

# MG 8591. PRINCIPLES OF MANAGEMENT

## UNIT I. Introduction to Management and Organisations.

### Management - Definition:

\* Process of designing & maintaining an environment in which individuals working together in groups efficiently to accomplish selected aims.

\* Management is the art of knowing what you want to do and then seeing that it is done in the best & cheapest way.

### Management - Art or Science?

The following characteristics are essential for the subject to be recognized as science.

\* Based on scientific enquiry

\* Principle should be verifiable.

\* Basis for predicting future events.

Management as a discipline fulfills science criterion. It is multidisciplinary in nature.

. Art means application of skills in finding a desired result. Art is the way of doing things skillfully.

Management is an art due to the following factors:

\* Management is creative

\* It involves the use of practical knowledge and personal skills

→ Management is a science because it contains general principles.

→ It is an art because it requires certain personal skills to achieve results.

### Manager Vs Entrepreneur!

Manager → Person is responsible for performing the functions of management such as planning, organizing and directing the group towards the goal of management.

Entrepreneur → Person who starts the business and utilizes the resources of men, money, materials and machines.

#### Entrepreneur

1) Person who starts the business.

2) Owner of company

3) More risk taker

#### Manager

Person who runs the business for long period.

Person hired for the company

Less risk taker.

## Entrepreneur

- 4) He is the desire for the control over the business.
- 5) Acts like one man army.
- 6) Aims to implement Creativity and innovation.
- 7) Informal & flexible in organization structure.
- 8) Sensitive in decision making.
- 9) May come from a family of entrepreneur background.
- 10) Full responsible for the accident & failures.

## Manager

Manager has delegation of authority.

Leader of the team consists of various groups

Person to establish & preserve status of company

Not informal & flexible in organisation structure

Collects the information and waits for advice.

Comes from a family of general members

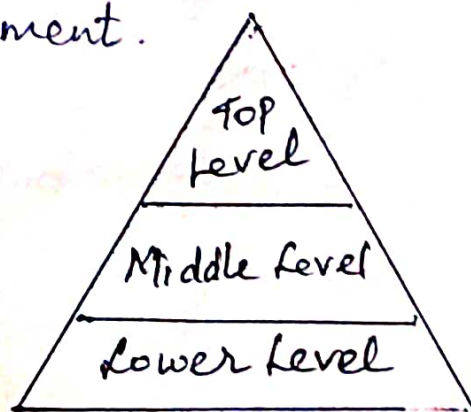
Avoids mistakes & failures.

## Types of Managers:

Three levels of management.

1) Top level manager:

- consists of board of directors, chief executive, chief operating officer, chairman of board.



Main functions:

- 1) To formulate the goals & policies of company.
- 2) To formulate the budgets.
- 3) To appoint the executives for middle level.
- 4) To provide the overall direction & leadership of company.
- 5) To decide the distribution of profits.

2) Middle Level Managers:

- Branch managers, department head, project leader, plant managers constitute middle level.

- They are responsible to top management.

- In small organisation, there is only one layer of middle level, but in big enterprises, there is senior & junior middle level.

Main functions:

- 1) To monitor and control operating performance of sub-units & individual managers.
- 2) To implement overall organisational goal.
- 3) To train, motivate and develop supervisory level.
- 4) To implement strategies generated by top level.
- 5) To co-ordinate among themselves to integrate various activities of dept.

### 3) Low level Managers:

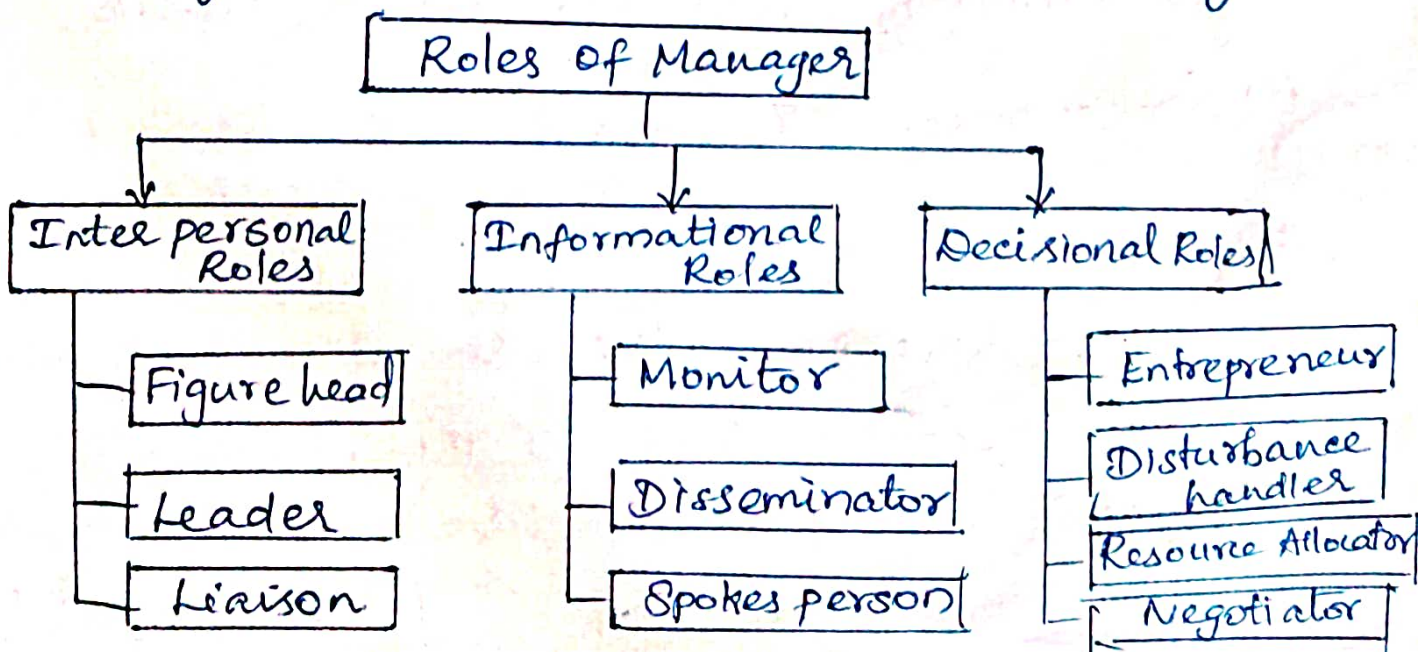
- Supervisory / operative level of management
- Consists of Supervisors, foreman, Section officers, superintendent etc.
- directly responsible for the work of operating employees.

#### Main functions:

- 1) To train and develop the efficiency of workers
- 2) To assign job to workers
- 3) To give orders and instructions
- 4) To maintain discipline & good human relations among workers
- 5) To report feedback information about workers.

### Managerial Roles & Skills:

Henry Mintzberg describes a set of ten roles of manager which is into 3 categories.



## a) Interpersonal Roles:

- Involve people & other duties which are ceremonial and symbolic in nature.

- i) Figurehead role: To perform ceremonial & symbolic duties such as greeting visitors & signing legal documents.
- ii) Leader: The person who directs & motivates subordinates - communicates with subordinates and is responsible for staffing & training.
- iii) Liaison: Maintains the information links both inside & outside organisation via mail, e-mail, phone calls & meetings.

## b) Informational Roles:

- Involve receiving, collecting, disseminating information.

- i) Monitor: Person who seeks & receives information and reports, maintains the personal contact with stakeholders.
- ii) Disseminator: Forward information to organisation members, via memos, reports, calls.
- iii) Spokes person: Transmits information to outsiders via speech & reports.

## c) Decision Roles:

- Role to revolve around making choices.

- i) Entrepreneur: Initiates the improvement in projects, identifies new ideas and delegates responsibility to others.

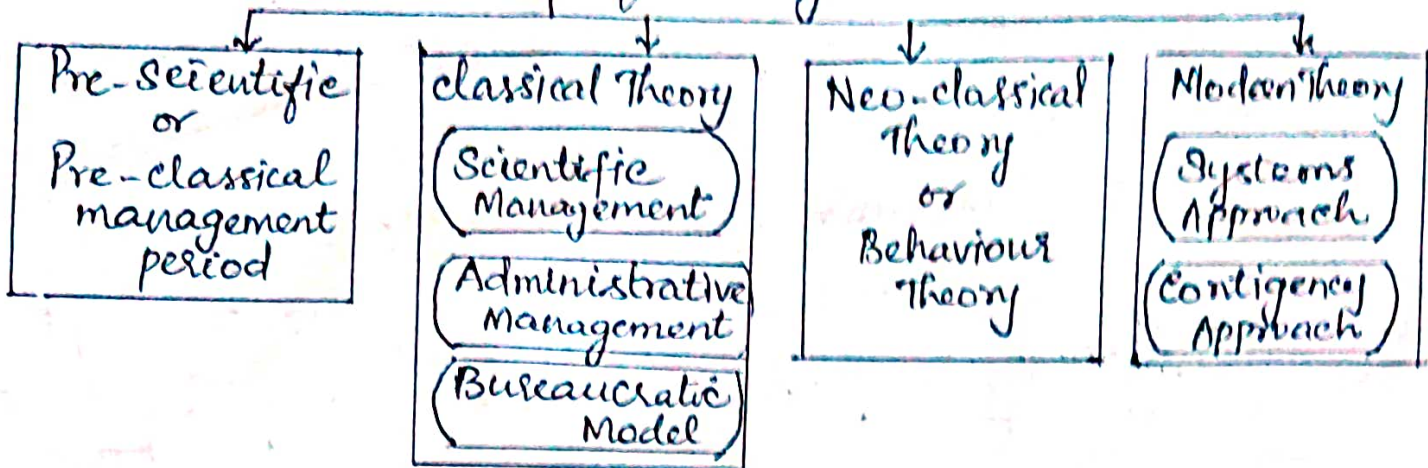
- ii) Disturbance Handler: Takes the corrective action during disputes, resolves conflicts among subordinates & adapts to environments <sup>(arguments)</sup>
- iii) Resource allocator: Decides to get resources, prepares allocator budgets, sets schedules.
- iv) Negotiator: Person who represents dept. during negotiations of union contracts, sales, purchases.   
 (Conflict bet grp.)

### Managerial Skills:

1. Technical Skill: Skills that reflect understanding and proficiency in a specialized field (engg., computers)
  - Skills are important at lower level.
  - directly deals with employees.
2. Human Skill: Refers the ability of manager to work efficiently.
  - To build co-operative effort in the team.
  - To get best out of their people.
3. Conceptual Skill:
  - Design and problem solving skill.
  - Ability to see the organisation and various components of it as a whole.
  - " to understand how its various parts & functions mesh together.
  - " to foresee how changes in any of them may affect all the others.

# Evolution of Management :

## Evolution of Management



### Pre-scientific Period:

The advent of industrial revolution in the middle of 18<sup>th</sup> century.

1) Robert Owen - Father of personnel Management.

He introduced new ideas of human relations such as shorter working hours, housing facilities training of workers in hygiene, education of their children, provision of canteen etc.

2) Charles Babbage - Father of modern computing  
He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions. His management ideas anticipated the concept of profit sharing to improve productivity.

3) Henry Robinson Towne - President of famous lock manufacturing company 'Yale & Towne'. He advised the combination of engineers & economists as industrial managers. This combination of qualities is essential to successful management of industrial workers.



# Classical Management Theory: [Human relation]

## i) Scientific management:

- Use of scientific model to define the 'one best way' for a job to be done.
- developed to the need to increase productivity and efficiency.

F.W. Taylor's Scientific management: - Principles. [Father of Scientific Management - Steel company]

- Study each part of the task scientifically & develop best method to perform it.
- Select workers & train them to perform a task scientifically.
- Cooperate fully with workers to ensure they use proper method.
- Divide work & responsibility.

### Elements:

- 1) Planning the task
- 2) Scientific task
- 3) Scientific selection & training
- 4) Standardisation
- 5) Specialisation
- 6) Financial incentives
- 7) Economy
- 8) Mental revolution - Coop. bet mgmt & workers.

## ii) Administrative Management:

- concentrates on developing the organisational structure that leads to high efficiency.

Henri Fayol - father of modern theory of general and industrial management. Fayol divided the industrial activities into

1. Technical
2. Commercial
3. Financial
4. Security
5. Accounting
6. Management Categories.

Fourteen principles of management are

- 1) Division of work
- 2) Authority & responsibility
- 3) Discipline
- 4) Unity of command
- 5) Unity of direction

6. Subordination of individual interest to general interest
7. Remuneration of personnel.
8. Centralisation
9. Scalar chain
10. order
11. Equity
12. Stability of tenure of personnel.
13. initiative
14. Esprit de corps.

### 3) Bureaucratic Management Theory:

Authority should be something which was part of person's job and passed from individual to individual as one person left & another took over. This non-personal objective form of organisation was called bureaucracy.

characteristics:

1. A well defined hierarchy.
2. Division of labor and specialization
3. System of written rules and regulations.
4. Impersonal relationships between managers and employees.
5. Selection and evaluation system
6. Records.

### Behavioural Management Theory:

- natural outcome of this revolutionary management experiment. It modified, improved and extended the classical theory.

- (i.e.) Classical theory ignored employee motivation & behaviour. Behavior theory pointed the role of psychology & sociology in understanding of individual behaviour.

## System Approach in Modern Management:

System - Set of interrelated and interdependent parts arranged in a manner which produces a unified whole.

Subsystem - While an organisation as a whole system, various components within it.

An organisation system is composed of five elements :

1. Input : Various human, materials, financial, equipment and informational resources required to produce goods & services.
  2. Transformation Processes : Organisation's managerial and technological abilities are applied to convert input into output.
  3. Output : The products, services and other outcomes are produced by the organisation.
  4. Feedback : Information is about results and organisational status relative to its environment.
  5. Environment : The set of forces and conditions operate beyond an organisation's boundaries.
- i) Closed System : An organisation interacts less with its external environment and it receives less feedback from it. It has fixed boundaries, its operation is independent of the environment outside system.

ii) Open System: An organisation which interacts with its environment - It constantly comes into contact with the environment.

iii) Entropy: Tendency of systems to deteriorate/ breakdown over time.

iv) Synergy: When all subsystems work, making of p is greater than the sum of output of its parts.

Managerial levels based on system approach:

i) Technical level: It involves the actual production and distribution of products and services.

ii) Organisational level: It coordinates & integrates the work performance at the technical level.

iii) Institutional level: It is concerned with related activities of organisation to environmental system.

Contingency approach in modern management:

Contingency approach - situational approach.

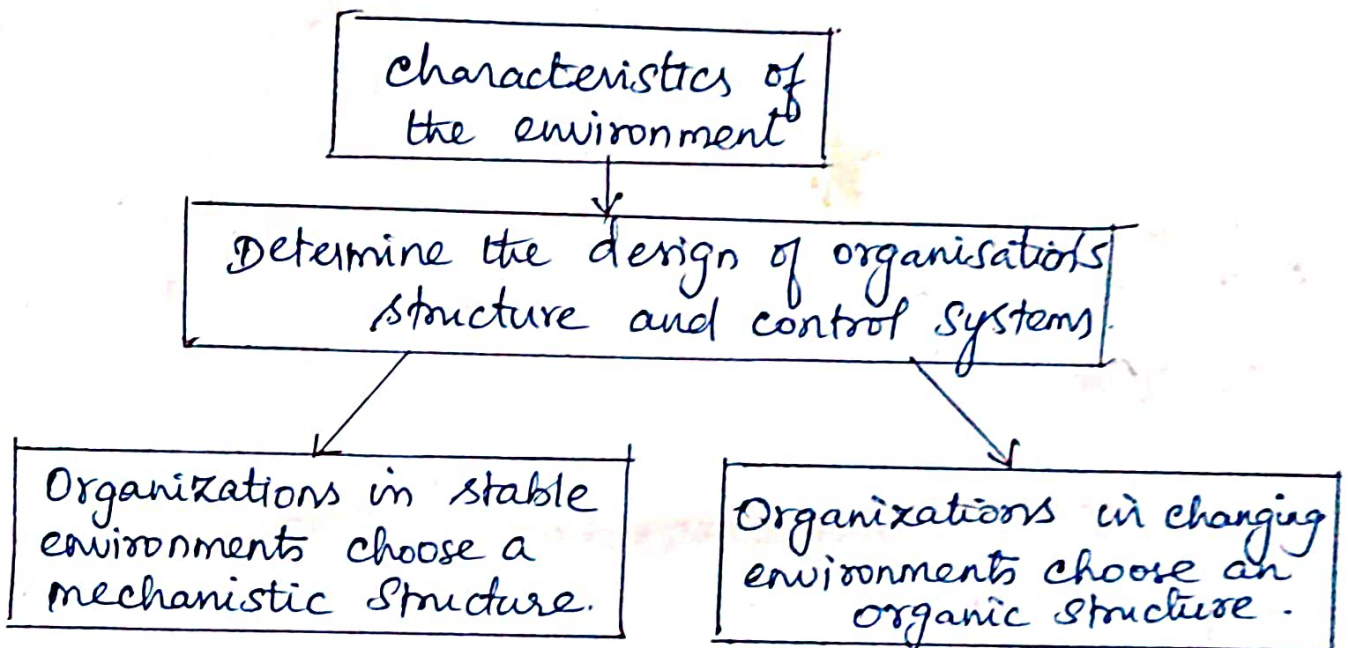
- developed by managers, consultants & researchers tried to apply for real life situations.

- Message of contingency theory is that no one is the best way to organise.

- The characteristics of environment affect an organisation's ability to obtain resources.

→ Managers identify which is a suitable technique for a particular situation, particular environment of the organisation at a specific time.

This theory is more favour to modern management theory. It suggests the psychological approach to the employees. Contingency approach is highly dependent on the experience and judgement of the manager in a given organisational environment.



### Types of Business Organisation:

- \* Business means 'state of being busy' <sup>throughout</sup>
- \* Organisation → process of bringing various elements of business together with the object of establishing harmonious relationship and adjustment in their functioning.

'A business is an enterprise which distributes or provides an article or services where other members of the community need and are able and willing to pay for it'.

# Business Organisation

- Individualistic Institutions
- Government Institutions

1. Individualistic
- 1. Sole trades
  - 2. Joint Hindu family partnership
  - 3. Joint stock company.
  - 4. Co-operative
  - 5. Multinational Companies.

2. Government
- 1. Departmental Undertaking
  - 2. Public Corporation
  - 3. Government Company.
  - 4. Board Organisation.

## Sole Proprietorship

1) Sole Trading - Business unit is owned and controlled by a single individual.

Sole Trader makes all purchases & sells on his own and maintains all accounts. He alone enjoys all profits and bears all losses in business.

Characteristics:

- 1) One man ownership and control
- 2) Unlimited liability
- 3) Enjoyment of entire profit
- 4) No separate legal entity
- 5) Simplicity
- 6) Self employment
- 7) Secrecy.

## Advantages:

- 1) It is easy to form and close the business.
- 2) It is easy for decision making
- 3) It has full control of business activities.
- 4) It promotes self employment of individual.
- 5) It is easy to expand or reduce the size of business.

Disadvantages: 1. Limited resources, 2. Short life  
3. Lack of consultation 4. Risk of entire loss  
5. Uncertainty.

## 2) Partnership:

- An association of persons who agree to combine their financial resources and managerial abilities to run a business and share profits in an agreed ratio.

Sole proprietorship → financial resources and management skills are limited and one man can't supervise personally all business activities.

Partnership business → grows out of need for expansion of business with more capital, better supervision and control, division of work.

"A partnership firm as it is often called is then a group of men who have joined capital or serves for the prosecution of some enterprise."

## Features:

1. Agreement:- A partnership is created by agreement
  - Agreement maybe oral or written statements
  - Better to put it in writing to avoid misunderstanding in future.
2. Multiplicity of person:-
  - Partnership is relation between 2 or more persons
  - Max. no. of partners limited to 10 (banking) & 20 (business)

3. Lawful business :- Business must be legal.
4. Sharing of profit :- Profit/Loss Shared by partners.  
- It is shared based on capital contribution of partners.
5. Contractual relations :- The relation of partnership arises from contract & not from status.
6. Mutual agency :- Partner possess the character for agency transaction with slight difference.  
In agency, Person acts as principal or agent  
Partner performs dual role of both principal & agent.
7. Unlimited liability :- A partner liability for business debt is not limited to his contributed capital.
8. Registration :- It is not compulsory, optional only.  
If it is registered, it enjoys some advantages.
9. Common management :- It is not necessary for all partners to participate, but they are entitled to participate.
10. Utmost good faith: Partnership business is based on good faith and mutual trust among partners.

### Kinds of Partners:

1. Active Partner - Authorized to manage business by others.
2. Sleeping/dormant Partner - who doesn't express his intention to participate in business.
3. Normal partner - who agreed to lend his name to uplift the business.



4. Partner in Profit only: At time of formation, partners accept certain persons as partners for profit only.

5. Partner by estoppel: A person may not be really a partner but by his behavior, he makes outsiders believe that he is a partner in the business.

6. Sub-partner: He is stranger to contract as he is not a part in partnership agreement.

7. Secret partner: - whose name is not disclosed to outsiders. - Lies bet- active & sleeping partners. - Not known to public as partner.

8. Minor as a Partner: - who haven't completed 18 yrs of age, where guardian is appointed as court. His age of majority is to 21 yrs.

### Rights of Partner:

- 1) Right to express his option.
- 2) Right of participation
- 3) Right of access to books
- 4) Right to share profits
- 5) Right to get interest on the capital.
- 6) Right of indemnity.

- Advantages:
1. Easy to formation
  2. Registration is not compulsory.
  3. Larger financial resources.
  4. Greater managerial talent.
  5. Risk of business is shared by more persons.

- Disadvantages:
1. Lack of harmony among partners.
  2. Lack of public faith
  3. Limited resources
  4. Limitation on transfer of share.
  5. Difficulties in expansion and modernisation.

Company: A voluntary association of persons having separate legal existence, perpetual succession and a common seal.

- Group of persons who voluntarily agree to form a company. Once formed the company becomes a separate legal entity with a distinct name of its own.

- Advantages:
1. More stable.
  2. Company can easily expand.
  3. The shares are freely transferable.
  4. A company is charged less amount of tax.

- Disadvantages:
1. Lack of motivation.
  2. It is difficult to maintain secrets.
  3. Promotion of frauds.
  4. Delayed decision and actions.

Types of companies:

(i) On the basis of formation :

a) Statutory Company - Created by a special Act of the parliament or Assembly of any state.  
ex: SBI, RBI, LIC.

b) Registered Company - A company registered under the companies Act, 1956.

c) Government Company - Any company in which not less than 51% of the paid-up share capital is held by Central / state government.

ii) On the basis of public interest:

a) Private limited Company - Company which has min. paid up capital as maybe prescribed.

b) Public limited Company - Company carries on the business at large scale involving huge amount of Capital.

iii) On the basis of Control:

a) Holding company - Where one company controls the management of another company, the controlling company is called Holding company.

b) Subsidiary company - Where one company controls the management of another company such company so controlled is called subsidiary company.

iv) On the basis of Nationality:

a) Indian company - A company registered in India having place of business in India. It maybe private / public company.

b) Foreign Company - A company incorporated outside India and having place of business.

v) On the basis of Area:

a) National Company - Companies confine their operations within the boundaries of the country in which they are registered.

b) Multi National Company - Companies which extend the areas of their operations beyond the country in which they are registered.

Private Limited Company:

- Suitable form for carrying on the business of family and small concerns it is registered under the Company's Act.

Features: 1. The minimum paid up capital is

2. The min. no. of members is 2 <sup>Rs. 1,00,000.</sup>

3. It limits the no. of members to 50, not including

4. It restricts the right to transfer <sup>present / previous.</sup> shares.

5. It prohibits any invitation to public.

Privileges & exemptions:

1. Company can be incorporated with 2 persons to 50

2. It is not issuing the prospectus for collecting

3. It is exempted from conducting <sup>its share capital.</sup> Statutory meeting.

4. It works with 2 directors.

5. It doesn't need to be an index of its members.

6. It can proceed to allot the shares without having to wait for getting the min. subscription.

## Public Enterprises:

- A form of business organisation owned and managed by state govt. The most of investment is made by govt. min. 7, no upper limit.

- Public enterprises are autonomous or semi autonomous corporations and companies established, owned and controlled by the state and engaged in industrial and commercial activities. min. capital stake

### Characteristics:

1. Financed by govt. :- Public enterprises dominant role is played by government only.
2. Financial Independence :- Though govt. undertakes, they become financially independent by arranging finance for day to day operation.
3. Govt. management :- The govt. nominates persons to manage the undertakings.
- A. Public Services :- Public enterprises are started with a service motive. The prime motto of state enterprises is to provide the service to the society.
5. Legislative control :- It acts as a check in functions of these undertakings.
6. Monopoly enterprises :- Public enterprises are monopoly enterprises. ex: Railways, Energy production enterprises.

- Merits:
1. It helps in implementing govt. policy.
  2. It ensures the complete govt. control.
  3. Source of income for govt.
  4. It is useful for developing enterprises.
  5. Funds are properly used.

- Demerits:
1. Excessive govt. interference.
  2. Shortage of competent staff.
  3. Inefficient.
  4. Tax burden to public.
  5. Delay and red-tapism.

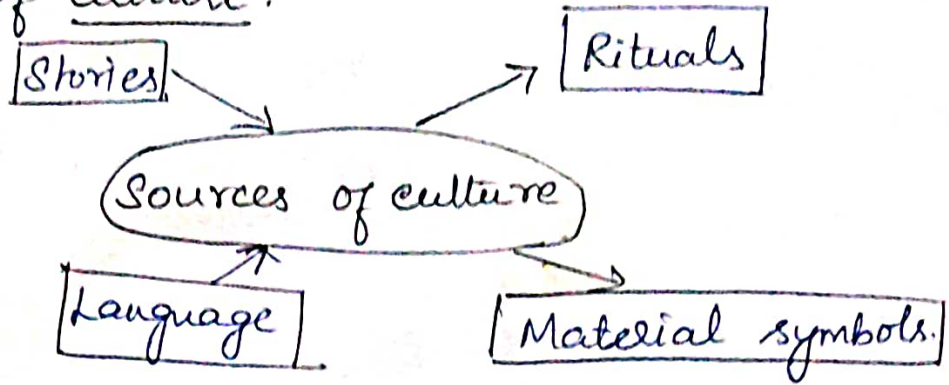
### Organizational Culture:

"Organizational culture is a system of informal rules that spells out how people have to behave most of the time".

#### Characteristics:

1. Risk tolerance - Degree to which employees are encouraged to be aggressive, innovative & risk-taking.
2. Direction - Degree to which organisation creates clear objectives and performance expectations.
3. Unit Integration - Degree to which units within the organisation are encouraged to operate in a coordinated manner.
4. Management contract - Degree to which managers provide clear communication assistance and support their subordinates.
5. Identity - Degree to which members identify organisation <sup>experts,</sup>
6. Reward System - Degree to which reward allocations based on employee performance.
7. Control - Rules & Regulations control employee behaviour.
8. Conflict tolerance - Degree to which employees are encouraged to air conflicts & criticisms.
9. Communication patterns - Degree in which organisational communications are restricted to the hierarchy of authority.
10. Individual initiative - Degree of freedom.

## Sources of Culture:



1. Rituals: → Repetitive sequences of activities which express and reinforce the key values of organisation.
2. Language: → way to identify members of culture.  
→ unites the members of a given culture.
3. Material Symbol: → Organisation provides all facilities and freedom to their employees.
4. Stories: → Organization convey the stories of successful organizations thro' seniors which have a great influence in building culture.

## Functions of culture:

- 1) It distinguishes one organization from other.
- 2) It conveys a sense of identity for organisation members.
- 3) It facilitates the generation of commitment to something.
- 4) It serves as a sense-making control mechanism.

## Components:

- 1) Support Orientation
- 2) Rules "
- 3) Innovation "
- 4) Coordination "

## Types of Organisational culture:

1. Subculture → Set of values shared by a minority.
2. Dominant Culture → Majority members share core value.
3. Strong culture → If core values are accepted & followed with commitment by more members.
4. Weak culture → If core values are not accepted by more members.
5. Authoritarian culture → leader exercises full control over the subordinates who issues the orders.
6. Participative culture → Superiors motivates their subordinates to attain goals. Subordinates involve in decision making.
7. Normative culture → Norms & procedures are predefined.
8. Pragmatic Culture → More emphasis is placed on clients.
9. Academy Culture → Roles are delegated <sup>acc.</sup> to background work experience of employees.
10. Fortress Culture → Employees are terminated if Organisation is not performing well. Employees are not sure about their careers.

## Environmental Factors:

Events that occur affect the way a business operates in a positive/negative way. These events have either positive/negative impact on organisation's business are called 'environmental factors'.

### 1) Internal Environment factors:

Events that occur within an organisation.  
ex: structure, processes, employee morale & culture changes.



1. Management: People who invested in company & have property rights and claims on the organisation.
2. Organizational structure: Structure like composition of board of directors influences business decisions.
3. Employees: Perform the task of administration.
4. Organisational cultural change: Organisation culture is the collective behavior of members, values. It plays important role in shaping managerial behavior.
5. Financial changes: It depends on financial structure of business.

### External Environment Factors:

- Events that take place outside of organisation.
- ex: Technological changes, political environment.

Types:

- 1) General or Macro Environment
- 2) Task or Micro Environment

Macro Environment: It consists of factors that may have an immediate direct effect on operations.

1. Technology: New technologies offer many sources of economic growth. Technological changes vary from industry to industry.
2. Economic Conditions: The fluctuations in economic activities of a nation by various parameters such as Gross Domestic Product (GDP), price level etc. These factors affect the cost of i/p & ability of customers to buy goods and services.

3. Political factors: The performance, growth & survival of business depends on the attitude of the govt. towards business.

4. Socio Cultural Factors: Socio cultural environment comprises the basic beliefs, values & norms which shape the people. It plays major role in deciding the wants and needs of the people.

Micro Environment: Factors that directly affect and are affected by organization's operation.

1. Suppliers: The raw materials supplied by suppliers are converted to op. The relation between organization and suppliers of i/p present the forces in the environment that directly influences the operation of the firm.

2. Customers: Customer's taste and preferences are not static but keep on changing.

3. Competitors: Competitor is a major influence in shaping its organisation. Each company identifies their competitor, monitor their moves, maintain customer loyalty.

### Current Trends and Issues Management:

changes in socio-economic and political conditions are bound to bring the changes in the environment within the organisations.

i) Workforce diversity: Workers come with their differing cultural values and life style preferences.

ii) Changing demographics of workforce:

Increase in no. of womenfolk joining the workforce in Industries, young workers increased life expectancy.

iii) Changing employee expectations:

Employee's expectations changed from traditional attraction such as job security, attractive remuneration.

iv) Internal environment:

Creating an environment, which is responsive to external changes, provides satisfaction to members

v) Building organisational capabilities:

Managers will be required to live in a psychological state of readiness to continually change.

vi) Job design and organisational structure:

Designing an organization with foreign concepts give away for strong organizational structure.

Approaches: Task approach & People approach.

Task approach is based on technology & job.

People approach takes awareness of strengths.

vii) Changing psycho-social system:

Traditional bureaucratic model of compartmentalization of work function gave to participation.

viii) Technological advances:

- New jobs will be created

- Many old jobs become redundant.

ix) Management of human relations:

New generation of workspace ask for higher degree of participation.

x) changes in legal environment:

To meet increasing challenges, necessary adjustments to be made so that greater utilization of human resources can be achieved.

xi) Change in industrial relations:

Workers need simpler and appropriate ip's, but both workers and managers must be manage.

xii) Expanding Globalisation:

Globalisation is the process of transformation of local or regional phenomena into global ones.

Business has crossed national boundaries and it has become a global known as multinational business.

## UNIT II . PLANNING.

### Introduction:

Planning is the process of selecting objectives and determining the course of action required to achieve these objectives.

### Nature and purpose of planning:

i) Planning - a primary function:

→ Planning precedes all functions such as organizing, directing, controlling etc.

ii) Planning - a dynamic process:

→ Planning is a continuous managerial function involving processes such as perception, analysis, communication, decision and action - Never ending activity of manager → modify, revise according to changes.

iii) Planning - based on objectives and policies:

→ Planning process involves in setting objectives to be achieved and determining the technique for achieving these objectives → Techniques like policies, norms & procedures are formulated.

iv) Planning - a selective process:

→ The planning manager has to select only one alternative which is best suited to the firm.

v) Pervasiveness of Planning: Not for top level

→ Planning should spread throughout organisation. Every manager has a plan to perform.

vi) Planning - an intellectual process:

→ Planning is a mental exercise involving creative thinking, sound judgement & imagination.

vii) Planning is directed towards efficiently:

- Planning is an intellectual activity.
- Planning provides goals and objectives.

viii) Planning - Focus with future activities:

- Planning forecasts the future situation.
- Planning decides the present what is to be done in future.

ix) Flexibility of planning:

- Planning is flexible as commitment which is based on future course of action.

x) Planning is based on facts:

- Planning is conscious determination of course of action for the future.

Planning Process:

Planning is a process which contains no. of steps within it. Planning process is suitable for large scale organisation.

i) Identification of opportunities:

- Starting point of planning.
- Identify the possible future opportunities and analyse them clearly and completely.

ii) Establishment of objectives or goals:

Objectives specified in all key result areas. Key result areas maybe profit, sales, research and development. Overall objectives are set which shape the structure of other subsidiary objectives.

### iii) Developing planning premises:

Planning premises are the assumptions which we should make about the various elements of environment. It provides basic framework in which plans operate.

\* Internal premises - Organisational policies, sales forecasts etc.

\* External premises - political, social policies etc.

### iv) Identification of alternatives:

→ Based on organisational objectives and planning premises, various alternatives of plans can be identified. Some are rejected based on investment, govt. control, market condns, tech etc.

### v) Evaluation of alternatives:

→ Alternative course of action is evaluated on the basis of profitability, capital investment, risk involved etc.

→ In evaluating alternatives, intangible factors such as public relations goodwill of the company, employee morale etc. are to be considered.

### vi) Selecting Alternatives:

After evaluation of various alternatives, most appropriate course of action is selected. If more than one alternative is suitable, then many alternatives may be chosen for execution.

### vii) Formulative of derivative plans:

Several minor plans required to support and execute major plan → derivative plans. ex: buying equipment

viii) Establishing sequence of activities:

While formulating derivative plans, built-in mechanisms should be created for periodic review and updating various plans whenever necessary.

The starting & ending times are fixed for each piece of work, so when and within what time that work is to be commenced and completed.

### Types of Planning:

1. Operational planning
2. Tactical "
3. Strategic "
4. Contingency "

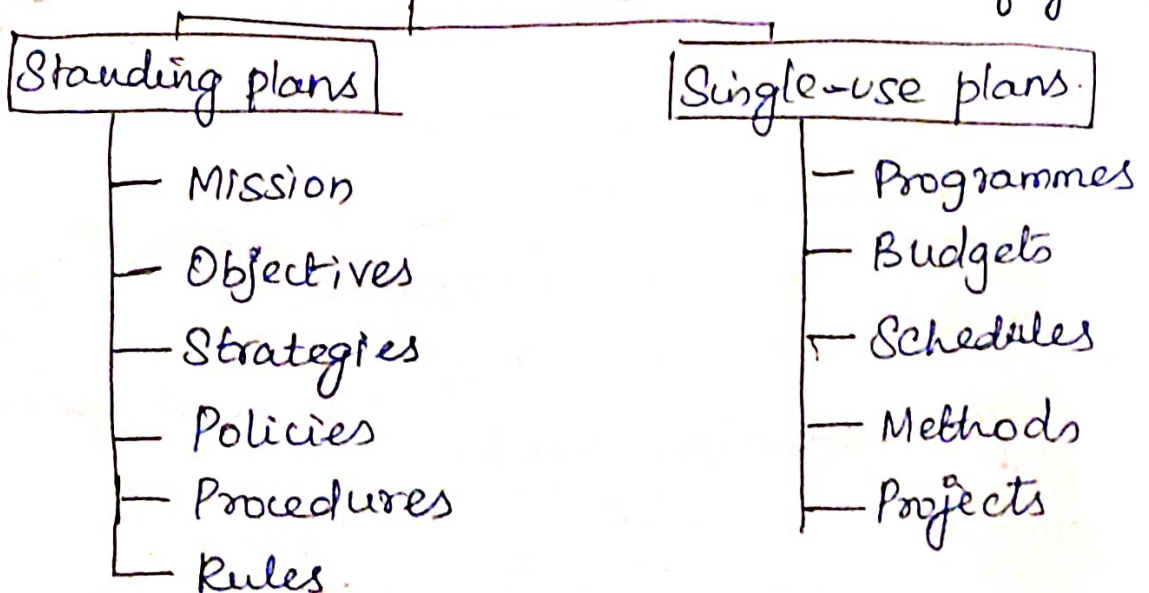
#### 1. Operational planning:

→ A manager uses to accomplish his job responsibilities.

→ Supervisors, team leaders develop operational plans to support tactical plans.

→ Single use plan - apply to activities that

Types: → Standing plans made once but don't repeat.  
Operational Plan retain values over period of years.





## ii) Tactical Planning:

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 are strategic plans.

## iii) Strategic Planning:

- An outline of steps designed with the goal of the entire organisation. Strategic planning begins with an organization's mission. Strategic plans look ahead over next two to 5 years to move the organisation from where it currently is to where it wants to be.

## iv) Contingency Planning:

- Plan devised for a specific situation when things could go wrong.

- devised by governments or businesses who want to be prepared for anything that could happen.

- developed to explore and prepare for any eventuality.

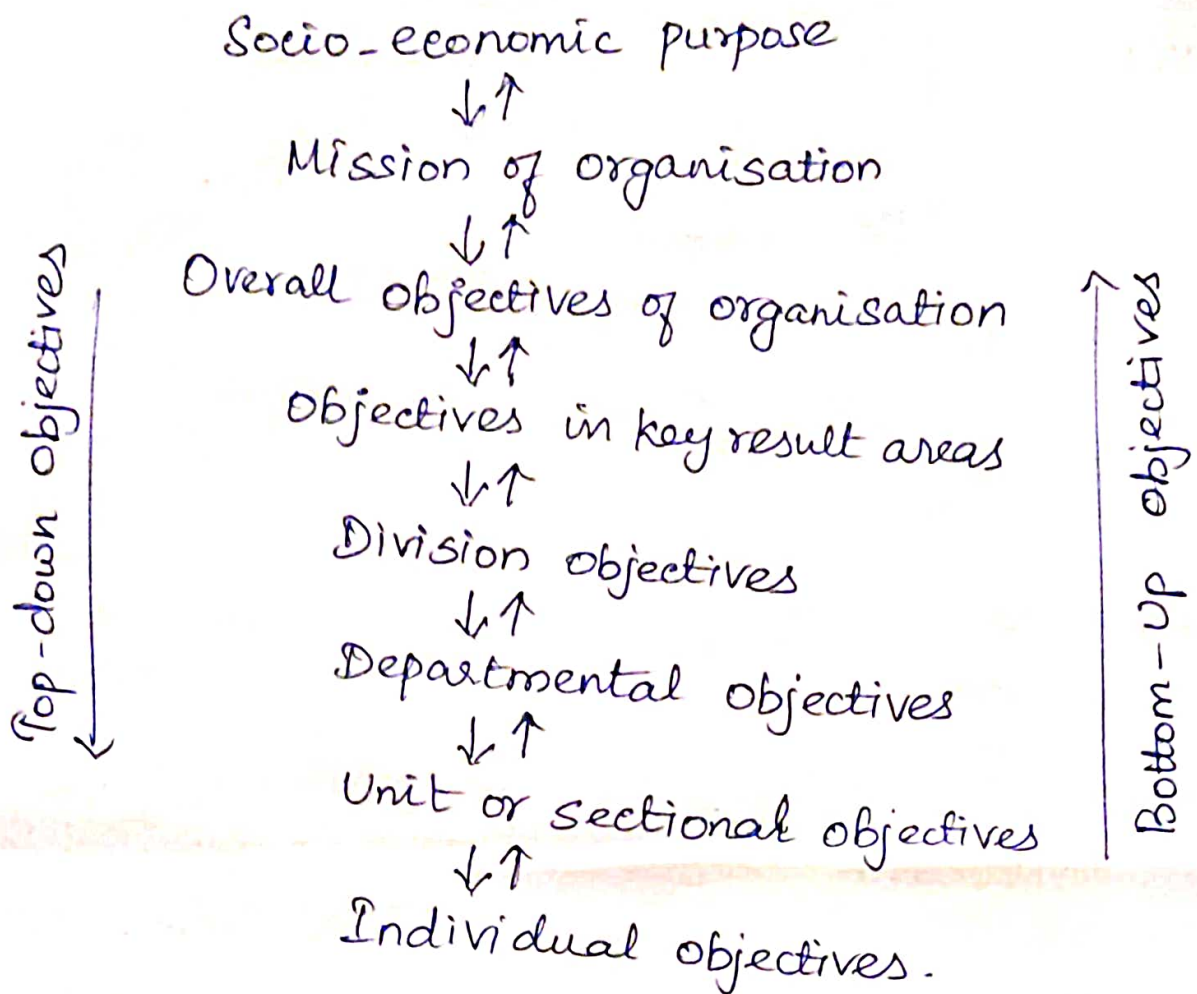
## Objectives:

- Objectives are aims, purposes or goals that an organisation wants to achieve over varying periods of time.

- Objectives let people know what they are trying to do or what is expected of them at the end of evaluation period.

Nature of objectives:

i) Hierarchy of objectives:



In top-down approach, total organisation is directed thro' corporate objective provided by top level management.

In bottom-up approach, top level management needs to have information from low level in the form of objectives.

ii) Objectives from a network:

In both objective and planning, a network of desired results and events is formed. If goals are not interconnected, then it may not support one another.

iii) Multiplicity of objectives:

Objectives of an organisation maybe profits, survival, growth etc. It helps to an organisation making balanced goals.

- Objectives:
- \* Selecting highly qualified students
  - \* Providing high quality teaching
  - \* Providing training and placement for their students.
  - \* Providing higher degrees (M.E, & Phd.)
  - \* Interacting with industries if it is e.g., Colleges.

iv) Objectives have a time span:

Some objectives achieved within a year → Short term objectives

Some achieved over a long time → long term objectives

Both objectives need to be integrated so that they reinforce each other.

v) objectives maybe tangible or intangible:

Tangible objectives → achievement of materially quantifiable targets

Intangible objectives → factors like brand, company etc

vi) Objectives must have social sanction:

Organisations are social units their objectives must confirm to the general needs of the society.

Advantages:

- 1) Unified planning
- 2) Defining an organisation.
- 3) Direction
- 4) Individual motivation.
- 5) Basis for decentralization.
- 6) Basis for control.
- 7) Co-ordination.

## Setting Objectives:

Overall objective is set by top management. Objectives are set by vote of shareholders, board of directors, governing board and executive committee.

### Guidelines:

- i) Objective should cover the main features of the job.
- ii) Objectives must be clearly specified in writing.
- iii) Objectives should be verifiable.
- iv) Objectives indicate the organizational mission.
- v) Objectives should be challenging and reasonable.
- vi) Objectives yield specific results when achieved.
- vii) Short term objectives should be consistent with long-term objectives.
- viii) Objectives should be periodically reviewed.
- ix) Objectives indicate the resources and authority required for achieving it.
- x) All assumptions underlying the objectives are clearly identified.

### Areas of objective setting:

1. Market standing
2. Innovation
3. Productivity
4. Profitability
5. Public responsibility
6. Worker performance.

- Examples:
1. Maximise net profit over short/long period.
  2. Maximise company's net assets.
  3. Maximise dividends for shareholders.
  4. Maximise company's prestige.
  5. Be service to the community.
  6. Create a friendly and pleasant workplace.
  7. Keep the govt. out of business.
  8. Maximise the company's rate of growth.

Benefits:

- 1. It sets specific targets for the employee.
- 2. It provides the direction for the employee.
- 3. It increases staff motivation.
- 4. It allows progress & success to be monitored & measured by manager.
- 5. It helps to focus on a specific task.

Policies :

"A policy is the statement or general understanding which provides the guidance in decision-making to members of an organisation in respect to any course of action."

Characteristics:

1) Relationship to organisational objectives:

Policies based on objectives and they should contribute towards the attainment of objectives.

2) Clarity of policy: A policy should be clear, definite. It should be easily understandable.

3) A policy is a guide to think in decision-making:  
- Policy prescribes criteria for current & future action.  
- Effective instrument for the execution of plans of organisation.

4) Policies should be written:

A written policy is easy to communicate thro' an organisational manual.

5) Communication of policies:

All policies are communicated to the people who are going to implement them.

6) Consistency of policies:

Policy should provide consistency in the operation of organisational functions.

7) Balance of policy:

Policies maintain balance between stability & flexibility. It should be fair & reasonable.

8) Planned formulation:

Policy must be planned & should conform to the norms of ethical behaviour & standards.

Need of policy:

- 1) To operationalise objectives
- 2) To save time and effort
- 3) To facilitate delegation of authority.
- 4) To speed-up decision making
- 5) To control administration.

Policy formulation

Process:

Defn of policy area



Defn of policy alternatives



Evaluation of policy alternatives



Choice of policy



Communication of policy



Implementation of policy



Review of policy.

Types of policies:

- 1) Formulated policies
- 2) Appealed policy
- 3) Imposed policy
- 4) Written policies
- 5) Implied policies.

Planning Premises: The assumptions about future derived from forecasting and used in planning.

"Planning premises are the critical factors which lay down the boundary for planning".

Classification:

1. Internal and external
2. Tangible and intangible.
3. Controllable and uncontrollable.

i) Internal and external premises:

Internal → purpose, mission, experience of management.

External → General business environment  
→ product market consists of demand.

ii) Tangible and Intangible premises:

Tangible → expressed in quantitative terms such as monetary unit, labour hour & machine hour.

Intangible → can't be measured quantitatively.  
→ ex: reputation of concern, motivation, employee morale etc

iii) Controllable and uncontrollable premises:

Controllable → within the control and realm of management  
→ Internal

→ ex: Organisational structure, system, procedures

Uncontrollable → can't be controlled by organization action.

→ ex: rate of economic growth, population growth

Making premises effective:

- i) Selection of premises
- ii) Collection of information.
- iii) Development of alternative premises for contingency planning.
- iv) Verification of consistency of premises
- v) Communication of planning premises.

Strategic Management:

" Strategy is the determination of basic long-term objectives and adoption of course of action and allocation of resources to achieve these goals".

Nature of Strategy:

- i) Strategy relates an organisation to its environment
- ii) Strategy is the right combination of internal and external factors.
- iii) It is a contingent plan.
- iv) It may involve contradictory plan.
- v) It provides a guideline for future of action.
- vi) Strategy is forward looking
- vii) Strategy is flexible and dynamic.
- viii) It involves the assumption of certain calculated risks
- ix) It is an interpretative plan
- x) It is formulated by top level management.



## • Need of Strategy:

- Strategy is more helpful for facing environmental challenges.
- Strategy provides a long-term guide towards achievement of objectives.
- It ensures more efficient and effective utilization of organisational resources.
- It integrates different departments and groups of the organisation.
- It helps in maintaining the firm's market share.

## Steps: 1) Mission and objectives:

Mission - The basic purpose for which organisation has been started.

Objectives - End results which an organisation tries to achieve.

## 2) Environmental analysis:

- An organisation must know the kind of environment in which it has to work.

- Integrate Organisation to its environment.

## 3) Corporate analysis:

- The Strength & weakness of organisation are analysed in corporate analysis, such as resource analysis. It is carried out to identify factor for the success of present.

## 4) Identification of alternatives:

Alternatives are developed on the basis of analysis of external & internal environment. They are evaluated based on organisational mission & objectives criteria.

## 5) Strategic decision-making:

choice of Strategy depends on management, external environment, management attitude towards risk etc.

## 6) Implementation, review & Control:

- Factors:
- \* Design a suitable organisation structure.
  - \* Develop and motivate people to take up work.
  - \* Design effective control & information system.
  - \* Allocation of resources etc.

## Major kinds of Strategies & Policies:

Growth, Finance, organisational structure, personnel, products, market.

## Planning Tools and Techniques: Tech $\rightarrow$ Access environment $\rightarrow$ Allocate resources

### a) 1) Environmental Scanning:

- process of screening large data in terms of information to expect & realize changes in the environment.

### 2) Competitor Intelligence:

- environmental scanning activity by which organizations collect information about competitors in the form of work and action.

### 3) Global scanning:

- used by managers to see the changes and trends in global environment.

### b) Forecasting:

- Process of estimating the future based on analysis of their past and present behaviour.

## Applications of forecasting:

1. Inventory control: Forecasting the demand for a product enables us to control the stock of raw materials.
2. Investment Policy: Forecasting financial information such as interest rates, exchange rates, share prices etc.
3. Economic Policy: Forecasting economic information such as growth in the economy, unemployment etc.

## Features of forecasting:

\* Forecasting relates to future events which are needed for planning process.

\* Forecasting uses best available data & makes the best informed guess.

\* The analysis of various factors require the use of various statistical tools and techniques.

\* Forecasting includes feedback mechanism where actual results are compared with forecast values.

## Need of forecasting:

→ Process of making forecast and their review by authorities compel them to think ahead, looking to the future and providing for it.

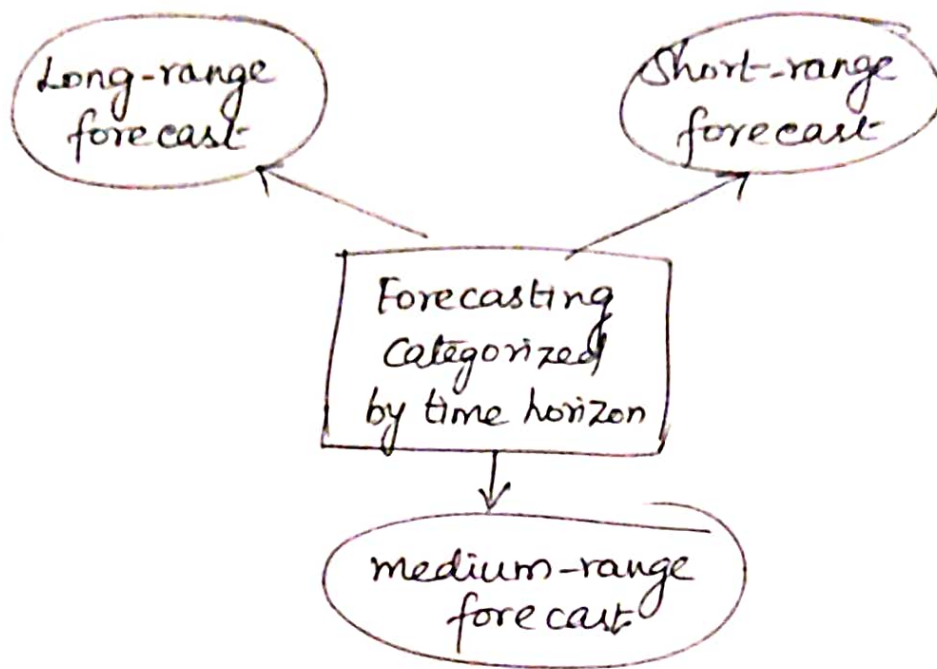
→ Preparation of the forecast may disclose the areas where a necessary control is lacking in the

→ Forecasting helps to unity and coordinate plans.

→ Forecasting helps in promotion of organisation by achieving its objectives.

→ Forecasting is a key to planning process.

## Forecasting Types



### Steps in forecasting:

1. Determine the forecast applications and objective.
2. Choose with care the items to be forecasted.
3. Determine the forecast time horizon.
4. Choose appropriate forecasting models.
5. Collect the appropriate data required to make the forecast under consideration.
6. Validate the forecasting model with care.
7. Make all relevant forecasts.
8. Implement the appropriate results.

### Forecasting methods:

1. Qualitative method
2. Quantity method

### Techniques for allocating resources:

1. Budgeting - Numerical plan
2. Scheduling - priority of activities.

### Scheduling tools

- 1) Gantt chart - actual and planned o/p over a period of time.
- 2) Load chart - Schedule capacity by entire dept.
- 3) PERT - Program Evaluation & Review Tech.  
→ flowchart shows seq. of activities to complete project

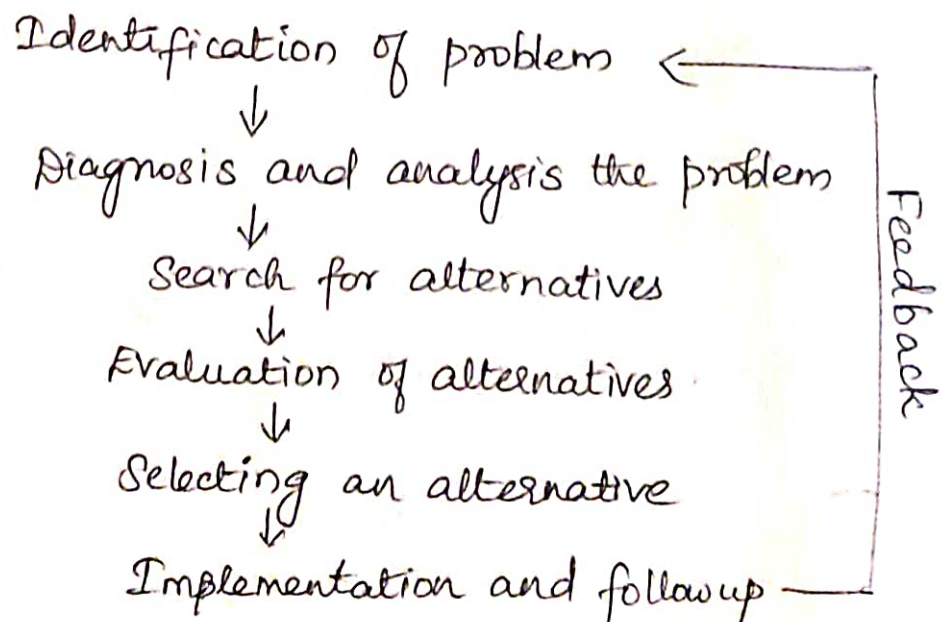
## Decision Making Steps and Process:

Decision-making → Process of choosing a course of action from among alternatives to achieve a goal.

Features: Decision-making is a selection process.

- \* The best alternative is selected among available alternatives
- \* It is goal-oriented process. Decisions are made to achieve some goals or objectives.
- \* It is the end process. It is preceded by a detailed discussion and selection of alternatives
- \* It is a human and rational process. It involves thinking and foreseeing things.
- \* It is a dynamic process. An individual takes a no. of decisions each day.
- \* It is continuous or ongoing process.
- \* Decision maybe positive or negative.

## Decision-making Process:



### i) Identification of problem:

- recognition of a problem.

change of business environment forms the main reason for creating a problem.

A well defined problem is half solved. Then, the manager should find the causes of a problem. Manager continuously monitors the decision making environment. So, he looks into management report, check progress against budgets and efficiency of employees etc. He used his experience, imagination to identify the nature of problem.

### ii) Diagnosis and analysis of the problem:

To diagnose the problem correctly, a manager obtains all relevant facts and analyses them correctly.

After diagnosing, analyse the problem. This involves classifying the problem and gathering information.

### iii) Search for alternatives:

A wide range of alternatives increases the managers freedom of choice. But, manager limits himself to the discovery of alternatives which are critical to the problem.

Creative thinking is necessary to develop alternate courses of action.

#### iv) Evaluation of alternatives:

Evaluation is the process of measuring positive and negative consequences of each alternative.

Criteria to weigh the alternative course of action are

- \* Risk: Degree of risks involved in each alternative.
- \* Economy of efforts: Cost, time and efforts involved in each alternative.
- \* Timing or situation: Whether the problem is urgent.
- \* Limitations of resources: Physical, financial and human resources.

#### v) Selecting an alternative:

Optimum alternative is one which maximizes the results under given conditions. The outcome of each alternative is compared with light of organisational objective. Various approaches such as experience, research and analysis are helpful while selecting an alternative.

#### vi) Implementations and follow up:

Implementation involves several steps:

- 1) Decision should be communicated to those responsible for its implementation.
- 2) Acceptance should be obtained from them.
- 3) Procedure and time sequence should be established for implementation.
- 4) Required resources should be allocated.

Once, the decision is implemented, it has to be monitored. When a decision is put into action, it may yield certain results. The follow-up action should be in the light of feedback received from results.



## UNIT III. ORGANISING.

### Introduction:

Organisation - Process of identifying and grouping the activities required to attain the objectives, delegating authority, creating responsibilities and establishing relationships for people to work effectively.

### Nature of Organizing:

- i) Common Objectives: Every Organisation exists to achieve some objectives. All efforts are directed towards goal.
- ii) Specialisation: Total work of an organisation is divided into functions and sub-functions to get benefits of specialization.
- iii) Authority of structure: The chain of superior and subordinate relationships is known as Chain of Command.
- iv) Group of persons: The activity of groups and authority provisions must take into account the limitations and customs of people. People constitute dynamic human element of an organisation.
- v) Co-ordination: There is a mechanism for coordinating the different activities and parts of an organisation so that it functions as an integrated whole.
- vi) Communication: Each organization has own channels for communication. These channels are for mutual understanding & cooperation among members of an organisation.

vii) Environment: An organization functions in an environment comprises economic, social, political and legal factors.

viii) Rules and Regulations: This may be in written form or implied form customary behaviour.

### Purpose Of Organizing:

Organization is backbone of management

i) To facilitate administration:

Administration aims to earn highest profit by utilizing available resources.

It provides division of labour, clear authority relationships.

Organisation is the mechanism thro' which managers direct, coordinate & control the business.

ii) To increase the efficiency of management:

A good organisation → utilizes resource effectively

→ arranges various activities to avoid delay, duplication and confusion in performance.

→ motivates employees & increases the efficiency of management.

iii) To facilitate growth and diversification:

Growth → an increase in scale of operation.

diversification → Start of production of new type of products.

iv) To ensure optimum use of man and material resources:

Optimum use of man resources is achieved by satisfaction to employees. Right persons are placed for the right job at right time to commensurate their knowledge and skills.

v) To facilitate co-ordination and communication:  
The activities of different departments are grouped together to achieve business objectives.

vi) To permit optimum use of technological innovations:  
If new technology is adopted by the enterprise, max. benefits will be obtained in any fields.

vii) To stimulate creativity and initiative:  
An organization stimulates creative thinking and initiates the provision for well-defined areas of work. It provides an opportunity for the staff to show their hidden talents which helps to achieve the goal of enterprise.

viii) To facilitate the development of managerial ability:  
The managerial personnel are trained to acquire a wide and varied experience in diverse activities thro' job rotation. They may be ready to handle the top positions when required.

# Formal and Informal Organisation:

## Formal Organisation:

- consists of classical hierarchical structure in which position, responsibility, authority, accountability and line of command are defined and established.

"The formal organisation is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."

### Characteristics:

- 1) It is flexible and properly planned.
- 2) It is based on principle of division of labour and efficiency in operation.
- 3) It concentrates more on the performance of jobs.
- 4) Organisation charts are drawn.
- 5) Unity of command is normally maintained.

### Advantages:

- 1) Definite boundary of each worker is defined, so conflict among the workers is reduced.
- 2) Overlapping of responsibility is easily avoided.
- 3) It motivates the employees.
- 4) A sense of security arises from classification of the task.
- 5) More stable organisation can be ensured. It makes less dependent on one man.

## Informal Organisation:

- An organisation which establishes the relationship on the basis of member's interaction, communication, personal likings and dislikings and social contacts within as well as outside the organisation.

- This organisation gives a greater job satisfaction to the individual and results the max. production.

### Characteristics:

- i) It arises without any external cause.
- (ii) voluntarily.
- ii) It is created on the basis of some similarity among the members.
- iii) It has no place in organization chart.
- iv) It is one of parts of total organization.
- v) It has no structure
- vi) Rules & regulation are not written.

### Advantages:

- i) It motivates workers and maintains the stability of work.
- ii) It fills up the gaps and deficiency of formal organisation.
- iii) It fills up the gaps among abilities of managers
- v) It encourages the executives to plan work correctly.
- vi) It is one of useful channels of communication.

## Disadvantages:

- i) It reduces the effort of management to promote the greater productivity.
- ii) It spreads rumour among workers regarding functioning of organization unnecessarily.

## Differences:

<u>Point of View</u>	<u>Formal Organisation</u>	<u>Informal Organisation.</u>
1. Origin	- created deliberately, consciously by frames of organization.	- Created spontaneously and naturally
2. Purpose	- Created for achieving legitimate objectives of the organization.	Created by members of organization for social psychological satisfaction
3. Nature	Planned & official	Unplanned & unofficial
4. Size	Large	Small.
5. No. of Groups	More	Less.
6. Nature of groups	Stable & continuous for a long period of time.	Quite unstable in nature.
7. Structure	Definite, rational and mechanical.	Structureless, impersonal & emotional.
8. Authority	- flows from top to bottom	- flows upward to downward or horizontally
9. Control process	Rigid rules & regulations.	- Group norms &

# Organizational chart:

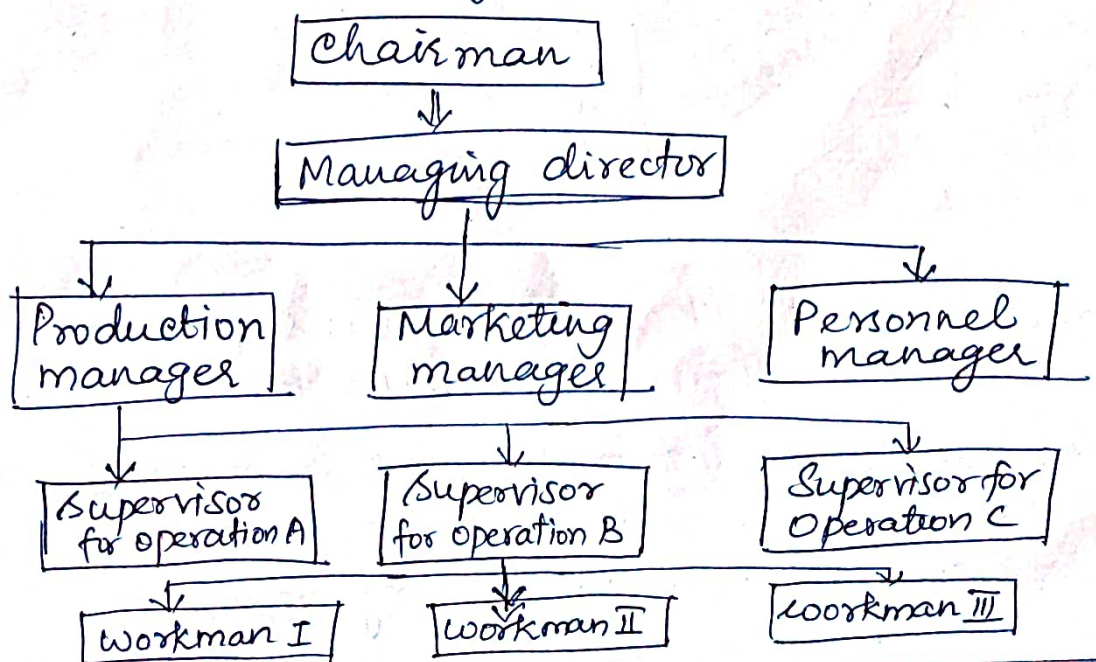
"An organization chart is diagrammatic representation of the framework or structure of an organization".

## Contents:

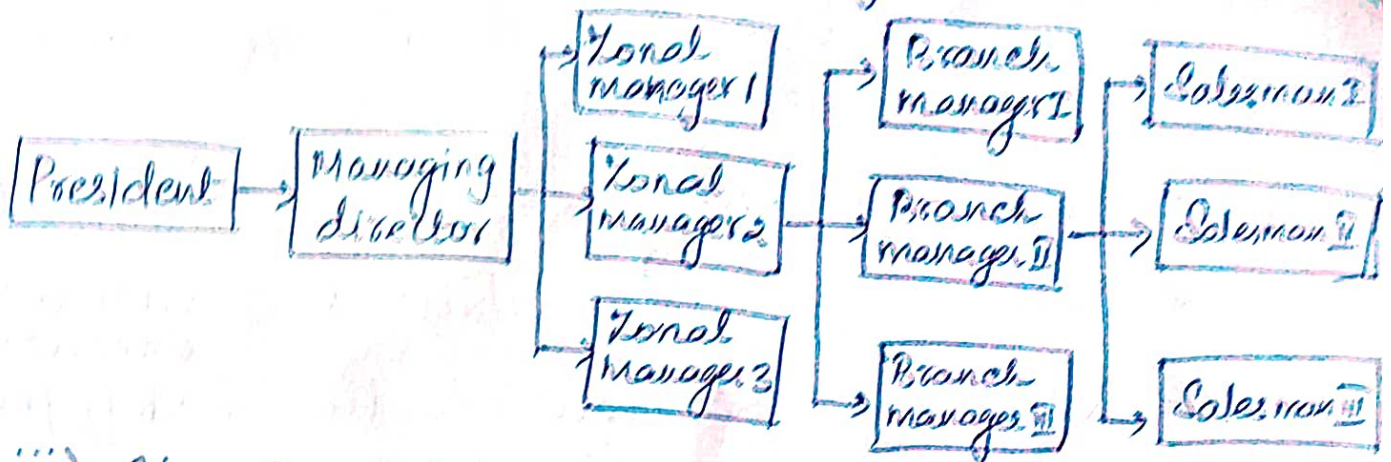
- \* Basic organization structure & flow of authority.
- \* Authority and responsibilities of various executives
- \* Relationship between the line & staff persons
- \* Name of the components of organisation.
- \* Position of various office personnel.
- \* Channel of communication.
- \* Total no. of persons working
- \* Ways of promotion & Salary Particulars.

Types: 1. Vertical chart (Top-down chart):

- Structure in the form of pyramid.
- Highest position in top, the next highest follows the next highest one.

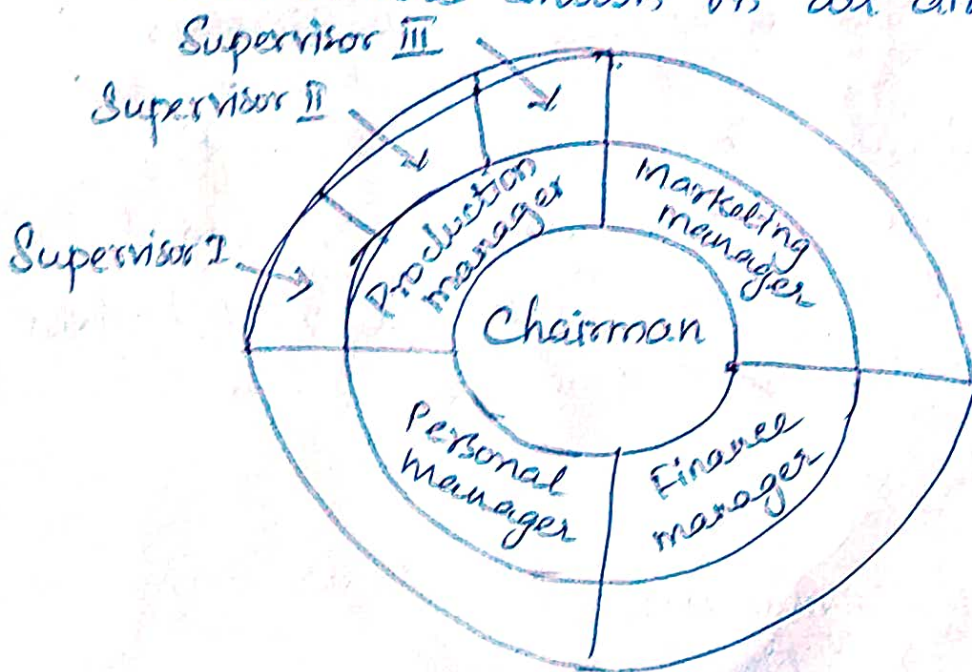


- ii) Horizontal chart (left to right chart):
- Highest position at extreme left & lowest position at extreme right.



- iii) Circular chart:

- Position of top executive is shown in the centre of the chart. The subordinates of top executives are shown in all directions outward from centre.



- Advantages:
1. It shows various positions and their relationships in the organisation.
  2. Dual reporting relationships and overlapping positions come to light.
  3. Starting point of planning organisational changes.



4. It improves both inward/outward communication.
5. It provides good clues to the line of promotion.

### Disadvantages:

1. It omits important informal relationships.
2. If charts are not prepared properly, it leads to misleading interferences.
3. It provides an inappropriate description of
4. The words and lines give different <sup>authority</sup> meanings to different persons.
5. It creates psychological problems among individuals.

### Organizational Structure:

- Formal pattern of interactions and coordination designed by management to link the task of individuals and groups in achieving the organization goals.

- Organization structure consists of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly.

### Significance:

- 1) Properly designed organisation helps to improve the teamwork and productivity.
- 2) It determines the location of decision-making
- 3) It stimulates creative thinking and initiative
- 4) It provides the pattern of communication and coordination.

## Types of Organization Structure:

- a) Based on power flow,
  - i) Bureaucratic
  - ii) Organic Structure.
- b) Based on formation of dept.,
  - i) Functional
  - ii) Divisional
  - iii) Matrix
  - iv) Team
  - v) Network Structure.

### 1) Bureaucratic [mechanic] Structure:

Bureaucracy is a form of organisation based on logic order and appropriate use of formal authority. Bureaucracies are orderly, fair & highly efficient.

#### Features:

- i) Administrative class is responsible for coordination of members.
- ii) Clearly specified tasks using division of work principle.
- iii) Organisation is governed by official written rules & regulations.
- iv) Maintenance of official records by people in enterprise.

#### Drawbacks:

- Suitable for stable external environment only.
- Lack of flexibility.
- Incompatible with the development of mature personality.
- Neglect informal organization and interpersonal difficulties.
- Too rigid rules make organizational objectives secondary.

## 2) Organic or adaptive Structure:

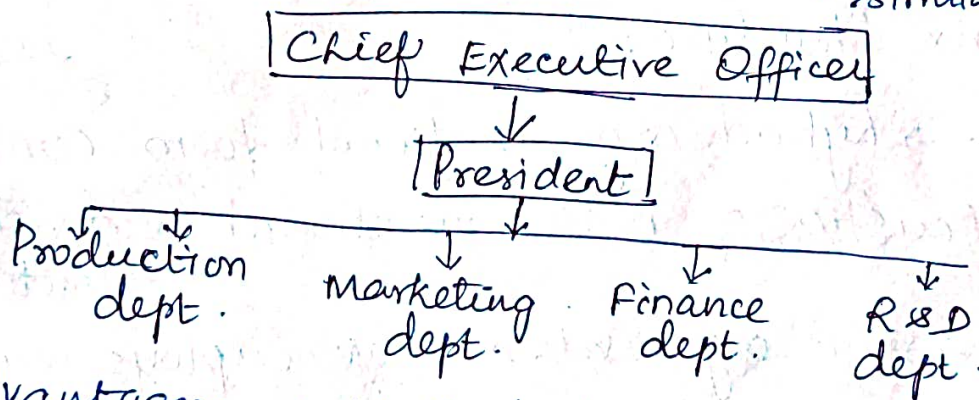
- Opposite to bureaucratic
- maintains high degree of openness to i/p.
- works better in dynamic environment.
- management founded on cooperation and knowledge-based authority.

### Features:

- i) Roles that are not highly defined
- ii) Tasks are continually redefined.
- iii) Decentralized control
- iv) Fast decision-making
- v) Informal pattern of both delegation & communication.

## 3) Functional Structure:

- Most popular organizational structure.
- Groups the positions of work based on similar activities.



### Advantages:

- \* Well defined channels of communication.
- \* Faster stability & efficiency.
- \* Makes employees comfortable.
- \* High degree of control.

### Disadvantages:

- \* Communication between dept. is difficult.
- \* Authority is more centralized.
- \* Creates line & staff conflict.
- \* Lacks the response.

#### A) Divisional Structure:

- Organization is divided into autonomous divisions. - Divisions are based on organizational outputs. Each division has its own production, marketing, R&D and finance dept.

Advantages:

- i) Improves ability of a company.
- ii) Develops managerial skills & executive skills.
- iii) Organization size can be increased.
- iv) Performance measure is easier.

Disadvantages:

- i) Reduction in specialization.
- ii) Competition among divisions.
- iii) Costly
- iv) Complex control system required.

#### 5) Matrix Structure:

→ hybrid organizational form contains characteristics of both functional & divisional structures.

→ An organisation that employs multiple command system that includes not only multiple command structure, but also related support mechanism and an associated organisational culture and behaviour pattern.

→ Project manager is not assigned complete responsibility of resources, he shares them with others.

## Advantages:

- 1) Matrix Structure focuses the resources on a single project. It permits better utilization of resources. Projects can be completed within the time.
- 2) It is more flexible.
- 3) Specialized knowledge is available to all projects.
- 4) It provides good motivation to the personnel engaged in the project.
- 5) Most of the decisions are taken at low levels.

## Disadvantages:

- 1) The major limitation relates to power struggles.
- 2) The organizational relationship becomes complex.
- 3) It is created by deputing staff temporarily from different functional dept.
- 4) It may be expensive.
- 5) Available resources are utilized by dept. for taking the group decisions.

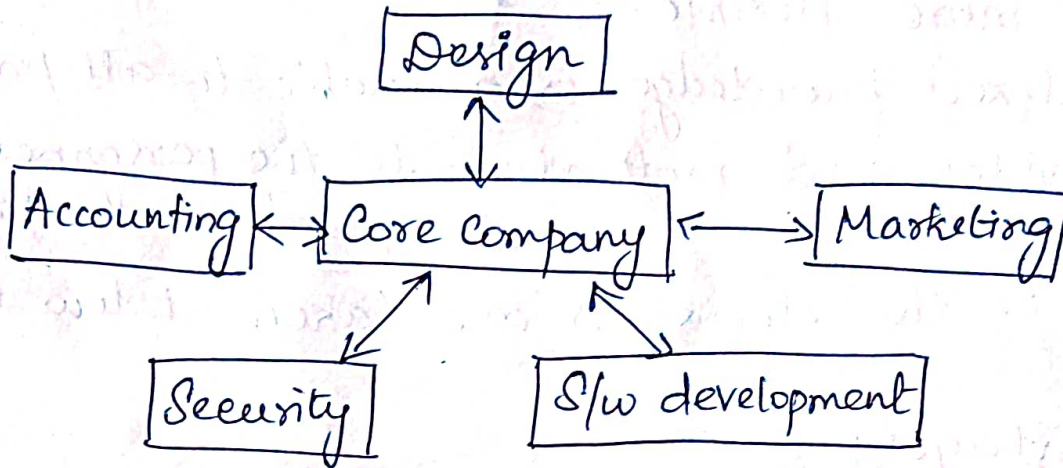
## b) Team Structure :

- Organizes the separate functions into a group based on one overall objective. These cross functional teams are composed of members from different dept. who work together to solve problems.

- Advantages:
- i) Inter dept. barriers breakdown.
  - ii) Decision-making and response time
  - iii) Employees are motivated. Speeds up.
  - iv) Levels of managers are eliminated
  - v) Administrative costs are lowered.

- Disadv: 1) Conflicting loyalties among team members  
 2) Time-management issues.  
 3) Increased time spent in meetings.

#### 4) Network Structure:



- N/w structure relies on other organisations to perform critical functions on a contractual basis

- Adv: 1) It provides flexibility  
 2) Decision making speeds up  
 3) Levels of managers are eliminated.  
 4) Administration cost low.

Disadv: It results the unpredictability of supply and lack of control.

#### Line and Staff Authority:

Two approaches to understand line and staff authority such as (1) functional approach and (2) authority approach.

Functional approach → line functions are directly related with the attainment of goals  
 → Staff functions help line functions to attain objectives.

Authority approach → Line authority is a direct authority which a superior exercises over his subordinates to carry out orders.  
 → Staff authority involves giving advice to line managers to carryout operation.

Line Authority:

- Simplest and earliest form of authority.
- military, traditional, scalar form of authority.
- Structure is a vertical relationship thro' which authority flows.
- exists between superior & subordinate.

Line authority works as follows:

- i) Officials are in the chain of command from high to low level.
- ii) As a chain of communication, bet. superior and subordinate.
- iii) It carries ultimate responsibility for the work assigned.

Adv:

- 1) Simple & easy to understand.
- 2) Most economical & effective.
- 3) Delegation of authority, channel of Comm is clear.
- 4) Excellent discipline in enterprise.

Disadv:

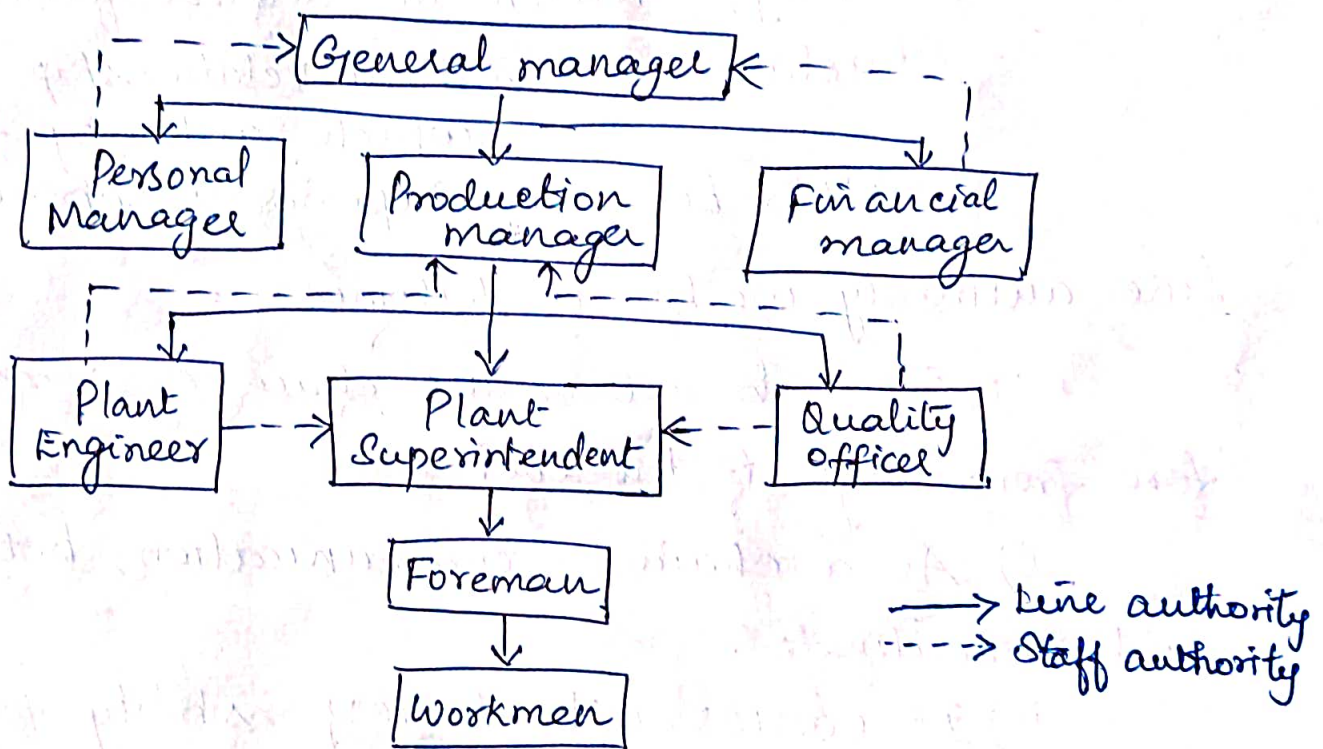
- 1) rigid & inflexible.
- 2) neglects specialists
- 3) Overloads few key executives.
- 4) limited to too small organisation.

## Staff Authority:

Staff refers to elements which help line to work more effectively in accomplishing primary objective of enterprise.

Function of staff is to investigate the research and give advice to line managers.

## Line and Staff authority relationships



## Forms of Staff authority:

- i) Advisory staff authority:- Staff manager provides advice, assistance & information to line managers.
- ii) Compulsory staff consultation:- Staff person must be consulted by a line person before action is taken.
- iii) Concurring authority: Staff person may be granted authority so that no action can be taken until he agrees it.



- Advantages:
1. Staff improves the quality of decisions.
  2. They maybe allowed the time to think, collect data.
  3. If operations are complex, line-people require advice of staff.
  4. Staff help in coordinating activities.
  5. Staff experts maybe given authority to prescribe systems.

- Limitations:
- i) Danger of undermining line authority.
  - ii) Lack of staff responsibility
  - iii) Thinking in vacuum.
  - iv) Managerial problems.

### Departmentalization:

- Process of grouping the similar activities, of the business into dept., divisions. It is used for the purpose of facilitating a smooth administration at all levels.

- Need:
- Increases the efficiency of workers by providing the specialization of work.
  - helps in fixing the responsibility to various executives of the organization.
  - provides an opportunity to managers to take initiative in completing the job effectively.

### Departmentation by Strategies:

- Departmentation by
- i) numbers
  - ii) time
  - iii) enterprise function
  - iv) territory
  - v) customers
  - vi) equipment
  - vii) product.

i) Departmentation by numbers:

- Created on the basis of no. of persons forming the dept. Similar activities are performed by small groups. Each is controlled by supervisor.

Disadv.: It requires more specialized and diff. skills.  
It is useful only at low level of organization structure.

ii) Departmentation by time:

- Business activities are grouped together as the basis of time performance.

Adv.: i) Service can be rendered around clock basis.  
ii) Expensive capital equipment can be used effectively.  
iii) Provides part time work to the students those studying during the day.

Disadv.: i) Supervising maybe lacking during night shift.  
ii) Some of them feel difficult to switch from day shift to night shift.  
iii) It creates problems in coordination.  
iv) Payment of overtime rates ↑ the cost of product.

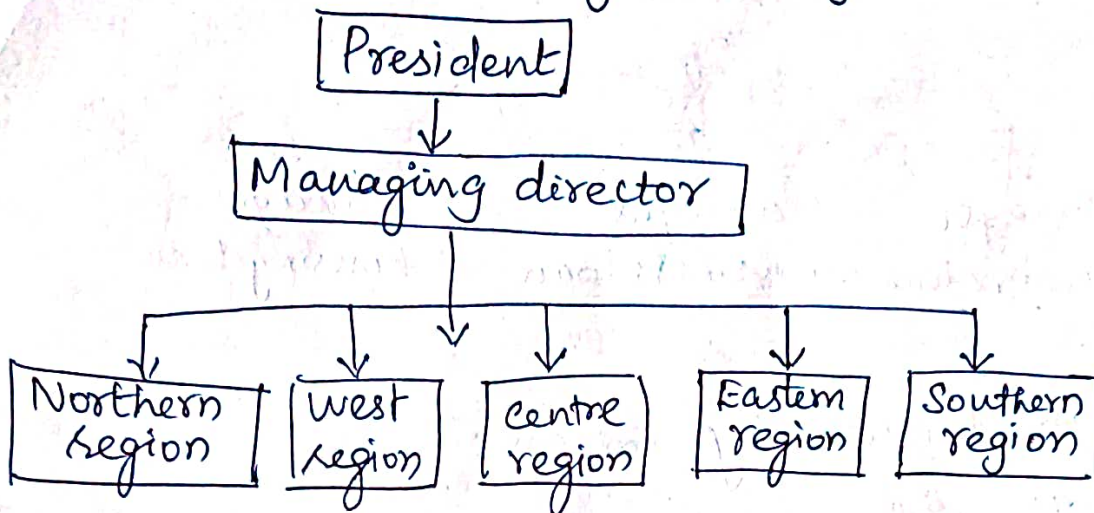
iii) Departmentation by enterprise function:

- Activities are grouped on the basis of functions which are to be performed.

Adv.: → Logical, scientific method of departmentation.  
→ provides the specialization of work.  
→ ensures proper performance control.  
→ facilitates delegation of authority.

Disadv.: → Increases workload of heads.  
→ Grow in size to justify costs.  
→ Dept. managers handle problems in dept. alone.

#### iv) Departmentation by territory:



When large organisation operates in different geographical areas, it is desirable to create dept., along geographical lines.

Adv.: → It places the responsibility at a low level and improves coordination of activities at regional level.

→ Reduces the cost of operation.

→ Better coordination of activities

→ facilitates the expansion of business to various regions.

Disadv.: → Lack of communication

→ Friction bet. regional managers.

→ increases no. of personal & cost.

→ duplication of physical facilities due to higher cost.

#### v) Departmentation by customers:

— preferred when the needs of customers are different in nature.

Adv.: → Facilitates concentration on customer needs

→ Develops specialisation among staff.

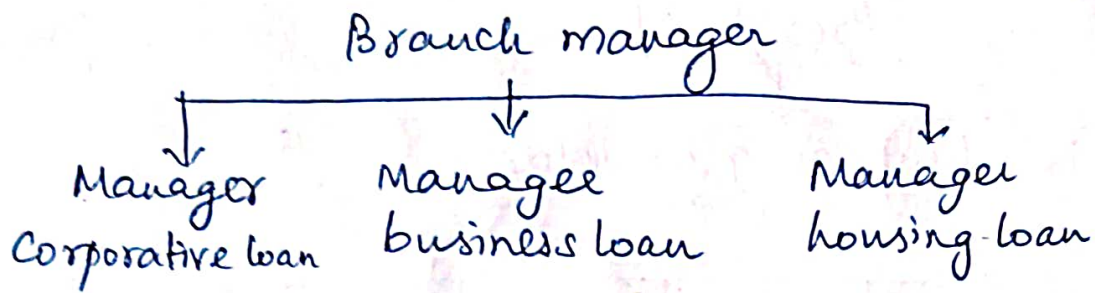
→ Helps organization to get correct feel of market.

Disadv.: → duplication of activities.

→ under utilization of facilities.

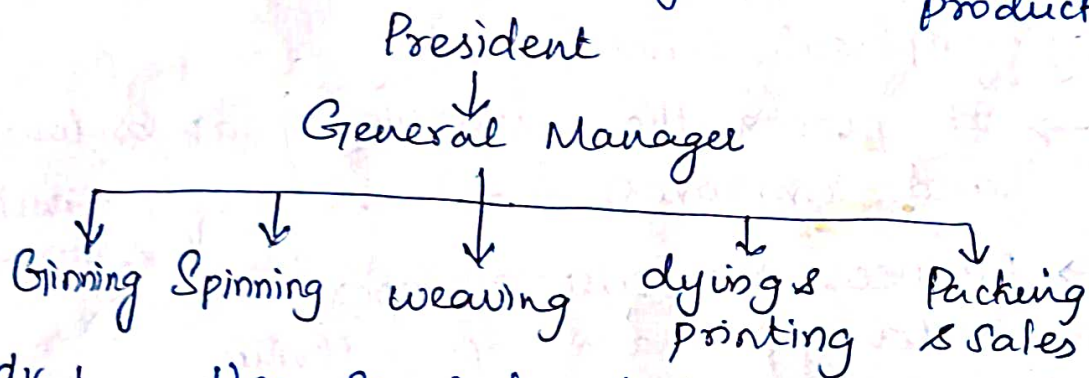
→ Requires managers and staff expert in customer problems.

## Dept. by customers.



## Departmentation by Process:

To achieve efficiency & economy in operation, activities are grouped on the basis of production process.



- Adv.!
- Use specialized technology
  - No duplication of activities.
  - provides effective utilization of special skills
  - Principle of specialization & division of labor are followed.

- Disadv:
- Coordination of dept- is difficult.
  - Most specialists are essential to each process.
  - Don't give training to staff.
  - Conflicts among managers.

## vii) Departmentation by product:

- Used in multiline corporations where product expansion, manufacturing & marketing are of primary concern.

Adv.

## Advantages:

- Place attention on product line.
- helps in maximizing the utilization of personal efficiency.
- Improves the coordination of functional activities.
- Better services maybe provided to customer.
- Performance of each product division and its contribution to overall results can be easily evaluated.

## Disadv:

- Requires more persons with general management abilities.
- Requires an additional cost for maintaining the sales personnel.
- Creates the problem of effective control.
- duplication of work.

## Delegation of Authority:

- Process which enables a person to assign works to others and delegate them with adequate authorities to do it.

- Features:
- i) Delegation is authorisation to a manager to act in a certain manner. The degree of delegation defines the limits within which a subordinate has to decide the things.
  - ii) A subordinate receives authority from his superior, but his superior still retains all his original authority.
  - iii) A superior can't delegate the entire authority to his subordinate.
  - iv) Delegation doesn't imply the reduction in the authority of a manager.

## Importance of delegation:

- It relieves the manager from his heavy workload.
- It leads to a better and quick decision in the organisation.
- It enables the manager to obtain the specialized knowledge.
- It helps to improve job satisfaction, motivation.

## Types of delegation:

- i) Over delegation: Some managers burden their subordinates due to their insecure ability to perform a task and poor time management for the task.
- ii) Under delegation: It occurs frequently with false assumptions by managers due to lack of ability on their part to complete the job correctly.

## Process of delegation:

- i) Determination of results expected:  
Results expected from the position must be clear to make the delegation effective.
- ii) Assignment of duties:  
The superior should define the function of each subordinate. During assignment, the superior must ensure that subordinate accepts their duties.
- iii) Delegation of authority:  
After assigning the duties, there will be a need for authority to accomplish it.
- iv) Creation of obligation: Assign duties & grant authority.

## Centralisation and Decentralisation:

- Refers the location of decision-making authority in an organisation.

→ Centralisation - Authority for most decisions is concentrated at the top of managerial hierarchy.

→ Decentralisation - requires such authority to be dispersed by extension and delegation thro' all levels of management.

Adv.: → Reduces the burden of management.

(de-ccn) → Encourages the decision making

→ Facilitates growth & diversification in an organisation

→ Enables staff to complete work early.

→ Encourages development of superiors by providing them opportunities to take more responsibility.

→ Facilitates setup profit centres.

Disadv.: \* It is difficult to have a uniform policy and procedure.

\* Increase in complexity of coordination of decentralized organisation units.

\* Possibility of duplication work.

\* Large no. of staff and supervisors are required under this dept..

\* Possibility of duplication work.

\* Requires high degree of self-motivation and self-control.

\* It is not suitable for small firms.

## Job Design:

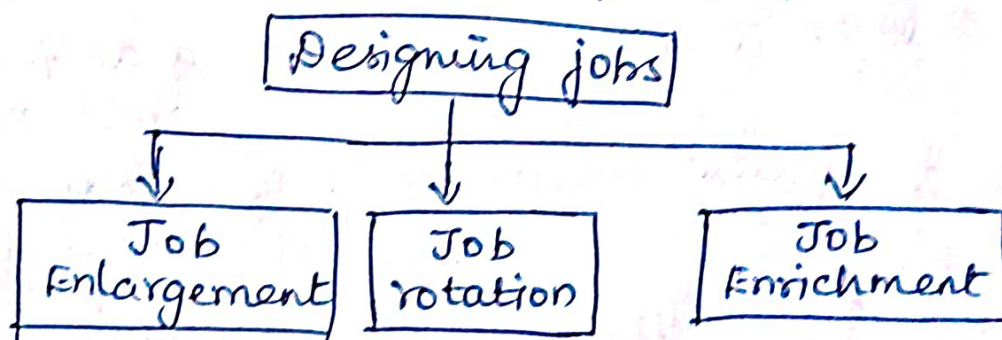
Job design is broad enough to accommodate people's needs and desires.

Goals: \* To meet organizational requirements such as higher productivity, operational efficiency, quality of service etc.

\* To satisfy the needs of individual employees such as interest, challenge, achievement etc.

Guidelines: → Mech. and Tech. factors of job and simplification of mechanical factors.  
→ Providing social interaction, views and attitudes with superiors, subordinates.  
→ Providing scope for identifying psychological needs such as esteem, need for challenging work.

## Techniques for designing job.



1) Job enlargement:

- Horizontal expansion of a job.

It involves addition of tasks at the same level of skill and responsibility. It is doing different tasks. It is done to keep workers from getting bored.



Advantages: → helps organisation to improve and increase the skills of the employee.  
 → improves earning capacity of employee.  
 → provides wide range of activities.

Disadv.: → Increases work burden of employees.  
 → Creates misunderstanding with union member.

## 2) Job rotation:

- refers to the movement of employee from one job to another. It improves employee's skills. The role of job rotation in motivating people is limited. It is done to decide final posting for the employee.

### Advantages:

- i) It helps to avoid monopoly of job.
- ii) Provides an opportunity to broaden one's knowledge.
- iii) Avoiding fraudulent practice.

Disadv.:  
 i) Results in frequency interruption of work.  
 ii) Reduces uniformity in quality.  
 iii) Creates misunderstanding with union member.  
 iv) Increased stress and peer pressure.

## 3) Job Enrichment:

- addition of job tasks that increase the amount of employee responsibility.

- an attempt to motivate employees by giving them increased responsibility.

- Vertical restructuring method of moral excellence of giving the employee additional authority, autonomy and control over the way the job is accomplished.

Adv. : → Interesting and challenging job.  
→ Improves decision making ability.  
→ Reduces workload of superiors.

Disadv. : \* It has -ve implications if employees are not comfortable with decision making task.  
\* May cause problem if the employees don't have right attitude.  
\* Superiors feel that power is taken away from them and given to ~~superiors~~ juniors. This leads to ego problems.  
\* Some are dissatisfied with the organisation.

### Human Resource Management: (Staffing)

Staffing is filling and keeping filled positions in the organization structure. It includes recruiting, selecting, placing, promoting, training etc.

Need of HRM:

- > Massive increase in no. of employees.
- > Changing employee roles and values.
- > Increasing the percentage of woman employees.
- > Widening the functions of the management.

## Scope of HR Management:

i) HR Planning - Process by which the company to identify the no. of jobs vacant, whether company has excess/shortage of staff.

ii) Job analysis and design - It gives a detailed explanation about every job in the company.

iii) Recruitment and Selection - Company prepares advertisements and publishes them in newspapers.  
ie) Recruitment.

After receiving applications, interviews are conducted and right employee is selected.

iv) Orientation and induction - Once employee is selected, orientation/induction program is conducted. Employees are informed about company, work etc.

v) Training and development - Employee goes under training program which helps to get better performance on the job.

vi) Performance appraisal - After 1yr service, performance appraisal is conducted. Based on that, incentives, increments, promotions are decided.

vii) Compensation planning and remuneration - Various rules are regarding compensation & other benefits.

viii) Motivation, welfare, health & Safety - Health & Safety measures are followed for the benefit of employees.

ix) Industrial relations - Maintaining co-ordinal relations with union members, helps company to prevent strikes, lockouts

Factors affecting HR management are,

External → political, economic, social, legal factors, customers.

Internal → Size of company, organisational image, Tech factors, Education, employee roles.

### HR Planning:

- Process of identifying the number of people required by an organization in terms of quantity and quality.

#### Features:

- 1) It helps identify the size and composition of resources for future purpose.
- 2) It is a continuous process.
- 3) It is a process of determining demand for and supply of human resources in the organization.
- 4) It is an integral part of overall corporate plan of the organization.

#### Objectives:

- 1) Ensure adequate supply of manpower when required.
- 2) Forecast future requirements of human resources.
- 3) Meet the requirements of programme of expansion.
- 4) Control the human resources already deployed in the organisation.
- 5) Progress the knowledge, skill, std, discipline etc.
- 6) Estimate the cost of human resources.
- 7) Maintain pleasant industrial relations.

## Need of HR Planning:

1) Despite growing unemployment, there is shortage of human resources with skills, qualification to carry on works.

2) Employees who retire, leave organisations need to be replaced by new employees.

3) HR planning is essential in case of rise in workforce.

4) HR planning is needed in order to meet the needs of expansion and diversification of an organisation.

5) The need for HR planning is felt in order to identify areas of surplus personnel or areas in which there is shortage of personnel.

## HR Planning Process:

Steps: 1) Accessing current HR capacity -

Knowledge, skills and abilities of current staff need to be identified. All skills of employee are listed. Sometimes, special skills may be relevant to organisation. Education levels are included. Then, employee performance is analysed.

2) Forecasting HR requirements:

To forecast HR requirements for future needs based on strategic goals of organisation. Forecasting of human resources involves in estimating both demand and supply.

### 3) Gap Analysis:

To determine the gap between where the organisation desires to be in the future and where it is now. The gap analysis includes in identifying the no. of staff and the skills and abilities required for the future. It is done by comparing future goal with the current scenario.

#### A) Developing HR strategies to support organisational strategies:

To develop strategies to support the organization's need in future. The various strategies include:

- a) Reconstructing strategies.
- b) Training and development strategies.
- c) Recruitment strategies.
- d) Outsourcing strategies.
- e) Collaboration strategies.

### Recruitment:

- A process to discover the sources of manpower to meet the requirements of the staffing schedule and to employ the effective measures for attracting the manpower in adequate numbers to facilitate effective selection of efficient work force.

#### Sources: 1) Internal Sources

- a) present employees.
- b) Former employees.
- c) Employee referrals.
- d) Previous applicants.

## 2) External Sources:

- a) Educational and training institutes.
- b) private employment agencies.
- c) public employment exchange
- d) Data banks
- e) Casual applicants
- f) Trade unions.

## 1) Internal Sources: a) Present employees:

Promotions and transfers among the present employees can be a good source of recruitment.

Promotion - Upgrading of an employee to a higher position carrying higher status, pay & responsibilities.

Transfer - shifting an employee from one job to another without any change in the position, status & responsibilities.

## b) Former employees:

Former employees are another source of applicants for vacancies to be filled up in the organisation. Retired employees maybe interested to come back to the company to work on part-time basis. This is adv- of hiring people whose performance is already known.

## c) Employee referrals:

The existing employees refer their family members, friends and relatives to the company as potential candidates for the vacancies to be filled up in the organisation.

d) Previous applicants:

Applications from the potential candidates are already lying with the organisation. These applicants fill up vacancies for unskilled jobs.

Merits: \* It is a technique of motivation.

\* Employee morale can be improved.

\* Trade unions can be satisfied.

\* Industrial peace is ensured.

Demerits: \* Limits its choice to the talent available within organisation.

\* Discourages competition

\* Conflicts and controversies surface among internal candidates.

2) External Sources: a) Educational & Training Institutes:

Most institutes provide campus recruitment and selection. They maintain biodata, of candidates.

b) Employment agencies:

These are experts in providing their employee clients. They charge a little fee from clients.

c) Employment exchanges:

Public employment exchange is set up by govt. They provide information about vacancies to candidates.

d) data banks:

The management collect biodata of candidate and feed into computer and company get particulars when it needs to recruit.



### e) Advertisements:

This is widely used method. Its reach is high.

### f) Causal applicants:

Candidates apply for jobs thro' mail or handover applications in personnel dept.

### g) Trade unions:

Unemployed persons approach trade union leaders for getting suitable employment.

Adv.: \* Suitable candidates with knowledge, talent are available.

\* Cost of employees can be minimized.

\* Helps to create healthy competition.

Disadv.: \* Expensive and time consuming.

\* Candidates are not familiar with the tasks.

\* Existing employees are not sure to get promotion.

### Selection:

- Process which enables the enterprise to pick up the candidates with the required qualification, training and skill for the job after careful screening and rejecting the undesirables at each successive step.

#### Selection Process



### a) Screening of applications:

Applications contain all details of applicant.

Based on, screening the person who are found to be qualified for the consideration of employment.

## b) Selection Tests:

Tests are to measure intelligence, ability, aptitude etc.

ex: personality test, aptitude test etc.

## c) Preliminary interview:

- Short interview used to size up the candidate.
- Process of eliminating unsuitable candidates.

## d) Reference check:

The persons named by the candidate in an application form are contacted to cross-check the candidate's character, performance & behaviour.

## e) Medical examination:

Certain jobs require physical quantities such as clear vision, tone, hearing etc. It reveals whether the candidate is fit for job.

## f) Final interview:

- Purpose is to cross check the information already obtained and to collect additional information about the candidate.

## g) Approved by appropriate authority:

If suitable candidates are selected, board of director approved them, asked them to report on duty.

## h) Placement:

After all formalities are completed, they are placed on their jobs.

## Demerits:

1) Time consuming process

2) More expensive.

3) Not a sure way to predict what people will do even they have the ability to do it.

## Training and Development:

"Training is the act of increasing the knowledge and skills of an employee for doing a particular job".

Need for Training:

Training is needed - to prepare existing employees for high level jobs.

- to make employee mobile & versatile.
- when person is shifted from one job to other.
- to develop new skill to the employee.

There are 3 factors which could necessitate training:

- 1) change in tech., 2) organizational complexity 3) human relations.

Importance of training:

- \* Training provides organisational stability & flexibility.
- \* Training helps in standardizing the methods of performing the job for employees.
- \* Helps to reduce the learning time
- \* makes employees loyal to an organisation.

Training Methods:

1) On-the-job Training:

New employees learn thro' observing managers performing the job. These methods don't cost much, trainee is learning while earning. Some common methods are job rotation, Apprenticeship & coaching etc.

## 2) Off-the-job training:

This is conducted separately from the job environment. Study material is supplied. There is full concentration on learning rather than performing, and there is freedom of expression. Methods include lecture, conference, seminar, role playing, case study etc.

### Steps in Training:

#### (i) Identifying training needs:

Training need is a difference between standard performance and actual performance. The gap is identified in order to make the training needs.

#### (ii) Establish specific objectives:

Training need is done by setting objectives - to bring proper match between man & job.

#### (iii) Select appropriate methods:

An appropriate training method is to be identified and selected to achieve the stated objectives.

#### (iv) Acquire training resources & preparing schedule:

Based on training method, materials should be acquired. Create a schedule to complete program.

#### (v) Find a Trainer:

Recruit an experienced professional to guide team members. They give lectures, answer questions etc.

#### (vi) Implement Programs:

The prepared plans and programs are implemented to get the desired o/p.

- vi) Evaluate program: - Evaluation of various aspects of training in order to know whether training program was effective.
- vii) Feedback: - A feedback mechanism is created in order to identify weak areas in the training program and improve the same in future.

### Development:

Development improves job performance and brings about the growth of the personality.

Individuals not only mature regarding their potential capacities but also become better individuals.

Purpose: Management development attempts to improve managerial performance by imparting

\* knowledge, \* changing attitudes \* Increasing skills.

The major objective of development is managerial effectiveness thro' a planned and deliberate process of learning. This provides for a planned growth of managers to meet the future organizational needs.

### Development Process:

Steps: 1) Setting development objectives:

It develops a framework from which executive need can be determined.

2) Ascertaining development needs:

It aims at organizational planning and forecast the present and future growth.

### 3. Determining development needs:

This consists of

- \* Appraisal of present management talent

- \* Management manpower inventory.

The above two processes will determine the skill deficiencies that are relative to the future needs of organisation.

#### A. Conducting development programs:

It is carried out on the basis of needs of different individuals, differences in their attitudes and behaviour, also their physical, intellectual, and emotional qualities. Thus a comprehensive and well-conceived program is prepared depending on the organisational needs and the time and cost involved.

#### 5. Program evaluation :

It is an attempt to assess the value of training in order to achieve organizational objectives.

#### Performance Management :

- process by which managers and employees work together to plan, monitor and review an employee's work objectives and overall contribution to the organisation.

## Features of performance appraisal:

- \* Performance appraisal is a continuous process
- \* It evaluates not only the performance of worker but also his potential for development.
- \* It is employee's job relevant strength and weaknesses.

## Objectives:

- \* To improve the management development.
- \* To improve employees performance
- \* To find out individual potential identification
- \* To plan for the workforce.
- \* To improve effective communication.

## Methods:

- 1) Traits based appraisal
- 2) Appraisal by results.

## Performance Appraisal process:

- 1) Performance standards are established based on job.
- 2) The standards are informed to all employees and appraisers.
- 3) Employee performance can be measured by the appraisers thro' observations, records & reports.
- 4) The measured performance may be adjusted according to the influence of external and internal factors. It is the actual performance.
- 5) Comparing actual with previous performance.

- 6) Comparing actual performance with standards and find out deviations. Deviations may be +ve or -ve.
- 7) Appraisers discuss with the employees about the reason for positive or negative deviations.
- 8) Appraisers consider the internal and external factors and suggest necessary changes in standards.
- 9) Follow up the performance appraisal report. It is for guiding, directing, coaching and training the employee.

### Career Planning and Management:

Career is a series of jobs or positions held thro' out an individual's working life time. Career consists of a series of properly sequenced role experienced leading to an increased level of responsibility status, power and rewards.

Flippo defined "Career as a sequence of separate but related work activities that provide continuity, order and meaning in a person's life."

Types: 1) Individual career:

- It is a sequence of work-related experiences in which a person participates during the span of work life.

2) Organisation career:

- An organization career is a relatively standard set of roles to be performed which interacts with the flow of individuals within organisation.



## Career Management :

- It is the combination of structured planning and the active management choice of one's own professional career.

- It is a process for enabling employees to better understand and develop their career skills and interests and to use these skills and interests most effectively both within the company and after they leave the firm.

Career Management = Career planning + Career development.

## Career Planning:

- Process by which one selects career goals and path to those goals.

- "Process by which employees obtain the knowledge about themselves and information about the working environment and then making an effort to achieve a proper match".

- Process of systematically matching career goals and individual capabilities with opportunities for their fulfillment.

### Organisational Career Planning.

1. Identify future organizational staffing needs.
2. Plan career ladders.
3. Assess individual potential and training needs.

### Individual Career Planning.

1. Identify personal abilities and interests.
2. Plan life and work goals.
3. Assess alternative career paths inside and outside organization.

## Career development :

"Ongoing process by which individual progress through a series of stages each of which is characterized by a relatively unique set of issues, themes or tasks".

## Importance of Career development :

- 1) Assures needed talent
- 2) Develops promotable employees.
- 3) Lower employee turnover
- 4) Taps employee potential
- 5) Attracts and retains high talent personnel
- 6) Gains new skills
- 7) Reduces employee frustration.
- 8) Enhances cultural diversity
- 9) Improves organizational goodwill.

## Career Stages:

### 1) Exploration Stage :-

This stage is the period usually from ages 15 to 25 during which a person seriously explores various occupational alternatives attempting to match these alternatives with his interests and abilities.

### 2) Establishment Stage :-

This period is from age 25 to 35. During this time, job expectations from new employees exceed reality which causes the feelings of under utilization.

### 3) Mid-career stage:

This stage is characterised by upward movement in the organisation. In this stage, the individual is not concerned with fitting into the organisation but with moving up in the organisation.

### 4) Late-career stage:

In this stage, people seek other means of personal satisfaction such as helping younger employees or engaging in community and society oriented activities.

### 5) Decline stage:

The decline stage is the final stage in one's career usually marked by retirement. This stage may occur at various stages depending on the person's degree of success in previous stages. Those who are not successful may begin to disengage after they reach a mid-career crisis in the fifties, they may go through the motions of their jobs until they reach retirement.

## UNIT IV. DIRECTING.

### Introduction:

Directing - Process of instructing, guiding and inspiring human factors in the organization to achieve organization objectives.

Elements: i) leadership ii) Motivation iii) Communication

### Foundations of Individual and Group behaviour:

Organisational behaviour is concerned with people's feelings, emotions and actions in setting up a work.

Understanding individual behaviour is a challenge,

Understanding group behaviour is monumental managerial task.

Human behaviour is a complex phenomenon.

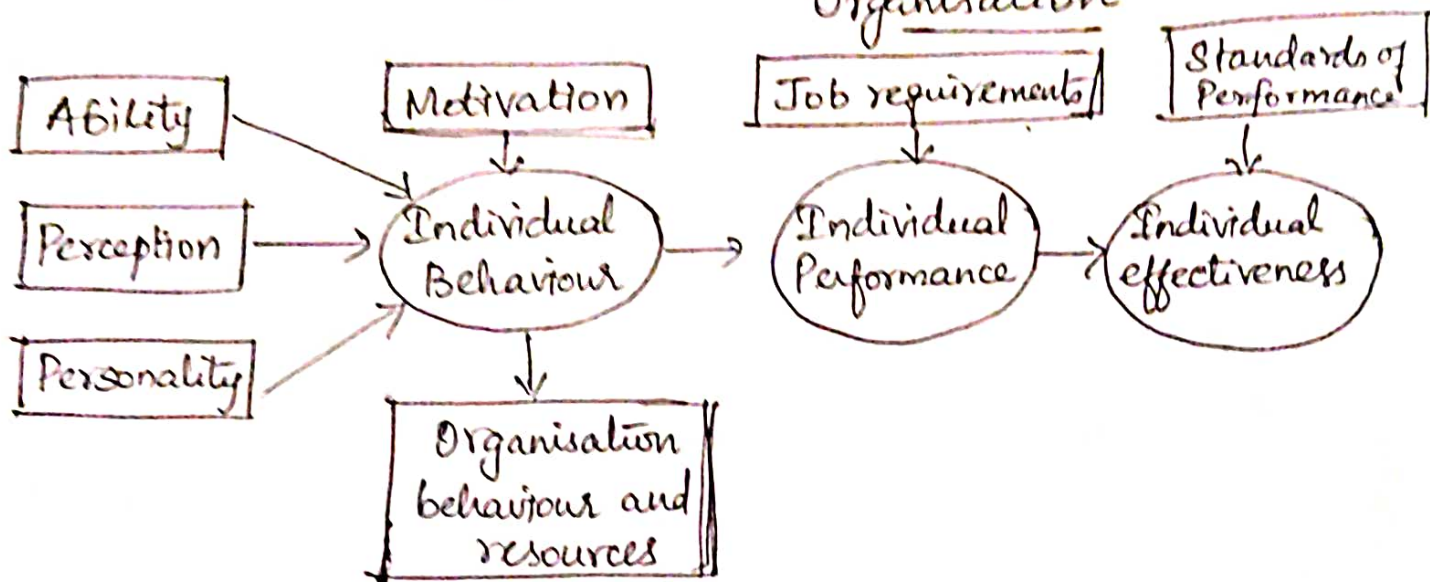
It is combination of responses to external & internal stimuli.

A individual makes a variety of contributions to an organisation in the form of efforts, skills, time, loyalty. In return for contributions, organization provides incentives such as pay, promotion, job security to the employee.

One aspect of managing phys psychological contracts is managing the person-job fit. The 'person-job fit' is the extent to which the contributions made by the individual match the incentives offered by the organization.

Thus, the behavior of individuals in organisation is the primary concern of management and managers have an understanding of the factors influencing the behavior of the employees.

### Factors of individual behavior in Organisation



Group behaviour:

- This has a great impact on productivity.

Human behaviour consists of individuals, who move in groups. Manager understands group psychology and individual behaviour in the context of group behaviour.

→ Group behaviour depends on many factors such as organisational conditions, group member resources, group structure, group status, group tasks, group decision-making etc.

i) Group formation and development:

Groups can form when individuals with similar goals & motives come together. Groups are formed voluntarily.

a) Organizational motives to join groups:

Organizations form functional and task groups because each groups help the organization in structuring and grouping the organizational activities logically and efficiently.

b) Personal motives to join groups:

Individuals choose to join informal groups. Various personal motives affect membership. They are,

i) Interpersonal attraction:

- Individuals come together to form informal group. The factors are sex, attitudes & personality.

ii) Interest in group activities:

- Playing tennis, discussing current events are group activities that individuals enjoy.

iii) Support for group goals:

- Individuals maybe motivated goals by other group members to join.

iv) Need for affiliation:

- To satisfy their need for attachment.

v) Instrumental benefits:

- Group membership is helpful in providing other benefits to an individual.

ii) Stages of group development:

1) Mutual acceptance: This helps all the members of a group to know each other better and helps the group to move to the next stage easily.

2) Communication and decision-making:

- Group members share their opinions and formulate the group goals.

3) Motivation and productivity:

- This is characterised by a shared acceptance among members of what the group is trying to do.

4) Control and organization:

- The members perform the roles they have accepted and direct their group efforts toward goal attainment.

Characteristics: Role structure, behavioral norms, cohesiveness, informal leadership

Motivation:

- Motivation means a process of stimulating people to accomplish the desired goals.

Motivational Theories:

1) Carrot and Stick Approach:

'Carrot' is the reward for working.

'Stick' is the punishment for not working.

Rewards → bonus, pay rise, promotion.

Punishment → demotion, transfer, termination from work.

Measures: "Reward is a more effective motivator when it is directly linked with performance?"

"Punishment is more effective when undesirable behaviours actually occur".

→ Punishment used to modify behaviour.

→ " Should not become a reward.

2) Mc-Gregor's Theory X and Theory Y: ✓

- basis of hypotheses relating to human behaviour.

Theory-X : Assumptions:

- The average human dislikes to work.
- People must be controlled, threatened with punishment to work.
- He is self centred and indifferent to goals.
- He is resistance to change by nature.

Theory 'X' is pessimistic, static. It leads to autocratic type.

Theory-Y : → The average man has tendency to work.

- People will be committed to the objectives.
- Average man accepts responsibility.
- Large no. of people are capable of solving organisational problems.
- A worker may exhibit efficiency.

Theory 'Y' is optimistic, dynamic and flexible.

3) Dual - Model Theory: Integrates goal, tech & Struct

- i) Traditional model: Its emphasis is on controlling and directing. Members <sup>are selected & trained to</sup> meet goals if tasks are specified.
- ii) Human relations model: This model gives an attention to social and egoistic needs.
- iii) Human resource model: Here, manager is well-wisher who helps subordinates achieve performance.



## H) Maslow's Hierarchy of Needs Theory: ✓

→ Human likings are innumerable.

5. Self-actualization → Adult motives are complex.
4. Esteem → Human needs form a hierarchy.
3. Social → Satisfied needs don't motivate workers.
2. Safety
1. Basic needs → Various levels of needs are inter-dependent

## 5) Herzberg's Theory:

An analysis of feelings of dissatisfaction was related to the environment in which people are working.

Two-factor model.

### Hygiene factors

1. Company policy and administration
2. Technical supervision
3. Salary
4. Working conditions
5. Job Security
6. Personal life
7. Status
8. Interpersonal relations.

### Motivational factors

1. Achievement
2. Recognition
3. Growth potential
4. Advancement
5. Responsibility
6. Work itself.

## b) Vroom's Expectancy Theory: ✓

- Represents a comprehensive, valid, useful approach to understand motivation.
- based on self interest wherein each individual seeks to maximize his expected satisfaction.

Important elements are,

- 1) Valence (Preferences) - refers the personal value that an individual places on the rewards which can be achieved on the job.
- 2) Expectancy - It implies the extension which a person believes that his effort will lead to high performance.
- 3) Instrumentality - refers the relationship between performance and reward.

Motivational force = Valence × Expectance × Instrumentality

- Theory emphasises expected behaviours.
- ↔ It is a predictive & cognitive model.
- Rewards should be tied with performance.
- ↔ Rewards should be equitable.

7) Porter & Lawler Expectancy Theory:

- An employee must want to perform the assigned jobs.
- A person has necessary abilities & skills.
- A person must have an accurate knowledge of the requirement of job.

Key variables: i) Effort - Amount of energy exerted by an employee on a given task.

ii) Performance - results from a combination of the effort that an individual puts forth and the ability which he has and the way he perceives the role to be taken.

iii) Rewards - Intrinsic are given to a person by himself  
 Extrinsic - pay, promotion, job security.

iv) Satisfaction - ~~decreased~~ from the extension to which actual rewards fall short or exceed the person's perceived level of equitable rewards.

### 8) Equity Theory:

- People are motivated to maintain fair relationship between their performance and reward in comparison to others. Assumptions are,

\* Individuals make contributions for which they expect certain rewards.

Inputs  $\rightarrow$  person's experience, special knowledge etc.

Outcomes  $\rightarrow$  pay, recognition, status, prestige etc

\* Individual compares his ip-outcome ratio with other members.

Equity relationship is expressed by

$$\frac{\text{Outcome by a person}}{\text{Input by a person}} = \frac{\text{Outcome by another person}}{\text{I/p by another person}}$$

Results of inequity on person is

1) Perceived inequity creates tension in individual.

2) Amount of tension is  $\propto$  magnitude of inequity

3) Tension created by individual motivates him to reduce it.

4) Degree of demotivation  $\propto$  to perceived inequity.

Merits: 1) Theory makes managers to realize that the equity motive tends to be one of the most important motives of the people in the organisation.

2) Feelings are important factors in work setting.

3) While determining wage and salary structure, managers must pay attention to equity considerations.

4) Equity theory is not precise enough to predict which actions are most probable.

5) It deals only with one particular aspect of motivation.

### Motivational Techniques:

1) Money - It may be in the form of wages, bonus, incentives, company paid insurances that may be given to people for their performance.

Manager reminds the following things:

i) Money is important to people who are raising a family. Money is urgent means of achieving min. std of living.

ii) Various enterprises make wages, salaries competitive within their industry.

iii) Money is a source of status and prestige in society.

iv) Manager ensures that individuals in same category are given same salary.

v) Bonuses for managers are based on their individual performance.

## 2) Participation :-

Participation means recognition .

→ It appeals to the need for affiliation and acceptance

→ It gives people a sense of accomplishment .

## 3) Quality of working life :-

Good physical working conditions (such as ✓ right temp., lighting, proper ventilation, noise free atmosphere) have positive effects on the motivation and performance of workers.

## 4) Job Security :-

Job Security is an important motivator, sometimes, it acts as short-term demotivator.

To threaten people, loss of employment provides negative incentive. Instead, praise them for well done job.

## 5) Effective communication :-

Managers and team leaders must make time to listen to grievances and take to their staff. They must be equitable dealings with subordinates.

## 6) Power of Authority :-

Many professionals seek power to influence others. Managers satisfies this by making them responsible for a task to lead a project. Subordinates satisfy this by making important decisions on policy

## 7) Financial and Non-Financial Incentives:

Incentives → Inducements which are offered to employees in order to direct their behaviour towards enterprise objectives.

i) Pecuniary incentives <sup>(Financial)</sup> - payments directly or indirectly in money wages, salary, bonus etc.

Financial incentives can be two types:

a) Individual incentives → It refers all such plans which induce an individual to achieve high performance to earn higher financial rewards.

ex: Piece rate wages.

b) Group incentives → includes profit sharing, bonus pension etc.

ii) Non-pecuniary incentives - Provide psychological and emotional satisfaction rather than financial rewards.

ex: Competition, participation, team spirit etc.  
Status, job security, challenging job, responsibility.

### Job Satisfaction:

→ refers to an employee's general happiness with his job.

→ "A pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences".

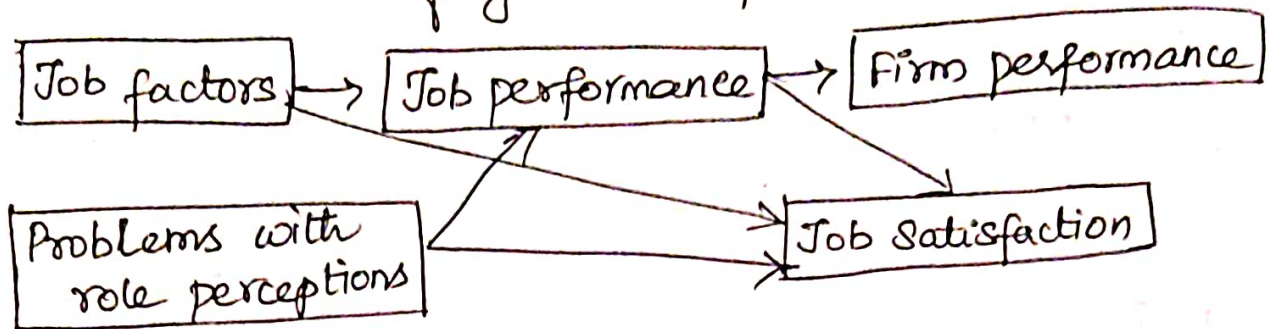
Approaches to evaluate job satisfaction:

> work attitudes such as job satisfaction, job performance are dispositional in nature.

> Social information processing model suggests that job satisfaction and other work attitudes are developed.

> Information processing model is based on the accumulation of cognitive information about the work place.

### Model of job satisfaction



Factors related to job satisfaction:

i) Personal factors - include individual employee's personality, age, sex, educational level etc.

Relation between age and satisfaction seems to indicate that there is a positive relationship between two variables upto pre-retirement years, then there is sharp decrease in satisfaction.

ii) Job factors - include type of work, skill required for work performance, occupational status involved in job.

The relation of occupational status to job satisfaction, research evidences indicate that employees are more dissatisfied in jobs

iii) Organisational factors - include security, wages, salary, benefits, chances for achievement etc.

Social & economic activity to employees increase job satisfaction. Job satisfaction is determined by discrepancy bet. what individuals expect to get out of jobs & what job actually offers. A person is satisfied if there is no discrepancy.

## Job Enrichment :

- Non-financial technique of motivation.
- An extension of job enlargement technique.

Steps: 1. Giving workers more freedom in deciding about such things as work, sequence and acceptance or rejection of materials.

2. Giving workers feeling of personal responsibility for their tasks.

3. Encouraging participation of subordinates and interaction between workers.

4. Taking steps to make sure that workers see how their tasks contribute to a finished product and the welfare of enterprise.

5. Giving people feedback on job performance.

6. Involving workers in the analysis and change of physical aspects of the work environment such as temp., lighting.

Adv.:- Increases the productivity.

Reduces the absenteeism and turnover.

Improves worker's morale.

Improves decision making ability

Reduces work load of superiors.

Disadv.:- \* It has negative implications if employees are not comfortable with decision making task.

\* Some jobs can't be enriched beyond a certain point

\* Superiors may feel that power is taken away from them and given to juniors.

\* Most of job enrichment imposed on people.

\* It is limited to non-managerial jobs.



Making job enrichment more negative:

- 1) Use job enrichment selectively after taking into account situational variables such as job characteristics, personal characteristics etc.
- 2) Provide a supportive climate for innovation and change.
- 3) Job enrichment demands a development effort. Managers must have better understanding with people who are involved in this process.
- 4) Develop the skill of the participants in a job enrichment programme.

### Leadership:

- An integral part of the management and plays a vital role in managerial operation.
- Leader is one who makes his subordinates to do willingly what he wants.

"Leadership is the process of influencing the behaviour of others towards the accomplishment of goals in a given situation."

### Features:

- 1) Leadership is a relationship bet. two or more people in which influence and power are unevenly distributed.
- 2) A leader must have followers. Leadership exists both in formal and informal organisations.
- 3) Leadership is a continuous process of influencing behaviour.
- 4) Leadership is function of leader, followers & situational variables.  
 $L = f(L, F, S)$ .
- 5) A leader guides his followers to achieve the goal of the organisation.

Importance of leadership: Functions of leaders are,

1) Motivating employees:

Motivation is important factor for achieving goals. A good leader motivates the employees for high performance.

2) Leader develops team work:

The three vital determinants of team work are the leader, subordinates and the environment. The leader should make the environment to work efficiently.

3) Better utilization of man power:

A leader implements the plans, policies and programmes of an organisation to utilize the available manpower effectively and he gets highest production with min. cost.

4) Creating confidence to followers:

A good leader may create confidence in his followers by directing them, by giving them to advice and getting thro' them for good results in the organisation.

5) Directing group activities:

A leader can direct others to achieve goal. He acts as friend, guide to his follower and takes the lead in all activities.

6) Building morale:

Morale is attitudes of employees towards organisation, management to offer their ability to the organisation. High morale leads to high productivity.

7) Maintaining discipline: Discipline is the force that prompts individuals to observe rules to attain objectives.

## Leadership Qualities:

Honesty, confidence, patience, focus, dedication, consistency, motivate others, effective communication, multiplicity of roles, Individuality, Personal dignity.

## Types:

The behaviours exhibited by a leader during supervision of followers is known as leadership style.

### 1) Autocratic leadership:

- Leader takes all decisions by himself without consulting subordinates. He loves power and never delegates authority. Subordinates must follow his direction without any question.

### Three types of autocratic:

#### a) Strict autocrat;

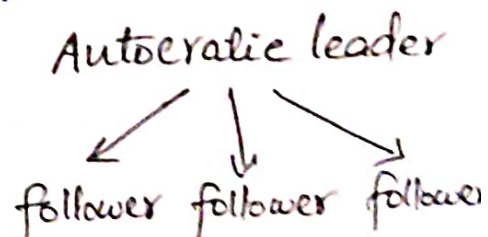
- leader follows negative motivation to get work from subordinates.

#### b) Benevolent autocrat;

- leader takes decision himself but his motivation style is positive.

#### c) Incompetent autocrat;

- Sometimes, leader adapts autocratic leadership style to hide his inabilities. (ie) incompetence. But, it can't be used for long time.



Autocratic is appropriate when

\* subordinates lack their knowledge of company goals

- \* Subordinates are lack in training.
- \* leader prefers to be active and dominant in decision making
- \* little room for error in final accomplishment comes.

- Adv.:
- Quick decision making
  - Highest productivity
  - Strong motivation and satisfaction to leaders
  - positive outcome under conditions of stress.

- Disadv.:
- > Employee morale low.
  - > Absence of leader affects opp heavily.
  - > Dissatisfaction develops among employees.
  - > Employee turnover will be more.

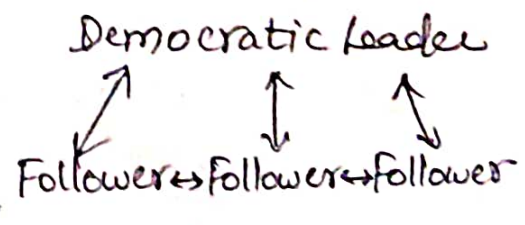
2) Democratic Leadership:

In this, subordinates are consulted and their feedback is taken into decision making process. Decisions are taken after group discussions.

leader attaches high importance to both work and people. He provides freedom of thinking and expression.

It is best suited where

- > leader desires to hear ideas of employees
- > workers have knowledge & experience.
- > time for task completion allows for participation.
- > Subordinates desire active and true involvement in matters that affect them.



Adv.: i) Subordinates are motivated by participation in decision making process. It increases job satisfaction.

ii) Absence of leader doesn't affect o/p.

iii) Quality of decision is improved.

Disadv.: 1) Time-consuming & results in delay in decision-making.

2) Subordinates are lazy & avoid work.

3) It can't be successfully applied at low level.

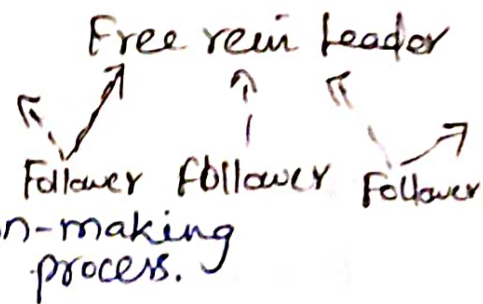
4) Leader requires considerable commn. and pervasive skill.

3) Free rein leadership:

- Complete freedom is given to subordinate.

- leader doesn't take part in decision-making

- Completely decentralized.



It is highly effective when

- > leader is interested in delegating decision-making fully.
- > Subordinates are highly intelligent.

Adv.: Positive effect of job satisfaction & morale of subordinates. It creates environment free Full utilization of potential of subordinates.

Disadv.: > Lack of discipline

> Lowest productivity

> No control & co-ordination

> Some members put their own interest above group & team members.

## Theories of Leadership:

### 1) Trait Approaches to Leadership:

Trait means quality. Leadership behaviour is influenced by certain qualities of a person.

Studies were conducted to identify the qualities of past and present leaders in terms of education, experience, character etc.

A successful leader has following traits:

- i) Physical qualities :- Sound health, appealance, physical and nervous energy, forcefulness, enthusiasm.
- ii) Intellectual qualities - High intelligence, sound judgement, scientific approach, ability to teach & self understanding
- iii) Morale qualities - Integrity, moral courage, fair play, will power, sense of purpose and objectivity.
- iv) Social qualities - Self confidence, empathy, initiative and knowledge of human nature, human relations & attitude.

### 2) Behavioural Theory of Leadership:

The leader's effectiveness is judged in terms of individual subordinate outcome. Leadership is a function of effective role behaviour.

#### i) The Michigan Studies:

Michigan researchers identified two leadership styles → employee centered, production centred.

Employee centered a supervisor allows the employees to handle most of the problems and provide necessary assistance for this purpose.

Production centered supervisor is concerned more with the task than the people who perform's task.

## 2) The Ohio State University Studies:

The researchers identified two leadership behaviours: i) consideration ii) initiating structure.

Consideration refers the mutual trust, friendship, and warmth between leader and group.

Initiating structure involves creating a work environment so that work of the group is organized.

## 3) The managerial grid:

- Based on massive practical research into behavioural sciences in the industrial setting.
- The grid has two dimensions.

a) Concern for people → covers a variety of concerns which includes concern for the degree of personal commitment towards goal achievement, placement of responsibility on the basis of trust.

b) concern for production → It is not limited to things only. Production is assessed thro' no. of creative ideas.

## 3) Contingency approach to leadership:

- No leadership theory is best for all times and situations. Situation helps to develop the leadership qualities and emerge as leaders.

## i) Fredler's contingency approach -

Three major situational variables are

a) Leader-member relation - It examines the degree of trust the group members place in the leader

b) Task structure - It is focused upon the no. of steps needed to complete the task

c) Leader's position power - It is determined by the degree to which a leader derives power from the position held by him in the organisation.

## ii) House's path-goal approach:

Leaders are effective because of influence on follower's motivation, ability to perform and their satisfaction. This is combination of situational leadership and Vroom's expectancy theory of motivation.

The leader must consider two groups of situational variables.

i) Characteristics of subordinates such as their needs, self confidence and abilities.

ii) The work environment includes the components such as the nature of task, formal authority system, the reward system and the relationship with work group

Types of leadership behaviour:

- 1) Supportive leadership
- 2) Participative leadership
- 3) Instrumental "
- 4) Achievement-Oriented "



## Communication:

- Process of passing information from one person to another.
- Communication is the number one tool in the organisation.
- Success of any management depends more on their ability to communicate with labour.
- Communication is the process of initiating, transmitting and receiving information.

## Need for communication:

- \* To establish & spread goals widely.
- \* To develop plans for further achievement
- \* To select, develop the members of organisation.
- \* To lead, direct, motivate and create a good working environment
- \* To control and maintain the uniform performance throughout.

## Process of Communication:

Elements are, sender, communication channels, symbols, receiver, noise and feedback in commu.

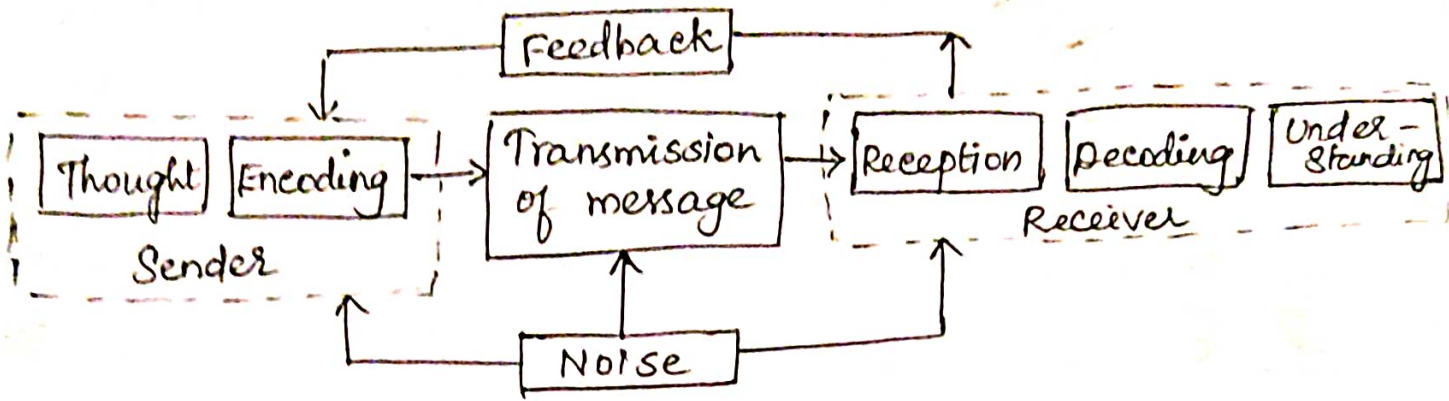
Sender - The person who starts the communication process for passing information to others.

Commu Channel - Medium thro' which the encoded information is passed from sender to receiver.

Symbols - provide the basis for transferring information symbols such as words, diagrams, figures etc.

Receiver - person who receives finally information and understands it.

## Communication model



Noise and feedback in communication - Communication is affected by noise at any stage. If any part is affected, proper communication will not reach receiver.

Comm flow:

Upward commu - flows from subordinates to superior.

- chance of passing irrelevant information to boss.
- Applicable for participative and democratic organisation
- Information maybe suggestion, appeal, complaints etc

Downward Commn:- Information sent from superior to subordinates in the form of oral or written.

Oral - instruction, meeting, telephone, loud speaker  
 Written - letter, pamphlet, handbook, memoranda.

Horizontal Commn:- Information is passed between same levels of organisation. It helps to better understanding of information and to coordinate towards management goal.

Comm. Sys are Simple chain, wheel, circular, Free flow, Inverted V.

## Barriers to Communication:

The message sent to the receiver which may not be understood by receiver. It is due to several reasons.

### 1) Physical barriers:

These are environmental factors that reduce the sending and receiving of communication. It includes physical distance, distracting noises and other interferences.

### 2) Personal or Socio-psychological barriers:

It arises from motives, attitudes, emotions and judgement. It may be caused due to problems in encoding and decoding other sentiments, attitudes

### 3) Organisational barriers:

Information flows based on downward commn thro' hierarchical structure in organisation. So, there may be chances of information being filtered.

### 4) Semantic barriers:

It refers the relationship of signs to their referenece. It arises due to limitations of symbolic system. Symbols may reach a person's brain thro' any of the senses such as feeling or hearing.

Symbols may be classified as language, picture or action.

Language - Understanding language is a major difficulty among labour. It leads to context to receiver.

Picture - Visual aid in commu. ex. blueprint, map  
Sometimes, picture may create confusion in the mind of receiver

Action - Non-verbal commu, It speaks louder than words. The people don't listen to what he does. So, it leads to credibility gap.

5) Mechanical barriers:

It includes inadequate arrangement for transmission of new, facts and figure, layout, defective procedure and practices.

Effective Communication:

- Rules:
1. The information should be simple & clear.
  2. The information should be in known language to the receiver.
  3. The sender should be correct communicating channel. For recording, it should be in written and oral method for fast commu.
  4. In written commu, principle of line authority should be followed.
  5. The information should contain adequate information.
  6. Commu should be sent and reached timely.
  7. Commu should be checked thro' feedback.
  8. Informal commu should be sent judiciously.

## Communication and IT:

Various electronic devices slowly improve commu.

Ex: mainframe computers, Pc, tablet, laptop, e-mail etc.

Tele commu is implemented in many companies.

Ex: Large bank supplies H/w & s/w to customers.

Mobile bank services, E-mail service.

Computerised airline reservation system.

→ Teleconferencing is an audio with still video.

This is useful in showing charts during discussion.

→ Video conferencing uses high speed internet services to deliver seamless delivery of audio/video for both end of commu.

→ Smart phone is another development which made commu easy by utilizing social media such as MMS, Skype, Facebook, Whatsapp, twitter etc.

Adv.: 1. It saves travel expenses and travel time.

2. There is no need to make travel plans long in advance.

Disadv.: 1. The equipment is subject to breakdown.

2. It is poor substitute for meeting with other persons face to face.

Use of computers for information handling:

Electronic data processing system handles large amount of data. The stored data can be retrieved when required without any distortion.

ex: Computer graphics display data. Printout display it quickly compared with other commu media.

## UNIT V . CONTROLLING.

### System and Process of Controlling:

Control is a process which guides the activity towards some predetermined goals.

Control means the measurement of actual performance and taking corrective action.

Controlling is the process of regulating organizational activities so that actual performance conforms to expected organisational goals and standards.

### Features of controlling:

Controlling process is

- Universal
- Continuous process.
- action based
- forward looking
- pervasive function.

### Need of control :

- 1) To minimize the dishonest behaviour of employees.
- 2) To discover the deviations in the management.
- 3) To minimize the mistakes of employees and processes.
- 4) To indicate the corrective action.

### Process of Controlling:

Steps: 1) Establishing Standards:

Standards maybe expressed in quantitative or qualitative terms. A standard is a criterion against in which results can be measured. Standards shall be accurate, precise, acceptable & workable.

- Types:
- 1) Measurable - Std which can be measured and expressed.  
They can be in form of cost, opp, time, revenue.
  - 2) Non-measurable - Std which can't be measured.  
ex: performance of managers, employee morale.

## 2) Measuring performance:

Finding out deviations becomes easy thro' measuring the actual performance. Performance levels are easy to measure and sometimes difficult.

The performance of should be in quantitative terms. It can be measured by a) attitude of workers b) their morale to work c) their communication with superiors.

## 3) Comparing actual with standard performance:

Compare actual performance with planned targets. Deviation is the gap between actual performance and planned targets.

Manager finds two things: extend of deviation, identify the causes of such deviation.

Extend of deviation → manager has to find out whether the deviation is +ve or -ve.

Major deviations are replacement of machinery, appointment of workers, rate of profits etc.

To find out cause of deviations, the manager will have to depend on proper accurate and timely information.

## A) Taking Corrective action:

Corrective action is for correcting deviations from planned performance. Deviations may be inaccurate forecast, poor commn, lack of motivation etc. For the correction of deviations, management takes necessary action. If corrective action is not taken on time, it will lead to heavy losses.

## Budgetary Control:

"A budget is the expansion of firm's plan in financial form for a period of time in future."

"The entire process of preparing the budgets is known as budgeting."

Budgetary control is the process of determining various budgets for the business unit for future.

Budgetary control refers to the principles, procedures and practices of utilizing the various budgets like production budget, sales budget etc.

### Objectives:

1. It is used to plan and control the income and expenditure of the organisation.
2. It aims at maximization of profits.
3. It provides an adequate working capital.
4. It is used as performance evaluation.
5. It is used to co ordinate the activities of different units in the organisation.



Adv.: \* It improves planning in organisation

\* To provide a better utilization of resources in organisation.

\* It is a vital role for measuring the management performance.

\* Budgeting compels managers to think ahead.

\* It increases production efficiency, eliminates waste and control the costs.

Disadv.: → Inflexibility

→ Inaccuracy.

→ Distortion of goals

→ Hiding inefficiencies

→ more time, money.

Steps involved in budgetary control techniques:

1) Set the objectives clearly.

2) Formulating the necessary plans to ensure that the desired objectives are achieved.

3) Translating the plans into budget.

4) Relating the responsibilities of executives to the budgets.

5) Continuous comparison of actual results with budgets & deviations.

6) Investigating into the deviations and establishing the causes.

7) Presentation of information to the management.

8) Corrective action of management to present resources of variance.

Specialized budgetary Control Techniques:

1. Planning program budgetary System (PPBS)

2. Zero-base budgeting 3) Variance Analysis

4. Responsibility accounting 5) Adjustment of funds - 6) TRA

## 1) Planning-Programme Budgetary Systems (PPBS):

- \* Analyse the objective of policies of activities.
- \* Analyse each activity of the programme.
- \* Measure the total costs of pgm.
- \* Find which alternative is most effective.
- \* Implement the systems in a preferred manner.
- \* Follow-up the activities.

## 2) Zero-base Budgeting (ZBB):

In this, every next year budget is made on nil base. (i) Managers review on-going objectives. It can possible if the estimated income equals to estimated expenses. So, differences between estimated income and estimated expenses will be zero. If any excess, it will be adjusted.

## 3) Variance Analysis:

Budgets of different depts are made with estimated figures. Then, it is compared with actual accounting figures. In this, we find variances. These variances maybe favourable and unfavourable.

## 4) Responsibility Accounting:

In this, we create cost centre, profit centre and investment centre. Classify the employees work on the basis of their centres. Every employee's responsibility is fixed on the basis of his target. Then, fix their accountability.

## 5) Adjustment of Funds:

Top management take the decision to adjust fund from one project to other project. In adjustment of funds, use fund flow analysis. So, decrease misuse of funds by forecasting proper amount.

## 6) Human resource accounting:

It means to measure the cost & value of people. In every organisation, the costs of recruiting and training personnel are treated as operating expenses.

## Non-Budgetary Techniques:

### a) Traditional Techniques: i) Statistical Data & charts.

Statistical information of the past and data intended for the future can be used for control. Tables, charts, graphs are examples of statistical data in the form of ratios, diagrams, average & percentage.

### ii) Personal Observation:

- direct tool of control.
- time-consuming process.
- helps the managers for their subordinates' characters, attitudes, and skills to job.

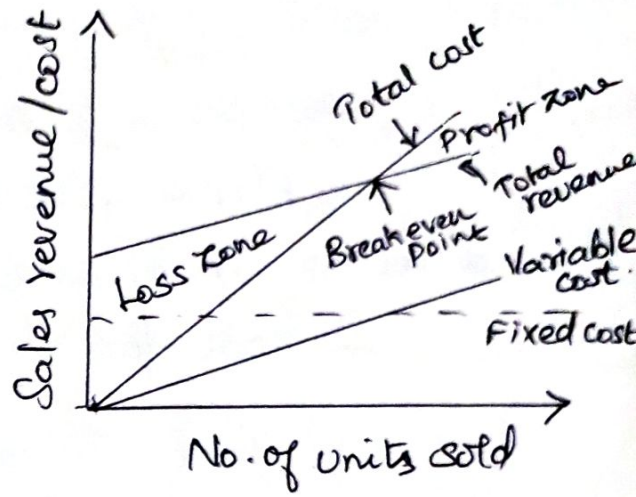
### iii) Operational Audits:

Audit is performed by the organization to ensure that its assets are safeguarded and its financial records are kept. It concentrates on the operations of organization, this process is Operational auditing.

Internal audit, external audit

## A) Break-even Analysis:

- Analysis which is used to determine the point at which revenue received equals the costs associated with receiving the revenue.



- Used as an aid in decision making & control devices.

BEP:- Point at which cost and revenue are equal.

- No profit, no loss or zero profit point.

## 5) Special Reports:

Executives give special reports for certain projects of non repetitive situations. Such reports can be given on the progress and performance of individual departments. The prepared reports are submitted to the superiors and they analyse to control the process.

## 6) Responsibility Accounting:

It divides the organisation, into small units where manager of each unit is responsible for achieving targets of his unit. These are responsibility centres & heads are responsible for controlling activities.

Types: control centre, revenue centre, profit centre, investment centre.

## 7) Balanced Score card:

- Performance measurement tool looks financial, customer, internal processes, growth assets.

b) Modern Techniques:

8) Linear Programming:

- Operation research technique
- Planning technique that permits some objective ~~that~~  $\phi$  to be minimized / maximize.
- Tool for allocating the scarce resources.

9) PERT - Program Evaluation and Review Techniques:

- N/w analysis tech. i.e. tool of management for planning, monitoring and controlling.
- helps a project to break into smaller activities
- PERT chart is a graphic representation of project's schedule, showing the sequence of tasks, which tasks can be performed simultaneously.

Elements: Activity, events, path.

Activity  $\rightarrow$  represented by arrow, is an operation required to reach system objectives.

Event  $\rightarrow$  represented by circle, show the sequence in which the events must occur.

Path  $\rightarrow$  Series of activities and events thro' n/w.

Characteristics:

- i) Optimistic time  $(O)$ : Shortest time every activity goes well.
- ii) Most likely time  $(M)$ : Time to complete activity by considering all elements.
- iii) Pessimistic time  $(P)$ : Time estimates if everything goes wrong.

$$T_e = (O + 4M + P) / 6 \text{ where}$$

$T_e \rightarrow$  expected completion time.

## 10) Critical Path Method (CPM):

- CPM is mathematically based algorithm for scheduling a set of project activities
- based on perfect time estimation.
- reduce the time for completion of project.

Normal time ( $N$ ) - normal cost equal to  $N$

Expedited time ( $E$ ) - Crash time - An additional expenditure this crash time is shortened.

### Procedure:

- \* Break down the project into various activities.
- \* Number all the events and activities.
- \* Calculate earliest start/stop time & also latest times
- \* Determine total float time.
- \* Identify critical activities and connect them with double line arrow.
- \* Calculate total duration of project
- \* CPM & PERT closely resemble to each other.

## 11) Gantt chart:

- Type of bar chart that illustrates a project schedule. This chart shows actual and planned off over a period of time. It clearly presents the status about the project completion time along with idle period.

## 12) Benchmarking:

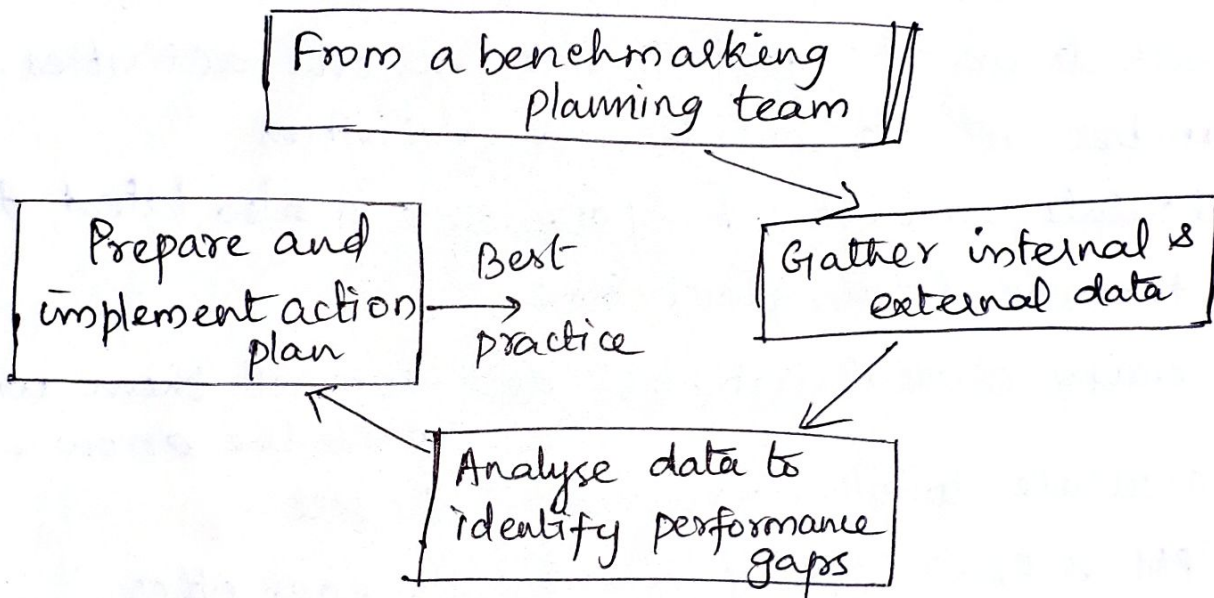
- Standard of excellence against which to measure and compare.

Steps: 1) A team is formed for planning the benchmarking. This team will identify what is to be benchmarked, identify comparative organizations and determine data collection methods.

2) The team gathers internal and external data

3) The data are analyzed to identify performance gaps and the cause of differences.

4) An action plan is prepared and implemented.



## Use of Computers and IT in management Control:

### Use of Computers:

i) Sales forecast and control: Computer prepares an estimate of future sales called sales forecast from sales data. It can be programmed to read historical sales data.

ii) Payroll: Computer can process a firm's payroll. It can be programmed to read payroll records, calculate earnings, deductions etc. Computerized payroll systems can handle salaried payroll.

### iii) Business Management:

The computer can provide reports & data for the management. Inventory sales analysis and credit analysis can be calculated.

iv) Accounting: Computer can print out customer billings, taxes, reports, profit and loss etc. Accounts stored by ledgers in the machine.

v) Personal management system: Computer can print out the information on job classification and personnel capabilities and can list employees by dept., by salary schedule etc.

vi) Cost accounting: Computer can print out analysis of production costs. It can be programmed to perform routing of cost accounting tasks with budgeted hourly costs on individual machine rates.

### vii) Manufacturing information control:

Computer is used in the manufacture and production of goods. It provides ordering, warehousing and cost data based on art numbers or bills leading.

### viii) Banking and Credit:

Computer is used in the finance, credit, and collection industry. It can process deposits, commercial and consumer loans and revolving charge accounts for banks and dept. stores.



## IT in management Control:

Management Information System (MIS) is the Information Tech. (IT) which is explored for its max. usage in management activities.

MIS - System of obtaining, abstracting, storing and analysing data to produce effective information for the use in planning, controlling and decision making process."

- Characteristics:
- 1) Information must be clear and conciseness.
  - 2) MIS must be simple and easy to understand.
  - 3) It helps the process in decision-making and corrective actions.
  - 4) It helps in solving complicated problems effectively.

## Need of MIS:

### 1. Internal factors:

i) Resources - It involves the analysis of available resources in the organization such as money, material, machine etc.

ii) Planning & Control information - It is to get required information about budgets, sales forecast etc.

iii) Operational information - evaluate overall operations of the business.

iv) production function - It is required to increase the production, product quality & reduce wastage etc.

v) Marketing function - Used to obtain required information for planned sales forecast, sales value competitors etc.

## 2) External information needs:

i) political and government: It involves information about political fiscal policies, govt. policies, procedures rules and regulations.

ii) Economic Condition: It is helpful in getting the required information such as money, GNP, inflation rate etc.

iii) Technology: It is used to get information about new advanced machinery, new process etc.

## Resources of MIS:

1) Computer H/w: It refers computer system and other components such as disk, printer, scanner including comm. link

2) Software: It refers basic S/w required for operation of computer system. ex: OS, MS office.

3) Data: It is in the form of symbols, digits, alphabets, graph, pictures etc.

4) People: Specialists system analyst, programmer and computer operators.

## Implementation of MIS:

Steps: 1) D/p data collection: The necessary data can be collected. The object is the development of information system for management.

2) Information storage and retrieval: Data can be stored and retrieved. Information can be indexed and classified for quick accessibility of management.

3) Analysis: To utilize the data effectively, analyse it.

- 4) Output: O/p is in the form of reports, charts, tables, graph etc.
- 5) Decision making: The o/p information is used for decision-making process.
- 6) Action: After decision, o/p information is taken and it is converted into action.

### Objectives of MIS:

- \* To provide long term plans.
- \* To findout new opportunities.
- \* To allocate resources.
- \* To provide planning and control
- \* To provide sales forecasting
- \* To provide govt. policy and regulation
- \* To provide effective managerial activities.

### Important devices for information system:

#### 1) Speech recognition devices:

Instead of keyboard i/p, to computer is thro' speech by normal manner. It is used by several companies. Clear commn is possible. Similar sound words 'to', 'too', 'two' cause problems

2) Network: A computer is connected by internet and other commn. n/w. The n/w serves as a share processing, s/w & database.

## Applications of MIS:

- 1) Marketing → Sales plan, analysis, forecast
- 2) Manufacturing → Production plan, cost control analysis
- 3) Logistics → Planning and control.
- 4) Finance and accounting → Cost analysis & planning
- 5) Top management → Strategic planning.

## MIS for different Management levels:

- 1) Operational Control: It provides detailed information and accurate on a daily/weekly basis. A marketing manager must know present and past sales record.
- 2) Middle management: Middle levels managers such as department's heads are concerned with the current and future performance.
- 3) Top level - Strategic planning: MIS should provide information to the managers accurately and correct time. The top managers receive the overall financial analysis and summarized comparisons of dept. performance.

## Productivity Problems and Management:

Productivity is a measure of how much input required to produce a given output. i.e. the ratio of output to input is called productivity.

It is a measure of how well the resources are brought together in an organisation and utilized for accomplishing a set of objectives.

Factors affecting productivity:

- 1) Technology:- Technological factors includes degree of mechanization, layout and method of work. New tech. developments and R&D development improve the productivity.
- 2) Human resources:- Education of the employee's favours the improvement of productivity. Motivation of the employees improves the efficiency of productivity.
- 3) Govt. policy - Govt. can eliminate unnecessary regulations and make productivity effectively.
- 4) Machinery and Equipment design - Modern machineries and equipment increase productivity.
- 5) Skill of the workers - Well trained and experienced employees lead to effective productivity.
- 6) Capital - Increased capital investment results in increased productivity. This also increases other factors such as market share, low cost etc.
- 7) Research and development - Research includes the reduction of cost & wastage, new techniques etc.
- 8) Trade unions - Some trade unions create some unnecessary problems like strike and lockout of company. It decreases productivity. Management handles trade unions smoothly to get +ve effect.
- 9) Raw materials & Production processes - Improved quality raw materials increase productivity.

- 10) Plant and layout :- A proper maintenance of plant and equipment increases the productivity. The arrangement of machines and position in the plant is called job layout.
- 11) Land and buildings :- Working environment must be suitable for employees. A poor plant layout and construction will affect productivity.
- 12) Size of plant :- The size of plant and capacity utilization has direct bearing on productivity.

Productivity calculations:

Three common approaches to define productivity are referred as physical, functional & economic productivity.

a) Physical productivity - Ratio of amount of product to the resources consumed. Product may be measured in lines of code, classes, screens or any other unit of product. Effort is measured in terms of staff hours, days or months. The physical size may be used to estimate software performance factors.

b) Functional Productivity - Ratio of amount of the functionality delivered to the resources consumed. Functionality may be measured in

terms of requirements, features etc.

Effort is measured in terms of staff hours, days or months. Traditional measures of function points work best with information processing systems. The effort involved in embedded and scientific software is to under estimated with these measures, although several variations of function points developed to deal this issue.

c) Economic Productivity - Ratio of value of product to the cost of resources to produce it.

It helps to evaluate the economic efficiency of an organisation. Economic productivity is not used to predict project cost because the outcome can be affected by many factors outside the control of project, such as sales volume, inflation, interest rates & substitutions in resources and materials as well as all the other factors that affect physical and functional measures of productivity. It is essential to make good decisions about outsourcing and subcontracting.

$$\text{Basic Economic Productivity} = \text{Value/Cost}$$

Control and Performance:

Three basic types of controls are used to control organisational performance:

feed forward controls, concurrent controls, feedback controls

A) Feed forward control - It takes place a work activity is done.

Concurrent control - It takes place work activity is in progress.

Feedback control - It takes place after a work activity is done.

B) Financial controls

1. Traditional financial control Measures:

a) Financial ratios are calculated by taking numbers from organisation's primary financial statements - income statement and balance sheet.

Financial ratios can be organized into 4 categories

1) Liquidity ratio measures an organization's ability to meet its current debt obligations

2) Leverage ratios examine the organization's use of debt to finance its assets and whether organization is able to meet interest payment on debt.

3) Activity ratios assess how efficiently the firm is using its assets.

4) Profitability ratios measure how efficiently the firm is using its assets to generate profits.



b) Budgets - planning tool, function as control tools ; It provides managers with quantitative standards against which to measure and compare actual performance and resource consumption.

c) Balanced Scorecard - Performance measurement tool that looks at four areas - financial, customer, internal process & people - assets that contribute to company's performance.

D) Information Control -

- 1) Tool for controlling other activities in organisation.
- 2) as an area that managers should control.

a) Management Information System (MIS) is a system used to provide management with needed information on a regular basis.

b) Managers need information, not merely data.

c) Data are raw, unanalyzed facts.

E) Benchmarking - search for best practices among competitors or non competitors that lead to their superior performance. It is std of excellence against which to measure & compare.

a) It is used to monitor and measure organisational performance.

b) To identify specific performance gaps and potential areas of improvement.

## Direct and Preventive control:

Direct Control: — detective control is an attempt to detect undesirable acts that have occurred.

Direct control → 1) Partial Control  
→ 2) Overall control.

Partial Control → designed for specific things like policies, wages/salaries, cash, cost etc

Overall control → designed to measure the success of organization as a whole, against organizational objectives.

Factors influencing direct control:

- 1) Uncertainty - leads to -ve deviations
- 2) Lack of knowledge experience
- 3) Lack of communication.
- 4) Lack of coordination.

Steps for directive control:

- 1) Performance measurement: Some standards are fixed. Input, o/p, price, cost are subject to numerous standards. Tech. skill, creativity skills and problem solving skills are useful to measure the performance of each employee
- 2) Effectively time utilization:

Managers conduct various enquiries and meeting and they consume more time.

3) Discovering errors on time:

Errors have taken in major areas - cash, production, inventory etc. The able managers can find out mistakes in correct time.

4) Employee participation: Involvement of employees in all activities tend to effective control.

5) Effective coordination: Increased coordination increases effective management.

Preventive Control:

- attempt to prevent undesirable acts from occurring. They are proactive controls, designed to prevent loss, error or omission. An efficient manager applies the skills in managerial philosophy to eliminate undesirable activities which are reasons for poor management. It is preventive control.

ex: Separation of duties, proper authorization, adequate documentation, physical security over cash.

The principle of preventive control rest on the following assumptions:

- 1) The qualified managers make min. of errors.
- 2) The management principles can be used to measure performance.
- 3) The application of management principles can be evaluated.

Adv.:

- 1) It is more effective
- 2) Encourages self control.
- 3) Control is fast.
- 4) Greater accuracy.

## Reporting:

"A body of information organized for presentation or transmission to others. It often includes interpretations, recommendations and findings with supporting evidence in the form of other reports".

Objectives:

- > To ensure operational efficiency of concern.
- > To facilitate max. utilization of resources.
- > To help management for effective decision.
- > To enable to motivating improving discipline and morale.

Essentials of good reporting system:

- i) Proper form - A good report should have comprehensive form with suggestive title, heading, sub heading, paragraph etc.
- ii) Contents - contents should follow logical sequence.
  - contents should be presented in the form of visual aids.
- iii) Promptness - It means system should ensure the preparation and submission of report at proper time.
- iv) Accuracy - Information conveyed should be accurate.
- v) Comparability - Report should provide information about both actual and budgeted performance.
- vi) Consistency - To make useful comparison, procedure should be followed on consistent basis over a period.
- vii) Simplicity - Report should be in simple form.

viii) Cost-benefit Analysis - Cost of reporting should commensurate with expenditure involved.

ix) Flexibility :- The system should be capable of being adjusted according to requirement of users.

x) Controllability :- Every report should be addressed to a responsibility centre and analysed the factors into controllable and uncontrollable separately.

Classification of reports:

1) Oral report    2) Written report.

Written report → a) 1) External report  
(based on purpose).    2) Internal report

(based on period)    b) 1) Routine report  
  2) Special report.

(based on function)    c) 1) Operating report  
  2) Financial report.

External report → Reports are prepared for persons outside the business such as govt, bankers, investors and financial institutions etc.

Internal report → Reports are prepared for internal uses of different level of management such as top level, middle level, junior level.