UNIT-I.

INTRODUCTION TO MANAGEMENT & ORGANIZATIONS.

SYLLABUS:

Definition of Management - Science or Art - Manager Vs Entrepreneur - types of Managers - managerial roles and skills - Evolution of Management - Scientific, human relations - system & contingency approaches - Types of Business organization - Sole proprietorship - partnership, company, public & private sector enterprises - Organization culture and Environment - Current trends & issues in management.

Science or Art:

Management as a science:

Science can be defined as a systematic & organized body of knowledge based on logically observed findings, facts & Events.

Science comprises of exact principles which can be verified and it can establish cause & effect relations.

Main characteristics/features of science are,

1) Systematic body of knowledge:

In science organized and systematic study material is available which is used to acquire the knowledge of science.

Like science in management also there is availability of systematic + organized study material. So first feature of science is present in management.

2) Scientific Principles are derived on the basis of logical + Scientific observations:

The scientists perform logical observation before deriving any principle or theory. They are very objective while doing the observations. But when managers are observing they have to observe human beings and observation of human being cannot be purely logical & objective. Some kind of subjectivity enters in the observations So this feature of science is not present in management. All the scientific principles have same effect, wherever we try them whereas effect of management principles varies from one situation to other.

iii) <u>Principles are based on repeated experiments:</u>

Before developing scientific principles scientists tests these principles under different conditions & places. Similarly Managers also test and experiment managerial principles under different conditions in different organizations. So this feature of science is present in management.

iv) <u>Universal Validity:</u>

Scientific principles have universal application and validity. Management principles are not exact like scientific principles so their application and use is not universal.

They have to be modified according to the given situation. So this feature of science is not present in management.

v) **Replication is possible:**

In science replication is possible as when two scientists are undertaking the same investigation working independently & treating the same data under the same conditions may desire or obtain the identical or exactly same result. But in management managers have to conduct research or experiments on human beings. So if two managers are investigating same data, on different sets of human beings they will not get identical or same result because human beings never respond in exact identical manner. So this feature of science is also not present in management.

Management as an Art:

Art can be defined as systematic body of knowledge which requires skill, creativity and practice to get perfection.

1) Systematic body of Knowledge / Existence of theoretical knowledge:

In every art there is systematic & organised study material available to acquire theoretical knowledge of the art.

For example Various books on different ragas are available in music.

In management also there is systematic & organised body of knowledge available which can help in acquiring managerial studies. So this feature of art is present in management also.

2) Personalized application:

In the field of art only theoretical knowledge is not enough.

Every artist must have personal skill and creativity to apply that knowledge. For example all musicians learn same ragas but they apply these ragas according to their personal skill & creativity which makes them different.

In management also managers learn some management theories & principles. But their efficiency depends on how well they use those principles under different situations by applying personal skills & creativity so this feature of art is also present in management.

3) **Based on practice & creativity:**

The artist requires regular practice of art to become more fine & perfect. Without practice artists lose their perfection. Art requires creative practice, i.e. artist must add his creativity to the theoritical knowledge he has learned. Same way with experience managers also improves their managerial skills & efficiency. So this feature of art is also present in management.

Management : Both Science & Art:

Management is both science as well as art. Like science it has systematic and well organized body of knowledge and like art it requires personal skill, creativity and practice to apply such knowledge in the best possible way. Science & art are not in contrast to each other, both exist together in every function of management.

Management Vs Entrepreneur:

a) **Motive**:

Entrepreneur: The main motive of an entrepreneur is to start a venture by setting up an enterprise. He undertakes the venture for his personal gratification.

Manager: the main motive of a manager is to render his services in an enterprise already setup by someone else i.e. entrepreneur.

b) **Status**:

Entrepreneur: An entrepreneur is the owner of the enterprise.

Manager: A manager is the servant in the enterprise owned by the entrepreneur.

Types of Managers:

i) **The top level Managers**:

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

The role of top managers can be summarised as follows.

i) Top managers lay down the objectives & broad policies of the enterprise.

ii) They issues necessary instructions for preparation of department budgets, procedures, Schedules etc.

iii) They prepare strategic plans & policies for the enterprise.

iv) They appoints the executive for middle level. i.e. departmental managers.

v) They controls & co-ordinates the activities of all departments.

vi) They are also responsible for maintaining a contact with the outside world.

2) Middle Level Managers:

The branch managers & departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational.

& directional functions.

* In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior & junior middle level management.

a) They execute the plans of the organization in accordance with the policies & directives of the top management.

b) They make plans for the subunits of the organization.

c) They participate in employment & training of lower level management.

d) They interpret & explain policies from top level management to lower level.

e) They are responsible for co-ordinating the activities within the division or department.

3) <u>Lower Level Managers:</u>

Lower level is also known as supervisory operative level of management. It consists of supervisors, foreman, section officers, Their activities include,

i) Assigning of jobs & tasks to Various workers.

ii) They guide & instruct workers for day to day activities.

iii) They are responsible for the quality as well as quantity of production.

iv) They are also entrusted with the responsibility of maintaining good relation in the organization.

v) They communicate workers problems, suggestions & recommendatory appeals etc to the middle level & higher level goals & objectives to the workers.

vi) They help to solve the grievances of the workers.

vii) They supervise & guide the subordinates.

Managerial Roles & Skills:

Managerial Roles:

i) Interpersonal Roles.

ii) Informational Roles.

iii) Decisional Roles.

i) Interpersonal Roles: The ones that like the name suggests, involve people & other ceremonial duties. It can be further classified as follows,

Leader - Responsible for staffing, training & associated duties.

Figurehead - The symbolic head of the organization.

Liason - Maintains the communication between all contacts and informers that compose the organizational network.

b) Informational Roles:

Related to collecting, receiving and disseminating information.

Monitor: Personally seek & receive information to be able to understand the organization.

Disseminator: Transmits all import information received from outsiders to the members of the organization.

Spokesperson - On the contrary to the above role, here the manager transmits the organization's plans, policies & action to outsiders.

c) Decisional Roles:

Roles that revolve around making choices.

Entrepreneur - Seeks oppurtunities. Basically they search for change, respond to it, and exploit it.

Negotiator - Represents the organization at major negotiations.

Resource Allocator - Makes or approves all significant decisions related to the allocation of resources.

Disturbance Handler - Responsible for corrective action when the organization faces disturbances.

Managerial Skills:

* It requires certain skills to accomplish such a challenge. Thus essential skills which every manager needs for doing a better management are called as managerial skills. According to professor Robert Katz, there are 3 managerial skills viz.

* Conceptual Skills.
* Human Relation skills,
* Technical Skills.

Conceptual Skills - Conceptual skill is the ability to visualize (see) the organization as a whole. It includes analytical, creative & initiative skills. It helps managers to identify the causes of the problems and not the symptoms. It helps him to solve the problems for the benefit of the entire organization.

* It helps the manager to fix goals for the whole organization & to plan for every situation.

* According to prof. Robert katz, conceptual skills are mostly required by the top-level management because they spend more time in planning, organising & problem solving.

(ii) Human Relations Skills:

* Human relations skills are also called Interpersonal skills. It is a ability to work with people.

* It helps the managers to understand, communica and work with others.

* It also helps the managers to lead, motivate and develop team spirit.

* Human relations skills are required by all managers at all level of management.

* This is so, since all managers have to interact and work with people.

iii) <u>Technical Skills</u> -

* A technical skill is the ability to perform the given job.
* Technical skills help the managers use different machines & tools.
* It also helps them to use various procedures and techniques.
* The low-level managers require more technical skills. This is because they are incharge of the actual operations.

<u>Evolution of Management</u>:

* The practise of management is as old as human civilization. The ancient civilization of Egypt, (great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvelous results of good management practices.
* The origin of management as a discipline was developed in the late 19th century.

* Over time, management thinkers have sought ways to organise & classify the voluminous information about management that has been collected and disseminated.

* The different approaches of management are,

    i) Classical approach.
    ii) Behavioural approach.
    iii) Quantitative approach.
    iv) Systems approach.
    v) Contingency approach.

i) Classical approach:

* The classical approach is the oldest formal approach of management thought.
* Its roots predate the twentieth century.
* The classical approach of thought generally concerns ways to manage work & organization more efficiently.
* Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

i) **Scientific Management:**

Frederick Wislow Taylor is known as the father of scientific management.

* Scientific management (also called Taylorism or the taylor system) is a theory of management that analyses and synthesizes workflows, with the objective of improving labor productivity.

ii) **Administrative Management:**

* Administrative management focuses on the management process and principles of management.

* In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, administrative management provides a more general theory of management.

iii) **Bureaucratic Management:**

* It focuses on the ideal form of organization. Max. weber was the major contributor to bureaucratic management.

* Based on observation, weber concluded that many early organisations were inefficiently

managed, with decisions based on personal relationships and loyalty.

* He proposed that a form of organisation, called a bureaucracy, characterised by division of labor, hierarchy, formalized rules, impersonality, and the selection & promotion of employees based on ability, would lead to more efficient management.

b) The Behaviour approach:

* The behavioural approach of management thought developed, in part because of perceived weaknesses in the assumptions of the classical approach.

* The classical approach emphasised efficiency, process, and principles.

* Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behaviour.

i) Human relations:

* The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo.

* One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity.

* Another was that the workplace is a social system and informal group influence could exert a powerful effect on the individual behaviour.

ii) **Behavioural Science:**

* Behavioural Science and the study of organizational behaviour emerged in 1950s and 1960s.

* The behavioral science approach was a natural progression of the human relations movement.

* It focussed on applying conceptual and analytical tools to the problem of understanding & predicting behaviour in the workplace.

c) **The quantitative approach.**

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its root can be traced back to scientific management.

2. i) Management Science (operations Research)

* Management science also called operations research uses mathematical and statistical approa-ches to solve management problems.

* It developed during world war - II as strategies tried to apply scientific knowledge and methods to the complex problems of war.

* Industry began to apply management science after the war.

ii) Productions & Operations Management:

* This approach focuses on the operation and control of the production process that transforms resources into finished goods & services.

* It has its roots in scientific management but became an identifiable area of management study after world war II.

* It uses many of the tools of management science.

* operations management emphasises productivity and quality of both manufacturing and service organization.

* Major areas of study within operations management include capacity planning, facilities

location, facilities layout, materials requirement planning, scheduling, purchasing etc.

d) Systems approach:

* The systems approach focuses on understanding the organization as an open system that transforms input into outputs.

* The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialities and parts of the company to one another, as well as the external environmental factors.

e) Contingency approach:

* The contingency approach focuses on applying management principles & processes as dictated by the unique characteristics of each situation.

* It emphasises that there is no one best way to manage and that it depends on various situational factors such as the external environment technology, organizational characteristics of the manager, and characteristics of the subordinates.

Types of Business Organization:

i) Sole Proprietorships:

* The Vast majority of small business starts out as sole proprietorships.
* These firms are owned by one person, usually the individual who has day to day responsibility for running the business.

Merits:

* Easiest and least expensive form of ownership.
* Sole proprietors are in complete control, within the law, to make all decisions.
* Easy to dissolve, if desired.

Demerits:

* Unlimited liability and are legally responsible for all debts against the business.
* Their business and personal assets are at 100% risk.

b) Partnerships:

* Two or more people share ownership of single business.
* The law doesnot distinguish b/w the business of its owners.

Merits:

* Partnerships are relatively easy to establish.
* Ability to raise funds may be increased.

Demerits:

* Profits must be shared.
* Disagreements can occur.

c) Corporations:

* A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique entity, separate & apart from the those who own it.
* A corporation can be taxed. It can be sued. It can enter into contractual agreements.

Merits:

* Shareholders have limited liability for the corporation's debts or judgements against corporations.
* Generally, shareholders can only be held accountable for their investment in stock of the company.

Demerits:

* The process of incorporation requires more time and money than other forms of organization.

* Corporations are monitored by federal, state and some local agencies.

d) Joint stock Company:

* Limited financial resources, & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutions.

* Two types,

private
Public.

i) Private Limited Company:

* This type company can be formed by 2 or more persons. The maximum no. of membership is limited to 50.

ii) Public Limited Company:

* It is one such membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit.

e) Public Corporation:

* A public corporation is wholly owned by the government centre to state.

* It is established usually by a special act of the parliament.

f) <u>Government Companies:</u>

* A state enterprise can also be organised in the form of a Joint stock company.

* A government company is any company in which of the share capital is held by the central government or partly by central government & partly by one to more state governments.

<u>Organization Culture & Environment:</u>

* organization culture is an idea in the field of organizational studies & management which describes the psychology, attitudes, experiences, beliefs and values of an organization.

<u>Elements:</u>

Six elements used to describe organizational culture are,

i) <u>stories:</u> The past events and people talked about inside & outside the company.

ii) <u>Rituals & Routine:</u> The daily behaviour & actions of people that signal acceptable behaviour.

c) Symbols : The Visual representations of the company including logos, how plush the offices are, & formal & informal dress codes.

d) Organizational Structure : This includes both the structure defined by the organization chart, & the unwritten lines of power & influence that indicate whose contributions are most Valued.

e) Control Systems : The ways that the organization is controlled.

f) Power Structures : The pockets of real power in the company.

Types :

i) Feedback Speed : How quickly feedback & rewards provided.

ii) Degree of Risk : The level of risk taking (degree of uncertainty).

a) Tough - Guy culture (or) Macho Culture.

* Stress results from the high risk and the high potential decrease or increase of the reward.

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* Stress results from the high risk and the high potential decrease or increase of the reward.

b) Work hard/play hard:

* Stress results from quantity of work rather than uncertainty.

* Focus on high speed action, high levels of ene

c) Bet your company culture:

* Stress results from high risk & delay before knowing if actions have paid off.

* Focus on long-term, preparation & planning.

d) Process culture:

* Stress is generally low, but may come from internal politics & stupidity of the system.

* Focus on details & process excellence.

Managing cultural diversity:

i) Setting good example.

ii) Communicate in writing.

iii) Training programs.

iv) Recognize individual differences.

v) Actively seek input from minority groups.

vi) Revamp reward systems.

vii) Make room for social events.

* Flexible Work environment.
* Don't assume similar Values & opinions.
* Continuous monitoring.

Classification of environment factors:

On the basis of the extent of intimacy with the firm, the environment factors may be classified into different types namely internal & external

1) Internal:

* The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors.
* It can alter or modify these factors. The internal environmental factors are resources, capabilities & culture.

i) Resources:

* A good starting point to identify company resources is to look at tangible, intangible & human resources.

* Tangible resources are the easiest to identify and evaluate.

* Financial resources & physical assets are identifies and valued in the firm's financial statements.

* Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a Competitive advantage.

ii) <u>Capabilities:</u>

* Resources are not productive on their own.

* The most productive tasks require that resources collaborate closely together within teams.

* The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity.

iii) <u>Culture:</u>

* It is the specific Collectiction of values & norms that are shared by people & groups in an organization & that helps in achieving the

organizational goals.

2) **External:**

* It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business.

* The two types of external environment are micro environment and macro environment.

a) **Micro environmental Factors:**

* These are external factors close to the company that have a direct impact on the organizations process. These factors include.

i) **Shareholders:**

* Any person or company that owns at least one share (a percentage of ownership) in a company is known a shareholder.

* A shareholder may also be referred to as a stockholder. As organization requires greater inward investment for growth they face increasing pressure to move from private

ownership to public.

ii) <u>Suppliers</u>:

* An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier.

iii) <u>Distributors</u>:

* Entity that buys non-competing products or product lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong man-power and cash support to the supplier or manufacturers promotional efforts.

iv) <u>Customers</u>:

* A person, company, or other entity which buys goods & services produced by another person, company or other entity is known as customer.

* organizations survive on the basis of meeting

the needs, wants and providing benefits for their customers.

v) Competitors:

* A company in the same industry or a similar industry which offers a similar product or service is known as competitor.

vi) Media

Positive or adverse media attention on an organizations product or service can in some cases make or break an organization.

Customer programmes with a wider and more direct audience can also have a very powerful and positive impact, inforcing organizations to change their tactics.

b) Macro environmental factors:

* An organization's macro environment consists of nonspecific aspects in the organization's surroundings that have the potential to affect the organization's

strategies.

* When compared to a firm's task environment, the impact on these elements of the environment.

i) **Political Factors:**

* Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some eg.s are,

i) Tax policy.

ii) Employment laws.

iii) Environmental regulation.

iv) Trade Restrictions & Tariffs.

ii) **Economic Factors:**

* The Economic factors affect the purchasing power of potential customers and the firm's cost of capital.

⇒ Economic growth.

⇒ Interest rates.

⇒ Exchange Rates.

iii) Social Factors:

Social Factors include the demographic & cultural aspects of the external macro environment.

i) Health Consciousness.

ii) Population Growth rate.

iii) Age distribution.

iv) Technological Factors:

Technological factors can lower barriers to entry, reduce minimum efficient production levels and influence outsourcing decisions. Some technological factors include.

i) R&D activity.

ii) Automation.

iii) Technology Incentives,

Current Trends and Issues in Management:

* The management functions are planning & decisions making, organising, leading and controlling

are just as relevant to international managers as to domestic managers.

i) Planning & 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 factors that will affect their operations.

b) Organising in a global scenario.

* Managers in international business must also attend to a variety of organising 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.

c) Leading in a Global Scenario.

* 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.

d) 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.

UNIT - II

PLANNING

Nature & Purpose of Planning - Planning process - Types of planning - objectives - Setting objectives - Policies - planning premises - strategic management - planning tools & techniques - Decision making steps & process.

Nature of Planning:

* **Planning is goal-oriented:**

⇒ Every plan must contribute to some positive way towards the accomplishment of group objectives.

⇒ Planning has no meaning without being related to goals.

* **Primacy of Planning:**

→ Planning is the first of the managerial functions.

⇒ It precedes all other management functions.

* **Pervasiveness of Planning:**

→ Planning is found at all levels of Management.

⇒ Top management looks after strategic planning.

→ Middle management is incharge of administrative planning.

⇒ Lower Management has to concentrate on operational planning.

* **Efficiency, Economy & Accuracy:**

→ Efficiency of plan is measured by its contribution to the objectives as economically as possible.

⇒ Planning also focuses on accurate forecasts.

* **Co-ordination:**

⇒ Planning co-ordinates what, who, how, where and why of planning.

⇒ Without co-ordination of all activities, we cannot have united efforts.

* **Limiting Factors:-**

⇒ A planner must recognize the limiting factors (money manpower etc) and formulate plans in the light of these critical factors.

* **Flexibility:**

⇒ The process of planning should be adaptable to changing environmental conditions.

* **Planning is an intellectual Process:**

⇒ The quality of planning will vary according to the quality of the mind of the manager.

Purpose of Planning:

i) To manage by objective:

* All the activities of an organisation are designed to achieve certain specified objectives.

* However, planning makes the objectives more concrete by focussing attention on them.

ii) To offset uncertainty & change:

* Future is always full of uncertainties and changes.

* Planning foresees the future and makes the necessary provisions for it.

iii) To secure economy in operation:

* Planning involves the selection of most profitable course of action that would lead to the best result at the minimum costs.

iv) To help in co-ordination:

* Co-ordination is indeed, the essence of management, the planning is the base of it.

* Without planning it is not possible to co-ordinate the different activities of an organisation.

V To make control effective:-

* The controlling function of management relates to the comparison of the planned performance with actual performance.

* In the absence of plans, a management will have no standards for controlling others' performance.

VI To increase organisation effectiveness:

* Mere efficiency in the organization is not important. It should also lead to productivity and effectiveness.

* Planning enables the manager to measure the organizational effectiveness in the context of stated objectives & take further actions in this direction.

Features of Planning:-

i) It is primary function of Management.

ii) It is an intellectual process.

iii) Focuses on determining the objectives.

iv) Involves choice & decision making.

v) It is a continuous process.

vi) It is a pervasive function.

Planning Process:

i) Perception of Opportunities:

* Although this is not strictly a part of planning process, awareness of an opportunity is the real starting point for planning.
* It includes a preliminary look at the possible future opportunities, ability to see them clearly & completely, knowledge of our strengths & weaknesses, an understanding of why we wish to solve uncertainties, and a vision of what we expect to gain.
* Setting realistic objectives depends on this awareness.
* Planning requires realistic diagnosis of the opportunity situation.

ii) Establishing Objectives:-

* Establish objective for the entire enterprise and then for each subordinate unit.
* Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, rules

procedures, budgets and programs.

* Enterprise objective should give direction to the nature of all major plans which, by reflecting these objectives, major department objectives will be defined.

* Major department objective, in turn control the objectives of subordinate departments, and so on down the line.

* The objectives of lesser departments will be better framed, if subdivision managers understand the overall enterprise objectives and given an opportunity to contribute their ideas to them & to the setting of their own goals.

iii) <u>Considering the planning premises:</u>

* Planning premises are forecast data of a factual nature, applicable basic policies, and existing company plans, past information etc.

* Premises are planning assumptions - in other words, the expected environment of plans in operation.

* Planning premises includes forecasts of population, prices, costs, production, markets and similar matters.

iv) Identification of alternatives:

* Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives.

* The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent.

* The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed.

* Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined.

* It is therefore usually necessary for the planner to reduce by preliminary examination the no. of alternatives to those promising the most fruitful possibilities or by mathematically eliminating, through the process of approximation, the least promising ones.

v) Evaluation of alternatives:

* Having sought out alternative courses and examined

their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals.

* One course may appear to be the most profitable but require a large cash outlay and a slow payback. another may be less profitable but involve less risk. still another may better suit the company in long-range objectives.

* If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position & capital availability were not worrisome, and if most factors could be reduced to define data, this evaluation should be relatively easy.

* But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult.

vi) <u>Choice of Alternative plan:</u>

* An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based.

* A manager usually finds that some

premises are unreasonable and can therefore be excluded from further consideration.

* This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

VII) **Formulation of Supporting Plans:-**

* After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets.

* The overall budgets of an enterprise represent the sum of total income and expenses with resultant profit or surplus and budgets of major balance sheet items such as cash and capital expenditures.

* Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

* If this process is done well, budgets become a means of adding together the various plans and

also important standards against which planning progress can be measured.

VIII) **Establishing sequence of activities:**

* Once plans that furnish the organisation with both long-range and short range direction have been developed, they must be implemented.

* Obviously the organisation can not directly benefit from planning process until this step is performed.

Types of Planning:

i) Strategic plans.
ii) Tactical plans.
iii) Operational plans.
iv) Contingency plans.

i) **Strategic Plans:-**

* A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments.

* Further classified as
  a) Mission
  b) objectives or goals.
  c) Strategies.

Mission :

* The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged.

* The mission of the company is the answer of the Question :
  ⇒ Why does the organization exists ?.

* Properly crafted mission statements serve as filters to separate what is important from what is not, clearly states which market will be served and how, & communicate a sense of intended direction to the entire organization.

Mission of Ford :

" We are global, diverse family with a proud inheritance, providing exceptional products & services ".

ii) Objectives or goals:

* Both goal and objective can be defined as statements that reflect the end towards which the organisation is aiming to achieve.

* However there are significant differences b/w 2.

* Goal: A goal is an abstract & general umbrella statement, under which specific objectives can be clustered.

* Objectives: Objectives are statement that describe in precise, measurable, and obtainable terms which reflect the desired organization's outcomes.

iii) Strategies:

* strategy is the determination of the basic long term objectives of an organization and the adoption of action and collection of action and allocation of resources necessary to achieve these goals.

* strategic planning begins with an organization's mission.

* strategic plans look ahead over the next two, three, five or even more years to move the

organization from where it currently is to where it wants to be.

* Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization.

* Top level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them.

* Top management's strategic plan for the entire organization becomes the framework and sets dimensions for lower level planning.

ii) Tactical Plans:

* A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is incharge at each level.

* Tactics are the means needed to activate a strategy and make it work.

* Tactical plans are concerned with shorter time frames and narrower scopes than strategic plans.
* These plans usually span one year or less because they are considered short term goals.
* Long term goals, on the other hand, can take several years or more to accomplish.
* Normally it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

iii) <u>Operational Plans:</u>

* The specific results expected from departments, work groups and individuals are the operational goals.
* These goals are precise and measurable.
* Example: "Process 150 sales applications each week"
* An operational plan is one that a manager uses to accomplish his or her job responsibilities.
* Supervisors, team leader and facilitators develop

operational plans to support tactical plans.

* Operational plans can be a single use plan or standing plan.

<u>Single Use plans</u>: apply to activities that donot recur or repeat. A one time occurence, such as a special sales program, is a single use plan because it deals with the who, what, where, how, and how much of an activity.

i) Programme.
ii) Budget.

Programme : consists of an ordered list of events to be followed to execute a project.

Budget : A budget predicts sources & amounts of income and how much they are used for a specific project.

<u>Standing Plans</u>: are usually made once and retain their value over a period of years while under-going periodic revisions and updates.

i) Policy ii) Procedure iii) Rules.

⇒ **Policy**: A policy provides a broad guideline for managers to follow when dealing with important areas of decision making.

Policies are general statements that explain how a manager should attempt to handle routine management responsibilities.

Typical human resources policies, for example, address such matters as employee hiring, termination, performance appraisals, pay increases and discipline.

⇒ **Procedure**:

⇒ A procedure is a set of step-by step directions that explain how activities or tasks are to be carried out.

⇒ Most organizations have procedures for purchasing supplies and equipment (Eg:)

i) Supervisor completing a purchasing requisition

ii) Requisition sent to next level of management for approval.

iii) The approval requisition is forwarded to purchasing department.

iv) Depending on the amount of request, the purchasing department may place an order.

* In general procedures provide a standardised way of responding to a repetitive problem.

Rule :

* A rule is an explicit statement that tells an employee what he or she can and cannot do.

* Rules are 'do' and 'don't' statements put into place to promote the safety of employees and the uniform treatment and behaviour of employees.

* Eg: Rules about tardiness, absenteeism.

iv) Contingency Plans :

* Intelligent and successful management depends upon a constant pursuit of adaption, flexibility and mastery of changing conditions.

* Strong management requires a "keeping all options open" approach at all times. thats where contingency plan comes in.

* Contingency planning involves identifying

alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circum--stances.

* The events beyond a managers control may cause even the most carefully prepared alternative future scenarios to go awry.
* Unexpected problems + events frequently occur.
* So managers may need to change their plans.

Objectives:

* Objectives may be defined as the goals which an organization tries to achieve.
* Objectives are end points of planning.
* objectives constitute the purpose of the enterprise and without them no intelligent planning can take place.
* End point towards which company is aimed at.

* It provides direction to various activities.

* It makes every human activity purposeful.

* Planning has no meaning if it is not related to certain objectives.

Features of objectives:

i) The objectives must be predetermined.

ii) A clearly defined objective provides the clear direction for managerial effort.

iii) Objectives must be realistic.

iv) Objectives must be measurable.

v) Objectives must have social sanction.

vi) All objectives are interconnected and mutually supportive.

vii) Objectives may be short range, medium range & long range.

viii) Objectives may be constructed into a hierarchy.

Advantages of objectives:

* Clear definition of objectives encourages unified

planning.

* Objectives provide motivation to people in the organization.

* When the work is goal oriented, unproductive tasks can be avoided.

* Objectives provide standards which aid in the control of human efforts in an organization.

* Objectives serve to identify the organisation and to link it to the groups upon which its existence depends.

* Objectives act as a sound basis for developing administrative controls.

* Objectives contribute to the management process. they influence the purpose of the organization, policies, personnel, leadership as well as managerial control.

<u>Setting Objectives:</u>

* Objectives are the keystone of management planning.

* It is the most important task of management.

* Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business.

* In the setting of objectives, the following points should be in mind.

⇒ The objectives to be set in various areas have to be identified.

⇒ While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.

⇒ The objectives should be set in realistic terms i.e. the objectives to be set should be reasonable and capable of attainment.

⇒ Objectives must be consistent with one and other.

⇒ Objectives must be set in clear-cut terms.

⇒ For the successful accomplishment of the objectives, there should be effective communication.

Policies:

* Policies are general statements or understandings that guide managers' thinking in decision making
* They usually donot require action but are intended to guide managers in their commitment to the decision they ultimately make.
* The first step in the process of policy formation is to capture the values or principles that will guide the rest of process and form the basis on which to produce a statement of issues.
* The statement of issues involves identifying the oppurtunities and constraints.
* The statement of issues will provide the basis for the formulation of a set of goals & objectives, designed to address the problems identified and to exploit the opportunities which present themselves.
* The next step is to identify and analyze the various policy options which can be applied to achieve the set of goals and objectives.

* The options available to each local government will depend on local circumstances as much as the broader context and each local authority will have to develop its own unique approach to addressing the housing needs of its residents.

* An implementation program for realising the policy recommendations must then be prepared, addressing budgetary and programming requirements and allocating roles & responsibilities.

Essentials of Policy Formation:

i) A policy should be definite, positive and clear.

ii) It should be understood by everyone in the organization

iii) A policy should be translatable into the practices.

iv) A policy should be flexible and at the same time have a high degree of permanency.

v) A policy should be formulated to cover all reasonable anticipatable conditions.

vi) A policy should be founded upon facts and sound judgement.

* A policy should conform to economic principles, statutes and regulations.
* A policy should be a general statement of the established rule.

Importance of Policies:

i) They provide guides to thinking and action and provide support to the subordinates.
ii) They delimit the area within which a decision is to be made.
iii) They save time and effort by predeciding problems
iv) They permit delegation of authority to managers at the lower levels.

Planning Premises:

* Managerial planning involves making certain vital decisions based on some assumptions pertaining to the future course of events which are, of course uncertain.
* Such assumptions and predictions about the future course of events upon which the entire planning activity rests are called planning premises.

* The planning premises, do in fact provide a framework for planning and a basis for action in the midst of uncertainties in the business environment.
* Effective planning depends much upon the knowledge and accurate choice of planning premises.
* The managers should be shrewd and clever enough to identify the various factors which react upon the business economy, although it is impracticable on their part to search for & analyse all these forces & factors with accuracy.
* The managers are compelled by circumstances to concentrate on several strategic factors and forces which have important bearing on the future operations of a business.
* While doing so, they may have to ignore many subtle forces and minor factors affecting the business enterprise to a lesser degree.
* It is this ability of the manager to recognize identify the strategic, crucial or limiting factors

that guide him to efficiently select the proper and adequate premises upon which he can raise the super structure of planning.

* If for any reason, he fails to do so he will be misdirecting his skill and energy, overlooking certain vital factors and may even cause the enterprise to suffer heavy loss.

* In other words, the suitability of the plans will depend upon the extent to which the efficacy with which the management is able to formulate the premises correctly and realistically.

* If the premises of plans were to change, the managers will have to take the necessary steps very promptly to modify the plans.

* Although all planning premises are based on the predictions made before arriving at such premises, one can also just go on making so many predictions without any desire to plan. In this sense predicting & planning differ.

Classification of Planning Premises: (4) types:

1) From the standpoint of the existence of assumptions & predictions, both inside & outside the business enterprise, the planning premises may be classified as,

i) Internal

ii) External.

i) Internal Premises:

* The important internal premises which are internal to the enterprise are the resources and abilities of the enterprise in the form of men, machines, money, methods, Competance of management personnel and skills of labour force; Commitment to certain plans, wage incentive schemes, Sales forecasts of the enterprise. etc.

ii) External Premises:

* Based on factors that prevail outside the enterprise.
* In otherwords, external premises are those assumptions that centre round the various types of marketing viz, the product market, market of materials capital market, labour market & so on.
* Few External markets are,

⇒ Political stability.

⇒ Sociological factors.

⇒ business & economic environment.

⇒ Cultural factors.

⇒ Population growth.

⇒ government policies & regulations.

⇒ trade cycles.

⇒ technological changes etc.

2) From the standpoint of possibility of measuring such premises quantitatively, we can classify PP into,

i) Tangible.

ii) Intangible.

Tangible:

* Tangible planning premises are those which can be measured quantitatively in one way or the other,

Eg. Money, time and units of production.

Intangible:

* Intangible planning premises defy quantitative measurements because of their qualitative character

Eg. Reputation of the business, public relations, employee morale, motivat". etc.

3) From the standpoint of Various Forces & Factors:

i) Constant Factors.

ii) Variable factors.

Constant Factors:

* constant factors are ignored in planning because they behave in the similar way/fashion, irrespective of the course of action adopted.

* Internal premises are associated with constant factors which are definite, known & well understood.

* For instance, the capacity of men & machines, factory buildings, permanent employees and the amount of capital investment are completely controllable factors & they fall within the powers of management.

* No forecasting is required in the case of constant factors

Variable factors:

* Variable factors have significant bearing on the sources of planning.

* Accordingly planning premises is expected to have a wide coverage so as to encompass all Variable factors.

* Their Variations are dependant upon decisions of the management.

* Sales Volume of the business unit can be partly controlled by the activities of the management.

* Eg: raw materials, fuels, power.

4) **From the standpoint of possibility of Exercising Control over the planning premises (3) types.**

i) Fully controllable Premises.

ii) Partly controllable "

iii) Absolutely non-controllable "

i) **Fully controllable Premises:**

* controllable premises like materials, machines and money, because these are subject to the decision of the management.

* Refer to the assumptions about those factors pertaining to the enterprise like the products, sales etc. which the company management is expected to follow over the future period.

ii) **Partly controllable Premises:**

* Include assumptions about those factors which are only partly controllable through suitable management policies and decisions, but cannot be fully controlled.

* For instance, industry demands the share of the firm in the market, union management relations, trade union relations, product demand or factors which must be considered partly as being given & partly as being subjected to decision making on the part of management.

* The plans of any business enterprise will naturally have to be based on proper assumptions with regard to these factors.

Absolutely Non-controllable Premises.

* Refers to the assumptions about the economy, political situations, strikes, wars, natural calamities, new discoveries and inventions, emergency legislation and other similar events during the coming years, which cannot be predicted and controlled at all by the management, although, they can upset all well-thought out calculations on many occasions.

* These cannot be influenced and controlled through management policy & decisions.

* Although a management cannot

UNIT - III

ORGANISING

Definition:

* Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and provision of authority, delegation and co-ordination.

* Involves division of work among people whose efforts must be co-ordinate to achieve specific objectives and to implement pre determined strategies.

Nature & Purpose:

i) Division of Work.
ii) Co-ordination.
iii) Plurality of Persons.
iv) Common objectives.
v) Well-defined Authority & Responsibility.
vi) Organisation is a structure of Relationship.
vii) Organisation is a Machine of Management.
viii) Organisation is a Universal process.
ix) Organisation is a Dynamic process.

Formal & Informal Organisation:

* Formal organisation is a system of consciously co-ordinated activities or forces of 2 or more persons.
* It refers to structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability.

Characteristic Features of Formal organisation:

i) Formal organisation structure is laid down by the top management to achieve organisational goals.

ii) The organization structures are consciously designed to enable the people of the organization to work together for accomplishing the common objectives of the enterprise.

iii) Organisation structure concentrates on the job to be performed & not the individuals who are to perform job.

iv) A formal organisation is bound by rules, regulations & responsibilities.

v) In a formal organisation, the position, authority, responsibility & accountability of each level are clearly defined.

Advantages of Formal Organisation:

* The formal organization structure concentrates on the jobs to be performed. It therefore makes everybody responsible for a given task.
* A formal organization is bound by rules, regulations & procedures. It thus ensures law and order in the organization.
* The organization structure enables the people of the organization to work together for accomplishing the common objectives of the enterprise

Disadvantages:

* The formal organisation doesnot take into consideration the setiments of organisational members.
* The formal organization doesnot Consider the goals of the individuals. It is designed to achieve the goals of the organization only.
* The formal organization is bound by riged rules, regulations & procedures, This makes the achievements of goals difficult.

Informal Organisation:

* It refers to the relationship between people in the organisation based on personal attitudes, emotions, prejudices, likes, dislikes etc.

* An informal organisation is an organization which is not established by any formal authority but arises from the personal & social relations of the people.

Characteristics, Features of Informal Organisation:

* It is not established by any formal authority.
* It is unplanned & arises spontaneously.
* Informal organisations reflect human relationships.
* It arises from personal & social relations amongst the people working in the organisation.
* Formation of informal organisation is a natural process.
* It is not based on rules, regulations & procedures.

* In case of informal organisation, the relationships cannot be shown in organization chart.
* The membership is voluntary.
* Membership can be overlapping.

Benefits of Informal organisation:

* It blends with formal organisation, to make it more effective.
* Many things which cannot be achieved through formal organisation can be achieved through informal organisation.
* The presence of informal organisation in an enterprise makes the managers plan & act more carefully.
* An informal organization has a powerful influence on productivity & job satisfaction.
* It is best means of employee communication. It is very fast.
* It serves as agency for social control of human behav

Organization Chart:

It is a chart or diagram showing graphically the relation of one official to another or others, of a company.

It is also used to show the relation of one department to other, or others, or of one function of an organisation to another.

This chart is valuable in that it enables one to visualize a complete organization by means of picture it presents.

Different types of charts,

i) Hierarchical.

ii) Matrix.

iii) Flat (Horizontal)

* There is not accepted form for making organization charts other than putting the principal, department or function first, heat of

Sheet and others below in the order of rank.

Organisation Structure:

* An organisation structure is a framework that allots a particular space for a particular department or an individual & shows its relationship to the other.
* An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom.

Significance of Organization structure:

* Properly designed organisation can help improve teamwork & productivity by providing a framework within which the people can work together most effectively.
* Organisation structure determines the location of decision making in the organisation.
* Organisation structure provides the pattern of communication & co-ordination.

Principles of Organisation Structure:

i) Line & Staff Relationships:

* Line authority refers to the scalar chain, or to the superior- subordinate linkages, that extent throughout the hierarchy.

* Line employees are responsible for achieving the basic or strategic objectives of the organisation, while staff plays a supporting role to line employees & provide services.

ii) Departmentalization:

* It is a process of horizontal clustering of different types of functions & activities on any one level of hierarchy.

* It is conventionally based on purpose, product, process function, personal things & place.

iii) Span of Control:

* This refers to the number of specialized activities or individuals supervised by one person.

* Deciding the span of control is important for co-ordinating different types of activities effectively.

iv) **Decentralization & Centralization.**

* Decentralization refers to decision making at lower levels in the hierarchy of authority.

* Centralization refers to decision making at top levels.

* Every organisation structure must contain both centralization & decentralization.

Line & Staff Authority:

* Line authority refers to the ability to issue orders & make decisions, whereas staff authority refers to the ability to advise & provide other specialised services to the line authority.

* These specialists stand ready with their speciality to serve line managers as and when their services are called for, to collect information & to give help which will enable the line officials to carry out their activities better.

* The staff officers donot have any power of command in the organization as they are employed

to provide expert advice to the line officers.

Types of Staff:

i) Personal Staff.
ii) Specialised Staff.
iii) General Staff.

Personal staff:

* Here the staff offercal is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.

Specialized Staff:

Such staff acts as the fountainhead (original source) of expertise in specialized areas like R & D, personnel, accounting etc.

General staff:

This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For eg. Financial advisor, technical advisor etc.

Departmentation

* Departmentation refers to the process of grouping activities into departments.

* Departmentation is the process of grouping of work activities into departments, divisions & other homogenous units.

Key factors:

i) It should facilitate control.

ii) It should ensure proper co-ordination.

iii) It should take into consideration the benefits of specialization.

iv) It should not result in excess cost.

v) It should give due consideration to human aspects.

i) Functional Departmentation:

* It is the process of grouping activities by functions performed.

* Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills & knowledge into departments for example human resources, finance, production & marketing.

ii) Product Departmentation.

* It is the process of grouping activities by product line.

* Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager.

* Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for everything related to the product line.

* Dabur India Limited is the India's largest Ayurvedic medicine manufacturer is an eg. of company that uses product departmentation.

iii) Customer departmentation.

* It is the process of grouping activities on the basis of common customers or types of customers.

* Jobs may be grouped according to the type of customer served by the organisation.

* UCO is one of the largest Commercial banks of India is an example of company that uses customer departmentation.

* Its structure is based on various services which includes Home loans, Business loans etc.

iv) Geographic Departmentation.

* Geographic departmentation is the process of grouping activities on the basis of territory.
* If an organisation's customers are geographically dispersed, it can group jobs based on geography.

v) Process Departmentation:

* It is the process of grouping activities on the basis of product or service or customer flow.
* Because each process requires different skills, process departmentation allows homogenous activities to be categorised.
* For eg. Bowater thunder Bay, a canadian company that harvests trees & processes wood into newsprint & pulp.
* Bowater has 3 divisions namely tree cutting, chemical processing & finishing.

vi) Matrix Departmentation:

* In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels.
* Different bases are used in different segments of the enterprise.

* Composite or hybrid method forms the combination basis for classifying activities rather than one particular method.

Delegation of Authority:

* A manager alone cannot perform all the tasks assigned to him.
* In order to meet the targets, the manager should delegate authority.
* Delegation of authority means division of authority & powers downwards to the subordinate.
* Delegation is about entrusting someone else to do parts of your job.

Elements of Delegation:

i) Authority.
ii) Responsibility.
iii) Accountability.

Authority:

Authority can be defined as the power & right of a person to use and allocate the resources effeciently, to take decisions & to give orders so as to achieve the organizational objectives.

* Authority must be well-defined.
* All people who have the authority should know what is the scope of their authority is and they shouldn't misutilise it.
* Top level management has greatest authority.
* Authority always flows from top to bottom.
* It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him & how he should go about it.

Responsibility:

* It is the duty of person to complete the task assigned to him.
* A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him.
* If the tasks for which he was held responsible are not completed, then he should not give

explanations or excuses.

* Responsibility without adequate authority leads to discontent and disatisfaction among the person.

* The middle level & lower level management holds more responsibility.

* The person held responsible for a job is answerable for it.

Accountability:

* It means giving explanations for any variance in the actual performance from the expectation set.

* Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B' but accountability still rest with 'A'

* Top level management is most accountable

* Accountability in short, means being answerable for the end result.

* Accountability can't be escaped. It arises from responsibility.

Delegation Process:

* The steps involved in delegations are g= below

i) Allocation of Duties:

* The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be first step in delegation.

ii) Granting of Authority:

* subdivision of authority take place when a superior divides and shares his authority with the subordinate

* It is for this reason, every subordinate should be given enough independance to carry the task given to him by his superiors.

iii) Assigning of Responsibility & Accountability:

* The delegation process doesnot end once powers

are granted to the subordinates.

* They are at the same time have to be obligatory towards the duties assigned to them.

* Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior.

iv) Creation of Accountability:

* Accountability on the other hand is the obligation of the individual to carry out his duties as per the standards of performance.

* Therefore it is said that authority is delegated, responsibility is created & accountability is imposed.

* Accountability arises out of responsibility & responsibility arises out of authority.

* Therefore every manager, i.e. the delegator has to follow a system to finish up the delegation process.

Centralization & De-centralization :

Centralization is the process of transferring & assigning decision making authority to higher levels of an organization hierarchy.
The span of control of top managers is relatively broad and there are relatively tiers in the organization.

Advantages of Centralization :

* Provide power & prestige for manager.
* Promote uniformity of policies, practices & decisions.
* Minimize duplication of function.

Disadvantages of Centralization:

* Neglected functions for mid-level & less motivated beside personnel.
* Nursing Supervisor functions as a link officer between nursing director & first line management.

Decentralization is the process of transferring & assigning decision making authority to lower levels of organization hierarchy.

* The span of control of top + managers is) relatively small, & there are relatively few tiers in the organization, because there is more autonomy in the lower ranks.

Three Forms of Decentralization:

i) **De-concentration**: The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organisation.

ii) **Delegation**: A more extensive form of decentralization. Through delegation the responsibility for decision making are transferred to semi autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.

iii) **Devolution**: A third type of decentralization is devolution. The authority for decision making is transferred completely to autonomous organizational units.

Advantages of Decentralization:

* Raise morale & promote interpersonal relationships.
* Relieve from daily administration.
* Bring decision making close to action.
* Develop second-line managers.
* Promote employee's enthusiasm & co-ordination.
* Facilitate actions by lower-level managers.

Job design:

Job design is the process of describing & recording aspects of jobs & specifying the skills & other requirements necessary to perform the job.

* The outputs of job design are.
  i) Job description.
  ii) Job specification.

Job description:

* A job description is a written statement of what the job holder does, how it is done, under what conditions it is done & why it is done.
* It describes what the job is all about, throwing light on job content, environment

and conditions of employment

* It is descriptive in nature & defines the purpose & scope of a job. The main purpose of writing a job description is to differentiate the job from other jobs & state its outer limits.

Contents:

Job title: Tells about the job title, code number & department, where it is done.

Job summary: A brief write-up about what the job is all about.

Job activities: A description of the tasks done, facilities used, extent of supervisory help etc.

Working conditions: The physical environment of job in terms of heat, light, noise & other hazards.

Social environment: Size of work group, & interpersonal interactions required to do the job.

Job Specification:

* It summarises the human characteristics needed for satisfactory job completion.

* It spells out the important attributes of a person in terms of education, experience, skills, knowledge & abilities. to perform a particular job.

* The job specification is a logical outgrowth of a job description.

Contents:

i) Education.

ii) Experience.

iii) Skills, knowledge, Abilities.

iv) Work Orientation Factors.

v) Age.

Human Resource Management:

* Staffing involves filling the position needed in the organization structure by appointing competent & qualified persons for the job.

* The staffing process encompasses man power planning, recruitment selection & training.

Human Resource Planning:

* Manpower planning which is also called a Human Resource planning consists of right no. of people, right kind of people, at right place

right time doing the right things for which they are suited for the achievement of goals of the organization.

*The primary function of manpower planning is to analyze & evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

UNIT - IV
DIRECTING

Definition:

Directing is the final action of a manager in getting others to act after all preparations have been completed.

Directing concerns the total manner in which a manager influences the actions of Subordinates.

Activating deals with the steps a manager takes to get sub-ordinates & others to carry out plans.

Characteristics:

Elements of Management.

Continuing Function

Pervasive function.

Creative Function.

Linking function.

Management of Human Factor.

Scope of Directing.

Initiates action.

* Ensures co-ordination.

* Improves efficiency.

* Facilitates change.

* Assists stability & growth.

Elements of Directing:

i) Motivation.

ii) Leadership.

iii) Communication.

Foundation of Individual & group Behaviour.

Foundations of Individual Behaviour.

* An individual's personality is the combination of the psychological traits that characterize that person.

* Literally dozens of traits are attributed to an individual's behaviour.

* Researchers attempted to focus specifically on which traits would identify sources of one's personality.

have been widely recognized.

Myers - Briggs Type Indicator

Big Five Model of personality.

Foundations of Group Behaviour.

Group:

Two or more interacting and interdependent individuals who come together to achieve particular objectives.

Role:

A set of expected behaviour patterns attributed to someone in a given position in a social unit

Norms:

Acceptable standards (e.g efforts + performance, dress, loyalty) shared + enforced by the members of a group.

Status:

A prestige grading, position, or rank within a group

May be informally conferred by characteristics such as education, age, skill or experience.

Motivation:

Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures & influences that trigger, channel & sustain human behaviour.

Nature & characteristics of Motivation:

psychologists generally agree that all behaviour is motivated and that people have resons for doing the things they do or for behaving in the manner that they do.

Motivating is the work a manager performs to inspire, encourage & impel people to take required action.

Characteristics of Motivation.

i) Motivation is an Internal Feeling:

Motivation is a psychological phenomenon which generates in the mind of an individual the feeling that he lacks certain things and needs those things.

ii) **Motivation is Related to Needs.**

Needs are deficiency which are created whenever there is a physiological or psychological imbalance.

Inorder to motivate a person, we have to understand his needs that call for his satisfaction.

iii) **Motivation produces Goal-oriented Behaviour.**

Goals are anything which will alleviate a need & reduce a drive. An individual's behaviour is directed towards a goal.

iv) **Motivation can be either positive or negative:**

positive or incentive motivation is generally based on reward.

positive motivation is a process of attempting to influence others to do your will through the possibility of gain or reward.

Negative or fear motivation is based on force & fear. Fear causes persons to act in a certain way because they are afraid of the consequences if they don't.

Importance of Motivation.

* The various benefits of motivation are.

* Motivation is one of the important elements in the directing process.

* By motivating the workers, a manager directs or guides the worker's actions in the desired direction for accomplishing the goals of the organization.

* Workers tend to be as efficient as possible by improving upon their skills & knowledge so that they are able to contribute to the progress of the organization thereby increasing productivity.

Motivation Theories:

a) McGregor's Theory X and Theory Y:

* McGregor states that people inside the organization can be managed in 2 ways.

* The first is basically negative, which falls under the category X & the other is basically positive, which falls under the category

Y. After viewing the way in which the manager dealt with employees, Mcgregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mold his or her behaviour towards subordinates according to these assumptions.

Under the assumptions of theory X:

* Employees inherently donot like work & whenever possible, will attempt to avoid it.
* Because employees dislike work, they have to be forced, threatened with punishment to achieve goals.
* Employees avoid responsibilities and donot work till formal direction are issued.
* Most workers place a greater importance on security over all other factors & display little ambition.

In contrast under the assumptions of theory Y.

* Physical & Mental effort at work is as natural as rest or play.

* People do exercise self control & self direction & if they are committed to those goals.
* Average human beings are willing to take responsibility & exercise imagination, ingenuity and creativity in solving the problems of organization.

b) Abraham Maslow's "Need Hierarchy Theory".

* One of the most widely used theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow.
* Maslow saw human needs in the form of a hierarchy, ascending from the lowest to highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

i) physiological Needs:

* These are important needs for sustaining the human life.
* Food, Water, Warmth, Shelter, Sleep, medicine & education are the basic physiological needs.

which fall in the primary list of need satisfaction.

* Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factor can work.

ii) Security or Safety needs:

* These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter.

* It also includes protection against any emotional harm.

iii) Social Needs:

* Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance & friendship.

iv) Esteem needs:

* According to maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves & by others.

v) Need for Self-actualisation:

* Maslow regards this as the highest need in his hierarchy.

* It is the desire to become what one is capable of becoming. it includes growth, achieving one's potential & self-fulfillment. It is to maximise one's potential and to accomplish something.

c) Frederick Herzberg's motivation - hygiene theory:

* ~~Federick~~ has tried to modify maslow's need Hierarchy theory.

* His theory is also known as two-factor theory or Hygiene theory.

* He stated that there are certain satisfiers and dissatisfiers for employees at work.

d) Victor Vroom's Expectancy Theory:

* The most widely accepted explanations of motivation have been propounded by Victor Vroom.

* His theory is commonly known as expectancy theory.

*The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expection that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple.

e) Clayton Alderfer's ERG theory:

* Alderfer has tried to rebuild the hierarchy of needs of Maslow into another model named ERG.
* According to him there are 3 groups of core needs as mentioned above.

f) McClelland's Theory of Needs:

* David McClelland has developed a theory on three types of motivating needs

i) Need for power.
ii) Need for Affiliation.
iii) Need for Achievement.

g) Stacey Adam's Equity Theory:

* As per the equity theory of J. Stacey Adams

Adams, people are motivated by their beliefs about the reward structure as being fair or unfair, relative to the inputs.

* People have an tendency to use subjective judgement to balance the outcomes and inputs in the relationship, for comparison between different individuals.

b) <u>Skinner's Reinforcement theory</u>:

* B.F Skinner, who propounded the reinforcement theory, holds that by designing the environment properly, individuals can be motivated.

* Instead of considered internal factors like impressions, feelings, attitudes and other cognitive behaviour, individuals are directed by what happens in the environment external to them.

<u>Motivational Techniques</u>:

* If a manager wants to get work done by his employees, he may either hold out a promise of a reward (positive motivation) or he/she may install fear (negative motivation). Both these types

are widely used by managements.

Positive Motivation:

* This type of motivation is generally based on reward.
* A positive motivation involves the possibility of increased motive satisfaction.
* Positive Motivation include,
  > Praise the credit for work done.
  → Wages and Salaries.
  → Appreciation.

Negative Motivation:

* This type of motivation is based on force + fear.
* Fear causes persons to act in a certain way because they fear the consequences.
* Negative motivation involves the possibility of decreased motive satisfaction. It's a push mechanism.

Job Satisfaction:

* Employee satisfaction (Job satisfaction) is the terminology used to describe whether employees are happy and contented + fulfilling their

desires and needs at work.

* Many measures purport that employee satis-faction is a factor in employee motivation, employee goal achievement, positive employee morale in the workplace.

Job Enrichment:

Job enrichment allows employees to assume more responsibility, accountability and independance when learning new tasks or to allow for greater participation & new opportunities.

Leadership:

* Leadership is defined as influence, the art or process of influencing people so that they will strive willingly & enthusiastically toward the achievement of group goals.
* Leaders act to help a group attain objectives.

Importance of Leadership:

i) Aid to authority.
ii) Motive power to group efforts.
iii) Basis for co-operation.

Types of Theories of leadership.

i) Autocratic style.
ii) Democratic style.
iii) Laissez faire style.

Autocratic style:

Managers retains as much power & decision making authority as possible.

* The manager doesnot consult employees, nor they allow to give any input.

Advantages:

* Reduced stress due to increased control.
* Faster decision making.

Disadvantages:

* Short-termistic approach to management.
* Increased workload for the manager.

ii) Democratic Style:

Democratic leadership is the leadership style that promotes the sharing of responsibility, the exercise of delegation & continual consultation.

Advantages:

* Positive work environment.

* Successful initiatives.

Disadvantages:

* Take long time to take decision.

* Danger of pseudo participation.

iii) Laissez - Faire style:

This French phrase means - leave it be and is used to describe a leader who leaves his/her colleagues to get with their work.

Advantages:

* No work for the leader.

* Frustration may force others.

Disadvantages:

* It makes employees feel insecure at the unavailability of a manager.

* Managers are unable to thank employees for their good work.

Leadership Theories:

i) Great Man theory:

Assumptions:

* Leaders are born and not made.
* Great leaders will arise when there is a great need.

Description:

* Early research on leadership was based on the study of people who were already great leaders.
* These people were often from the aristocracy as few from lower classes had the opportunity to lead.

Discussion:

* Gender issues were not on the table when the great man theory was proposed.

ii) Trait theory:

Assumptions:

* People are born with inherited traits.
* Some traits are particularly suited to leadership.

Description:

Early research on leadership was based on the psychological focus of the day, which was the of people having inherited characteristics or traits

c) Behavioural Theory:

Assumptions:

i) Leaders can be made, rather than are born.

ii) Successful leadership is based in definable, learnable behaviour.

Description:

Behavioural theories of leadership donot seek inborn traits or capabilities.

d) Participative Leadership:

Assumption:

Involvement in decision making improves the understanding of the issues involved by those who must carry out the decisions.

Description:

A participative leader, rather than taking autocratic decisions, seeks to involve other people in the process, possible including subordinates, peers, superiors and other stakeholders.

e) Situational Leadership:

Assumptions:

* The best action of the leader depends on a range of situational factors.

Description:

* When a decision is needed, an effective leader doesnot fall into a single preferred style.

f) Contingency Theory:

Assumptions:

* The leader's ability to lead is contingent upon various situational factors, including the leaders preferred style, the capabilities & behaviours of followers & also various other situational factors.

Description:

* Contingency theories are a class of behavioural theory that contend that there is

no one best way of leading and that a leadership style that is effective in some situations may not be successful to others.

g) **Transactional Leadership:**

Assumptions:

* People are motivated by reward & punishment.
* social systems work best with a clear chain of command.

Description:

* The transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders.

h) **Transformational Leadership:**

Assumptions:

* People will follow a person who inspires them.
* A person with vision & passion can achieve great things.

Description:

* Working for a transformational leader can be a wonderful + uplifting experience. They put passion + energy into everything.

Communication:

* Communication is the exchange of messages between people for the purpose of achieving common meanings.

* Unless common meanings are shared, managers find it extremely difficult to influence others.

Definition:

Communication is an intercourse by words, letters symbols or messages, and is a way that the organisation members shares meaning and understanding with another.

Process of communication.

i) source ii) Encoding iii) Message iv) channel. v) Decoding vi) Receiver vii) Feedback

a) Source :

* The Source initiates a message.

* This is the origin of the Communication & can be an individual, group or inanimate object.

* The effectiveness of a communication depends to a considerable degree on the characteristics of the Source.

b) Encoding :

* Once the source has decided what message to communicate, the content of the message must be put in a form the receiver can understand.

* As the background for encoding information, the sender uses his or her own frame of reference.

c) Message :

* The message is the actual physical product from the Source encoding. The message contains the thoughts and feelings that the communi-
- cator

intends to evoke in the receiver.

d) The channel:

* The actual means by which the message is transmitted to the receiver (visual, auditory, written or some combination of these three) is called channel.

f) Decoding:

* Decoding means interpreting what the message means. The extent to which the decoding by the receiver depends heavily on the individual characteristics of the sender & receiver.

g) The Receiver:

* The receiver is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message.

h) Feedback:

* The final link in the communication process is a feedback loop.

* Feedback in effect is communication travelling in the opposite direction.

* If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender learn whether the original communication was decoded accurately.

Barriers in Communication:

i) Filtering:

* Filtering refers to a sender manipulating information so it will be seen more favourably by the receiver.

* The major determinant of filtering is the number of levels in an organization's structure.

b) Selective Perception:

* Selective perception means seeing what one wants to see.

* The receiver in the communication process generally resorts to selective perception i.e. he selectively perceives the message based on the organizational requirements, the needs & characteristics.

c) __Emotions__:

* How the receiver feels at the time of receipt of information influences effectively how he interprets the information.

* A person's ability to encode a message can become impaired when the person is feeling strong emotions.

d) __Language__:

* Communicated message must be understandable to the receiver.

* Words mean different things to different people.

* Language reflects not only the personality of the individual but also the culture of society in which the individual is living.

e) Stereotyping:

* It is the application of selective perception.
* When we have preconceived ideas about other people and refuse to discriminate between individual behaviours, we are applying selective perception to our relationship with other people.

f) Status Difference:

* The organizational hierarchy poses another barrier to communication within organization, especially when the communication is between employee and manager.

g) Use of conflicting Signals:

* A sender is using conflicting signals when he or she sends inconsistent messages. A vertical message might

conflict with a nonverbal one.

h) Reluctance to communicate:

For a variety of reasons, managers are sometimes reluctant to transmit messages.

* They may doubt their ability to do so.

* They may dislike or be weary of writing or talking to others.

UNIT-V

CONTROLLING

SYLLABUS:

System & Process of Controlling - budgetary and non-budgetary control techniques - Use of Computers and IT in management control - Productivity problems & Management - control & performance - direct & preventive control - Reporting.

Definition:

* Control is the process through which managers assure that actual activities conform to planned activities.

System & Process of Controlling:

i) Nature & Purpose of Control:

* Control is an essential function of management.
* control is an ongoing process.
* Control is forward-working because past cannot be controlled.
* Control involves measurement.
* The essence of control is action.

) Control Process :

The basic control process involves mainly these steps as,

a) The Establishment of standards.

b) Measurement of Performance.

c) Comparing Measured Performance to stated Standards.

d) Taking Corrective Actions.

a) The Establishment of Standards :

* Because plans are yardsticks against which controls must be revised, it follows logically that
* the first step in the control process would be to accomplish plans.
* Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations. Example for the standards.

i) Profitability Standards: In general, these standards indicate how much the company would like to make as profit over a given time period that is its return on investment.

ii) **Market Position standards:**

These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.

iii) **Productivity Standards:** How much that various segments of the organization should produce is the focus of these standards.

iv) **Product leadership standards:**

These indicate what must be done to attain such a position.

v) **Employee attitude standards:**

These standards indicate what type of attitudes the company managers should strive to indicate in the company's employees.

vi) **Social Responsibility Standards:**

Such as making contribution to the society. Standards reflecting the relative balance b/w short & long range goals.

b) Measurement of Performance:

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions.

The degree of difficulty in measuring various types of organizational performance of course is determined primarily by the actively being measured.

For example it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

c) Comparing Measured Performance to stated Standards:

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against, some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance.

* The performance evaluated can be for the organization as a whole or for some individuals working within the organization.

* In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

d) Taking Corrective Actions :-

* After actual performance has been measured compared with established performance standards, the next step in the controlling process is to take corrective action.

* If necessary, corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards.

* In other words, corrective action focuses on

Correcting organizational mistakes that hinder
organizational performance.

* Before taking any corrective action, however,
manager should make sure that the standards
they are using were properly established &
that their measurements of organizational perfor-
mance are Valid and reliable.

* At first glance, it seems a fairly simple
proposition that managers should take corrective
action to eliminate problems - the factors within
an organization that are barriers to
organizational goal attainment.

* In practice, however it is often difficult to
pinpoint the problem causing some undesirable
organizational effect.

3) **Barriers for controlling:**

There are many barriers,

* Control activities can create an undesirable
overemphasis on short-term production as
opposed to long-term production.

* Control activities can increase employees frustration with their jobs and thereby reduce morale. This reaction tends to occur primarily where management exerts too much control.

* Control activities can encourage the falsification of reports.

* Control activities can cause the perspectives of organization members to be too narrow for the good of organization.

* Control activities can be perceived as the goals of the control process rather than the means by which corrective action is taken.

4) **Requirements for Effective Control:**

a) Control should be tailored to plans & positions:

This means that, all control techniques and systems should reflect the plans they are designed to follow.

This is because every plan & every kind & phase of an operation has its unique characteristics.

b) Control Must be tailored to individual managers & their responsibilities:

This means that controls must be tailored to the personality of individual managers.

This because control systems & information are intented to help individual managers carry out their function of control.

If they are not of a type that a manager can or will understand, they will not be useful.

c) Control should point up expectations as critical points:

* This is because by concentration on expectat-ions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required & should be given.

* However, it is not enough to look at exceptions, because some deviations from stan-dards have little meaning and others have a great deal of significance.

d) Control should be objective:

This is because when controls are subjective, a manager's personality may influence judgements of performance inaccuracy.

Objective standards can be quantitative such as costs or man hours per unit of job completion.

They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

e) Control should be Flexible:

This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or outright failures.

Much flexibility in control can be provided by having alternative plans for various profitable situations.

f) Control should be economical:

This means that controls should remain workable in the case of changed plans, unforeseen is often complex. This is because a manager may find it difficult to know what a particular system is worth or to know what it costs.

g) Control should lead to corrective action.

This is because a control system will be of little benefit if it doesnot lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing and leading.

5) Types of Control System:

The control system can be classified into 3 types, namely,

feed forward,
concurrent,
feedback.

i) <u>Feed Forward Controls</u> :

They are preventive controls that tries to anticipate problems and take corrective action before they occur.

Example - a team leader checks the quality, completeness and reliability of their tools prior to going to the site.

ii) <u>Concurrent Controls</u> :

They (sometimes called screening controls) occur while an activity is taking place. Example - the team leader checks the quality or performance of his members while performing.

iii) <u>Feedback Controls</u> :

They measure activities that they have already been completed. Thus corrections can take place after performance is over.

Example - feedback from facilities Engineers regarding the completed job.

Budgetary + Non-Budgetary Control Techniques

Budgetary Control:

* Budgetary control is defined as the establishment of budgets, relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a base for its revision.

Salient Features:

i) **Objectives:** Determining the objectives to be achieved, over the budget period, and the policy (ies) that might be adopted for the achievement of these ends.

ii) **Activities:** Determining the variety of activities that should be undertaken for achievement of the objective.

iii) **Plans:** Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period & its parts.

iv) **Performance Evaluation**: Laying out a system of comparison of actual performance by each person section or department with the relevant budget and determi- -nation of causes for the discrepancies, if any.

v) **Control Action**: Ensuring that when the plans are not achieved, corrective actions are taken, and when corrective actions are not possiple, ensuring that the plans are revised and objective achieved.

Classification of Budgets:

Based on Time Period.

Long term   Short term.

i) **Long Term Budget**:

Budgets which are prepared for periods longer than a year are called long term Budgets. Such Budgets are helpful in business forecast- -ing & forward planning. Eg. Capital Expenditure Budget, R&D Budget

ii) <u>Short Term Budget:</u>

Budgets which are prepared for periods less than a year are known as short term Budgets. such Budgets are prepared in cases where a specific action has to be immediately taken to bring any variation under control. Eg. cash Budget.

Based on Condition,

Basic Budget   Current Budget.

i) <u>Basic Budget:</u>

A Budget which remains unaltered over a long period of time is called Basic Budget.

ii) <u>Current Budget:</u>

A Budget, which is established for use over a short period of time and is related to the current conditions is called Current Budget

Based on capacity.

Fixed Budget   Flexible Budget.

i) Fixed Budget:

It is a Budget designed to remain uncha-nged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.

ii) Flexible Budget:

It is a Budget, which by recognizing the difference between fixed, semi, Variable & Variable Costs is designed to change in relation to a level of activity attained. It consists of variation budgets for different levels of activity.

Based on Coverage.

Financial Budget — Master Budget.

i) Financial Budget:

Budgets which relate of the individual functions in an organization are known as funct-ional Budgets eg. Purchase Budget, sales Budget, production Budget, plant Utilization Budget & Cash Budget.

ii) Master Budget:

* It is a Consolidated Summary of the Various functional Budgets. It Serves as the basis upon which budgeted profit + Loss Account + forecasted balance sheet are built up.

Budgetary Control Techniques:

The various types of budgets are as follows.

i) Revenue + Expense Budgets:

The most Common budgets spell out plans for revenues and operating expenses in rupee terms.

The most basic of revenue buget is the sales budget which is a formal and detailed expressed of the sales forecast.

The revenue from sales of product or services furnishes the principal income to pay operating expenses + yield profits.

Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising telephone + insurance.

ii) Time, Space, Material + product Budgets:

Many budgets are better expressed in

quantities rather than in monetary terms eg. direct-labour hours, machine hours, units of materials, square feet allocated, & units produced. The rupee cost wouldnot accurately measure the resources used or the results intended.

iii) <u>Capital Expenditure Budgets:</u>

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an expertise. Since a business takes a long time to recover its investment in plant & equipment. (payback period or gestation period) capital expenditure budgets should usually be tied in with fairly longrange planning.

iv) <u>Cash Budgets:</u>

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, & handsome business profits do little good when tied up in inventory, machinery or other non cash asse...

V) Variable Budget:

* The Variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output.

* Some costs do not vary with volume, particularly in so short a period as 1 month, 6 month or a year.

* Among these are depreciation, property taxes and insurance, maintenance of plant & equipment and costs of keeping a minimum staff of supervisory & other key personnel.

* Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

Vi) Zero Based Budget:

The idea behind this technique is to divide enterprise programs into packages composed of goals, activities and needed resources and then to calculate costs of each package from the ground up.

Advantages:

* compels management to think about the future, which is probably the most important feature of a budget-ary planning and control system.
* Forces management to look ahead to set out det-ailed plans for achieving the targets for each dep-artment, operation and (ideally) each manager, to anticipate and give the organisation purpose & direction.
* Promotes co-ordination & communication.
* clearly defines areas of responsibility. Requires mana-gers of budget centre's to be made responsible for the achievement of budget targets for the oper-ations under their personal control.

Problems in Budgeting:

* whilst budgets may be an essential part of any marketing activity they do have a no. of disadvantages, particularly in perception terms.
* Budgets can be seen as pressure devices imposed by management, thus resulting in.