
- ❑ The correct grading of each post will be determined by job evaluation.
- ❑ There should be provision for entry into government service of talented individuals from private sector in such fields as banking, insurance etc.

### Implementation of the Reforms

In the light of directives the measures taken for implementation the reforms included:

- ❑ The head of Ministry was Secretary who was in Grade 22, the Additional Secretary was in 21. There were lower grades for junior executive.
- ❑ There were about 600 grades or scale of pay of the government which were reduced to 22 grades. These were applicable to all government organizations and professions.
- ❑ Grade 1 was the lowest and Grade 23 was highest grade. Grade 23 was the post of Secretary General and there were only 2-3 positions in government.
- ❑ Technical posts were integrated into unified system.

In order to emphasis professionalism in field of administration the following “Occupational Groups” were formed:

1. District Management Group
2. Police Group
3. Income Tax Group
4. Customs and Excise Group
5. Accounts Group
6. Information Group
7. Postal Group
8. Commerce Group
9. Foreign Affairs Group
10. Office Management Group
11. Military Land and Cantonment Group
12. Railways Group
13. Secretariat Group
14. Tribal Areas Group
15. Economists and Planners Group

In addition age limit for competitive examination held was raised from 28 to 30 years:

- ❑ Promotion was made purely on the basis of merit and performance.
- ❑ The concept of “lateral entry” was introduced.
- ❑ Common training was given to all the officers in Academy for administrative training, at Lahore.
- ❑ Rules and regulations were framed for the implementation of these reforms.

### The Civil Service Today

The Constitution of the Islamic Republic of Pakistan 1973 gives the:

“Executive Authority of federation which is exercised by the Government in the name of President. The PM is the Chief Executive of the Federation and the Federal Cabinet exercises its authority to him”. According to the 4th schedule, there is Federal and concurrent list of areas/responsibility of Federal Government. The concurrent list gives responsibilities of both the government (Federal & Provincial).

### Categories of the Civil Service

The services and posts under the government of Pakistan whether under Federal or Provincial can be classified in the following 3 categories:

- ❑ Generalist Services: recruitment is based on the basis of general education of candidate
- ❑ Semi-Technical Specialized Services: recruitment is based on advanced academic attainment in University without formal education or training in professional institution.
- ❑ Purely Technical Services: recruitment on technical qualification like doctor, engineers.

### Civil Service Recruitment in Pakistan

The criteria of recruitment to civil service are:

- Based on pure merit.
- All posts must be advertised before selection.
- Assessment is based on selection boards, selection committees etc.
- Due representation to every province is given.

### Appointing Authority

The appointing authority for various grades is also follows:

- |                      |               |
|----------------------|---------------|
| • Grade 20 and Above | President     |
| • Grade 17 to 19     | Establishment |
| • Grade 3 to 16      | Ministry      |
| • Grade 1 and 2      | Head Office   |

### Main Recruiting Agencies

The main recruiting agencies are: prepared

- Federal Public Service Commission at the federal level
- Provincial Public Service Commission at the provincial level
- Departmental Selection/Promotion Committees

### Training

Training of civil servants is divided into the following.

- ❑ **Pre-Service Training:** This training is given before entry to service.
- ❑ **In-Service Training:** This training is given during the service.

**Pre-service Training:** It is imparted to the candidates duly selected by the FPSC before they are posted to their duties in the respective occupational groups.

**In-Service Training:** It is imparted to the currently serving civil Servants of the government.

The Major Training Institutions are:-

- National Institute of Public Administration
- Pakistan Academy for Rural Development
- Pakistan Administrative Staff College

### Concepts

- ❑ **Reforms:** improvement in the civil service structure according to the changing social, political and economic needs.
- ❑ **Cadre post:** post or position that belongs to one of the occupational group.
- ❑ **Ex-cadre post:** post that does not belong to the occupational groups but is a managerial post.
- ❑ **Generalist:** non-technical position. A person who is a generalist can be posted any where, in government on positions that do not require special technical expertise.

## 1973 CONSTITUTION OF PAKISTAN

At the end of the lecture the students will be able to understand the:

1. The constitutional provisions relating to the government structure
2. Preamble of the Constitution (1973) of Islamic Republic of Pakistan
3. Territories of the State of Pakistan
4. Constitutional bodies of decisions making

### The Constitutional Framework of Government of Pakistan

#### Overview of 1973 Constitution

We will start with the Preamble of the Constitution. A Preamble is the ‘Preface’ or ‘introduction’ which tells us the main focus of the document. According to the Preamble the entire control of universe belongs to Allah. The constitution reads as follows:

#### Preamble

“Whereas Sovereignty over the entire universe belongs to Allah alone, and the authority to be exercised by the people of Pakistan within limits prescribed by Him is a sacred trust;.....”

#### The Republic of Pakistan

The Constitution explains Republic as:

“Pakistan shall be a Federal Republic to be known as the Islamic Republic of Pakistan.” Federal Republic means that the country has provinces and these together constitute the federation. Besides we call ourselves Islamic Republic, because we are ideological state, as the basis of independence of this country was Islam.

#### The Territories

According to the Constitution the territories of the state are:

- a. The Province of Balochistan, the North-West Frontier, the Punjab and Sindh
- b. The Islamabad Capital territory, Hereinafter referred to as the Federal Capital.
- c. The Federally Administered Tribal Areas; and
- d. Such states and territories as are or may be included in Pakistan, whether by accession or otherwise.

So there are 4 Provinces, the capital territory and the Federally Administered Tribal Areas (FATA) and section (d) above sees the inclusion of Kashmir in Pakistan as and when the decision about it takes place.

#### State Religion

Article 2 of the Constitution provide for the Islam as the State Religion: “Islam shall be the State Religion of Pakistan”.

#### Definition of the State

Article 7 of the Constitution gives definition of the state which is as follows: “State means the Federal Government, Parliament, a Provincial Government, a Provincial Assembly, and such Local or other Authorities in Pakistan as are by Law empowered to impose any Tax”

So the state comprises of all Governments i.e. Federal, Provincial and the Assemblies and the local or other authorities. It means it comprise of all these institutions which are permanent.

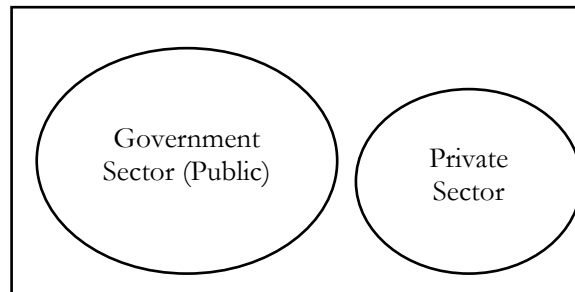
**What does Government Comprise?**

It is appropriate to differentiate between government and state. But it must be stated that the two are used interchangeably. We have attempted to explain this term before. But now we relate to the explanation with the definition given in the Constitution. The basic difference is that state institutions are fixed but people who occupy the positions in the institutions may come and go, thus government will come after every 5 years through elections as given in the Constitution and go after five years. It means people have fixed period in which they work so Government (in generic) comprise:

- Elected Representatives (Politicians: members of Political Parties)
- Judiciary
- Executive (career civil servants).

Now the government sector and private sector touch each other boundaries

Figure



Therefore, these influence each other.

**The Federation of Pakistan**

The Federation is the Unity of all the constituent units and article 41 of the constitution defines President as the symbol of unity. It says:

“There shall be President of Pakistan who shall be the Head of State and shall represent the unity of State.”

**The Parliament**

Article 50 of the Constitution explains the Parliament. It states:

There shall be a Majlis-e-Shoora (Parliament) of Pakistan consisting of the President and two houses to be known respectively as

1. The National Assembly
2. The Senate

**The National Assembly**

Article 51 explains that:

“The National Assembly shall consist of three hundred and thirty two Muslim Members to be elected by direct and free vote in accordance with Law.”

Besides there shall be 10 non Muslim members and the total members in National Assembly shall be 342. The National Assembly is also called the ‘Lower House’. The table below shows the provincial distribution of seats:

**Table**  
**Seats in the National Assembly**

	General seats	Women	Total
Balochistan	14	3	17
The NWFP	35	8	43
The Punjab	148	35	183
Sindh	61	14	75
The FATA	12	-	12
Capita	2	-	2
Total	272	60	332
Non- Muslims	10	-	

### The Senate

The Senate is ‘Upper House’ and according to Article 59 (1) of the constitution:

The Senate shall consist of one hundred members, of whom,

- a. Fourteen shall be elected by members of each Provincial Assembly (56)
  - b. Eight shall be elected from FATA. (8)
  - c. Two on general seats, and one women and one technocrat....(4)
  - d. Four women shall be elected by the members of each Provincial Assembly (16)
  - e. Four technocrats including ulema shall be elected by the members of each Provincial Assembly (16)
- The total of all the above seats comes to 100.

### Federal Government

Article 90 of the Constitution provides for the exercise of executive authority by the President.

“The Executive Authority of the federation shall vest in the President and shall be exercised by him, either directly or through officers subordinate to him.”

### The Cabinet

A cabinet according to the Constitution Article 91 (1) of the Constitution comprises of Ministers and the prime minister heads the Cabinet:

“There shall be a Cabinet of Ministers, with the Prime Minister as its head, to aid and advise the President in the exercise of his Functions.”

So, the Prime Minister is the functional head and he helps the President in fulfilling his duties.

### Constitutional Bodies

There are other constitutional bodies which have the functions defined by the constitution. These are:

National Economic Council, National Finance Commission, The Supreme Court, High Court and Public Service Commission. These bodies regulate and make policy decisions which have long term impact.

### National Economic Council (NEC)

Article 156 (1) of the constitution states that:

“The President shall constitute a National Economic Council consisting of Prime Minister, who shall be its Chairman, and such other members as the President may determine.”

2) NEC shall review the overall economic condition of the country and shall, formulate plans in respect of financial, commercial, social and economic policies.

Thus NEC is the highest body in the that it provides framework for the economic and financial and social policies. In this way it is an important body.

### **National Finance Commission (NFC)**

Article 160 provides for the NFC:

“The President shall constitute a National Finance Commission consisting of the Minister of finance of Federal Government, Ministers of Finance of the Provincial Governments etc.”

The NFC is a body that decides every five years that from the taxes collected by the government, how much should be given to provinces and how much to the federal government. It also gives the criteria on the basis of which resources are allocated among provinces.

### **The Courts**

Article 175 of the constitution provides:

“There shall be a Supreme Court of Pakistan, a High Court for each Province and such other courts as may be established by law.”

Article 176 provides for the Supreme Court:

The Supreme Court of Pakistan shall consist of a Chief Justice and so any other Judges as may be determined by Act of Majlis-e-Shoora or, as ay be fixed by the President.”

### **The High Court**

Article 192 provides for the high court:

“A High Court shall consist of a Chief Justice and so many other Judges as may be determined by the law or, until so determined, as may be fixed by the President.”

Courts are bodies which interpret law i.e. give decisions on cases brought before the courts e.g. A case was brought before the Court by the affected party against legislation passed by the provincial assembly banning serving of food on marriage. The court after reviewing the case, up held the legislation.

### **Provisions of the Services**

The Constitution Article 240 also provides for the service condition of the civil service:

The appointments to and the conditions of services of persons in the service of Pakistan shall be determined:-

- a) In the case of the Services of the Federation, Posts in connection with the Affairs of the Federation and All-Pakistan services, by and under the act of Parliament, and
- b) In the case of the services of a Province and posts in connection with the affairs of the Province, by or under Act of the Provincial Assembly.”

The Act of parliament referred to in the above article is the Civil Service Act 1973.

### **Public Service Commission**

The Public Service Commission, Article 242, gives provision of a body which is the recruiting agency for the Federal and Provincial Governments:

“Parliament in relation to the affairs of the Federation, and the Provincial Assembly of a Province in relation to affairs of a Province, may, by law, provide for the Establishment of a Public Service Commission.”



**Conclusions**

The Constitution provides the framework for the government. It gives provision of the bodies that will make policies for the government. In fact, if we look at all the provisions studied we will find that it gives the structure for the three branches of the government i.e. executive, legislative and judiciary. It also provides for bodies like NEC and NFC, both of which are important bodies for making decision of national significance.

**Concepts**

- **National Economic Council:** This body makes financial, commercial, social and economic decisions for the country.
- **Federation:** It is the unity of diverse constituent units. It is also the unity of the provinces and territories of a country.
- **Parliament:** It is also called legislature. It comprises National Assembly, Provincial Assemblies and the Senate.
- **National Finance Commission (NFC):** NFC is constituted every five years. This body decides the criteria on which the resources will be distributed between the Federal Government and Provincial Government and amongst provinces.

**STRUCTURE OF GOVERNMENT**

At the end of the lecture the students will be able to understand:

1. The Concept of Rules of Business
2. The structure of government which comprise ministries, divisions, attached department
3. What are functions? An example of one of the ministry/division will be given explain functions of a ministry:

In the last lecture the structure of government was explained as per article 91(1) of the constitution. The cabinet is headed by the Prime Minister who is the Executive head of the government. It has been stated that the president is the Head of the State and the prime minister helps him in decision making and it is the Prime Minister who is responsible for running of government. Thus, the structure of government can be understood from Figure A and Figure B. Figure A shows the relationship of the Constitution with the legislature which comprise the National and Provincial assemblies and the Senate. That is the Constitution gives the structure, formations, functioning and methods of these institutions. Then, as shown in figure B the constitution also provides for the structure, functions and operations of the three branches of government i.e. legislature, judiciary and executive. It is mentioned here that while the Constitution provides broad framework of government, the operational level functioning are regulated by the specific Acts which have to be placed before the legislature and approved.

**Structure of Government**

Figure A

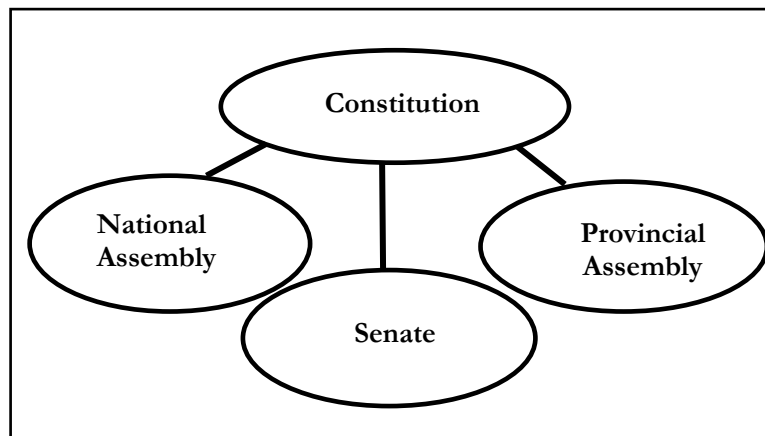
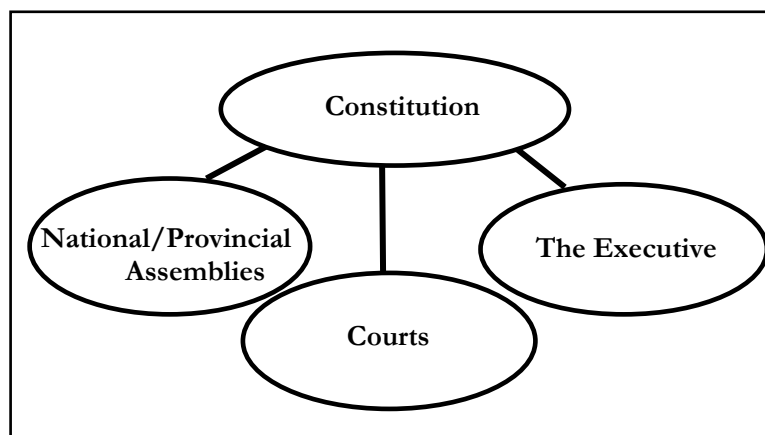
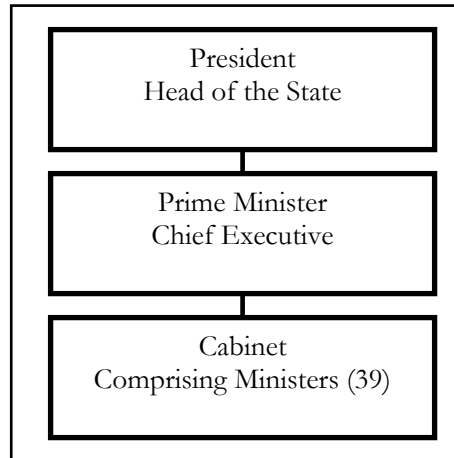


Figure B



### Organization Chart of Government

As mentioned earlier that the president is the head of the State and Prime Minister (PM) is the head of Executive is shown in the Figure. The PM heads the Cabinet and the Cabinet comprises ministers. The number of Ministers keeps varying. Some time it is 29; sometime 16 and sometimes 39. These ministers head the ministries.



### Rules of Business

The question that can arise is, how ministries work. The Constitution of the country under Article 90-99 states the formulation of 'Rules of Business'. This means that Rules have to be framed for the working of the ministries and divisions. What is Business? 'Business' means all work done by the Federal Government, and the Federal Government means all the ministries, divisions and attached departments and autonomous bodies etc. Thus Rules of Business explain the responsibilities of the Secretary who heads the division. It also delineates the ministries and the division/department under each ministry. Just as there are Rules of Business for the Federal government, there are Rules of Business for the provincial governments

### Ministries of Federal Government (39)

Although it has been stated that in 2004 there are 39 ministries, but only the list of few selected ministries is given below:

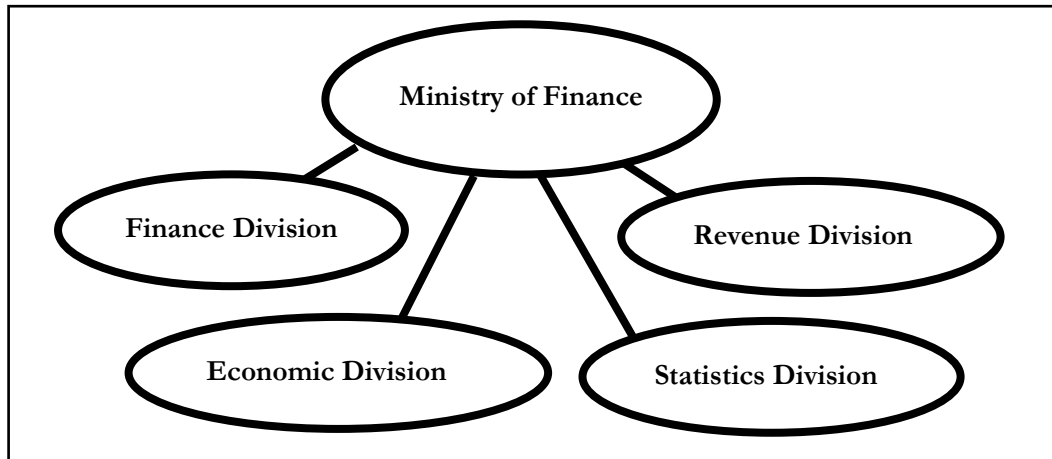
1. Cabinet Secretariat
2. Ministry of Commerce
3. Ministry of Culture, Sports & Youth Affairs
4. Ministry of Communication
5. Ministry of Defence Production
6. Ministry of Finance & Revenue
7. Ministry of Information & Technology
8. Ministry of Interior
9. Ministry of Housing and Works

The Cabinet Secretariat, is the Secretariat of the Cabinet, which maintain all its paper work. Ministries cited above are indicative of the kind of work that government do.

### Structure of Ministry

It would be in the fitness of things to first define ministry A Ministry is Division or Group of Division. The Division is entrusted with one task: For example: Ministry of Finance has divisions. The division are shown in the Figure are Finance Division, Economic Affairs Division, statistics Division and Revenue Division.

Figure



The Ministry of Finance oversees the work of all these Divisions. To further understand the responsibilities of these Divisions, for the purpose of illustration we look at the functions of Finance division and Economic Affairs Division.

#### **Main Functions of Finance Division:**

The main functions of the Finance Division are as follows:

1. Finances of Federal government and financial matters affecting the whole of the country
2. The Annual Budget Statement & supplementary/excess Budget to be placed before the National Assembly
3. Allocation of shares of proceeds from the taxes collected by the Federal Government
4. Public debt of the Federation both internal and external
5. Currency, coinage, and legal tender Pakistan Security Printing Corporation and Pakistan Mint
6. Regulatory functions pertaining to Banking sector, Stock exchanges, foreign currency, etc.

#### **Main Functions of the Economic Affairs Division**

The main functions of the Economic Affairs division are as follows:

1. Negotiations with the foreign governments and organizations pertaining to economic assistance, requirement
2. Matters relating to technical assistance to foreign countries
3. Review and appraisal of international and regional economic trends and its impact on national economy

#### **Organization of Finance Division**

How is Division structured? Or who Heads the Division. As we know a ministry may have more than one Division, so the Minister is the political head (usually a politician) he/she provides policy guidelines to the Ministry. The division is headed by Secretary, who is a career civil servant (Figure 1).

Figure 2 gives the simplified structure of Finance. Secretary Finance head of the Division and Joint Secretary (JS) (expenditure & Administration), JS (Budget) and JS (Finance) help the Secretary in day to day working.

Figure 1

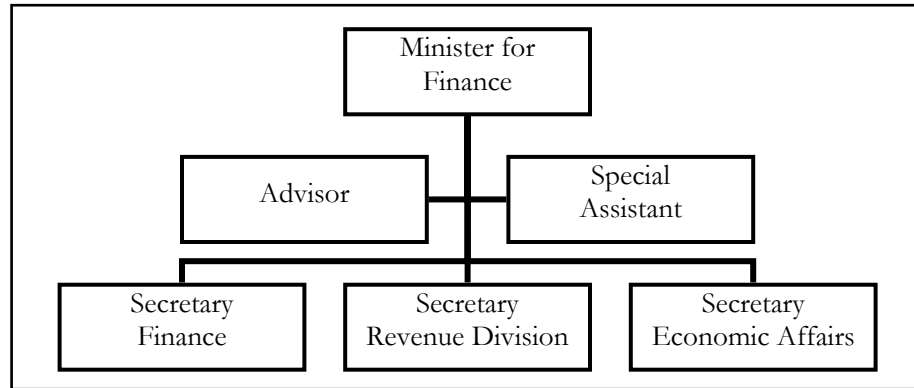
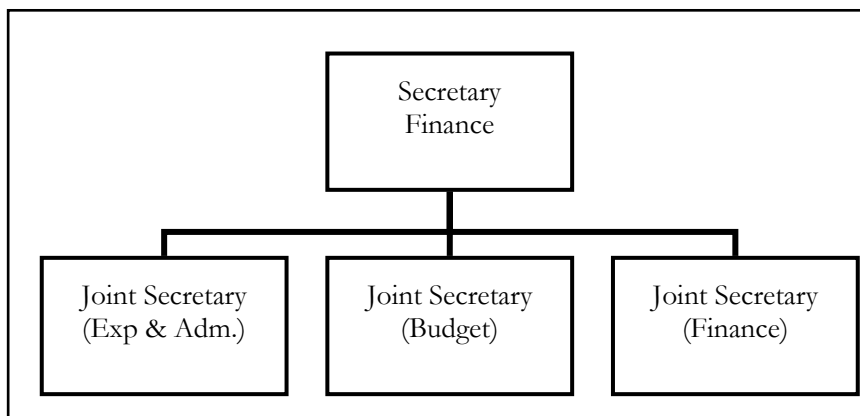


Figure 2



### Attached Departments

Secretary Finance sits in Islamabad, but the Ministry of Finance has its offices all over Pakistan. For example finance division military would be in Rawalpindi. The Central Directorate of Savings has its office all over the country.

An attached department is administratively under the control of Ministry of Finance. Some of the attached departments are as follows:

- Finance Division Military
- Office of the Controller General of Pakistan
- Auditor General of Pakistan
- Central Directorate of Savings

### Autonomous Bodies under Ministry of Finance

Following are the Autonomous Bodies of Ministry of Finance:

- Monopoly Control Authority
- Nationalized Commercial Banks
- Pakistan Security Printing Corporation

Autonomous bodies are not administratively controlled by the ministry. These bodies have their own Board of Governors. In this way they do not receive directives from the ministry

## Conclusion

By now structure for government should be fairly clear. The Federal executive branch comprises of ministers who head 39 ministries. The Federal Secretaries of the ministries assist the ministers in formulation of policies, execute the policy, write proposal for legislation to be submitted to the cabinet, and keep the minister informed. The Minister is responsible for the working of the Division and in the question answer sessions of the National Assembly he answers the questions raised on the working of the Ministry in the Assembly.

## Concepts

- **Cabinet:** A group of ministers working under the guidance of Prime Minister
- **Rules of Business:** Rules that explain the working of government
- **Ministry:** A group of more than one Division.
- **Division:** A unit assigned with a task e.g. Finance Division
- **Functions:** Work to be performed by the Division
- **Autonomous Body:** An organization that has its own Board of governors that sets policy for it. Autonomous Bodies are more independent in decision making.

## PUBLIC AND PRIVATE ADMINISTRATION

At the end of the lecture the students will be able to:

1. Understand the dissimilarities between public and private sector
2. Understand the similarities between the two sectors.

It is said that the work in public organizations is guided by commitments to public service ideals. This is the basic difference between the two sectors. However, public sector organization are involved with management, and, for that reason, public administration is often confused with business management.

As we have already seen, early writers in the field often suggested that government should become more like business. The reason to express this device was that private sector organizations were considered more efficient and effective. The reason to efficiency was often attributed to the profits earned. Observers, therefore make the primary distinction between business and government that of profit. While government is concerned with providing services or regulating individual or group's behaviour in the public interest. The canvass and scope of government is much broader since it provides service to the citizens and not to specific customer. For example Company that manufactures cars will be dealing with those who can afford cars. While government provides roads which is used by those who have animal driven carts, bicycles, motorbike etc. In this way all would agree that the context of public management significantly changes the work itself.

### Differences

The basic differences between the public and private sector are seven which are:

1. Constitutions
2. The Public Interest
3. Ambiguity
4. Pluralistic Decision Making
5. Visibility
6. The Market
7. Less efficient

We will deal with each one by one:

### Constitution

In Pakistan, the federal constitution defines the environment of public administration and from it originates laws that affect. The executive branch of the government. It tells that laws are to be legislated by the legislature and the public administration has to implement the laws and the policies. In the case of private sector, there is no constitution. Although there is legal binding which has different nature and content.

Basic political science tells us that executive, legislature, and courts are responsive to different constituencies and political pressures and the all three branches have legitimate interests in public administration, because all these represent branches that affect it in its own way. Their respective constituency or the group they represent e.g. legislature represent their vote bank. The constituency of courts are judges and clients. The executive represents their own group of civil servants. Beside the constitutional framework creates a system of federalism that allows overlap in the activities of federal and provincial administration. Often the federal government will create a program and rely on the provinces to implement it. Such a situation is not found in private business.

### The Public Interest

Public interest is a good of larger number of people i.e., any good or service is provided which is used by large number of citizens. Private interest is limited as compared to public interest. Example: education for all vs. education for selected few. Private sector will provide education to those who have the

ability to pay, while government will provide education to all with low tuition fee. Similarly the benefit of maintaining law and order is for all and not to the selected few.

### Ambiguity

In the private sector profit is the basic measure of evaluating performance of organization in business. The same is not true in public agencies, and where making or losing money is not the main criterion for success or failure. The objectives of public organizations are stated in terms of service provision. For example, an agency's mission may be to protect the quality of the environment or to provide an adequate level of rehabilitative services to the disabled. In both the situations, the government may spend more and the purpose of spending may not be making profit but to provide service. In this way we see that the goals of public agencies are not as clear as private sector. These goals are less quantifiable.

### Pluralistic Decision Making

Pluralistic decision making means when more than one type of groups is the beneficiaries or affectees. Pluralism means that people belong to different ethnic, racial, regional, cultural backgrounds. Since people are different ethnically and culturally, their demand and needs vary. There would also be divergent views on issues of public interest. For example people of a region would need roads, while people of other region might need dams. Since the money available is the same. There is need to build consensus. In private sector a company would decide to manufacture a two wheeled vehicle, keeping in view the income of buyer. It does not seek any consensus on that. We can say pluralistic decision making of public sector is different from the private sector decision making.

How Does Pluralistic Decision Making makes Public and Business Management Different?

### Visibility

In parliamentary democracies, managers operate with much greater visibility than their counterparts in industry because they are constantly being watched by the media.

One comes across reports in newspapers about the inefficient performance of some government departments that come in contact with public more frequently. So inefficient, undemocratic, injustice behaviour of public organizations get reported, unlike the behaviour of managers in private organization. Thus public manager's actions become more visible as compared to the actions of private managers. This difference is due to the fact that public manager's action affects large number of people.

### The Market

Another important difference between public and private sector is the arena of markets. Although government policies and actions affect markets, but government does not face same challenge of market as the private sector. The distinct differences between public and private sector in this regard are:

1. Public agencies do not face competition of other firms as the private sector organisations would do.
2. Price of governmental operations is established through budgetary routines rather than fixed at the market. The prices of goods and services in the private sector are determined through the principle of demand and supply'. If the supply of a good is short, then its price would be high and vice versa. The government does not fix the price of its services on this principle. If the price of a good or service is fixed, it is fixed on its budgetary allocation that is how much spent on a good by the government in its budget.
3. The remoteness of market forces from most public administrative operations has profound consequences. Since the prices are not fixed in the market, governments' operation and expenditure become too large which has affect on its public financial management.
4. Some of these services and products provided by government are referred to as public goods. What are Public Goods? These are goods such as: Defence, Roads, Street light etc.

Characteristics of Public Goods are that individuals cannot be *excluded* from enjoying and these are not exhausted or diminished by the use of other. In other words these are non rival. Example can be given of a road used by all and its value does not diminish.



**Less Efficient**

There is often the allegation that public organizations are less efficient. It means that public organizations do not maximize output with given resources. This allegation is not new and because of this allegation there have been efforts to make public organisations as efficient as private organization.

**Power**

There are different kinds of power that organizations possess. But the power of government is different and omnipresent. The distinctive power of government is as follows:

1. Power to regulate: government can regulate private sector by formulating laws. These laws are binding on private sector and they have to abide by it.
2. Power to coerce: only government has the power to use force and to put people behind bars for violating law. Thus power of punishment can only be used by government, and no private organization has this power.
3. Pervasiveness: the government laws and regulations have general applicability. The most common example of this is the application of traffic laws all over the country and its acceptability by all.

**Concepts**

- **Ambiguity:** Vague and unquantifiable goals
- **Pluralistic decision making:** People with diverse ethnic background are involved in decision making
- **Visibility:** That public officials working in public agencies is reported in the press.

## ORGANIZATION

At the end of the lecture the students will be able to understand:

1. The concept of organization roles;
2. The concept of organizing;
3. What are the types of organization?
4. The concept of organization

### Organizational Roles

Organizational roles are the part or position that a person is assigned in the organization, for example the role of manager sales or your role as a student. People will cooperate effectively in organizations if they know the part they have to play in the organizations i.e. if they know their roles in the organization

Following are the requirement of organizational goals:

1. Clear objectives; People must know the objectives that they have to achieve clearly, student must know their objectives.
2. Clear idea of duties or activities: People must know their duties and activities that they must perform. E.g., student duties are to study, be disciplined
3. Clear area of authority: In organization people must know the extent of authority that they have.

### What is Organizing

Organizing means that there should be clear line of authority and all should know who reports to whom. Following are the main steps in organizing:

- 1) Classification of activities: First all activities in organization must be classified i.e. activities similar in nature should be identified separately.
- 2) Grouping of activities to achieve objectives: Similar activities should be grouped.
- 3) Assigning a manager to each group of activities: A manager should be assigned
- 4) Coordination of group of activities both horizontally and vertically:

Coordination means the interrelationship among activities.

### Organization

Now we have talked about concepts of 'roles' and 'organizing', we will connect these two concepts with the concept of organization. Organization means a formalized intentional structure of roles and positions. Here we refer to organization as a structure in which people work. E.g., school is organization.

### Types of Organization

Organizations can be categorized into following types:

1. Formal Organizations
2. Informal Organizations

### Formal Organizations

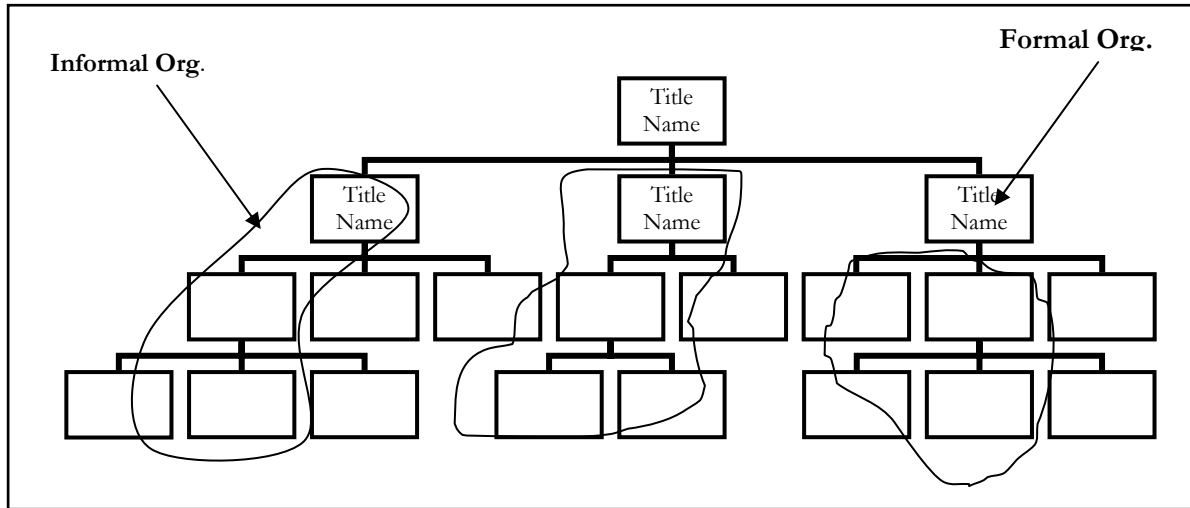
Formal organizations mean the intentional structure of roles in a formally organized enterprise. The structures are created by people to achieve certain defined goals. The formal organizations could be hospitals, schools, Water and Power Development authority (WAPDA).

### Informal Organizations

A network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with each other is called informal organization. The example of informal organization is friendship within the organization amongst people working at various levels.

The figure below illustrates the concept of formal and informal organization. While the formal organization is the people working who are assigned roles and given a position in a box. There are four levels in an organization and the straight lines show formal structure. However the irregular lines show informal relationship or informal structure.

Figure-1

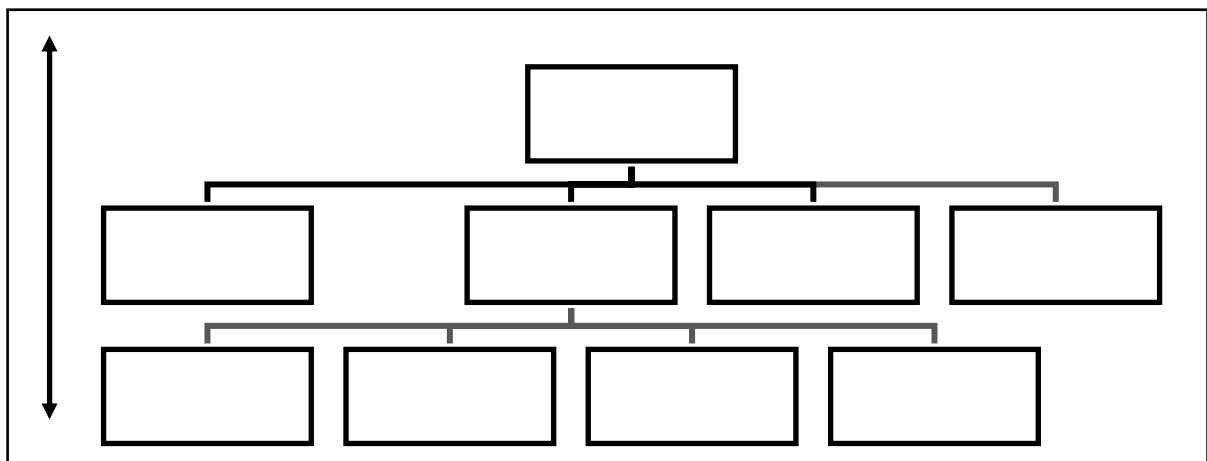


**Organizational Levels and Span of Management**

Organizational levels exist because there is a limit to the number of persons a manager can supervise effectively, even though this limit varies depending on situations. Organizational span, therefore, means the number of people a manager can supervise. It is generally believed that a number of people that a manager can effectively supervise are between 7 and 10. But this is not a principle.

While span refers to number of people a person can supervise organizational level refers to “ties” or level. In the figure-2 horizontal arrow indicate span and vertical arrow shows the organizational level. In figure-1 the organizational level are shown by numbers 1, 2, 3 and 4.

Figure-2  
**Organizational Span**



**Principle of Span of Control**

There is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of the following:

**Factors Determining an Effective Span**

- ❑ Training of subordinates: The more trained and experience the employees, the less supervision they require, and therefore, the manager can supervise more employees.
- ❑ Clear delegation of authority: Delegation of authority means to give part of authority to subordinate. Thus, if managers can delegate authority clear to each subordinate being supervised; more employees can be brought under supervision.
- ❑ Clarity of plans: When the plans are clearly understood by the employees, the manager can supervise more people.
- ❑ Use of objective standards to determine whether employees are following plans
- ❑ Rate of change
- ❑ Communication techniques
- ❑ Amount of personal contact Needed
- ❑ Variation by organization level
- ❑ Personal abilities of managers
- ❑ Need for balance

**Department**

One way of grouping activities is establishing ‘department’. A department is a distinct area, division, or branch of organization over which manager has authority for performance of specified activities.

**Departmentalization**

Grouping activities and people into departments makes it possible to expand organizations to an indefinite degree.

**Types of Departmentalization**

- By Number
- By Time
- By Function
- By Geography
- By Production
- By Customer

**Concepts:**

- ❑ **Organization:** a formalized institutional structure that shows relationship amongst “organization role”
- ❑ **Organizational roles:** the position that each person is assigned in the organization, for example a peon, manager sales, deputy secretary training etc. Each role has specific task to perform.
- ❑ **Formal organization:** the structure of the organization as is indicated in figure 1. But the formal structure is the relationship between straight lines.
- ❑ **Informal organization:** it can be organization of informal relationship that people in organization have beyond the formal relationship. This is shown in figure1 in irregular line.
- ❑ **Span of organization:** is the number of people a manager can supervise.
- ❑ **Organizational level:** it refers to levels in the organization and relates to hierarchy.

## DEPARTMENTALIZATION

At the end of the lecture the students should be able to understand:

- What is Department
- What are the Basis of Departmentalization
- Advantages and Disadvantages of various types of Departmentalization
- The Concept of Authority and Decentralization

### Department

Let us go back to the definition of department.

“A department is a distinct area, division, or branch of organization over which manager has authority for performance of specified activities”

When activities and tasks are grouped according to some basis of similarity, it is called departmentalization.

### Departmentalization by simple numbers

Departmentalization by number is done by putting people in group who are to perform the same duties. They are placed under supervision of a manager or supervisors. Example: Armies in old times, Unskilled labour in construction.

### Departmentalization by time

Departmentalization by time is done at operational or lower levels of organizations where activities are grouped together on the basis of time. Example: People working in shifts in steel company, hospitals etc.

### Advantages

Departmentalization by time has two main advantages; These are:

1. The usual timings of offices are eight hours, but if departmentalization is to be done beyond 8 hours, second shift or round the clock service can be provided.
2. Equipment can be used more often in shifts: The tools, equipment and physical facilities can be used to full capacity.

### Disadvantages

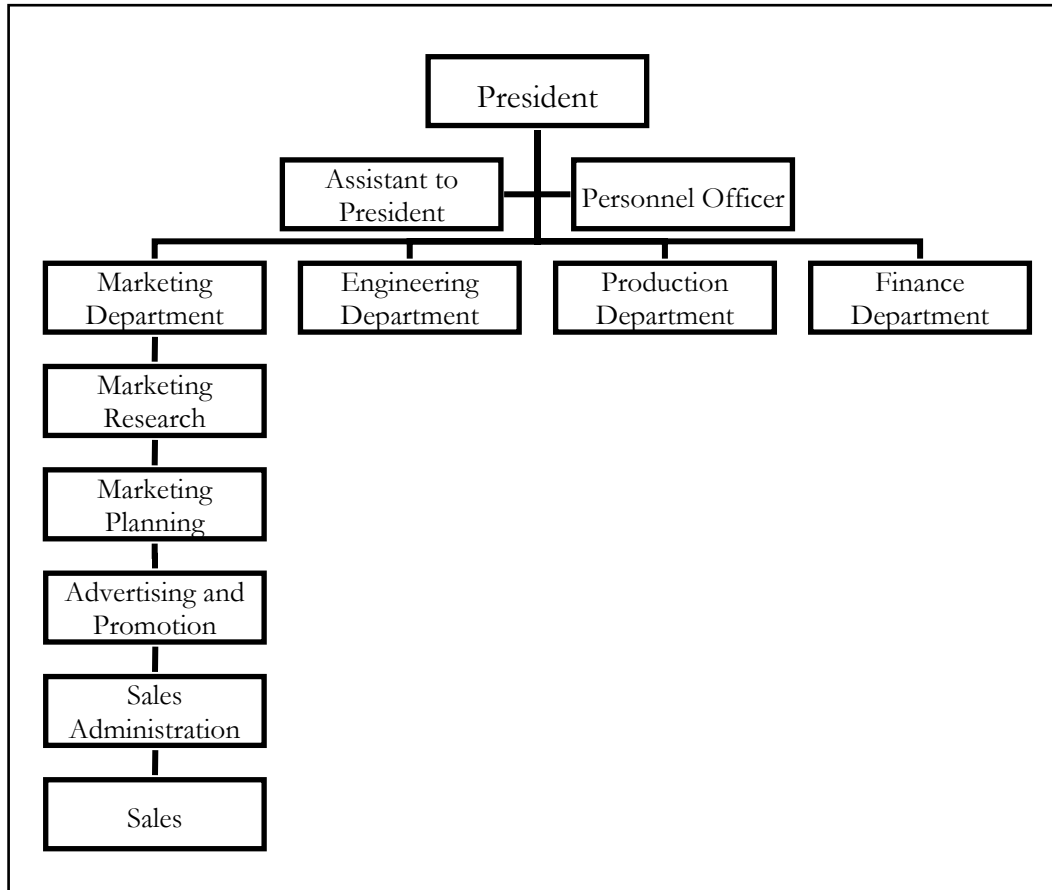
1. Lack of supervision: People working in shifts may not be supervised.
2. Increase of overtime rates: There may be increase in expenditure due to payment to workers in shift.

### Departmentalization by Enterprise Function

Departmentalization by function is the grouping of the activities in accordance with the functions of the enterprise (Functional Departmentalization). Example of functions of organization: Production, Budgeting, Accounts, Sales etc.

## Departmentalization by Enterprise Function

Figure - 1



In figure 1 is the organization chart (also called organogram) of a private company. The functional departmentalization of a company is shown. There are 4 functional departments i.e. marketing, engineering, production and finance. Under the marketing department all market related activities are grouped i.e. marketing research, marketing planning, advertising and promotion, sales and administration. Departmentalization by function is the most common form of departmentalization.

#### Advantages of Departmentalization by Function

Following are the advantages of departmentalization by function:

1. It is logical reflection of functions: This is more common and logical way of grouping activities.
2. Maintains power of major functions: Certain functions in organization are more important as the main or core area. For example in universities the academic department will be major function.
3. Simplifies training: Since people are grouped according to functional departmentalization, it becomes easier to provide training to employees in a particular functional area wise.
4. Tight control on the top: Each department head can exercise control over its own functional area.

#### Disadvantages of Departmentalization by Function

Following are disadvantages of departmentalization by functions:

1. Reduces coordination among functions: Since employees work in respective department; therefore, coordination amongst various department is reduced.
2. Slow adaptation to changing environment: When people work for longtime in a department they become use to with the working and their styles become rigid. For example a police

officer style of working would be different from that of a teacher. Therefore, they are slow to changing environment.

3. Limits development of managers: Development of managers is limited to a particular function only.

### Departmentalization by Geography

Activities of an organization in a given area or territory are grouped and assigned to a manager. Example: Electricity and gas is supplied by regional organizations, such as local electricity Supply Corporation, Sui Northern Gas Company and Sui Southern Gas Company.

### Departmentalization by Geography

Figure-2

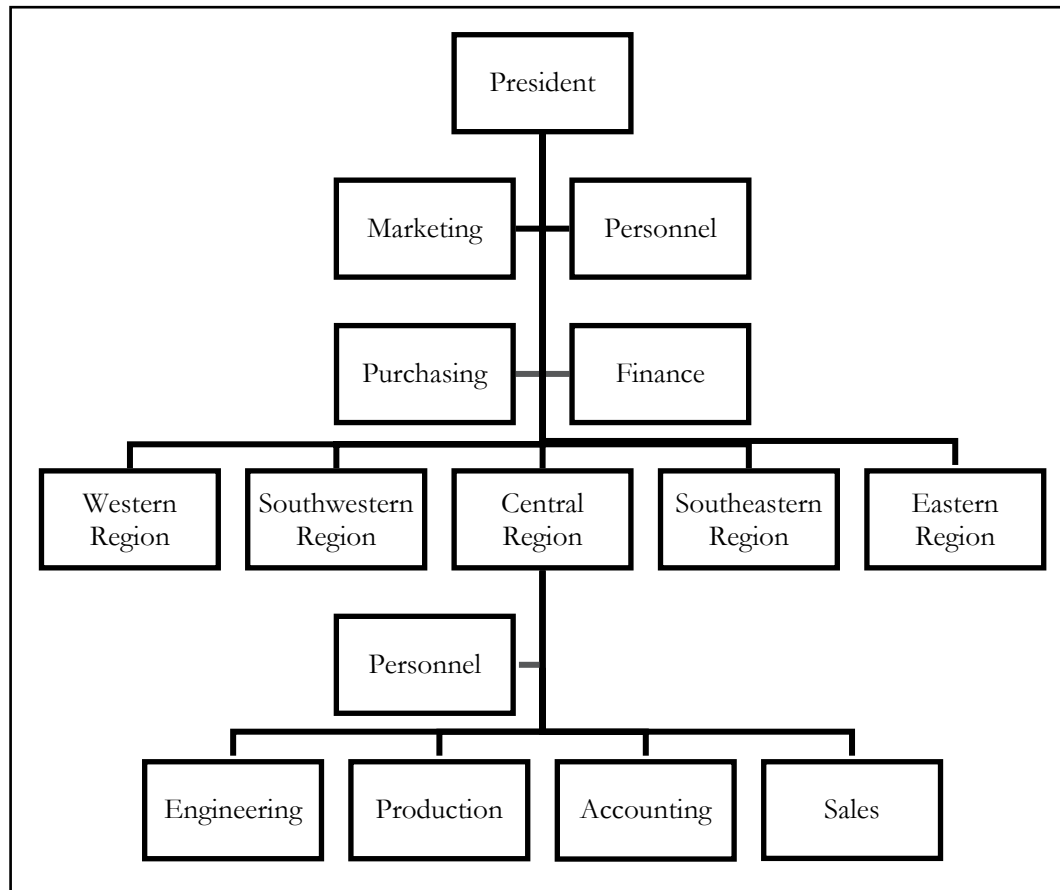


Figure 2 is the organization chart of an organization that has centralized marketing, personnel, purchasing and finance. Under the central region are shown personnel engineering, production, accounting and sales, and likewise these functions also exist for other four geographical regions.

### Advantages

Following are the advantages of departmentalization on the basis of geography:

1. Emphasis on local market: The local markets can gain benefit as service is provided according to geography. It helps develop that market.
2. Improves coordination: Coordination within the geographical unit is better because all functional departments operate at the geographic region.
3. Face-to-face communication: There is better communication between the service provider and service receiver.

### Disadvantages

Following are the disadvantages of departmentalization by the geography:

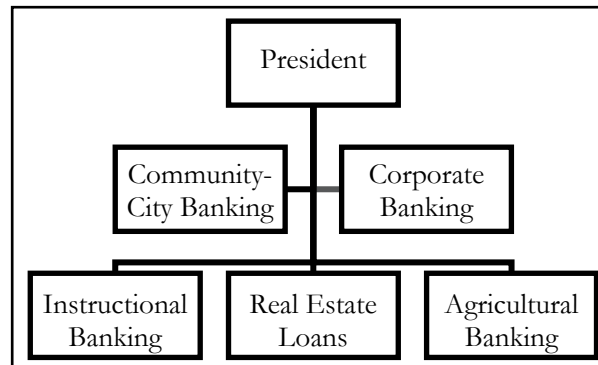
1. Problems of control: As the functions are dispersed, therefore control cannot be exercised effectively
2. Requires more human capital: from the above it is deduced that more people are required.
3. Makes maintenance more difficult: Maintenance of service become difficult.

### Customer Departmentalization

It is grouping of activities so that these reflect primary interest of the customers in a variety of enterprises.

#### Customer Departmentalization

Figure-3



Customer departmentalization is usually found in banking sector but there could be other organizations that may have customer departmentalization. In figure-3 customer departmentalization is shown. In the figure the bank has grouped banking activities according to the types of loans that will be acquired by specific type of customer e.g., agricultural banking department will provide loans to farmers. Real estate loans will be provided to customers who plan to buy property. Institutional banking will deal with institutional customers.

### Advantages

1. Encourages concentration on customer needs
2. The focus is on customer satisfaction
3. The staff develops expertise in customer area.

### Disadvantages

1. Since everybody works in respective area coordination becomes difficult
2. There is underutilization of facilities and labour-specialized workers in customer groups

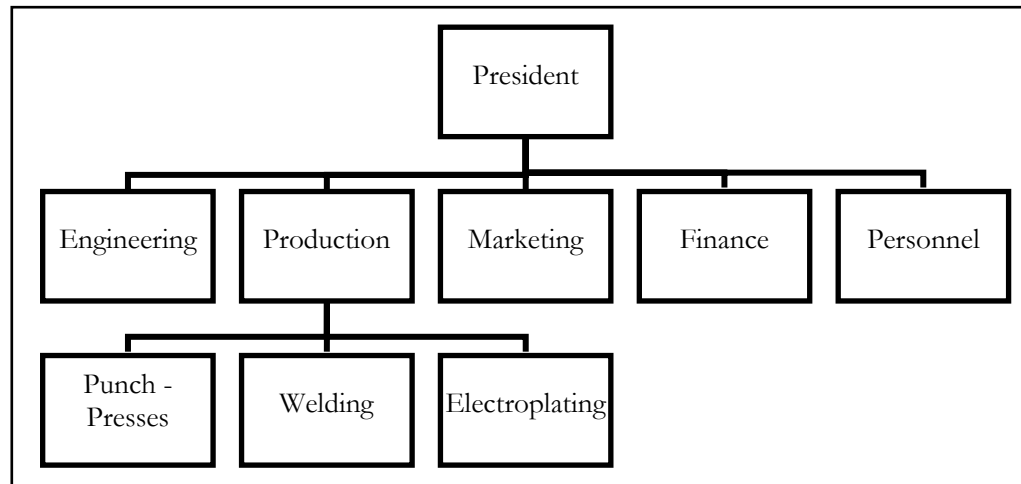
### Departments by Product

Grouping of activities on the basis of the products or the product lines of an organization is known as departmentalization by production or product. Some times organization may be producing more than one product or services. For example a firm may be producing soaps, detergents, toothpaste etc. So for each product it would have separate department. In the organization chart in figure 4 the organization has three separate services like punch-press, welding and electroplating.



**Department by Production**

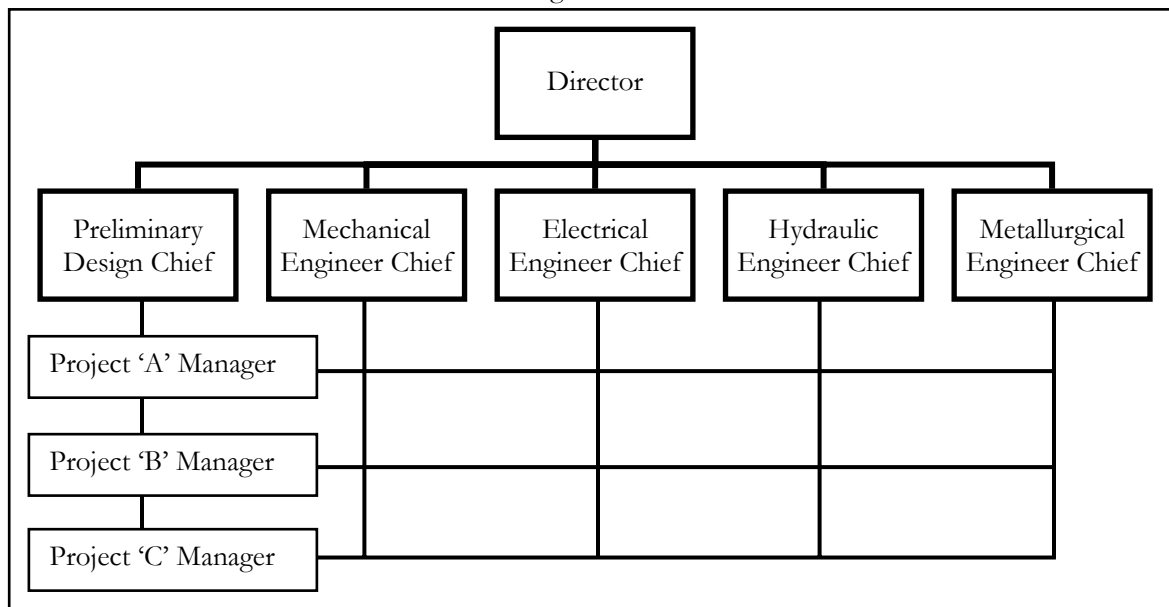
Figure 4

**Matrix Organizations**

It is the combination of functional and project or product patterns of departmentalization in the same organization structure

**Matrix Organization**

Figure 5



As shown in the figure 5 which shows matrix organization in engineering department, there are functional managers in charge of engineering functions and an overlap of project managers responsible for the end product. This form of organization is common in research and engineering organization it has been used in product marketing organizations as well.

**PROBLEMS WITH MATRIX MANAGEMENT**

Let us summarize some typical problems in matrix structure. These are:

1. A state of conflict exists between functional and product managers as both compete for limited sources (for example financial and human).
2. There is conflict of roles and ambiguity because there is overlap of functions.
3. There is imbalance of authority and power as well as horizontal and vertical influence of the project and functional managers which can lead to problem in matrix organization.

4. Because of potential conflict, managers may want to protect themselves against blames by putting everything in writing which increases administrative cost.
5. Matrix organization require many time consuming meetings

### Concepts

- **Departmentalization:** grouping of activities according to some specific activities over which manager has authority
- **Departmentalization by function:** grouping of activities by functions
- **Departmentalization by geography:** Activities of an organization in a given area or territory are grouped and assigned to a manager
- **Departmentalization by customer:** It is grouping of activities so that these reflect primary interest of the customers.
- **Matrix organizations:** It is the combination of functional and project or product patterns.

## POWER AND AUTHORITY

At the end of the lecture students will be able to understand:

- The concepts of Line and Staff
- Relationship of authority with line and staff concept
- Centralization, Decentralization and Delegation

### Definition of Power and Authority

Authority is a force for achieving desired outcomes, but only as prescribed by the formal hierarchy and reporting relationships,

Authority is vested in organizational positions, not because of the personalities and personal characteristics of the individuals, but because of the position that a person is holding.

Power is the ability to influence others to modify behaviour to achieve stated objectives. Authority is also defined as the right in a position to exercise discretion in making decisions affecting others.

### Line and Staff Concept

There is much confusion on what exactly is “line” and “staff” in management literature and practice. But line and staff relationship are important as an organizational way of life and authority relationship.

### Line Concept

Line functions are those that have direct impact on the accomplishment of the objectives of an organization. Example: policeperson controlling the mob

### Staff Concept

Staff functions are those that help the line persons work most effectively in accomplishing the objectives. Example: A person managing the budget of the organization

### Delegation:

It is the assignment to another person of formal authority (legitimate power) and responsibility for carrying out specific activities

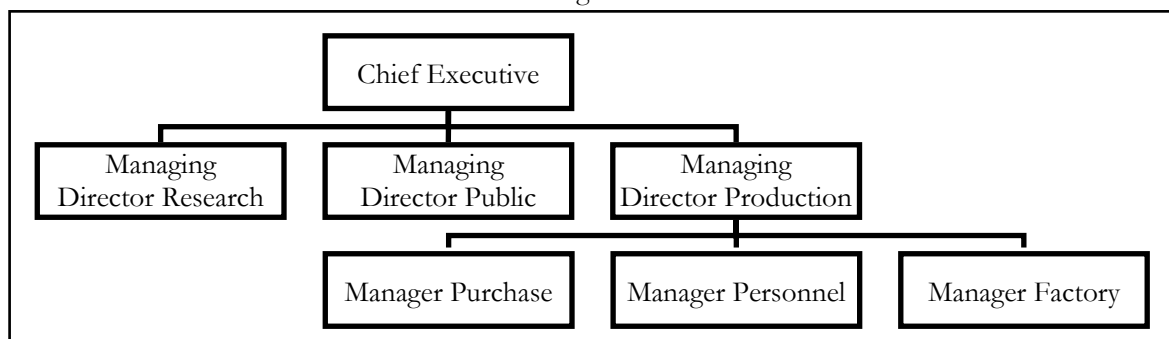
### Nature of Relationship

#### Scalar Principle

The clearer the line of authority from the ultimate management position in an organization to every subordinate position, the clearer will be the responsibility for decision making and effective will be organization communication. In many large organizations the steps are long and complicated. It should become clear from the scalar principle that line authority is that relationship in which superior exercises direct supervision over subordinate. In Figure 1 this relationship is shown by the solid line that connects boxes.

#### Scalar Principle

Figure 1



### Functional Authority

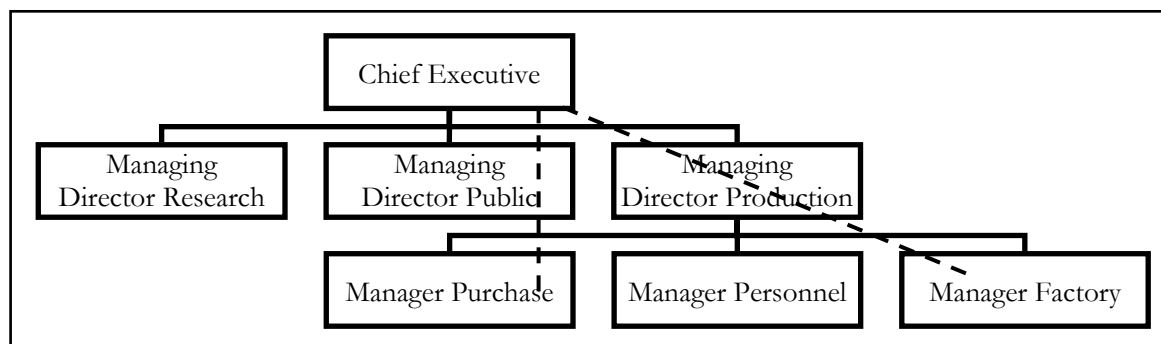
It is important to understand the functional authority. It is the right that is delegated to an individual or a department to control specified processes, practices, policies, or other matters relating to activities undertaken by persons in other departments. If principle of unity of command were followed, authority over these activities would be exercised by their line supervisor.

### Delegation of Functional Authority

One can better understand Delegation of functional authority as a small slice of the authority of line supervisor. The Chairman or head of institution has complete authority to manage organization, under the rules of organization. In pure staff situation the advises on personnel, accounting, purchasing etc., have no part of this line authority, their duty is to offer advise. But when the head of institution delegates his advisor to issue instructions to the line organization as shown in figure-2 that is called “functional authority”.

#### Scalar Principle

Figure- 2



### Benefits of Staff

Today, staff advice is far more critical for business, government, and other enterprises than it was in the past. Operating managers are now faced with making decisions that require expert knowledge in economics, technical political and legal areas.

Another major advantage of staff is that the specialists may be given time to think, to gather data, and to analyze to advise superiors, whereas busy managers cannot do this. It is rare that operating managers will find time to do analysis which the staff assistant can do as well.

### Limitations of Staff

1. Danger of undermining Line Authority: The advice of staff officers is taken by the executive with enthusiasm which may not be acceptable to line (operating) people because they think that staff has no experience of work of line people.
2. Lack of Staff Responsibility: advisory departments only propose plans while line has to implement. When there is problem in the implementation of plans the blame is shifted to those who have advised. This creates situation for shifting blames for mistakes on staff.
3. Thinking in a Vacuum: Because staff people do not implement. They only advise so what they advise they are blamed for thinking in vacuum

### Decentralization of Authority

We focussed on the kinds of authority relationship, such as line staff and functional authority. Now we will look at dispersion of authority.

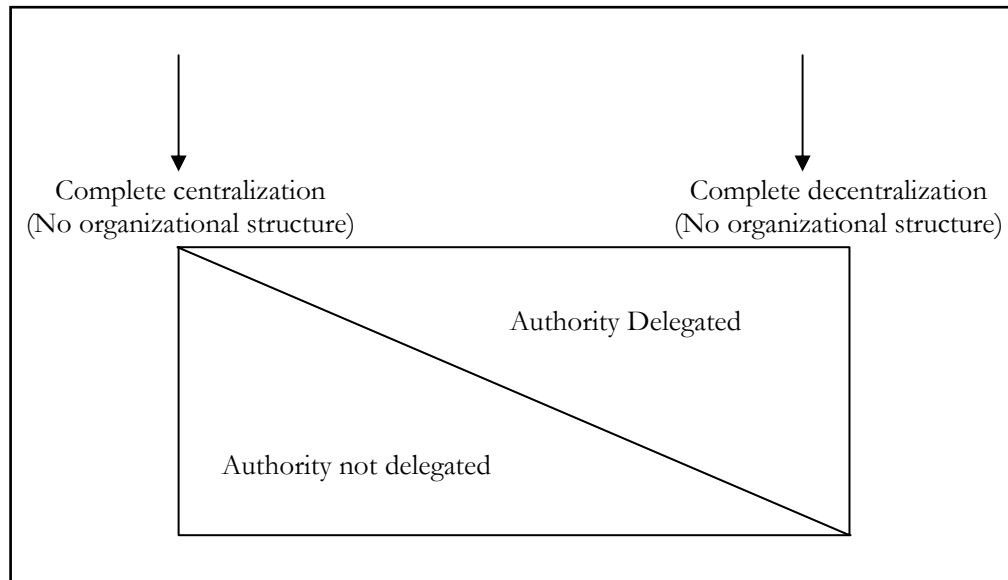
### Nature of Decentralization

Organization authority is given to people to use judgment to make decision and give instructions.

Decentralization is the tendency to disperse decision-making authority in an organized structure. It is a fundamental aspect of delegation; to the extent authority is not delegated, it is centralized. How much

should authority be concentrated in or dispersed through out the organization? There could be absolute centralization of authority in one person, but that means no subordinate managers and therefore, no structured organization. Some decentralization exists in all organizations & that is shown in figure 3. The degree of centralization and decentralization would vary from organization to organization.

Figure-3



Centralization and Decentralization: The degree to which formal authority is delegated by manager throughout the organization runs along continuum from centralization to decentralization as shown in figure 3. In a relatively decentralized organization, considerable authority and responsibility is passed down the organizational hierarchy

### Different Kinds of Centralization

1. Centralization of performance
2. Departmental centralization
3. Centralization as an aspect of Management

#### 1. Centralization of performance

It pertains to geographic concentration; it characterizes an organization operating in a single location

#### 2. Departmental centralization

It refers to centralization of specialized activities, generally in one department. For example, maintenance for a whole plant may be carried out by a single department.

#### 3. Centralization as an aspect of management

It is the tendency to restrict delegation of decision making. A high degree of authority is held at or near the top by managers in the hierarchy.

We have so far covered four building blocks of Organizing. These are:

1. Classify work into activities which is called 'Division of labour'
2. Combine activities in a logical and efficient manner called 'Departmentalization'
3. Specify who reports to whom called 'Hierarchy'
4. Integrate departmental activities called 'coordination'

**Concepts**

- ❑ **Line function:** functions that have direct impact on the accomplishment of objectives of organization
- ❑ **Staff Function:** are advisory functions. Staff people help line persons to work most effectively in accomplishing objectives.
- ❑ **Scalar principle:** the line of authority that determines the relationship between supervisors and supervised
- ❑ **Functional authority:** authority given to department or individual to control specified processes, practices and policies
- ❑ **Delegation of authority:** giving of part of authority to lower level
- ❑ **Decentralization of authority:** decentralization of authority is dispersion of decision – making authority in an organized structure.

## DELEGATION OF AUTHORITY

At the end of the lecture the students will be able to understand:

- The Process of delegation
- Personal attitude towards delegation
- Guidelines to overcome weak delegation and effective decentralization

### How is Authority Delegated?

First we will see how authority is delegated. The process of delegation involves following steps:

1. Determining the results expected from a position: from each position in the organization the results that are expected are delineated.
2. Assigning tasks to the position: each position is assigned tasks and activities to be accomplished.
3. Delegating authority to accomplish the tasks: then each position is delegated authority to accomplish assigned task.
4. Holding the person responsible for task completion: and finally the completion of task is the responsibility of the person holding the position.

### The Art of Delegation

Effective delegation does not occur in certain cases because managers are unwilling or unable to apply the principles of delegation.

Much of the reason not to delegate is personal attitude towards delegation. The personal attitude is that help towards Delegation are:

1. Receptiveness: It is the willingness of manager to give subordinates chance to make decision
2. Willingness to let go: Those managers who have risen up in position do not want to part with the decision that they made at lower level
3. Willingness to let others make mistakes: Although no responsible managers would sit idle and watch the subordinates make mistakes. But if the cost of mistakes is not high it should be considered as investment in personal development
4. Willingness to trust subordinates: Superiors should trust subordinates that they can make decisions

### Guides to Overcoming Weak Delegation

There are certain ways by which weak delegation can be overcome. These are as follows:

1. Define assignments and delegate authority in light of results expected or give sufficient authority to make possible the achievement of assigned goals
2. Select the person suitable to do the job
3. Maintain open lines of communication with subordinate so that you are able to tell them as well as listen to them.
4. Establish proper control by establishing standards of work
5. Reward effective delegation and successful assumption of authority

### Determinants of Degree of Delegation of Authority

Managers cannot be for and against delegation of authority. They may prefer to delegate authority or they may like to make all decisions. Following are the factors that determine delegation:

1. Cost of the decision: As a general rule costly actions will be decided at the upper level of management. Cost may be in terms of money and such intangibles as the good will of

- the organization E.G. the decision of the airline company to buy airplanes will be made at first or second level.
2. Desire of uniformity of policy: Those who value consistency above all favour centralized authority. Uniform policy has certain advantages. E.G. standardized accounting procedures as a uniform policy is desirable
  3. Size and character of organization: The larger the organization the more decisions will be made and the decision will be made at different levels in the hierarchy. This makes decision making slow. Therefore, delegation may be preferred.
  4. History and culture of the enterprise: It is the culture and history of organization that determines whether the organization should decentralize decision
  5. Management philosophy: The thinking of top management will influence that why should be the degree of delegation
  6. Desire for independence: Offices operating in the far flung area need to be delegated authority. Long lines of communication cause frustration. Therefore, authority should be delegated.
  7. Availability of managers: Shortage of well trained managers may lead to centralized decision making
  8. Control techniques: Effective delegation means that managers develop good system of controlling

### Coordination

Coordination is a process of integrating activities of the separate departments in order to achieve organizational goals effectively and efficiently

Without coordination people will loose sight of their roles within the total organization and tempted to pursue their own departmental interests

The importance of coordination is due to the high degree of specialization or division of work. Because when people are doing their own specialized work they tend to develop narrow view. Therefore, coordination of different specialized areas is very essential.

Specialization leads to four types of effect on people:

1. Own perception on organizational goals: E.G. accountant just sees cost control as most important. There is a narrow view of thing.
2. Time orientation is different: People in production are use to handling crises that need to be dealt immediately. People working in Research & development handle things in relaxed way.
3. The above two affect the interpersonal styles. People in production may need clear cut answers. People in research and marketing see relationship are more important.
4. Degree of formality: clear standards performance are required in production

### Conclusions

- We have seen the principles of delegating authority
- The personal attitude towards delegation is important and what determines that how much authority should be delegated
- Introduced the topic of planning

### Concepts

- ❑ **The art of delegation:** the method by which authority is delegated.
- ❑ **Coordination:** the process of integrating activities
- ❑ **Specialization:** also referred to as division of labour.



## PLANNING – I

At the end of the lecture students will be able to understand:

- The importance & definition of Planning;
- What is managerial planning and its importance;
- Basic principles underlying planning and
- Types of plans

### Importance of Planning

Planning is the most important activity of an organization and of managers. Because without planning organizations may not be able to achieve their goals and objective.

### Definition

Planning is the French word ‘prevoyance’, which means to look ahead. According to Pfiffner and Presthus planning is “a rational process characterized of all human behaviour.”

According to Dimock and Dimock “Planning is an organized attempt to anticipate and to make rational arrangement for dealing with future problems by projecting trends.”

According to Simon, Smithburg and Victor A. Thomson: “Planning is that activity that concern itself with proposal for future, evaluation of alternative proposals and with method by which these proposals may be achieved.”

Planning is also defined as future course of action.

The resources have to be managed to achieve goals which exist in future point in time.

In all definition of planning, there is one common element i.e. “Future course of action”.

### Levels of Planning

Planning is done at different level; therefore its size and magnitude is different. Following are different levels of plan:

1. National level is made at the country level.
2. Provincial level is made at the provincial level.
3. Organization level is made at organization level.
4. Department level is made of department level.
5. Unit level is made at unit level.
6. Personal level plan could be professional plan or private plan.

### Four Major Aspects of Planning

The nature of planning can be understood by examining four aspects:

1. Its contribution to purpose and objectives
  2. Its importance in managerial task
  3. Its pervasiveness
  4. The efficiency Vs. effectiveness of plans
1. The contribution of plan to purpose and objectives: Every plan must contribute to the accomplishment of purpose of the organization. This concept derives from the nature of the organized enterprise which exists for the accomplishment of the group purpose.
  2. The importance of planning to the managerial tasks: Planning precedes all other managerial tasks. (organizing, staffing leading, motivating, controlling, budgeting and evaluating) It is unique as it involves setting of objectives.

Plan as Foundation of Management

Figure 1

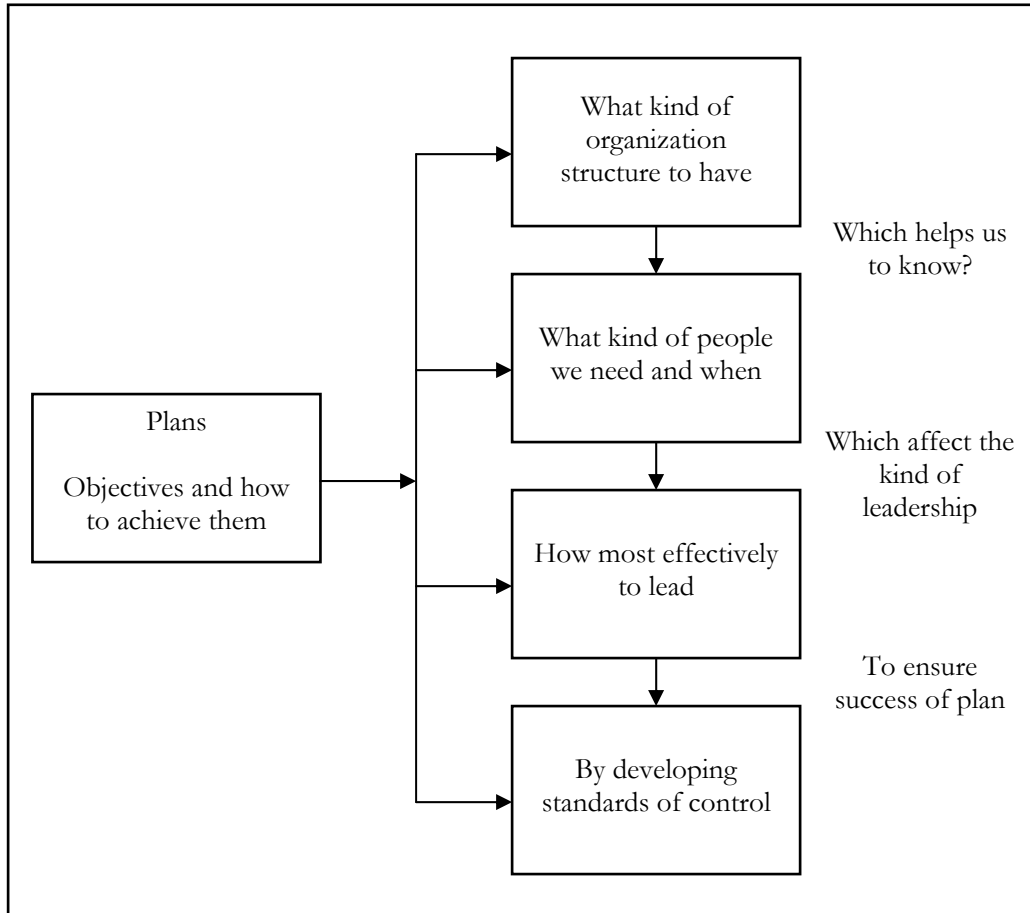


Figure 1 shows that plans sets out objectives, and then the kind of organization structure will be determined that will have achieve those objectives. Then to achieve the plan objectives the manager should select right people. After selection of right people then these must be effectively led. Finally the control standards must be developed to determine if plan has achieved the objectives.

Relationship of Planning and Controlling

Figure 2

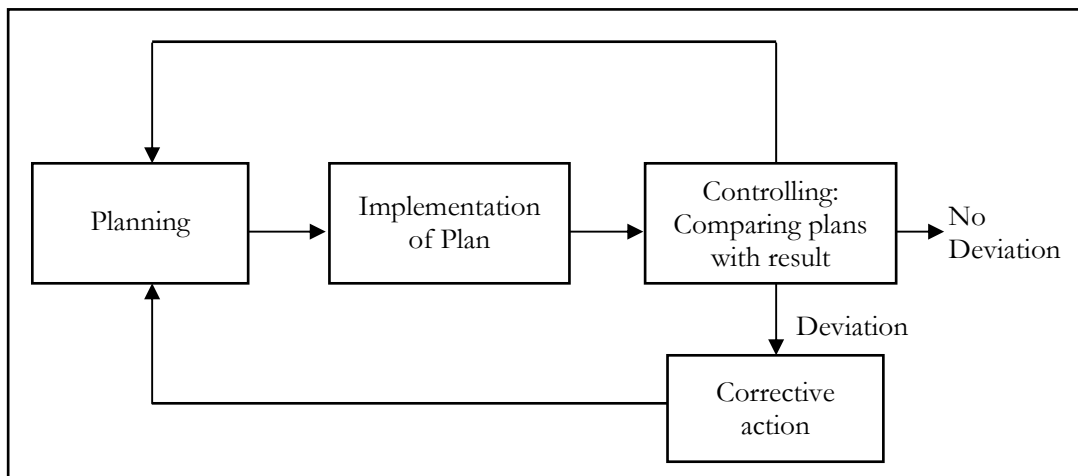


Figure 2 shows the relationship between planning and controlling. The relationship between planning and controlling is inextricable, because the two support each other.

3. The Pervasiveness: Planning is a function of all managers. If managers are not allowed to plan to a certain degree then they may not be able to function as manager. All managers plan- from chief executive to the first level supervisor.
4. The efficiency vs. effectiveness of plans: A plan is said to be efficient if it achieves its purpose with minimizing cost. It is the contribution of the plan to the objectives. E.G. If cost is higher than the benefits, the plan is said to be inefficient. Effectiveness is the achievement of goals and objectives set out in the plan.

### Types of Plans

Plans are future course of action and these are varied according to the time frame. These are classified as:

1. Purpose or Mission
2. Objectives or Goals
3. Strategies
4. Policies
5. Procedures
6. Rules
7. Programmes
8. Budgets

We will examine each separately.

#### 1. Purpose or Mission

The mission or purpose identifies the basic task of the organization. Every organization should have a purpose or mission. Example: The purpose of National Highway Authority is to design, build and operate national highways. The purpose of courts is to interpret laws. So each organization has its purpose.

#### 2. Objectives or Goals

Objectives or goals are ends towards which activity is aimed. These represent not only the end point of planning but also end toward which organizing, staffing, leading and controlling are aimed. While, the objectives are the basic plan of an organization, its department may have objectives. Which are more specific and these are sometime called “targets”. Example: Objectives of an organization is to make profits by producing television sets. The objectives of the production department would be to produce 2000 television sets in a year of given design and quality at a given cost

#### 3. Strategies

Strategies mean ‘grand plan’ made in the light of what an opponent might do or not do. Strategy is defined as determination of long term plan of an organization and following course of action and allocation of resources necessary to achieve the goals

#### 4. Policies

Policies are general statements or understanding that guide or channel thinking in decision making. Not all policies are “statements”; they can be implied from the actions of managers. Policies define an area within which decision is to be made and ensure that the decision will be consistent with and contribute to objectives. Example: Policy of Privatization

#### 5. Procedures

Procedures are plans that establish a required method of handling future activities. They are guides to action, rather than to thinking and they spell out the exact manner in which activities are to be accomplished. Example: Procedure of making of passport, how police should challan a traffic violator

#### 6. Rules

Rules spell out specific action or non action, allowing no discretion. Rules are unlike procedures in that they guide action without specifying time sequence. In fact a procedure is part of rule; a rule may or may not be part of procedure. Example: Traffic Rules, Pension Rules

**Concepts:**

- ❑ **Plan:** a document which delineates future course of action.
- ❑ **Pervasiveness of Plan:** existence of plan at all level of the organization.
- ❑ **Control:** establishing standards and measuring performance against it.

## PLANNING – II

At the end of the lecture the students will be able to understand:

- Remaining types of plans
- Discuss the logical steps involved in planning and see that this essentially is a rational approach to setting objectives

In today's lecture will examine remaining types of plans which are:

### 7. Programmes

Programmes are a complex of goal, policies, rules, tasks, procedures, resources to be employed. Programmes have a time period and these are for specific purpose. Example: Rural Support Programmes, Employees Development Programme, Tawana Pakistan Programme

### 8. Budgets

Budget is a statement of expected results expressed in numerical terms. It is referred to as a 'numberized' plan. For private sector organization financial operating budget is called a 'profit plan'.

For public sector organization a budget of an organization is an expression of income and expenditure. It expresses the effectiveness of organization in accomplishing its goals and objectives. The Federal, Provincial and Districts Budgets express the policies of respective governments in providing public services.

### Planning Process

There are eight steps in planning process. These are:

1. Recognizing the need for planning;
2. Determining the objectives;
3. Forecasting the future;
4. Determining alternatives
5. Evaluating Alternatives
6. Selecting a course of action
7. Implementing the plan
8. Revising the plan

#### 1. Recognizing the Need for Planning

This precedes planning and starts with intention of either solving problem or to attain some objectives. Organizations have need for planning to use scarce resources efficiently, and make best use of opportunities and prepare for threats. This is because plans are considered as future course of action. The organizations have to look ahead to solve their problems.

#### 2. Determining Objectives

The second step in the planning process is establishing objectives for the organization and then for each subordinate/employee. Objectives specify expected results and indicate end point of what is to be done by the organization and by its employees.

Objectives are to be accomplished by the network of strategies, policies, procedures, rules, budget and programmes.

Example:

1. To increase literacy by 5% from the last year,
2. To open schools in 5 villages of the province
3. To increase profits by 2%

All the above are examples of objectives.

### 3. Forecasting the future

Forecasting is based on certain assumptions about the future in which the plan is to be carried out. The basis of forecasting is the understanding of markets, the prices? what services needs to be provided?, what technological change there will be? What population changes will there be?

Government publishes documents like ‘Economic Survey’, State Bank of Pakistan Report, Bureau of Statistics Census etc. used by social scientists to forecast economic and social trends in the country.

### 4. Determining Alternatives

This involves examining alternative course of action. There would hardly be a plan for which alternatives do not exist.

Example: What are the alternatives to increase literacy? The alternatives could be:

1. To open new schools or
2. To have more shifts in the existing schools or
3. To ask the private sector to open schools

The government may adopt one of the alternative or combination of objectives.

### 5. Evaluating Alternatives

Each alternative is evaluated or examined in terms of cost and benefits. One course of action may have large investment and little benefits in the short run. Other alternative may be risky and have more benefits/profits

Example:

1. To open new schools. This alternative may require more money.
2. To have more shifts in the existing schools. This alternative may be require less money compared to alternative 1 because of use of existing facilities.
3. To ask the private sector to open schools. This alternative may not require money from the government at all.

In evaluation of alternatives the estimation of cost and benefits is very important because on its basis the decision is taken.

### 6. Selecting one Alternative

At this point the decision has to be taken to adopt an alternative from the various alternatives. The choice could be to pick one or more than one alternatives, depending on the emphasis on objectives to be achieved and the cost. At this stage the plans are made part of the budget. Budgets become means of tying up the plans

### 7. Implementing Plan

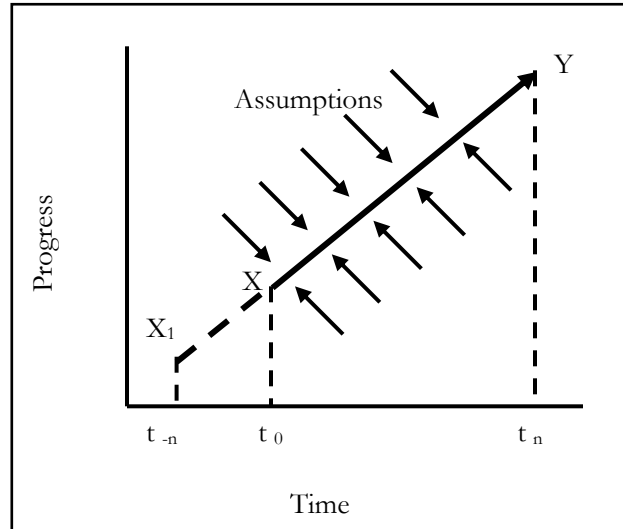
Implementation of a plan is the most crucial aspect. The implementation determines whether the plan was able to achieve the objectives or not.

### 8. Revising plan

#### Planning as Rational Process

As indicated by the planning process, it is a rational approach to accomplish objectives. This process is illustrated in the following graph:

### The Planning Process



In this diagram progress (high profits, more services etc.) are shown on vertical axis and time on the horizontal axis. X indicates where we are (to) and y where we want to be at future time (tn). Often we do not have all the data but we start planning and we may start our planning at x1. The arrows shown around the line X and Y are the assumptions that we make ability the future. When we plan we are in fact charting an unknown territory. The line XY is the decision path.

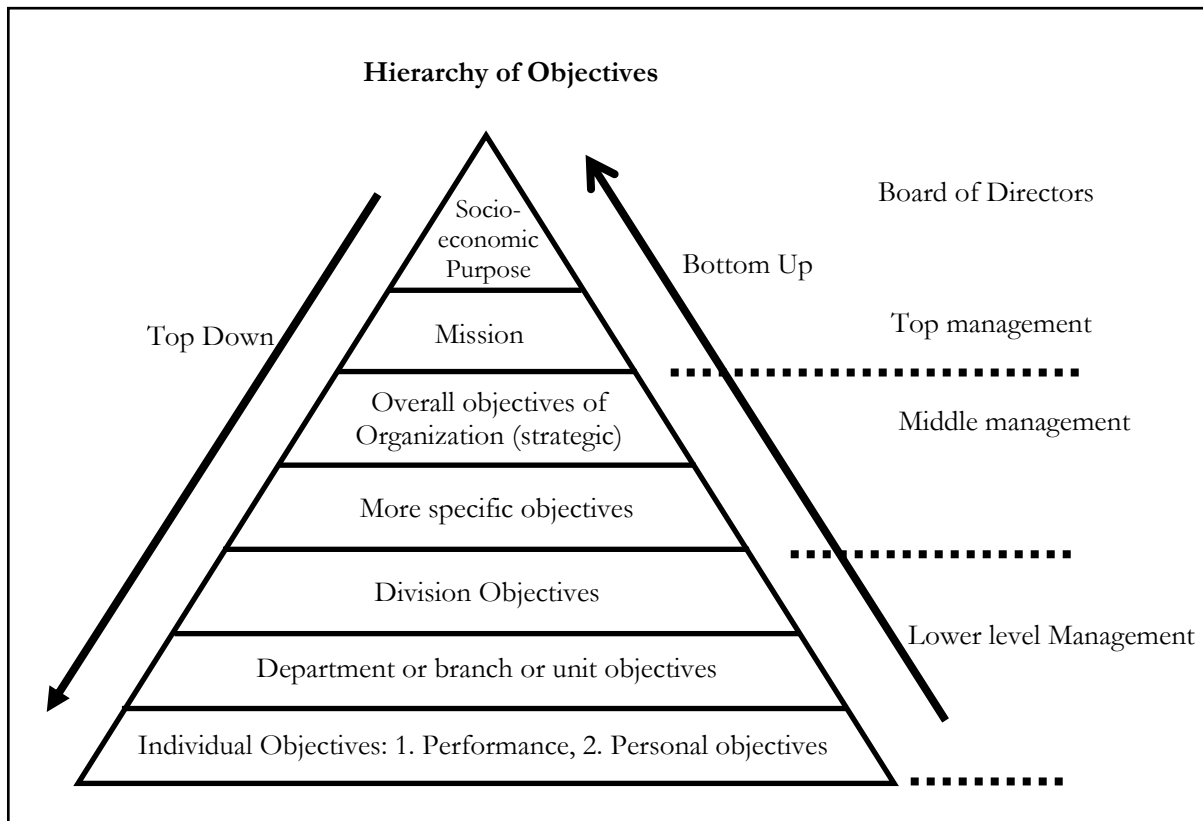
If the future was completely certain the line XY would be relatively easy to draw. But since future is uncertain we make assumptions about future.

#### Three principles of plans

There are three principles of the plan. These are:

1. Time horizon: There are long term and short term plans. The question is how the long term plans can be coordinated with long term plans? What is the duration of plan? These questions suggest multiple horizons of plans.
2. Commitment Principle: The key to choosing right planning periods seems to be in commitment principle logical planning encompasses a future period of time necessary to fulfil series of action the commitment in decisions made today
3. Coordination of short term and long term plans: Often short term plans are make without reference to long-range plans. There is a need to integrate the short and long term plans.

Figure 2



In figure 2 above is the hierarchy of objectives, which are a kind of plan, and provide guide for planning. The objectives start from the top of the organization and these objectives are formulated by the Board of Directors of the organization. These are then translated into the overall objectives of the organization, which in turn are made more specific. Lower level management objective are performance related and personal development objectives. So plans are formulated based on the socio-economic purpose of the organization which is translated to the lowest level.

#### Concepts:

- ❑ **Alternative plans:** various options that is available.
- ❑ **Rational process:** logical sequential process of setting goals and choosing on best goal.
- ❑ **Programme:** a programme is a complex of goal, sub task and resource.



## PLANNING COMMISSION AND PLANNING DEVELOPMENT

At the end of the lecture the students will be able to understand:

- The function and role of Planning organizations at the national level and provincial level

### The Need for Planning

As we know at the time of independence Pakistan had inadequate social and physical infrastructure, and there was need to develop roads, industry, schools, dams, power houses, hospitals and other government structure.

In 1948 Development Board was created in Economic Affairs Division. The Board was to plan the socio-economic development of the new country. The Board in 1950 prepared a Six- Year Development Plan.

In 1953 the Government created Planning Board with a purpose to ‘develop the resources of the country as rapidly as possible to promote the welfare of people, provide adequate living standards, social welfare services, and secure social justice and equality of opportunities to all.’

In 1958 the Planning Board was re-designated as Planning Commission. The objectives of the Commission were more or less the same as the board, but in addition it was to consult the Central, Provincial and relevant agencies to prepare national plans, make assessment of human and material resources. The Planning Commission was the highest body for making national plans.

### Organization Chart Planning Commission & Planning Development Division

Figure 1

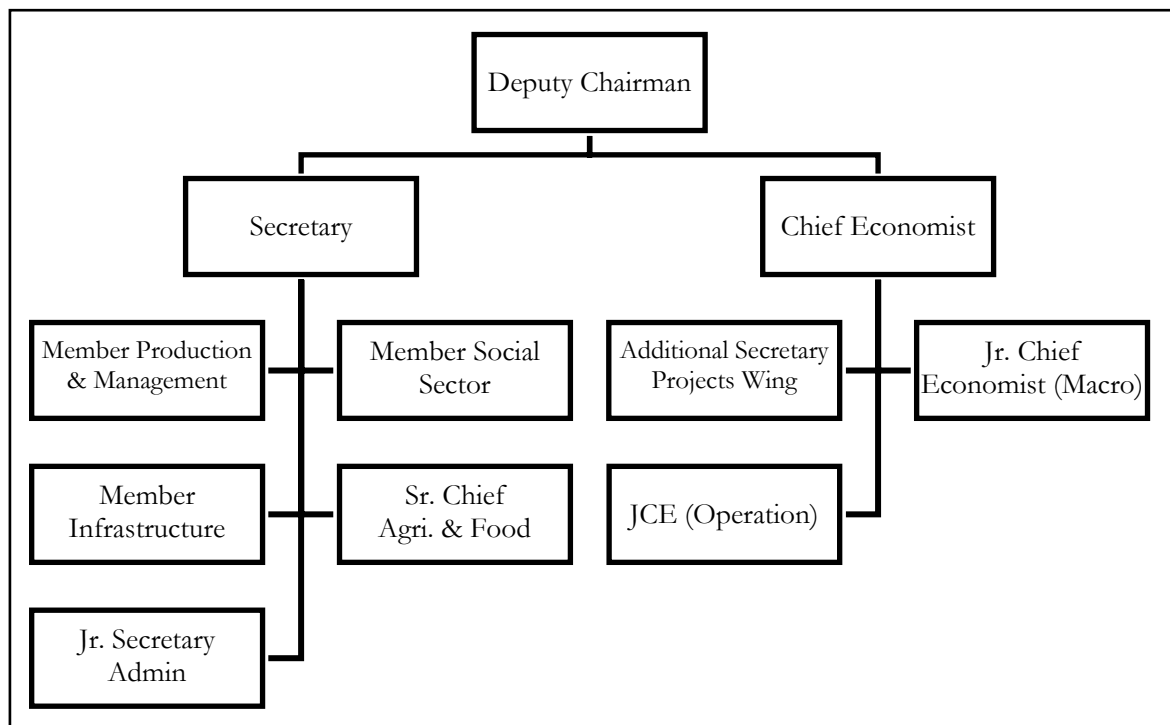


Figure 1 gives the organization chart of Planning Commission as it exist in 2003. The Planning Commission is the highest planning body and it is head by Deputy Chairman

### Functions

Following are the major functions of Planning Commission:

1. To prepare comprehensive national plan for socio-economic development of the country

2. To formulate within the framework of national plan, of annual plan and annual development programme projects and programmes of national development.
3. Monitoring the implementation of all major development projects and programmes (which are above Rs. 40 million)
4. Continuous evaluation of economic situation and coordination of economic policies
5. Examination and technical appraisal of development projects received from Federal Ministries and Provincial Government for consideration of Central development working Party (CDWP)/ Executive Committee of National Economic Council (ECNEC)

### Relationship of Plan and Projects

There is a complementary relationship between plan and projects. Projects are to plan what bricks are to building.

### What does national plan comprise?

A national plan comprise number of small projects

What is a project? A Project is work undertaken to achieve goals in a given time period. It has following characteristics:

1. Investment of resources: all projects require resources like capital, machinery & equipments.
2. It consumes inputs and gives outputs: when the projects start producing. These consume inputs like raw material etc., to produce output
3. It has beginning and an end: A project is started and it gets completed after which it starts producing output or service Examples: of project is Terbala Dam Project, School construction Project, Highway Project (N-5).

### Process of Project Completion

A project follows a sequential process of “beginning” and ending which is as follows:

1. Projects Identification
  2. Project study (feasibility)
  3. Project Preparation
  4. Project Appraisal
  5. Project Approval
  6. Project Implementation and Monitoring
  7. Project Evaluation
1. Project Identification: A project is identified by the representatives of the people, experts in the field, survey, media, etc. Project identification means that there is a need felt by community to have a project. For example the community may have the need for an X clean drinking water or, need to have proper sewerage system. The community may then approach government to provide clean drinking water by constructing a water reservoir.
  2. Project Feasibility: It is in depth study of technical, financial and economic viability of project. It is based on surveys and research studies. The technical, financial and economic study would see if the project will be able to cover its cost and remain in demand or not.
  3. Project Preparation: The details of the project study are put in a form called PC-I. It is a form of Planning Commission. The forms requires such information as sponsoring organization, time of completion, if the project is included in plan, cost of the project, location of the project, history, source of financing, inputs, etc.
  4. Project appraisal: It is careful checking of the basic data collected through survey, assumptions and methodology used in project preparation. It is in fact review of the project data and information. The appraisal is undertaken by the concerned technical section of Planning Commission.
  5. Project approval: After appraisal the project goes to the approving body. Following are the project approving bodies:
    - a. National Economic Council (NEC)
    - b. Executive Committee of NEC

Economic Coordination

- Committee of Cabinet
- c. Central Development Working Party: Approves all provincial schemes costing up to Rs. 100 million
  - d. Departmental Developing Working Party
  - e. Provincial Development Working Party: each Province has a Provincial Development Working Party. The Provincial Development Working Party scrutinise various projects for inclusion in the Annual and Five Year Plans.
6. Project Implementation: The project becomes part of annual programme and receives allocation annually from the budget, after which it is implemented and completed.
  7. Project Evaluation: When the project is completed it is then evaluated i.e., it is assessed the problems faced during implementation, whether the project is meeting the need for which it was completed etc.

### Provincial Planning Organization

At the provincial level there is Planning and Development Department. The P&D is headed by the Chairman P&D. The Secretary P&D is the administrative head. The Chairman is assisted by a Chief Economist and Members and Joint Chief Economist.

Members are assisted by Chief of Section. Each Chief of Section deals with one or more sectors of the provincial economy i.e., agriculture, forestry, tourism, livestock, irrigation, industry, water supply, social welfare, population planning education etc. The Chief of Section is either engineer, economist or generalist

### Functions

The functions of P & D are as follows:

1. To prepare Annual Development Programme in coordination with other departments
2. To prepare Five Year and other development plans
3. To clear Schemes to be sent to ECNEC/CDWP
4. To coordinate External Capital Assistance

### Approval Authority

The Planning Department is the Secretariat for PDWP and a clearing house of development projects by different line departments. The PDWP can approve projects ranging from Rs. 100 million to Rs. 1000 million

### Conclusions

Planning organizations have evolved in Pakistan and are performing functions for the overall development of the country. The process of planning is systematic and rational because there are institutions and processes of planning.

### Concepts

- **Project:** it is a distinct activity which requires investment and has beginning and end.
- **Project cycle:** project cycle is a sequential process of project identification, feasibility, preparation, appraisal, approval, implementation & evaluation.

## DECISION MAKING

At the end of the lecture the students will be able to understand the relations between decision making and planning:

- Understand the importance of decision making to planning
- Limitation of rational decision making process
- Approaches to decision making

### Definition

First of all we will define decision making. It is defined as the selection of course of action. It is the core of planning. A plan cannot exist unless decision has been made.

Decision making is the most important action by managers.

### Theories on Decision Making

There are many theories of decision making but we will discuss the following:

1. Organizational Process Model
2. Rationality in Decision Making

### Organizational Process Model

All organization follows rules, procedures & system. Decisions in organizations are made according to the procedures and systems that organizations have for example a centralized organization decisions will come from top down. In organization where authority is dispersed participative decisions will be made. So the processes and standard operating procedure (SOP) will determine the quality of decisions made.

### Rationality in Decision Making

It is said that effective decision making must be rational. But what is rationality. When is a thinking person deciding rationally? People deciding rationally are attempting to reach goals in a systematic way. They collect all:

- 1) relevant information,
- 2) analyze information,
- 3) evaluate and
- 4) make choice

So these are 4 basic steps in making a rational decision. If we follow these steps can we make “best decision”? Can we get all information for all alternatives.

### Limited Rationality

People have worked on the issues pertaining to all information to be collected for all alternatives. What has been analyzed is that it is humanly impossible to collect all information for all alternatives. A manager must settle for limited rationality. Information is limited, time is limited and certainty is limited. Therefore managers dislike risk and do not reach the best solution. The decision making is ‘satisfying’, that is, picking a course of action that is good enough

### Steps in Rational Decision Making

1. Search for alternatives: Given that we know our objectives, the first step in decision making is to search for alternatives. Search for alternatives is based on the concept of ‘limiting’ factor. The Principle of the limiting factor’ is to recognize and overcome factors that stand critically in the way of goals; the best course of action can be selected.
2. Evaluation of Alternatives: the next step in decision making is to evaluate and select one that contributes best to the goals

When deciding about one alternative, managers can use three basic approaches:

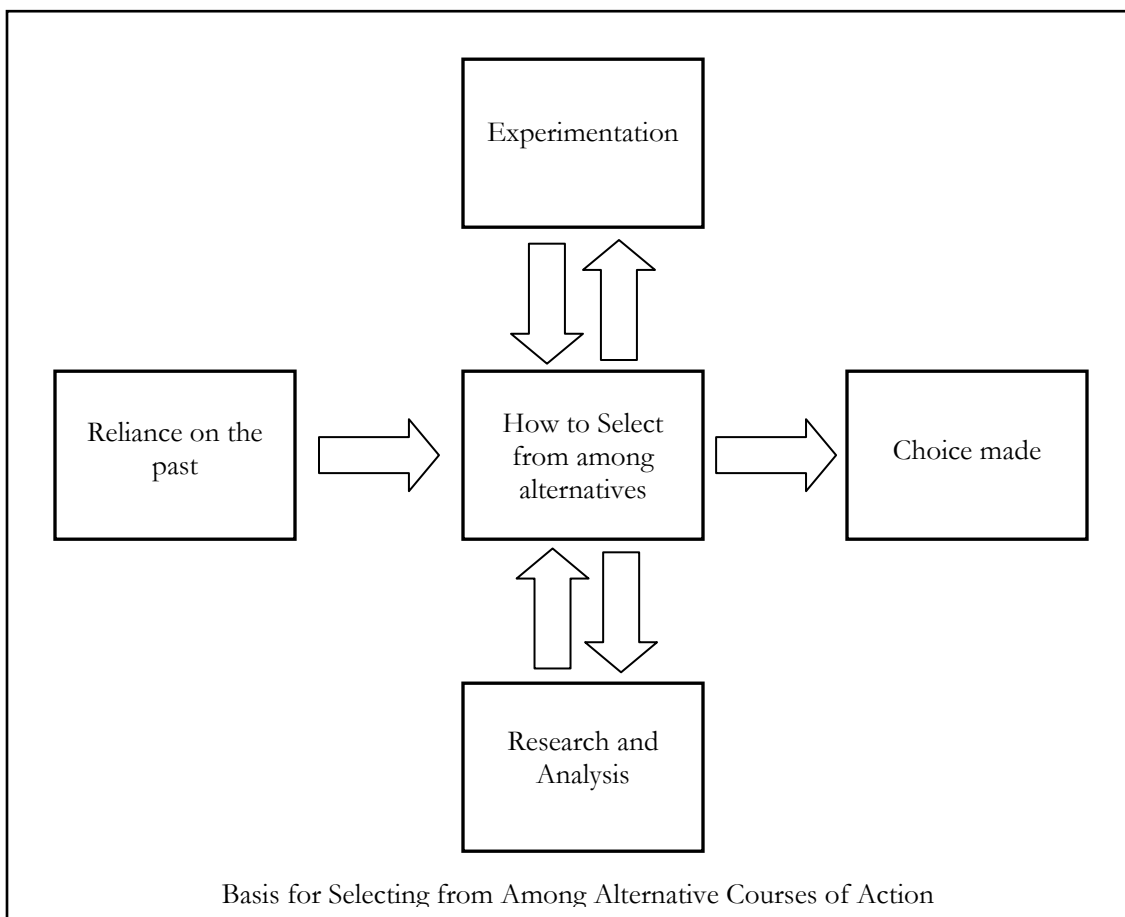
1. Experience
2. Experimentation
3. Research and Analysis

Usually managers use their experience and judgment to select an alternative. Experience and judgment is really reliance on the past.

The other method by which managers select alternatives is experimentation, i.e., managers would try an alternative and see its results.

The 3<sup>rd</sup> method is arriving at alternatives through researching and analysis. The interrelationship between the 3 methods is shown in Figure 1.

Figure 1



### Types of Decision

It would be better to know the types of decision that organizations usually take. These are:

1. Programmed
2. Non Programmed

#### 1. Programmed

A programmed decision is structured or repetitive or routine decision. Example: Reordering of standard inventory item, checking at a check post

## 2. Non-Programmed

Non-programmed decisions are used for unstructured, novel and ill-defined situations of non recurring nature. Example: introduction of new product in the market,

Figure 2

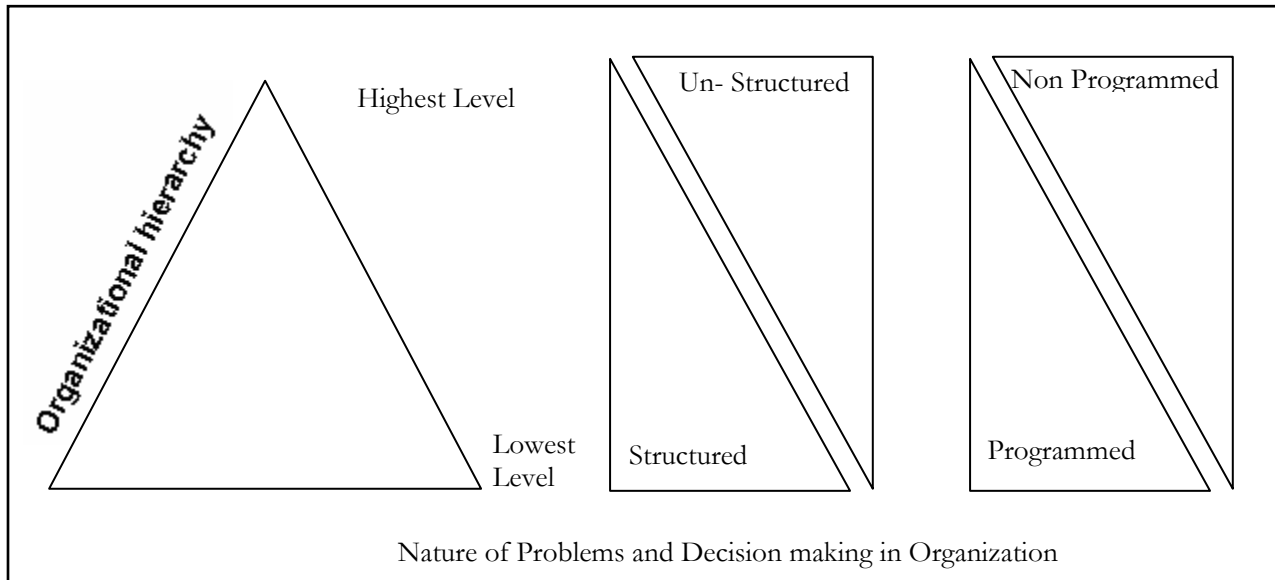


Figure 2 attempts to explain the problems that organizations may be confronted with and the level at which decisions will be made. At the lowest level in hierarchy structured and programmed decisions are made. Whereas non-programmed and unstructured decisions are made at the highest level in organization.

### Decision Making Situations

All decisions are made in some degree of uncertainty. Uncertainty is related to the unknown future. Certainty varies from relative certainty to uncertainty. With increase in uncertainty the risk increases. This increase in risk is based on the degree of information about future. The distant the decision is to be made in future more uncertain is the situation.

There are two methods by which quality of decision and certainty can be improved. These are:

1. Mathematical model (objective probabilities)
2. Judgement and experience (subjective probabilities)

### Approaches to Decision making

A number of modern techniques are used to improve the quality of decision making under normal conditions of uncertainty. The most important are:

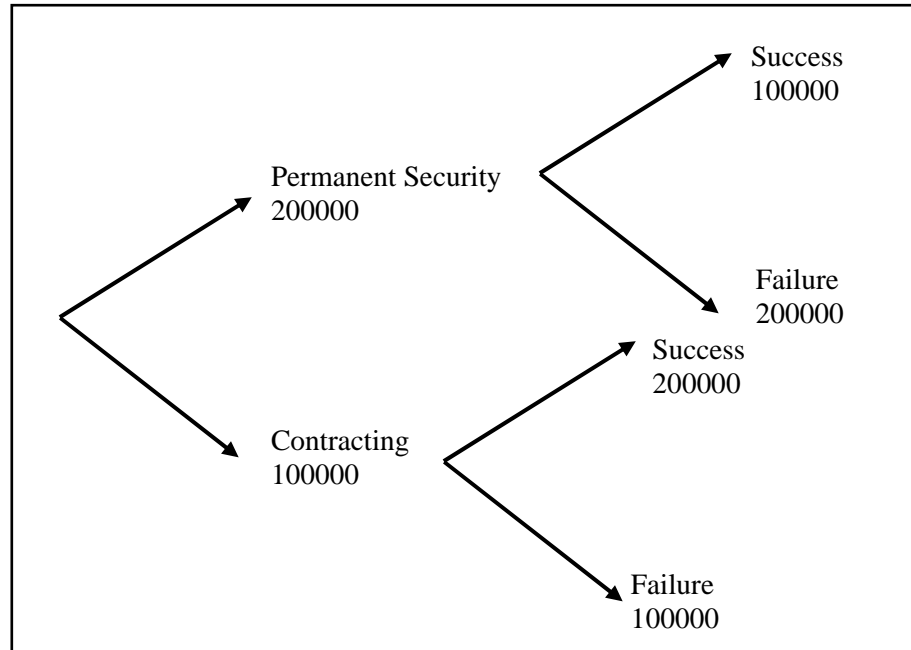
1. Risk Analysis
2. Decision tree
3. Preference theory

1. **Risk Analysis:** An intelligent decision maker would like to know the size of risk they are taking in deciding to choose a course of action.

Example: There is a situation where you have to take decision and you have worked out the probabilities of gains i.e., for situation 1 the gain is zero and the probability you will have zero gains is 90%. Looked other way there is 10% probability that you will not have zero gains. The highest gain is 35 points and the probability is 40%. So as decision maker you will decide which gains to pick? Where the probably of gains is high? The probability of gain is highest where gain is 10 and probability 80%. But the probability of high gain (35) is only 40%. A manager who is not risk averse will go for last gain.

Gain 0 10 15 20 25 30 35  
 Probability .90 .80 .70 .65 .60 .50 .40  
 of achieving this gain

2. **Decision Tree:** A decision tree approach makes it possible to see major alternatives and the subsequent decisions may depend on events in future. Figure 3 is depicting a decision tree for an organization to choose between either have permanent security staff of its own or to contract out security service. For each choice the cost of success and failure is worked out. If the decision to have permanent security staff is taken, then the successful implementation will give gain of Rs.100,000 and failure will cost Rs.200,000. So in the final analysis we see contracting out as giving more gains.



3. Preference or utility theory explains individual attitude toward risk. Some people are willing to take small risk (risk averters), others are willing to take greater risk (gambler)

Example: If there are 60% chance of being right and having 20 gains or 40% chance of being wrong and have 30 gains. Would the person take the risk of taking that decision for 40 chances and having higher gains?

### Factors Affecting Decision-Making Process

Following are some of the factors that influence decision making:

1. Personal Differences: People have different personality, experiences and perception and that influences their decision making.
2. Role of Knowledge: The knowledge of people varies, therefore, individual managers will make decision on the amount of knowledge they possess.
3. Institutional Factors: Institutional factors such as organization structure, procedure and system affect decision making.

### Concepts

- ❑ **Rational decision:** a systematic and sequential process of making decisions and achieving objectives.
- ❑ **Limited rationality:** managers have limited time and information therefore their

**HUMAN RESOURCE MANAGEMENT (HRM)**

At the end of the lecture the students will be able to understand the following:

- Concept of Staffing (Human Resource Management)
- Importance of HRM to the organization
- Process of HRM

**What is Human Resource**

The most important resource of any organization is the human resource. All organizations have three important resources. These are:

- Material
- Capital
- Human

Human resource is the most vital resource in an organization

**Why is Human Resource Vital**

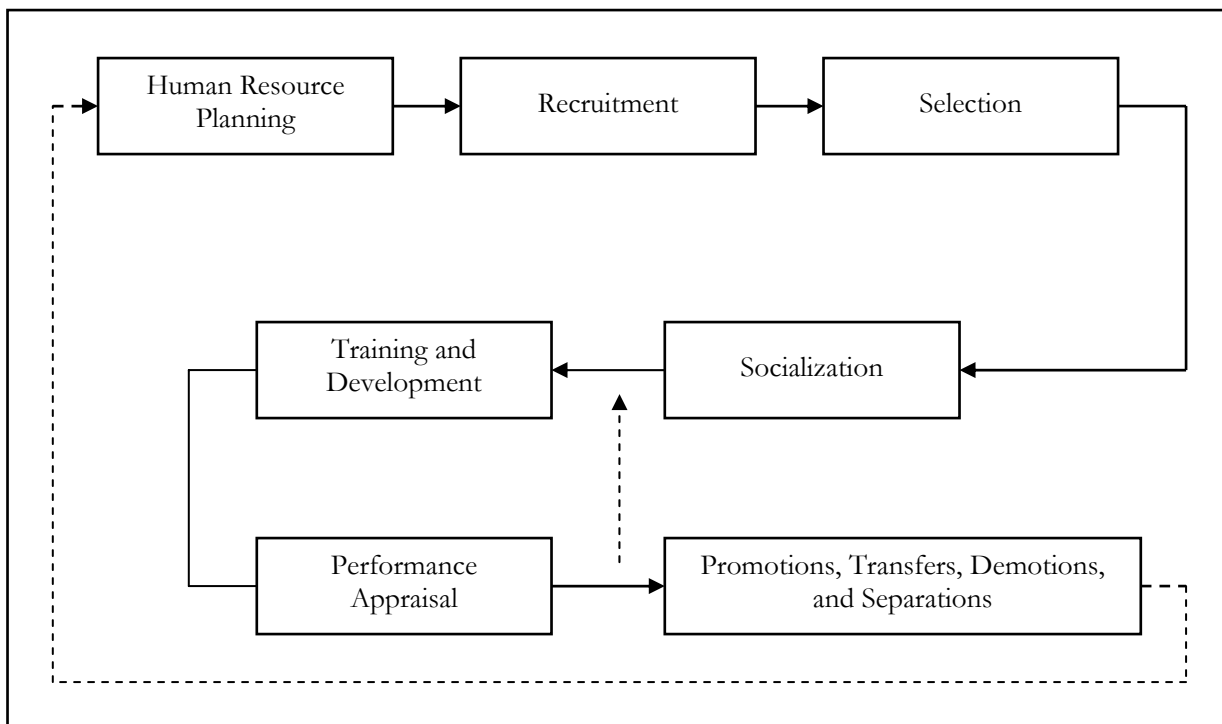
This resource is vital because it drives or moves all the other resources in the organization. This resource can increase the efficiency, economy and effectiveness of other resources. It is this resource that is most difficult to control because human beings are most unpredictable. However, if you are able to manage it properly, it can give wonderful results which no other resource can give.

Human Resource Management (HRM) is the management function and it is also staff function, through which managers recruit, select, train, and develop organization members. We will begin by discussing the importance of human resource management and point out how HRM can assure the organization of an adequate and constant supply of skilled and right employees.

**Importance of Human Resource**

HRM is a staff function. HRM managers advise line managers throughout organization about what

Figure 1





people to recruit for different departments of the organization. In addition, organization may need employees and managers from time to time. Therefore, the HRM becomes important function

The HRM process is an ongoing procedure that tries to keep the organization supplied with the right people in the right positions, when they are needed. The HRM process is shown in Figure 1. It includes seven basic activities which are: 1) human resource planning, 2) recruitment, 3) selection, 4) socialization, 5) training and development, 6) performance appraisal and 7) promotion, transfers and demotion.

### Human Resource Planning

Human resource planning is the first step in HRM. It deals with the future requirements of human asset for the organization. The need for human resource planning may not be readily apparent. However, an organization that does not do planning for human resources may find that it is not meeting either its personnel requirements or its overall goals effectively.

How is Human Resource Planning done? It has following components:

1. *Planning for future needs:* The organization must decide how many people it will need in the future. What kind of skills those people will possess. In other words organization should be able to forecast its future human requirements for planning for its future needs.
2. *Planning for future balance:* organization should be able to determine the future balance of its human resource. It has to see how many people will retire or the likely hood of people leaving the organization. HRM should compare the number of employees needed to the number of present employees who can be expected to stay with the organization, which leads to
3. *Planning for recruiting or laying off employees:* This will determine how many employees will be recruited and how many will be laid off.
4. *Planning for the development of employees,* Once new employees are recruited there need to train these employees for the jobs in organizations.

### Recruitment

The purpose of recruitment is to provide a group of candidates that is large enough to let managers select the qualified employees they need.

Recruitment is defined as the development of a pool of job candidates in accordance with a human resource plan.

### Job and Position Descriptions

Before employees can be recruited, recruiters must have some clear ideas regarding the activities and responsibilities and qualifications required for the job being filled. Job analysis is therefore an early step in the recruitment process. In Job analysis each job in the organization is categorized. For each job the activities and responsibilities are enumerated and then qualification, experience, knowledge and skills required to perform the job are written down. Following are the three components of job analysis which are discussed below:

1. **Job description:** A written description of a non-management job, covering title, duties, and responsibilities, and including its location on the organization chart.
2. **Position description:** A written description of a management position, covering title, duties, and responsibilities, and including its location on the organization chart.
3. **Hiring specification:** A written description of the education, experience, and skills needed to perform a job or fill a position effectively.

Once a specific job has been analyzed, a written statement of its content and location is included in the organization chart. This statement is called either a job description or a position description. Job analysis which comprises hiring specification and job description is important before recruitment is done.

### Sources for Recruitment

Recruitment takes place within the labour market – that is, the pool of available people who have the skills to fill vacant positions. The labour market changes over time in response to environmental factors.

The labour market for different jobs would be different. For example labour market for doctors, accountants, financial managers, history teacher, clerks, messengers, cleaners, etc. will be the from respective group

### Selection

The selection process ideally involves mutual decision. The organization decides whether to make a job offer and how attractive the offer should be made so that right people join the organization. The candidate has to decide whether the organization and the job offer fit his or her needs and goals, whether it is just the income or there are is challenge in the job etc.

In reality, the selection process is often more one-sided because it is the organization that has upper edge. Also, in situations when the job market is extremely tight, several candidates will be applying for each position, and managers at the organization will use a series of screening devices to identify the most suitable candidates.

On the other hand, when there is a shortage of qualified workers, or when the candidate is a highly qualified executive or professional, the organizations will have to make the offer attractive to the candidate.

### Concepts

- ❑ **Human resource management:** it is also called staffing. It involves the seven steps of recruitment, selection, socialization, training, performance appraisal, compensation and promotion, transfers
- ❑ **Job description:** A written description of a non-management job, covering title, duties, and responsibilities, and including its location on the organization chart.
- ❑ **Position description:** A written description of a management position, covering title, duties, and responsibilities, and including its location on the organization chart.
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## SELECTION PROCESS AND TRAINING

At the end of the lecture student will be able to:

- Understand the selection process
- Understand training and development in organization.

In the last lecture we introduced the concept of selection in HRM. Today we will see the process of selection.

### Steps in the Selection Process

The standard hiring sequence is the seven-step procedure described below:

1. Completed job Application: It is the first and important step as without completed job application which contains all information about the applicant the selection process cannot be initiated.
2. Initial screening interview: After the application is completed initial interviews are held to screen out those candidates that do not meet the job specification requirement.
3. Testing: The selected candidates in the initial screening interview are given test by some organizations.
4. Background investigation: In case the candidates clear the test, then the organization would like to know about the back ground of the candidate. In organizations that deal with sensitive services like military and intelligence require background investigation.
5. In-depth selection interview: After the clearance of background investigations, then in depth final interview is held.
6. Medical examination: The selected candidates are then required medical examination.
7. Job offer: And finally the job offer is made.

It may be mentioned that all organizations do not strictly adhere to the above selection process. The process varies from organization to organization.

### Levels at Which Selection takes Place

Selection of employees in an organization can take place at any level, both horizontally and vertically. But the most common level where selection takes place is:

1. Non managerial level
2. Managerial level

Non-managerial level is that of support staff, like clerical staff, superintendent, supervisors, personal staff, maintenance staff etc.

Managerial level is that who provide guidelines for the non-managerial staff. It is also called white collar level.

In government the managerial level starts at BS -17. All levels above BS-17 and above are managerial positions and all position below BS-17 and below are non-managerial.

Generally, speaking organizations select managers at the entry level for the managerial position. But organization may select managers at any level. The advantage of selection at entry level is that managers are trained according to the requirements of the organization, and also managers can look, ahead in the organization to their future prospects of promotion.

### Selection of Manager

Organizations may seek to hire experienced managers for a variety of reasons. A newly created post may require a manager with experience not available within the organization; the talent to fill an established post may not be available within the organization; a key position may suddenly open up before there is time to train a replacement; or a top performer in a competing organization may be sought to improve the organization's own competitive position.

An experienced manager who is up for selection usually goes through several interviews before being hired. The interviewers are almost always higher-level managers who attempt to assess the candidate's suitability and past performance.

Interviewers try to determine how well the candidate fits their idea of what a good manager should be and how compatible the candidate's personality, past experience, personal values, and operating style are with the organization and its culture. In other words organizations are looking for people who have personal qualities and knowledge for working in that position.

### Orientation or Socialization

The next step in the process of HRM is orientation or socialization. Orientation or socialization is designed to provide new employees with the information needed to function comfortably and effectively in the organization. Typically, socialization conveys three types of information:

1. General information about the daily work routine of the organization;
2. A review of the organization's history, purpose, operations, and products or services, as well as a sense of how the employee's job contributes to the organization's needs; and
3. A detailed presentation (perhaps in a brochure form) of the organization's policies, work rules, and employee benefits etc.

Orientation helps employees to become familiar with the organizations working and start feeling at home.

### Training and Development

After the employee is selected finally and is provided orientation, the next essential step is training. Training means that employees should be informed and provided skills to be able to perform well in the job. Usually training focus on three areas. These are:

- 1) Training in skills.
- 2) Training in knowledge and
- 3) Training in attitudes

All jobs in organization required training in these broad areas for specific jobs.

Training programs are also directed toward maintaining and improving current job performance. On the other hand developmental programs seek to develop skills for future jobs. Both managers and non-managers may receive help from training and development programs, but the mix of experiences is likely to vary from organization to organization

Non-managers are much more likely to be trained in the technical skills required for their current jobs; whereas managers frequently receive assistance in developing the skills required in future jobs – particularly conceptual and human relations skills.

### Training programs

New employees have to learn new skills, and since their motivation is likely to be high, they can be acquainted relatively easily with the skills and behaviour expected in their new position. On the other hand, training experienced employees can be problematic because for them it is not easy to leave their old working habits and adopt new one. The training needs of such employees are not always easy to determine, and when they can be individuals resent being asked to change their established ways of doing their jobs.

### Assessing Training Needs

The question arises how training need requirement of employees are determined. Usually organizations have following 4 methods to assess whether employees need training.

1. *Performance appraisal.* Each employee's work is measured against the performance standards or objectives established for his or her job. If employee is not performing as per standard then it may be inferred that the employee requires training.

2. *Analysis of job requirements.* The skills or knowledge specified in the appropriate job description are examined, and those employees without necessary skills or knowledge become candidates for a training program.
3. *Organizational analysis.* The effectiveness of the organization and its success in meeting its goals are analyzed to determine where differences exist. The performance record might require additional training.
4. *Employee Survey.* Managers as well as non-managers are asked to describe what problems they are experiencing in their work and what actions they believe are necessary to solve them.

### Approaches to Training

There are a variety of training approaches. The most common of these are:

1. On-the-job training methods. This includes job rotation, in which the employee, over a period of time, works on a series of jobs, thereby learning a broad variety of skills;
2. Internship is another method of on the job training. In this job training is combined with related classroom instruction; and apprenticeship, in which the employee is trained under the guidance of a highly skilled co-worker. So the purpose of on-the-job training is that while employees work they receive training.

### On-the-Job Methods

Following are the methods of on-the-job training:

1. Coaching: the training of an employee by his or her immediate is by far the most effective management development technique. Unfortunately, many managers are either unable or unwilling to coach those they supervise.
2. Job rotation involves shifting managers from position to position so they can broaden their experience and familiarize themselves with various aspects of the organizations operations.
3. Training positions are a third method of developing managers. Trainees are given staff posts immediately under a manager, often with the title of “assistant to”. Such assignments give trainees a chance to work with and model themselves after outstanding managers who might otherwise have little contact with them.

### Management development programs

Management development is designed to improve the overall effectiveness of managers in their present positions and to prepare them for greater responsibility when they are promoted. Management development programs have become more prevalent in recent years because of the increasingly complex demands on managers.

### Off-the-job methods

Off-the-job development techniques remove individuals from the stresses and ongoing demands of the workplace, enabling them to focus fully on the learning experience. In addition, they provide opportunities for meeting people from other departments or organizations.

Thus, employees are exposed to useful new ideas and experiences while they make potentially useful contacts. The most common off-the-job development methods are in-house classroom instruction and management development programs sponsored by universities and organizations.

### Concepts

- **Non-managerial position:** is also called “blue collar jobs”. This comprises support staff like clerks, superintendents.
- **Managerial:** these are positions which provide guidance to non-managerial positions is middle-level managers and senior level managers.
- **Orientation:** familiarize the new employees with organizations rules, work procedure, policy etc.

- **Training:** it is to provide necessary skills, knowledge and attitudes to perform a job in organization.
- **On-the-job training:** on –the-job training is a training which is provided while the employees work; they receive training.

**PERFORMANCE APPRAISAL**

At the end of lecture the students will be able to:

- Explain the concept of Performance Appraisal
- Examine Types of Performance Appraisal
- Examine the need for performance Appraisal
- Understand the concept of Compensation
- Understand the need for promotion, demotion and transfer and the 4 C's model

**What is Performance Appraisal**

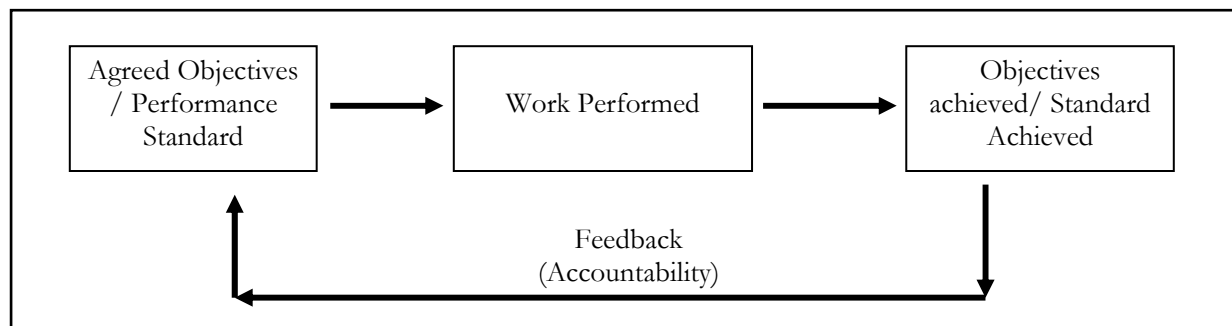
Performance Appraisal means to evaluate, judge or check the work of employee over a period of time, and then inform whether the employee achieved the objectives in that time period.

Following are the characteristics of the Performance Appraisal:

1. Agreed Objectives related to the assigned job/standard (job and position description)
2. Time period
3. Skills required to achieve objectives
4. Check that objectives are achieved or not
5. Inform the employee if the objectives were achieved or not
6. If not achieved why these were not achieved
7. If achieved, reward and motivate

In the above characteristics, 6 and 7 constitute “feedback”

Figure 1



In figure 1 the whole process of performance evaluation is shown in diagrammatic form, indicating that performance evaluation starts with agreed objectives or performance standards, then the work is performed and then it is checked if objectives are achieved.

**Importance of Performance appraisal**

Performance appraisal is an important task of managers to help other employees to improve their performance. The manager who supervises the work of subordinate, knows the knowledge, skills and attitudes required for accomplishing jobs and whether these are possessed by employees.

Performance Appraisal of employees is important for the organization because the appraisal of work completed by each employee determines whether the organization is moving in the direction of its objectives. However, most managers find it difficult to help others to coach (guide) and appraise performance of employee. Judging an employee's performance accurately is not always easy, because it requires constant watch on the work of employees.

## Types of Appraisal

There are mainly two types of appraisal in the organization. Which are:

- Formal Appraisal
- Informal Appraisal

## Formal Appraisals

Formal systematic appraisal usually occurs semi-annually or annually. Formal appraisal has four major purposes:

1. To let employees know formally how their current performance is being rated;
2. To identify employees who deserve merit raises;
3. To locate employees who need additional training; and
4. To identify candidates for promotion

## How is Formal Appraisal Done?

As we know Human Resource manager have job and position descriptions for all jobs in the organization. The objectives to be achieved are mutually agreed between the 'supervised' and 'supervisor'. The agreed objectives are written down on a 'form'. This form is a special form which contains following information:

1. Name of employee
2. Job title
3. Job/position description
4. Objectives/goals to be achieved in a year or six months or three months
5. training received
6. Training to be received
7. Does the employee require special guidance
8. Strengths and weakness of employee
9. Signature of immediate boss

The performance appraisal forms are different in different organizations but most of the form will have the above information.

## Informal Appraisals

Informal appraisal is a day to day routine appraisal, when managers meet their subordinate almost daily. In this process they use following methods:

1. Observe
2. Communicate
3. Check work
4. Give immediate feedback

So informal performance appraisal means continual process of feed back to employees. It is information about how well employees are doing their work for the organization. Informal appraisal can be conducted on a day-to-day basis.

## Compensation

Compensation is the monetary return given to employee for the work they do in a position/job in an organization. There are three types of compensation:

1. Standard salary/ wage that one receives for being in that particular position
2. Additional compensation for doing work not defined in the job and position description
3. Fringe benefits/perquisites (like provision of transport, utility bills etc.)

Compensation has traditionally been linked to a particular job or job description. The general idea is that more the responsibility a manager has, the more compensation he or she should earn. Often times salary for jobs are rated by a job evaluation system which takes into account such variables as:



1. The number of subordinates supervised by manager/supervisor,
2. Level in the organizational hierarchy, and
3. Complexity (level of difficulty) and importance of job functions.

In a bureaucratic structure, senior organizational executives are paid very well, as compared to low level employees. They are also paid perquisites and other benefits.

Some organization pay wages and salaries in accordance with the difficulty and risk of life involved in the jobs, e.g. Commercial Pilot are paid more.

### **Promotions, Transfers, Demotions, and Separations (Lay Off)**

Employees are promoted to next higher position when their performance is in accordance with standards laid down by the organizations, i.e. when employees achieve targets over a given period of time, for certain number of years.

Employees are transferred for variety of reasons. When employee is promoted, they can be transferred because the higher level position may be available at some other places. Employees are transferred because the performance may not be satisfactory and organization cannot lay-off employee,. Employees may be transferred for personal reasons or they are transferred because of on –the-job training.

Demotion is a kind of punishment. When employees have not performed according to the laid down standards, or show indiscipline or disobedience or negligence or irresponsibility etc. they may be demoted

In case of extreme and continuous negligence and indiscipline employees can be laid-off. The movement of personnel within an organization – their promotion, transfer, demotion, and separation – is a major aspect of human resource management. The actual decisions about whom to promote and whom to fire can be the most difficult, and important, which a manager has to make.

### **The Four C's Model**

The Four Cs model forms the basis of HRM. It addresses areas that must be focused when selecting people for organization. These are:

1. *Competence.* How competent are employees in their work? Do they need additional training? Performance evaluations by managers can help determine what talent is available. To what extent do HRM policies attract, keep and develop employees with skills and knowledge needed now and in the future?
2. *Commitment.* How committed are employees to their work and organization? Surveys can be conducted through interviews and questionnaires to find answers to this question.
3. *Congruence.* Is there agreement, between the basic philosophy and goals of the organization and its employees? Is there trust and common purpose between managers and employees? Incongruence can be detected in the frequency of strikes, conflicts between managers and subordinates, and grievances. A low level of congruence results in low levels of trust.
4. *Cost effectiveness.* Are HRM policies cost-effective in terms of wages? benefits, turnovers, absenteeism, strikes, and similar factors

### **Conclusions**

The process of performance appraisal both formal and informal was discussed. The formal method of performance appraisal helps organization to determine if the employees are working to achieve the goals of organization. And if they are unable to do so then what are the gaps in skills or knowledge for which training should be imparted training. Performance also helps in determining the compensation and if promotion, demotion or lay-off is to be done. All the processes of HRM are interconnected and interrelated.

**Concepts**

- ❑ **Performance appraisal:** evaluation or checking the work employees over a period of time.
- ❑ **Compensation:** wages and salaries given to employees in a job position.
- ❑ **Competence:** ability to perform on a particular job.

**SELECTION AND TRAINING AND PUBLIC ORGANIZATIONS**

At the end of lecture the student will be able to:

- Understand the application of HRM concepts and principles in federal government
- Identify the agencies of recruitment, selection, orientation and training in government
- Examine performance evaluation in public organization
- Examine training of public managers

The concepts and processes about HRM that we have studied in previous lectures will be examined to see how these rules are applicable to public organization. We will begin by looking at recruiting organization.

**What is the Recruiting and Selection Organization?**

In one of the previous lectures mention was made of Federal Public Service Commission (FPSC). It is the recruiting and selection organization in the public sector. It announces the examination date every year for examination to be held for recruitment of civil servants. Those who qualify exams are selected for 14 occupations in the All Pakistan Unified Grades. As you may recall that there are two methods of recruitment in public organization. These are through examination and other through direct advertisement. The FPSC now advertise positions of BS-15 and above. But the managerial position is from BS-17 and recruitment for BS-17 is done through examination.

There are compulsory subjects and elective subjects. Those who pass examination have to undergo interview (initial screening) and psychological testing.

Young graduates age not more than 26 years, can apply for the jobs in civil service. Those who are serving in the government can apply up until the age 30.

A merit list of successful candidates is prepared. Generally around 150 to 200 candidates are selected every year, depending on the vacancies available. The selected candidate is assigned an occupational group and given job offer by the establishment division.

**What is Establishment Division**

Establishment Division is the Human Resource Management organization of the government.

It is expected to do planning for human resource in consultation with the FPSC, make job offer, and provide for three levels of training:

1. Pre entry training
2. Mid career training
3. Senior level training

In addition to training Establishment Division maintains service record of all employees of all occupational groups (13), their career planning, transfer, promotion, disciplinary action etc., is done by Establishment Division.

**Training**

In the government sector there are number of training institutions functioning to provide training to civil servants.

The Civil service Academy at Lahore provides 10 months common training to all the candidates who have been assigned to different occupational groups, after they clear examination and interview.

The National Institute of Public Administration (NIPA) provides training to middle level manager. NIPA runs Advance course for BS-19 officers. This course is mandatory for officers to be promoted in BS-

20. NIPA also organizes short and specialized courses for BS-18 and BS-19 officers which are also compulsory for them to attend.

Senior Civil servants (BS 20) receive training at Pakistan Administrative Staff College, Lahore for their promotion in BS 21. The course at Staff College is compulsory for BS-20 officers. Training at Staff College prepares civil servants for higher responsibility.

Other services have their respective training organizations. For example, Income Tax Training Directorate, Custom training organization, Foreign Service Training Institute, Police Academy etc.

### **Performance Evaluation**

The performance of civil servants is judged once a year and recorded on the Performa called the Performance Evaluation Report (PER).

### **Main Objectives of PER**

Following are the main objectives of Performance Evaluation Report:

- It provides authentic record of the civil servant: An objectively written PER keeps good records of performance of civil servant.
- It is important for selection to new appointments: An objectively well written report provides basis for promotion to next higher position. It can also be the basis for lay-off.
- It envelops the other useful information about the individual like aptitude: The PER gives other useful information like the interests of employees, aptitude etc.

### **Accountability of the Civil Servant**

The civil servants are accountable to the government, the government is in turn accountable to the legislature and the legislature is ultimately accountable to the people. Thus indirectly civil servants are accountable to people. However, for the accountability of civil servants, there are two major types of control. These are:

1. External control
2. Internal control

The external controls are:

- Legislative Control is the control by the legislature.
- Public Opinion: It is the opinion of public expressed through media.
- The Judiciary: It is the control exercised by the judiciary.

The internal controls are exercised by the following methods:

- The Service Tribunals: This Tribunal admits grievances of civil servants.
- Conduct Rules: The conduct Rules delineate the behaviour and actions of civil servants.
- Efficiency and Discipline Rules: These rules make civil servants action in office to be questioned and scrutinized.
- The Hierarchy: At each level the actions of manager are supervised and monitored; because hierarchy itself is a mechanism of control.
- The Mohtasib: The actions of civil servants that may cause harm to citizens are brought before the Mohtasib who hears the grievances of citizens and decides whether the action of civil servant was correct or otherwise.

### **How is HRM done in Public Service?**

There is compendium of laws, rules and instructions relating to the terms and condition of the civil servants. This compendium is called, 'Esta Code: Civil Establishment Code'. The Esta Code is a book that provides instruction on the placement, promotion, transfer, discipline and training of civil servants.

One of the law regulating appointments and service conditions is 'Civil Servants Act 1973'. This law defines civil servants as follows:

‘Civil Servant’ means a person who is member of All Pakistan Service or of a civil service of the Federation, or who holds a civil post in connection with the affairs of the Federation, including any such post connected with defence’ But does not include:

- i) A person who is on deputation to the Federation from any province or other Authority;
- ii) a person who is employed on contract, or on work-charged basis or who is paid from contingencies
- iii) a person who is ‘worker’ or ‘workman’ as defined in the Factories Act 1934

As you may recall that we defined civil servants in general sense, in which the civil servants were defined as public servants. In that definition a civil servant was any person who works in government department or autonomous organization. But the definition given here is specific definition as given in the Civil Servant Act 1973.

### **Conclusions**

In this lecture a broad framework of HRM in public sector was discussed. The main HRM organizations in Federal government are Establishment Division and Federal Public Service Commission (FPSC). The FPSC is recruiting organization, while Establishment Division is the placement, promotion, transfer and career planning organization for the officers of All Pakistan Service. The EST Code on the other hand provides laws, rules and instruction for the promotion placement, transfer, discipline and conduct of civil servants.

## PUBLIC FINANCE

At the end of the lecture the students will be able to :

- Understand the concept of Public Finance,
- The various components of Public Finance and
- The difference between Private and Public Finance

### Background

In the previous lectures distinction was between public and private sector by explaining that public goods are non-excludable (i.e. the use by one person cannot exclude other person) whereas private goods are excludable. Similarly public goods are non-divisible (the use cannot be divided) and private goods are divisible. e.g. parks and roads are non-excludable and non-divisible. Whereas the use of motorbike is excludable and non-divisible.

In the production of goods finance is required. For example if parks are to be made available then in developing parks, finance or money is required. Similarly if motor bike is to be produced money is required by the producer. The distinction between production of public and private goods makes us think that how finances are raised by public sector. This leads us to understand public finance.

Public finance is related to the financing of government activities i.e. how government raises money to produce goods and services. It a subject discusses financial operation of the  *fisc* or public treasury. Public finance is a subject and is taught as a semester course. But since than this is introductory course. We will only touch upon this subject in few lectures.

Public finance has undergone repeated revision in line with development in state and government activities. At one time, it was said that the role of the government was not to interfere with the market forces but to limit its activities to the barest minimum, therefore, it should perform its conventional functions of law and order, defence and collect taxes and to create infrastructural facilities like roads, bridges etc.

### Concept & Definition

‘Public finance deals with the finance of the government. The finances of the government include the raising and disbursement of government fund’ or public fund.

Carl Plehm says that the term public finance has come to be confined to the study of funds raised by government to meet the cost of the government activities and responsibilities. The subject matter of public finance deals with not only the way in which public treasury operates, it also deals with the repercussions of policies adopted.

Musgrave calls the government sector as ‘public household’. The objective of this household are:

1. Allocation of resources: It means that government will tax rich people and spend money in areas where private sector will not invest. For example private sector will not develop parks and road.
2. Distribution of income and wealth: Government redistributes income by taxing rich and spending on welfare programme for the poor. It will reduce income inequalities in society by subsidising food items.
3. Stabilization of prices and employment: Government will stabilize prices by controlling the prices of food items and will invest so that people are employed.

### Components of Public Finance

The government operates at three levels, i.e., Federal, provincial and Local. The subject of public finance looks into financial problems and policies of government at these three levels and studies inter governmental financial relation. The area of public finance also sees that how the 3 government raise and share resources.

Following are the main components of public finance:

- (1) Public revenue: sources of government income are:
  - a. Taxation and its effect on economy
  - b. Non-tax revenues such as fee, fines, grants, interest receipt etc.
  - c. Public debt problems: public debt is a source of income
- (2) Public Expenditure: through public expenditure government participates and contributes to the financial flows of the economy. It is also a tool for implementing welfare and other policies. The expenditure that government makes affects the economics because government expenditure is inflow to the economy.
- (3) Financial Administration: It involves issues of financial administration including public budget, its approval, financial implementation, control systems and audit. Without the study of financial administration the subject of public finance remains incomplete.
- (4) Federal finance: It studies the multilayer (the 3 levels of government) system of government which necessitates a division of function and resources between the layers of government and inter-governmental relations. We will deal with each of these areas separately.

### Similarities & Dissimilarities between Public and Private Finance

Private finance means the financial problems of individual economic unit, i.e., a household, a shop, a firm etc. Private finance does not form part of government. We will look at the similarities and dissimilarities to develop analytical framework for public finance.

#### Similarities

Modern economies are monetized, that is goods and services are exchanged through a medium of money. In other words both public & private sector create and use financial claims. Both are engaged in activities that involves purchase, sales and other transactions. Both are thus engaged in production of goods and service, exchange goods & services, save capital and invest capital to further create money.

In order, to finance its operations and invest in projects government creates money (which is a financial asset), raises loans, makes payment, etc. Similarly, private economic unit lends, borrows, receive payments, make payments, etc. In this respect both are quite similar. So both sectors are engaged in satisfying wants of society. Both have limited resources at their disposal and try to maximize decisions. But the similarities are few.

#### Dissimilarities

The dissimilarities are many and are discussed one by one in the following paragraph:-

1. Private economic unit has to live within its means and its borrowing capacity is less than government. Its deficit budgeting can be only for limited time period. It can accumulate outstanding debt liabilities up to a certain amount. But the government can add to its outstanding debt with every budget by borrowing from the banking sector or by floating bonds and bills. A number of governments resort to instrument like bond and treasury bills to raise money.
2. It is not only the amount of borrowings over which government has control but also the forms, interest paid on loans and other terms that government dictate. Government can borrow both internally and externally i.e., from domestic banking sector and from international banking & financial sector. The high creditworthiness of government enables it to borrow at lower rates because it has the support of the Central Bank which serves as an agent and underwriter when loans are floated in the market.
3. The government can create *legal tender currency*. That is it has the power to add to currency supply. Governments have control over Central Bank & mints, therefore, the government decides how much money has to be supplied to economy. Although there are formal technical restriction to the supply of money, that is how much currency supply should be added, but restriction can be waived if the government so wants.
4. The private finance follows the 'market principle' or the principle of economic rationality but the public finance follows the 'budget principle'. The market principle is that private sector will invest where there are profits. On the other hand budget principle means that investment will be made not on the basis of profit but on the basis of redistribution of resources.

5. The government is expected to take the long term and short term view of the economy, because society is perpetual entity and for its welfare many activities are needed which have no immediate economic return. For example education does not have short term returns.
6. The government has complete power to raise money through taxes, confiscation, borrowing and printing notes; it has to use this power carefully because over borrowing by the government from the banking sector can banking sector leave little money for the private sector. This is called ‘crowding out’. Similarly excessive taxation can discourage savings and investment.
7. What can be said about public finance is that there are some fundamental differences between public and private finance. But it is essential to remember that public sector is part of the total economy. The activities of public and private sector affect each other because there is mutual transferring of resources.

### The Economic System and Public Finance

The public sector is the important sector and it can be operated in an effective way to improve the performance of economy.

The classical economist believed that private sector was always efficient because it responded to the market signals. And that market directs where to invest money. The market directs investment where there is profit and that is the most efficient way to make decision. Classical economists were therefore, against too much interference of government. They believed that if government would start spending money in various sectors of the economy then government will have to borrow from banking sector. This would lead to budget deficit. Budget deficit in their view was not good and government should try to balance the budget.

On the other hand there is Keynesian view that government will have to invest to increase employment and wages. Government investment will also correct market failures.

The borrowing by the government will lead to budget deficit and interfere with economy. It was said that government should balance the budget.

### Concepts

- ❑ **Public finance:** that branch of finance that deals with raising of taxes and expenditure by government.
- ❑ **Public debt:** government borrowings accumulated over a long period of time.
- ❑ **Public deficit:** the excess of expenditure over income in one budget period of government i.e. one year.



## BUDGET

At the end of the lecture students will:

- Understand the concept of budget
- Examine the Revenue raising of the government (taxes Vs. Fee)
- Examine the purpose, quality of good taxation, types of taxation, impact of taxation and objectives and impact of public spending

First of we will see and try to explain the budget as a concept. A budget is a statement of income and expenditure. By normal standards the expenditure should equal expenditure, so that the economic unit (house-hold, government, firm etc.) stays in its mean. We will look at the example below to understand the concepts involved in budget.

### Example

In this example we have taken a household whose income is Rs. 7000 per month and its family members are four. Let us see their budget for one month. This is given below

<u>Income</u>		<u>Expenditure</u>	
Salary	5000	Food	3000
Rent on Property	1000	Education	3000
Overtime	1000	Health	1000
		Loan	
		Repayment	2000
		Installment	2000
		Other	2000
Total	7000	Total	13000

What we see here is that the expenditure exceeds income. When expenditures exceed income in a given period of time, the budget is in deficit. What we observe in the example is that household has borrowed money and loan is repaid every month. This loan was taken for creating asset, like a house, or a piece of land, or motorbike etc. Another form of loan for which Rs.2000 installment is paid was also taken to create another asset.

Expenditures are usually incurred to create assets or maintain assets like for education, health etc. On the other hand an income is either the wages for labour or rent on property or return on assets. From budget we can analyze where to reduce expenditure or increase income.

### Why Organizations Need Budget

A household is a small economy, which uses inputs and gives output in the form of services that it provides. Likewise organizations use inputs and process inputs to give outputs. Organizations need to control the use of resources to ensure that these are utilized for the purpose of achieving the goals of organization. Budgets also indicate what the organizations plan to do in future.

### Budget

For any organization financial resources are an important input to the running of organization.

Organization generates resources to make expenditures to produce goods & services. Private organization price their product or services on the basis of value of the product or service and cost in producing product and in this way generate income. But organizations also create assets to produce output which are source of income.

### Definition of Budget

Budget is an instrument of financial control and management. It is summary of intended expenditures along with proposals for how to meet this expenditure.

It is also detailed plan of income and expenses expected over a period of time. It provides guidelines for managing future investment and expenses.

### Components of Public Income

Just as households have income, governments also have source of income. The source of income for the government is taxes. Taxes are of various types. Besides taxes government have non tax receipts. Following are the component of government income:

**Tax Receipt:** can be divided into direct and indirect taxes. Direct tax is levied on income. Indirect tax is not directly on income but is paid through a product or service being consumed by user. You might have purchased a bottle of Coca Cola or some other drink on which the price is written plus sales tax. The sales tax is indirect tax.

**Non Tax Receipt:** Non tax receipts comprise Income from Property & Investment and Receipt from civil administration.

### Use of Taxes

During the Moghul period and later British period government pursued the policy of *laissez-faire* (*leave alone*) which meant that government chooses not to interfere with the economy or society. The taxes that were collected were for the purpose of defence or law and order and the welfare concept was non existent

### Principle purpose of taxation

The governments of today have many sources of income but taxes remain an important source of income. Today government's expenditures have also increased manifold. The main expenditure purpose is:

1. Redistribution of income (from rich to poor) or help finance welfare activities and
2. To achieve economic objectives such as control of inflation, economic growth, employment and reduction of balance of payment deficit.

### Principles of good Taxation

Since the foundation of modern economy was laid, there has been many changing ideas and philosophy on the role of government. Along side the idea and principle of good taxation has also evolved. Adam Smith the economist who wrote *Wealth of Nation* in 1776 said that a good tax has following four principles:

1. A good tax should be equal: an individual should be called upon to pay tax according to his/her ability to pay tax. This is called progressive taxation, where the rich pay the higher percentage of taxation than poor;
2. A good tax should be certain: people are certain about how the tax works and how much has to be paid as well as when to pay;
3. A good tax should be convenient: People should be able to pay without any inconvenience. The Pay as You Earn (PAYE) system of income tax complies with this principles and
4. A good tax should be economical: the cost of collecting and administering should not exceed revenues

There are several other principles of modern taxation. These are:

- a. Tax should be impartial, two citizen who earn equal income and have same size of family should be taxed the same;
- b. It should not be disincentive to hard work and therefore should not penalize for hard work i.e. that those who work hard and earn income should not be heavily taxed.
- c. The tax should be consistent with government policy. If for example the government is trying to reduce inflation, it should not pursue the policy of taxation which increases demand too much in the economy

### Types of Taxation

Taxes tend to fall in two categories: direct and indirect taxation. Direct taxation is a tax levied directly on individual's income. Whereas indirect taxation is levied on consumers' expenditure or outlay. Following are the types of taxation:

#### 1. Direct Taxes

- Income Tax
- Wealth Tax
- Workers Welfare Tax
- Capital tax

#### 2. Indirect Taxes

- Custom Duty
- Sales tax
- Excise Duty

#### 3. Non- tax Revenue

- Income from Property and Enterprise
- Profit from Railways
- Profit from PTCL
- Profit from Post office
- Miscellaneous: Foreign travel, passport fee, airport tax, sale proceed on oil and tax etc.

The government of Pakistan levies all the above type of taxes.

### Advantages of Direct Taxes

Direct taxes tend to be progressive. People in the higher income groups pay greater taxes than poor people, i.e. income tax is graduated so that high income earner pays a larger tax. Also projected wealth tax would apply to those owing more than a certain level of wealth

It is cheap and easy to collect. Consider for example PAYE system which is used to collect income tax from wages and salary earner

### Impact of Taxation

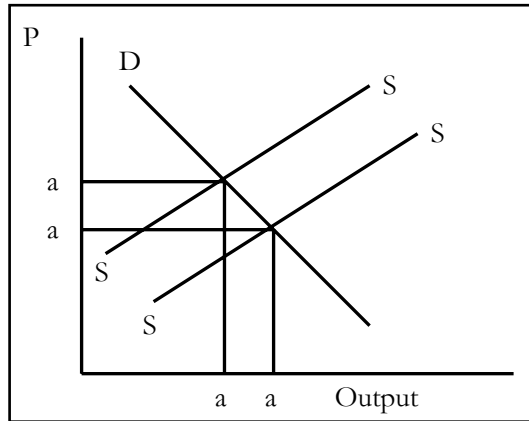
Taxes have variety of impact of following:

**On income:** Higher taxes reduce disposable income (what people have to spend after taxation). Direct taxes by directly reduce the income.

**On savings and investment:** Higher direct taxes reduce individuals' and firms' ability to save and invest. To a certain extent it depends on how much of the increase in taxes is financed from savings and how much from consumption.

**On prices:** Higher direct taxes have deflationary effect on prices by reducing demand. However trade unions may ask for higher wages to compensate for higher taxes and effect of this will be inflationary.

**On economy:** Higher taxation will, other things being equal, reduce demand in the economy which will have deflationary effect on the economy.



The affect of taxes is shown in figure 1 below. On the vertical axis is shown price and on horizontal axis is shown output. With price 'a' the demand for output is 'b'. When demand decreases the output will also decrease. So the tax increases price and reduce demand which reduces out put and which reduces investment.

### Concepts

- **Budget:** a document showing income and expenditure in case of household; and an instrument of financial control and future plans in case of organization.
- **Taxes:** levies charged by government as its source of income.
- **Non tax**
- **Revenue:** fee, penalties, user charge etc., which constitute the income of government

## PUBLIC BUDGET

At the end of the lecture students will be able to:

- Explain the types of Budget
- Understand financial administration: i.e., public budget, its approval and implementation

### Background

The institution of budget originated in the West. During the days of absolute monarchy the treasury was controlled by the king and he could spend as he wished. The struggle for representative government in England began with the right to control budget. 'No budget without representation was the concern raised. The right to control expenditure through appropriation was asserted. In other words it meant that the budget that government has to be approved. The executive was required to produce for the approval of the parliament every year a complete plan of income and expenditure. This is because the budget was document of future plans of government and that expenditure was done to address public needs. Therefore, public representatives were to approve public expenditure. In the Indo-Pakistan sub-continent same was true. There was no better way of asserting control than to require the government to submit a comprehensive plan for the approval of the legislature showing how much money is needed for any one year and how they propose to raise and spend it. This plan was called 'budget'.

The forms and types of budget have also under gone some changes. For example a conventional budget is a line-item budget in which each type of income that is earned is line-wise indicating (As in example in lecture 27). Similarly each expenditure made is line-wise shown. But the types of budget have been experimented and tried in developed countries. Each of the types is discussed below.

### 1. Performance Budgeting

After World War II, attempts to make budget effective were intensified, and performance budgeting was introduced. Much of the idea came from the first Hoover Commission, published in USA which noted that the budget for 1949-1950 contained 1625 closely printed pages, with about 1.5 million words. But all these details in terms of work to be completed were not very clear. Accordingly, the commission recommended that "the whole budgetary concept of the Federal Government in USA should be changed and the budget should indicate upon functions, activities and projects," to be completed in the budget document. This was called "performance budget." The term program budget came to be used by many people to mean the same thing.

In 1949, the USA parliament approved an amendment to the National Security Act and allowed for performance budgeting in the Defence Department. But slowly and gradually the details that were given in the beginning in the budget were included as annexure. In many agencies the budget estimates were not significantly more meaningful. Proposed expenditures were grouped by categories, and substantial progress was made in defining work measurements, but just why expenditures were requested for certain purposes and not for others was often not clear. So the performance budgeting could not take off in the country where it started.

### Planning-Programming-Budgeting (PPB)

Performance budgeting emphasized work plans, but not in the context of comprehensive, long-range planning of all government policies and activities. It did not concentrate on reconsideration of goals and determination of policies, rather, on defining the work to be accomplished to carry out existing agency objectives. Planning-programming-budgeting (PPB), an innovation of the 1960s, was an attempt to integrate budgeting with overall planning for the government as a whole, and to make the planning, execution and evaluation of government policies as rational as possible.

PPB advocates say that the planning, programming, and budgeting that has taken place in governments has often been disjointed, with little attention given to the weighing of the relative merits of alternative goals, programs, projects, and the different ways of carrying them out. Expenditure estimates

have not been presented in such form that the reviewing officials can determine exactly what programs and projects will be under-taken and why they have been chosen over other possibilities.

PPB has its roots in industry, where it was practiced by General Motors as early as 1924; it was also used in the War production Board's Controlled Materials Plan in USA, in effect during World War II. Later, in government it was developed in weapons systems research performed for the Department of Defence (DOD) by the Rand Corporation USA during the 1950s.

### Zero-Base Budgeting (ZBB)

In the 1970s, another budget innovation with the objective of making public budgeting more rational was introduced called zero-base budgeting. ZBB was developed by Peter A. Phyrre in the Texas Instruments Company. Characteristics of ZBB are:

- (1) consideration of a reduced level of expenditure, that is, one below the current expenditure level, and
- (2) Alternative levels of expenditure for decision units. The decision unit is the lowest-level program or organizational entity for which budgets are prepared.

In the conventional line-item budget, the budget for next period is prepared by increasing a percentage amount in the existing budget. In ZBB the budget for next year is presumed to be zero and then estimates are worked a fresh. To give you example lets suppose the budget for previous year was Rs.200,000. Now when we start preparing budget for next year we presume all items in budget to be at minimum level or zero level. From here new estimates will be worked out.

### Incremental Budget

An incremental budget is the one which is based on the last year's actual expenditure figures, which are increased and included in the next year's budget figures.

Example:

Last year expenditure figure	=	100,000
Current year budget with 10% increase in oil price	=	110,000

So incremental budget is an increase in price of goods and services at a percentage which are included in next year budget.

### Medium Term Budgetary Framework (MTBF)

This budgetary approach is based on medium term projection of expenditure. The medium term is usually three years projection of expenditure. In this all departments of the government are required to give three years projections of expenditure. Thus a medium term framework is developed for which income and expenditure is worked out. This type of budget is very useful where there is political and economic stability.

### The Federal Consolidated Fund

The Federal Consolidated Fund is a Fund of government that contains all revenues received by the federal government, all loans and all money received in return of repayment of loans . Article 78 of the Constitution of Pakistan explains the Federal Consolidated Fund.

### Who is the custodian of the Fund

The payment of money into the fund, the withdrawal of money, the custody of other money etc. are regulated by the Act of Parliament, therefore all expenditures that are to be incurred are incurred with the approval of Parliament. The Annual Budget of the Federal government is to be presented before parliament.

### Annual Budget Statement

Every year the Federal Government prepares a budget statement which shows estimated receipts and expenditure of the government. This is called 'Annual Budget Statement'

The Budget Statement will show separately:

- a) The sums required to meet expenditure described by the Constitution as expenditure charged upon the Federal Consolidated Fund
- b) The sums required to meet the other expenditure proposed to be made from the Fund

‘Charged expenditure’: include the salary of President and expenditures relating to his office, salary of Judges, chief election commissioner, Chairman and deputy Chairman Senate, repayment of loans. Charged expenditure are put before the assembly and discussed but these are not voted by the Assembly. By voting it means these do not required approval of Assembly.

### Budget Preparation

The major responsibility of preparation of Annual Budget rest with Ministry of Finance. The ministries/departments/ autonomous bodies are asked by the ministry of Finance in October every year to submit their estimates for the budget of the following year. Each ministry/department and autonomous body submits its budget estimates.

It may be mentioned that the financial year begins 1st July and ends 30th June and the budget estimates are for this period. All budget estimates are prepared and finalized before 30th May as the Budget is presented to the National Assembly by the Finance Minister in the middle of June to be voted.

When the Ministry of Finance sends ‘Budget Call’ in October, separate estimates are prepared for:

1. Receipts of the organization.
2. Non development expenditure to be incurred in financial year.
3. Development expenditure to be incurred in financial year.

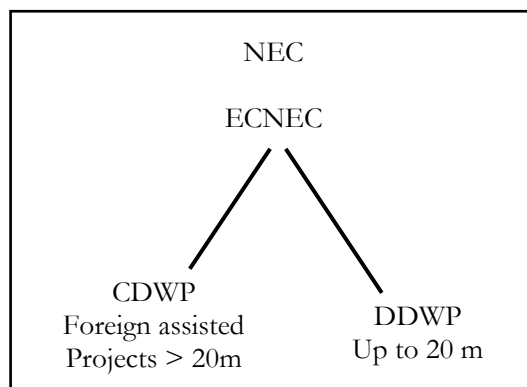
Following details have to be given by the government about receipts:

- i. Main heads of revenue: i.e. what are the major sources of income?
  - ii. Capital Receipt: what are the major sources of capital income?
  - iii. Foreign aid: any income from foreign aid.
  - iv. Debt, deposits and remittances: whether these are any debt to be paid, deposits of the organization or remittance from abroad.
4. Development expenditure: is the expenditure on new projects, equipment, etc.
  5. Non development expenditure: it is the recurring expenditure which includes salaries of the staff, payment of utilities, day-to-day expenditure in running of the organization, etc.

The departments send their budget estimates to the Ministry of finance to be included in the budget.

It needs to be recalled that when planning was discussed mention was made of the project approving bodies. These are given in figure 1

FIGURE – 1



The projects that organizations include in the budget have to be approved by the relevant body according to the size of the project investment. Once project is approved by the body only then it is included in the budget.

### Expenditure Authorization

When the budget is ready it has to be presented by the Finance Minister to the National Assembly for authorization. Expenditure authorization means that the Assembly approves expenditure which can be made from the budget that was presented. This approval is for one year only. The budget is discussed in the Assembly which gives assent to spend from the budget.

Following is the budget of Federal Government of the year 200-2001:

### Federal Budget

<u>Revenue Receipt</u>	460,600
Tax Revenue	
Surcharge	
Non tax revenue	153,793
<u>Capital Receipt</u>	44,169
Total internal	
Resources	856,625
<u>External Resources</u>	198,063
Total Resources	1,054,688

### Concepts

- ❑ **Performance budget :** Budget in which the activities and functions of project are separately shown and for each activity amount is allocated.
- ❑ **Planning-programing Budgeting :** Budget and overall plan are integrated.
- ❑ **Federal Consolidated Fund :** Is the Fund of Federal Government that contains all revenues, loans and money received in return of repayment of loans.
- ❑ **Annul Budger Statement :** A statement that shows estimated receipts and expenditure of government.
- ❑ **Non-Development Expenditure :** Recurring expenditure which includes salaries of staff, payment of utilities and day-to-day running of expenditure of organization.



## NATIONAL FINANCE COMMISSION

At the end of lecture the students will be able to:

- Explain fiscal federalism
- Explain and understand National Finance Commission
- Explain tax sharing between Federation and provinces and amongst provinces.

### **Fiscal Federalism Defined**

Fiscal federalism is distribution of fiscal functions and the tax collection and distribution of resources among constituent units of federation. It deals with which taxes to be collected by federation and which to be collected by the provinces. The federation will be responsible for distributive and regulative function. However, allocation function will have to be devolved to constituent unit. This brings to the question of what taxes should be collected by federation and what taxes collected by constituent unit. The basic framework of the federalism comprises the following:

1. Constitutional jurisdiction of unit of government to be respected, i.e. the legislative list must be adhered to in consonance with national objectives and integrity. This means there should be financial and administrative autonomy to the federating units, however certain functions are to be retained by federation.
2. There should be a strong and continuous system of conflict resolution and consensus building on national issues. Usually in a federal structure, there arise among provinces differences in resource sharing. Therefore, there should be system by which these conflicts are resolved.
3. Involve sub national government in national decision making process. The provincial government should be involved in national decision making.
4. A lean federal structure. The organizational structure of federation should be lean i.e., flatter.

Federalism is a mechanism to achieve unity within a population whose characteristics have diversity and variety in terms of culture, race, size, resources and population. It also refers to territorial organization of political community in which there are two or more spheres and levels of government which combine self-rule and shared-rule.

Shared-rule relationships amongst provinces can never be completely symmetrical, as size, wealth and population differ from one constituent unit to another. Asymmetrical or plural federalism is an appropriate way to give public expression to the demands of national minorities.

### **National Finance Commission (NFC)**

According to the Constitution of Pakistan (1973) Article 160 (1) , NFC is constituted. The NFC is a temporary body that decides criteria on the basis of which the taxes collected by the Federal Government are distributed between Federation and Provinces and among provinces. Following are excerpts of the constitution:

“within six months of the commencing day and thereafter at intervals not exceeding five years, the President shall constitute a National Finance Commission consisting”: the Minister of Finance of the federal Government, the Minister of Finance of Provincial Governments, and such other persons as may be appointed by the President after consultation with the Governors of the Provinces”.

Article 160 (2) states following taxes to be part of “divisible pool”:

- i) Taxes on income, including corporation tax, but not including taxes on income consisting of remuneration paid out of the Federal Consolidated Fund;
- ii) Taxes on the sales and purchases of goods imported, exported, produced, manufactured or consumed;

- iii) Export duties on cotton, and such other export duties as may be specified by the President;
- iv) Such duties of excise as may be specified by the President; and
- v) Such other taxes as may be specified by the President.

The above taxes form the “Divisible Pool” i.e. “Pool” from which money is shared between Federation and provinces.

The Fourth Schedule article 70 (4) of 1973 Constitution gives Federal Legislative list. Item 43 to 54 delineates all federal taxes. The interesting point is that more taxes have been included in the divisible pool. The examples are of general sales tax and octroi tax which were provincial and district taxes respectively.

The two lists i.e. Federal Legislative list and Concurrent list give the function to be performed by Federal Government and functions to be performed by Federal and provincial Government (Concurrent).

### **Criteria of Vertical Resource Distribution**

From the Divisible Pool the resources are shared between Federation and provinces. This is called Vertical resource distribution. It is distribution of resources from the federal government to the provincial governments from the divisible pool. It is based on three factors: defence, debt servicing and social action programme. The Federal Government using these criteria gives 37.55% to the provinces and retains the rest with itself for running its expenditure.

### **Criteria of Horizontal Resource Distribution**

Horizontal resource distribution is distribution of the 37.55% amongst the provinces. The criteria used are ‘Population’. The use of these criteria is debateable and there is general lack of agreement on these criteria

### **Multiple Criteria**

Since the criteria used in horizontal distribution is population. Balochistan, NWFP and Sindh disagree to the criteria. Because according to them Punjab has largest population. Therefore, it gets maximum advantage from these criteria. Accordingly it is suggested that multiple criteria should be used. The multiple criteria are:

- Population
- Distance of per capita income
- Area
- Index of infrastructure
- Tax effort

Countries that have federal structure use multiple criteria.

### **NFC 1990**

After every five years NFC is constituted by Federal government which announces “Award” i.e. how resources should be shared. According to 1990 Award the Divisible Pool comprised of::

1. Divisible Pool:
  - a) Income and Corporate Tax
  - b) Sales Tax
  - c) Export Duty on Cotton
  - d) Excise Duty on Tobacco & Tobacco manufactures.
  - e) Excise Duty on Sugar

It was announced that Divisible pool be distributed between the Federation & the Provinces in the ratio of 20:80. That is, 20% will be retained by Federation and 80% to be divided amongst provinces. The Provincial Shares were:

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Punjab	57.88%
Sindh	23.28%
N.W.F.P	13.54%
Baluchistan	5.30%

2. According to NFC 1990 also Special Annual grant of Rs.700 million & Rs.1000 million to Sindh & Punjab respectively. Subventions to N.W.F.P. & Baluchistan for three years at the rate of Rs.200 & Rs.100 millions respectively.
3. Net Profit on generation of Hydro Power Stations located in the Provinces as per decision of Council of Common Interests to be guaranteed by the Federal Government. This meant that the profits from generation of hydro power should go to the province where power generation house is located.
4. Net Proceeds of Gas Development Surcharge on production basis at well heads after deduction of collection Charges of 2%.
5. The royalty & excise duty on oil & gas according to production.
6. Practice of giving deficit grants & picking surpluses discontinued.
7. Sales tax at retail level entrusted to the Provinces.

### Conclusions

In this lecture we have examined concept of fiscal federalism and concept of federalism. The two concepts relate to the sub-national governments (provinces) who may be of different in size, wealth, culture, race etc. , but these constitute together to form federation. In this federal set up the sub-national governments would differ in taxing powers; certain taxes would be the domain of federal government and some could be with provincial government.

The Government of Pakistan, according to the Constitution constitutes NFC which announces its Award on the basis of which resources are shared.

## ADMINISTRATIVE CONTROL

At the end of the lecture student will be able to:

- Understand the concept of Administrative Accountability and Control
- Understand the types of internal accountability and external accountability

### Administrative Accountability

According to Leonard D. White accountability is ‘the sum total of constitutional, statutory, administrative and judicial rules and precedents and the established practices by means of which public officials may be held accountable for their official actions’. It refers to the formal and specific location of responsibility vested in a person. While responsibility has a personal and moral connotations and is not necessarily related to formal status and power. Accountability is also defined as the answerability of a person in organization.

### The Meaning of Control

Accountability is a kind of management Control. Control is the process of ensuring that actual activities conform to established standards and laid done procedures. Control helps managers to monitor the effectiveness of managers

Figure 1

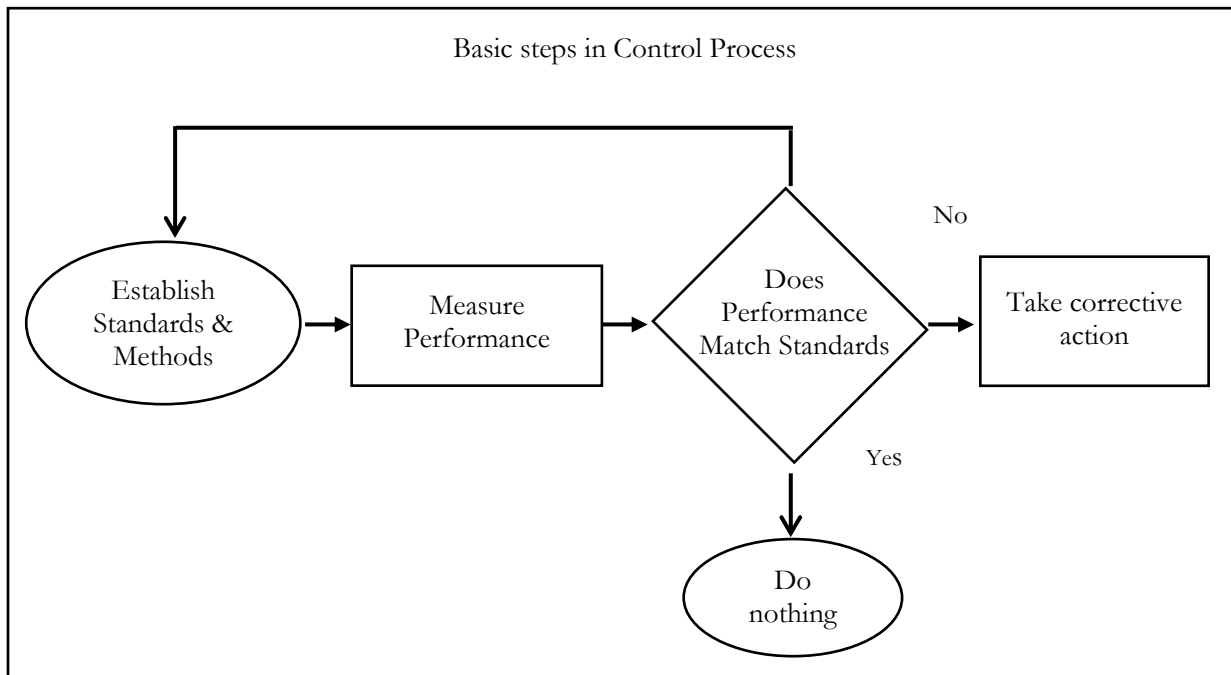


Figure 1 shows the basic control process. This process is essential to accountability. As shown in figure before control process is initiated standard and methods are established against which performance is measured. Then it is measured or assessed if the performance matches the laid down standard. If it matches then it is satisfactory performance. But if it does not match corrective actions are taken. Now, this is a general process of control and accountability. These general steps can be adapted to any work situation.

### Types of Accountability

There are two types of accountability mechanism that make organizations to continue to achieve goals. These are discussed below:

1. **Internal Control:** is exercised either by superior over the subordinates within the chain of hierarchy or by other parallel agencies in the executive branch of government. It consists of directing, regulating, supervising, advising, inspecting and evaluating. It should be

continuously done; without being felt. This mechanism of accountability has positive results also.

2. External control, is fitted outside the administrative machinery and works within the general constitutional framework of the system. It is exercised by the external bodies such as legislature and judiciary.

**(A) Internal Control:**

In internal control mechanisms follows methods are used:

- i) **Administrative process:-** In a parliamentary system, cabinet stands at the apex of the executive. Prime minister directs the ministers; who are in-charge of their respective department and are responsible for the efficient working to the cabinet and prime minister. The whole working of the departments are reviewed by the Prime Minister and his Cabinet.
- ii) **Hierarchical order:-** Every administrative department is arranged on scalar pattern and executives are organized in hierarchical order. The executives are linked with superior-subordinate-relationship with clear authority and responsibility. They are accountable to their respective superiors for their actions and dealings. Thus hierarchy itself a powerful instrument for monitoring subordinates behavior and for enforcing accountability.
- iii) **Annual confidential Reports:-**The superior officers prepare annual confidential reports (ACRs) of their subordinates every year. The work of whole year of each public servant is assessed.
- iv) **Budgetary control:-** A budget is not only a complete policy statement of the total activities of the government but it also reflects the aspiration of the people. The Ministry of Finance prepares budget, and operations of the budgetary sanctions and appropriations.
- v) **Administrative leadership:-** It is another means of internal control. Leadership motivates, and inspires the employees for efficiency. Thus the morale and motivation of employees depends upon the leadership. The effective leader set examples of high standards of integrity and performance for his followers. He inspires them for work and instills in them a pride in work. A good leader is objective – oriented and always tries his subordinates to achieve that objective.

**(B) External Control:-**

Following mechanism is in place as external methods

1. **Legislative Control:** The major instrument of public accountability is the authority of the legislature to empower, limit, investigate and censure the executive branch. The legislature enacts Laws, authorizes administrators to engage in quasi-legislative and quasi-judicial activities, appropriates funds for all administrative programmes, and determines the general outlines of administrative organization and procedure.
2. **Questions:-** The first hour of every day sitting of legislature is known as the question-hour. This time is allotted for asking and answering questions. Every legislators, after giving due notice, are entitled to put questions and supplementary questions to the ministers about the state of public administration. The ministers are bound to answer these questions. The purpose of questions is to elicit information on the working of administrative departments.
3. **Resolutions and Motions:-** Resolutions and motions are of two kinds i.e. firstly, those whose object is to censure a particular minister or government as a whole, secondly those, which recommend some course of action to be adopted. The former leads to dismissal of the government or ministry. The later is recommendatory, hence it may or may not be accepted by the government. Members of parliament are entitled to pass resolutions on matter of general public interest.
4. **Debates and Discussions:-** Debates or discussions in the House constitute another important means for controlling the executive. Houses perpetually go on debating one thing or other. Discussions, take place over every point of a bill or budget. Every motion comes under discussion in the house. The inaugural address of the President, the budget speech, introduction of bill for amendment, introduction of new law, or introduction of motion or resolution provide opportunity for debates and discussions.

5. **Committees of Legislature:-** Legislatures are unwieldy bodies and can not meet for the whole of year. Hence, they appoint committees of their own members, who are specialists in their sphere of activity and keep constant watch over administration. Public Accounts Committee, Committee on Subordinate legislation, petitions Committee, Committee on Public Service. These committees gather a lot of material, hear expert evidences and frame conclusions. Such conclusions, which are formed in the form of recommendations, which correct the tone of administration, by improving efficiency and quality of work civil service responds immediately to the recommendations of such committees, because they know that their opinions are of experts and backed by the full house.

### Methods of Executive Control

The executive exercises control over administration through the following methods:-

- i. **Policy-Making:-** The chief executive along with his cabinet, control the administration through policy-making. All important policy-decisions are taken by the cabinet in every country. The departments carry on their day to day business, within the policies laid down by cabinet.
- ii. **Budgetary System:** It is the main responsibility of the chief executive to prepare budget and to present it to the legislature. After the approval by legislature, the chief executive implements it through the allocation of funds among various departments, and controls it by proper utilization of funds.
- iii. **Recruitment system:-** The third system of executive control works through recruitments of public personnel. This is usually placed in the hands of an independent recruiting agency like Public Service Commission.

### Judicial Control

Judiciary is one of the important external agency, which exercises control over administration. By judicial control means the power of courts to keep the decisions and acts, of administrative officials within the bounds of law. L.D. White explains the importance of judicial control and says, “The system of formal external control officials and their acts which fall primarily into two divisions – that exercised by the legislative bodies and that imposed by the courts.

The main purpose of judicial control is to determine the constitutionality and legality of administrative acts of public administrators, and thus to protect the rights and liberty of citizens from the wrongful acts of government officials.

### Types of Remedies

There are two systems of legal remedies against the unlawful acts of government officials. One is called the Rule of law and the other Administrative law or Droit Administrative; the former system prevails in USA, England and Common Wealth countries including Pakistan, while the latter prevails chiefly in France, and Germany and Sweden. Brief description of each is given below:-

- (a) **Rule of law System:-** Theoretically it means that every body high or low, and official or private is subject to the same law. The public administrator is not above the law, while performing official duties. Ordinarily the aggrieved party to shall have all those legal remedies against the offending officials; which are known as prerogative writs,

### Concepts

- ❑ **Control:** a process of ensuring the actual activities conform to established standards.
- ❑ **Legislative control:** the control exercised by legislature, through system of question hours, resolution and motions, debates and discussion.
- ❑ **Hierarchical order:** type of internal control in which individuals are supervised by superiors.

## AUDIT

At the end of lecture the students will be able to:

- Understand the concept of audit and audit in government
- Understand the concept of Performance Audit
- Understand Audit as control tool

Audit is a specialized area of financial management and control. Their instruments of control are governments rules, regulations and procedures which must adhered to when making financial transactions.

### Definitions of Audit

Following are some of the definitions of audit:

- ❑ It is an examination and verification of a company's financial and accounting records and supporting documents by a professional,
- ❑ It is a formal examination of an organization's accounts or financial situation. An audit may also include examination of compliance with applicable award terms, laws, regulations and policies after transactions are made.
- ❑ It is the examination of some or all of the following items: documents, records, reports, systems of internal control, accounting procedures, and other evidence, for one or more of the following purposes:
- ❑ An examination and verification of a company's financial and accounting records and supporting documents by a professional
- ❑ A formal examination of an organization's individual accounts or financial situation. An audit may also include examination of compliance with applicable award terms, laws, regulations and policies.
- ❑ The examination of some or all of the following items: documents, records, reports, systems of internal control, accounting procedures, and other evidence, for one or more of the following purposes: (a) determining the propriety, legality, and mathematical accuracy of proposed or consummated transactions; (b) ascertaining whether all transactions have been recorded; and (c) determining whether transactions are accurately reflected in the accounts and in the statements drawn there from in accordance with accepted accounting principles.

Article 169 of the Constitution gives the functions of the Auditor General, who heads the Audit & Accounts organization of Government of Pakistan. This organization, under the Audit & Accounts Order 1973 ensures that the public money is spent and transactions are made in accordance with the financial rules.

The accounts of federation and of provinces will be kept according to the principles and methods given by the Audit & Accounts Order and rules and procedures. All the accounts will have to be submitted to the President in the case of federation and to the Governors in case of the Provinces who will put before the respective assemblies.

### Use of Public Money

Public money is the money from tax and non tax revenue and borrowed money. This money has to be spent according to the laid down procedures (Drawing and disbursing Handbook). The fundamental principle of spending public money is to spend public money in a manner as one would spend ones own money.

### Definition of Performance Audit and Value for Money

While audit is like a "post mortem", after the event or financial transaction has taken place it verifies whether rules were adhered to. In performance audit the whole working of the organization is analyzed.

Performance audits are value for money audit and the use of resources by public sector organizations in relation to its achievement of goals. Although performance audit can be very wide-ranging, in broad terms, it can be applied to:

- Those activities involving a considerable level of resources
- Projects that are at risk of failing in their objectives
- Issues which are of concern to Parliament or the Public Accounts Committee, (Public Accounts Committee is a committee of parliament which reviews the accounts of all government organization every year).

The term “value for money” refers to the way in which resources (financial, human or physical) have been allocated and utilized by the entity (organization).

Following definition has been used for performance audit:

“A performance audit “is an objective and systematic examination of a public sector organization’s programme, activity, function or management systems and procedures to provide an assessment of whether the entity, in the pursuit of predetermined goals, has achieved economy, efficiency and effectiveness in the utilization of its resources”.

Performance audit, therefore, involves an independent assessment of whether economy, efficiency and effectiveness have been achieved by organization. Now let us see each of the word used in definition to have better understanding of performance audit.

### **Economy**

Economy is concerned with minimizing the cost of resources used (staff, materials and equipment) for an activity in the pursuit of its objectives and whether they are in accordance with sound administrative principles and practices and management policies. An economical organization acquires its input resources, of the appropriate quality and quantity, at the lowest cost. In summary, economy means minimizing the cost of resources used for an activity, having regard to quality i.e. spending economically, whilst maintaining quality.

Example: Where standard items such as school or hospital supplies of a given quality are purchased at the best possible price.

Example: Cost of a vehicle in comparison with another model of similar quality.

### **Efficiency**

Efficiency is concerned with the relationship between goods and services produced (the outputs) and the resources used to produce them (the inputs). An efficient entity produces the maximum output from any given set of inputs. Alternatively, it may require minimum input. This will be reflected in increased productivity and lower unit costs. In summary, efficiency means ensuring that maximum output of goods and services has been gained from the resources used in their production i.e. spending well.

Example: Efficiency has improved when the unit cost of teaching children or providing hospital treatment has been reduced over time; or where more children have been taught or hospital beds provided, without additional resources.

Example: Reduction in repairs and maintenance cost of equipment, for example, vehicles, computers or photocopiers, is a measure of efficiency

### **Effectiveness**

Effectiveness is concerned with achieving predetermined objectives (specific planned achievements) or goals and with actual impact (the output achieved) compared with the intended impact (the objectives). Using a range of performance measures and indicators, it is possible to assess an entity’s effectiveness. In summary, effectiveness means ensuring that the desired results, objectives, targets or policies have been successfully achieved i.e. spending wisely.



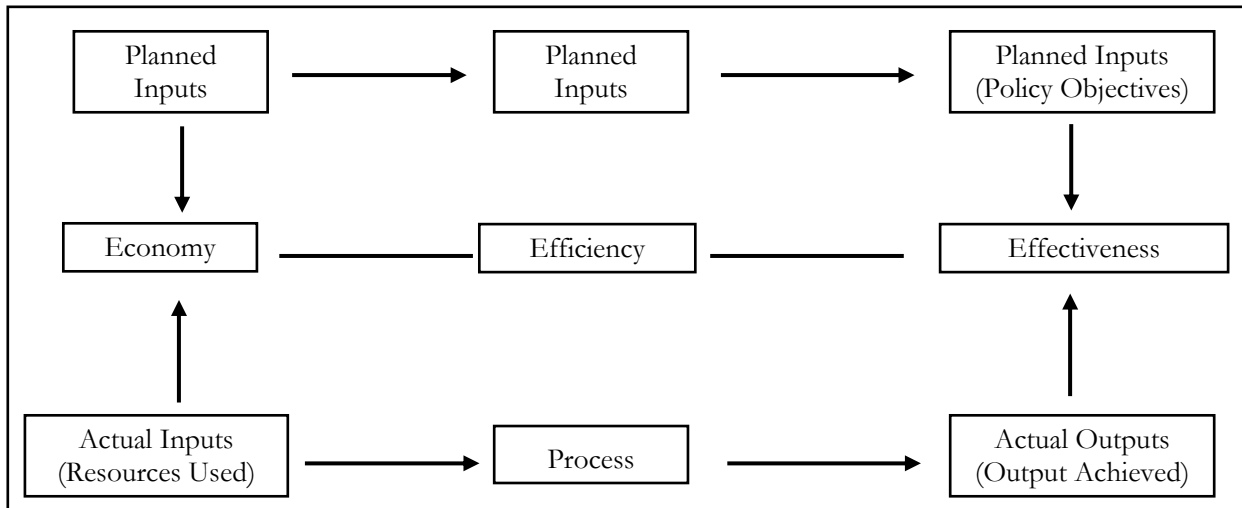
Example: Where there has been an improvement in school examination results or where sickness rates have fallen as a result of medical care.

Example: Whether the purchased item or service provided was “fit for purpose”.

The following model presented in Figure 1, illustrates the relationships between inputs, processes and outputs and between economy, efficiency and effectiveness:

**Figure 1**

Economy, Efficiency and Effectiveness



The figure 1 illustrates that economy is related to plan inputs and actual input use which is processed and it is what the actual outputs are. So there should be economy in use of resources, these resources should be efficiently processed and should also be able to achieve/realize outputs, which will show effectiveness in use of resources.

In practice, the boundaries between economy, efficiency and effectiveness are seldom clear-cut. Examinations of Value For Money (VFM), therefore, normally pursue these various aspects of performance simultaneously as part of the same exercise.

### Objectives of Performance Audit

The primary objective of performance audit is to provide parliament with independent information, assurance and opinion about economy, efficiency and effectiveness in major fields of revenue, expenditure and the management of resources.

A secondary objective of performance audit is to identify ways of improving value for money and to encourage and assist audit bodies to take the necessary action to improve systems and controls. Areas of Performance Audit are that Performance reviews can be used to cover all types of management activities, which must be audited for better use of resources.

### Concepts

- ❑ **Audit:** it is the examination of financial records of an organization after transactions have taken place at the end of financial year. It reviews whether the rules of accounts were applied or not.
- ❑ **Performance audit:** it is the examination and analysis of all the activities of the organization and it is seen that the money used has been able to achieve objectives/goals economically, efficiently and effectively.

**MOTIVATION**

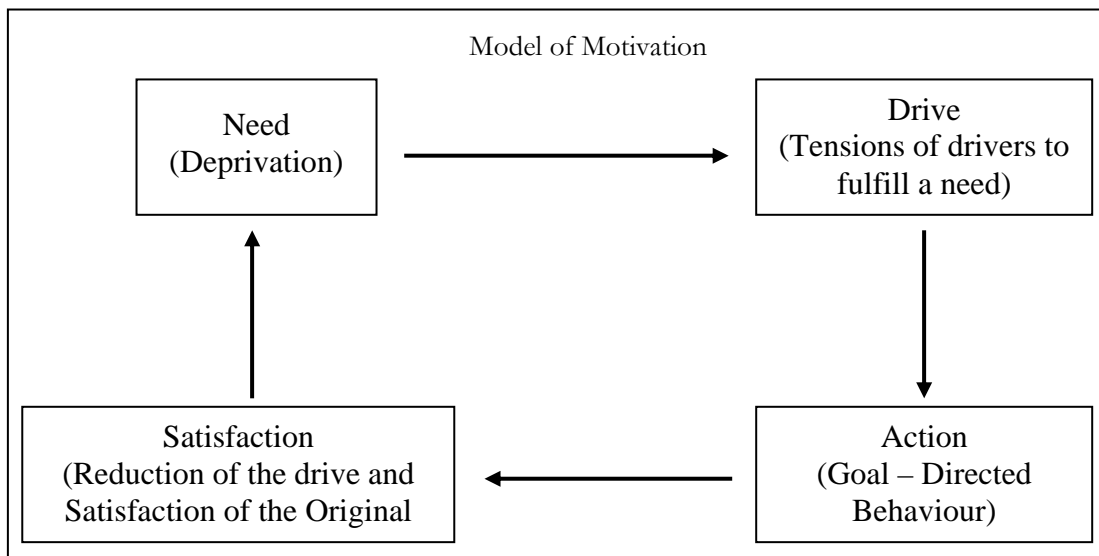
At the end of the lectures students should be able to

- Understand the concept of motivation
- Understand what motivates employees
- Theories of motivation

In organizations as we know, material, machines and people work to achieve given goals. Machines are used by people and unless people in organization do not use machines, equipment etc the goals cannot be achieved.

People matter a lot in organization situation; and for management it is essential to keep them happy, satisfied and motivated. What is motivation. In very simple terms, motivation means to ‘move’, in a direction. Motivation is goal directed behaviour.

**Figure 1**



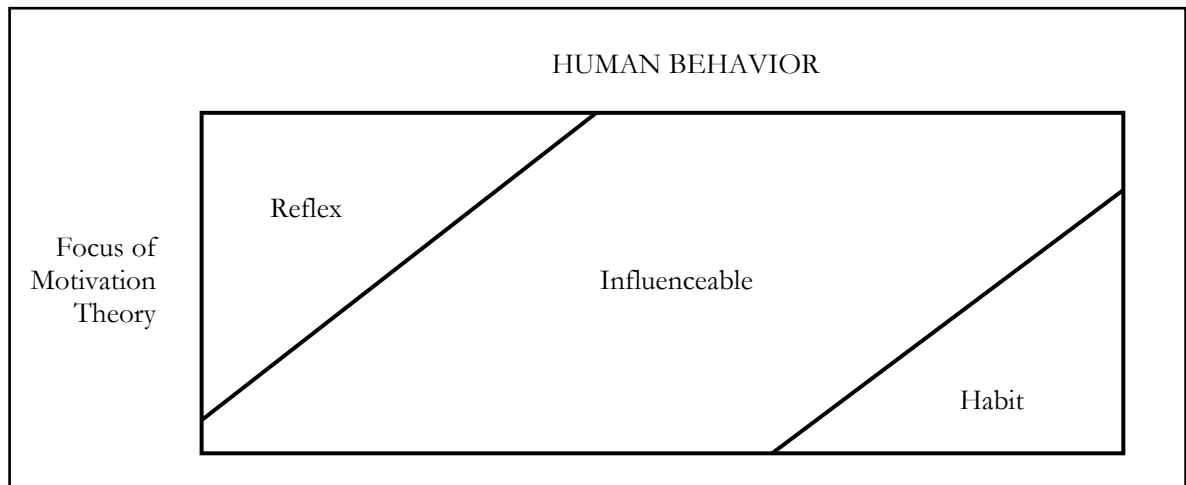
The above figure is a simple diagram that illustrates that motivation originates from need. When human beings are deprived of something a need emerges. This need drives person to fulfill need. The drive leads to action and when a person meets his/her need a person is satisfied. For example a person is thirsty. So there is need to satisfy thirst, which drive or moves person to act i.e. reach out to water. Once a person drinks water (goal oriented behaviour) he/she is satisfied. Then another need may emerge. This is a simple example. Motivation can be of variety of kinds, People want to work in organization to have authority, and people may want to serve other people. People work for money etc.

Motivation is a human psychological characteristic that contributes to a person’s degree of commitment. It includes factors that: cause, channel, and sustain human behavior in a particular committed direction.

Motivation and motivating both deal with the range of conscious human behavior somewhere between two extremes, which are;

1. Reflex actions, such as a sneeze or flutter of the eyelids; and
2. Learned habits, such as brushing one’s teeth or handwriting style. This range of behavior is shown in Figure 2.

Figure 2



Psychologist has studied human behaviour and has tried to experiment that how people should be motivated. They divide human behaviour in 3 broad areas i.e. (1) reflex action like heart beat, (2) habits that are acquired and are difficult to change. There is third area of human behaviour that is influenceable and it is this area on which psychologist worked to modify human action. Motivation is one of the aspects of human behaviour on which psychologist have worked and found that people can be motivated to achieve organizational goals. How that can be done we will examine it

### Importance

Understanding human behaviour in general and in organizations is important because it helps in handling variety of situations. It helps in dealing with people according to their personality. Every individual is different and therefore, should be motivated differently. Once we know the personality and also know the strengths and weakness it becomes easier to control the behaviour in organization. For managers it is important to know how to motivate people and what motivates people.

### Assumptions about Motivation

There are certain assumptions about motivation and these assumptions help managers to devise good motivation plan. These are:

1. Motivation is commonly assumed to be a good thing.
2. Motivation is one of several factors that go into a person's performance. Important, too, are such factors as ability, resources, and conditions under which one performs. There are number of other things required for motivation to work. For example a student who wants 'A' grade in his examination has to be a motivated student. But his motivation alone will not work. He has to get books to read, he needs a place where he can study, food to keep him/her nourished etc.
3. Managers and researchers alike assume that motivation is in short supply and in need of periodic replenishment. Sometimes we feel motivated, other times we are not motivated. So in that situation we need to motivate people.
4. Motivation is a tool with which managers can arrange job relationships in organizations. They can tailor job assignments and rewards to what makes these people "tick." Or motivate. Because people have different personalities and aptitude for work, the managers should assign job according to aptitude.

### Early Views

As you may recall, motivation was one of the earliest concepts which managers and researchers studied. A classical model is often associated with Frederick Taylor and scientific management. According to this model, the most efficient way to perform repetitive tasks was determined and workers were motivated with a system of wage incentives i.e., output of work was linked to wage.

Human relations model is associated with Elton Mayo and his contemporaries. Mayo and other human relations researchers found that the boredom and repetitiveness of many tasks actually reduced motivation, while social contacts helped create and sustain motivation. So according to them in order to motivate people's relationship with supervisions should be good. Bosses or supervisors should encourage subordinates to perform and give desired results.

Under the traditional model, workers had been expected to accept management's authority in return for high wages. Under the human relations model, workers were expected to accept management's authority because supervisors treated them with consideration and allowed them to influence the work situation.

Human resources model is often associated with Douglas McGregor. McGregor and other theorists criticized the human relations model as approach to manipulate employees. They also charged that, like the traditional model, the human relations model oversimplified motivation by focusing on just one factor, such as money or social relations.

### Views on Motivation

There are other theories on motivation of which "Need Theory" is most common.

### Need Theory

Hierarchy of needs, developed by Abraham Maslow, has probably received more attention from managers than any other theory of motivation and we have examined this theory at length in previous lectures.

### ERG Theory

Another need theory is ERG theory it is an acronym for:

E	=	Existence
R	=	Relatedness
G	=	Growth

Clayton Alderfer agreed with Maslow that worker motivation could be gauged according to a hierarchy of needs. However, his ERG theory differs from Maslow's theory in the following ways.

1. Alderfer broke needs down into three categories: Existence needs (Maslow's basic needs), are basic need like food, clothing shelter relatedness needs (needs for interpersonal relations). People want to relate themselves to other people. Since human beings are social beings they want to live in society and belong. It is important need. The growth needs (needs for personal creativity or productive influence) are the needs of people to grow, develop and improve. To be able to produce better to be creative etc. Thus, like Masbw Alderfer also broke down human needs at 3 levels. The first letters of each category form the acronym ERG.
2. Alderfer stressed that when higher needs are frustrated, lower needs will return, even though they were already satisfied. Maslow, in contrast, felt that a need, once met, lost its power to motivate behavior.

### Three Needs.

John W. Atkinson also proposed three basic drives in motivated persons:

1. Need for achievement; it is need in some persons who always want to excel. They are high performers and are looking for perfection. Examples are sport stars etc.
2. Need for power and : Some individual have need for power and want authority. They may be paid less but if the position gives power. They will prefer that. Example: People want to join police because police yields power/authority or
3. Need for affiliation, or close association with others: Some people prefer to stay close to their friends. For example somebody may get higher salary if the person is transferred to other station but he/she may refuse the transfer because of preference to family and friends.

The balance between the above drives varies from person to person. David C. McClelland's research (McClelland was a Psychologist) has shown that a strong need for achievement-the drive to succeed or excel-is related to how well individuals are motivated to perform their work tasks. There is considerable evidence of the correlation between high achievement needs and high performance. McClelland found, for example, that people who succeeded in competitive occupations were well above average in achievement motivation.

The Need for affiliation-, in McClelland's scheme-has been a concern of managers since Elton May and his colleagues were involved in the famous Hawthorne experiment.

The Need for power-, in McClelland's scheme-deals with the degree of control a person desires over his or her situation. This need can be related to how people deal with failure and success.

The work by McClelland and others highlights the importance of matching the individual and the job. Employees with high achievement needs like challenging jobs more satisfying and stimulating work. They welcome autonomy, variety, and frequent feedback from supervisor. Employees with low achievement needs prefer situations of stability, security and predictability.

### **Concepts**

- **Motivation:** a drive that moves individual to meet need and attain satisfaction.
- **Goal oriented behaviour:** goal oriented behaviour is a behaviour in which a person is clear about goals and acts to achieve those goals.
- **Need for affiliation:** it is the need to associate and stay close to family, friends and social circle.
- **Need for achievement:** the need to excel and out perform.

## MOTIVATION AND LEADERSHIP

After the lecture students should be able to examine:

- Remaining theories of motivation;
- Relation of motivation to leadership;
- Defining leader and leadership and
- Importance of leadership;

### Expectancy Theory

Another important theory of motivation is expectancy theory that helps us understand human behaviour and people in organization can be motivated.

According to expectancy theory, people choose how to behave from among alternative courses of action, based on their expectations of what there is to gain from each action. There are four assumptions about behaviour in organizations on which the expectancy approach is based. These assumptions are:

1. Behavior is determined by a combination of factors in the individual and factors in the environment. Individual's behaviour is not simple. It is complex as many factors are affecting person.
2. Individuals make conscious decisions about their behavior in the organization. Individuals know how they have to behave in organization because they can judge their actions and response.
3. Individuals have different needs, desires, and goals.
4. Individuals decide between alternative behaviors on the basis of their expectations that a given behavior will lead to a desired outcome. For example individuals know that if they disobey or do not comply they will be fired from the job.

These assumptions become the basis for the expectancy model, which has three major components:

1. **Performance-Outcome expectancy:** Individuals expect certain consequences of their behavior. These expectations, in turn, affect their decisions on how to behave. For example, a student who is thinking about getting good marks may expect praise if he gets good marks or an employee who has achieved the desired results expects that he/she will be rewarded.
2. **Valence:** The outcome of a particular behavior has a specific valence, or power to motivate, which varies from individual to individual. For example, to a manager who values money and achievement, a transfer to a higher paying position in another city may have high valence. Valence can be expressed in mathematical term from the example given to you. If transfer (I) has high value or valence and where transfer brings "money". The individual will give high value or preference or valence to transfer.
3. **Effort-performance expectancy:** People's expectations of how difficult it will be to perform successfully, affect their decisions about behavior. If the task is difficult and complex, employee will assess the effort involved in doing or completing the job. Accordingly he will put his effort commensurate with reward. The employee will ask what I will get in return in doing such a difficult job.
- 4.

These three components of Expectancy Theory can be summarized in three questions. These questions are:

- a. If I do this, what will be the outcome?
- b. Is the outcome worth the effort to me?
- c. What are my chances of achieving an outcome that will be worthwhile for me?

Thus, according to expectancy theory, individuals are motivated when they see a favourable combination of what is important to them and what they expect as a reward for their efforts, and they behave accordingly.

### Reinforcement Theory

Reinforcement theory is associated with the psychologist B.F. Skinner and other contemporary. He has shown through the experiment that how the consequences of past behavior affect future actions in a cyclical learning process. He conducted an experiment on a dog. What he did was that he brought food in front of a dog. When the food came in front of dog his mouth started to salivate. Every time the food came the mouth salivated. Now, in his experiment he introduced another element. The food was presented and as soon as food was presented the dog was given electric shock. The sequence of event was:

Food → salivation → shock.

This experiment was repeated number of times. After sometime it was observed that the dog stopped salivating whenever the food was presented.

The results of the experiment were that behaviour can be modified. This process may be expressed as follows:

Stimulus → Response → Consequences → Future Response.  
(Food) (Salivation) (Electric Shock) (no salivation).

We see that behind the Reinforcement Theory is the concept of punishment and reward. The application of this theory is seen when animals are trained to perform certain actions. You might have seen monkeys being asked to dance by monkey-man and when monkey performs an act he is given something to eat. Reinforcement Theory is useful in understanding human behaviour as well. Human behaviour can also be modified through reward and punishment.

If in organizations we want to encourage people to come on time, then those who come on time have to be encouraged. Now encouragement is a kind of reward. We have to remember that rewards have many forms and dimensions. Rewards are not only in money form. Even a nice word can be reward. In organization sometimes certificates, badges, mugs etc can be used as rewards for good behaviour.

Similarly punishment has many dimensions in organization. The severe being thrown out of job and a mild punishment could be to use word of censure for behaviour that is not desirable.

**Figure 1**



Figure 1 presents the importance and relationship of motivation to other dimensions of life in general and organizational life as well. A motivated person in general is a good person because he/she has positive and pleasant affect on environment. A motivated employee or manager or superior can lead and makes other feel good about themselves. Motivation is required also to build team and make teams work. Motivation also helps that environment are non complaining environment. All of this is manifestation of positive behaviour; which is essential for a good manger.

### Leadership

Leader and leadership are two different concepts. A leader is a person who leads a group of individuals. Leadership on the other hand defines the characteristics of the person who leads. Thus Leadership is the software that makes a leader.

### Managerial Leadership

Leader and leadership are often thought of in the larger context like, political leader, reformers, prophets, thinkers, philosophers etc. But in the discussion of leadership that will follow the emphasis is on Managerial leadership. Managerial leadership is the leadership that managers exercise in organizational situation to achieve its goals.

### Defining Leadership

There are almost as many different definitions of leadership as there are persons who have attempted to define the concept. We will define managerial leadership as the process of directing and influencing the task-related activities of group members. There are four important implications of our definition of managerial leadership. This is discussed below:

1. First, leadership involves other people-employees or followers. By their willingness to accept directions from the leader, group members help define the leader's status and make the leadership process possible; without people to lead, all the leadership qualities of a manager would be irrelevant.
2. Second, leadership involves an Unequal distribution of power between leaders and group members. Group members are not powerless; they can and do shape group activities in a number of ways. Still the leader will usually have more power. Where does a manager's power come from? The five bases of a manager's power are:
  - a. Reward power;
  - b. Coercive power;
  - c. Legitimate power;
  - d. Referent power and
  - e. Expert power.

### The Trait Approach

There is a believe that leaders are born and that people are born with certain traits or characteristics that are peculiar to leaders. Others who are not born with those traits cannot be leaders

3. The third aspect of leadership is the ability to use the different forms of power to influence followers' behaviours in a number of ways.
4. The fourth aspect combines the first three and acknowledges that leadership is about values. Moral leadership concerns values and requires that followers be given enough knowledge of alternatives to make intelligent choices.

The first systematic effort by psychologists and other researchers to understand leadership was the attempt to identify the personal characteristics of leaders. This approach assumed that leaders share certain inborn personality traits. This view that leaders are born and not made is still popular among laypersons, though not among professional researchers.

What are the traits? Following are some of the traits that leaders possess:

1. Confidence.
2. Sense of direction (clear goals)
3. Human insight



4. Discipline
5. clarity of tasks
6. Consistency
7. Hard work
8. Motivate
9. Good communication skills
10. Integrity
11. Honesty

In searching for measurable leadership traits, researchers have taken two approaches:

- (1) Comparing the traits of those who have emerged as leadership with the traits of those who have not; and
- (2) Comparing the traits of effective leaders with those of ineffective leaders.

### **Leaders and Non-leaders**

It is true that leaders as a group have been found to be brighter, more extroverted, and more self-confident than non leaders. So some of the traits identified may be the results of leadership experience rather than of leadership ability i.e., people who get more opportunity to interact may acquire some of the traits of leaders.

### **Effective & Ineffective Leaders**

Comparing the characteristics of effective and ineffective leaders are more recent studies. One study did find that intelligence, initiative, and self-assurance was associated with high managerial performance. The study also found that manager's supervisory ability for better performance was most important.

### **Concepts**

- ❑ **Expectancy theory:** The theory explains that people try to assess the response of their actions and expect something in return.
- ❑ **Leader:** A person who leads.
- ❑ **Leadership:** It is a quality or a trait that leaders possess that makes them unique.
- ❑ **Managerial leadership:** It is the leadership that managers exercise in organization to achieve goals.

## LEADERSHIP

At the end of the lecture students will be able to understand:

- Leadership functions;
- Leadership styles;
- Theoretical explanations of leadership and
- Importance of theories to management;

### Leadership Functions

To operate effectively groups need leaders who can perform two major functions in the organizations to achieve objectives. The functions of leader in organization are:

1. Task-related or problem-solving functions: While supervising workers, manager has to help group solve problems. For example the employees are asked to process an admission application in a college and the computers in which data is entered is not working. The manager will have to resolve this problem by asking concerned people to repair computer. The managers that focus more on tasks are more concerned about output.
2. Group-maintenance or social functions. Group-maintenance functions are mediating disputes and ensuring that individuals feel valued by the group. These problems relate to people. Suppose two employees working have some differences and now they do not talk to each other. The manager will have to mediate between two employees.

### Leadership Styles

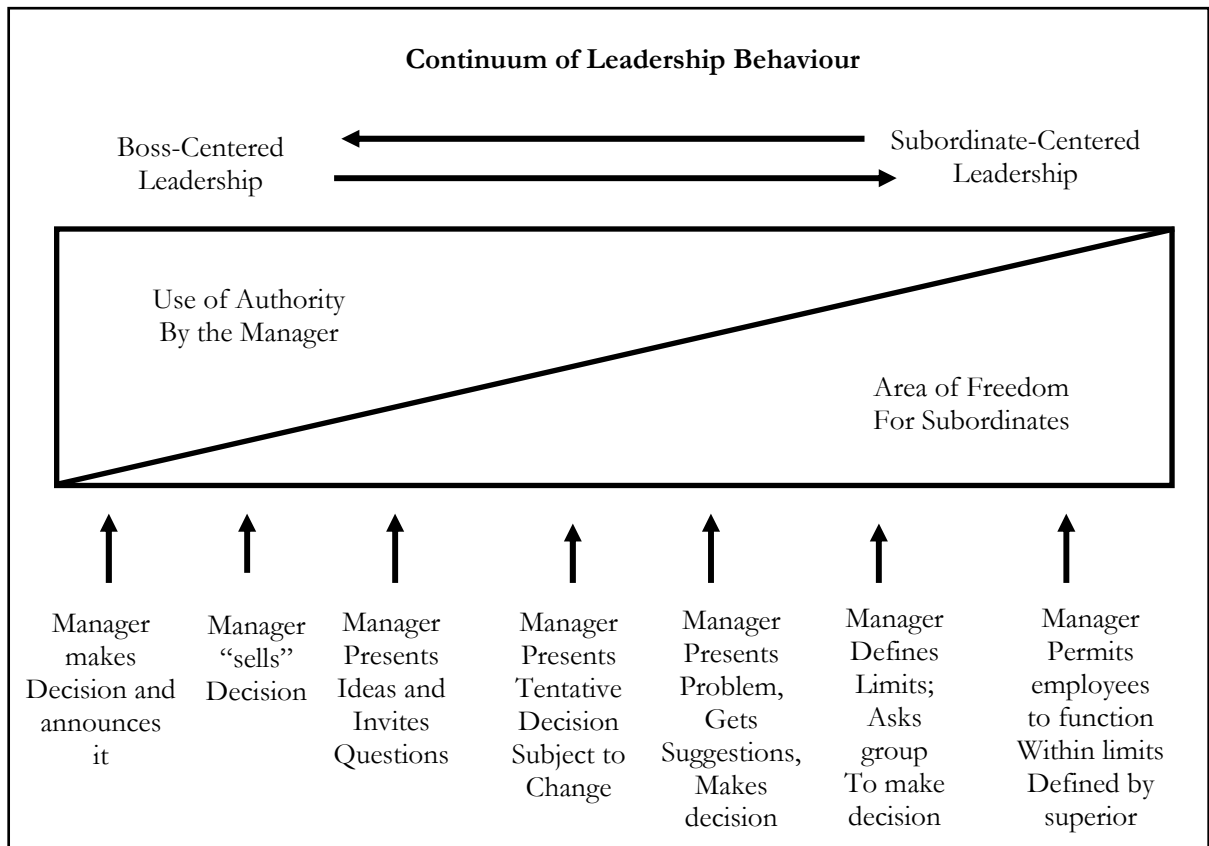
Managers who have a task-oriented style closely supervise employees to be sure the task is performed satisfactorily. Getting the job done is given more emphasis than employees' growth or personal satisfaction. Managers with an employee-oriented style put more emphasis on motivating, mediating etc., rather than controlling subordinates.

Tannenbaum and Schmidt were the first to describe factors that influence managers' choice of leadership style. They favoured 'employee-centered' style, but they said that managers considered three sets of forces before choosing a leadership style. These sets of forces are:

1. Forces in manager: his/her knowledge, background, experience, for example a managers who believes that organization's needs are more important will be more directive.
2. Forces in employees: their knowledge, experience, background, willingness to work, attitudes aptitude etc.
3. Organizational force: organizational preferred style, culture, pressure of time etc.

All the three forces will combine to determine what style of leadership is used by manger.

Figure 1



Now let’s look at figure 1 which shows a scale of leadership style i.e. whether manager will have “subordinate centre style”, in which, area of freedom for subordinates will be more. Or whether manager would have “boss centered leadership” where boss will have more authority. The two extreme leadership styles are shown and in between these two extremes is the variation of style that a manager will adopt depending upon the three forces.

### Contingency Approaches

Researchers using the trait and behavioral approaches showed that effective leadership depended on many variables, such as organizational culture and the nature of tasks. No one trait was common to all effective leaders. No one style was effective in all situations. According to this approach it will be the situation that will determine what should be the leadership style. And since every situation is different, therefore, every style is different.

Contingencies theories focus on the following factors that determine leadership style:

1. Task requirements: The style of leadership depends on what the work demands. For example, in the battle field the task demands that orders to be complied strictly.
2. Peers’ expectations and behavior: In organizational situation, people whom we work with have certain expectations, like peers may expect that you will cooperate.
3. Employees’ characteristics, expectations, and behavior: It is important for manager to know characteristics and expectations of employee and decide to have a leadership style accordingly.
4. Organizational culture and policies: Organizations have their culture and every organization has its own policies; therefore, managerial leader should also keep in view these factors before adopting leadership style.

### Hersey & Blanchard's Contingency Model

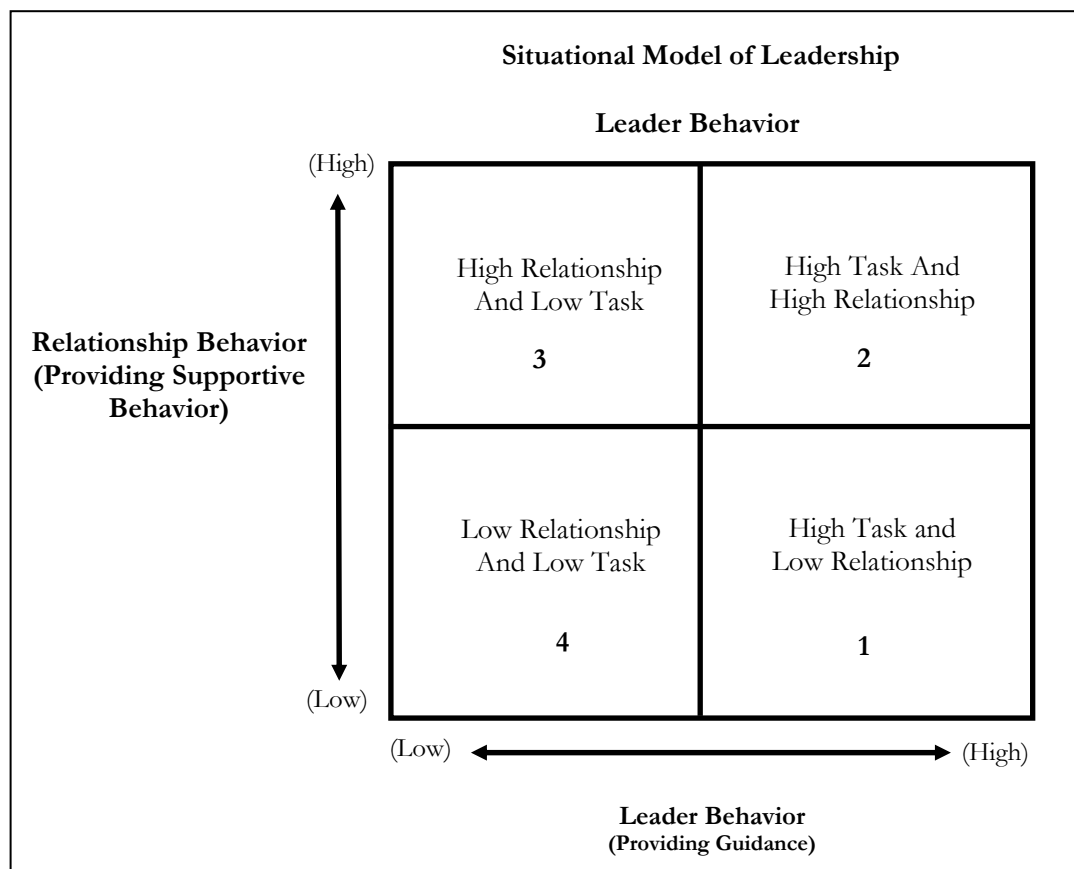
Main contingency approach to leadership is given by Paul Hersey and Kenneth H. Blanchard's Contingency leadership model. It says that the most effective leadership style varies with the "readiness" of employees. Hersey and Blanchard define 'readiness' as desire for achievement, willingness to accept responsibility, task-related ability, skill, and experience of employees. Also the goals and knowledge of followers are important variables in determining effective leadership style.

In other words the situational leadership says that leadership style will vary from situation to situation.

### Personal Characteristics of Employees

The personal characteristics of employees will partially determine leadership style. Hersey and Blanchard believe that the relationship between a manager and follower (employee) moves through four phases as employees develop, and managers need to vary their leadership style (Figure 2). In the initial phase of readiness high amounts of task behavior by the manager is most appropriate (box 1). In this situation employees must be instructed, and managers will have low level of relationship behaviour and high level of guidance. In box 2 there is high task and high relationship as employees have understood the job and manager's guidance is little and there is shift on relationship. In box 3 employees have understood job well, now there is high relationship and low task emphasis.

Figure 2



There are two other types of leader. These are discussed below

#### 1. Transformational or Charismatic

One area of growing interest is the study of individuals who have an exceptional impact on their organizations. These individuals may be called transformational leaders. Through their personal vision and energy they inspire followers and have a major impact on their organizations.

#### 2. Transactional Leaders

Leaders who determine what subordinates need to do to achieve objectives, classify those requirements, and help subordinates become confident. They do routine work of the organization and are also called bureaucratic leader.

### **Managerial Leadership and Team**

As it was said in the beginning of the lecture on leadership that a leader needs followers and without followers leader has no significance. In managerial leadership it is the existence of team which is important. Besides, people get the organizational work done through people. Therefore must know the dynamics of team

### **Concepts**

- ❑ **Leadership functions:** Two important leadership functions that manager has to perform (task-related and social functions).
- ❑ **Employee centered style:** This style of leadership is more concerned with employee characteristics and accordingly adopting a leadership style.
- ❑ **Situational leadership style:** This style of leadership is the style that depends on situation.

**TEAM – I**

At the end of the lecture students will be able to understand

- Definition of teams and types of teams;
- Informal teams and their functions;
- Characteristics of teams;
- Stages of team development and

**Team**

Teams are defined as: two or more people who interact with and influence each other toward achievement of common purpose. In more general sense you might have observed cricket teams, hockey teams etc. But in the field of administration/management a group of people that manager supervises to achieve given goals is called a team or group.

**Types of Teams**

Traditionally, there are two types of teams in organizations: These are formal and informal teams. In the organizations of today, however, teams exist that have the characteristics of both formal and informal team. That is the work relationships in teams are both formal and informal.

**Formal & Informal teams**

Formal teams or groups are created deliberately by managers and are assigned to carry out specific tasks to help the organization achieve its goals. These are also called work teams. The most common type of formal group is the command team. In this team, there is a manager and all employees who report to that manager.

Another type of formal team is the committee. A committee is formed to deal with **specific** and **recurrent problem** and to provide solution to it. For instance, your university or college probably has a committee for student affairs to deal with recurring issues of students. The committees involve students also to solve a problem.

A quality circle is also a kind of team. Problem Solving, quality circle teams **meet for an hour weekly** to discuss **work-related problems, investigate the causes of problem, recommend solutions, and take corrective action**. When a team has completed its investigation and identified a solution, it makes a formal presentation to the management and staff.

Some formal teams are called task forces or project teams. These teams are created to deal with a specific problem and are usually disbanded when the task is completed or the problem is solved.

It may be mentioned that the concept of team in organization is more prevalent in organization of developed countries.

Informal teams or groups emerge whenever people come together and interact regularly. Such groups develop within the formal organizational structure. Members of informal teams tend to subordinate some of their individual needs to those of the team as a whole.

**Functions of Informal Groups**

Informal groups serve four major functions. These are as follows:

1. They maintain and strengthen the **norms** (expected behavior) and **values** their members hold in common. In other words members of team bind together because they abide the expectations of each other.
2. They give members feelings of social satisfaction, status, and security. In large organizations, where many people feel that their employers hardly know them, informal

group enable employees to share jokes and complaints, eat together, and socialize after work.

3. Informal groups help their members communicate. Members of informal groups learn about matters that affect them by developing their own informal channels of communication and information to supplement formal channels.
4. Informal groups help solve problems. They might aid a sick or tired employee or devise activities to deal with boredom. Quite often, such groups help organization: when co-workers tell nonproductive employees to “improve.” But these groups can also reduce an organization’s effectiveness, by pressurizing colleague ‘not to work’.

### High Performance Teams

There are other types of teams which are high performance teams and these have characteristics of both formal and informal teams. These are group of 3 to 30 workers drawn from different areas of an organization. These are also called “self-managed work teams,” “cross-functional teams,” or “high-performance teams”. In these teams members are taken from all the departments of organization. The members of this team are well trained and they know their roles and responsibility very well. These teams do not require much guidance and supervision.

### Self-managed Teams

Super-teams that manage themselves without any formal supervision of a manager are called self-managed teams. These teams usually have the following characteristics:

- The team has responsibility for a “relatively whole task.”
- Each Team members possess a variety of task-related skills.
- The team has the power to determine such things as work methods, scheduling, and assignment of members to different tasks.
- The performance of the group as a whole is the basis for compensation and feedback.

### Characteristics of Teams

The first step in learning to manage teams effectively is to become aware of their characteristics—that is, the way they develop **leadership roles, norms, and cohesiveness**.

### Leadership Roles

The formal leader of a team is usually appointed or elected. Informal leaders, on the other hand, tend to emerge gradually as group members interact. The man or woman who speaks up more than the others, offers more and better suggestions, or who gives direction to the group’s activities usually becomes the informal leader

### Stages of Team Development

It is also important to know the stages of team developed. Small groups move through five stages as they develop;

1. Forming;
2. Storming;
3. Norming;
4. Performing;
5. Adjourning

#### 1. Forming

This is state when group members meet. This is the initial stage of knowing each other. The group forms and learns what sort of behavior is acceptable to the group members as a group. By exploring what does and does not work in group situation, the group sets implicit and explicit ground rules that cover the completion of specific tasks as well as general group dynamics. By and large, this stage is a period of both orientation and acclimatization i.e., of knowing.

## 2. Storming

As group members become more comfortable with one another, they may oppose the formation of a group structure as they begin to assert their individual personalities. Members often become hostile and even fight ground rules set during the forming stage. This is a crucial stage in the development of team or group because differences amongst group members emerge.

## 3. Norming

In this stage the conflicts that arose in the storming stage are addressed and hopefully resolved. Group unity emerges as members establish common goals, norms, and ground rules. The group as a whole participates, not merely a few vocal members. Members begin to voice personal opinions and develop close relationships.

## 5. Performing

After the structural issues have been resolved, the group begins to operate as a unit. The structure of the group now supports and eases group dynamics and performance. Members can now redirect their efforts from the development of the group to using the group's structure to complete the tasks at hand.

## 6. Adjourning

There are groups or teams that are constituted for a given period of time. When the time period of a group ends; the group has to complete its task and then it is disbanded. With disbandment in mind, the group's focus shifts from high task performance to closure. The attitude of members varies from excitement to depression.

## Concepts

- ❑ **Group structure:** the roles and relationship within the group.
- ❑ **Norms:** the expected and accepted pattern of behaviour of individuals in group.
- ❑ **Group Dynamics:** the changing roles and relationship in group behaviour and formation and disbandment of group.
- ❑ **Quality circle:** it is a kind of team or group which works together toward performance/quality of work assigned to the team.



## TEAM – II

At the end of lecture the students will be able to understand:

- What are team norms;
- Understand team cohesiveness;
- Methods to increase team cohesiveness
- Meaning and concept of communication

### Team Norms

When group members work together they form expectations about how they and the other members will behave. Some of these norms are carried over from society in general, such as dressing “properly” for work or showing up on time. Others are particular to the group and its special goals, such as questioning “conventional ideas”.

When an individual breaks with team norms, the other members will probably pressure that individual to conform. Team norms are therefore important to adhere to by the team/group members. Without the understanding of norms and adherence to norms groups cannot function.

### Team Cohesiveness

The solidarity, or cohesiveness, or togetherness of team member is an important indicator of how much influence the group has over its individual members. The more cohesive the group-the more strongly members feel about belonging to it and the greater its influence. If the members of a group feel strongly attached to it, they are not likely to violate its norms.

Team cohesiveness plays a role in small as well as large organization in better performance. Team cohesiveness is critical in helping the individual feel good about his or her contribution to the effort as well. Highly cohesive teams often have less tension and hostility and fewer misunderstanding than less cohesive groups.

### Four ways to Cohesiveness

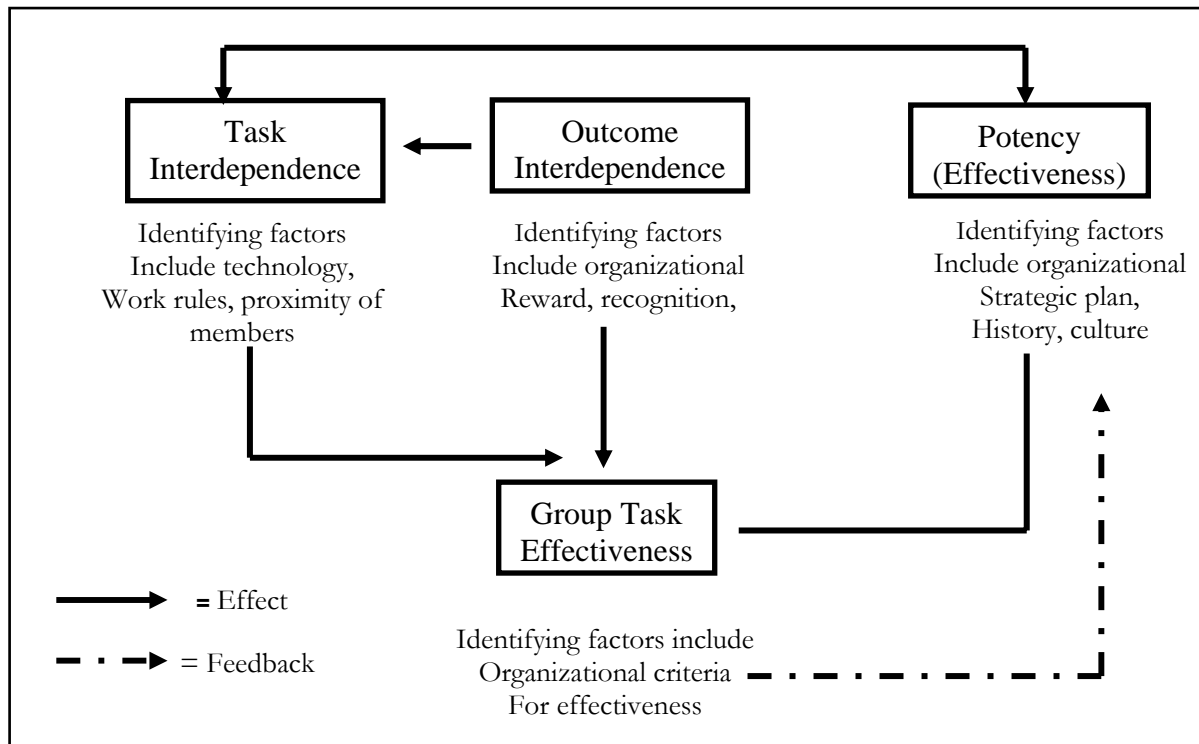
Cohesiveness or solidarity in teams can be achieved by adopting certain measures. Some of the methods are:

1. Introduce competition;
  2. Increase interpersonal attraction;
  3. Increase interaction; and
  4. Create common goals and common fates for employees
1. **Introduce Competition:** When the competition with outside individuals or other teams is increased, the group becomes cohesiveness. When the group feels outside threat or competition from outside the rational response of members is to develop cohesiveness.
  2. **Increase Interpersonal Attraction:** Sometimes people join teams whose members they identify with or admire. Thus, an organization may want to begin by trying to attract employees who share certain key values or who have common goals.
  3. **Increase Interaction:** In work situation it is not often possible for people to like everyone they work with. However, it has been observed that when people interact frequently with each other, there is gradual likeness that people develop. Increased interaction and communication can improve camaraderie.
  4. **Create Common Goals And Common Fates:** A group’s effectiveness is a function of three variables:
    - i. Task interdependence,
    - ii. Potency, and
    - iii. Outcome interdependence.

- i. **Task interdependence** relates to the dependence of workers on one group member on the work of another member. E.g. one group member's task is to straighten wire while the other group member has to cut the wire, so once the wire is cut the first worker has to round the head of wire. This is task interdependence.
- ii. **Group's sense of potency** means, shared belief of a group that it can be effective. The group potency also keeps the group together.
- ii. **Outcome interdependence** is the degree to which the consequences of the group's work are felt by all the group's members. In other words the group members have a feeling that the outcome of group efforts is not possible without each one contributing. And that the success of group is every member's success. All the three factors that create common goals and fate are shown in Figure 1.

### Determinants of Work-Group Effectiveness

Figure 1



### Making Teams Effective

Many managers' joke or complaint about committees and meetings of teams being big time-wasters. In reality, a committee or task force or a group is often the best way to pool the expertise of different members of the organization and channel their efforts towards effective problem solving and decision making. This is done by coordinating the efforts of group in effective manner.

### Guidelines for Making Committees and Meeting Effective

Committees differ greatly in their functions and activities, therefore set of broad guidelines will appropriate for all cases are recommended. The following suggestions apply to committees, and group meetings, if the skills of members are to be used most effectively:

1. The agenda and all supporting material for the meeting should be distributed to members before the meeting to give them time to prepare in advance.
2. Meetings should start and end on time. The time when they will end should be announced at the outset.

3. The committee's authority should be known i.e., Is the committee to advise, recommend or implement
4. Chairperson should be selected on his/her ability to run meetings efficiently
5. Optimum size of committee should be determined. If the members are too few members i.e. fewer than five the advantage of committee may be diminished. Similarly if the size is too large even then best of the group may not be utilized. However, size may vary according to the task assigned to group.

### Communication

Another important area of organization and for manager's effectiveness is **Communication**. Communication is the back bone of organization's survival and growth. Organizations must be able to pass on their **mission goals** and **Objectives** effectively to all members of organization. The communication is also important because all managerial activities and functions like motivation, leadership, teamwork etc., are dependent on communication. Without communication it is not possible to run the organization effectively and efficiently

### What is communication

Communication is defined as the transmission of information/ message (written or verbal) from one person to another or from one place to other.

### The Importance of Effective Communication

Effective communication is important for following reasons:

1. Communication provides a common thread for the management processes of planning, organizing, leading, and controlling, team work, etc.
2. Effective communications skills can enable managers to draw on the vast array of talents available in organization.
3. Managers do spend a great deal of time communicating. Rarely are managers alone at their desks thinking, planning, or contemplating alternatives. In fact, managerial time is spent largely in face-to-face, electronic, or telephonic communication with employees, supervisors, suppliers or customers etc.

### Interpersonal Communication

Communication is defined as the process by which people seek to share meaning via the transmission of symbolic messages. The definition of communication has three essential points. These are:

- (1) Communication involves people, and communication involves trying to understand how people relate to each other;
- (2) Communication involves shared meaning, which suggests that in order for people to communicate, they must agree on the definitions of the terms they are using; and
- (3) Communication involves symbols, gestures, sounds, letters, numbers, words etc. And language can only represent or approximate the ideas that they are meant to communicate.

### Concepts

- **Team cohesiveness:** Solidarity, together of members of group.
- **Task interdependence:** The tasks assigned to members in group are interdependence.
- **Outcome interdependence:** The outcome or result of group activity is the result of effort of all members and all members share the reward or take pride in the result.
- **Potency effectiveness:** Every member in a group contributes effectively to achieve results.
- **Communication:** Transmission of information/message (written and verbal) from one person to other.

## COMMUNICATION – I

At the end of the lecture students will be able to:

- Understand the process of communication;
- Understand what is effective communication and
- Understand barriers to communication in organization.

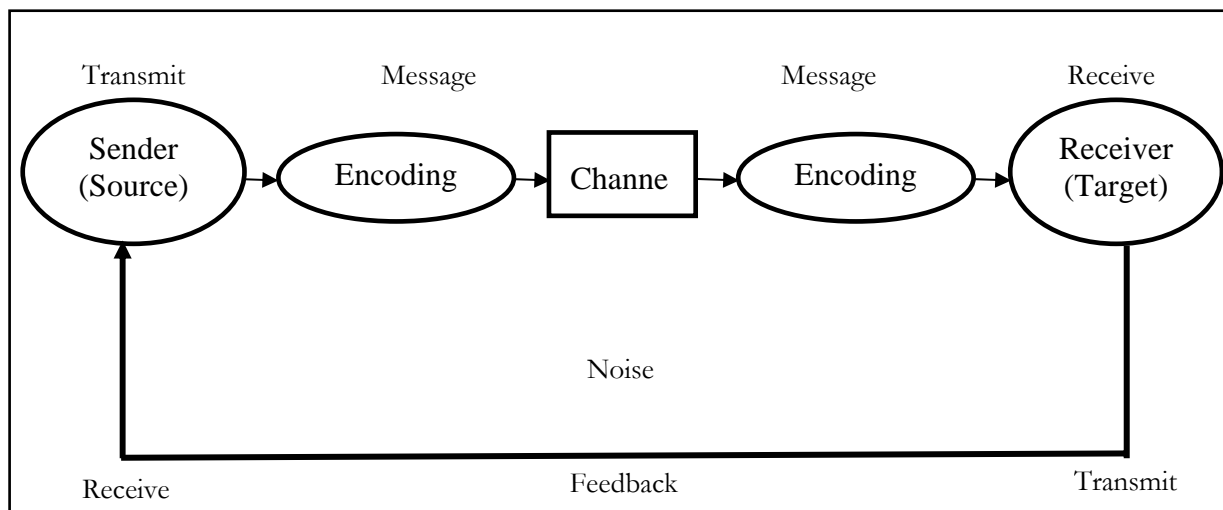
### The Communication Process

In our every day life we are communicating or sharing information and ideas. Sometimes we understand what the other person is saying sometimes we misunderstand. And misunderstanding can lead to differences, conflict or grievances etc. How communication affects our life and working in organizations is explained through example:

Example: Most of us are familiar with the game of “telephone,” in which one person whispers a message into the ear of another, who whispers the message to the next person, and so on. Inevitably, when the last person says the message out loud, it is quite different from what was first whispered in the ear of first person.

This example of “Telephone” illustrates numerous complexities in the communication process. We will highlight three such complexities in the communications model which will be presented to you. In figure 1 we have tried to show that (1) communication takes place in relationship between a sender and a receiver, (2) communication can flow in one direction and end there and (3) message can elicit a response which is formally known as feedback—from the receiver. What do we interpret from the figure? The figure is explaining to us that in a simple flow (transmission) of information from one person to another person, it is the feedback which tells us if message is correctly received or not .

A Model of Communication  
Figure 1



We must remember we are being flooded with communication everyday, when we watch advertisements on T.V., boards etc. All advertisement is sending out messages of different kinds and we are being bombarded with information.

We will now see each component of the figure separately:

**The sender**

The sender (source of the message) initiates the communication with some purpose. In an organization, the sender will be a person with purpose for communicating message or instruction to one or more people in organization.

**The Receiver**

The receiver is a person whose senses perceive the sender's message. The message can be in words, symbol, gesture etc. There may be a large number of receivers, or there may be just one. The message must be crafted or designed with receiver's background in mind.

**Encoding**

Encoding takes place when the sender translates the information to be transmitted into a series of words, symbols etc. Encoding is necessary because information can only be transferred from one person to another through representations of words or symbols etc.

**Decoding**

Decoding is the process by which the receiver interprets the message and translates it into meaningful information. It is a two-step process. The receiver must first perceive the message and then interpret it. Decoding is affected by the receiver's past experience, knowledge, position in organization etc.

**Noise**

Noise is any factor that disturbs, confuses, or otherwise interferes with communication. Noise can arise along what is called the communications channel, or method of transmission (such as air for spoken words or paper for letters) or external or internal (as when a receiver is not paying attention). Noise can also be referred to as "barriers" to effective communication.

**Feedback**

Feedback determines whether the message received by the receiver was understood in the manner in which the sender wanted to convey the message. And that there is no misunderstanding and misinterpretation of message.

**Types of Communication**

Communication can be following two types:

1. Formal (written): letters, memos, reports, any document in organization
2. Informal: unwritten, word of mouth, gossip, exchange of information in the informal groups etc.

**Other Types**

Other types of communication are:

1. Verbal: Instructions, discussions etc.
2. Non-verbal: gestures, dress, body language, a frown, smile, twitch nose etc.

**Interpersonal Communication**

We have to understand the difference between communication in general and interpersonal communication. Interpersonal communication is the communication that takes place between and amongst individuals. The process of communication in interpersonal communication is same i.e. sender, transmission, receiver, feedback etc. The message must be understood clearly and without any misunderstanding.

**How to Improve Communication**

Communication, whether interpersonal or general can be improved significantly, if barriers to communication are understood well. How well, those communicating deal with four aspects of the communications.

These following measures are also referred to as “barriers” to communication:

1. Differences in perception;
2. Emotional state;
3. Inconsistencies between verbal and non-verbal communications, and
4. Trust (or distrust) between communicating parties.

### Differences in Perceptions

This is one of the most common communication barriers. People who have different backgrounds of knowledge and experience often perceive the same phenomenon from different perspectives. Suppose that a new supervisor compliments a worker for his or her efficiency and high-quality of work. Some may see this praise due to workers’ “nice behaviour” to the supervisor. Language differences also are often closely related to differences in individual perceptions.

### Emotions all State

Emotional reactions like, anger, love, defensiveness, hate, jealousy, fear, embarrassment etc. influence how we understand others’ with our own messages. When we are in intense emotional state the message can be mis-interpretation can misunderstood. If employees are behaving aggressively or sullenly, managers should get them to talk about their concerns and pay careful attention to what they say.

### Inconsistencies between Verbal and Non-verbal Communication

The messages we send and receive are strongly influenced by such nonverbal factors as body movements, clothing, the distance we stand from the person we’re talking to, our posture, gestures, facial expressions, eye movements. Suppose while a manager is using word of praise but has frown on the face, a confused message will be conveyed.

### Trust (or Distrust)

A receiver’s trust or distrust of a message is, to a large extent, a function of the credibility of the sender in the mind of the receiver. A sender’s credibility is affected by circumstances in the context in which he or she sends the message. In here the history of a work relationship comes to bear on communication, in terms of promises kept and broken. For example: a manager asks workers to complete certain task and output in a given time frame and promises to pay bonus. But when the workers finish the task and output in a given timeframe and are not paid bonus, distrust develops.

### The Importance of Effective Communication

1. Effective communication provides a common link for the management processes of planning, organizing, leading, and controlling and
2. Manager’s time is spent largely in communication with employees, supervisors, suppliers, or customers. There effective communication skills of managers are very essential to get the work accomplished.

### Concepts

- ❑ **Sender:** A person who sends message.
- ❑ **Encoding:** An idea, message etc. to be conveyed to the receiver is translated in words, symbol, picture etc.
- ❑ **Decoding:** Deciphering or interpreting the message that is received in the form of words, symbols or picture etc.
- ❑ **Noise:** In communication “noise” is anything that leads to misinterpretation of the original message.

## COMMUNICATION – II

At the end of the lecture students will be able to:

- Understand the factors in organizational communication;
- Understand the use of communication in negotiation and
- Summarizing the concepts in communication.

### Factors in Organizational Communication

As we know organizations have structure and within this structure are roles and relationships between and amongst roles, communication in organizational structure follows a system. Communication within organization flows along the structure of organization. These are called **formal channels of communication**. Formal channels of communication influence communication in two ways: one, the size of organization i.e., the larger the size of organization, longer it will take for communication to reach the bottom of organization. Second, the formal channels of communication can inhibit the free flow of information between organizational levels and horizontal level.

Other factors that influence organizational communication are discussed below:

#### 1. Authority Structure

Organization's authority structure is the structure that shows the amount of authority a particular position has. Authority has influence on communication. Status and power differences in the organization help determine who will communicate comfortably with whom. If the communication takes place between senior and subordinate, senior will communicate comfortably with subordinate. But subordinate may not be able to do so. The content and accuracy of the communication will also be affected by authority relationship.

#### 2. Job Specialization

Job specialization refers to specialized areas in which employees work. For example doctor will communicate well with doctor. So communication within differentiated groups is easy. Members of the same work group are likely to share the same jargon, goals, tasks, and personal styles. Communication between highly differentiated (specialized) groups, however, is likely to be inhibited or difficult. For example communication between doctor and engineers.

#### 3. Information Ownership

The term information ownership means that individuals possess unique information and knowledge about their jobs. For example, a darkroom employee may have found a particularly efficient way to develop photo prints. So this information belongs to this employee and he may not share this information with others.

### Problems

Since organizational communication has to follow through organizational structure it is likely to be filtered or halted at each level as managers decide what information should be passed down to employees and what information to be kept at the top. Similarly employee may not give all information to managers (Upward communication). It is likely to be filtered by middle level managers, who see part of their job to protect upper management from unpleasant information from below to be passed upwards.

We have just mentioned that information from top down and from bottom up is filtered. What is this flow of communication called and for what purpose it is used. Communication from top-down and bottom-up is called **vertical communication** and communication that flows horizontally between same levels of employees in organization is called **lateral communication**.

### Vertical Communication

It consists of communication up and down the organization's chain of command. The major purposes of downward communication are to advise, inform, direct, instruct, and evaluate employees and to

provide organization members with information about organizational goals, objectives and policies. The communication from down-up is usually used for problem solving, grievance handling and maintaining harmony amongst employee and to determine the performance of employees.

### Lateral and Informal Communication

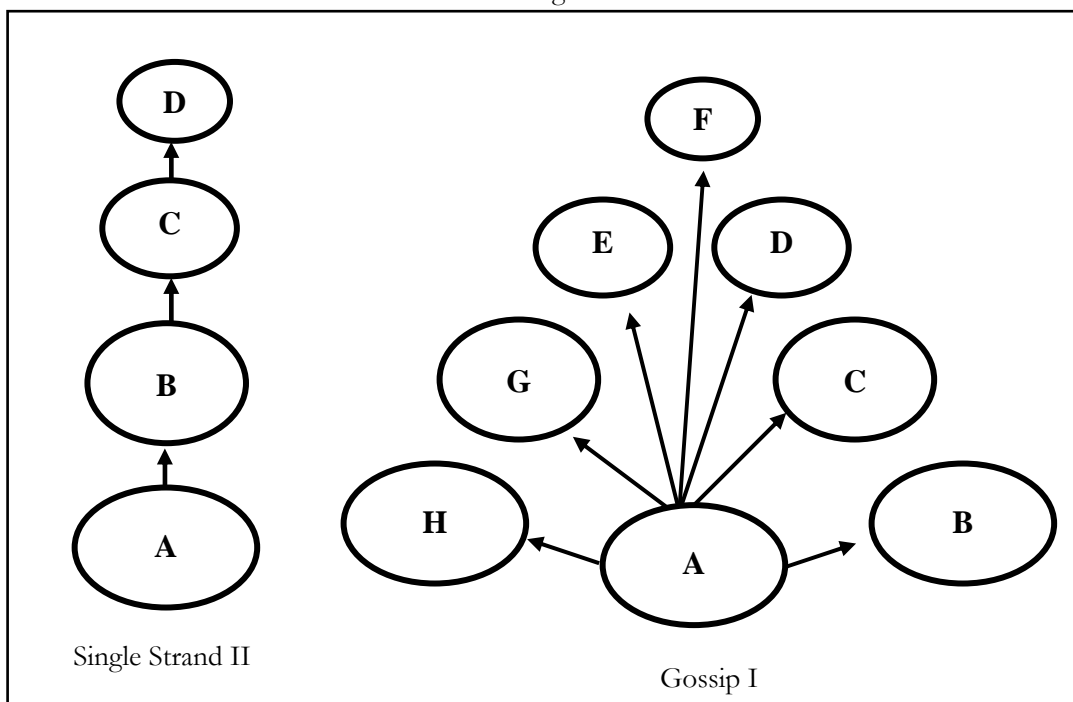
Lateral communication usually follows the pattern of work flow in an organization, occurring between members of work groups, between one work group and another, between members of different departments, and between line and staff employees.

The main purpose of lateral communication is to provide a direct channel for organizational coordination and problem solving. So, it avoids the much slower procedure of directing communications through the chain of command. The benefit of lateral communication is that it enables organization members to form relationships with their peers.

One type of informal communication is the grapevine. The grapevine within organizations is made up of several informal communication networks that overlap and intersect at a number of points—that is, some well-informed individuals are likely to belong to more than one informal network. Figure 2 shows two types of grapevine or informal communication. In the situation I person A spreads information to B,C,D,E,F,G and H. Now each one may perceive information according to their understanding.

### Grape Vine

Figure 1



In situation II information flows from A to B, from B to C and from C to D. When information is passed from one person to other verbally it is called informal or grape vine communication. This type of communication has certain disadvantage. e. g. some confidential information can leak out which may hurt organization objectives.

### Using Communication Skills

We each must deal with conflict in our personal lives and organizational activities. Conflict involves a disagreement about the allocation of scarce resources or a clash of goals, statuses, values, perceptions, or personalities. Much of the conflict we experience arises from our communication.

Sometimes we communicate clearly, but sometime we don't. But clear communication is essential part of organizational and life in general i.e., that the message must be put across clearly. Lack of clarity in



communication can lead to conflict. Negotiation can help us manage conflicts of all types in more effective and mutually satisfying way. What is negotiation? Negotiation is a process by which two parties interact to resolve conflict jointly.

### Negotiating To Manage Conflicts

Daily life offers countless examples of negotiation. We negotiate with parents when we ask them to allow us to go on a tour with friends. We negotiate with friends about which recreational activities to pursue. We negotiate with our boss about working hour and conditions. According to Lewicki and Litterer, all these “negotiation situations” are defined by three characteristics. These are:

1. There is a conflict of interest between two or more parties; that is, what one wants is not necessarily what the other one wants.
2. There is no fixed or established set of rules or procedures for resolving the conflict, or the parties prefer to work outside of a set of rules and procedures to invent their own solution to the conflict.
3. The parties, at least for the moment, prefer to search for agreement rather than to fight

Many factors are important to successful negotiating. The actual negotiation process depends on:

1. whether the parties see their interests as depending on each other
2. The extent of trust or distrust between the parties;
3. Each party’s ability to communicate clearly and to persuade or coerce the other party to accept its point of view;
4. The personalities and idiosyncrasies of the actual people involved; and
5. The goals and interests of the parties.

### Guidelines for Negotiations

For negotiations to be successful managers must keep in view the following:

1. Have a set of clear objectives on every bargaining item;
2. Do not hurry;
3. Be well prepared with data;
4. Maintain flexibility in your position;
5. Be a good listener

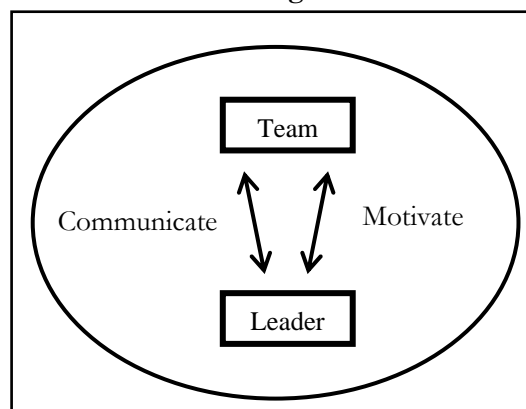
To sum up negotiations help reduce conflict and creates harmony in relationship. Communication acts as the thread that makes negotiations successful.

### Interlink age.

Motivation, Leadership, teamwork Communication and Negotiation complement each other. A leader requires all these skills which help him to keep team together. Figure 2 illustrates this relationship.

### Interrelationship of Communication and Managerial functions.

Figure 2



**Concepts**

- ❑ **Authority structure:** Hierarchical structure of organization wherein each level and position has authority to get work done.
- ❑ **Differentiation:** It is job specialization where in each job is different from other with respect to its specialization.
- ❑ **Information ownership:** Each employee according to the position he/she is holding has some information/knowledge related to the job.
- ❑ **Negotiation:** Process by which two parties resolve conflict jointly and both parties get something in return.

## DISTRICT ADMINISTRATION

In this lecture and the lectures up to 42, we will discuss administration at the local level and its responsibilities. At the end of this lecture students will be exposed to the :

- Concept of district administration;
- Functions of deputy commissioner as the head of district and
- Other departments that function at district level.

### District Administration

District administration is defined as the cutting edge of the tool of public administration (S S Khera). By this it is meant that district form the pivot of administration. District administration as a concept of public administration stems from the dispersal of state authority largely in countries with centralized administration. It is at the district level that people have a feel of government. Before year 2000, district administration was a unified organic administrative organization. The district magistrates or deputy commissioner was responsible for the cooperation and orderly application of all resources. His task was of five kinds: **Revenue, magisterial, judicial, executive and development**. The purpose of district administration was:

1. Maintain law & order;
2. Structural arrangement for dispensation of justice;
3. Assessment and collection of a number of taxes including land revenue, irrigation rates etc;
4. Maintenance of land records;
5. Regulatory and control function such as rationing of food, regulation of movement of commodities or purchase of agriculture produce;
6. Response for immediate action of natural calamities such as flood, disaster etc.
7. Execution of development activities

### Background

The district administration has its origin from the Muslim revenue system established by Sher Shah Suri (1529-45). He divided his empire into 47 divisions or *Sarkar*, which was subdivided into 113,000 *parganas*. He established office of revenue at *sarkar* and *parganas*. In the broad sense, Deputy Commissioner was the descendent of Faujdar of Mughal administration (Mughal kings did not change the administrative structure established by Sher Shah Suri). The Mughal Empire was divided into provinces (*subas*) and district (*sarkar*). The provinces were headed by governor who was responsible for law & order and revenue collection. The district (*sarkar*) was subdivided into *parganas*; which was headed by *shiqdar* who was responsible for law & order and general administration. The Mughal had no functionary at the village level, but *Muqaddam* use to perform revenue function. He used to collect revenue. Patwari was an accountant, who uses to keep account of cropped areas, the crops sown and revenue demanded. In the Mughal system there was separation of judicial and revenue collection functions.

The British largely adopted the administration of Mughal, in the North of sub continent.

### The British Period

The evolution of modern district administration system can be traced back to Warren Hasting who initiated the appointment of full time collector to supervise 'zamindar'. Later they were given the dual authority of revenue collection and judge. And were known as Judge-Magistrates. In 1818 , they were given policy control of the districts in some provinces. In 1829 Lord William Bentick appointed commissioners of revenue and circuit. These commissioners supervised the work of Judge-Magistrate and worked as court of appeals. Between 1831- 1857 the main functions of Collector-cum-District Magistrates (DM) was to collect revenue and law and order. After 1857 the responsibilities of DM were extended to development, irrigation functions, hospital, roads, and railways. In 1861 the control of police in the district was given to DM, and he was to be the head of all government departments in district.

**After Independence**

After independence the District administration was effective and useful in responding to the requirements of public and organizing rehabilitation of refugees, settlement of evacuee properties etc. Apart from the old regulatory functions he was to perform new functions like industrialization, education, health. In the new situation he had to be more responsive, accessible, responsible and accountable. The functions to be performed by DM were:

**Functions**

1. Executive
2. Judicial
3. Revenue
4. Coordinative functions

**1. Executive**

Law and order is one of the important functions to be performed by DM. In the executive functions were included the power to give license, permits etc. He reported to the provincial government on the political and criminal conditions

**2. Judicial functions**

Deputy Commissioner works as DM as he supervises the functioning of all executive magistrates. DM was also performing judicial functions such as judicial inquiries, the trial of cases etc. DM presided over many courts which deal with preventive laws relating to the breach of peace. In the past all the magistracy was organized under the DC

**3. Revenue**

DM was also collector of revenues, like land revenue, water rates etc. the management of land, accounting of revenue and implementation of reforms.

Land revenue was an important source during British period. The revenue on land, however, declined after partition.

**4. Coordinative**

DM also performed coordinative functions in the districts. He was not a technical person but person who had knowledge and experience of general administration departments like health, education, irrigation, public work, industry etc. although independent in hierarchy, but their activities were coordinated by DM.

**Miscellaneous**

As the head of district DM would organize election, relief and rehabilitation work, protocol duties, attending functions, meetings etc. He was expected to remain constantly accessible to public

**Other Departments at District Level**

In addition to the office of DM, there were other important departments that existed. There were:

- District and session judge was the highest court of criminal and civil in the district;
- Superintendent of police at district level;
- District Health officer at district level;
- District Education officers at district level
- Executive Engineer at district level;
- Excise and taxation officer

**The Issues**

As the size of population increased the demand and pressure of work at the district level increased. The district though still important from the administrative and development aspect, the office of Deputy Commissioner (DC) could not come up to the challenge. The reasons were many for the declining performance of the office of D.C. Some of the reasons for low performance were:

- Administrative Reforms 1973 took the constitutional guarantees of civil servants. The constitutional guarantees provided protection to civil servants against the unnecessary intervention by the politician. These protections were taken away. This made them vulnerable to political interference.
- The technical vs. generalist debate: There was strong resentment that DC is a generalist, i.e. does not specialize in any particular field and he coordinates the activities of specialized department.
- Inaccessibility of DC: Because of the pressure of work DC had become inaccessible to general public.
- Too much concentration of power in one individual: The office of DC had too much of power and this made it inefficient.

**Concepts**

- Executive function:** The responsibility to execute or implement development projects.
- Judicial function:** To hear and announce verdict on criminal and civil cases.
- Magisterial functions:**

## DEVOLUTION PLAN – I

In the last lecture we discussed the office of Deputy Commissioner and the challenges it confronted due to increased population and concentration of power in one office. Today we shall examine the concept of **devolution** and **local government** and **its structure**.

### Country Information

Pakistan has an area of 796,096 sq.km. Its estimated population is 145 million. It has four provinces, territory of Islamabad and federally administered tribal areas. There are over 100 districts in the country.

Prior to devolution of services to the local areas, the administrative structure was divided into Province, Division and District. The real government functions were performed at the district level. The division was headed by Commissioner and district by the Deputy Commissioner. As we discussed in the last lecture the office of Deputy Commission was overloaded by work. The Deputy Commissioner became inaccessible. Therefore, there was need for devolving the services to the people's representatives. We now examine the definition of **devolution**.

### Devolution Defined

Devolution is defined as the transfer of resources and power (and often, tasks) to lower-level authorities which are largely or wholly independent of higher levels of government, and which are **democratic** in some way and to some degree (Manor, 1997).

### Encyclopedia Britannica:

“Local Govt. means the authority which determines and executes measures within an area inside and smaller than the whole state.”

### Why Devolve?

What is the need for devolution? There could be many reasons to devolve but the main reason is to: improve governance and public service delivery by increasing:

1. **Allocative efficiency:** through better matching of public services to local preferences. It means that instead the centre deciding to provide service the local people should identify their preferences for services.
2. **Productive efficiency:** through increased accountability of local governments to citizens, fewer levels of bureaucracy, and better knowledge of local costs. It is more efficient to provide services at local levels because people know their needs, they know at what cost services can be provided and there will be fewer levels of bureaucracy.

### Tiers or Level of Government

In a democratically devolved government, there are three levels of governments. These levels are:

1. Central government at the centre
2. Provincial or state government
3. Local or devolved government

### Obligatory Functions

Each level of government performs its own functions. For example the government at the Centre has the responsibility of defence, currency regulation foreign affairs. As you may recall the Constitution provides Federal Legislative List and Concurrent List, which defines the functions of federal government and both federal and provincial government. But no functions are given for local government. However, the Local Government ordinance provides certain obligatory functions that the local government must perform. Some of these functions are:

1. Supply of wholesome water
2. Construction and maintenance of public streets
3. Lighting and watering public streets
4. Regulation trades
5. Maintenance and support of public hospitals
6. Establishing and maintenances of primary schools
7. Registration of births and death
8. Naming streets and numbering houses

From these functions what we can infer is that these functions are very small in magnitude but very essential for local areas and local people. So it remains the responsibility of the local government to provide these services to local people.

### **Discretionary Functions**

While the above are obligatory functions i.e. that local government must perform. There are functions that local government may or may not perform. These are called discretionary function. Some of the discretionary functions are:-

1. Security or removing dangerous building or places
2. Housing for low income groups
3. Promotion of welfare of municipal employees
4. Provision of transport facilities

### **Local Government in Pakistan**

In 1947 the area that comprised Pakistan had not so developed systems of local government and the local government existed was under severe bureaucratic control of the deputy commissioner who played a crucial role in policy making.

### **The Period 1958-1969**

In 1958 the “Basic Democracies” system was introduced, which created 80,000 “basic democrats,” or union councilors in the country. These local leaders (union leaders at union council) constituted the Electoral College for presidential elections and for elections to the national and provincial legislature created under the constitution promulgated in 1962.

Under the Basic Democracy Ordinance 1959 areas were defined under the jurisdiction of a municipal body. Town committees were set up for towns having population of less than 14000. Town committees were expected to perform 37 functions including promotion of social welfare, health etc. In urban areas each council elected a chairman amongst its member who served as executive head of town committee.

Union council was also assigned 37 functions. The Tehsil council was to coordinate the activities of union council and union committees in its jurisdiction. But Tehsil councils had no taxation powers like union councils.

Until 1969 this arrangement lasted. A general election was held in 1970 and in 1973 new constitution was promulgated.

### **Constitutional Provisions of Local Government**

The Constitution enforced on 14 August, 1973 by articles 175(3) that “Judiciary shall be separated progressively from the executive within 3 years from the commencing day”. Article 37(i) states that “The state shall decentralize government administration so as to facilitate expeditious disposal of its business to meet the convenience and requirement of the public”. But there was no formal article in the Constitution that would mention the Local Government Creation. As it is mentioned that governments from time to time established local government. In 1959 the Basic Democracy Ordinance was promulgated and in 1979 also Local Government Ordinance was announced under which local body elections were held. This Local

government ordinance is being amended in Punjab, Sindh and NWFP, while Balochistan's local governments' ordinance 1980 is also being amended.

### **Local Government Plan 2000**

There were two broad aim of Local Government Plan 2000. One was the Devolution of political powers i.e. there should be three tiers of elected leadership having vision, mission and goals and Decentralization of administrative authority; i.e. more autonomy to district departments

More specifically the purpose of changing the system was to:

1. decentralize administrative authority to district level and below;
2. allow public participation in decision making;
3. facilitate monitoring of government functionary by monitoring committees;
4. eliminate delays in decision making and disposal of business;
5. ensure functioning of related offices in an integrated manner
6. redress grievances of people against mal-administration

### **Concepts**

- ❑ **Devolution:** Transfer of resources and authority to lowest level.
- ❑ **Obligatory function:** Functions that are essentially to be performed by local government.
- ❑ **Allocative efficiency:** Services and goods that match the need of local people.



## DEVOLUTION PLAN – II

In this lecture we will examine the **reasons for devolution**, the **Devolution plan and its purpose** and the areas where devolution has occurred.

### Devolution

In the last lecture it was mentioned that devolution is based on the separation of the executive from the judiciary, and Article 37 (i) required government to decentralize its operations so as to bring these closer to the public. The changes included the doing away with the existing three levels of de-concentrated provincial administration (divisions, districts and tehsils). It meant it was felt that there was need to separate the three branches of government (i.e. judiciary, executive and legislature).

As we know that the 1973 Constitution contains Federal and Concurrent List which centralizes revenue responsibilities by bringing the sales tax under federal control, and the list takes many of the other responsibilities of provincial government. This centralizes the functions and revenue generation capacity of provinces. There is thus a significant mismatch between expenditure responsibility and revenue generation capacity of the lower tiers of government, and the provinces in aggregate depend on federal transfers for over 78 percent of their revenues. When they depend for revenues from the Federal Government they have little freedom to plan their own projects.

### What Does Devolution Do To The Local State?

Local government as we know is the lowest level or district government. Within districts there are tehsil and in a tehsil are union councils. As we have learnt that Constitution although has provision for separation of powers, yet it centralizes power. Devolution Plan 2000 creates local institutions and empowers these institutions to design development schemes. This is done by creating local governments. In 100 districts there are now 6,458 new local governments and 4 city districts; 306 tehsil municipal administrations and 29 city towns; and 6,022 union administrations. Under the Devolution Plan there are political reforms, financial reforms and administrative reforms. Political Reforms had held elections of 126,462 new union councilors.

### Aim of Devolution Plan

It would be pertinent to outline the aim of Devolution Plan 2000. There are three broad aims of Devolution Plan. These are:

1. To introduced new blood into a political system considered to be the domain of historically entrenched interests. It was felt that the old and conventional political leaders discouraged young politicians to participate in election.
2. To provide positive measures for marginalized citizens which include women, workers, peasants-to have access to politics; and
3. To improve service delivery of social services in particular. It was argued that if local governments, appropriately empowered, staffed and resourced, would deliver better primary health, education and municipal services like water and sanitation. A second service-delivery objective was to improve the laws about property, labour rights and economic activities were determined and enforced. Thus, local governments were given responsibilities to regulate and administer laws on land, labour natural resources.
4. The devolution also aimed to facilitate access to justice. The belief that performance of local administration, courts and police would improve basic human rights.

### Citizen Participation

Since devolution aimed at providing and improving services at the local level, therefore, Citizen Community Boards (CCBs) are set up for alternate dispute resolution, monitoring of court conduct, promoting justice, accountability of the police and administrative grievance redressal. The CCB comprise

elected people of the area, teachers, doctors, lawyers and other professional. The CCB monitors various programme implemented at local level.

### Administrative Reforms

The executive branch of each district government is divided into 10-13 departments, depending upon the provinces that carry out its functions. The District Coordination Officer (DCO) established as the highest-ranking civil servant in the district, heads the District Coordination Department. The office of DC has been abolished and its powers divided among the district and session judge, district nazim, the District Police Officer (DPO) and the DCO. An Executive District Officer (EDO) heads each of the remaining departments. In tehsil the Tehsil Municipal Officer (TMO) performs coordination function similar to EDO. There are 4 tehsil, *taluka* or Town Officers (TO), reporting to the TMO: TO (Regulation), TO (Infrastructure), TO (Finance) and TO Planning).

### Provincial Finance Commission (PFC)

Changes in fiscal transfers have been made to complement the devolution of expenditure responsibilities. On the pattern of federal – provincial arrangements transfer to local government were to the determine by PFC. Local governments have been given the powers to raise some additional revenues and Provincial Finance Commissions (PFCs) have been established to make awards for distribution of resources between the province and local governments as well as distribution among local governments.

According to the legislation establishing PFC, the PFC is to evolve a formula for distribution of resources. The legal provision of the PFC Ordinance aim at the creation of medium-term formula – based transfer system. It took some time for PFC to announce its first award, because the office of PFC was not set up. The PFC interim award was made in 2002. It was intended to cover the first two quarters of 2003. Full award was announced by the end of the first quarter Financial Year (FY) 2003 to cover the last two quarter of FY 2003 and the subsequent 3 years (FY 2004-06). The final award has not been made and interim awards were extended to cover the rest of FY 2003.

What constitutes a divisible pool for allocation of local share varies somewhat across provinces with the general practices that provinces make some exceptions from Provincial Consolidated Fund.

The local share of the divisible pool is as follows:

Punjab	39.8% to districts
Sindh	40.0% to districts
NWFP	40.0% to districts
Balochistan	31.0% to districts.

Population is the most important indicator used in all provincial awards.

### Responsibilities

Following are responsibilities of local government:

1. Elementary and secondary education,
2. Primary and secondary health,
3. Agriculture and intra-district roads.
4. Towns and tehsils have been assigned municipal service responsibilities-including local roads and streets, water supply systems and sewers and sanitation.
5. Although union administrations have not been assigned any major service-delivery responsibilities, they are responsible for small-scale development projects

### Separation of powers

The office of the deputy commissioner was the local face of the government. This office performed executive, magisterial, judicial and development function. It had all administrative powers to implement official policy. The creation of the office of the District Coordination Officer has also entailed the abolition of the office of the district magistrate and the cadre of executive magistrate under deputy commissioner.

With devolution, all judicial powers of the executive magistracy are now vested in the judiciary; each civil judge now also acts as a judicial magistrate, while the District and Session Judge exercises the powers of the erstwhile district magistrate.

The police that functioned under the deputy commissioner now are placed under *nazim*.

### **Political Reform**

As it has been mentioned that the Devolution Plan also aimed at political reforms. The purpose of political reforms was to introduce young people in politics. Thus a union council which has a population of 25,000, some 126,462 new union councilors were elected. A union council is composed of 21 directly elected members. The union nazim becomes member of Zila council and naib nazim member of Tehsil council. The remaining 19 seats are as follows:

12 Muslim seats (4 are reserved for women), 6 seats for peasants and workers (2 are reserved for women), 1 seat for minority communities.

### **Concepts**

- ❑ **Citizen Community Board:** These are bodies at district level that oversee the work of government departments.
- ❑ **District Coordination Officer:** Is an officer at district level that has to coordinate the functions of department at district level.

## POLITICAL REFORMS

In this lecture we will examine the Political reforms, Administrative structure and Financial arrangements (PFC) in greater detail.

### Political Reforms

*Electoral Arrangements:* The foundation of the electoral structure for the three tiers of local government is the union council. The union is a multimember ward for the election of members of the union council that is, each constituency is on average 25,000, and each union council is composed of 21 directly elected members. The *nazim* and *naib nazim* (mayor and deputy mayor) are elected on a joint ticket. The remaining 19 seats are, as discussed in last lecture, as following:

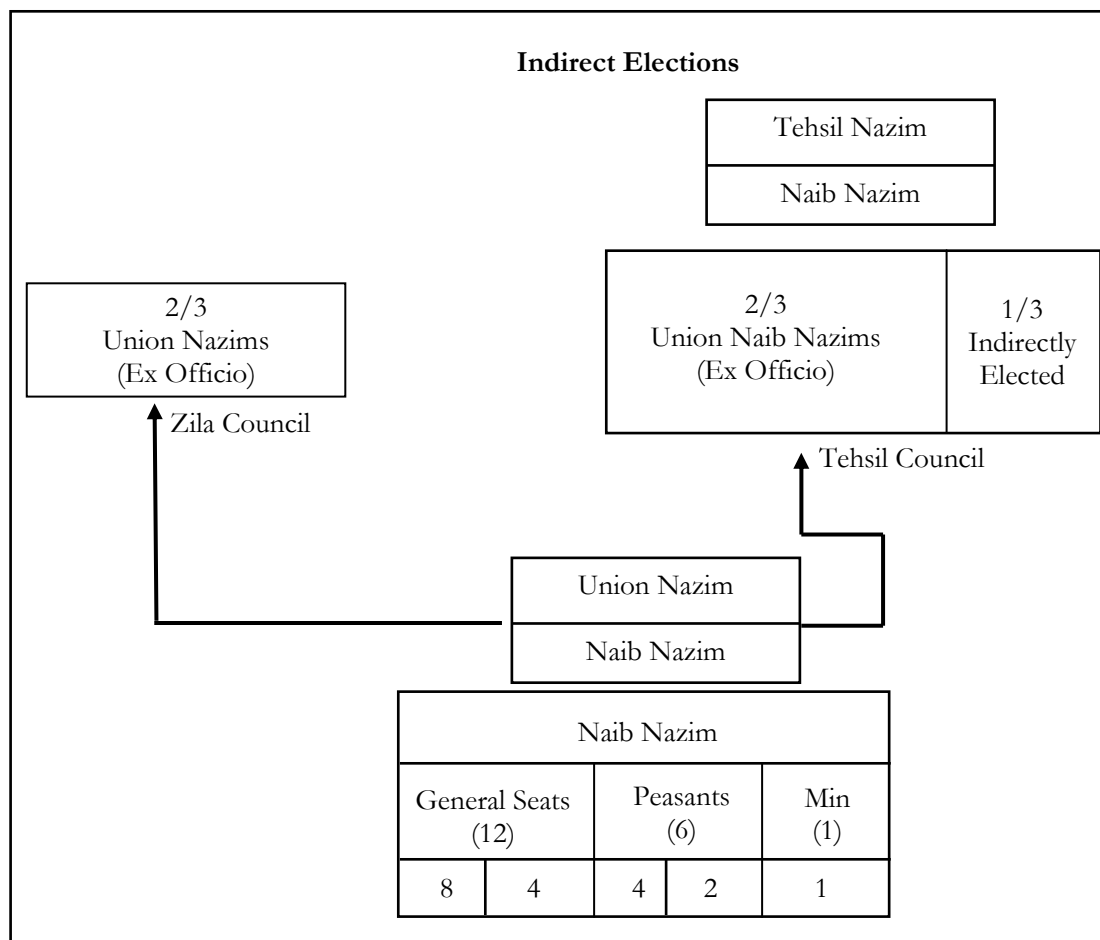
- 12 Muslim seats, 4 of which are reserved for women;
- 6 seats for peasants and workers of which 2 are reserved for women;
- 1 seat for minority communities;

### Indirect Elections

The nazim of the union council then becomes member of district council and naib nazim of union council becomes members of tehsil council.

The union councilors constitute the Electoral College for the district or tehsil councilors and for the district and tehsil nazim and naib nazim. 1/3 of seats are reserved for women (directly elected at union council level and elected by Electoral College of Union Councilors at tehsil and district level).

Figure 1



In addition 5 percent of district and tehsil seats have been reserved for peasants (in rural constituencies) or workers (in urban areas), and 5 percent for minorities. Thus overall districts council and tehsil council are made up of about 2/3 directly elected members and 1/3 indirectly elected including nazim and naib nazim. The size of district and tehsil councils varies according to the number of union councils within district. Each tier of local government has a term of office of 4 years, with 2 term limit for nazimeen and naib nazimeen. The indirect elections system is illustrated in Figure 1.

### District

There is a departure from convention and in the Devolution Plan, at district level representation of marginalized groups is intentionally designed in the election. Thus, there are 33 % seats for women in the District Council. Similarly 5% seats are for workers and 5% for minorities.

In order to have better quality of elected representative a condition of matriculation/secondary school has been kept.

### Tehsil

Likewise for better representation of marginalized groups following seats are kept at Tehsil level:

- 33% women seats
- 5% for workers/peasants
- 5% for minorities
- Qualification of at least matriculation / Secondary certificate or Equivalent.

Each tier of local government has a term of office of four years, with a two-term limit for *nazimeen* and *naib nazimeen* at all levels of government .

### Functions of Union Council

We have discussed the functions of district council. And we have also discussed the function of Tehsil council. Union Councils as we know are the lowest local unit in rural areas (the lowest unit in urban area is town committee. A Union Council as we know has a population of 25,000 performs following functions:

1. Municipal function is the function of sewerage and sanitation i.e. cleanliness of area.
2. Finance: Performs financial function of managing expenditures and rousing revenues.
3. Public safety: Managing bridges, culvert etc.
4. Health: Provision of basic preventive health care, like controlling epidemics etc.
5. Education: Provision of basic primary education.
6. Literacy: Literacy programmes for adults who were unable to receive primary education.
7. Justice: Provision of justice in civil cases through “masalihat Councils”

In addition Union Council also performs following functions:

- a. Undertake development projects in connection with above mentioned functions.
- b. Impose taxes, to fund annual development plan. The proposed revenue raising authority of Union Council is: fee for licensing of professions and vocations, fee on sale of animals in cattle market, market fee, fee for certification of births, marriages and deaths etc.
- c. Local securities system-union guards
- d. Creation of villager council, citizen like community boards.

### Structure within local government

We have discussed the administrative structure of local government in the last lecture and it was mentioned that the executive branch of each district government has 10 to 14 departments, The DCO, the highest-ranking civil servant in the district, heads the District Coordination department. An Executive District officer (EDO) heads each of the remaining departments. The staff at district and tehsil level was mentioned. In addition three groups of employees were assigned to the new district governments. These were:

1. Federal employment groups, primarily District management Group (DMG) and the Audit and Accounts Group.
2. Former rural district council employees; and
3. Provincial employment groups, particularly Public health. Engineering Department (PHED) Rural Development, Local Government, health and Education.

A large majority of district staff formerly belonged to the provincial employment group, particularly education. Most are in grades 1-15 (90% of district staff in NWFP and 83% in Sindh) Tehsil Municipal Administration (TMA) inherited staff from the former urban council and rural district council and also some provincial PHED staff where these have been devolved.

### Fiscal Reforms

Areas of expenditure responsibility of the federal and provincial governments are set out in the Constitution of Pakistan as mentioned before. The Constitution is silent on the remaining functions (functions other than federal and provincial government) and assumes by default that these remaining functions are to be performed by the sub-national (that is, provincial or local) governments.

Thus, according to the Constitution, the federal government is responsible for foreign affairs, defense, banking and currency, postal service, transportation (ports, airports, railways), while the main provincial responsibilities are police services, justice, roads, education and health.

The actual assignment of functions remained much more centralized than the Constitutional provisions required, as higher levels of government played a dominant role in areas of shared responsibility

The Constitution accepts that the actual or implied assignments of expenditures and revenues will lead to vertical fiscal imbalances between the upper two levels of government (Federal & Provincial) which are to be resolved through revenue sharing. Thus, the Constitution also sets up the National Finance Commission, an institution assigned the task of determining appropriate revenue sharing arrangements among the federal and provincial governments.

Table – 1 shows the responsibilities of province, District and Tehsil governments.

**Table - 1**

<u>Province</u>	<u>District</u>	<u>Tehsil, Taluka, or Town</u>
Education	Education	
Health	Health	
Agriculture		
Agriculture extension		
On-farm management		
Soil conservation		
Fisheries		
Forests		
Water Supply and Sanitation		water supply and sanitation
Sewerage		sewerage
Transport		transport
Street lighting		inter tehsil road
Parks and playgrounds		Parks and playground
Municipal regulation		Street light
Irrigation		Municipal regulation
Police		
Mines and mineral Development		
Industrial and labor Regulation		

Under Devolution Plan, there were no shifts of responsibility from the federal to the provincial governments. The initial attempt was to bring about changes that would not require any constitutional amendment, which the devolution of any function to the local governments from the Federal Legislative List (or even the Concurrent List) would have required.

As the previous table indicates, significant functional transfers did occur from provincial to local governments.

### **Federal-provincial**

In Pakistan, revenue sharing is the dominant form of federal-provincial fiscal relations. The main source of provincial revenues is a transfer based on a share of federal tax collections. The decision on the list of taxes (“divisible pool”), the ratio of the provincial-federal share of the pool and the formula for its distribution to the provinces is to be fixed at least once every five years by the National Finance Commission (NFC). This has been discussed in the topic Public Finance.

### **Provincial–Local Transfer**

All the four provincial government share resources with district governments. Just as there is Federal Divisible Pool, there is Provincial Divisible Pool. This Pool comprise: transfer from federal divisible pool, straight transfers from federal government and provincial tax revenue. Sindh PFC estimates the shares of provincial and district government for both current and development expenditure. The Sindh PFC decided that for current expenditure, the Provincial Divisible Pool comprises:

- ❑ Federal divisible pool transfer
- ❑ Federal straight transfers
- ❑ Provincial tax revenue

The transfers to districts were based on gap between district expenditure and revenue transfers from provincial government to districts on the basis of population, tax collection and backwardness index of districts.

Now we will examine the weaknesses and strengths (success) of Devolution Plan and Local Government Ordinance 2000.

We will first look at the weaknesses and then strengths. Some of the weaknesses of the local government system are:

1. **An attempt to undermine provincial autonomy.** The provinces now have to systematically evolve mechanism to share resources. Also prior to this system, provinces were autonomous and had centralized system. People from remote areas in the provinces had no access to provincial headquarters.
2. **Violation of a fundamental structure of constitution.** The Constitution does not provide local government structure.
3. **Resistance of bureaucracy against system.** The power of bureaucracy has weakness and at the district level DCO is answerable to elected nazim.
4. **Role of members of legislative assembly.** The members of legislature have greater role in the development of the area and more answerable to people.

Some of the strengths of the system are:

1. **Unleashed horse of bureaucracy has been bridled.** The office of DC has been now brought under the control of elected representative.
2. **Elimination of urban-rural division.** Attempt has been made to reduce the gap between urban and rural areas.
3. **Formula - based division of financial resources.** The PFC now has to share resources under a formula, which is logical and appropriate.

4. **Grass root organizations.** The local government system has established grass root organizations like citizen community board to oversee the working of government organization.
5. **Enhanced representation of women.**
6. **Political linkage**
7. **Autonomy of local Representatives**

**Conclusions**

Examined local government structure and functions in greater detail.  
Also examined the weaknesses and strengths of local government.



## NEW PUBLIC MANAGEMENT (NPM)

In the last three lectures we shall examine that public administration as a subject has moved full swing i.e. that from the concept of administration to the concept of management.

Since the last one decade “administration” and “management” are used interchangeably. We shall examine that what is “management” and how “administration” has evolved into “management”.

### New Public Management (NPM)

The 1980s and 1990s saw the emergence of a new managerial approach in the public sector, in response to the inadequacies of the traditional model of administration. The new managerial approach was the revival of the idea that private sector is more efficient. Administration was understood as static. It was understood that administration was implementation of policies and programmes of government. The concepts of efficiency were not the domain of “administration”.

Management was understood as dynamic and applicable to private sector where efficiency was the criterion of operations and task.

The various names for new public management reflect differing views of what is happening in organizations, but they do have some points in common. These are discussed in following paragraphs:

First whatever the model is called, it represents a major shift from traditional public administration with far greater attention paid to the **achievement of results** and the **personal responsibility of managers**. Second, there is an expressed intention to move away from classic bureaucracy to making organisations, personnel, and employment terms and conditions more flexible rather than rigid. Third, organizational and personal objectives are to be set out clearly so that achievement or results are measured. Fourth, senior staff is more likely to be politically committed to the government of the day and hence would implement the agenda of the government. Fifth, government functions are more likely to face market tests, such as contracting out, or reducing government functions through privatisation. This is the most important facet of new public management, whereby the role of government as provider of service is reducing and more and more services are being provided by the private sector. For example transport in city was provided by government; which is now being provided by private sector.

New public management as an alternative paradigm may well offer a more realistic approach than the traditional model of public administration, but managerialism has not been without controversy. The main argument against new public management (NPM) is that it has attempted to take the place of traditional model of public administration, and that public administration will be managerial

To understand the concept of administration and management we will see definition of the concepts.

### The Meaning of Management

Administration means **following instructions** and management means the **achievement of results**. Public management has semantic origins that imply taking things in “hand” and this suggest **firmness** and **efficiency**. This means that unlike administrator a manager has greater control over determining goals, objectives and strategy and in achieving results. It would be appropriate to understand the concept of strategy. Allison suggests that there are three main functions of ‘general management’. These are (1) strategy, (2) managing internal component and (3) managing external component. The functions of general management are discussed below:

### Strategy

Strategy has following two components:

1. **Establishing objectives and priorities** for the organisation. On the basis of forecast of external environments and the capacity of organization the objectives of organization are established.
2. **Devising operational plans** to achieve these objectives

### Managing Internal Components

The internal components of organization have following aspects:

3. **Organizing and staffing:** in organizing manager establish structure (position authority and responsibility are assigned). In staffing selection of right man for the right job is done.
4. **Directing personnel and human resource management system.** The capacity of organization is in its member and their skills and knowledge. The HRM recruits, selects, trains etc., people to build capacity and select right people for right job.
5. **Controlling performance:** Various management information system i.e. budgeting, accounts, reports, performance appraisal etc., help manage in making decisions and achieving objectives.

### Managing External Components

6. **Dealing with external units** of organisation subject to common authority: If the organization is large and geographically dispersed then senior managers has to deal with managers of unit which are geographically or otherwise dispersed.
7. **Dealing with independent organizations:** agencies from other branches or level of government, interest groups or private enterprise that affect the organizations ability to achieve its objectives.
8. **Dealing with press and public** whose action or approval and agreement is required

The first main function is that of strategy. This involves the future of the organization, establishing objectives and priorities and making plans to achieve these objectives. Traditional public administration required little conception of strategy, as that was presumed to be 'given' by politicians. Public servants 'administered' in the dictionary sense, simply carrying out the instructions of the politicians, who were presumed to develop and be responsible for policy and strategy. Managerialism on the other hand aims at the longer term and at the relationship between the organization and the external environment. It is now common for agencies to develop objectives and priorities rather than accepting policies from politician. Politicians now demand that agencies and public servants under their control involve themselves in matters of strategy.

The second main function is managing internal components. This involves to build structure of organization, setting up departments (type of departmentalization) assigning roles and responsibilities etc to achieve objective. Traditional public administration also focused on HRM but was not carried to fullest. The NPM focuses on internal environment and on HRM policies to measure performance of individuals and agencies.

The third function considers the organisation in its external context and the task of managing external constituencies. Under the traditional model, the concepts of public service anonymity and neutralities have certainly declined. Public servants are now much freer in performing tasks they have to deal with press, public and other organization (NGO, private organizations etc.). There is a far greater focus on external environment in new public management, through both strategy and the managing of external constituencies, than was ever the case with the traditional model of public administration.

### Beginning of Management Approach

For much of the twentieth century there was little difference in management structures or style between private and public management. Large Companies were hierarchical and Weberian as any government department. It was only from the 1950s or 1960s that the problems of bureaucratic rigidity became evident in the private sector. Because it was realized that division of labour and working manual for all management functions had limitation. Someone needed to take responsibility to achieve results.

It is hard to delineate exactly when ‘management’ as a word began to take over from administration in the public sector. The apparent success of managers in the private sector led to concerns being expressed that the public sector had fallen behind.

Even if the decline of public administration in legitimacy since the 1950s is true, that decade is too early for a change of management style.

One starting point management is the 1968 Fulton Report in the United Kingdom. This report noted concerns with the management capability of public service. It recommended that the system be opened up, outsiders be employed at all levels and that the rigid hierarchical structure in which barriers were placed at several points is removed.

Reforms in the public sector in developed countries like USA and Australia were introduced and it was questioned if the public service had the management tools, flexibility and capacities to meet the challenges of changing external environment.

### **Conclusions**

This lecture has focused on the concept of NPM. From the traditional model of public administration which emphasized hierarchical structure, dichotomy of policy formulation and implementation, neutrality of public servants to more flexible organization structure – the concept has evolved and generated new controversy.

The NPM is driven by market. It is driven by the concepts of measuring individual and organizational performance to achieve results. The NPM encompasses the concepts of general management functions, whereby the strategy, internal components and external components are to be understood well to achieve results.

The NPM has evolved in developed countries after the recommendations made by the Reform Committees in UK and UK. The concept of NPM has generated debate on the role of government.

### MANAGERIAL PROGRAMME AGENDA – I

We finished the last lecture on the reforms that were introduced in the public service of developed countries. We will now examine the reasons for reforms in developed countries and also examine the managerial programme agenda. So at the end of the lectures you will:

- Understand the reasons for reforms and
- Understand the ‘managerial programme agenda

#### Reasons for Reforms

The Fulton Report in UK recommended result-based management in public service. In USA also there was demand for improved management in public sector in 70’s. The Civil Service Reform Act of 1978 in USA aimed at giving greater **responsibility for results**. It included merit pay for middle management and establishment of Senior Executive Services at the top. In Australia in 1982 the need to improve public service capacity to meet challenges was also felt. All in all there were several reasons that reforms should be introduced in developed countries and that public sector does not have capability to respond to market changes.

The more particular reasons for reforms were:

1. Government in developed countries experienced severe resource constraints as tax revenues declined. Politically it was felt the services need not be reduced but rather more services be provided with lesser staff.
2. The reforms in public sector were brought by political leadership. This is because during late 70s and 80s there were more changes of government in Canada, Australia, new Zealand and the idea of change came from political leadership rather than public service itself.
3. There was link between improving public sector management and re-structuring the national economy. This is because during difficult economic time business community is asked to improve management. In this process the government also has to improve its management.
4. The size of government was becoming large and inefficient. During this time it was felt and expressed in developed countries that the size of government had become large due to which there was need to reduce it.

#### Managerial Programme

There were several ideas about what is NPM. We have discussed the components and general management functions that help manager to achieve goals. But there was a similar view like general management function, but little more focused which was called managerialism. The countries that were bringing reforms in the public sector were trying to make the public sector more **managerial**. The main features of managerialism were:

- (i) To improve human resources, including performance, pay. Performance pay means that while employees are paid basic pay, the pay should increase according to their performance. Better the performance the pay should be given accordingly. Bad performance means no increase.
- (ii) To involve staff in decision-making. Everybody in organization should be involved in decision making.
- (iii) To relax controls, but impose performance targets. Here it is meant that unnecessary controls should be relaxed, but employees must achieve targets.
- (iv) To use information technology. The use of IT in work should be encouraged.
- (v) Service to clients. The customer or user should be considered importance.
- (vi) User charges. Services should not be provided free, but the users should pay if they use service.
- (vii) Contracting out. In order to reduce the size of government, the government instead of providing the service directly should contract out these services.

Massey, one of the contributors to new managerialism said that the reforms have had several other goals. These were:

1. To reduce the role and extent of the 'state' in order to enhance the role of the private sector.
2. To facilitate the acquisition of entrepreneurial skills and activities in society in general.
3. To prevent future expansion of the public sector, and welfare-demanding coalitions; which have linked their interest to those of bureaucrats.
4. To de-politicize many (mainly economic) policy decisions and these should be entrusted to professional experts, rather than the whim of politicians and bureaucrats and
5. To inculcate in public sector organisations the best techniques of private sector practice in order to bring the discipline.

All in all it can be inferred from the above goals of managerialism is that to make public sector efficient and reduce the size of public sector small.

### 7 Main Points

Another author by the name of Hood looks more at 'new public management' and calls as comprising seven main points. These points are discussed below:

1. **Hands-on professional management in public sector.** The managers should be allowed to actively participate in organizational goals and its implementation. It means that accountability requires clear assignment of responsibility for action.

Public organisations do things: that governments now want to know what they do; how well they do it; who is incharge and taking responsibility for results; The primary way of achieving this is to 'let the managers manage', meaning that senior managers should achieve results.

The fate of a minister should depend more on the management performance of the department, the choice of department head is obviously crucial. Political leaders increasingly choose managers with good records and who are sympathetic to the minister's goals. High-profile managers are often appointed to head departments or agencies.

2. **Explicit standards and measures of performance** The main change in the managerial programme is for the organization to focus on outputs or outcomes, instead of inputs. Managerial reforms have stressed performance by individual and by agencies.

Performance measures can be developed in any public organisation, although here are more difficulties in practice than usually experienced in the private sector. Performance of staff is also to be measured more systematically than before. The performance appraisal system should aim to measure the performance of individual staff.

3. **Greater emphasis on output controls** The most important change in this area has been performance and programme budgeting systems to replace the older line-item budget (we have discussed programme budgeting). The focus was formerly on inputs rather than outputs, or on what the agencies actually does.

The line-item system of budgeting was precise in a control sense but, in practice, governments had little information on actual programme delivery.

Government has also aimed to develop better methods for long-term planning and strategic management. This means deciding what is the organization's mission, looking ahead to achievement of goals and objectives, and at the organization fits its environment.

4. **A Shift to Disaggregation.** Disaggregation means splitting large departments into different parts by setting up agencies to deliver services for a small policy. For example if a large public organization is performing several functions like maintenance of parks, provision of housing, provision of education and provision of health care. Then it should split this into smaller organization, each performing this function separately.

A specific aim was to reduce the numbers of staff in the core civil service to a small group engaged in functions of advising etc.

In some ways disaggregation could be seen as a reversion to the ideas of Woodrow Wilson with an organisational split between policy and administration in the division of policy departments and agencies.

5. **A Shift to Greater Competition** Cutting the scope of governments and bureaucracies is another part of the managerial programme. Competition is introduced for government services with the idea of cutting costs. It is argued by proponents that if services are ‘contestable’ they should be put out to tender. Widespread privatization is part of this, but is not the only means of reducing governmental role.

### Conclusions

The reforms that were taking place in developed countries had some influence on developing countries; through the organizations who were providing loans to developing countries. Thus there was shift in the approach and goals of government in service provision.

There is now greater shift towards new public management. NPM involves **more competition, reduction in government role, and greater role of private sector.** What one infers is that NPM is the response to the changing economic philosophy of the present time.

**MANAGERIAL PROGRAMME AGENDA – II**

At the end of the last lecture the students will be exposed to:

- The remaining part of seven points of public management;
- Critique of new public management and
- What have we covered in the course;

We shall first examine the remaining part of internal changes of new public managers

6. **A stress on private sector styles of management practice** This includes staffing changes designed to better fit staff for their positions, to appraise their performance and to reward them accordingly with merit pay. The emphasis on performance also leads to short-term appointments by contract and to terminate staff who is not performing. This concept is based on economic idea that wages increase productively.
7. **Discipline and parsimony in resource use** New public management requires increased attention on the best use of resources. This includes cutting costs but also involves directing resources to emphasize those programmes which most assist the attainment of strategic objectives. Governments have been able to control spending far more by having better information.

All these changes drive from particular theories-they are theory-driven to an unusual degree for government administration.

These last two points strengthen the previous point that individual performance be linked to wages and that organizations should aim to reduce cost.

**Theoretical Bases of Management**

The traditional theories of public administration were criticized. The traditional public administration was based on two theories:

1. Theory of bureaucracy and
2. Theory of separation between politicians and administrators.

There are also two main theoretical bases to new public management. These are economics and private management.

That economics and private management are the two main theoretical bases for NPM is not a matter of controversy, because management is 'clearly an activity which is concerned with using resources so as to achieve defined objectives' and these objectives 'are defined predominantly in the language of economics' (Pollitt, 1990)

The economic basis to managerialism allows it to draw on what is the most powerful of social science theories. There are two key assumptions in economics. First, there is the assumption of **rationality**: those individuals can be assumed to prefer more of something rather than less. Secondly, the individual rationality assumption allows the elaboration of models which can extend to high levels of abstraction.

Economist and economic thinking became influential in government also:

1. Cost-benefit analysis
2. Public choice theory

Gave rise to market based public policies

## Critique on Management

Since, the upsurge of reforms in developed countries and implementation of reforms in public or civil service, they called it ‘public management’ instead of ‘public administration’. The effects of this change are taking place in developing countries like Pakistan as well and privatization of public organization and encouragement to private sector is taking place. Although now the work done by public servant may be called as management, because the focus is on the achievement of results. But there is some criticism of managerialism or NPM. The critique is as follows:

### 1. The Economic Basis of Managerialism

The foundation in economics form one of the criticisms of managerialism. The questions on assumptions of economics are on its “approach to rationality. And the critique is that all individuals do not behave rationally, likewise all bureaucrats do not maximize own advantage. There are two main critiques of economics. First, that economics is not a ‘perfect’ social science and its application to government will not give ‘perfect’ results. This is not a new critique but has been there ever since economics and capitalist system matured.

The second, critique is that economics can be the for economic system, but government cannot provide services on consumer transaction basis, (costing every service on profit basis) that consumer behaviour laws do not apply to public sector, because public sector is different from private sector, because its objectives are not to make profits.

### 2. The Basis in Private Management

That “managerialism” derives its spirit from private sector is a source of criticism. The public sector is different and that private sector models of management become irrelevant. For example changing the focus of organization from inputs to outputs i.e. results has logical which are: Setting objectives, devising programmes, setting structure, measuring performance and evaluating programmes. All this steps are logical progression and once **objectives** and **results** are defined clearly other steps will follow. But in public sector objectives sometimes cannot be defined clearly and therefore, all the logical steps that follow do not stay relevant. Since it is difficult to determine objectives, this may be the key difference between public and private sector. However, this does not mean that effort should not be made to define objectives because without objectives the meaning of creating government organization is lost.

### 3. Neo-Taylorism

The main theoretical critique is that managerialism represents revival of F.W. Taylor’s ideas of efficiency, output measurement, piece wage rate etc. It is argued that going back to this theory ignores the development of human relations and other theories. The emphasis of NPM (or managerialism) to control government spending and decentralising management responsibilities with performance management is seen as management philosophy which can be described as **neo Taylorism**. Authors like Pollit see managerialism as the direct descendent of Taylor’s scientific management; and that human relations aspects are down played.

### 4. Politicisation

The changes that are taking place in public service are said to be “politicizing”. Meaning thereby, that ministers who head ministries will select own division/department head and will then expect that heads of departments achieve goals which ministers have given them. This idea of NPM cuts across traditional model’s emphasis on neutrality and impartial administration. The dichotomy between politics and administration and neutrality of public servant is no more there. This is negation of what Woodrow Wilson idea about non political and efficient bureaucracy, which he put forward in 1880.

### 5. Reduced Accountability

There is concern whether NPM concepts & procedures fit in the system of accountability. There is a conflict between the concept of public management and public accountability. If public servants are to be accountable for results then politician’s accountability is absolved. How can public servants be accountable to citizen? It is the politicians who take vote from public to serve them and it is the policy direction of politicians that civil servant implement. So in NPM accountability gets more diluted.



## 6. Implementation

In NPM strategy and goals and objectives are formulated at top and there is little attention paid to implementation. Improvements in strategy and budgeting occur at top, but at lower level implementation or performance management leaves much to be done. Evaluation of programme is still considered unusual and is not comprehensive.

## 7. Unclear Specification

A final area of critique is that specifications are unclear in NPM model. It means there is no real definition of public management or managerialism. There is listing of things involved: performance measurement, incentives, programme budgeting, and so on but no clear definition for these concepts.

## Summing the Critique

The critique of NPM has some valid points, but these are to be proved as yet because the real test of new theory is the performance. It has to be seen if NPM will work.

The basic concept of NPM decentralises responsibility and accountability to manager who has to achieve results. It is to be seen that NPM will achieve what it intends to achieve i.e. better performance and efficiency.

## What is the role of government?

From the time the public administration was the practice of managers to the time it acquired the shape of a discipline to be taught in colleges and universities there has been one fundamental question:

**What is the role of Government** in providing goods and services? Is government going to be welfare state? To what extent government will provide services? To whom government will provide services? What services will be provided by the private sector? Will government charge for services that once were provided free? How should government charge? Should it cover cost? Should it make profit on the services that it provides?

There have been these questions asked. The reason for asking these questions is that government's cost of providing services is increasing, because of its large size and inefficiencies mainly. So governments have to see what can be done.

Besides there is the upsurge of **markets** and by markets we mean **commercialization** of all activities: make money on the sale of services; sell services to those who have ability to pay etc.

Therefore, the role of government is undergoing change under market pressures and commercialization of services. This needs to be questioned whether this is the 'correct' role of government?

## What have we covered?

In these 45 lectures an attempt was made to understand the concepts, theoretical framework of public administration/ management, definitions etc were explained. We started of with the explanation of public administration; and one definition that was given is: It is the continuously active, 'business' part of government, concerned with carrying out the law, as made by **legislative bodies** (or other authoritative agents) and interpreted by the **courts**, through the **processes of organization and management.**" This definition covers most rather all dimensions of what government does.

We also covered significant area of constitution that establishes organization, institution of state, rights of citizens, etc. We covered evolution of the management, core functions: Planning and organizing, public finance, administrative accountability, skills of manager, district administration, and local government and then the changing concepts of public administration/ management.