CLASS: BBA 1st Semester
Batch:2020-23

Principles of Management

Syllabus

BBA 101 Principles and Practices of Management

Unit -I

Forms of Business Organizations and Ownership: Sole Proprietorship, Partnership, Joint Stock Company, Public & Private undertakings, Government Companies.Management: Meaning & Definition of Management, Nature, Scope and its various functions. **Evolution of management thoughts**: classical and new classical systems, contingency approaches, Scientific management.

Unit – II

Planning: nature, purpose and functions, types of plan, Management by Objective (MBO), steps in planning.

Decision Making: Meaning, Steps in Decision Making, Techniques of Decision Making.

Strategic planning – concepts, process, importance and limitations; Growth strategies- Internal and external.

Unit – III

Organizing: Concept, formal and informal organizations, task force, bases of departmentation, different forms of organizational structures, avoiding organizational inflexibility. Teamwork – meaning, types and stages of team building.

Concept of staffing- Recruitment and Selection.

Motivation – concept, importance and theories.

Unit- IV

Authority: definition, types, responsibility and accountability, delegation, decentralization v/s centralization, determinants of effective decentralization. Line and staff authority.

Control: function, process and types of control, nature, process, significance and span of control. Direct control v/s preventive control.

Trends and challenges of management in global scenario, emerging issues in management: Introduction to Total Quality Management (TQM), Just in Time (JIT).

Suggested Textbooks:

Principles and practices of management: L. M. PRASAD (S. Chand publishers)

Essentials of Management: Koontz H. & Weihrich H. (Tata Mc Graw Hill Publishers)

Suggested Reference books

Management: Stephen Robbins (Pearson publishers)

VSP Rao & V H Krishna, Management, Excel books

UNIT-I

Principles of Management

➢ FORMS OF BUSINESS ORGANIZATION

These are the following basic forms of business ownership:

1**. Sole Proprietorship**:

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership.

The owner faces *unlimited liability*; meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them.

The sole proprietorship form is usually adopted by small business entities.

2. Partnership

A partnership is a business owned by two or more persons who contribute resources into the entity. The partners divide the profits of the business among themselves.

In *general partnerships,* all partners have unlimited liability. In *limited partnerships,* creditors cannot go after the personal assets of the limited partners.

3. Cooperative Enterprises:

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called *members*. Cooperatives may be incorporated or unincorporated.

Some examples of cooperatives are: water and electricity (utility) cooperatives, cooperative banking, credit unions, and housing cooperatives.

4. Joint Hindu Family Business:

When a business is run by the people belonging to the same family and they run the business as a family business, it is called joint Hindu family business.

In such a form of business, the authority is in the hands of the Karta or the manager of the family and the other members work under the control and guidance of the Karta. The eldest member of the family happens to be its Karta.

5. Joint stock company:

This form of ownership is adopted for a business where more capital is required and where risk is comparatively greater. It is created by law and is in the form of an artificial individual whose existence is different from its members. It has a seal which gives information about its separate existence.

✓ **Characteristic of Sole Proprietorship:**

1. **Ownership:** The ownership in sole proprietorship is held by a single person who runs the business.
2. **Management and control :** One of the characteristic of sole proprietorship is that it is managed by owner himself, due to small in size of business.
3. **Finance:** In sole trader ship the owner himself managed capital of the business.
4. **Risk:** In this type of business, the owner himself responsible for all the risks occurs in the business.
5. **Unlimited liability:** One of the characteristic of sole proprietorship is that its unlimited liability. The owner is personally responsible for the debt which is occurred in the business.
6. **Legal status:** In the eyes of law, the combination of sole trader and his business are combined together and treated as one.
7. **Relationship with customers:** The owner of the business tries to keep good relationship with his customers.
8. **Ease of dissolution:** One of the important characteristic of sole proprietorship is that it can easily dissolve as like its formation.

✓ **Advantages of Sole Proprietorship**

1. **Ease of formation.** The main **advantage of sole proprietorship** is that it can easily be formed by any person by undertaken any legal business for earning profit.
2. **Sole authority.** The owner of the business has complete authority to deal with the affairs of business. He prepares the plain, invest his money, supervise the business and enjoy the profit.
3. **Sole claim on profit.** The owner of the business receives full profit earned from the business.

4. **Flexible management.** The sole proprietor make prompt decision, in carrying out policies, changes the methods of production, reducing or increasing the prices, of the commodities, delegating responsibilities etc.
5. **Credit standing.** The owner of the business enjoys an excellent credit rating among the creditors.
6. **Legal status.** As the sole proprietor and the business have one personality. Therefore, all the assets, liabilities, profits and losses on the part of owner.
7. A sole trader being the owner of the business has high standard of secrecy due to their own managing of the affairs of the business.
8. **Direct relationship with customers.** A sole trader has closed relation with his customers. Therefore, he offers everything according to the taste of the customers. This creates his goodwill in the market.
9. **Benefits of inherited goodwill.** The ownership of the business passes from generation to generation thus enables the son to reap the benefits of goodwill of his father.
10. **Tax advantage.** The sole proprietorship is taxed as personal income of the owner. He does not pay any super tax.
11. **Self employment.** The sole trading business offers a large number of person's employment in small means.
12. **Development of personal qualities.** In sole trading business, the personal qualities of a proprietor like self reliance have full scope for development.

✓ **Disadvantages of Sole Proprietorship:**

1. **Burden of unlimited liability.** The main **disadvantage of sole proprietorship** is the burden of unlimited liability. In case the claims of the creditors against the business exceeded, then the personal property of the owner are taken to pay business debts.
2. **Difficulties in expansion.** One of the main demerit of sole trading business is that it faces difficulties to expanding the business in large scale, due to not availability of high resources, because everything is to be managed by the owner himself.
3. **Limited managerial ability.** In this type of business, the proprietor has to rely their own skill and managerial experience , which leads the owner to enable to perform all the

duties and functions of management efficiently, limits the size of business according to the his capacity.

4. **Lack of continuity.** The continuity or performance of a sole proprietorship sometimes difficult to maintain, due to the owner being dies, sick etc, leads the business may be closed.
5. **Loss in absence.** If the owner of the business suffers sick very long, cause the business heavy loss in his absence.
6. **Absence of specialization.** In the absence of specialization in this type of business, the owner is not in position to get the services of experts like accountants, salesman's etc.
7. **Weak bargaining position.** In this type of business both the parties have weak bargaining position compared to large business.
8. **Unsuitable for a developing business.** In sole trading ship the business grows up, it is very difficult to owner to meet the requirements of expansion business.

✓ **Advantages of partnership form of organization:**

1. Easy Formation:

Like sole proprietorship, partnership form of organisation can be formed without legal formalities. No formal documents are required to be prepared as required in the case of joint stock companies. An agreement which may be oral or written is sufficient to enter into partnership form of organisation. Even the registration of partnership is not compulsory.

2. Large Resources:

The partnership form of organisation enjoys large resources than a sole proprietorship so that the scale of operation can be enlarged to get the benefit of large-scale economies.

More partners can be taken into partnership if capital needs are large. The partnership firms can also arrange money from the outside sources.

3. Flexibility:

The business is, abundantly mobile, flexible, and elastic being free from legal restriction on its activities. The partners can introduce any change they consider desirable to meet the changed circumstances.

4. Combined Skill and Balanced Judgement:

The partnership form of organisation enjoys the benefit of the ability, experience, and talents of the partners. This is the distinctive advantage partnership enjoys over the sole proprietor because everything is done by mutual consultation.

According to S. S. Chatterjee, "Combined abilities and judgement, when properly integrated produce a result that becomes appreciably greater than the sum of all individual capacities."

5. Sharing of Risk:

Any loss sustained by the firm will be borne by all the partners equally with the benefit that the burden borne by each partner will be much less whereas the sole proprietor has to bear the entire loss of the business.

6. The Personal Element:

The personal element in the business and the corresponding care, efficiency and economy are ensured. There is, thus an effective motivation to production. The supervision of staff can also be carried out effectively, as partners, personally act in the management of the affairs of the partnership firm.

7. Maintenance of Secrecy:

The partners of partnership firm can keep the business to themselves. In the case of a company, nothing is secret. A partnership firm is not expected to get its accounts audited and published as is necessary for a joint stock company. This is the distinctive advantage partnership enjoys over the joint stock company.

8. Prompt Decisions:

The partners of partnership firm exercise joint responsibility and meet frequently. This enables them to take decisions promptly, which is conducive to taking advantage of sudden opportunities.

9. Relationship between Reward and Work:

In partnership form of business organization, there is an direct relation between reward and work. This enables the partners to put more labor to earn more and more profits. The more they work, the more will they be benefited.

10. Wholesome Effect of Unlimited Liability:

The fact that the liability of each partner is unlimited and each partner individually is liable to the full extent of his private fortune acts as a great check against reckless speculation.

11. Protection of Minority Interests:

The minority interest is, effectively protected by law. In partnership concern all important decisions are taken with the consent of all partners. In policy matters, all partners must agree, and even in ordinary affairs of routine nature a dissatisfied partner may withdraw and dissolve the firm. The law gives right to each partner to be consulted and heard.

Consequently all the partners, individually and collectively are important. In the case of a company, the interests of the minority are not well-protected. This is the distinctive advantage partnership concern enjoys over the company.

12. Easy Dissolution:

Dissolution of the partnership concern is very easy. The partnership can be dissolved on the death, lunacy or insolvency of a partner. There are no legal formalities involved in the dissolution. If the partnership is 'at will' then any partner can get the partnership firm dissolved by giving notice to other partners.

- ✓ **<u>Disadvantages of Partnership:</u>**

The partnership concern suffers from the following disadvantages:

1. Lack of Harmony:

There is always likelihood of lack of harmony amongst the partners. Difference of opinion very often results in disharmony and lack of management, when differences arise, each partner tries to blame the other partner about his dishonest dealings and working against the interest of the firm. This is bound to result in disruption and ultimate dissolution of the firm.

2. Limited Resources:

The limit that more than twenty cannot be member of partnership form of business organisation, limits the amount of capital that can be raised. Actually, in order to secure harmony amongst the members of the firm, the number has to be kept much smaller than allowed by the law. This further limits the resources with the result that the large scale business cannot be run by partnership form of organization.

3. Instability:

The partnership form of organization may come to an abrupt end on the death, lunacy or insolvency of the partner. The partnership may also be closed if a single partner expresses his desire to dissolve the partnership or to get it dissolved by the order of court on account of wrongful act of one or more other partners. The lack of trust among the partners may lead to dissolution of the firm.

4. Lack of Public Faith:

As the partnership concern is not subject to any regulation and no legal formation and functioning, the people have less faith in such organization coupled with the fact that every now and then people listen to the dissolution of such partnership concerns. Moreover, people are note aware of the exact position of the business of the partnership, the reason is that the accounts of partnership concerns are not published.

5. Restricted Enterprise:

As the unlimited liability covers even the private fortune of the partners, the partners are bound to be over cautious. This restricts enterprise. In fact, the liability of individual partner may be regarded as excessive for most purposes. Therefore, the partnership form of business organisation tends to be useful only for small scale business, such as retail trade, a modern sized mercantile house or a very small manufacturing business.

6. Restriction on Transfer of Interest:

In partnership, no partner can transfer his interest to the third party. If he wants to do so, he will have to seek the consent of all the other partners. This restricts the liquidity of his investment. In case of a company, any shareholder can transfer his shares to the third party without the consent of other shareholders.

7. Loss to the Society:

The abruptly closure of the firm is a loss not to the firm but also to the society as a whole because the society is deprived of its products and some workers become out of job.

8. Burden of Implied Authority:

Each partner is an agent able to bind the others by his acts and omission in the ordinary and usual course of the business of the partnership. Accordingly, when there is one partner who is lazy, negligent, has done some blunder, is guilty of corrupt practices or is playing foul means within the scope of his authority, his partners are equally liable financially and without limit. This may put heavy burden on the partners which may ruin the financial position of partners and may lead to the closure of the firm.

9. Liability after Retirement:

In partnership form of business organisation, the retiring partner continues to be liable for all acts done when he was a partner. In the case of a company of limited liability, the liability of the shareholder ceases immediately on the transfer of shares

✓ **Features of a joint hindu family Business or the Hindu Undivided Family (HUF)**

- **Formation:** To begin a Hindu Undivided Family there must be a minimum of two related family members. There must be some assets, business or ancestral property that they have inherited or will eventually inherit. The formation of a HUF does not require any documentation and admission of new members is by birth.
- **Liability:** The liability of all the various co-parceners is only up to their share of the property or business. So they have limited liability. But the Karta being the head of the HUF has unlimited liability.
- **Control**: The entire control of the entity lies with the Karta. He may choose to confer with the co-parceners about various decisions, but his decision can be independent. is actions will be final and also legally binding.

- **Continuity:** The HUF can be continued perpetually. At the death of the Karta, the next eldest member will become the Karta. However, keep in mind a Hindu Undivided Family can be dissolved if all members mutually agree.
- **Minority:** As we saw earlier the members are eligible to be co-parceners by the virtue of their birth into the family. So in this case, even minor members will be a part of the HUF. But they will enjoy only the benefits of the organisation.

Advantages of the HUF

- A Hindu Undivided family is comprised of family members running a business. Like any other organization, there is scope for disagreements and conflicts. But since the Karta has absolute power and takes all decisions by himself, it will lead to effective management.
- Just like a company, the existence of a HUF is perpetual. The death or retirement of one member of even the Karta will not affect it, and it will continue on.
- Also since all members of the HUF are relatives and members of the same family, there is a sense of loyalty and cooperation. The trust among members is also there and leads to overall cooperation.

✓ **Disadvantages of the HUF**

- No outside members other than family members can be introduced to the HUF. This makes it very difficult to get additional capital from the market. With limited capital, the chances of expansion are very low. It limits the scope of the business.
- While the Karta has all the power he also has the burden of unlimited liability. This may make him overly cautious and timid in his business dealings. In turn, the business could suffer. Another factor is that he may even be held responsible for the actions of other members.
- Also, the absolute dominance of the Karta overall business and financial decisions make cause conflict among the HUF. His decisions and business acumen may be questioned by other members, and cause issues within the HUF.

- Another issue may be that the Karta may not be the most qualified person to lead the business. The position is given to the senior most family member, whether he is the most qualified or not is not taken into consideration.

✓ **Advantages of Joint Stock Company**

1. Limited Liability

The liability of shareholders is limited to the amount they have invested in the business. It means their personal property remains safe in case of bankruptcy. This advantage encourages large number of investors to invest in the business.

2. Large Capital

In the public limited company there is no limit of shareholders. This advantage helps the company to collect huge amount of capital from large number of shareholders. Furthermore, the company can raise capital to a large extent through issue debenture to public.

3. Better Management

In the company ownership is separated from its management. The owners or shareholders cannot take part in the management of the company. The company is managed by board of directors elected by shareholders. The directors hire experienced and qualified personnel for efficient management. The efficient management may help the company to take rational decisions and can produce better results for the company.

4. Transfer of Shares

The shares of the company are easily transferable. A shareholder can convert his holding into cash by selling his shares at any time in the stock exchange. This brings liquidation of investment.

5. Stability

The company has long life compare to sole proprietorship and partnership. It is not depending on death, retirement, insanity, or bankruptcy of a shareholder. Also change of ownership and management does not affect the continuity of the business.

6. Ease of Expansion

A company has unlimited opportunities to finance new projects by issuing shares and debentures. It can also transfer the portion of its profit to reserve which can be used for future expansion.

7. Public Confidence

A company is required to submit its financial statements (Income statement and Balance sheet) to government. The accounts are audited by chartered accountants to make the accounts free from errors and frauds. This enables the company to enjoy public confidence.

- ✓ **<u>Disadvantages of Joint Stock Company</u>**

1. Difficulty in Formation

The formation of a company is quite difficult than sole proprietorship and partnership. It requires a lot of formalities to be performed at the time of establishment. It must prepare registration certificate, commencement certificate, memorandum and articles of association and prospectus. The company also has to print share certificates and publish its prospectus through advertisements.

2. Taxation

The income of the company is dually taxed. First, the profit earned by company. Second, the dividend earned by shareholders. In addition, the company must pay corporate tax which is levied on its form.

3. Lack of Secrecy

A company cannot maintain secrecy of its financial position. Every year financial annual statements are distributed among shareholders, registrar, bankers, and stock exchanges of the country. This disclosure helps the competitors to know the strong and weak points of the concern. On the other hand, secrecy can be maintained in sole proprietorship and partnership.

4. Lack of Credit Standing

The company cannot enjoy high credit standing because of limited liability. If the assets are insufficient to pay off debts, the personal property of shareholder cannot be utilized. Inversely, sole proprietorship and partnership enjoy high credit standing due unlimited liability.

5. Lack of Personal Interest

In the company shareholders don't take part in the management of business. The company is managed by its employees who only take interest to the extent of their assigned tasks to justify their salaries. They don't take personal interest for the growth and development of the company as in case of sole proprietorship and partnership.

6. Government Control

A company must compliance with rules and regulations of the state. It has to submit various reports and statements to the government. It must pay registration fee. It must pay all the taxes imposed on its form. There is a heavy penalty for non-compliance.

- ✓ **<u>Advantages of cooperative societies</u>**

1. Easy Formation:
Compared to the formation of a company, formation of a cooperative society is easy. Any ten adult persons can voluntarily form themselves into an association and get it registered with the Registrar of Co-operatives. Formation of a cooperative society also does not involve long and complicated legal formalities.

2. Limited Liability:
Like company form of ownership, the liability of members is limited to the extent of their capital in the cooperative societies.

3. Perpetual Existence:
A cooperative society has a separate legal entity. Hence, the death, insolvency, retirement, lunacy, etc., of the members do not affect the perpetual existence of a cooperative society.

4. Social Service:

The basic philosophy of cooperatives is self-help and mutual help. Thus, cooperatives foster fellow feeling among their members and inculcate moral values in them for a better living.

5. Open Membership:

The membership of cooperative societies is open to all irrespective of caste, colour, creed and economic status. There is no limit on maximum members.

6. Tax Advantage:

Unlike other three forms of business ownership, a cooperative society is exempted from income-tax and surcharge on its earnings up to a certain limit. Besides, it is also exempted from stamp duty and registration fee.

7. State Assistance:

Government has adopted cooperatives as an effective instrument of socio-economic change. Hence, the Government offers a number of grants, loans and financial assistance to the cooperative societies – to make their working more effective.

8. Democratic Management:

The management of cooperative society is entrusted to the managing committee duly elected by the members on the basis of 'one-member one -vote' irrespective of the number of shares held by them. The proxy is not allowed in cooperative societies. Thus, the management in cooperatives is democratic.

✓ **<u>Disadvantages of cooperative societies</u>**

In spite of its numerous advantages, the cooperative also has some disadvantages which must be seriously considered before opting for this form of business ownership.

The important among the disadvantages are:

1. Lack of Secrecy:

A cooperative society has to submit its annual reports and accounts with the Registrar of Cooperative Societies. Hence, it becomes quite difficult for it to maintain secrecy of its business affairs.

2. Lack of Business Acumen:

The member of cooperative societies generally lack business acumen. When such members become the members of the Board of Directors, the affairs of the society are expectedly not conducted efficiently. These also cannot employ the professional managers because it is neither compatible with their avowed ends nor the limited resources allow for the same.

3. Lack of Interest:

The paid office-bearers of cooperative societies do not take interest in the functioning of societies due to the absence of profit motive. Business success requires sustained efforts over a period of time which, however, does not exist in many cooperatives. As a result, the cooperatives become inactive and come to a grinding halt.

4. Corruption:

In a way, lack of profit motive breeds fraud and corruption in management. This is reflected in misappropriations of funds by the officials for their personal gains.

5. Lack of Mutual Interest:

The success of a cooperative society depends upon its members' utmost trust to each other. However, all members are not found imbued with a spirit of co-operation. Absence of such spirit breeds mutual rivalries among the members. Influential members tend to dominate in the society's affairs.

- **INTRODUCTION TO MANAGEMENT:**

The term **'management'** has been used in different senses. Sometimes it refers to the process of planning, organizing, staffing, directing, coordinating and controlling; at other times it is used to describe it as a function of managing people. It is also referred to as a body of knowledge, a practice and discipline. There are some who describe management as a technique of leadership and decision-making while some others have analyzed management as an economic resource, a factor of production or a system of authority.

➢ MEANING AND DEFINITION:

In general terms **Management** means planning, organizing, staffing, directing and controlling of various business activities.

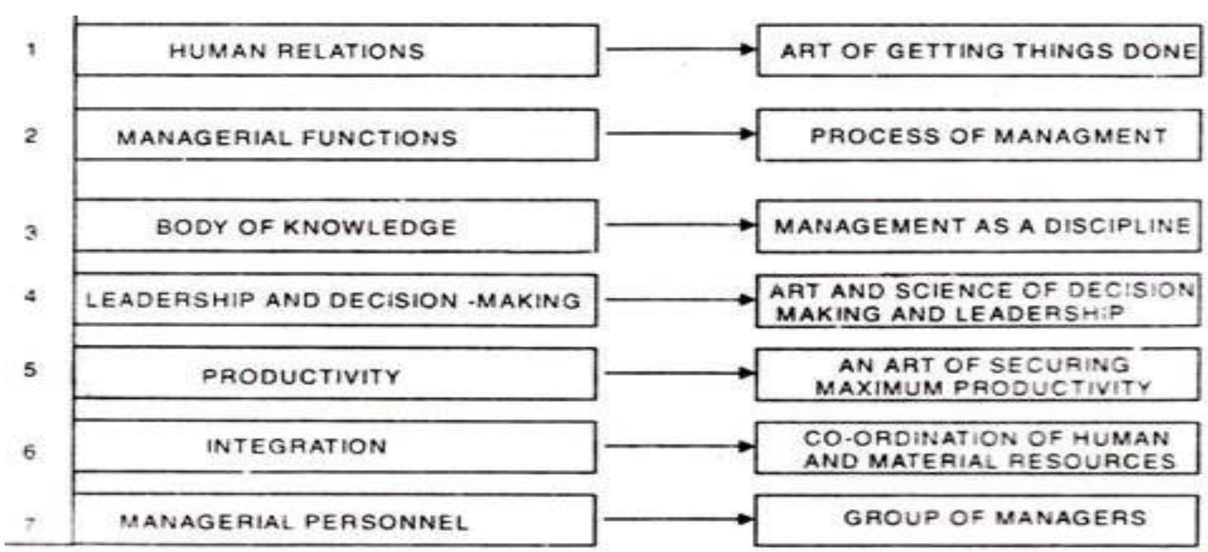
DEFINITIONS:

“Management is the art of getting things done through others.” **Follett** describes management as an art of directing the activities of other persons for reaching enterprise goals. It also suggests that a manager carries only a directing function.

Rose Moore:
“Management means decision-making.” Decision-making cannot be the only function of management even though it is very important.

Henry Fayol:
“To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control.” Fayol described management as a process of five functions such as planning, organizing, commanding, coordinating and controlling. Modern authors, however, do not view co-ordination as a separate function of management

CONCEPT OF MANAGEMENT:



- **OBJECTIVES OF MANAGEMENT:**

The primary objective of management is to run the enterprise smoothly. The profit earning objective of a business is also to be kept in mind while undertaking various functions.

Following are the broad objectives of management:

1. Proper Utilization of Resources:

The main objective of management is to use various resources of the enterprise in a most economic way. The proper use of men, materials, machines and money will help a business to earn sufficient profits to satisfy various interests. The proprietors will want more returns on their investments while employees, customers and public will expect a fair deal from the management. All these interests will be satisfied only when physical resources of the business are properly utilized.

2. Improving Performance:

Management should aim at improving the performance of each and every factor of production. The environment should be so congenial that workers are able to give their maximum to the enterprise. The fixing of objectives of various factors of production will help them in improving their performance.

3. Mobilizing Best Talent:

The management should try to employ persons in various fields so that better results are possible. The employment of specialists in various fields will be increasing the efficiency of various factors of production. There should be a proper environment which should encourage good persons to join the enterprise. The better pay scales, proper amenities, future growth potentialities will attract more people in joining a concern.

4. Planning for Future:

Another important objective of management is to prepare plans. No management should feel satisfied with today's work if it has not thought of tomorrow. Future plans should take into consideration what is to be done next. Future performance will depend upon present planning. So, planning for future is essential to help the concern

5. Growth and development of business:

By proper planning, organization and direction etc., management leads a business to growth and development on sound footing. It helps in profitable expansion of the business. It provides a sense of security among the employers and employees.

6. Ensures better quality goods:

The aim of the sound management has always been to produce the better quality products at minimum cost. Thus, it tries to remove all types of wastages in the business.

7. To establish coordination in the activities of different people

The next objective of the management is to establish coordination in the efforts of various people. If there is no manager for these groups, the individual will of the people will prevail and the group efforts instead of being a source of strength would be a cause of decline.

Management is the only control unit which can establish an atmosphere of coordination and get work done according to the need.

8. To establish coordination with the outside environment:

The success of the organization does not depend on its internal material and human resource alone. The outside people too play an important role in it. For example suppliers, customers' etc.therefore it is necessary to have coordination with the outside environment.

9. To ensure integration of organization and individuals

10. Availability of goods and services

A company that places top priority on customer satisfaction will do everything possible to ensure that quality products are always available. In addition to that, such a company will also make sure that goods are readily available when needed and in the right quantity. Hence one of the objectives of management; to ensure there are steady supply and plenty of products to satisfy customers' needs.

➢ <u>NATURE OR FEATURES OF MANAGEMENT</u>

1. Management is goal oriented process:

Management always aims at achieving the organizational objectives. The functions and activities of manager lead to the achievement of organizational objectives; for example, if the objective of a company is to sell 1000 computers then manager will plan the course of action, motivate all the employees and organize all the resources keeping in mind the main target of selling 1000 computers.

2. Management is Pervasive:

Management is a universal phenomenon. The use of management is not restricted to business firms only it is applicable in profit-making, non-profit-making, business or non-business organisations; even a hospital, school, club and house has to be managed properly. Concept of management is used in the whole world whether it is USA, UK or India.

3. Management is Multidimensional:

Management does not mean one single activity but it includes three main activities:

(a) Management of work: All organisations are set up to perform some task or goal. Management activities aim at achieving goals or tasks to be accomplished. The task or work depends upon the nature of Business for example, work to be accomplished in a school is providing education, in hospital is to treat patient, in industry to manufacture some product. Management makes sure that work is accomplished effectively and efficiently.

(b) Management of people: People refer to Human resources and Human resources are the most important assets of an organisation. An organisation can win over competitor with efficient employees only because two organisations can have same physical, technological and financial resources but not human resources. Management has to get task accomplished through people only.

(c) Management of operations: Operations refer to activities of production cycle such as buying inputs, converting them into semi-finished goods, finished goods. Management of operations concentrates on mixing management of work with management of people, i.e., deciding what work has to be done, how it has to be done and who will do it.

4. Management is a continuous process:

Management is a continuous or never ending function. All the functions of management are performed continuously, **for example** planning, organising, staffing, directing and controlling are performed by all the managers all the time. Sometimes, they are doing planning, then staffing or organising etc. Managers perform ongoing series of functions continuously in the organization.

5. Management is a group activity:

Management always refers to a group of people involved in managerial activities. The management functions cannot be performed in isolation. Each individual performs his/her role at his/her status and department, and then only management function can be executed. Even the result of management affects every individual and every department of the organisation so it always refers to a group effort and not the individual effort of one person.

6. Management is a dynamic function:

Management has to make changes in goal, objectives and other activities according to changes taking place in the environment. The external environment such as social, economical, technical and political environment has great influence over the management. As changes take place in these environments, same are implemented in organisation to survive in the competitive world.

7. Intangible:

Management function cannot be physically seen but its presence can be felt. The presence of management can be felt by seeing the orderliness and coordination in the working environment. It is easier to feel the presence of mismanagement as it leads to chaos and confusion in the organisation. **For example**, if the inventory of finished products is increasing day by day it clearly indicates mismanagement of marketing and sales.

8. Composite process:

Management consists of series of functions which must be performed in a proper sequence. These functions are not independent of each other They are inter-dependent on each other. As the main functions of management are planning, organising, staffing, directing and controlling; organising cannot be done without doing planning, similarly, directing function cannot be executed without staffing and planning and it is difficult to control the activities of employees without knowing the plan. All the functions inter-dependent on each other that is why management is considered as a composite process of all these functions.

9. Balancing effectiveness and efficiency:

Effectiveness means achieving targets and objectives on time. Efficiency refers to optimum or best utilisation of resources. Managements always try to balance both and get the work done successfully. Only effectiveness and only efficiency is not enough for an organisation: a balance must be created in both.

10. **Management is an activity and not a person or group of person**:- Management is not people or not a certain class but it is the activity, it is the process of planning, organizing, directing and controlling to achieve the objectives of the organization.

11. Management is situational:- Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.

12.Management is concern with people:- Since management involves getting things done through others only human being performed this activity with the help of planning and control. The element man cannot be separated from the management.

13. Management is the combination of art, science and profession:- Management makes use of science as well as art. It is science because it collects knowledge with the methods and data, analyzes and measures it and decision is taken with the help of experiment. It is a systematic body of knowledge. Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed.

- **SCOPE OF MANAGEMENT:**

1.Production Management

2. Marketing Management

3. Financial Management.

4. Personnel Management and

5. Office Management.

1. Production Management:

Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management, then, is that branch of management 'which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.'

It is a very important field of management ,'for every production activity which has not been hammered on the anvil of effective planning and regulation will not reach the goal, it will not meet the customers and ultimately will force a business enterprise to close its doors of activities which will give birth to so many social evils'.

Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. Marketing Management:

Marketing is a sum total of physical activities which are involved in the transfer of goods and services and which provide for their physical distribution. Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.

It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants with a stress on profitability that ensures the optimum use of the resources available to the enterprise. Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.

3. Financial Management:

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:

(i) Estimation of capital requirements;

(ii) Ensuring a fair return to investors;

(iii) Determining the suitable sources of funds;

(iv) Laying down the optimum and suitable capital

Structure for the enterprise:

(i) Co-coordinating the operations of various departments;

(ii) Preparation, analysis and interpretation of financial statements;

(iii) Laying down a proper dividend policy; and

(iv) Negotiating for outside financing.

4. Personnel Management:

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

5. Office Management:

The concept of management when applied to office is called 'office management'. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments.

The success of a business depends upon the efficiency of its administration. The efficiency of the administration depends upon the information supplied to it by the office.

- **FUNCTIONS OF MANAGEMENT OR PROCESS OF MANAGEMENT:**

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O’Donell, “Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure”. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donell "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

a) Establishment of standard performance.

b) Measurement of actual performance.

c) Comparison of actual performance with the standards and finding out deviation if any.

d) Corrective action.

➢ LEVELS OF MANAGEMENT

The term “**Levels of Management**’ refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. **Top level / Administrative level/ Strategic Level**
2. **Middle level / Management Level**
3. **Low level / Supervisory / Operative / First-line managers**

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

1. Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows –

a) Top management lays down the objectives and broad policies of the enterprise.

b) It issues necessary instructions for preparation of department budgets, procedures, schedules etc.

c) It prepares strategic plans & policies for the enterprise.

d) It appoints the executive for middle level i.e. departmental managers.

e) It controls & coordinates the activities of all the departments.

f) It is also responsible for maintaining a contact with the outside world.

g) It provides guidance and direction.

h) The top management is also responsible towards the shareholders for the performance of the enterprise.

2. Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

a. They execute the plans of the organization in accordance with the policies and directives of the top management.
b. They make plans for the sub-units of the organization.
c. They participate in employment & training of lower level management.
d. They interpret and explain policies from top level management to lower level.
e. They are responsible for coordinating the activities within the division or department.
f. It also sends important reports and other important data to top level management.
g. They evaluate performance of junior managers.
h. They are also responsible for inspiring lower level managers towards better performance.

3. Operational or Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management. Their activities include -

a. Assigning of jobs and tasks to various workers.
b. They guide and instruct workers for day to day activities.
c. They are responsible for the quality as well as quantity of production.
d. They are also entrusted with the responsibility of maintaining good relation in the organization.
e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
f. They help to solve the grievances of the workers.
g. They supervise & guide the sub-ordinates.
h. They are responsible for providing training to the workers.
i. They arrange necessary materials, machines, tools etc for getting the things done.
j. They prepare periodical reports about the performance of the workers.
k. They ensure discipline in the enterprise.
l. They motivate workers.
m. They are the image builders of the enterprise because they are in direct contact with the workers.

- **Managerial Skills:**

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

1. Conceptual skills:

- Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- These skills help the managers to analyze the environment and to identify the opportunities.
- Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

2. **Analytical Skills**:- [Decision making]

Analytical skills mean ability to work out a complex problem or situation into component. Analytical skills are required for solving problems and decision making. This is also helpful for evaluation of performance and arriving at judgment.

3. **Human skills:**

- Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- Human skills are concerned with understanding of people.
- These are required to win cooperation of others and to build effective work teams.

4. **Administrative Skills**:-

It involves the implementation of plan and use of available resources to get the desired output that is profit and to regularize a performance in orderly manner. It is also helpful in co-ordination of activities.

5. Technical skills:-

- Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- These skills require specialized knowledge and proficiency in the mechanics of a particular.

- Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

6. Computer Skills:-

Computer knowledge is essential for today's manager i.e. knowledge of hardware & software. Hardware is technical term & software is ability to adopt the system in an organization to attempt goals. In modern days computer is widely used in organization. Hence today's' manager should possess the knowledge of computer. This is helpful in decision making. It also helps to increase the productivity in the organization.

7. Communication Skills:-

Communication is systematic process of telling, listing and understanding. This skill requires the ability of listening and speaking in an effective manner. The manager is responsible for getting the things done by others. He should be expert in oral and written communication. Communication skill is essential for getting success. It is depend upon the manager who achieves the results with efforts of others. Co-ordination can be attained with the help of proper communication. Success is depends upon proper communication

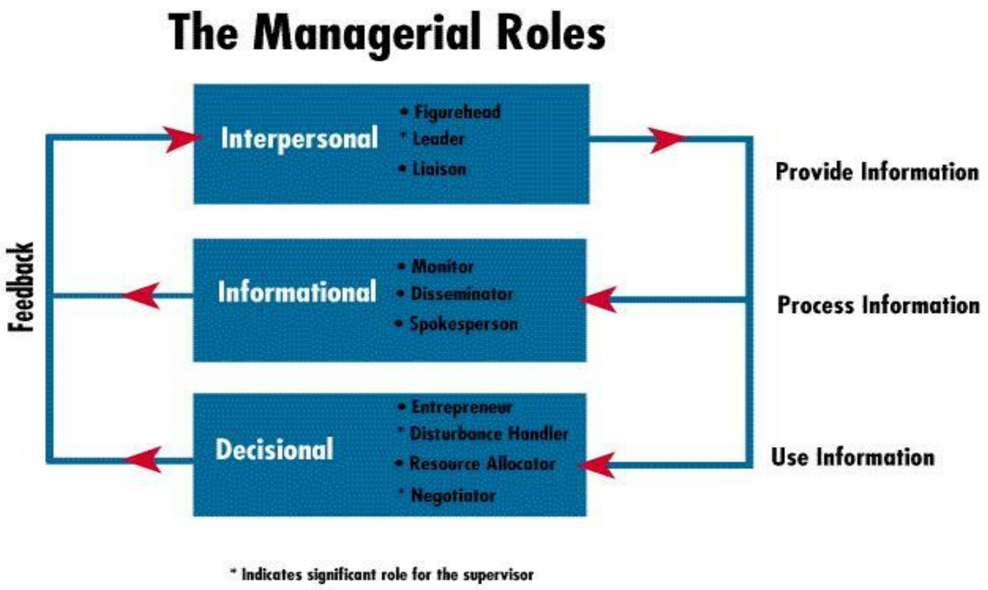
➢ MANAGERIAL ROLES

To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers.

The ten roles are divided into three groups:

- Interpersonal
- Informational
- Decisional

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.



1. Interpersonal Roles

The **interpersonal roles** link all managerial work together. The three interpersonal roles are primarily concerned with interpersonal relationships.

- **Figurehead Role:** The manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group.
- **Liaison Role:** The manger interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.
- **The leader Role:** It defines the relationships between the manger and employees.

2. Informational Roles

The **informational roles** ensure that information is provided. The three informational roles are primarily concerned with the information aspects of managerial work.

- **Monitor Role:** The manager receives and collects information about the operation of an enterprise.
- **Disseminator Role:** The manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.
- **Spokesperson Role:** The manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

3. Decisional Roles

The **decisional roles** make significant use of the information and there are four decisional roles.

- **Entrepreneur Role:** The manager initiates change, new projects; identify new ideas, delegate idea responsibility to others.
- **Disturbance Handler Role:** The manager deals with threats to the organization. The manager takes corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crisis.
- **Resource Allocator Role:** The manager decides who gets resources; schedule, budget set priorities and chooses where the organization will apply its efforts.
- **Negotiator Role:** The manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

➢ MANAGEMENT IS AN ART, A SCIENCE AND A PROFESSION

Management is treated as art, science and profession because it has some characteristics of an art, a science and a profession. Art is personal skill. It is created by nature. It does not possess by all. Art is bringing about desired results with the help of skills. Management is one of the most creative arts. It requires a lot of knowledge.

Management is an art because: 1] It is creative 2] It involves use of skill. 3] It involves use of technical knowhow. 4] It is directed towards getting results

✓ **Management is a profession because:-**

Profession is an occupation carried by professionals like doctor, lawyer, architect, chartered accountant, cost accountant etc.

It involves knowledge and application of it.

✓ **Characteristics of a profession:-**

1. Systematic body of knowledge:- Professionals require expert knowledge in a particular discipline. E.g. a doctor requires knowledge of medicine; Chartered Accountant needs to have knowledge of Income Tax.

2. Formal Education:- A true professional needs to have formal education from the institution. E.g. Lawyer needs degree of law.

3. Social Responsibility: The professional are socially responsible while handling their tasks and responsibilities. Their aim should not be only profit maximization, but they have to follow certain rules for social responsibilities.

4. Independent Office:- Normally professionals practice from their independent office.

5. Specialization:- The professionals may specialize in a particular field. E.g. heart specialist child specialist and ENT surgeon.

The modern concept of management has developed as a profession because:-

1. Organization is a systematic body of knowledge.

2. Formal methods of acquiring knowledge and skill with the help of different institution.

3. Rise in professional management consultant.

4. Need for honesty.

✓ **Management as a Science**:-

Science is a systematic body of knowledge based on certain principles and which are universally approved. F. W. Taylor was the first person who considered management as a science.

Social science. Management is a social science because it deals with human being.

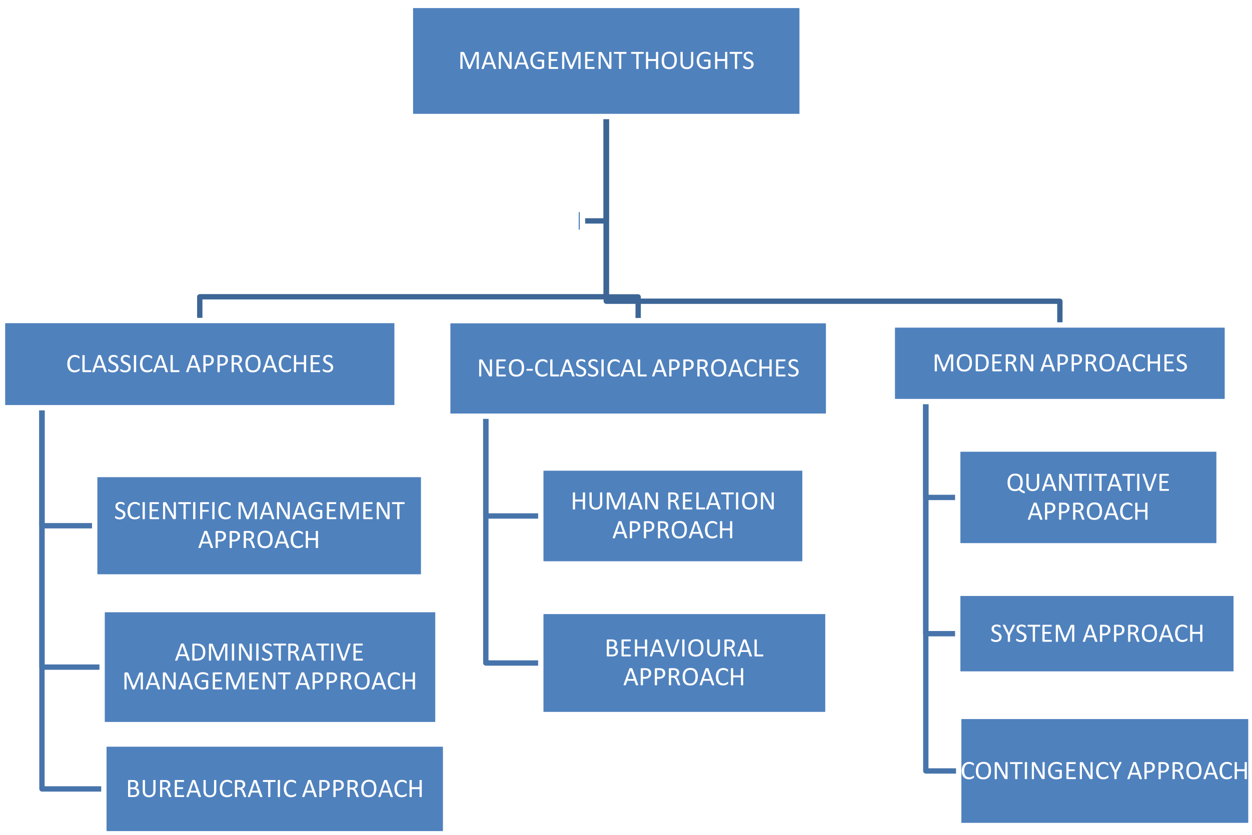
Management is a social science due to the following reasons:-

1. **Systematic collection and processing of information**:- Management collects information either by observation or experiment and practice. E.g. Marketing people collect information about expected sales on the basis of observation, experiment and practice. The data is collected. Then it is process and with the help of computer and statistical tools and then the data is analyzed and decisions are taken.

2. **Output may change though the inputs are same:-** In management the output may change even when the input remains the same because it deals with human being. Subordinates working under one manager may give different result though resources are same. Process of management is universally followed i.e. planning, organizing, staffing, directing, controlling and reporting. Every manager while performing his job must use his knowledge to get better results.

3. **Principles of Management are universally accepted:-** All successful organizations must follow established principles of management, such as division of work, unity of command, authority and responsibilities, discipline etc. So it is said that management is not only an art, a science or a profession but combination of all

Evolution of management thoughts:



➢ CLASSICAL APPROACH:

Classical management theory became popular in the early 1900s as small businesses began to pop up with more and more problems to solve. The goal of this practice was to reduce costs, improve quality, manage specialized workers more efficiently, and establish appropriate and useful relationships between employees and management. The techniques are simple and continue to be used by organizations today.

1. Scientific Management:

F.W Taylor is the father of scientific management. Scientific management is performing the work of management in a scientific manner. In other words discarding the traditional approaches to management and adopting newer and more scientific approach.

- ✓ Its main objective is improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes and to management.

- ✓ It is an important stream of the earlier schools of thought of management referred to as the classical school.

- ✓ It is developed by **Frederick Taylor (1856-1915)**, leading proponent of scientific management.

  According to Taylor , " Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way."

- ✓ **The features of scientific management are as follows:**

(i) It is a systematic approach to handle management problems.

(ii) It implies scientific techniques in method of work, recruitment, selection and training of workers.

(iii) It rejects the age old method of rule of thumb' or 'hit or miss' approach.

(iv) It attempts to discover the best method of doing the work at the lowest cost.

(v) It attempts to develop each worker to his greatest efficiency.

(vi) It involves a complete change in the mental attitude of the workers as well as of the management.

- **Objectives of Scientific Management:**

The objectives or aims of scientific management may be summarized as under:

(a) Higher Productivity:

Increase in the rate of production by use of standardized tools, equipment's, methods and training of the workers.

(b) Cost Reduction:

Reduction in the cost of production by rational planning and regulation, and cost control techniques.

(c) Elimination of Wastes:

Elimination of wastes in the use of resources and methods of manufacturing.

(d) Quality Control:

Improvement in the quality of output by research, quality control inspection devices.

(e) Right Men for Right Work:

Placement of right persons on the right jobs through scientific selection and training of workers.

(f) Incentive Wages:

Relating wage payments to the efficiency of the workers, i.e., giving wages at the higher rates to the efficient workers.

➢ PRINCIPLES OF SCIENTIFIC MANAGEMENT

(1) Science, Not Rule of Thumb:

This principle says that we should not get stuck in a set routine with the old techniques of doing work, rather we should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

(2) Harmony, Not Discord (conflict) :

As per this principle, such an atmosphere should be created in the organization that labor (the major factor of production) and management consider each other indispensable.

Taylor has referred to such a situation as a 'Mental Revolution'. Taylor firmly believed that the occurrence of a mental revolution would end all conflicts between the two parties and would be beneficial to both of them.

(3) Cooperation, Not Individualism:

According to this principle, all the activities done by different people must be carried on with a spirit of mutual cooperation. Taylor has suggested that the manager and the workers should jointly determine standards. This increases involvement and thus, in turn, increases responsibility. In this way we can expect miraculous results.

(4) Development of Each and Every Person to His / Her Greatest Efficiency and Prosperity:

According to this principle, the efficiency of each and every person should be taken care of right from his selection. A proper arrangement of everybody's training should be made. It should also be taken care that each individual should be allotted work according to his ability and interest. Such a caring attitude would create a sense of enthusiasm among the employees and a feeling of belongingness too.

(5) Principle of Maximum Output:

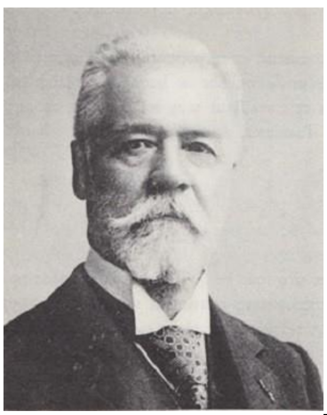
Both the management and workers should try to achieve maximum output in place of restricted output. This will be beneficial to both the parties. Maximum output will result in higher wages for the workers and greater profit for the management. Increased productivity is also in the interest of the consumers and the society at large.

(6) Scientific Selection, Training and Development of Workers:

The procedure for selection of workers should be designed scientifically. The errors committed at the time of selection may prove o be very costly later on. If we do not have right workers on the right job, the efficiency of the organization will be reduced.

Therefore, every organization should follow a scientific system of selection. The selected workers should be trained to avoid wrong methods of work.

2. ADMINISTRATIVE MANAGEMENT THEORY



_**Henry Fayol**

- The **Administrative Theory** is based on the concept of departmentalization, which means the different activities to be performed for achieving the common purpose of the organization should be identified and be classified into different groups or departments, such that the task can be accomplished effectively.

- **Administrative management theory** attempts to find a rational way to design an organization as a whole. The theory generally calls for a formalized administrative structure, a clear division of labor, and delegation of power and authority to administrators relevant to their areas of responsibilities.

- The administrative theory was given by **Henry Fayol**, who believed that more emphasis should be laid on organizational management and the human and behavioral factors in the management. Thus, unlike the scientific management theory of Taylor where more emphasis was on improving the worker's efficiency and minimizing the task time, here the main focus is on how the management of the organization is structured and how well the individuals therein are organized to accomplish the tasks given to them.

- **Henri Fayol (1841-1925):** Fayol was born in France, where he worked for a coal-mining business. He developed 14 administrative principles for organizational structure and management.

➢ **Henry Fayol's 14 Principles of Management**

1. **Division of Work:** The work should be divided among the individuals on the basis of their specializations, so as to ensure their full focus on the effective completion of the task assigned to them.
2. **Authority and Responsibility:** The authority and responsibility are related to each other. Authority means the right to give orders while the responsibility means being accountable. Thus, to whomsoever the authority is given to exact obedience must be held accountable for anything that goes wrong.
3. **Discipline:** The individuals working in the organization must be well-disciplined. The discipline refers to the obedience, behavior, respect shown by the employees towards others.
4. **Unity of Command:** According to this principle, an individual in the organization must receive orders from only one supervisor. In case an individual has the reporting relationship with more than one supervisor then there may be more conflicts with respect to whose instructions to be followed.
5. **Unity of Direction:** Unity of direction means, all the individual or groups performing different kinds of a task must be directed towards the common objective of the organization.
6. **Subordination of Individual to General Interest:** According to this principle, the individual and organizational interest must coincide to get the task accomplished. The individual must not place his personal interest over the common interest, in case there a conflict.

7. **Remuneration of Personnel:** The payment methods should be fair enough such that both the employees and the employers are satisfied.
8. **Centralization:** Fayol defines centralization as the means of reducing the importance of subordinate's role in the organization, and the extent to which the authority is centralized or decentralized depends on the organization type in which the manager is working.
9. **Scalar Chain:** This means there should be a proper hierarchy in the organization that facilitates the proper flow of authority and communication. It suggests that each individual must know from whom he shall get instructions and to whom he is accountable to. Also, the communication either going up or down must pass through each level of authority.In certain circumstances where the quick flow of communication is required, the rigidity of a scalar chain can pose problems. Thus, Henry Fayol has suggested "gang plank" which means anybody in the hierarchy can interact with each other irrespective of their authority levels.
10. **Order:** This principle is related to the systematic arrangement of things and people in the organization. This means every material should be in its place, and there should be a place for every material. Likewise, in the case of people, a right man should be in the right job.
11. **Equity:** All the employees in the organization must be treated equally with respect to the justice and kindliness.
12. **Stability of Tenure:** The employees should be retained in the organization, as new appointments may incur huge selection and training cost.
13. **Initiative:** The manager must motivate his subordinates to think and take actions to execute the plan. They must be encouraged to take initiatives as this increases the zeal and energy among the individuals.
14. **Esprit de Corps:** This means "unity is strength". Thus, every individual must work together to gain synergy and establish cordial relations with each other.

Thus, Henry Fayol emphasized on the managerial activities and classified these further into five sub-activities Viz. Planning, Organizing, Directing, coordinating and controlling and for the better understanding of these he had proposed 14 principles of management.

3. BUREAUCRATIC THEORY

- The **Bureaucratic Theory** is related to the structure and administrative process of the organization and is given by Max Weber, who is regarded as the father of bureaucracy. What is Bureaucracy? The term bureaucracy means the rules and regulations, processes, procedures, patterns, etc. that are formulated to reduce the complexity of organization's functioning.

- According to Max Weber, the bureaucratic organization is the most rational means to exercise a vital control over the individual workers. A bureaucratic organization is one that has a hierarchy of authority, specialized work force, standardized principles, rules and regulations, trained administrative personnel, etc.

- The Weber's bureaucratic theory differs from the traditional managerial organization in the sense; it is impersonal, and the performance of an individual is judged through rule-based activity and the promotions are decided on the basis of one's merits and performance.

- Also, there is a hierarchy in the organization, which represents the clear lines of authority that enable an individual to know his immediate supervisor to whom he is directly accountable. This shows that bureaucracy has many implications in varied fields of organization theory.

- Thus, Weber's bureaucratic theory contributes significantly to the classical organizational theory which explains that precise organization structure along with the definite lines of authority is required in an organization to have an effective workplace.

➢ **The main features of this approach are as follows:**

1. Division of Work: There is division of work on basis of specialization of jobs in bureaucratic organizations. Each employee performs his specialized work in a predictable manner.

2. Rules and Regulations: Detailed rules and regulations regarding work behavior, rights and duties of employee are laid down. Rules are designed to ensure the consistency in work performance.

3. Hierarchy of Authority: Hierarchy in organizations is characterized by downward delegation of authority. Each superior exercises control over his subordinates.

4. Technical Competence: Selection and promotion of employees are based on the technical competence of employees. Training is also provided to familiarize the employees with the rules and administrative procedures of the organization.

5. Record Keeping: Every decision and action is recorded in its original as well as draft form.

6. lmpersonal Relations: Superiors are formal in dealings with their subordinates.

- **<u>Advantages of Bureaucracy</u>**

1. Specialization: A bureaucratic organization provides the advantages of specialization because every member is assigned a specialized task to perform.

2. Structure: A structure of form is created by specifying the duties and responsibilities and reporting relationships within a command hierarchy. Structure sets the pace and framework for the functioning of the organization.

3. Rationality: A measure of objectivity is ensured by prescribing in advance the criteria far decision making in routine situations.

4. Predictability: The rules, regulations, specialization, structure and training import predictability and thereby ensure stability in the organization. Conformity to rules and roles in the structural framework bring about order to cope with complexity.

5. Democracy: Emphasis on qualifications and technical competence make the organization more democratic. Officials are guided by the prescribed rules, policies and practices rather than by patronage or other privileged treatment.

- **Disadvantages of Bureaucracy:**

1. Rigidity: Rules and regulations in a bureaucracy are often rigid and inflexible. Rigid compliance with rules and regulations discourages initiative and creativity. It may also provide the cover to avoid responsibility for failures.

2. Goal Displacement: Rules framed to achieve organizational objectives at each level become an end to themselves. When individuals at lower levels pursue personal objectives, the overall objectives of the organization may be neglected.

II.***NEO CLASSICAL APPROACH***

The **Neoclassical Theory** is the extended version of the classical theory wherein the behavioral sciences gets included into the management. According to this theory, the organization is the social system, and its performance does get affected by the human actions.

Neoclassical theory which primarily focused on the human beings in the organization. This approach is often referred to as "**behavioral theory of organization"** or "**human relations"** approach in organizations.

- ✓ **This approach includes two pillars:**

1. **Human Relations Movement:**

George Elton Mayo

- Human relations movement deals with the factors which encourage higher performance on the part of workers. The improvement of working conditions, lowering of hours of work, improvement of social relations of workers, besides monetary gains help in increasing productivity.

- According to Human Relations Approach, management is the Study of behaviour of people at work. **Elton Mayo** is rightly called as **father of Human Relations Movement.**

- This approach had its origin in a series of experiments conducted by Professor Elton Mayo and his associates at the Harvard School of Business at the Western Electric Company's Hawthorne Works, near Chicago.

- These studies brought out for the first time the important relationships between social factors and productivity. Before it, productivity of the employees was considered to be a function only of physical conditions of work and money wages paid to them. For the first time it was realized that productivity depended largely upon the satisfaction of the employees in work situations
- **The Hawthorne Experiments** provided a landmark in the evolution of management thought. Many organizations initiated the measures to improve relations with the workers. The managers were supposed to assume a new role and to develop new concepts of authority, motivation and leadership.

✓ **The Hawthorne Experiments includes:**

1. Illumination Experiments:

From these experiments, it was revealed that productivity could be increased not only by improving the working environment, but also through informal social relations among the members of the working group.

2. Relay Assembly Test Room Experiment:

In this experiment a small homogeneous working group was constituted. Several new elements were introduced in the work environment such as—shorter working hours, proper rest periods, improved physical conditions, friendly supervision, free social interaction among the group members, and so on.

During the period of the experiment, productivity and morale increased. Productivity and morale were maintained even if the improvements in the working conditions were withdrawn. The researchers concluded that socio- psychological factors such as the feelings of being important, recognition, participation, informal work group, non-directive supervision etc. held the key for higher productivity.

3. Mass Interviewing Programme:

A large number of workers were interviewed to know their perceptions and orientation on the working life. The results again confirmed the importance of informal relation, social and psychological needs and their impact on the behavior of the workers.

4. Bank Wiring Observation Room Experiment:

A group of 14 workers was observed with regard to their work behaviour. The observation revealed the informal production norms set by the workers and the existence of informal relations in the group.

The conclusions of the Hawthorne Experiments are pointed out below:

(i) A factory is not only a techno-economic unit but a psycho-social organisation also.

(ii) The workers spontaneously form small informal groups. The norms and values of such groups have significant influence on the behaviour and performance of the workers.

(iii) Physical conditions of work have some influence on the workers' morale and productivity. But their inter-personal relations, attitude of the supervisors and other social and psychological factors have a far greater influence.

(iv) Usually, the workers act or re-act not as individuals but as the members of a group.

(v) The workers are not mere economic men motivated by money alone. They respond to the total work situation including recognition, participation etc.

(vi) The informal leaders play an important role in setting and enforcing group norms.

(vii) The managers must understand and recognize the inter-personal and group relations on the job.

2. Behavioral Sciences Movement:

Behavioral science movement is regarded as a further refinement of human relations movement. It covered wider aspects in inter-personal roles and responsibilities. It laid emphasis on the application of the methods and findings of general and social psychology and sociology for understanding the organizational behaviour.

The important aspects of behavioural approach were:

(i) Motivation of employees for improving productivity,

(ii) Organisation as a social system,

(iii) Leadership-study of managerial behaviour,

(iv) Communication for better understanding in the organisation,

(v) Employee development- upgrading of employee and managerial skills

The contributors to this thinking of management included Abraham Maslow, Douglas McGregor, Rensi Linkert, Chester Bernard.

- **Abraham Maslow:**

Abraham Maslow, an eminent U.S. psychologist, gave a general theory of motivation known as Need Hierarchy Theory in his paper published in 1943.

He classified the needs as follows:

Physiological needs----Safety needs----- Social needs------Ego or esteem needs-----Self-fulfillment or self-actuation needs

- **Douglas-McGregor (1906-1964):**

  McGregor is known for the development of a theory on Motivation. He named it as Theory X and Theory Y.

- **Rensis Likert (1903-1972):**

Likert was the Director of Institute of Social Sciences, Michigan, U.S.A. He conducted extensive research for fourteen years with the help of 4C researchers in the field of leadership. His famous writings included: New Patterns of Management (1961). Human Organization (1967). He was of the view that traditional job-oriented supervision was the cause of low productivity and low morale. He suggested participative management in the field of decision making.

He classified management styles into the following categories:
(i) Exploitative Autocratic (ii)Benevolent Autocratic (iii) Participative (iv) Democratic

- **Chester I. Bernard (1886-1961):**

Chester Bernard was the President of New Jerray Bell Telephone Company. He served in various other organizations too. His important writings include. The Functions of Executive (1938). Organization and Management (1948). Elementary Conditions of Business Morals.

His writings had important impact on human organization. In his organization theory he adopted a sociological approach and in dealing with the functions of executives, he emphasized the importance of leadership and communication. Bernard divided organization into formal and informal. He said that informal organization is an important part of formal organization

3. <u>MODERN MANAGEMENT THEORY:</u>

The Modern Period (1950 to present). After, 1950 management thought has been turning somewhat away from the extreme human relations ideas particularly regarding the direct relation between morale and productivity. Present management thinking wishes equal emphasis on man and machine.

Under modern management thought three streams of thinking have been noticed:
(i) Quantitative or Mathematical Approach (ii) Systems Approach. (iii) Contingency Approach.

(i) Quantitative or Mathematical Approach: The quantitative approach was propounded by **C.W. Churchman** and his colleagues around the year 1950. This approach is also known by the name operational research or operational analysis. This approach involves the use of quantitative techniques, such as statistics, information models, and computer simulations, to improve decision making.

(ii)Systems management theory

The **systems management theory** has had a significant effect on management science. A system is an interrelated set of elements functioning as a whole. An organization as a system is composed of four elements:

- **Inputs** — material or human resources
- **Transformation processes** — technological and managerial processes
- **Outputs** — products or services
- **Feedback** — reactions from the environment

In relationship to an organization, *inputs* include resources such as raw materials, money, technologies, and people. These inputs go through a **transformation process** where they're planned, organized, motivated, and controlled to ultimately meet the organization's goals. The *outputs* are the products or services designed to enhance the quality of life or productivity for customers/clients. Feedback includes comments from customers or clients using the products. This overall systems framework applies to any department or program in the overall organization.

(iii)Contingency approach

- Contingency approach, also known as **situational approach**, is a concept in management stating that there is no one universally applicable set of management principles to organizations. Organizations are individually different, face different situations, and require different ways of managing.
- Contingency theory is beneficial to organizations because of the potential for learning from specific situations and using these lessons to influence future management of the same or similar situations. The ability to adapt to external pressures and changes is also an advantage. Contingency theory may also produce more well-rounded leaders who are able to develop their skills in multiple areas.

Features of Contingency Approach

Management in externally situation: the conditions of the situation will determine which techniques and control system should be designed to fit the particular situation.

Managers should understand that there is no best way of managing. It dispels the universal validity of principles.

Management policies and procedures should respond to the environment.

Management is entirely situational. There is no best way of doing anything.

UNIT-II

PLANNING

➢ INTRODUCTION

All organizations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit and getting success in business all businessmen have to think about future; make predictions and achieve target. To decide what to do, how to do and when to do they do planning.

➢ MEANING

- Planning can be defined as "thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done". In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.
- Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

➢ FEATURES/NATURE/CHARACTERISTIC OF PLANNING:

1. Planning contributes to Objectives:

Planning starts with the determination of objectives. We cannot think of planning in absence of objective. After setting up of the objectives, planning decides the methods, procedures and steps to be taken for achievement of set objectives. Planners also help and bring changes in the plan if things are not moving in the direction of objectives.

For example, if an Organization has the objective of manufacturing 1500 washing machines and in one month only 80 washing machines are manufactured, then changes are made in the plan to achieve the final objective.

2. Planning is Primary function of management:

Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives only.

For example, in organizing function, managers assign authority and responsibility to the employees and level of authority and responsibility depends upon objectives of the company. Similarly, in staffing the employees are appointed. The number and type of employees again depends on the objectives of the company. So planning always proceeds and remains at no. 1 as compared to other functions.

3. Pervasive:

Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

4. Planning is futuristic/Forward looking:

Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

5. Planning is continuous:

Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way So, after making plans also planners keep making changes in the plans according to the requirement of the company. **For example**, if the plan is made during the boom period and during its execution there is depression period then planners have to make changes according to the conditions prevailing

6. Planning involves decision making:

The planning function is needed only when different alternatives are available and we have to select most suitable alternative. We cannot imagine planning in absence of choice because in planning function managers evaluate various alternatives and select the most appropriate. But if there is one alternative available then there is no requirement of planning.

For example, to import the technology if the licence is only with STC (State Trading Co-operation) then companies have no choice but to import the technology through STC only. But if there is 4-5 import agencies included in this task then the planners have to evaluate terms and conditions of all the agencies and select the most suitable from the company's point of view.

7. Planning is a mental exercise:

It is mental exercise. Planning is a mental process which requires higher thinking that is why it is kept separate from operational activities by Taylor. In planning assumptions and predictions regarding future are made by scanning the environment properly. This activity requires higher level of intelligence. Secondly, in planning various alternatives are evaluated and the most suitable is selected which again requires higher level of intelligence. So, it is right to call planning an intellectual process.

➢ IMPORTANCE/SIGNIFICANCE OF PLANNING:

1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and Organization would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties:

Organizations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the Organization. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:

The Organizational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main Organizational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making:

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling:

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company:

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of Organizational goals and objectives.

- **<u>LIMITATIONS OF PLANNING</u>:**

1. Planning leads to rigidity:

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for Organization. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment:

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

3. It reduces creativity:

With the planning the managers of the Organization start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

4. Planning involves huge Cost:

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

5. It is a time consuming process:

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success:

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

7. Lack of accuracy:

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

For example, if in the plan it is assumed that there will be 5% inflation rate and in future condition the inflation rate becomes 10% then the whole plan will fail and many adjustments will be required to be made.

8.Natural calamity:

Natural calamities such as flood, earthquake, famine etc. may result in failure of plan.

9. Change in competitors' policies:

Sometimes plan may fail due to better policies, product and strategy of competitor which was not expected by manager.

10. Change in taste/fashion and trend in the market:

Sometimes plans may fail when the taste/fashion or trend in market goes against the expectation of planners.

11. Change in technologies:

The introduction of new technologies may also lead to failure of plans for products using old technology.

- **<u>PLANNING PROCESS:</u>**

Step 1- Identify Need for Planning:

First of all need for making plans should be identified clearly. The managers should be sensitive enough to judge which area need planning. For example- falling sales of the company may alarm the managers to review and plan its sales function.

Step 2- Establish a Goal or Set of Goals:

Next step is to decide what exactly the Organization or sub-unit wants or needs in order to accomplish organizational purpose. For example- the goal of the marketing unit may be to reach a particular quantum of turnover in the given time. Identifying priorities and being specific about them enable organizations to focus their resources effectively.

Step 3- Define the Present Situation:

How far is the organization or the subunit from its goals? What resources are available for reaching the goals? Only after the current state of affairs is analyzed can plans be drawn up to chart further progress. Open lines of communication within the Organization and between its sub-units provide the information—especially financial and statistical data—necessary for this third stage.

Step 4- Identify the Aids and Barriers to the Goals:

What factors in the internal and external environments can help the organization reach its goals? What factors might create problems? Planning requires an intimate understanding of present resources (human, material, and financial), core competencies, and actual obstacles with respect to the business unit, all of which describe the current condition.

A clear vision of the desired future state with respect to its impact on the organization's ability to overcome potential obstacles, fulfil its mission, and serve its customers, needs to be obtained.

Step 5- Develop a Plan or Set of Actions for Reaching the Goal(s):

Each Goal must be broken down into an Action Plan which has four parts to it-

(1) **WHAT** – This involves tasks- although goals clarify what is to be done in organization, each goal must be broken down into specific tasks that will help to accomplish the goal.

(2) **WHO** – this involves delegating – the work a leader does to identify the capabilities of each member of the team and delegate tasks to them.

(3) **WHEN** – this involves scheduling- the work of putting a time factor on our programme and inserting the calendar into the programme with dates and time durations.

(4) **WITH WHAT** – this involves budgeting – the application of resources (personnel, time and equipment) to help achieve the goal.

Step 6- Monitor the Progress of Plan:

After the plan is set into motion, next task is to monitor its progress. Is it leading the organization in the same direction as was perceived while planning? If not, what could be the reason?, can any change make the things better?, if yes, the planning process again starts. Monitoring is a continuous process, and is required to be done at each stage of implementation of plans, and so is the planning process.

Note that different planners might have different names for the above activities and groups them differently. However, the nature of the activities and their general sequence remains the same.

PLAN

➢ MEANING:

Plan is a document that outlines how goals are going to be met. It is a specific action proposed to help the organization achieve its objectives. There may be more than one way and means of reaching a particular goal but with the help of logical plans, objectives of an organization could be easily achieved.

➢ TYPES OF PLANS

1. **Coverage** – Strategic, tactical, and operational,
2. **Time frame** – Short and long term,
3. **Specificity** – Specific versus directional,
4. **Frequency of use** – Single use and standing.

These planning classifications aren’t independent. For instance, short-and long- term plans are closely related to strategic and operational ones. And single-use plans typically are strategic, long term, and directional.

1. Strategic, Tactical and Operational Plans:

a. Strategic Plans:

Strategic plans are designed to meet the broad objectives of the organization – to implement the mission that provides the unique reason for organization’s existence. They are set at the top managerial level, and are meant to guide the whole organization.

An organization’s strategic plan is the starting point for planning. The aim of strategic planning is to help a company select and organize its businesses in a way that would keep the company healthy in spite of unexpected upsets occurring in any of its specific businesses or product lines.

For example- in order to deal with uncertainties of raw material availability, a company’s strategic plan may purport to acquire its own facilities for generating raw material. Strategic plan serves as a guide to the development of sound sub plans to accomplish the organizational objectives.

b. Tactical Plans:

Top level managers set the strategies that an organization should focus to achieve organizational goals. **Examples** of strategies include set-up a plant to generate raw material for the organization's manufacturing activities, explore North-East market, and likewise. Middle managers interpret these strategies and develop tactical plans for their departments that follow strategies in order to contribute to the organizational goals.

In order to develop tactical plans, middle management needs detail reports (financial, operational, market, external environment). Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. It is the process of making detailed decisions about what to do, who will do it, and how to do it.

In short, tactical plans may be understood in following terms:

1. Tactical planning deals primarily with the implementation phase of the planning process
2. Tactical planning turns strategy into reality
3. Tactical planning usually has a 1-2 year time horizon
4. Tactical planning is usually tightly integrated with the annual budget process

c. Operational Plans:

The supervisor interprets the strategic and tactical management plans as they apply to his unit. This way, he makes operational plans to support tactical plans. These plans provide the details of how the strategic plans will be accomplished. Examples of planning by supervisors include scheduling the work of employees and identifying needs for staff and resources to meet future changes. Operating plans tend to be repetitive and inflexible over the short run. Change comes only when it is obvious that plans and specific action steps are not working.

There are two main type of operational plans – Single use plans which are developed to achieve specific purposes and dissolved when these have been accomplished; standing plans are standardized approaches for handling recurring and predictable situations.

Note that Tactical plans are based on the organization's strategic plan. In turn, operational plans are based on the organization's tactical plans. These are specific plans that are needed for each task or supportive activity comprising the whole. Strategic, tactical, and operational planning must be accompanied by controls.

Monitoring progress or providing for follow-up is intended to ensure that plans are carried out properly and on time. Adjustments may need to be made to accommodate changes in the external and/ or internal environment of the organization.

2. Short-Range and Long-Range Plans:

Time is an important factor in planning. George Terry says, "The time period covered by planning should preferably include sufficient time to fulfil the managerial commitments involved."

Generally a short range planning (SRP) means a plan for one or two years and long range planning (LRP) means a plan for three to five years or more. Though this division may be considered as arbitrary, but it may have a general acceptability. This period of course, may vary according to the nature and size of business.

When a concern requires long gestation period, it is natural that the long range planning may cover a longer period than five years. For example- organizations, such as oil or mining companies, or airlines must make long range planning because of their particular purposes and objectives. A home video-rental store or a book store might concentrate on seasonal or annual goals.

However, whatever the period of planning, it should not be too rigid. It should rather be flexible to meet the unknown factors of the future. If a concern adopts both short-term and long-term planning, the short-term planning should fit in with long-term planning. It is important, for managers, to understand the roles of both long range and short range planning in overall planning scheme.

3. Specific and Directional Plans:

Specific plans are established to achieve a specific purpose and dissolves when the purpose is accomplished. For example- a manager who seeks to increase his firm's sales by 20 per cent over a given twelve-month period might establish specific procedures, budget allocations, and schedules of activities to reach that objective. These represent specific plans.

Directional plans identify general guidelines. They provide focus but do not lock managers into specific objectives or courses of action. Instead of following a specific plan to cut costs by 4 per cent and increase revenues by 6 per cent in the next six months, a directional plan might shoot for improving corporate profits by 5 to 10 per cent every year.

Intuitively it seems right that specific plans would be preferable to directional or loosely guided plans, because they have clearly defined objectives. There is no ambiguity, no problem with misunderstandings. However, in certain circumstances, like in case of fast changing environment, directional plans provide the flexibility required to cope with the changing situations.

4. Single Use and Standing Plans:

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation and created in response to non-programmed decisions that managers make.

In contrast, standing plans are ongoing plans that provide guidance for activities repeatedly performed in the organization. Standing plans are created in response to programmed decisions that managers make and include the policies, rules, and procedures.

i. Single-Use Plans:

Single-use plans are detailed courses of action that probably will not be repeated in the same form in the future. For example- a firm planning to set up a new warehouse because it is expanding rapidly will need a specific single-use plan for that project, even though it has established a number of other warehouses in the past.

It will not be able to use an existing warehouse plan, because the projected warehouse presents unique requirements of location, construction costs, labour availability, zoning restrictions, and so forth. The major types of single-use plans are programs, projects, and budgets.

a. Programs:

A program covers a relatively large set of activities. The program shows- (1) the major steps required to reach an objective, (2) the organization unit or member responsible for each step, and (3) the order and timing of each step. The program may be accompanied by a budget or a set of budgets for the activities required.

A program may be as large in scope as placing a person on the moon or as comparatively small as improving the reading level of fourth-grade students in a school district. Whatever its scope, it will specify many activities and allocations of resources within an overall scheme that may include other single-use plans as projects and budgets.

b. Projects:

Projects are the smaller and separate portions of programs. Each project has limited scope and distinct directives concerning assignments and time. In the warehouse example, typical projects might include the preparation of layouts, a report on labour availability, and recommendations for transferring stock from existing facilities to the new installation. Each project will become the responsibility of designated personnel who will be given specific resources and deadlines.

c. Budgets:

Budgets are statements of financial resources set aside for specific activities in a given period of time. They are primarily devices to control an organization’s activities and so are important components of programs and projects. Budgets itemize income as well as expenditures and thus provide targets for such activities as sales, departmental expenses, or new investments.

Managers often use budget development as the process by which decisions are made to commit resources to various alternative courses of action. In this sense, budgets can be considered single-use plans in their own right.

ii. Standing Plans:

a. Policies:

A policy is a general statement designed to guide employees’ actions in recurring situations. It establishes broad limits, provides direction, but permits some initiative and discretion on the part of the supervisor. Thus, policies are guidelines. Some policies deal with very important matters, like those requiring strict sanitary conditions where food or drugs are produced or packaged. Others may be concerned with relatively minor issues, such as the way employees dress.

Policies are usually established formally and deliberately by top managers of the organization. Policies may also emerge informally and at lower levels in the organization from a seemingly consistent set of decisions on the same subject made over a period of time.

For example- if office space is repeatedly assigned on the basis of seniority, that may become organization policy. In recent years policy has also been set by factors in the external environment—such as government agencies that issue guidelines for the organization’s activities (such as requiring certain safety standards).

b. Procedures:

A procedure is a sequence of steps or operations describing how to carry out an activity. It is more specific than a policy and establishes a customary way of handling a recurring activity. Thus, less discretion on the part of the supervisor is permissible in its application. For example-the refund department of a large discount store may have a policy of "refunds made, with a smile, on all merchandise returned within seven days of purchase."

The procedure for all clerks who handle merchandise returned under that policy might then be a series of steps like these- (1) Smile at customer. (2) Check receipt for purchase date. (3) Check condition of merchandise … and so on. Such detailed instructions guide the employees who perform these tasks and help insure a consistent approach to a specific situation.

In day to-day operation, the procedures help in the following manner:

1. Procedures bring uniformity in performing various actions because everyone has to follow same procedure for doing actions.
2. It helps in standardizing and streamlining day to day activities to maintain smooth functioning of the organization.
3. Procedures may also help in maintaining coordination, because every employee performs similar type of activity by using prescribed procedure for it.
4. Procedures also encourage delegation of authority to lower level manager, because procedure-based activities can easily be delegated to them.

c. Rules:

A rule is an established guide for conduct. Rules include definite things to do and not to do. There are no exceptions to the rules. An example of a rule is "No Smoking." Managers frequently use rules when they confront a well-structured problem because they are simple to follow and ensure consistency. For example- rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and with a relatively high degree of fairness.

➢ A SOUND PLAN HAS THE FOLLOWING FEATURES:

1. Integration:

A good plan integrates short-term requirements of the firm with the long- term requirements. Plans (short-term and long-term) should be oriented towards the overall Organizational goals.

2. Market Research:

Planners should conduct market research before they frame plans. "What potential customers say they are going to do and what they end up doing may be two different things?" Plans should forecast market requirements through a well conducted market research.

3. Economy/Financial constraints:

A plan which relies too heavily on financial budgets may turn out to be a failure if the revenues do not arise as expected. Once the budgetary balance is disturbed, subsequent operations may get affected as plan is a sequence of cause and effect relationships. If it becomes imperfect, it can lead to cumulative problems. Future costs and benefits should be carefully analysed while designing Organizational plans.

4. Co-ordination:

A sound plan should co-ordinate working of all the functional areas. If functional plans (or departmental plans) are not synchronised with Organizational plans, Organization will fail to achieve its goals.

5. Consistent:

Plans should be followed for a fairly long of time. Frequent modifications/ alterations in plans by higher authorities can make their implementation ineffective at lower levels.

6. Flexible:

Though consistent, plans should adjust (flexible) to environmental changes.

7. Acceptable:

Best laid plans may turn out to be failures if they are not implemented effectively. Plans should be acceptable to those who frame them and also to those who implement them.

8. Participative:

The acceptability of plans increases if subordinates participate in the planning process. Many Organizations follow the principle of participation in planning. Managers invite ideas/suggestions from people of different departments at different levels and finalise the plans. The practice of participative planning promotes good ideas and creates personal obligation on subordinates to achieve the planned targets. It, however, allows managers to retain control over the planning activities.

9. Clear Objectives:

Plans should be oriented towards objectives. Clear, specific and attainable objectives result in sound and effective plans.

10. Based on Planning Premises:

Since plans achieve a goal in future, they should be based on accurate forecasts and predictions about future events. Planning premises provide a basis for making future oriented plans.

11. Effective Communication System:

Framing and implementing plans requires interaction of managers at all levels with people inside and outside the Organization. A sound plan is based on well-designed communication system present in the Organization.

DECISION MAKING

➢ Decision

A decision is a choice made between 2 or more available alternatives.

➢ Decision Making

Decision Making is the process of choosing the best alternative for reaching objectives.

- Managers make decisions affecting the organization daily and communicate those decisions to other organizational members.
- Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.
- Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

➢ Characteristics of Decision Making

1. Mental and Intellectual Process

Decision making is a mental and intellectual process because whatever decisions are taken, they are based on logical deliberations to make them more rational. **For which** intelligence, knowledge, experience, educational level, and mental facilities are essential.

Similarly, in decision making, the voice of inner conscious is also important, along with intellectual logic.

2. It is a Process

Decision making is a process to find out the solution to any problem or for the achievement of a specific result, problems are well analyzed, during the course of decision making.

3. **Pervasive function of management**

This function is performed by managers at all levels though the nature of decisions may differ from one level to another. Decision making is a continuous process.

4. It is an Indicator of Commitment

This is an indicator of commitment because decision making ties up with the result of its decision.

The decision maker has to bear the result the decisions of in one or the other form.

Not only that, but decision making is also the indicator of commitment because, for its implementations, individual and collective efforts are required.

5. It is a Best Selected Alternative

Decision making is the best-selected Alternative.

The best alternative is selected, out of two or more possible alternatives, for solving any problem.

6. Decision Making might be Positive or Negative

Decision making is positive or negative. The decision of implementing any plan to do some work is positive, whereas the decision not to do any work or not to implement and plan is negative.

Hence, **negative decisions are also as good decisions,** as are the positive decisions.

7. Continuous and Dynamic Process

This is a continuous process because decisions are to be taken continuously in the business organizations, for routine and Special Tasks. **Besides,** it is a dynamic also, because the situations and circumstances of each decision are different than the situations and circumferences of the preceding decisions.

8. It is a Measurement of Performance

Decision making is a measurement on the basis of which the success or failure and execution or non-execution of the decisions taken by the managers depends.

Hence, the evolution of the efficiency of managers etc. is possible by the measurement of decision making.

9. It is a Human and Social Process

Decision making is a human and social process also because all human factors are to be kept into consideration, before final selection of any particular alternative, in the **decision-making process**.

Similarly, it also includes the use of intuition and Justice.

10. Other Characteristics

- New decision emerges from the decision making process.
- Decision making is synonymous of Management.
- Decision making is part of planning.
- The forecast is part of decision making.
- Decision making is different from the decision.

➢ PROCESS IN DECISION MAKING

1. Define the problem:

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

For example, if a machine stops working due to non-availability of screw, screw is the limiting factor in this case. Similarly fuse is a limiting or critical factor in house lighting. While selecting alternative or probable solution to the problem, the more the decision-making takes into account those factors that are limiting or critical to the alternative solutions, the easier it becomes to take the best decision.

Other examples of critical or limiting factor may be materials, money, managerial skill, technical know-how, employee morale and customer demand, political situation and government regulations, etc.

2. Analysing the problem:

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures.

There are three principles relating to the analysis and classification as explained below:

(i) The futurity of the decision. This means to what length of time, the decision will be applicable to a course of action.

(ii) The impact of decision on other functions and areas of the business.

(iii) The qualitative considerations which come into the picture.

3. Developing alternative solutions:

After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action.

4. Selecting the best type of alternative:

After developing various alternatives, the manager has to select the best alternative. It is not an easy task.

The following are the four important points to be kept in mind in selecting the best from various alternatives:

(a) Risk element involved in each course of action against the expected gain.

(b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.

(c) Proper timing of the decision and action.

(d) Final selection of decision is also affected by the limited resources available at our disposal. Human resources are always limited. We must have right type of people to carry out our decisions. Their calibre , understanding, intelligence and skill will finally determine what they can and cannot do.

5. Implementation of the decision:

Under this step, a manager has to put the selected decision into action.

For proper and effective execution of the decision, three things are very important i.e.,

(a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.

(b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.

(c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

6. Follow up:

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is indispensable so as to modify and improve upon the decisions at the earliest opportunity.

7. Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of "preventive maintenance", so that the problems can be prevented before they occur.

According to Peter Drucker, the monitoring system should be such that the manager can go and look for himself for first hand information which is always better than the written reports or other second-hand sources.

- **TYPES OF DECISIONS**

1. Programmed and non-programmed decisions:

Programmed decisions are concerned with the problems of repetitive nature or routine type matters

A standard procedure is followed for tackling such problems. These decisions are taken generally by lower level managers. Decisions of this type may pertain to e.g. purchase of raw material, granting leave to an employee and supply of goods and implements to the employees, etc. Non-programmed decisions relate to difficult situations for which there is no easy solution.

These matters are very important for the organisation. For example, opening of a new branch of the organisation or a large number of employees absenting from the organisation or introducing new product in the market, etc., are the decisions which are normally taken at the higher level.

2. Routine and strategic decisions:

Routine decisions are related to the general functioning of the organisation. They do not require much evaluation and analysis and can be taken quickly. Ample powers are delegated to lower ranks to take these decisions within the broad policy structure of the organisation.

Strategic decisions are important which affect objectives, organisational goals and other important policy matters. These decisions usually involve huge investments or funds. These are non-repetitive in nature and are taken after careful analysis and evaluation of many alternatives. These decisions are taken at the higher level of management.

3. Tactical (Policy) and operational decisions:

Decisions pertaining to various policy matters of the organization are policy decisions. These are taken by the top management and have long term impact on the functioning of the concern. For example, decisions regarding location of plant, volume of production and channels of distribution (Tactical) policies, etc. are policy decisions. Operating decisions relate to day-to-day functioning or operations of business. Middle and lower level managers take these decisions.

An example may be taken to distinguish these decisions. Decisions concerning payment of bonus to employees are a policy decision. On the other hand if bonus is to be given to the employees, calculation of bonus in respect of each employee is an operating decision.

4. Organizational and personal decisions:

When an individual takes decision as an executive in the official capacity, it is known as organizational decision. If decision is taken by the executive in the personal capacity (thereby affecting his personal life), it is known as personal decision.

Sometimes these decisions may affect functioning of the organization also. For example, if an executive leaves the organization, it may affect the organization. The authority of taking organizational decisions may be delegated, whereas personal decisions cannot be delegated.

5. Major and minor decisions:

Another classification of decisions is major and minor. Decision pertaining to purchase of new factory premises is a major decision. Major decisions are taken by top management. Purchase of office stationery is a minor decision which can be taken by office superintendent.

6. Individual and group decisions:

When the decision is taken by a single individual, it is known as individual decision. Usually routine type decisions are taken by individuals within the broad policy framework of the organization.

Group decisions are taken by group of individuals constituted in the form of a standing committee. Generally very important and pertinent matters for the organization are referred to this committee. The main aim in taking group decisions is the involvement of maximum number of individuals in the process of decision- making.

- **TECHNIQUES OF DECISION-MAKING.**

1. Marginal Analysis:

This technique is used in decision-making to figure out how much extra output will result if one more variable (e.g. raw material, machine, and worker) is added. In his book, ‘Economics’, Paul Samuelson defines marginal analysis as the extra output that will result by adding one extra unit of any input variable, other factors being held constant.

Marginal analysis is particularly useful for evaluating alternatives in the decision-making process.

2. Financial Analysis:

This decision-making tool is used to estimate the profitability of an investment, to calculate the payback period (the period taken for the cash benefits to account for the original cost of an investment), and to analyze cash inflows and cash outflows.

Investment alternatives can be evaluated by discounting the cash inflows and cash outflows (discounting is the process of determining the present value of a future amount, assuming that the decision-maker has an opportunity to earn a certain return on his money).

3. Break-Even Analysis:

This tool enables a decision-maker to evaluate the available alternatives based on price, fixed cost and variable cost per unit. Break-even analysis is a measure by which the level of sales necessary to cover all fixed costs can be determined.

Using this technique, the decision-maker can determine the break-even point for the company as a whole, or for any of its products. At the break-even point, total revenue equals total cost and the profit is nil.

4. Ratio Analysis:

It is an accounting tool for interpreting accounting information. Ratios define the relationship between two variables. The basic financial ratios compare costs and revenue for a particular period. The purpose of conducting a ratio analysis is to interpret financial statements to determine the strengths and weaknesses of a firm, as well as its historical performance and current financial condition.

5. Operations Research Techniques:

One of the most significant sets of tools available for decision-makers is operations research. An operation research (OR) involves the practical application of quantitative methods in the process of decision-making. When using these techniques, the decision-maker makes use of scientific, logical or mathematical means to achieve realistic solutions to problems. Several OR techniques have been developed over the years.

6. Linear Programming:

Linear programming is a quantitative technique used in decision-making. It involves making an optimum allocation of scarce or limited resources of an organization to achieve a particular objective. The word ‘linear’ implies that the relationship among different variables is proportionate.

The term ‘programming’ implies developing a specific mathematical model to optimize outputs when the resources are scarce. In order to apply this technique, the situation must involve two or more activities competing for limited resources and all relationships in the situation must be linear.

Some of the areas of managerial decision-making where linear programming technique can be applied are:

I. Product mix decisions

ii. Determining the optimal scale of operations

iii. Inventory management problems

iv. Allocation of scarce resources under conditions of uncertain demand

v. Scheduling production facilities and maintenance.

7. Waiting-line Method:

This is an operations research method that uses a mathematical technique for balancing services provided and waiting lines. Waiting lines (or queuing) occur whenever the demand for the service exceeds the service facilities.

Since a perfect balance between demand and supply cannot be achieved, either customers will have to wait for the service (excess demand) or there may be no customers for the organization to serve (excess supply).

When the queue is long and the customers have to wait for a long duration, they may get frustrated. This may cost the firm its customers. On the other hand, it may not be feasible for the firm to maintain facilities to provide quick service all the time since the cost of idle service facilities have to be borne by the company.

The firm, therefore, has to strike a balance between the two. The queuing technique helps to optimize customer service on the basis of quantitative criteria. However, it only provides vital information for decision-making and does not by itself solve the problem. Developing queuing models often requires advanced mathematical and statistical knowledge.

8. Game Theory:

This is a systematic and sophisticated technique that enables competitors to select rational strategies for attainment of goals. Game theory provides many useful insights into situations involving competition. This decision-making technique involves selecting the best strategy, taking into consideration one's own actions and those of one's competitors.

The primary aim of game theory is to develop rational criteria for selecting a strategy. It is based on the assumption that every player (a competitor) in the game (decision situation) is perfectly rational and seeks to win the game. In other words, the theory assumes that the opponent will carefully consider what the decision-maker may do before he selects his own strategy. Minimizing the maximum loss (minimax) and maximizing the minimum gain (maximin) are the two concepts used in game theory.

9. Simulation:

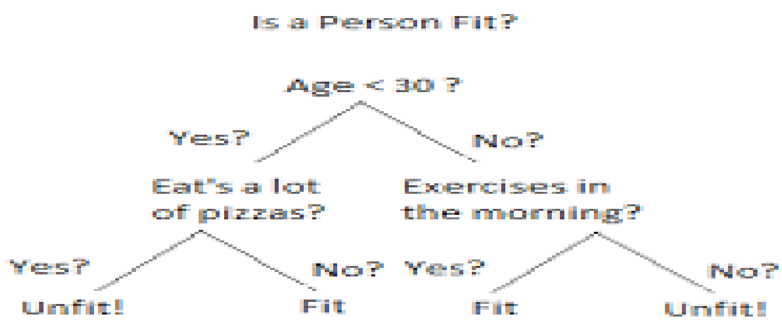
This technique involves building a model that represents a real or an existing system. Simulation is useful for solving complex problems that cannot be readily solved by other techniques. In recent years, computers have been used extensively for simulation. The different variables and their interrelationships are put into the model.

When the model is programmed through the computer, a set of outputs is obtained. Simulation techniques are useful in evaluating various alternatives and selecting the best one. Simulation can be used to develop price strategies, distribution strategies, determining resource allocation, logistics, etc.

10. Decision Tree:

This is an interesting technique used for analysis of a decision. A decision tree is a sophisticated mathematical tool that enables a decision-maker to consider various alternative courses of action and select the best alternative. A decision tree is a graphical representation of alternative courses of action and the possible outcomes and risks associated with each action.

For example:



MANAGEMENT BY OBJECTIVES

➢ MEANING:

The process of setting objectives in the organization to give a sense of direction to the employees is called as Management by Objectives. This approach was proposed by **Peter Drucker** in 1960.

- Process of management by objectives show a personnel management system, where the organization set, plan, monitor and achieve specific objectives with the mutual cooperation of both high level and low-level employees

- It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace.
- Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

- Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.

➢ NEED FOR MANAGEMENT BY OBJECTIVES (MBO)

- The Management by Objectives process helps the employees to understand their duties at the workplace.
- KRAs are designed for each employee as per their interest, specialization and educational qualification.
- The employees are clear as to what is expected out of them.
- Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.
- Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.
- Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.
- Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Every one is clear about his position in the organization.
- The MBO Process leads to highly motivated and committed employees.
- The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members. Each employee is given a list of specific tasks.

An MBO programme or process consists of **four common ingredients**. These are: specificity, participative decision making, an explicit time period, and performance feedback.

- A brief description of these follows.

1. Specificity:

The objective in MBO should be clear and precise that can be measured and evaluated. To state a desire to cut costs, for example, may not be enough. Instead, to cut costs by 5 per cent will be more clear, exact and measurable objective.

2. Participative Decisions / Objectives:

In MBO goals are not imposed on people. The superior and subordinate jointly set objectives to be attained.

3. Explicit Time:

Each objective is to be completed within a specific time period, be it three months, six months or a year.

4. Performance Feedbacks:

The final ingredient in MBO programme is feedback on performance. It includes continuous and systematic measurement and review of performance. Based on these Corrective actions are taken to achieve the planned objectives.

- **<u>IMPORTANT CHARACTERISTICS OF MANAGEMENT BY OBJECTIVE (MBO)</u>**

1. Goal Orientation:

MBO focuses on the determination of unit and individual goals in line with the organizational goals. These goals define responsibilities of different parts of the Organization and help to integrate the Organization with its parts and with its environment.

MBO seeks to balance and blend the long term objectives (profit, growth and survival of the firm with the personal objectives of key executives. It requires that all corporate, departmental and personal goals will be clearly defined and integrated.

2. Participation:

The MBO process is characterized by a high degree of participation of the concerned people in goal setting and performance appraisal. Such participation provides the opportunity to influence decisions and clarify job relationships with superiors, subordinates and peers.

It also helps to improve the motivation and morale of the people and results in role clarity. Participative decision-making is a prerequisite of MBO. MBO requires all key personnel to contribute maximum to the overall objectives.

3. Key Result Areas:

The emphasis in MBO is on performance improvement in the areas which are of critical importance to the Organization as a whole. By identification of key result areas (KRAs), MBO ensures that due attention is given to the priority areas which have significant impact on performance and growth of the Organization.

4. Systems Approach:

MBO is a systems approach of managing an Organization. It attempts to integrate the individual with the Organization and the Organization with its environment. It seeks to ensure the accomplishment of both personal and enterprise goals by creating goal congruence.

5. Optimization of Resources:

The ultimate aim of MBO is to secure the optimum utilization of physical and human resources of the organization. MBO sets an evaluative mechanism through which the contribution of each individual can be measured.

6. Simplicity and Dynamism:

MBO is a non-specialist technique and it can be used by all types of managers. At the same time it is capable of being adopted by both business and social welfare organizations. MBO applies to every manager, whatever his function and level, and to any Organization, large or small.

7. Operational:

MBO is an operational process which helps to translate concepts into practice. MBO is made operational through periodic reviews of performance which are future-oriented and which involve self-control.

8. Multiple Accountability:

Under MBO, accountability for results is not centralized at particular points. Rather every member of the organization is accountable for accomplishing the goals set for him.

Multiple centers of accountability discourage 'buck-passing' and 'credit-grabbing'. MBO establishes a system of decentralized planning with centralized control.

9. Comprehensive:

MBO is a 'total approach'. It attaches equal importance to the economic and human dimensions of an organization. It combines attention to detailed micro-level, short range analysis within the firm with emphasis on macro-level, long range integration with the environment

➢ MANAGEMENT BY OBJECTIVES PROCESS

1. Determining Organizational Goals

The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many of different kinds. Prior to start working on the set goals, the managers should determine organizational goals with the aim to create a potential management that must be capable of handling different kinds of goals easily. Determining goals don't mean creating goals, as the preliminary goals are set by the top level supervisors on the basis of in-depth analysis and judgment about what should be accomplished and how to do so in a certain period.

2. **Determining Employees' Objectives**

After determining the organizational goals, the next thing to do is to know the individual's goals or more clearly employees' goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favor of the organization.

3. **Constant Monitoring Progress and Performance**

The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

- Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.
- Using ZBB (Zero Based Budgeting)
- For measuring plans and individuals, implementing MBO concepts
- Defining short and long term plans and objectives
- Installing efficient and effective controls
- Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. **Performance Evaluation**

As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in the mind, performance evaluation is one the most important factors of the organization that can help operating certain objectives smoothly.

5. **Providing Feedback**

The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally.

6. The Performance Appraisal

Performance appraisals are the final step of the process of Management by Objectives. By definition, a day by day review of the employee's performance across the organization can be called as performance appraisal. **Performance appraisal** is associated with the term performance evaluation, but in some cases, both differ from each other.

- **ADVANTAGES OF MBO:**

Following are the advantage of MBO:

1. The need to clarify objectives is stressed and suggestion for improvement is obtained from all levels of management.

2. All managers have a clear idea of the important areas of their work and of the standards required.

3. The performance of staff can be assumed and their needs for improvement highlighted.

4. Greater participation may improve morale and communication.

5. It makes individuals more aware of Organizational goal.

- **DISADVANTAGES OF MBO:**

MBO suffers from the following disadvantages also:

1. It takes a few years to be effective.

2. Some companies always tend to raise goals. If these are too high, employees become frustrated.

3. Appraisals are sometimes made on personality traits rather than on performance.

4. Some employees do not want to be held responsible and goals forced upon them may lead to ill-feeling.

Strategic Planning: Meaning, Importance and Limitation

Meaning of Strategic Planning:

Strategic planning means planning for making and implementing strategies to achieve organisational goals. It starts by asking oneself simple questions like : What are we doing, should we continue to do it or change our product line or the way of working, what is the impact of social, political, technological and other environmental factors on our operations, are we prepared to accept these changes etc.

Strategic planning helps in knowing where we are and where we want to go so that environmental threats and opportunities can be exploited, given the strengths and weaknesses of the organisation. Strategic planning is "a thorough self-examination regarding the goals and means of their accomplishment so that the enterprise is given both direction and cohesion."

It is "a process through which managers formulate and implement strategies geared to optimising strategic goal achievement, given available environmental and internal conditions." Strategic planning is planning for long periods of time for effective and efficient attainment of organisational goals. Strategic planning is based on extensive environmental scanning. It is a projection into environmental threats and opportunities and an effort to match them with organisational strengths and weaknesses.

Strategic planning is done to comprehend, anticipate and absorb environmental vagaries. It is a continuous process. Every time business organisations want to increase the growth rate or change their operations, desire for better management information system, co-ordinate activities of different departments, remove complacency from organisations; they make strategic plans.

Features of Strategic Planning:

The following are the salient features of strategic planning:

1. Process of questioning:

It answers questions like where we are and where we want to go, what we are and what we want to be.

2. Time horizon:

It aims at long-term planning, keeping in view the environmental opportunities. It helps organisations analyse their strengths and weaknesses and adapt to the environment. Managers should be farsighted to make strategic planning meaningful.

3. Pervasive process:

It is done for all organisations, at all levels; nevertheless, it involves top executives more than middle or lower-level managers since top executives envision the future through scientific techniques of forecasting.

4. Focus of attention:

It focuses organisation's strengths and resources on important and high-priority activities rather than routine and day-to-day activities. It reallocates resources from non-priority to priority sectors.

5. Continuous process:

Strategic planning is a continuous process that enables organisations to adapt to the changing, dynamic environment.

6. Co-ordination:

It coordinates organisation's internal environment with the external environment, financial resources with non-financial resources and short-term plans with long- term plans.

Importance of Strategic Planning:

Strategic planning offers the following benefits:

1. Financial benefits:

Firms that make strategic plans have good sales, low costs, high EPS (earnings per share) and high profits. Firms have financial benefits if they make strategic plans. Companies like Reliance, Infosys, Tata, Wipro, Deloitte, etc. are the giants who report good financial results as a result of sound strategic planning.

2. Guide to organisational activities:

Strategic planning guides members towards organisational goals. It unifies organisational activities and efforts towards the long-term goals. It guides members to become what they want to become and do what they want to do. It focuses on specific goals making it clear for members to know the direction towards which they have to move. Earning profits is less meaningful than earning a growth rate of 10% per year.

Paying high dividends is less meaningful than paying dividends at the rate of 40%. Meeting society's needs is less meaningful than providing free education to school children of a specific community. Allocation of resources and attempts to meet the goals is facilitated through clear specifications in strategic planning. It makes the objectives operational and provides right direction to organisational activities.

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3. Competitive advantage:

In the world of globalisation, firms which have competitive advantage (capacity to deal with competitive forces) have better sales and financial performance. This is possible if they foresee the future. Future can be predicted through strategic planning. It enables managers to anticipate problems before they arise and solve them before they become worse.

4. Minimise risk:

Strategic planning provides information to assess risk and frame strategies to minimise risk and invest in safe business opportunities. Chances of making mistakes and choosing wrong objectives and strategies, thus, get reduced.

Risk is inherent in every business and failure to anticipate risk through strategic planning is almost sure to lead the business to failure unless otherwise proved by chance. Lack of strategy, framing wrong strategies or ineffective implementation of strategy cannot be afforded by business enterprises operating in the dynamic, changing and risky environment.

5. Beneficial for companies with long gestation gap:

The time gap between investment decisions and income generation from those investments is called gestation period. During this period, changes in technological or political forces can affect implementation of decisions and plans may, therefore, fail. Strategic planning discounts future and enables managers to face the threats and opportunities. Huge capital investments in projects is followed by expected financial returns.

6. Promotes motivation and innovation:

Strategic planning involves managers at top levels. They are not only committed to objectives and strategies but also think of new ideas for implementation of strategies. This promotes motivation and innovation. It also provides motivation to people at lower levels when they know their efforts are contributing towards organisational goals.

Satisfied workforce is the strength of the organisation. It saves huge costs on reducing absenteeism, labour turnover, role conflicts etc. It promotes discipline in the organisation and enhances human resource effectiveness and also organisational effectiveness.

7. Optimum utilisation of resources:

Strategic planning makes best use of resources to achieve maximum output. Resources are scarce and strategic planning helps in their use in the areas where they are required most.

General Robert E. Wood remarks, "Business is like war in one respect. If its grand strategy is correct, any number of tactical errors can be made and yet the enterprise proves successful." Effective allocation of resources, scientific thinking, effective organisation structure, co-ordination and integration of functional activities and effective system of control, all contribute to successful strategic planning.

Limitations of Strategic Planning:

1. Lack of knowledge:

Strategic planning requires lot of knowledge, training and experience. Managers should have high conceptual skills and abilities to make strategic plans. If they do not have the knowledge and skill to prepare strategic plans, the desired results will not be achieved. It will also result in huge financial losses for the organisation. This limitation can be overcome by training managers to make strategic plans.

2. Interdependence of units:

If business units at different levels (corporate level, business level and functional level) are not coordinated, it can create problems for effective implementation of strategic plans.

3. Managerial perception:

In order to avoid developing risky objectives and strategies which they will not be able to achieve, managers may land up framing sub-optimal goals and plans. Sometimes, short-term commitments also defer making long-term strategies.

4. Financial considerations:

Strategic planning requires huge amount of time, money and energy. Managers may be constrained by these considerations in making effective strategic plans. These limitations are by and large, conceptual and can be overcome through rational, systematic and scientific planning. Researchers have proved that companies which make strategic plans outperform those which do not do so.

UNIT –III

ORGANIZING

➢ ORGANIZING MEANING:

The term ‘organizing” refers to the process of identifying and grouping of activities to be performed and dividing them among the individuals and creating authority and responsibility relationship among them for the accomplishment of organizational objectives.

Any situation involving two or more persons working collectively requires organizing. The act of organizing involves integrating, balancing and coordinating the activities of people working together for seeking common goals.

➢ NATURE OF THE ORGANISING:

1. Organizing is a basic function and a sub-process of management:

Organizing constitutes an essential element in the main process of management. Organizing is done in relation to all other functions of management. The organising function follows the function of planning and the other functions of management follow organizing. Thus, organizing is a sub-process of management.

2. Organizing is a continuous process

Organisation is a process of defining, arranging and grouping the activities of an enterprise and establishing the authority relationships among the persons performing these activities. It is the framework within which people associate for the attainment of an objective.

An organization is a continuing entity. The need for organising function is felt whenever new activities or functions are introduced, or existing functions and activities are re-shuffled in the organisation.

3. Organising is a function of all managers:

The management function of organising is practised by all the managers in the organisation. The nature and importance of the organising function, however, may vary with different managers. Middle-level managers are significantly involved in organising their departmental activities as a large number of members are involved in the performance of departmental activities.

4. Organizing involves coordination:

In order to create a balance and structure in the organization, the activities of members need to be well-coordinated.

5. Goal-oriented:

Organizing is designed on the basis of objectives and it aims at achieving them smoothly. An organization structure has no meaning or purpose unless it is built around certain clear-cut goals or objectives. In fact, an organization structure is built-up precisely because it is the ideal way of making a rational pursuit of objectives.

6. Group effort:

Organizing deals with group efforts that are made for attaining common goals.

7. Dividing and Grouping the Activities:

Organizing means the way in which the parts of an enterprise are put into working order. In doing such, it calls for the determination of parts and integration of one complete whole on the other. In fact, organization is a process of dividing and combining the activities of an enterprise. Activities of an enterprise are required to be distributed between the departments, units or sections

8. Authority-Responsibility Relationship:

An organization structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility associated with each of these. An enterprise cannot serve the specific purposes or goals unless some positions are placed above others and given authority to bind them by their decisions.

9. Human and Material Aspects:

Organisation deals with the human and material factors in business. Human element is the most important element in an organization. To accomplish the task of building up a sound organization, it is essential to prepare an outline of the organization which is logical and simple. The manager should then try to fit in suit.

➢ ADVANTAGES OF ORGANIZATION:

1. Efficient Administration:

A properly designed organisation facilitates administration. Proper division of work with systematic and specific fictionalization of duties and consistent delegation of authority with well-defined inter-relationship will not only ensure better utilisation of the personnel and their abilities but also smooth the management of business activities.

It avoids confusion and misunderstanding, eliminates delay and inefficiency in the performance of work;

2. Prompt Accomplishment:

It adds definiteness to the activities to be accomplished by allocating the duties and responsibilities to the individual members of the enterprise. It, thus, secures certainty and promptness in accomplishment of the task.

3. Growth and Diversification:

It promotes growth and facilitates diversification. Expansion of business and diversification of production process depend on sound organisation. Giant businesses are the outcome of organisational ability of the managers.

4. Optimum Use of Advanced Technology:

Present technical development greatly influences the need for more adequate organisation structure and for understanding the proper form of organisation best designed to accommodate the new factors. The high cost of installation, operation and maintenance of new equipment call for proper organisation.

5. Stimulating Creativity:

Good organisation stimulates independent creative thinking and initiative by providing well-defined areas of work with provision for development of new and improved ways of doing things. In short, the organisation structure demands creative result from creative people. By establishing clear-cut accountability it provides recognition for the professionals and the specialists in terms of their achievements.

6. Leads to specialisation:

Organising is based on the concept of division of work that ultimately leads to specialisation. Through it, activities are divided, grouped-up and assigned to the concerned department having requisite competence, and resources, and the department develops as a specialised centre for those activities

7. Increases clarity of authority and responsibility:

Division of work and delegation of authority among employees, through the process of organizing, gives them a precise idea of what they are expected to perform and within what limits of authority they have to perform. It helps in boosting an employee's morale and he feels comfortable in the work- setting.

8. Facilitates coordination:

Organizing process may also be used as a device of maintaining and achieving coordination. In organizing, the activities performed by an individual employee are related to the functioning of his department, and then functioning of various departments is harmonized for seeking common goals.

9. Promotes Employee development:

In a highly decentralized organisational structure, each position is strengthened by delegating required authority. As a result of it, each manager makes decisions, solves problems and tackles the situation that ultimately leads to overall development in his personality.

10. Facilitates adaptation:

Organizational structure also provides a useful means to cope with changing environment. In the event of change, necessary modification may be made in the organizing process, organizational structure and organizational goals, so as to bring them in conformity with the change. It may be done by maintaining flexibility in the structure and making it adaptive to changes.

➢ STEPS IN ORGANISATION PROCESS

The management function of organizing consists in making a rational division of work and integration of the activities into specific groups to achieve a well coordinated and orderly structure for the accomplishment of work.

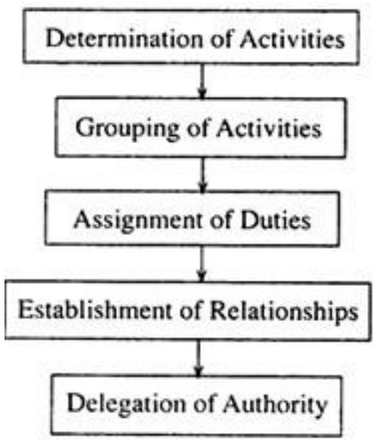


Fig. 4.1: The Organisation Process.

The various steps involved in this process are the following:

1. Determination of Activities:

The first step in organising is to divide the total job of an enterprise into several essential activities such as—production, financing, purchasing, sales, personnel, and so on. Identification of work enables the managers to concentrate attention on important activities, to avoid duplication of work, and eliminate overlapping or wastage of effort.

2. Grouping or Classification of Activities:

The various activities identified under the first step are then classified into appropriate departments, divisions, sections, sub-divisions etc. on the basis of functions, products, territories or customers. For example, the various activities connected with production may be grouped and classified as 'production department activities.' This will facilitate specialisation. Such grouping of activities is called ' Departmental ion.'

3. Allocation or Assignment of Duties to Individuals:

After the creation of departments or divisions, the next step will be to fix suitable and qualified persons into the activities of each department. Each person in the department will be given a specific part of the job to do and will be made responsible for it.

So, the task of management in this step is to appoint workers, foremen, supervisors, etc. and to define the responsibility of each one of them. While assigning duties, the requirements of the job and the competence of the individual should be properly matched together. Assignment of duties creates responsibility and ensures certainty of work performance.

4. Establishment of Relationships:

Through the assignment of tasks to individuals superior-subordinate relationships between various positions are established in the enterprise. The superior manager commands his subordinates and the subordinate manager gives him the reports of his performances. Such relationships and channels of communication should be clearly defined.

Each and every individual should know clearly from whom he is to take orders and to whom he is accountable for his performance.

5. Delegation of Authority:

Appropriate amount of authority is delegated to people to enable them to perform the assigned duties with confidence. No one can discharge his responsibilities regarding a particular work in the absence of requisite authority to do the same. So the manager will have to pass on authority for completing the assigned work to the sectional managers and the sectional managers to others below them.

Delegation of authority means conferring of operational decision-making power by the top manager to the subordinate manager.

➢ <u>TYPES OF ORGANIZATION</u>

✓ FORMAL AND INFORMAL ORGANISATION:

Performance of the organizing function provides a compact framework to an enterprise. This compact framework is called formal organization structure, or simply, formal organisation.

The existence and operation of formal organisation permits people to interact with each other at a personal and social level. This personal and social interaction is called informal organisation. The nature and character of formal and information organisation is briefly discussed below:

1. Formal Organisation:

A formal organisation, is a consciously planned a deliberately designed entity. It is based on superior-subordinate relationships which are created by assignment of work and delegation of authority.

It is through this formal relationship that members communicate with each other and perform their assigned duties. Thus, a formal organisation functions within set boundaries and is capable of being disciplined and controlled.

2. Informal Organisation:

When people work together in a formal relationship of superior and subordinate, they come in contact with each other. This interaction provides them an opportunity to know each other and develop personal and social relations.

These social groups and their associated behaviour in called the informal organisation. These personal and social relations become the basis of informal organisation.

Thus, informal organisation may be defined as a network of personal and social relations, arising out of communication and behavioural tendencies in the course of functioning of a formal structure of organisation.

<u>DIFFERENCE BETWEEN FORMAL AND INFORMAL ORGANIZATION</u>:

BASIS	FORMAL	INFORMAL

	ORGANISATION	ORGANIZATION
Formation	Formal	Relationship that is personal and social in nature.
Purpose / objective	Legally Constituted rationally designed and consciously planned.	It arises naturally and spontaneously and is an integral dimension of formal organization
Relationship	It is meant for achieving specific goals. It is meant to engage in production of goods and/or performing service required by society.	Its purpose is to satisfy social and personal needs of employees.
Rationality	It has a high degree of rationality and leaves no scope for personal, social and emotional factors.	It is influenced by social, personal and emotional factors.
Communication	Line of authority and formal	Communication takes place through

		relationship become channel of communication.	personal and social relationship.
6.	Leadership	Based on formal authority and position in organisation.	Based on competence of individual and group acceptance.
7.	Boundaries	It operates within set boundaries.	It has no set boundaries; rather it operates in different directions.
8.	Nature	It is normative and idealistic in nature.	It is realistic reflecting actual functioning.
9.	Systems	It operates through predetermined systems and procedures.	It operates through group norms, values and standards.

➢ PRINCIPLES OF ORGANIZING:

(i) Principle of unity of objective:

Very simply stated, this principle requires that individual and departmental objectives throughout the enterprise must be perfectly harmonized; and that all objectives must be mutually supportive and collectively contributing to overall common objectives.

(ii) Principle of simplicity:

The observance of this principle requires that the management must, as far as possible, design a simple organizational structure. A simple structure facilitates a better understanding of superior-subordinate relationships; and provides background for better co-operation among people.

(iii) Principle of flexibility:

While designing the organizational structure, the management must provide for in-built devices within the structure itself; which would facilitate changes in the organizational structure to be effected as and when environmental factors-internal and/or external- so demand.

(iv) Principle of division of work:

Since the total work of the enterprise cannot be performed by only one person; it is imperative that such work must be suitably divided among a number of persons. In fact, the total managerial work ought to be divided among a number of managers; and the total operational work being divided among a number of operating personnel.

(v) Principles of functional definition:

The above stated principle implies that the role (or job) of each individual and of each department of the enterprise must be suitably defined, in terms of the-work content, the authority and facilities required for job performance and the relationship of the job with those of others, in the enterprise.

(vi) Principle of optimum departmentation:

There are many ways and bases for creating departments within an organization. According to the principle of optimum departmentation, departments in an organization must be so created and maintained-as to facilitate the best attainment of the common objectives of the enterprise.

(vii) Principle of unity of direction:

The principle implies that each group of activities having the same objective must have only one overall head and only one overall or master plan.

As a principle of organization, this concept of unity of direction must be so embedded in designing the organizational structure that for each group of similar activities, there is a provision for only one overall head-having authority over all personnel performing the same function, anywhere, in the organization.

(viii) Span of management principle:

The span of management principle is variously called as- the span of control or the span of supervision. However, the phrase 'span of management' is the widest; including also the notions of span of control and span of supervision.

The span of management principle implies that there is a limit to the number of subordinates; whose work could be effectively managed (controlled or supervised) by a superior.

- **ORGANISING AS A STRUCTURE:**
- ✓ **Concept of Organisation Structure:**

The organising process ultimately results in the creation of an organisation structure. An organisation structure is the structural framework of all positions in a set-up.

Each position has a set of tasks, responsibilities, and authority. Each task is inter-related, and the collective performance of all tasks by different position holders enables the achievement of organisational goals.

Thus, an organisation structure refers to a network of authority and responsibility relationships by showing who reports to whom and for what in a set-up to facilitate realisation of common goals.

An organisation structure is a mix of vertical and horizontal positions.

Horizontal positions arise on account of assignment of activities among various departments

Vertical positions arise on account of delegation of authority among employees, from higher levels to lower levels.

➢ CHARACTERISTICS OF ORGANISATION STRUCTURE:

1. Network of activities:

The first and foremost feature of an organisation structure is that it is a network of well-defined activities. These activities are arranged in a logical manner so that the performance of one activity facilitates the performance of other activities. This network of activities creates responsibility centres in an organisation.

2. Authority-responsibility Relationships:

Authority is a core constituent of organisation. Authority brings in responsibility with its self. Thus, creation of authority – responsibility relationships among various positions is a must.

3. Differentiation and Integration:

Differentiation is the extent to which tasks are divided into sub-tasks and performed by individuals with specialised skills. Integration is the extent to which various parts of the organisation cooperate and interact with each other because of interdependence of the tasks. Interdependence may be pooled, sequential and reciprocal.

4. Formalism:

To balance between differentiation and integration of people and activities, formal and defined structure in relation to decision making, communication and control is a must. Formalisation is introduced through line of authority, unity of command, span of control, etc.

- **<u>Elements of Organisation Structure</u>:**

While designing an organisation structure, the managers must keep six elements in consideration.

1. Work specialisation:

It is there since Adam Smith published Wealth of Nations. In work specialisation, a job is broken down into different steps and each step is completed by a separate individual. While preparing Chocolate Candies, one only hots up the raw Chocolate, the next's man puts hot stuff n dyes, the third person puts into fridge, the fourth person brings it out from the fridge and the dyes, the fifth person starts wrapping, and the next person puts then into boxes

2. Departmentation:

Departmentation refers to grouping the jobs on some logical arrangements. Each organisation shall have its own specific way of classifying and grouping work activities. We shall discuss about departmentation in greater detail in the chapter titled – Departmentation and span of Management.

3. Establishing Reporting Relationships:

Who to report whom is an important question and it involves deciding about chain of command and the span of management. The chain of command is the continuous line of authority from the top level to the lowest levels in the organisation.

Chain of command involves two principles of management, i.e., unity of command (each person having one boss only) and the scalar principle (someone to be finally responsible as clear line of authority is drawn).

Equally important is to decide how many people will report to one manager. It may be narrow or wide. We shall discuss it in greater detail in the next chapter.

4. Distributing Authority:

Authority is the right to do something due to formal position. Distribution of authority involves addressing two issues – delegation of authority and centralisation-decentralisation.

Delegation involves assigning a part of managerial job by a manager to his subordinate(s), and the requisite authority and the delegate becomes accountable to the delegator.

The second issue is centralisation (retaining power and authority in the hands of top-level managers) and decentralisation (distribution of authority to middle and lower-level mangers). Again, we shall discuss about the two concepts in detail later on.

5. Coordinating Mechanisms:

The process of linking up the activities of the various departments of the organisation is a must to achieve organisational objectives. Coordination is essential because every department is dependent on the others for information resources.

Interdependence may be pooled (the lowest level of interdependence – their output is simply pooled), sequential (out put of one department becomes the input for another in a sequence), and reciprocal (when activities flow both ways).

Coordination can be achieved through managerial hierarchy, rules and procedures liaison roles and integrating departments of late electronic coordination has become important.

6. Differentiating between positions:

The last element is distinguishing between line and staff positions. A line position means one who is in direct chain of command and is responsible for achievement of organisational goals, whereas a staff position is meant to provide guidance, expert advice, and support to line officials.

➢ <u>FACTORS AFFECTING ORGANISATION STRUCTURE:</u>

Organisation structure is created as a means to achieve goals and objectives of an enterprise. Since objectives of different enterprises tend to be different, they cannot afford to adopt just one topical organisation structure, and yet work efficiently.

Thus, structure of an organisation needs to be tailor-made than merely adopting the so-called 'typical structure'. What kind of organisation structure is best suited to an enterprise depends upon a number of considerations; the more important ones are given below:

1. Strategy:

Organisation structure to be used for an enterprise is the direct result of objectives to be achieved which are derived from strategy. Organization structure of a manufacturing concern with assured market will be different from that of another concern operating under highly competitive situation.

In the later case, organization structure will be market-oriented whereas organization structure in the former case will basically be production-oriented.

Structure follows strategy:

If the growth strategy is followed, it will need flexible, fluid and instantly adaptable organisation. An organisation following differentiation strategy must innovate and add R&D to its organisation structure. To follow cost- leadership strategy the structure has to be stable and cost efficient.

2. Nature of activities:

Organization structure of a trading concern is different from that of an educational institution for the simple reason that activities of the two organizations are different.

3. Size and Life cycle:

Larger the organisation it tends to have more work specialisation, horizontal and vertical differentiation, and rules and regulations. Organisation structure would be different at birth, youth, and midlife and maturity stages.

4. Culture:

Culture refers to a system of shared beliefs and values. A strong organisation culture means rules and regulations can be substituted by organisation culture. Stronger the culture, the structure can be predictable, orderly and consistent with no written documentation.

5. Technology:

Organisation structure of an enterprise using sophisticated capital- intensive mass-production technology will be different from the enterprise using labour- intensive small-scale production technology.

More routine the technology, the structure will be more standardised and mechanistic. The structures will be organic if the organisation follows non-routine technology.

6. Environment:

Organisation structure of an enterprise operating in the midst of a highly dynamic environment organic will be different from the enterprise operating in a stable environment mechanistic. Organisations operating in stable environment can gainfully employ a highly formalised structure.

7. People:

People-structure relationship is important. A good organisation structure provides people with the supportive structures to attain organisational and individual objectives.

- **IMPORTANCE OF ORGANISATION STRUCTURE:**

Organisation structure is the backbone of management. Its importance lies in serving the following purposes:

1. Removes doubts in authority relationships:

Organisation structure allocates authority and responsibility, and thereby, enables people to know who is responsible for what and to whom in the organisation. People know who is to direct whom for what results. This removes confusion, friction and conflict among people.

2. Stimulates creativity and initiative:

Organisation structure stimulates creative thinking and initiative among organisational members by providing them requisite authority to perform their assigned tasks. Authority provides right to decision-making to its holder who feels motivated to take initiative in increasing and improving his work performance.

3. Ensures optimum utilisation of resources:

Allocation of resources is the core activity of organisation structure. Proper allocation of resources helps in proper utilisation also. Division of work and specialisation are the tools used by organisation to attain the objective of optimum utilisation of human efforts and physical resources.

4. Reaping benefits of technology improvements:

A sound organisation structure is flexible enough to accommodate changes in the work technology. Improved work technology modifies pattern of authority-responsibility relationships and helps in improving work performance of employees.

5. Encourages growth of the enterprise:

Organisation structure provides the framework within which an enterprise functions. A sound organisation structure has the capacity to handle increased level of activity. This helps in the expansion and growth of an enterprise.

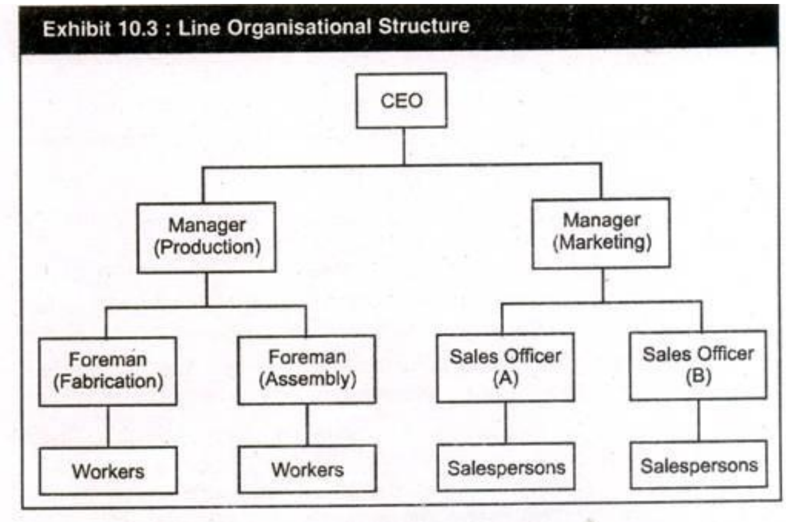
6. Facilitates management process:

Organisation structure is a mechanism through which manager’s plan, allocates, direct, coordinate and control the activities of people. No activity remains unattended and work is assigned to people in accordance with their skills, aptitude, level of commitment, etc. This facilitates smooth operation of the management process which results in attaining enterprise goals

➢ TYPES OF ORGANISATIONAL STRUCTURES

1. LINE ORGANISATIONAL STRUCTURE:

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organization authority follows in the chain of command.



- **Advantages:**

1. Tends to simplify and clarify authority, responsibility and accountability relationships

2. Promotes fast decision making

3. Simple to understand

- **Disadvantages:**

1. Neglects specialists in planning

2. Overloads key persons.

2. <u>STAFF OR FUNCTIONAL AUTHORITY ORGANISATIONAL STRUCTURE</u>

The jobs or positions in an organisation can be categorized as:

(i) Line position:

a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

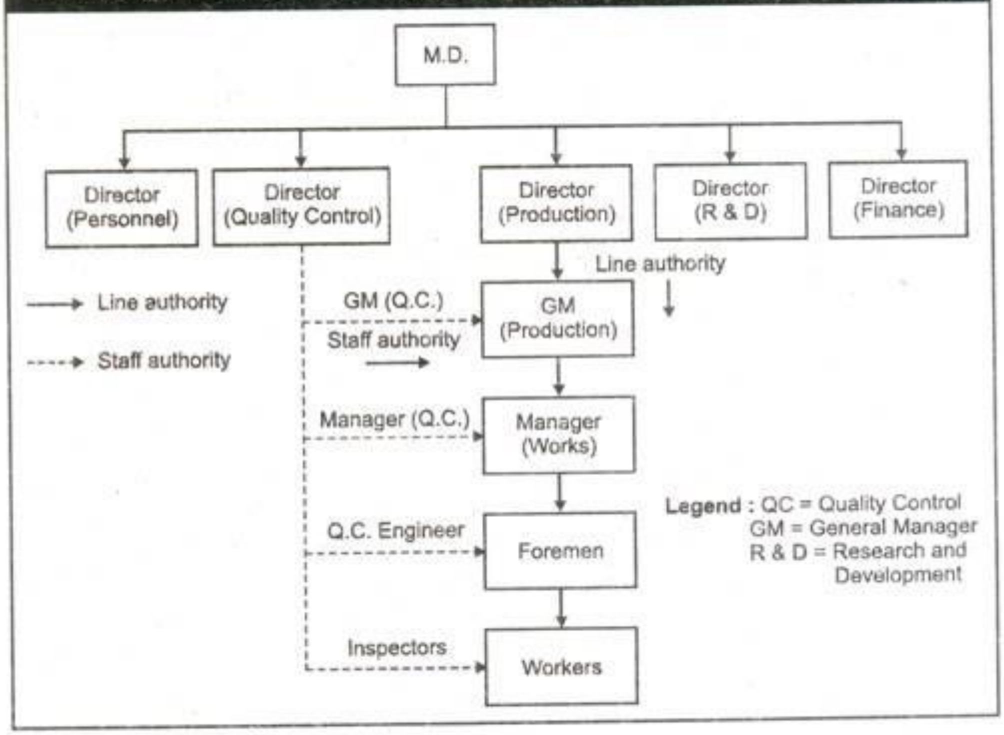
(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.

Exhibit 10.4 : Staff or Functional Authority Organisational Structure



In the line organisation, the line managers cannot be experts in all the functions they are required to perform. But in the functional authority organisation, staff personnel who are specialists in some fields are given functional authority (The right of staff specialists to issue orders in their own names in designated areas).

The principle of unity of command is violated when functional authority exists i.e., a worker or a group of workers may have to receive instructions or orders from the line supervisor as well as the staff specialist which may result in confusion and the conflicting orders from multiple sources may lead to increased ineffectiveness. Somestaff specialists may exert direct authority over the line personnel, rather than exert advice authority (for example, quality control inspector may direct the worker as well as advise in matters related to quality).

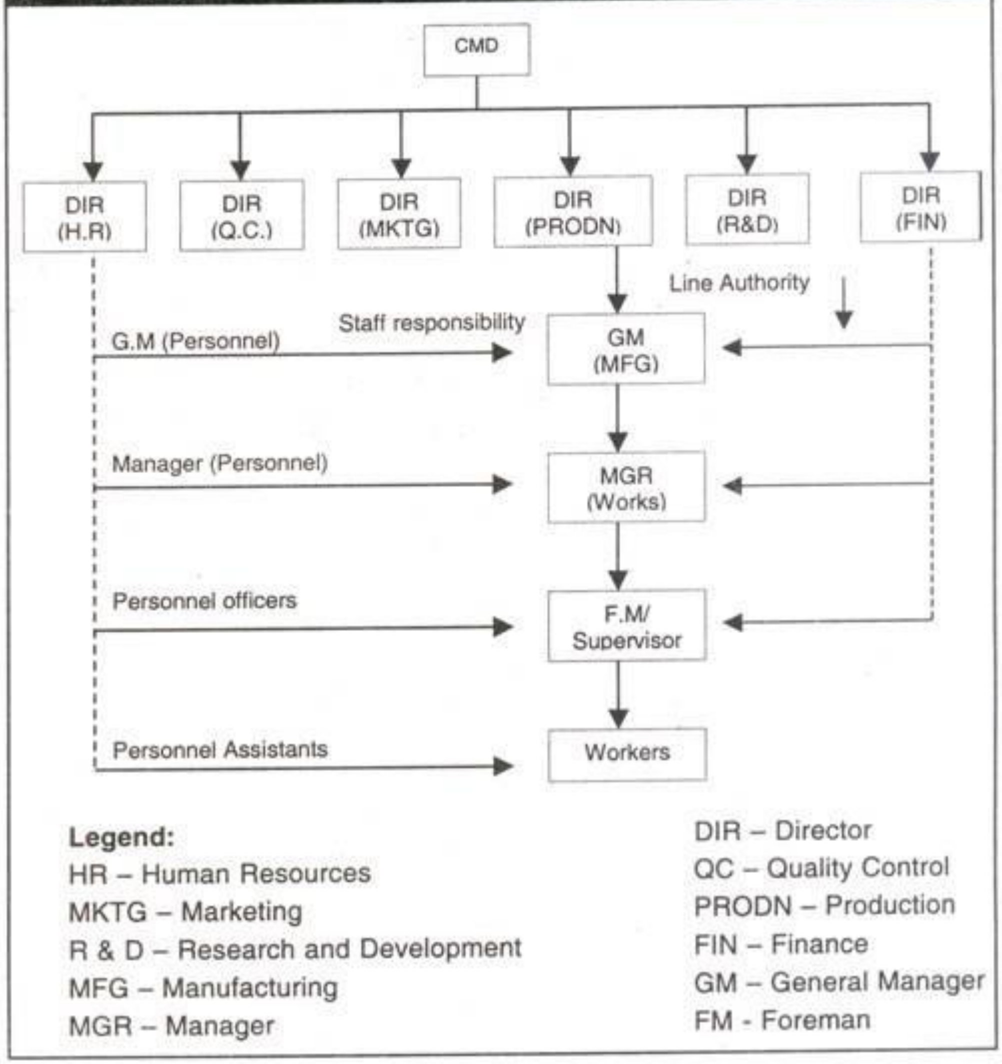
It has some major disadvantages:

They are: (i) the potential conflicts resulting from violation of principle of unity of command (ii) the tendency to keep authority centralized at higher levels in the Organization

3. LINE AND STAFF ORGANISATIONAL STRUCTURE:

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

Exhibit 10.5 : Line and Staff Organisational Structure



It illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

(i) Advising,

(ii) Service and

(iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

- **Some advantages are:**

(i) Even through a line and staff structure allows higher flexibility and specialization it may create conflict between line and staff personnel.

(ii) Line managers may not like staff personnel telling them what to do and how to do it even though they recognize the specialists' knowledge and expertise.

(iii) Some staff people have difficulty adjusting to the role, especially when line managers are reluctant to accept advice.

(iv) Staff people may resent their lack of authority and this may cause line and staff conflict.

- **Features:**

1. Line and staff have direct vertical relationship between different levels.

2. Staff specialists are responsible for advising and assisting line managers/officers in specialized areas.

3. These types of specialized staff are (a) Advisory, (b) Service, (c) Control e.g.,

(a) Advisory:

Management information system, Operation Research and Quantitative Techniques, Industrial Engineering, Planning etc

(b) Service:

Maintenance, Purchase, Stores, Finance, Marketing.

(c) Control:

Quality control, Cost control, Auditing etc. Advantages'

(i) Use of expertise of staff specialists.

(ii) Span of control can be increased

(iii) Relieves line authorities of routine and specialized decisions.

(iv) No need for all round executives.

- **Disadvantages:**

(i) Conflict between line and staff may still arise.

(ii) Staff officers may resent their lack of authority.

(iii) Co-ordination between line and staff may become difficult.

4. DIVISIONAL ORGANISATIONAL STRUCTURE:

In this type of structure, the organisation can have different basis on which departments are formed. They are:

(i) Function,

(ii) Product,

(iii) Geographic territory,

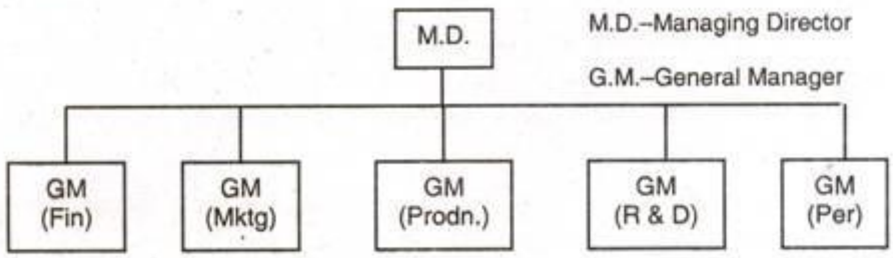
(iv) Project and

(iv) Combination approach.

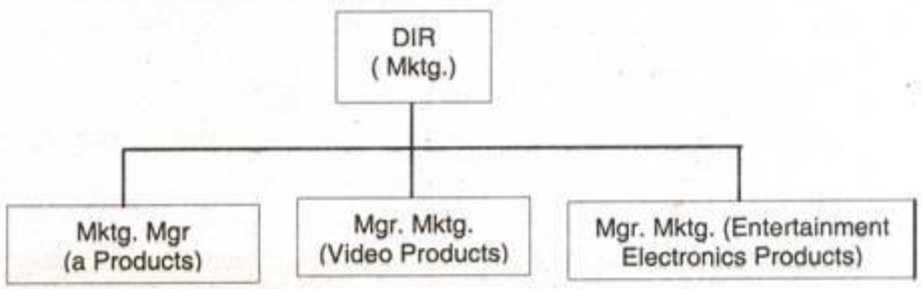
Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

Features : Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

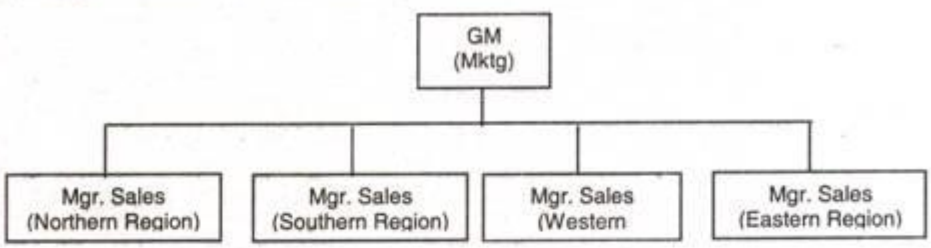
(a) Departmentation by Function



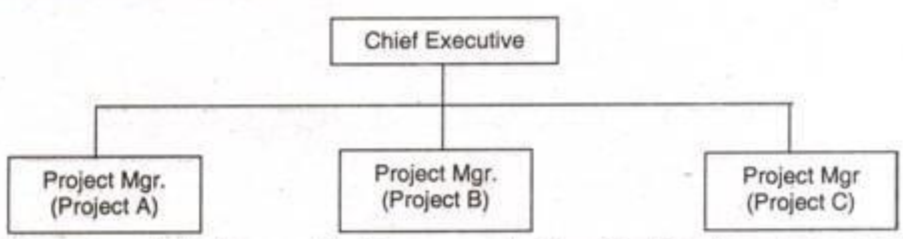
(b) Departmentation by Product



(c) Departmentation by Geographic territory



(d) Departmentation by Project



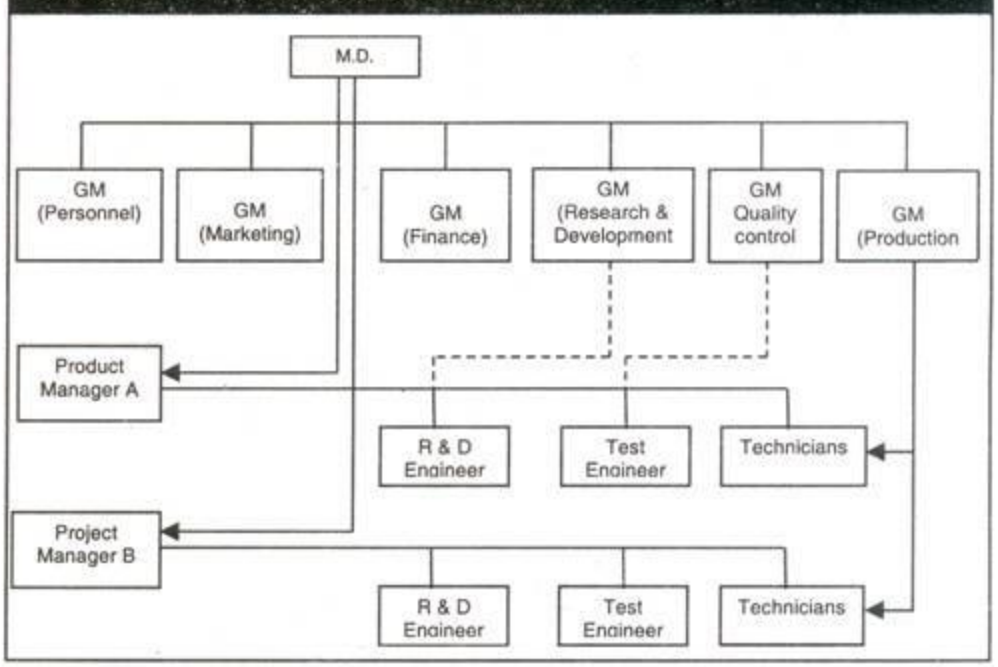
(e) Departmentation by combination approach (Combination of any two or more bases discussed above).

5. PROJECT ORGANISATIONAL STRUCTURE

- ✓ The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards.
- ✓ The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.
- ✓ A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project.

Some of the **examples** of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc..

Exhibit 10.7 : Project Organisational Structure



- **Feature:**

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

- **Importance of Project Organisational Structure:**

Project organisational structure is most valuable when:

(i) Work is defined by a specific goal and target date for completion.

(ii) Work is unique and unfamiliar to the organisation.

(iii) Work is complex having independent activities and specialized skills are necessary for accomplishment.

(iv) Work is critical in terms of possible gains or losses.

(v) Work is not repetitive in nature.

- **Characteristics of project organisation:**

1. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager.

2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.

3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.

4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.

5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.

6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.

7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.

8. Full and free communication is essential among those working on the project.

6. <u>MATRIX ORGANISATIONAL STRUCTURE</u>:

It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

- **Feature:**

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

- **Advantages:**

1. Decentralised decision making.

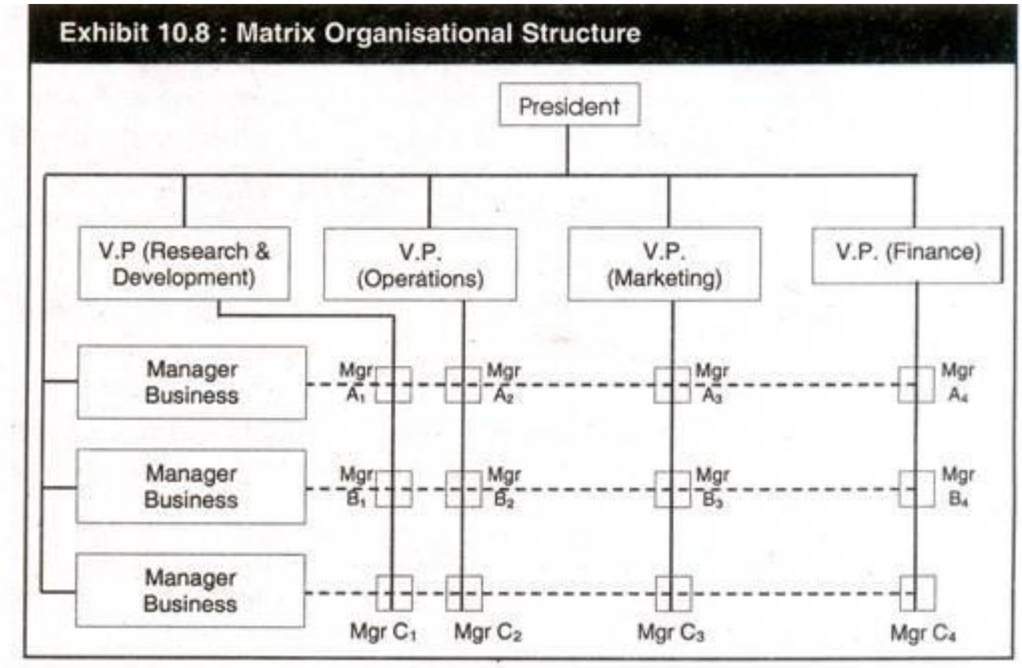
2. Strong product/project co-ordination.

3. Improved environmental monitoring.

4. Fast response to change.

5. Flexible use of resources.

6. Efficient use of support systems.



- **Disadvantages:**

1. High administration cost.

2. Potential confusion over authority and responsibility.

3. High prospects of conflict.

4. Overemphasis on group decision making.

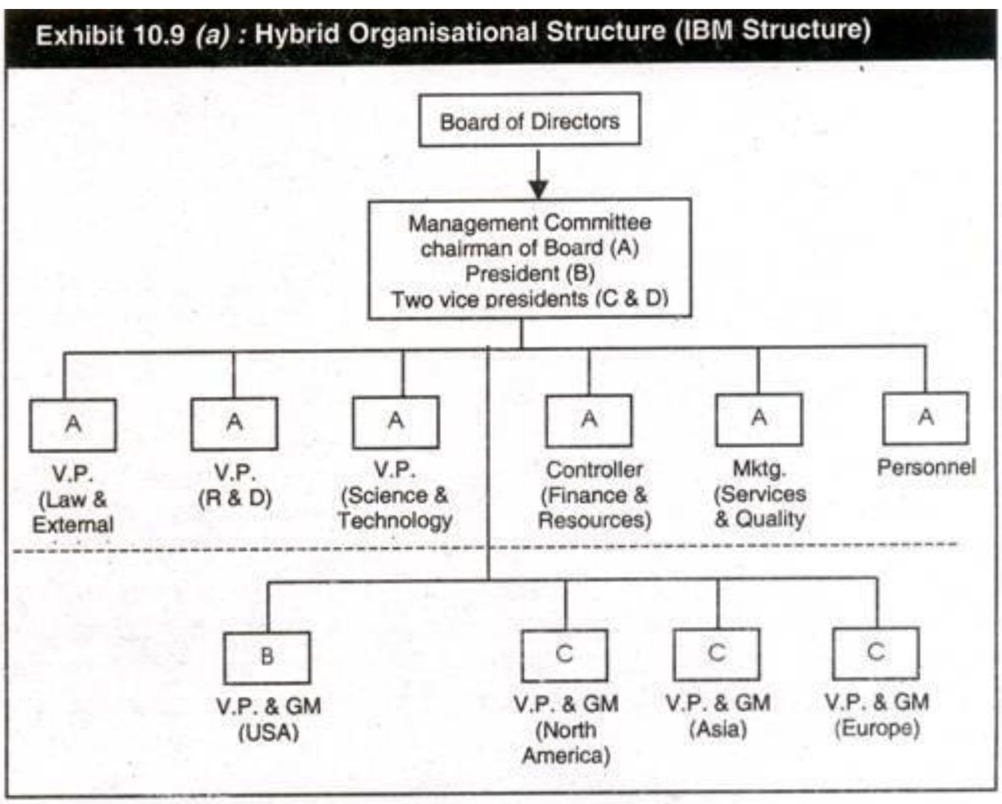
5. Excessive focus on internal relations.

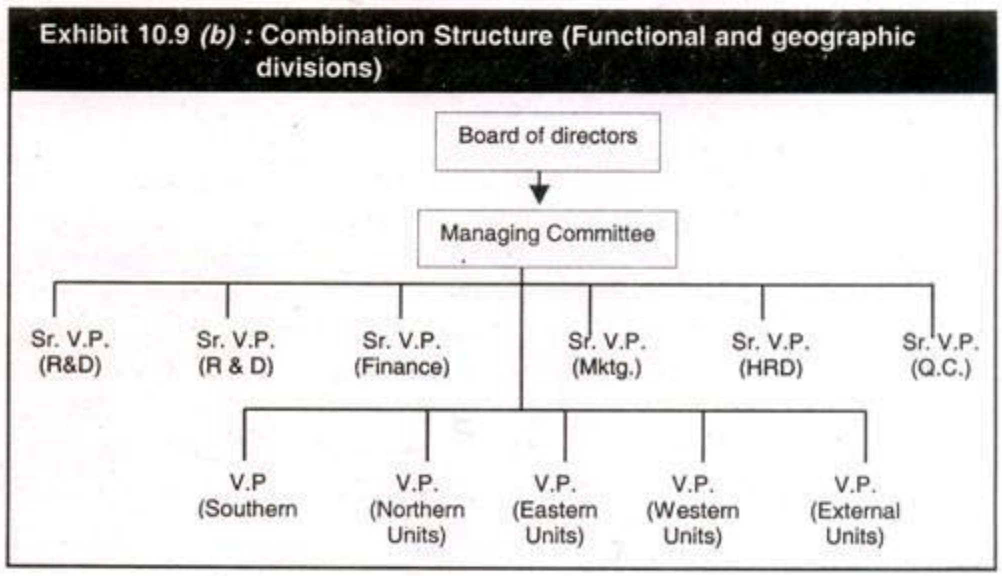
This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional manager are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are incharge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.

7. HYBRID ORGANISATIONAL STRUCTURE





- **Advantages:**

1. Alignment of corporate and divisional goals.

2. Functional expertise and efficiency.

3. Adaptability and flexibility in divisions.

- **Disadvantages:**

1. Conflicts between corporate departments and units.

2. Excessive administration overhead.

3. Slow response to exceptional situations.

- **Uses:**

Used in organizations that face considerable environmental uncertainty that can be met through a divisional structure and that also required functional expertise or efficiency

This type of structure is used by multinational companies operating in the global environment, for example, International Business Machines USA. This kind of structure depends on factors such as degree of international orientation and commitment. Multinational corporations may have their corporate offices in the country of origin and their international divisions established in various countries reporting to the CEO or president at the headquarters. The international divisions or foreign subsidiaries may be grouped into regions such as North America, Asia, Europe etc. and again each region may be subdivided into countries within each region.

While the focus is on international geographic structures, companies may also choose functional or process or product departmentation in addition to geographic pattern while at the head quarter's the departmentation may be based on function.

Team Management - Meaning and Concept

What is Team Management ?

Team management refers to the various activities which bind a team together by bringing the team members closer to achieve the set targets. For the team members, their team must be their priority and everything else should take a back seat. They should be very focused on their goals.

Characteristics of a Good/Effective Team

Success in the workplace depends on your ability to build a team, as well as to interact with others on that team. Together, people are able to accomplish what one person alone can not. This is known as synergy.

Following are the characteristics of a Good/Effective team:

- **A clear, elevating goal:** This is a goal which has been communicated to all.
- **A results-driven structure:** The goal has been jointly decided by all the team members. They are fully committed towards achieving it.
- **Competent members:** Each team member has the required skill set in order to achieve the team objectives.
- **Unified commitment:** There is nothing happening in silos. With the total commitment from team members, achieving organizational goals becomes easier.
- **A collaborative climate:** Commitment from team members and a good leadership leads to a collaborative team with a productive work environment.
- **Standards of excellence:** Quality orientation is vital to the success of any organization.
- **External support and recognition:** Appreciation as well as appraisal is required to keep the morale of the team high.
- **Principled leadership:** Leadership defines a team. An able-bodied leadership can chart the team's path to success.
- Each team member participates actively and positively in meetings as well as projects. This shows a person's commitment as well as understanding towards a project.

- **Team goals are clearly understood by all:** Communication is vital for achieving successful completion of any project.
- Individual members have thought about creative solutions to the team's problem. Thinking out of the box is vital in today's economic scenario.
- Members are listened to carefully as well as given a thoughtful feedback. Listening is an important skill for any team. Each team member is important. The thoughts and ideas of each team member have to be listened to, with respect, no matter how silly they may sound at first.
- Everyone takes the initiative in order to get things done. There is no concept of passing the buck. This is an indication of clear communication leading to understanding of individual responsibilities.
- **Each team member trusts the judgment of others:** Mutual trust and respect is highly important for the team. This is the only way to achieve the organization goals.
- **The team has to be willing to take risks:** Risk taking is an attitude which comes with confidence. Confidence on yourself as well as on the team, besides the ability to face all consequences.
- Everyone has to be supportive of the project as well as of others. A team is one unit. Unless these cohesive forces are there, the team will never be able to work efficiently enough.
- There is ample communication between the team members.
- Team decisions are made by using organized as well as logical methods.
- **Dissenting opinions are never ignored:** In fact, they are always recorded in order to be revisited in case the future situations dictate so.
- **Teams are given realistic deadlines:** External support as well as aid is vital to the success of any team.

Team Development - Meaning, Stages and Forming an Effective Team

Teams are becoming a key tool for organizing work in today's corporate world. Teams have the potential to immediately amass, organize, relocate, and disperse. But, teams are an effective tool of employee motivation. It is essential to consider the fact that teams develop and get mature over a period of time. **Team development creates a captivating atmosphere by encouraging co-operation, teamwork, interdependence and by building trust among team members**.

The four stages of team development are:

Stage 1: Forming

During this stage, group members may be anxious and adopt wait-and-see attitude. They will be formal towards each other. There would be no clear idea of goals or expectations. Besides, they may not be sure why they are there.

This is the stage where the team needs to write its own charter or mission statement as well as clarify goals. The most important thing here is that goals must have a personal buy-in.

By doing this the team will be able to establish boundaries as well as determine what is expected. Team members will get to know each other doing non-conflict laden task. This builds the commitment towards one larger goal.

Thus, during the forming stage, the team members are in process of knowing each other and getting at ease with them.

Stage 2: Storming

During this stage, team members are eager to get going. Conflict can arise as people tend to bring different ideas of how to accomplish goals. At this time, they notice differences rather than similarities. This leads to some members dropping out mentally or physically.

At this stage, communication is important. Tensions will increase. So recognizing and publicly acknowledging accomplishments also become important. It becomes important to participate in meetings and diversity needs to be valued.

Thus, during the storming stage, the team members begin showing their actual styles. They start getting impatient. They try to probe into each other’s area, leading to irritation and frustration. Control becomes the key concern during this stage.

Stage 3: Norming

This stage is when people begin to recognize ways in which they are alike. They realize that they are in this together. Hence, they tend to get more social and may forget their focus in favour of having a good time. This is the time to help with training if applicable. It becomes important to encourage them in order to feel comfortable with each other and with systems. Also, the group needs to stay focused on goal.

Thus, during the norming stage, there is conflict resolution. There is greater involvement of team members. There is a greater “we” feeling rather than “I” feeling.

Stage 4: Performing

This stage is when team members are trained, competent, as well as able to do their own problem-solving. At this time, ways need to be looked at in order to challenge them as well as develop them. The team is mature now. The members understand their roles and responsibilities. They would require more input in processes. The members would be self-motivated as well as self-trained. Thus, their efforts need to be recognised. Growth has to be encouraged. This is done by giving new challenges to the team.

Thus, teams at the stage of performing are self-controlling, practical, loyal as well as productive. Focus is there on both performance as well as production.

Forming an Effective Team

This is the general approach to forming a successful work team. But not all will take the same steps as discussed above. Success is usually hinged on taking all of the steps just discussed. We have a tendency to want to surround ourselves with people who are just like us. In case you get to choose a team, instead of organizing a pre-formed team, then you'll look for a team of people with a variety of strengths. In case of a team that is already in place, organizing can be more subtle. Like, all the workgroups can be called together in order to discuss what goals you want to accomplish and how everybody can help.

STAFFING

Staffing is an integral part of human resource management. It facilitates procurement and placement of right people on the right jobs.

Staffing can be defined as one of the most important functions of management. It involves the process of filling the vacant position of the right personnel at the right job, at right time. Hence, everything will occur in the right manner.

- **Nature of Staffing:**

Staffing is an important managerial function- Staffing function is the most important mangerial act along with planning, organizing, directing and controlling. The operations of these four functions depend upon the manpower which is available through staffing function.

1. Staffing is a pervasive activity- As staffing function is carried out by all mangers and in all types of concerns where business activities are carried out.

2. **Staffing is a continuous activity-** This is because staffing function continues throughout the life of an organization due to the transfers and promotions that take place.

3. The basis of staffing function is efficient management of personnels- Human resources can be efficiently managed by a system or proper procedure, that is, recruitment, selection, placement, training and development, providing remuneration, etc.

4. Staffing helps in placing right men at the right job. It can be done effectively through proper recruitment procedures and then finally selecting the most suitable candidate as per the job requirements.

5. Staffing is performed by all managers depending upon the nature of business, size of the company, qualifications and skills of managers, etc. In small companies, the top management generally performs this function. In medium and small scale enterprise, it is performed especially by the personnel department of that concern.

- **IMPORTANCE OF STAFFING:**

Staffing function is important for the following reasons:

1. Emphasis on human element:

Human force is the most important and productive asset of the organization which carries out the functions and productive activities of various departments. People are the primary source of productivity gains. "If you want productivity and financial reward that goes with it, you must treat your workers as your most important asset." — Thomas Peters and Robert Waterman

2. Facilitates leadership:

Well conducted staffing function provides leadership facilities so that individuals can satisfy their personal goals along with organizational goals. Employee turnover has become a matter of concern for many companies at higher levels as talented workforce is always on the look-out for better job opportunities. Besides filling the organizational posts, thus, the staffing function also ensures that the posts remain filled. A good leadership role helps in synthesizing individual goals with organizational goals.

3. Facilitates control:

Well trained staff works according to plans and deviations in performance are reduced. This helps managers in controlling various organizational functions.

4. Motivation to work:

Financial rewards do not always motivate the employees. Their acceptance and recognition by managers are also strong forces of motivation. When emphasis is placed on human element in the organisation, people are motivated to contribute to goals of the organisation.

5. Increase in efficiency:

Since staffing helps to place the right person, with the right knowledge, at the right place and the right time to perform the organizational activities, efficiency of the organisation increases. If people are not competent to do their jobs, organizational goals will not be fully achieved.

Though people are appointed at specific job positions, there may be changes in their job profile because of changing environmental conditions.

In order to avoid skills obsolescence and, thus, loss to the organization, there should be continuous training and development programmes to develop skills of the employees. Employees have to be developed for multiple skills and competencies and not specific skills to increase organizational efficiency.

6. Develops potential managers:

Recruiting and selecting people with the best potential, compensating and training them to develop future managers facilitates movement of managerial abilities from lower to higher levels of the organisation.

7. Competitive advantage:

In the era of globalization, every enterprise faces tough competition from national and international competitors. A well-staffed organisation provides management sound policies and procedures for adapting to the environment and face competition. The fast changing technology can be adopted by organizations only if the manpower is trained to do so.

Contemporary organizations are learning organisation with knowledge-based workers who use information at their work place to meet challenges and risks. They create intangible assets for the organisation and make effective strategic decisions by using their judgment and innovative abilities. They are duty-conscious and a product of vision, farsightedness and intuitive skills.

They even subordinate their self-interest in favor of the larger organizational interest. Knowledge workers create and enhance the competitive advantage by satisfying customers' needs through organization's knowledge base. Staffing function, thus, ensures that organizational leaders align knowledge management with intellectual capital. It combines organization's capabilities with needs of the market.

STAFFING PROCESS:

1. Manpower Planning

Manpower planning can be regarded as the quantitative and qualitative measurement of labour force required in an enterprise. Therefore, in an overall sense, the planning process involves the synergy in creating and evaluating the manpower inventory and as well as in developing the required talents among the employees selected for promotion advancement

2. Recruitment

Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs in the organization. It stands for finding the source from where potential employees will be selected.

3. Selection

Selection is a process of eliminating those who appear unpromising. The purpose of this selection process is to determine whether a candidate is suitable for employment in the organization or not.

Therefore, the main aim of the process of selection is selecting the right candidates to fill various positions in the organization. A well-planned selection procedure is of utmost importance.

4. Placement and Orientation

Placement means putting the person on the job for which he is selected. It includes introducing the employee to his job.

Orientation refers to introduction of new employees to the existing employees large organizations organize orientation programmes to familiarize the new employees with the existing whereas in small organizations superior takes the new employees on round and introduces him to the existing employees.

5. Training and **Development**

After selection of an employee, the important part of the programmed is to provide training to the new employee. With the various technological changes, the need for training employees is being increased to keep the employees in touch with the various new developments. A sound staffing policy provides for the introduction of a system of planned promotion in every organization. If employees are not at all having suitable opportunities for their development and promotion, they get frustrated which affect their work.

RECRUITMENT

Recruitment is a positive process of searching for prospective employees and stimulating them to apply for the jobs in the organisation. When more persons apply for jobs then there will be a scope for recruiting better persons.

According to Edwin B. Flippo, "It is a process of searching for prospective employees and stimulating and encouraging them to apply for jobs in an organisation."

Process of Recruitment:

Recruitment Process Passes through the Following Stages:

(i) Searching out the sources from where required persons will be available for recruitment. If young managers are to be recruited then institutions imparting instructions in business administration will be the best source.

(ii) Developing the techniques to attract the suitable candidates. The goodwill and reputation of an organisation in the market may be one method. The publicity about the company being a professional employer may also assist in stimulating candidates to apply.

(iii) Using of good techniques to attract prospective candidates. There may be offers of attractive salaries, proper facilities for development, etc.

(iv) The next stage in this process is to stimulate as many candidates as possible to apply for jobs. In order to select a best person, there is a need to attract more candidates.

➢ FACTORS INFLUENCING RECRUITMENT:

All enterprises, big or small, have to engage themselves in recruitment of persons. A number of factors influence this process.

1. Size of the Enterprise:

The number of persons to be recruited will depend upon the size of an enterprise. A big enterprise requires more persons at regular intervals while a small undertaking employs only a few employees. A big business house will always be in touch with sources of supply and shall try to attract more and more persons for making a proper selection. It can afford to spend more amounts in locating prospective candidates. So the size of an enterprise will affect the process of recruitment.

2. Employment Conditions:

The employment conditions in an economy greatly affect recruitment process. In under-developed economies, employment opportunities are limited and there is no dearth of prospective candidates. At the same time suitable candidates may not be available because of lack of educational and technical facilities. If the availability of persons is more, then selection from large number becomes easy. On the other hand, if there is a shortage of qualified technical persons, then it will be difficult to locate suitable persons.

3. Salary Structure and Working Conditions:

The wages offered and working conditions prevailing in an enterprise greatly influence the availability of personnel. If higher wages are paid as compared to similar concerns, the enterprise will not face any difficulty in making recruitments. An organisation offering low wages can face the problem of labour turnover.

The working conditions in an enterprise will determine job satisfaction of employees. An enterprise offering good working conditions like proper sanitation, lighting, ventilation, etc. would give more job satisfaction to employees and they may not leave their present job. On the other hand, if employees leave the jobs due to unsatisfactory working conditions, it will lead to fresh recruitment of new persons.

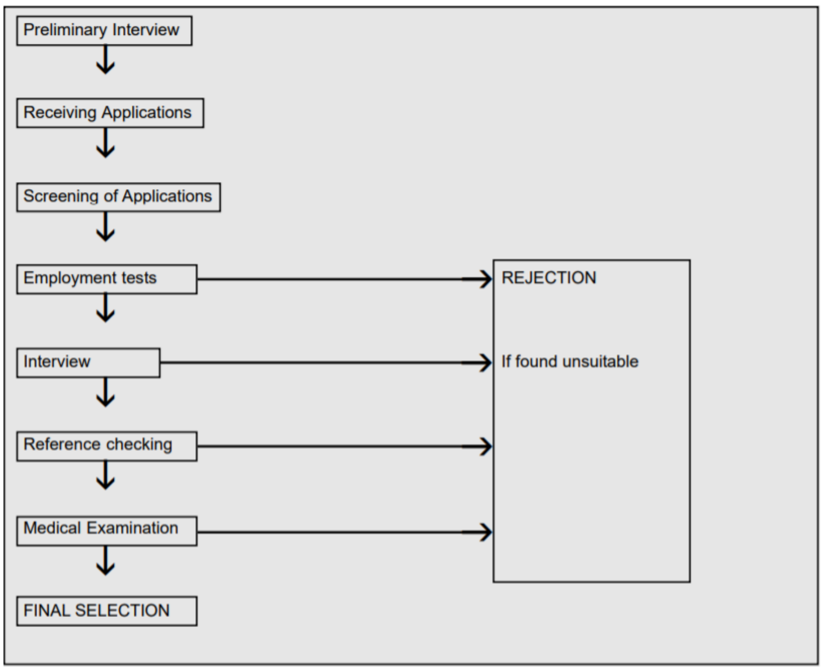
4. Rate of Growth:

The growth rate of an enterprise also affects recruitment process. An expanding concern will require regular employment of new employees. There will also be promotions of existing employees necessitating the filling up of those vacancies. A stagnant enterprise can recruit persons only when present incumbent vacates his position on retirement, etc.

➢ Selection

The selection process can be defined as the process of selection and shortlisting of the right candidates with the necessary qualifications and skill set to fill the vacancies in an organisation. The selection process varies from industry to industry, company to company and even amongst departments of the same company.

➢ PROCESS OF SELECTION:



1. Preliminary Interview

This is a very general and basic interview conducted so as to eliminate the candidates who are completely unfit to work in the organisation. This leaves the organisation with a pool of potentially fit employees to fill their vacancies.

2. Receiving Applications

Potential employees apply for a job by sending applications to the organisation. The application gives the interviewers information about the candidates like their bio-data, work experience, hobbies and interests.

3. Screening Applications

Once the applications are received, they are screened by a special screening committee who choose candidates from the applications to call for an interview. Applicants may be selected on special criteria like qualifications, work experience etc.

4. Employment Tests

Before an organisation decides a suitable job for any individual, they have to gauge their talents and skills. This is done through various employment tests like intelligence tests, aptitude tests, proficiency tests, personality tests etc.

5. Employment Interview

The next step in the selection process is the employee interview. Employment interviews are done to identify a candidate's skill set and ability to work in an organisation in detail. Purpose of an employment interview is to find out the suitability of the candidate and to give him an idea about the work profile and what is expected of the potential employee. An employment interview is critical for the selection of the right people for the right jobs.

6. Checking References

The person who gives the reference of a potential employee is also a very important source of information. The referee can provide info about the person's capabilities, experience in the previous companies and leadership and managerial skills. The information provided by the referee is meant to kept confidential with the HR department.

7. Medical Examination

The medical exam is also a very important step in the selection process. Medical exams help the employers know if any of the potential candidates are physically and mentally fit to perform their duties in their jobs. A good system of medical checkups ensures that the employee standards of health are higher and there are fewer cases of absenteeism, accidents and employee turnover.

8. Final Selection and Appointment Letter

This is the final step in the selection process. After the candidate has successfully passed all written tests, interviews and medical examination, the employee is sent or emailed an appointment letter, confirming his selection to the job. The appointment letter contains all the details of the job like working hours, salary, leave allowance etc. Often, employees are hired on a conditional basis where they are hired permanently after the employees are satisfied with their performance.

- IMPORTANCE OF THE SELECTION PROCESS

1. Proper selection and placement of employees lead to growth and development of the company. The company can similarly, only be as good as the capabilities of its employees.
2. The hiring of talented and skilled employees results in the swift achievement of company goals.
3. Industrial accidents will drastically reduce in numbers when the right technical staff is employed for the right jobs.
4. When people get jobs they are good at, it creates a sense of satisfaction with them and thus their work efficiency and quality improves.
5. People who are satisfied with their jobs often tend to have high morale and motivation to perform better.

MOTIVATION

- **MOTIVATION MEANING:**

It is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employee but a negative motivation will reduce their performance.

- **DEFINITION:**

- ✓ **Berelson and Steiner**: "A motive is an inner state that energizes, activates, or moves and directs or channels behaviour goals.'

- ✓ **Lillis:** "It is the stimulation of any emotion or desire operating upon one's will and promoting or driving it to action

- **NATURES/FEATURES/CHARACTERISTICS OF MOTIVATION**

The nature of motivation can be defined in following manner:

1. Psychological concept:

Motivation is related to mental state of a person. So, motivation is a psychological aspect. Psychology is a mental condition which arises in the mind of a person and directs to act in a particular way. Motivation is related with the needs and motives which generate within an individual. It is the function of management which encourages the capable person to do work with his maximum efficiency. A man having physical, mental and technical capability may not be ready to work properly. But motivation techniques encourage to work with great efficiency.

2.Never ending process: Motivation is important till the existence of the management. It is an unending process. It is dynamic in nature. The needs of a person arise continuously one after another. For instance- a man satisfies one want or one set of wants and after getting satisfaction again he feels another want and tries to satisfy the same. As desires, wants, needs, and motives are dynamic and changes occur frequently, the motivation too should be considered as dynamic.

3. Related to human resources: Motivation is related to human resources and needs. It is concerned with the feelings, desires, motives and needs of a man. Ofcourse, a man may be motivated but we cannot motivate other factors of production or resources like capital, land and machine.

4. Cause and effect of human satisfaction:

A man works to fulfill his own motive. Wants, desires, environment, condition, attitude,thought or experiences are the several causes which may encourage a man to work to get satisfaction.Thus, motivation is the cause and effect of human satisfaction.

5. Total individual motivation:

Generally, an individual is found being motivated and satisfied as a whole. An individual is a whole. He cannot be seperated. If a person gets wound in his hand or leg, after medicine, he cannot say that the hand/leg is satisfied and cures, not me, rather he feels the satisfaction as a whole.

6. Inspiration and encouragement: To motivate the people is a very difficult task and responsibility of a manager because he is responsible to inspire and encourage the subordinates in work in such a way that they could perform their job in efficient way.

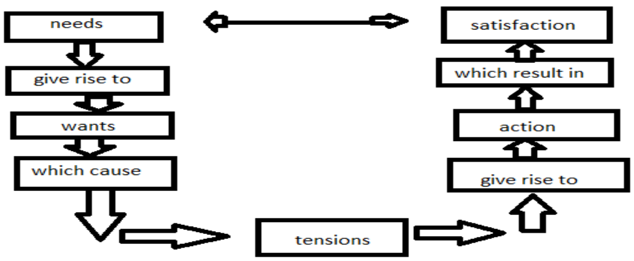
7. Complex and unpredictable:

Motivation is not that simple, it is very complex. No one can determine, explain and predict the behaviour of person as the desire, drives and attitudes are changed frequently in a varying in situation and circumstances.

8.Positive and negative motivation:

Motivation may be positive or negative on the part of employer. Positive motivation is concerned with the use of incentives like increase in salary, allowances, grant of reward, promotion etc. Whereas, negative motivation includes forcing people to work by holding out threats or punishment such as loss of job, demotion, deduction of salary etc.

➢ Process Of Motivation



Need-Want-Satisfaction Chain

➢ IMPORTANCE OF MOTIVATION:

Management tries to utilize all the sources of production in a best possible manner. This can be achieved only when employees co-operate in this task. Efforts should be made to motivate employees for contributing their maximum. The efforts of management will not bear fruit if the employees are not encouraged to work more. The motivated employees become an asset to the organisation. The following is the importance of motivation.

1. High Performance:

Motivated employees will put maximum efforts for achieving organisational goals. The untapped reservoirs, physical and mental abilities are tapped to the maximum. Better performance will also result in higher productivity. The cost of production can also be brought down if productivity is raised. The employees should be offered more incentives for increasing their performance. Motivation will act as a stimulant for improving the performance of employees.

2. Low Employee Turnover and Absenteeism:

When the employees are not satisfied with their job then they will leave it whenever they get an alternative offer. The dissatisfaction among employees also increases absenteeism. The employment training of new employees costs dearly to the organisation. When the employees are satisfied with their jobs and they are well motivated by offering them financial and non-financial incentives then they will not leave the job. The rate of absenteeism will also be low because they will try to increase their output.

3. Better Organisational Image:

Those enterprises which offer better monetary and non-monetary facilities to their employees have a better image among them. Such concerns are successful in attracting better qualified and experienced persons. Since there is a better man-power to development programme, the employees will like to join such organisations. Motivational efforts will simplify personnel function also.

4. Better Industrial Relations:

A good motivational system will create job satisfaction among employees. The employment will offer those better service conditions and various other incentives. There will be an atmosphere of confidence among employers and employees. There will be no reason for conflict and cordial relations among both sides will create a health atmosphere. So motivation among employees will lead to better industrial relations.

5. Acceptability to Change:

The changing social and industrial situations will require changes and improvements in the working of enterprises. There will be a need to introduce new and better methods of work from time to time. Generally, employees resist changes for fear of an adverse effect on their employment. When the employees are given various opportunities of development then they can easily adapt to new situations.

6. Higher morale of personnel: Motivation increases the working efficiency of the workers. The workers having higher morale are asserted as the assets or the organization. By lowering turnover rate and keeping the absenteeism low, a motivated employee can contribute the organization.

➢ TYPES OF MOTIVATION

When a manager wants to get more work from his subordinates then he will have to motivate them for improving their performance. They will either be offered incentive for more work, or may be in the space of rewards, better reports, recognition etc., or he may instill fear in them or use force for getting desired work.

1. Positive Motivation:

Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work, etc. The employees are offered the incentives and try to improve their performance willingly.

2. Negative Motivation:

Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment.

3. Financial motivation:

It refer to monetary rewards. Incentives are nothing but the inducements provided to employees in order to motivate them. There should be direct relationship between efforts and rewards, financial reward should be substantial in value and must be in parity with others. It includes: bonus,Incentive

4. Non-financial motivation:

Non-financial incentives do not involve money payments. These are also important in motivating employees as they bring in psychological and emotional satisfaction to them. These include so many techniques. People do work for money-but they work even more for meaning in their lives. In fact, they work to have fun. **For example**: Job security, Challenging work, recognition of work done by the employees, increase in responsibilities etc

- **<u>THEORIES OF MOTIVATION:</u>**

1. MASLOW'S NEED HIERARCHY THEORY:

Maslow's theory is based on the following **assumption** and are described below:

1.Unlimited wants:

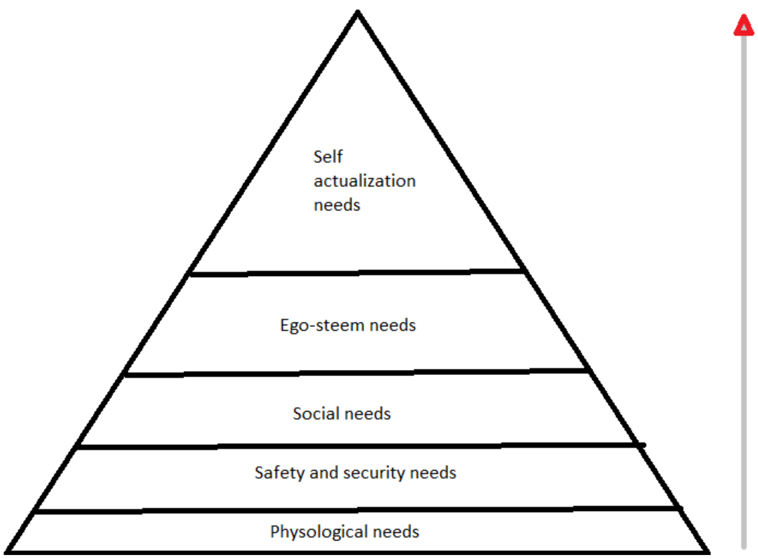
Human wants are unlimited and never ending. After one of his wants satisfied, another appears in its place. Again, to satisfy another wants, a man engages himself in work.

2. Unsatisfied needs is a motivator:

Man will lose his willingness to work and his capacity too, if needs are satisfied. So, it is only unsatisfied needs which may encourage or motivate the staff to perform the job.

3. Hierarchy of importance:

It is easy to determine the most important to less important needs. It says that needs can be classified according to priority and they can be arranged in priority according to a hierarchy of importance.
The basic human needs placed by Maslow in an ascending order of importance can be illustrated as under:



1.**Physiological needs**:

These needs are the primary and the basic needs for food, water, air, clothing and shelter that are must be satisfied before the individual can consider higher order needs. For instance, a hungry person possessed by the need to obtain food, ignores other needs. After the satisfaction of physiological needs, other needs enter. Thus, these needs are generally satisfied by providing adequate salary, wages etc.

2. Safety and security needs:

It is the second level needs in Maslow hierarchy theory which include security, protection from physical harm and avoidance of the unexpected risk of loss. Virtually, these needs are concerned with physical safety and economic security. For eg. saving accounts, life insurance, membership of health club etc.

3. Social needs:

Human beings are social animals and they are social in nature. A man lives in society, loves society, believe in society, learns from society and gets from society. Being social, he gains experiences from the society and thus feels some needs. These needs include belongingness, friendship, love and affection etc. A manager should know these needs and manage well to motivate the employees.

4. Esteem or ego needs:

These needs are of two types: (a) self esteem and (b) public esteem. Self esteem means esteem to the eye of self which in the eye of public as praise, power, prestige, appreciation, recognition etc. These all needs are concerned with one's prestige and respect of an individual.

5. Self-actualization needs:

It is the top level of needs in Maslow's need hierarchy theory. It is concerned with the need for fulfillment, for realizing one's own potential, for using one's talents and capabilities totally. These needs are also known as self prestige, self achievement and self confidence. This self actualization needs are most difficult to the manager to identify and focus.

2. HERZBERG'S MOTIVATION HYGIENE THEORY:

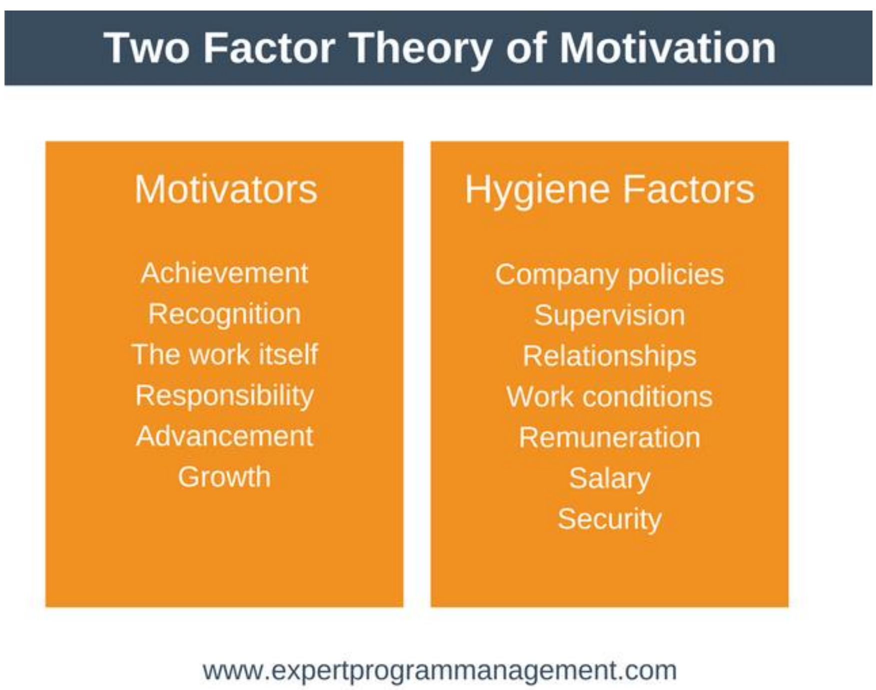
The psychologist Frederick Herzberg extended the work of Maslow and propsed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory.

According to Herzberg, two kinds of factors affect motivation, and they do it in different ways:

1. Hygiene factors or maintenance factors. These are factors whose absence motivates, but whose presence has no perceived effect. They are things that when you take them away, people become dissatisfied and act to get them back. **For examples** decent working conditions, security, pay, benefits (like health insurance), company policies, interpersonal relationships.

2. Motivators. These are factors whose presence motivates. Their absence does not cause any particular dissatisfaction, it just fails to motivate. Examples are all the things at the top of the Maslow hierarchy, and the intrinsic motivators.

So hygiene factors determine dissatisfaction, and motivators determine satisfaction. The two scales are independent, and you can be high on both.



3. MCGREGOR'S X AND Y THEORY:

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labled Theory Y.

Theory X is based on the following assumptions:

1. People are by nature indolent. That is, they like to work as little as possible.

2. People lack ambition, dislike responsibility, and prefer to be directed by others.

3. People are inherently self-centered and indifferent to organisational needs and goals.

4. People are generally gullible and not very sharp and bright.

On the contrary, Theory Y assumes that:

1. People are not by nature passive or resistant to organisational goals.

2. They want to assume responsibility.

3. They want their organisation to succeed.

4. People are capable of directing their own behaviour.

5. They have need for achievement

4. VROOM’S EXPECTANCY THEORY:

One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory” It is a cognitive process theory of motivation. The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

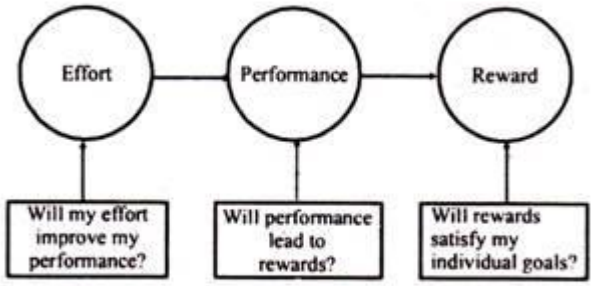


Fig 17.3: Vroom's Expectancy Model of Motivation

Thus, the key constructs in the expectancy theory of motivation are:

1. Valence:

Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.

2. Expectancy:

It relates efforts to performance.

3. Instrumentality:

By instrumentality, Vroom means, the belief that performance is related to rewards.

Thus, Vroom's motivation can also be expressed in the form of an equation as follows: **Motivation = Valence x Expectancy x Instrumentality**

Being the model multiplicative in nature, all the three variables must have high positive values to imply motivated performance choice. If any one of the variables approaches to zero level, the possibility of the so motivated performance also touches zero level.

UNIT IV

DELEGATION

➢ DELEGATION MEANING

- ✓ It means granting of authority by the superior manager to his subordinates in order to accomplish particular assignments.
- ✓ When the work of an executive increases so much in volume that he cannot cope with it, he has to divide it among his subordinates. This process of dividing the work with others and giving them authority to do it is referred to as ‘Delegation’.
- ✓ Delegation may be defined as the process of entrusting some part of the work of operations or management to others; thus sharing one’s responsibilities with others. It involves granting the right to decision-making in certain defined areas and charging the subordinates with responsibility for carrying out the assigned tasks.

➢ THREE UNIQUE ASPECTS OF DELEGATION:

(1) Assignment of Responsibility:

A manager assigns a certain function, work or duty to his subordinate for performance. This is termed as assignment of responsibility. It is a creation of an obligation to perform the assigned duties. Responsibility arises from the superior-subordinate relationship. Responsibility is spoken of as being created rather than delegated.

(2) Grant of Authority:

A manager grants authority, i.e., rights and powers to be exercised by the subordinate. Authority is derived from responsibility. It is the right to perform certain assigned work or duties. It also implies power, i.e., ability to do certain things. It is the power to order or command and is duly delegated or transferred from the superior to the subordinate in order to enable him to discharge his or her responsibility for the assigned work or duties.

The superior may transfer certain rights **such as** the right to spend money, to direct the work of others, to use materials, and to take other necessary steps to fulfil the duties or responsibilities. There must be a balance between responsibility and authority for organisational efficiency and economy.

3) Creation of Accountability:

Just as responsibility arises from work, and authority arises from responsibility, account ability is logically derived from authority. Once, a subordinate is entrusted with responsibility to perform certain jobs and he or she is given sufficient authority to perform the assigned work, the final phase in delegation (or basic organisation relationship) is holding the subordinate answerable or accountable to his or her superior for fulfilling the assigned responsibility, i.e., obligation to perform the assigned duties.

Accountability is defined as a system of management which assigns certain responsibilities to line or staff personnel and, in turn, expects them to be accountable or answerable for the accomplishment of stated objectives within their area of responsibility.

➢ <u>FEATURES/ CHARACTERISTICS/NATURE OF DELEGATION</u>

1. Delegation is a process

Managers delegate tasks to subordinates in a sequential order of steps.

2. On-going process

Delegation is a continuous process. Managers continue to delegate tasks and get them delegated by their superiors to achieve the organisational goals.

3. It is an art, not science

When delegator delegates to subordinates, it does not necessarily mean that subordinates will perform those tasks well. There is no cause and effect relationship between the task assigned and their actual performance. Delegation is, thus, not a science. It is the art of how and what manager delegates to subordinates.

4. Delegation of authority and not accountability –

Managers can only delegate work and authority to perform that work to subordinates. Delegation does not mean that managers are not accountable to their superiors for the task assigned to subordinates. They remain accountable for the tasks assigned to subordinates and are answerable to their superiors for its performance.

5. Necessary organisational activity

Managers cannot avoid delegation. They cannot perform all the tasks themselves. They have to master the art of delegation that is, how to delegate and what to delegate. Corporate performance is judged by how good the managers are in getting the work done through others by the process of delegation.

6. It has different forms – Delegation can take different forms. It can be downward, upward or lateral.

1. Top to Bottom Delegation:

The process of delegation where superiors delegate workload to subordinates is top to bottom delegation.

2. Bottom to Top Delegation:

This form of delegation recognizes the importance of informal groups in the formal organisation structures. The force of attraction of group members is so strong that if they have to obey the superior or group members, they may choose the latter. Managers have to be careful in issuing orders/directions to subordinates to carry out the delegated tasks.

3. Lateral Delegation:

When managers delegate authority to subordinates in the hierarchy, subordinates further delegate the tasks informally to people at the same level in other units. For example, if general manager of sales department asks sales manager to compile the figures of sales and sales personnel for the month of January, the sales manager will seek the assistance of finance manager and personnel manager. Thus, authority and responsibility delegated to sales manager is shared by him with managers of other departments working at the same level. This is a form of lateral delegation. Peer groups in this case come together and carry out the task as a team.

➢ IMPORTANCE OF DELEGATION

1. Relieves manager for more challenging jobs

Delegation makes it possible for the managers to distribute their workload to others. Thus, managers are relieved of routine work and they can concentrate on higher functions of management like planning, organising, controlling, etc.

2. Leads to motivation of subordinates

Subordinates are encouraged to give their best at work when they have authority with responsibility. They take more initiative and interest in the work and are also careful and cautious in their work. Delegation leads to motivation of employees and manpower development.

3. Facilitates efficiency and quick actions

Delegation saves time enabling tile subordinates to deal with the problems promptly. They can take the decisions quickly within their authority. It is not necessary to go to the superiors for routine matters. This raises the overall efficiency in an Organisation and offers better results in terms of production, turnover and profit.

4. Improves employee morale

Delegation raises the morale of subordinates as they are given duties and supporting authority. They feel that they are responsible employees. The attitude and outlook of subordinates towards work assigned becomes more constructive.

5. Develops team spirit

Due to delegation, effective communication develops between the superiors and subordinates. The subordinates are answerable to superiors and the superiors are responsible for the performance of subordinates. This brings better relations and team spirit among the superiors and subordinates

6. Maintains cordial relationships

The superiors trust subordinates and give them necessary authority. The subordinates accept their accountability and this develops cordial superior-subordinate relationships.

7. Facilitates management development

Delegation acts as a training ground for management development. It gives opportunity to subordinates to learn, to grow and to develop new qualities and skills. It builds up a reservoir of executives, which can be used as and when required. Delegation creates managers and not mere messengers.

- **FACTORS AFFECTING DELEGATION**

A. The Delegator's Aspect:

A manager may not delegate authority effectively when he has a love for authority, fear of sub-ordinates advancement, fear of his shortcomings being exposes and a negative attitude towards employees. In addition, the personality traits of a manager and experience may also effect the delegation of authority.

1. Love for Authority:

An autocratic manager is not very likely to delegate authority to his subordinates such a manager likes to make his importance felt by forcing subordinates to approach him often to get inner decisions approved. A manager may also not delegate authority to his sub-ordinates if he likes to maintain a tight control over his activities.

2.Fear of Sub-Ordinates' Advancement:

The fear of a sub-ordinates advancement also affects the manager's ability to delegate authority effectively. A manager may not delegate authority effectively due to two reasons. Firstly, superior may fear that the competence and the good performance of the sub-ordinate might earn him a promotion as a result of which, he would lose good sub-ordinates.

Secondly, the superiors may also fear that the sub-ordinates may excel in his job to such an extent that he may become a contender for the manager's position, status and title.

3.Fear of Exposure:

A superior may not delegate adequate authority fearing that his managerial shortcomings would be exposed if he does. This generally is the case when the procedures and practices followed by the superior are not very good. Thus, the fear of exposure of their shortcomings may make managers ineffective in delegating authority.

4. Attitude towards Sub-Ordinates:

Delegation of authority requires a certain amount of trust between the superior and his sub-ordinate. Therefore, the superior attitude towards his sub-ordinates and the sub-ordinates attitudes towards the superior are important for delegation. Lack of confidence in sub-ordinates is a major factor that effects delegation of authority. The lack of confidence may be justified if the sub-ordinates are also lacking in knowledge and skills.

5.Personality Traits and Experiences of the Superiors:

The personality traits and experiences of a superior affect the way in which he delegates authority to his sub-ordinates. For instance a superior who has been delegated adequate authority in his or her own career or who has worked up his way up from the ranks, is likely to delegate authority. On the other hand, autocratic managers are less likely to delegate authority.

B) <u>The Delegant's Authority</u>:

Delegation of authority is not only affected by various factors pertaining to the delegator, but also by factors is discussed below:

1. Fear of Criticism:

The sub-ordinate may not accept delegated tasks if he suspects that the credit for success will be taken by the boss and criticism for failure will be directed toward him. The fear of criticism also makes a sub-ordinate reluctant to accept authority.

2.Lack of Information and Resources:

Sub-ordinates are reluctant to accept delegation when they do not have adequate information and resources. When tasks are not clearly defined, when adequate authority is not delegated. When instructions are vague and resources are scarce, sub-ordinates are unlikely to do a good job and their enthusiasm for delegated work dwindles.

3.Lack of Self-Confidence:

Sometimes, sub-ordinates may refuse to take up delegated tasks as they may lack confidence in themselves. Fear of criticism and/or dismissal from service for committing mistake prevents them from accepting additional responsibilities.

4. Absence of Rewards and Incentives:

Many sub-ordinates may be unwilling to take up additional responsibilities and pressure unless they receive some rewards and incentives for satisfactory performance. Therefore, all companies should develop a system of rewards and incentives.

C) The Organizational Aspect:

Apart from the personal factors of delegators and delegates, delegation of authority also depends on certain organizational aspects. The various organizational factors that affect the delegation of authority include the organization’s policy towards centralization or decentralization, availability of managerial personnel, the type of control mechanisms adopted by the organization, the management philosophy etc., and unfavorable organizational factors may adversely affect the delegation of authority.

- **IMPORTANT GUIDELINES FOR HAVING EFFECTIVE DELEGATION**

(1) There Must be Proper Planning:

An executive must plan beforehand as to what is to be achieved, if delegation of authority is made. He should define clearly the objectives to be achieved and the functions to be performed by delegating the authority.

The job should be designed and divided in such a way as to achieve the objectives. The subordinates must understand clearly what activities they must undertake and what delegator expects from him.

(2) There Must be Parity of Authority and Responsibility:

Proper balance must be maintained between authority and responsibility. Responsibility without sufficient authority will made the sub-ordinate ineffective because he cannot have proper control over the operation of activities and he cannot perform his duties well.

Further, authority without responsibility will make the sub-ordinate irresponsible. Parity between authority and responsibility cannot be measured mathematically. The two must move together because the two relate to the same assignment.

(3) Dual Sub-Ordination be Avoided as far as Possible:

The sub-ordinate should be accountable to their seniors. If he is to report to two bosses for the same job, it will give rise to confusion and conflict and in such cases his loyalty may be divided.

(4) Limits of Authority Should be Clearly and Well Defined:

The limits of authority of each sub-ordinate should be well defined so that there may not be misuse of authority. Limits of authority allow the sub-ordinate to take initiative and freedom of action within the limits. Any matter beyond his authority be referred to the superior.

(5) Sub-Ordinate Must Work Within the Delegated Authority:

Once a sub-ordinate is assigned work and delegated authority, he should be allowed to take decision relating to matter within his jurisdiction. Only the matters beyond the scope of subordinates authority be dealt with by the superior. They should confine themselves to the exceptions.

(6) Effective and Free Flow of Communication between the Delegator and the Delegated is Essential to Make the Delegation Effective:

This will help the superior to give clear and precise instructions and the sub-ordinate may seek the necessary clarifications and guidance. Accurate and timely information should be available to the executives so that any obstacle may be removed in the way of performance of the assigned task to the sub-ordinate.

(7) For Proper Delegation Motivation through Positive Incentives be Given to Subordinate:

This will be helpful in accepting the responsibility happily and can show excellent performances. Incentives may be monetary or non-monetary. For some subordinates, recognition and praise may be important incentive, while monetary incentive like reward for better performance may be important for others.

(8) Proper Selection and Training of Personnel:

Selection of personnel to various jobs should be fair and just. It should not be arbitrary but it must be based on certain principles. Only right persons should be placed on the right job.

The person selected must also be given proper training to enable him to handle the post efficiently and to perform the assigned job properly. Proper selection and training helps to develop their self-confidence and morale.

(9) Proper Control Techniques be developed:

In a good organization proper control techniques should be developed and major deviations from standard should be checked. There should be no interference in day-to-day functioning of sub-ordinates.

➢ DIFFERENCES BETWEEN AUTHORITY AND RESPONSIBILITY

Authority	**Responsibility**

It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

CENTRALIZATION AND DECENTRALIZATION

CENTRALIZATION

- Centralization refers to the process in which activities involving planning and decision-making within an organization are concentrated to a specific leader or location. In a centralized organization, the decision-making powers are retained in the head office, and all other offices receive commands from the main office. The executives and specialists who make critical decisions are based in the head office.

- In any business organization, concentration of authority and powers in the hands of top management is referred to as centralization, everything which goes to reduce the importance of subordinates role in an organization is known as **centralization.**

ADVANTAGES OF CENTRALIZATION

1. A clear chain of command

A centralized organization benefits from a clear chain of command because every person within the organization knows who to report to. Junior employees also know who to approach whenever they have concerns about the organization. On the other hand, senior executives follow a clear plan of delegating authority to employees who excel in specific functions. The executives also gain the confidence that when they delegate responsibilities to mid-level managers and other employees, there will be no overlap. A clear chain of command is beneficial when the organization needs to execute decisions quickly and in a unified manner.

2. Focused vision

When an organization follows a centralized management structure, it can focus on the fulfillment of its vision with ease. There are clear lines of communication and the senior executive can communicate the organization's vision to employees and guide them towards the achievement of the vision. In the absence of a centralized management, there will be inconsistencies in relaying the message to employees because there are no clear lines of authority. Directing the organization's vision from the top allows for a smooth implementation of its visions and strategies. The organization's stakeholders such as customers, suppliers, and communities also receive a uniform message.

3. Reduced costs

A centralized organization adheres to standard procedures and methods that guide the organization, which help reduce office and administrative costs. The main decision-makers are housed at the company's head office or headquarters, and therefore, there is no need for deploying more departments and equipment to other branches. Also, the organization does not need to incur extra costs to hire specialists for its branches since critical decisions are made at the head office and then communicated to the branches. The clear chain of command reduces duplication of responsibilities that may result in additional costs to the organization.

4. Quick implementation of decisions

In a centralized organization, decisions are made by a small group of people and then communicated to the lower-level managers. The involvement of only a few people makes the decision-making process more efficient since they can discuss the details of each decision in one meeting. The decisions are then communicated to the lower levels of the organization for implementation. However, if lower-level managers are involved in the decision-making process, the process will take longer and conflicts will arise. It will make the implementation process lengthy and complicated because some managers may object to the decisions if their input is ignored.

5. **Improved quality of work**

The standardized procedures and better supervision in a centralized organization result in improved quality of work. There are supervisors in each department who ensure that the outputs are uniform and of high quality. The use of advanced equipment reduces potential wastage from manual work and also helps guarantee high-quality work. Standardization of work also reduces the replication of tasks that may result in high labor costs.

6. Distribution of work. In order to group together and economies the working as well as cost the grouping of two and more departments into one also placing the same under one control goes a long way in equitably distributing in workload not only between different departments but between individual worker as well. This brings economy and speed.

7. Uniformity of activities. Obviously when centralized, the activities will be either in the hand of one individual or a few one but under his (one) direct, control. This will result into uniformity of activities and thereby ensuring uniform decision and uniform process.

8. Specialization. Specialization of work as well as process and handling of the work by the staff who has specialized in the work he is handling are a few of the meaningful advantages of specialization.

9. **Economy**. The uniformity of activities and specialization of work lead to economic operation and best utilization of the staff services. This brings efficiency and smoothness as well. All these bring economy.

10. No duplication of work. Centralized personal leadership, uniformity of activities and specialization leave no scope for duplication of work in the office. Thus extra labor and extra cost involved in duplication is avoided and economy is ensured.

11. Greater flexibility. In case of any emergency arising the uniformity of activities help in adjusting the activities, procedure and decisions taken. This adjustment ensures flexibility the opportunity for which is available in centralized office organization in greater degree.

12. Effective control. Uniformity in activities, specialization and standardization facilitates greater degree or supervision, effective co-ordination, self and departmental integration and thus ensure effective control.

13. Fixing of responsibility is facilitated. It is possible in decentralized system to locate the fault and detect the deviations and thus is able to pinpoint and take effective measures to improve by knowing and then fixing the responsibility and thereby improving the working and efficiency.

➢ DISADVANTAGES OF CENTRALIZATION

1. Bureaucratic leadership

Centralized management resembles a dictatorial form of leadership where employees are only expected to deliver results according to what the top executives assigned them. Employees are unable to contribute to the decision-making process of the organization, and they are merely implementers of decisions made at the higher level. Even when the employees face difficulties in implementing some of the decisions, the executives will not understand because they are only decision-makers and not implementers of the decisions. The result of such actions is a decline in performance because the employees lack the motivation to implement decisions taken by top-level managers without the input of lower-level employees.

2. Remote control

The organization's executives are under tremendous pressure to formulate decisions for the organization, and they lack control over the implementation process. The failure of executives to decentralize the decision-making process adds a lot of work to their desk. The executives suffer from a lack of time to supervise the implementation of the decisions. It leads to reluctance on the part of employees. Therefore, the executives may end up making too many decisions that are either poorly implemented or ignored by the employees.

3. Delays in work

Centralization results in delays in work as records are sent to and from the head office. Employees rely on the information communicated to them from the top, and there will be a loss in man-hours if there are delays in relaying the records. It means that the employees will be less productive if they need to wait long periods to get guidance on their next projects.

4. Lack of employee loyalty

Employees become loyal to an organization when they are allowed personal initiatives in the work they do. They can introduce their creativity and suggest ways of performing certain tasks.

However, in centralization, there is no initiative in work because employees perform tasks conceptualized by top executives. It limits their creativity and loyalty to the organization due to the rigidity of the work.

5. Distinctive to subordinates. Subordinate in such a set up only is required to implement whatever it is asked to carry out. No independent decision making authority. A mechanical working always creates mental reservation. The subordinate does not take imitative nor is he allowed to do so. Thus there remains no charm in either the work or the organization as he knows fully well that no upper ladder is there for him as he is not allowed to take any initiative

- **DECENTRALIZATION**

- ✓ Decentralization refers to a specific form of organizational structure where the top management delegates decision-making responsibilities and daily operations to middle and lower subordinates. The top management can thus concentrate on taking major decisions with greater time abundance.

- ✓ "Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to timd of cacti unit.'—**Earl. P. Strong**

- **ADVANTAGES OF DECENTRALISATION**

1.Motivation of Subordinates

Decentralization improves the level of job satisfaction as well as employee morale, especially amongst the lower level managers.

Furthermore, it strives to satisfy the varying requirements for participation, independence, and status. Decentralization also promotes a spirit of group cohesiveness and spirit.

2.Growth and Diversification

Under decentralization, every single product division attains sufficient autonomy to exercise their creative flair. In this way, the top-level management can create healthy competition amongst different divisions.

While carrying out a discussion on the advantages and disadvantages of decentralization, it is imperative to note that it aids subordinates in exercising their own judgment.

They even develop managerial skills and help in solving the succession problem which ultimately ensures the growth and continuity of an organization.

3. Quick Decision Making

Another important pointer in the advantages and disadvantages of decentralization is that decisions are taken and executed by authorized personnel. This, in turn, results in faster and accurate decisions which are well aware of the real scenario.

4. Efficient Communication

The wider span of management under decentralization leads to fewer hierarchical level. This makes the communication system more efficient as intimate relationships develop between superiors and subordinates.

5. Ease of Expansion

Decentralization can add inertia to the expansion process of a growing business. This might often result in the opening of new business units in varying geographical locations.

Decentralization unleashes the fullest potential of the organization and can react easily to area-specific requirements.

6. Better Supervision And Control

Lower level managers can alter production schedules and work assignments with adequate authority. They can even take disciplinary actions and recommend the promotion of their peers.

This, in turn, leads to greater efficiency in supervision. Performance evaluation of each decentralized unit helps in exercising adequate control.

7. Satisfaction of Human needs

Decentralization serves as an important tool for satisfying our basic need of independence, power, prestige, and status. A cadre of satisfied manager is build up by this satisfaction as they feel responsible towards the company's betterment.

8. Relief to top executives

Top executives can focus more on more on the executive level work like planning and decision making if the lower level employees take all the responsibilities on their own. This relieves their workload which eventually is for the greater good of the organisation.

- **DISADVANTAGES OF DECENTRALIZATION**

1. Uniform policies not followed:

Under decentralization, it is not possible* to follow uniform policies and standardised procedures. Each manager will work and frame policies according to his talent.

2. Problem of Co-Ordination:

Decentralization of authority creates problems of co-ordination as authority lies dispersed widely throughout the organization.

3. More Financial Burden:

Decentralization requires the employment of trained personnel to accept authority, it involves more financial burden and a small enterprise cannot afford to appoint experts in various fields.

4. Require Qualified Personnel:

Decentralization becomes useless when there are no qualified and competent personnel.

5. Conflict:

Decentralization puts more pressure on divisional heads to realize profits at any cost. Often in meeting their new profit plans, bring conflicts among managers.

BASIS FOR COMPARISON	CENTRALIZATION	DECENTRALIZATION
Meaning	The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.
Involves	Systematic and consistent reservation of authority.	Systematic dispersal of authority.
Communication Flow	Vertical	Open and Free
Decision Making	Slow	Comparatively faster
Advantage	Proper coordination and Leadership	Sharing of burden and responsibility

BASIS FOR COMPARISON	CENTRALIZATION	DECENTRALIZATION
Power of decision making	Lies with the top management.	Multiple persons have the power of decision making.
Implemented when	Inadequate control over the organization	Considerable control over the organization
Best suited for	Small sized organization	Large sized organization

CONTROLLING

- **MEANING OF CONTROLLING**

✓ **CONTROLLING** is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

✓ Control can be defined as the process of analysing whether actions are being taken as planned and taking corrective actions to make these to confirm to planning

✓ **According to E.F.L. Brech:**
"Controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

- **NATURE OF CONTROLLING**

1. Control is a Function of Management:

Actually control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organisation.

2. Control is Based on Planning

Control is designed to evaluate actual performance against predetermined standards set-up in the organisation. Plans serve as the standards of desired performance. Planning sets the course in the organisation and control ensures action according to the chosen course of action in the organisation.

Unless one knows what he wants to achieve in the organisation, he cannot say whether he has done right or wrong in the organisation. Control is said to be the Last step in management process but really speaking it begins with the setting up a plan in the organisation. Control implies the existence of plans or standards in the organisation.

3. Control is a Dynamic Process:

It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

4. Information is the Guide to Control:

Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

5. The Essence of Control is Action:

The performance of control is achieved only when corrective action is taken on the basis of feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

6. It is a Continuous Activity:

Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

7. Delegation is the key to Control:

An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

8. Control Aims at Future:

Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

9. Control is a Universal Function of Management:

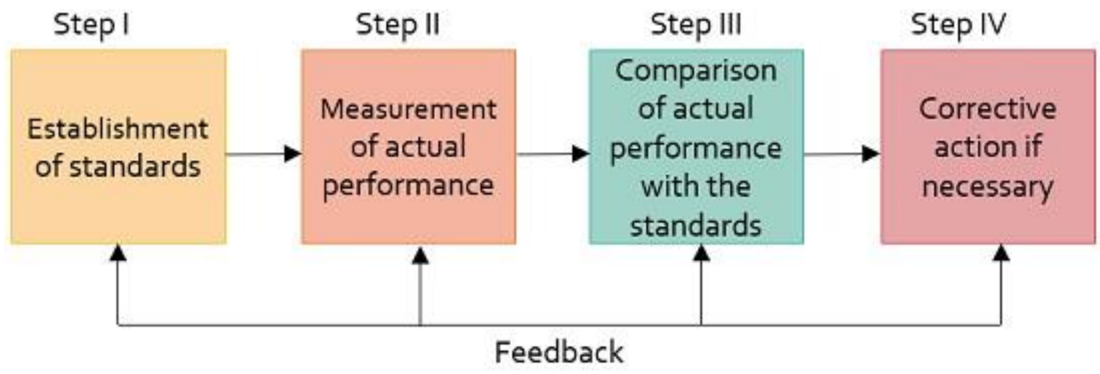
Control is a basic or primary function of management. Every manager has to exercise control over the subordinates' performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions.Therefore, control is an essential managerial function at every level. The process of management is incomplete without controlling.

10. Controlling is Positive:

The function of controlling is positive. It is to make things happen i.e. to achieve the goal with instead constraints, or by means of the planned activities. Controlling should never be viewed as being negative in character.

- **PROCESS OF CONTROLLING**

Control process involves the following steps as shown in the figure:



- **Establishing standards**: This means setting up of the target which needs to be achieved to meet organisational goals eventually. Standards indicate the criteria of performance.

  Control standards are categorized as quantitative and qualitative standards. **Quantitative standards** are expressed in terms of money. **Qualitative standards**, on the other hand, includes intangible items.

- **Measurement of actual performance**: The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.
- **Comparison of actual performance with the standard**: This compares the degree of difference between the actual performance and the standard.
- **Taking corrective actions**: It is initiated by the manager who corrects any defects in actual performance.

Controlling process thus regulates companies' activities so that actual performance conforms to the standard plan. An effective control system enables managers to avoid circumstances which cause the company's loss.

➢ TYPES OF CONTROL

1.Feedback Control: This process involves collecting information about a finished task, assessing that information and improvising the same type of tasks in the future.

2. Concurrent control: It is also called real-time control. It checks any problem and examines it to take action before any loss is incurred. Example: control chart.

3. Predictive/ feedforward control: This type of control helps to foresee problem ahead of occurrence. Therefore action can be taken before such a circumstance arises.

In an ever-changing and complex environment, controlling forms an integral part of the organization.

- **BENEFITS OF CONTROLLING**

(i) Improved managerial decision-making:

Controlling provides opportunities to management to undertake better decision-making; utilizing the information provided by the controlling feedback mechanism.

(ii) Maximum production at minimum cost:

Controlling helps in obtaining maximum production at minimum costs; thus facilitating the attainment of the goal of profit maximization in a rational manner. This is possible; because controlling

i. Points out bottlenecks in the organizational operational life.

ii. Leads to an efficient use of resources, by preventing wastages and overlapping of actions.

(iii) Moral check on employees:

Controlling, in its ambit, contains an element of negative motivation; which is reasonably necessary for increased human efficiency. The very fact of controlling mechanism, being in operation, over the organizational operational life; keeps not only employees but also managers, on the alert. People are enthused over the attainment of standards of performance, as a matter of organizational necessity.

(iv) Judging managerial competence:

Controlling mechanism helps to judge managerial competence, by glancing at managers' performance; so far as exercising control over the actions of subordinates is concerned. That is to say, to what extents have managers been successful in effectively controlling subordinates' performance is a reflection on their own managerial competence.

(v) Appraisal of individual performance:

Controlling informs individuals about their performance i.e. to what extent they have attained standards; and what are the shortfalls in their performance. This gives an opportunity to individuals appreciate their strengths and weaknesses; and encourages them towards better performance.

(vi) Aid to delegation and decentralization of authority:

Effective delegation of authority is possible when the superior (delegating authority) has the means of exercising control over the performance by the subordinate (to whom authority is delegated). Again, no top management would take the risk of decentralizing authority among managers of lower- ranks; without, first, installing an effective control system over the functioning of managers at lower levels.

Thus controlling is a great aid to the process of delegation of authority; and to the managerial philosophy of decentralization of authority.

(vii) Maintenance of quality standards:

The controlling mechanism of an enterprise provides for quality control- as an important branch or aspect of such a system. Thus controlling, not only helps in maximizing production; it also helps in attaining high quality standards of production.

(vii) Control provides the basis for future action in the organisation. Control will reduce the chances of mistakes being repeated in future by suggesting preventive methods.

- **<u>LIMITATIONS OF CONTROLLING:</u>**

(i) Difficulty in Setting Rational Standards:

Usually, in most enterprises, there is a problem (or difficulty) of setting rational standards of control. Sometimes, standards are set on the basis of past standards, which is not a very appropriate approach; as conditions under which old standards stood valid, might not be expected to exactly repeat in future.

Some other times, standards are set just on the basis of managers' own knowledge, experience and intuition; an approach which carries with itself the danger of allowing personal opinions and bias to determinate the setting of standards.

(ii) Difficulty in Pinpointing Responsibility for Deviations:

In the modern highly specialized organizations, there is a problem in exactly fixing responsibility for deviations; because the output is result of the joint venture of many persons-none of whom could be singled out for the occurrence of deviations. Again, the performance in many cases might be the outcome of the interaction of several forces; and the exact factor accounting for deviation might not be possible to be isolated.

(iii) Expensive:

The controlling mechanism is quite expensive, in terms of time, efforts and money. This expenditure becomes quite a significant point for consideration; when the controlling system is unable to yield corresponding (or more than corresponding) benefits to the organization.

(iv) Resistance to Controlling System by Employees:

Usually, there is a psychological resistance to the controlling mechanism by employees, especially when:

1. Controlling process interferes with the smooth flow of the operational work; because there are too many controls, which are disliked and resisted to by employees.

2. The controlling standards are too tight, which are looked down upon, by employees.

(v) Discouraging Initiative:

For most of the employees, the standards of control are held to be in high esteem and considered as ideal standards of performance. Employees never try to exceed the standards; and feel satisfied with their mere attainment. Thus controlling is a disincentive, to at least meritorious employees, to expedite their performance or efficiency.

SPAN OF CONTROL

➢ **MEANING:**

- ✓ Span of management, also known as 'span of control', refers to the number of people a manager directly manages. In a **wider span of control,** a manager has many subordinates who report to him. In a **narrow span of control**, a manger has fewer subordinates under him.

- ✓ The number of subordinates under the supervision and control of one person must be limited, So that he may Easily, Effectively and Successfully control their activities
- ✓ **Span of control** refers to the number of subordinates under the manager's direct **control**. As an example, a manager with five direct reports has a **span of control** of five.

➢ **FACTORS AFFECTING SPAN OF CONTROL**

1. The Ability of officers

The very first and most important factor in determining the span of control is the ability of officers who have to manage. If they are very efficient and capable. They can control a large number of subordinates on the contrary.

If the officers are less efficient they would not be able to control that much number Of subordinates.

2. **Availability of time for supervision**

The second factor which determines the span of control is the availability of time with the managers of higher cadre for supervision.

If they have less time for supervision, they would not be able to control a large number of subordinates.

3. Nature of work

The span of management is affected by the nature of work also. If the work is of a simple and routine nature, managers can control a large number of persons.

On the contrary, If the work is more complicated, Managers cannot have effective control over a small number of employees only.

4. Plans for the Enterprise

If the plans of the enterprise are clear and stable, the managers feel it easy to control the activities of their subordinates.

On the contrary, If the plans of the enterprise are not stable, it becomes very difficult for the managers to control the activities of a large number of subordinates.

5. Ability and efficiency of subordinates

A very important factor affecting the **span of management** is the ability, efficiency, and willingness of subordinates.

If the subordinates are able and efficient and they are willing to coordinate with their higher officers, Managers can control a large number of subordinates.

6. Techniques of control

The span of control depends upon the techniques of control also. If the techniques of control effective the managers can control a large number of subordinates.

On the contrary, It is the technique of individual supervision is used, the managers will not be able to maintain effective control of all the employees.

7. Degree of decentralization

If there is an adequate decentralization of power in the enterprise, The managers can control a large number of subordinates because their burden of work will be light.If the centralization is not so much adopted, Managers will be able to have effective control over as a small number of subordinates only.

8. Service of Experts:

If the service of experts is available in an enterprise, The number of subordinates under the control of one official may be more and if the services of experts not available in the enterprise.The number of subordinates under the control of one officer will be Limited.

9. Similarity of Functions: If the subordinates are involved in the same or similar activities, then it is possible for the manager to supervise more subordinates. Since the problems that may arise would be similar in nature, these would be easier to handle. Conversely, if these subordinates are involved in diversified operations, the situation would be more complex and hence the span of control would be narrow.

10. **The Working staff of the Manager:** If the manager has a supporting staff that is equally skilled in handling situations, then it would be possible to manage a wider span of control because the responsibilities of supervision would be shared.

The optimum number of subordinates under any one manager would vary and directly depend upon the type of relationship between the manager and subordinates, not only on a one-to-one basis but also with subordinates as groups, taking into consideration the cross relationships among the employees themselves

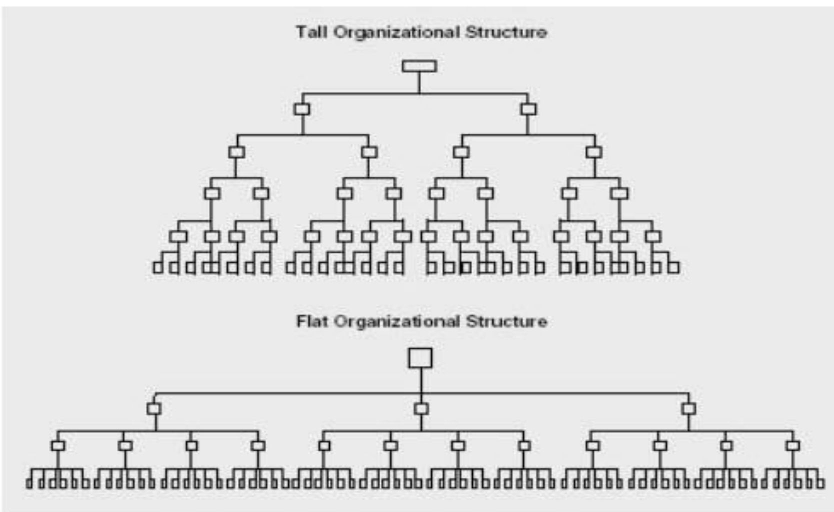
- **EXPANDING ON THE CONCEPT OF SPAN OF CONTROL**

While we are addressing span of control, let's also broaden our understanding to see it in the context of the organizational structure levels of hierarchy.

Width: Organization structures can be described as wide (with larger span of control) or narrow (with smaller span of control.)

Height: As there are levels of management, or hierarchy, an organization may be tall (with many levels) or flat (with fewer levels.)

Flat organizations have a 'wide' span of control and **Tall organizations** have a 'narrow' span of control. While there are pros and cons with both tall and flat structures, a company's structure must be designed to suit the business (the customer and markets) and in a way that fits with the workforce's capability.



➢ **<u>CHARACTERISTICS OF A FLAT ORGANIZATIONAL STRUCTURE (WIDE SPAN OF CONTROL)</u>**

Pros

- Encourages delegation. Managers must better delegate to handle larger numbers of subordinates, and grant opportunities for subordinates to take on responsibilities
- Agile. Improves communication speed and quality

- Reduces costs. More cost effective because of fewer levels, thus requiring fewer managers
- Helps prevent the workforce from disengaging by focusing on empowerment, autonomy and self-direction

Cons

- High managerial workload comes with high Span of Control
- Role confusion more likely
- May cultivate distrust of management

CHARACTERISTICS OF A TALL ORGANIZATIONAL STRUCTURE (NARROW SPAN OF CONTROL)

Pros

- More rapid communication between small teams
- Groups are smaller and easier to control/manage
- There's a greater degree of specialization and division of labor
- More and better opportunities for employee promotion

Cons

- Communication can take too long, hampering decision-making
- Silos may develop and prevent cross-functional problem solving
- Employees may feel lost and powerless

Trends and Challenges of Management in Global Scenario

The management functions are planning and decision making. Organizing, leading, and controlling are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work lot them; and they have to develop appropriate control mechanisms.

1 Planning and Decision Making

Planning and Decision Making in a Global Scenario To effectively plan and make decisions in a global economy, managers must have a broad based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations.

2 Organizing

Organizing in a Global Scenario Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

3 Leading

Leading in a Global Scenario We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds .Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

4 Controlling

Controlling in a Global Scenario Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not like wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.

Introduction to Total Quality Management (TQM), Just in Time (JIT)

Overall, **JIT** is a pull system that focuses on producing **what is** necessary when it is necessary and in necessary amounts allowing the pursue of **quality**, cost minimization, delivery **time** and waste reduction, while **TQM** aims to improve **quality** by continuous improvements of operations to guarantee free defects products.

Introduction

Just-in-time manufacturing was a concept introduced to the United States by the Ford motor company. It works on a demand-pull basis, contrary to hitherto used techniques, which worked on a production-push basis.

To elaborate further, under just-in-time manufacturing (colloquially referred to as JIT production systems), actual orders dictate what should be manufactured, so that the exact quantity is produced at the exact time that is required.

Just-in-time manufacturing goes hand in hand with concepts such as Kanban, continuous improvement and total quality management (TQM).

Just-in-time production requires intricate planning in terms of procurement policies and the manufacturing process if its implementation is to be a success.

Highly advanced technological support systems provide the necessary back-up that Just-in-time manufacturing demands with production scheduling software and electronic data interchange being the most sought after.

Advantages Just-In-Time Systems

Following are the advantages of Adopting Just-In-Time Manufacturing Systems

- Just-in-time manufacturing keeps stock holding costs to a bare minimum. The release of storage space results in better utilization of space and thereby bears a favorable impact on the rent paid and on any insurance premiums that would otherwise need to be made.
- Just-in-time manufacturing eliminates waste, as out-of-date or expired products; do not enter into this equation at all.
- As under this technique, only essential stocks are obtained, less working capital is required to finance procurement. Here, a minimum re-order level is set, and only once that mark is reached, fresh stocks are ordered making this a boon to inventory management too.
- Due to the aforementioned low level of stocks held, the organizations return on investment (referred to as ROI, in management parlance) would generally be high.
- As just-in-time production works on a demand-pull basis, all goods made would be sold, and thus it incorporates changes in demand with surprising ease. This makes it especially appealing today, where the market demand is volatile and somewhat unpredictable.

- Just-in-time manufacturing encourages the 'right first time' concept, so that inspection costs and cost of rework is minimized.
- High quality products and greater efficiency can be derived from following a just-in-time production system.
- Close relationships are fostered along the production chain under a just-in-time manufacturing system.
- Constant communication with the customer results in high customer satisfaction.
- Overproduction is eliminated when just-in-time manufacturing is adopted.

Disadvantages

Following are the disadvantages of Adopting Just-In-Time Manufacturing Systems

- Just-in-time manufacturing provides zero tolerance for mistakes, as it makes re-working very difficult in practice, as inventory is kept to a bare minimum.
- There is a high reliance on suppliers, whose performance is generally outside the purview of the manufacturer.
- Due to there being no buffers for delays, production downtime and line idling can occur which would bear a detrimental effect on finances and on the equilibrium of the production process.
- The organization would not be able to meet an unexpected increase in orders due to the fact that there are no excess finish goods.
- Transaction costs would be relatively high as frequent transactions would be made.

- Just-in-time manufacturing may have certain detrimental effects on the environment due to the frequent deliveries that would result in increased use of transportation, which in turn would consume more fossil fuels.

Precautions

Following are the things to remember When Implementing a Just-In-Time Manufacturing System

- Management buy-in and support at all levels of the organization are required; if a just-in-time manufacturing system is to be successfully adopted.

- Adequate resources should be allocated, so as to obtain technologically advanced software that is generally required if a just-in-time system is to be a success.

- Building a close, trusting relationship with reputed and time-tested suppliers will minimize unexpected delays in the receipt of inventory.

- Just-in-time manufacturing cannot be adopted overnight. It requires commitment in terms of time and adjustments to corporate culture would be required, as it is starkly different to traditional production processes.

- The design flow process needs to be redesigned and layouts need to be re-formatted, so as to incorporate just-in-time manufacturing.

- Lot sizes need to be minimized.

- Workstation capacity should be balanced whenever possible.

- Preventive maintenance should be carried out, so as to minimize machine breakdowns.

- Set-up times should be reduced wherever possible.

- Quality enhancement programs should be adopted, so that total quality control practices can be adopted.
- Reduction in lead times and frequent deliveries should be incorporated.
- Motion waste should be minimized, so the incorporation of conveyor belts might prove to be a good idea when implementing a just-in-time manufacturing system.

Conclusion

Just-in-time manufacturing is a philosophy that has been successfully implemented in many manufacturing organizations.

It is an optimal system that reduces inventory whilst being increasingly responsive to customer needs; this is not to say that it is not without its pitfalls.

However, these disadvantages can be overcome with a little forethought and a lot of commitment at all levels of the organization.

Total Quality Management (TQM)

Introduction

There are many approaches in the business domain in order to achieve and exceed the quality expectations of the clients.

For this, most companies integrate all quality-related processes and functions together and control it from a central point.

As the name suggests, Total Quality Management takes everything related to quality into consideration, including the company processes, process outcomes (usually products or services) and employees.

The Origin

The origin of the TQM goes back to the time of the First World War. During the World War I, there have been a number of quality assurance initiatives taken place due to the large-scale manufacturing required for war efforts. The military fronts could not afford poor quality products and suffered heavy losses due to the poor quality. Therefore, different stakeholders of the war initiated efforts to enhance the manufacturing quality.

First of all, quality inspectors were introduced to the assembly lines in order to inspect the quality. Products below certain quality standard were sent back for fixing. Even after World War I ended, the practice of using quality inspectors continued in manufacturing plants. By this time, quality inspectors had more time in their hands to perform their job.

Therefore, they came up with different ideas of assuring the quality. These efforts led to the origin of Statistical Quality Control (SQC). Sampling was used in this method for quality control. As a result, quality assurance and quality control cost reduced, as inspection of every production item was need in this approach. During the post World War II era, Japanese manufacturers produced poor quality products. As a result of this, Japanese government invited Dr. Deming to train Japanese engineers in quality assurance processes.

By 1950, quality control and quality assurance were core components of Japanese manufacturing processes and employees of all levels within the company adopted these quality processes.

By 1970s, the idea of total quality started surfacing. In this approach, all the employees (from CEO to the lowest level) were supposed to take responsibility of implementing quality processes for their respective work areas.

In addition, it was their responsibility to quality control, their own work.

Basic Principles of TQM

In TQM, the processes and initiatives that produce products or services are thoroughly managed. By this way of managing, process variations are minimized, so the end product or the service will have a predictable quality level.

Following are the key principles used in TQM:

- **Top management -** The upper management is the driving force behind TQM. The upper management bears the responsibility of creating an environment to rollout TQM concepts and practices.

- **Training needs -** When a TQM rollout is due, all the employees of the company need to go through a proper cycle of training. Once the TQM implementation starts, the employees should go through regular trainings and certification process.

- **Customer orientation -** The quality improvements should ultimately target improving the customer satisfaction. For this, the company can conduct surveys and feedback forums for gathering customer satisfaction and feedback information.

- **Involvement of employees -** Pro-activeness of employees is the main contribution from the staff. The TQM environment should make sure that the employees who are proactive are rewarded appropriately.

- **Techniques and tools -** Use of techniques and tools suitable for the company is one of the main factors of TQM.

- **Corporate culture -** The corporate culture should be such that it facilitates the employees with the tools and techniques where the employees can work towards achieving higher quality.

- **Continues improvements -** TQM implementation is not a one time exercise. As long as the company practices TQM, the TQM process should be improved continuously.

The Cost

Some companies are under the impression that the cost of TQM is higher than the benefits it offers. This might be true for the companies in small scale, trying to do everything that comes under TQM.

According to a number of industrial researches, the total cost of poor quality for a company always exceeds the cost of implementing TQM.

In addition, there is a hidden cost for the companies with poor quality products such as handling customer complaints, re-shipping, and the overall brand name damage.

Conclusion

Total Quality Management is practiced by many business organizations around the world. It is a proven method for implementing a quality conscious culture across all the vertical and horizontal layers of the company. Although there are many benefits, one should take the cost into the account when implementing TQM.

For small-scale companies, the cost could be higher than the short and midterm benefits

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