



P.S.R. ENGINEERING COLLEGE, SIVAKASI – 626140.

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DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING

UNIT NOTES

COURSE CODE : 191BAEC
COURSE NAME : Essentials of Management
SEMESTER : VI
ACADEMIC YEAR : 2024-2025
COURSE TUTOR : Mr.P. Rama Subramanian AP/CSE

SYLLABUS

191BAEC	ESSENTIALS OF MANAGEMENT			L	T	P	C
				3	0	0	3
Programme:	B.E. Computer Science and Engineering	Sem:	6	Category:	HS		
Prerequisites:	Nil						
Aim:	To study the evolution of Management, to study the functions and principles of management and to learn the application of the principles in an organization.						
Course Outcomes: The Students will be able to							
CO1: Demonstrate knowledge of managerial functions, types of organizations, managers, and managerial roles and skills							
CO2: Discuss and apply the planning, organizing and control processes.							
CO3: Analyze organizational structure, and organizational control and culture.							
CO4: Adapt motivation and leadership qualities and effectively communicate through both oral and written presentations.							
CO5: Conduct research and analyze information by using both human and technological resources.							
CO6: Study the control management system and process							
INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS							9
Definition of Management – Science or Art – Manager Vs Entrepreneur - types of managers - managerial roles and skills – Evolution of Management – Scientific, human relations, system and contingency approaches – Types of Business organization - Sole proprietorship, partnership, company-public and private sector enterprises - Organization culture and Environment – Current trends and issues in Management.							
PLANNING							9
Nature and purpose of planning – planning process – types of planning – objectives – setting objectives – policies – Planning premises – Strategic Management – Planning Tools and Techniques – Decision making steps and process.							
ORGANISING							9
Nature and purpose – Formal and informal organization – organization chart – organization structure – types – Line and staff authority – departmentalization – delegation of authority – centralization and decentralization – Job Design - Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management, Career planning and management							
DIRECTING							9
Foundations of individual and group behaviour – motivation – motivation theories – motivational techniques – job satisfaction – job enrichment – leadership – types and theories of leadership – communication – process of communication – barrier in communication – effective communication – communication and IT.							
CONTROLLING							9
System and process of controlling – budgetary and non-budgetary control techniques – use of computers and IT in Management control – Productivity problems and management – control and performance – direct and preventive control – reporting.							

Total Periods: 45

Text Books:

1. Harold Koontz, Heinz Weihrich and Mark V Cannice, 'Management - A global & Entrepreneurial Perspective', Tata McGraw Hill, 12/e, 2014.
2. James A.F. Stoner, R. Edward Freeman, Daniel R. Gilbert Jr., 'Management', Prentice-Hall of India, 6/e, 2012.

References:

1. JAF Stoner, Freeman R.E, Daniel R Gilbert, "Management", Pearson Education, 6/e, 2004.
2. Robert Kreitner, Mamata Mohapatra, "Management", Biztantra, 2008.
3. Stephen A. Robbins, David A. Decenzo, Mary Coulter, "Fundamentals of Management", Pearson Education, 7/e, 2011.

INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

According to **Harold Koontz**,—Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals.

IMPORTANCE OF MANAGEMENT

- Encourages Initiative
- Encourages Innovation
- Facilitates growth and expansion
- Improves life of workers
- Improves corporate image
- Optimum use of resources
- Reduces wastage
- Increases efficiency
- Improves relations
- Encourages Team Work

CHARACTERISTICS OF MANAGEMENT

- Continuous and never ending process.
- Getting things done through people.
- Result oriented science and art.
- Multidisciplinary in nature.
- A group and not an individual activity.
- Follows established principles or rules.

- Aided but not replaced by computers.
- Situational in nature.
- Need not be an ownership.
- Both an art and science.
- Management is all pervasive.
- Management is intangible.
- Uses a professional approach in work.
- Dynamic in nature.

LEVELS OF MANAGEMENT

The Top Management: It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions. The role of the top management can be summarized as follows –

1. Top management lays down the objectives and broad policies of enterprise. It appoints the executive DM for middle level
2. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
3. It prepares strategic plans & policies for the enterprise. It controls & coordinates the activities of all the departments.
4. It is also responsible for maintaining a contact with the outside world. It provides guidance and direction.
5. The top management is also responsible

towards the shareholders for the performance of the enterprise.

Manager Vs Administration

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

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

1. They execute the plans of the organization in accordance with the policies and directives of the top management.
2. They participate in employment & training of lower level management. They make plans for the sub-units of the organization
3. They interpret and explain policies from top level management to lower level.
4. They are responsible for coordinating the activities within the division or department.
5. It sends important reports, other important data to top level management. They evaluate performance of junior managers.

Lower Level Management: Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees. Their activities include

1. Assigning of jobs and tasks to various

workers. They guide and instruct workers for day to day activities.

2. They are responsible for the quality as well as quantity of production. They supervise & guide the sub-ordinates.
3. They are also entrusted with the responsibility of maintaining good relation in the organization. They motivate workers.
4. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers. They prepare periodical reports about the performance of the workers.
5. They help to solve the grievances of the workers. They are responsible for providing training to the workers.
6. They arrange necessary materials, machines, tools etc for getting the things done.

FUNCTIONS OF MANAGEMENT

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to

each and every manger irrespective of his level or status. Different experts have classified functions of management. According to **George & Jerry**, —There are four fundamental functions of management i.e. planning, organizing, actuating and controlling. According to **Henry Fayol**, —To manage is to forecast and plan, to organize, to command, & to controll. Whereas **Luther Gullick** has given a keyword **‘_POSDCORB’** where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling.**

1. Planning: It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, —Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to bell. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing: It is the process of bringing

together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's. Organizing as a process involves:

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

3. Staffing: Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement. Training & development. Remuneration. Performance appraisal. Promotions & transfer.

4. Directing: It is considered life-spark of the

enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. **Supervision** overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers. **Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative. Monetary. **Leadership-** a process by which manager guides and influences the work of subordinates in desired direction. **Communications** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling: Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished. Therefore controlling has following steps:

- (i) Establishment of standard performance. Measurement of actual performance.
- (ii) Comparison of actual performance with the standards and finding out deviation if any. Corrective action.

ROLES OF MANAGER

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows

a) Interpersonal Roles: Involve people and other ceremonial duties. It can be further classified as follows

- Leader – Responsible for staffing, training, and associated duties.
- Figurehead – The symbolic head of the organization.
- Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

b) Informational Roles: Related to collecting, receiving, and disseminating information.

- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all import information received from outsiders to the members of the organization.
- Spokesperson – On the contrary to the above role, here the manager transmits the organization's plans, policies and actions to outsiders.

c) Decisional Roles: Roles that revolve around making choices.

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

it.

- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

Management as a Science

- Management is a systematic body of knowledge consists of principles, generalizations, approaches and concepts to be applied in practical situation. The manager can manage the situation or organization in a systematic and scientific manner only if he posses the adequate knowledge of management and its principles.
- The principles generalization and concepts of management have been developed and formulated on the basis of **observation** research and analysis and **experimentation**, as is the case with the principles of other sciences.
- Like other sciences management principles are also based on relationship of **cause and effect**. Example if workers are paid more,

they will produce more.

- Management knowledge and its principles are codified and a systematized and can be transferred from one manager to another and can be taught.
- Management principles are **universally** applicable to all types of organizations they are generalized in nature. Forming general guidelines for managers to practice.
- Law of science have universal application example; formula for water or law of gravity is applicable everywhere same in the case with management. Management process has universal applicability. Example: high motivation leads to high efficiency in employees.

Management as an Art

Art means application of knowledge & skill to get the desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters –

- **Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles.

- **Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another.
- **Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination.
- **Perfection through practice:** Practice makes a man perfect. **Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results.

Management as both Science and Art

To be successful manger, a person requires the knowledge of management principles and also skills how the knowledge can be utilized. Absence of either will result in inefficiency. So management

Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

use both scientific knowledge and art in managing

the organization. According to Dr. Terry —if sciences teaches one to know, art teaches one to do.

	Management as Science		Management as Art	
	Advances by knowledge		Advances by practices	
	Proves		Feels	
	Predicts		Guesses	
	Defines		Describes	
	Measures		Openness	
	Impresses		Expresses	
Basis for Comparison	Entrepreneur		Manager	
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.		Manager is an individual who takes the responsibility of controlling and administering the organization.	
Focus	Business startup		Ongoing operations	
Primary motivation	Achievement		Power	
Approach to task	Informal		Formal	
Status	Owner		Employee	

CONTRIBUTION OF FAYOL AND TAYLOR

F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

Taylor's Scientific Management

Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasis the need for adopting a scientific approach to the task of managing an enterprise.

He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work.

He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- Observation
- Measurement

- Experimentation and
- Inference

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words:

- Science, not rule of thumb
- Harmony, not discord
- Co-operation, not individualism
- Maximum output, in place of restricted output
- The development of each man to his greatest efficiency and prosperity

The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. **Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. Work study includes.

- **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.

- **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.

- **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both

Time study and motion study determining the best method of doing a job and the standard time allowed for it.

- **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.
- **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

2. **Planning the Task:** Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there are no bottlenecks and the work goes on systematically.

1. **Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

2. **Standardization:** Standardization may be introduced in respect of the following.

- **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.
- **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.
- **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling,

humidity, floor space, safety etc., is very essential.

- **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

3. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

- **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
- **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
- **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
- **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.
- **The Gang Boss:** To assemble and set up

tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

- **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.
- **The repair boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
- **The Inspector:** To show to the worker how to do the work.

3. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Henry Fayol's 14 Principles of Management:
The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be

performed in the best manner only through division of labour and specialization.

2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organization must work together to

- accomplish common objectives.
6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
 7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.
 8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
 9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.
 10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.
 11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.
 12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.
 13. **Esprit of co-operations:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
 14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

EVOLUTION OF MANAGEMENT THOUGHT

The origin of management as a discipline was developed in the late 19th century. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and

disseminated. These attempts at classification have resulted in the identification of management approaches. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management is based on somewhat different assumptions about human beings and the organizations for which they work. The different approaches of management are.

a) THE CLASSICAL APPROACH:

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

(i) Scientific Management: Frederick Winslow Taylor is known as the father of scientific management. Scientific management (also called Taylorism or the Taylor system) is a theory of management that analyzes and synthesizes workflows, with the objective of improving labor productivity. In other words, Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at

work.

(ii) Administrative Management: focuses on the management process and principles of management. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, it provides a more general theory of management. Henri Fayol is the major contributor to this approach of management thought.

(iii) Bureaucratic Management: focuses on the ideal form of organization. Max Weber was the major contributor to it. Based on observation, Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty. He proposed that a form of organization, called a bureaucracy, characterized by division of labor, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more efficient management. Weber also contended that managers' authority in an organization should be based not on tradition or charisma but on the position held by managers in the organizational hierarchy.

b) THE BEHAVIORAL APPROACH:

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

efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behavior. Thus, the behavioral approach focused on trying to understand the factors that affect human behavior at work.

- a. **Human Relations:** The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo. One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity. Another was that the workplace is a social system and informal group influence could exert a powerful effect on individual behavior. A third was that the style of supervision is an important factor in increasing workers' job satisfaction.
- b. **Behavioral Science:** Behavioral science and the study of organizational behavior emerged in the 1950s and 1960s. The behavioral science approach was a natural progression of the human relations movement. It focused on applying conceptual and analytical tools to the problem of understanding and predicting behavior in the workplace.

c) *THE QUANTITATIVE APPROACH:*

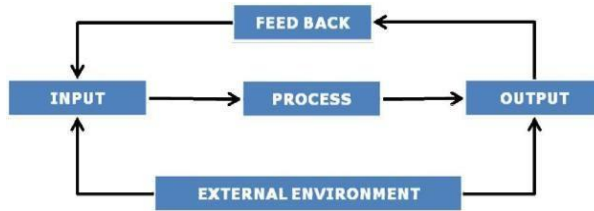
The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

(i) Management Science (Operations Research): uses mathematical and statistical approaches to solve management problems. It developed during World War II as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war. The advent of the computer made many management science tools and concepts more practical for industry

(ii) Production and Operations Management: This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science. Operations management emphasizes productivity and quality of both manufacturing and service organizations. W. Edwards Deming exerted a tremendous influence in shaping modern ideas about improving productivity and quality. Major areas of study within operations management include capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control,

quality control, computer integrated manufacturing, just-in-time inventory systems, and flexible manufacturing systems.

d) SYSTEMS APPROACH:



The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

(e) contingency approach:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to

manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

Approaches	B Dates	Emphasis
CLASSICAL APPROACH		
Scientific	1880s	Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work
Administrative	1940s	Given ideas about the primary functions of management and 14 principles of an administration
Bureaucratic	1920s	Replaces traditional leadership and charismatic leadership with legal Leadership
BEHAVIORAL APPROACH		
HR relations	1930s	workers' attitudes are associated with productivity
B Science	1950s	Gives idea to understand human behavior in the organization
QUANTITATIVE APPROACH		

OR	1940s	Uses mathematical and statistical approaches to solve management problems.
POM	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services
RECENT DEVELOPMENTS		
Systems	1950s	Considers the organization as a systems that transforms inputs into outputs while in interaction with its environment
Contingency	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation.

TYPES OF BUSINESS ORGANIZATIONS

a) Sole Proprietorships: The vast majority of small business starts out as sole proprietorships . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

Merits:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.

- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Demerits:

- Unlimited liability and are legally responsible for all debts against the business
- Their business and personal assets are 100% at risk
- Has almost been ability to raise investment funds.
- Are limited to using funds from personal savings or consumer loans.

b) Partnerships: In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. They also must decide up front how much time and capital each will contribute, etc.

Merits:

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.

- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

Demerits:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.

c) **Corporations:** A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Merits:

- Shareholders have limited liability for the

corporation's debts or judgments against the corporations.

- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
 - Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Demerits:

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

Merits:

- It is easy to form.
- The directors of a government company

are free to take decisions & are not bound by certain rigid rules & regulations.

Demerits:

- Misuse of excessive freedom cannot be ruled out.
- The directors are appointed by the government so they spend more time in pleasing their political masters & top government officials, which results in inefficient management.

THE ORGANIZATION'S CULTURE

Just as individuals have a personality, so, too, do organizations. We refer to an organization's personality as its culture.

Organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act.

This implies:

- Individuals perceive organizational culture based on what they see, hear, or experience within the organization.
- Organizational culture is shared by individuals within the organization.
- Organizational

culture is a descriptive term.

It describes, rather than evaluates. Seven

dimensions of an organization's culture have been proposed

- Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks)
- Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail)
- Outcome orientation (degree to which managers focus on results rather than techniques and processes used to achieve those outcomes)
- People orientation (the degree to which management decisions take into consideration the effect on people within the organization)
- Team orientation (the degree to which work activities are organized around teams rather than individuals)
- Aggressiveness (the degree to which people are aggressive and competitive rather than easygoing and cooperative)
- Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth)

Strong versus Weak Cultures

Strong cultures are found in organizations where

key values are intensely held and widely shared. Whether a company's culture is strong, weak, or somewhere in between depends on organizational factors such as size, age, employee turnover rate, and intensity of original culture. A culture has increasing impact on what managers do as the culture becomes stronger. Most organizations have moderate-to-strong cultures. In these organizations, high agreement exists about what is important and what defines —good employee behavior. Culture is transmitted and learned by employees principally through stories, rituals, material symbols, and language. An innovative culture should have these characteristics: Challenge & Risk taking.

CLASSIFICATION OF ENVIRONMENTAL FACTORS

1) INTERNAL ENVIRONMENTAL FACTORS

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

i) Resources: A good starting point to identify company resources is to look at tangible, intangible and human resources. Tangible

resources are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm's financial statements.

Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (Proprietary technology and know-how).

Human resources or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.

ii) Capabilities: Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm's capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal

functional areas.

iii) Culture: It is the specific collection of values and norms that are shared by people and groups in an organization and that helps in achieving the organizational goals.

2) EXTERNAL ENVIRONMENT FACTORS

It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

a) MICRO ENVIRONMENTAL FACTORS

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

- i) **Shareholders:** Any person or company that owns at least one share (a percentage of ownership) in a company is known as shareholder. A shareholder may also be referred to as a "stockholder". As organization requires greater inward investment for growth they face increasing pressure to move from strategy of organizations.
- ii) **Suppliers:** An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier.

Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. A closer supplier relationship is one way of ensuring competitive and quality products for an organization.

- iii) **Distributors:** Entity that buys non-competing products or product-lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their customers. Often getting products to the end customers can be a major issue for firms. The distributors used will determine the final price of the product and how it is presented to the end customer. When selling via retailers, for example, the retailer has control over where the products are displayed, how they are priced and how much they are promoted in-store. You can also gain a competitive advantage by using changing distribution channels.
- iv) **Customers:** A person, company, or other entity which buys goods and services produced by

another person, company, or other entity is known as customer. Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

v) Competitors: A company in the same industry or a similar industry which offers a similar product or service is known as competitor. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share. Competition also requires companies to become more efficient in order to reduce costs. Fast-food restaurants McDonald's and Burger King are competitors, as are Coca-Cola and Pepsi, and Wal-Mart and Target.

vi) Media: Positive or adverse media attention on an organisation's product or service can in some cases make or break an organisation.. Consumer programmes with a wider and more direct audience can also have a very powerful and positive impact, forcing organisations to change their tactics.

b) MACRO ENVIRONMENTAL FACTORS

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

to affect the organization's strategies. When compared to a firm's task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment.

The macro environment consists of forces that originate outside of an organization and generally cannot be altered by actions of the organization. In other words, a firm may be influenced by changes within this element of its environment, but cannot itself influence the environment. The curved lines in Figure 1 indicate the indirect influence of the environment on the organization.

Macro environment includes political, economic, social and technological factors. A firm considers these as part of its environmental scanning to better understand the threats and opportunities created by the variables and how strategic plans need to be adjusted so the firm can obtain and retain competitive advantage.

i) Political Factors: Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:

- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

ii) **Economic Factors:** Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the macro economy:

- economic growth
- interest rates
- exchange rates
- inflation rate

iii) **Social Factors:** Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:

- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

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

- R&D activity
- Automation
- technology incentives
- rate of technological change

THE ORGANIZATION'S ENVIRONMENT

The general environment includes these broad

external conditions that may affect the organization:

- Economic conditions include interest rates, inflation rates, changes in disposable income, stock market fluctuations, and the general business cycle.
- Political/legal conditions include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business.
- Sociocultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes.
- Demographic conditions, including physical characteristics of a population (e.g., gender, age, level of education, geographic location, income, composition of family) can change, and managers must adapt to these changes.
- Technological conditions, which have changed more rapidly than any other element of the general environment.
- Global factors include global competitors and global consumer markets. Environments differ in their amount of environmental uncertainty, which relates to

(1) The Degree of change in an Organizations Environment: Degree of

change is characterized as being dynamic or stable. In a dynamic environment, components of the environment change frequently. If change is minimal, the environment is called a stable environment.

(2)The degree of complexity in that environment: The degree of environmental complexity is the number of components in an organization's environment and the extent of an organization's knowledge about those components. If the number of components and the need for sophisticated knowledge is minimal, the environment is classified as simple. If a number of dissimilar components and a high need for sophisticated knowledge exist, the environment is complex. As uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty

CURRENT TRENDS AND ISSUES

Globalization: Organizational operations are no longer limited by national borders. Managers throughout the world must deal with new opportunities and challenges inherent in the globalization of business.

Ethics: Cases of corporate lying, misrepresentations, and financial manipulations have been widespread in recent years

Workforce diversity: It refers to a workforce that is heterogeneous in terms of gender, race, ethnicity, age, and other characteristics that reflect differences. Accommodating diverse groups of people by addressing different lifestyles, family

needs, and work styles is a major challenge for today's managers.

Entrepreneurship: It is the process whereby an individual or group of individuals use organized efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has.

Three important themes stand out in this definition:

- a. The pursuit of opportunities
- b. Innovation
- c. Growth Entrepreneurship will continue to be important to societies around the world.

Managing in an E-Business World: E-business is a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with its key constituencies in order to efficiently and effectively achieve its goals.

Knowledge Management and Learning Organizations: Change is occurring at an unprecedented rate. To be successful, today's organization must become a learning organization—one that has developed the capacity to continuously learn, adapt, and change. It involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance.

Quality Management: It is a philosophy of management that is driven by continual improvement and response to customer needs and expectations. The objective of quality management is to create an organization committed to continuous improvement in work

UNIT II

PLANNING

According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

Nature of Planning

1. **Planning is goal-oriented:** Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
2. **Primacy of Planning:** Planning is the first of the managerial functions. It precedes all other management functions.
3. **Pervasiveness of Planning:** Planning is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.
4. **Efficiency, Economy and Accuracy:** Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
5. **Co-ordination:** co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
6. **Limiting Factors:** A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the

light of these critical factors.

7. **Flexibility:** The process of planning should be adaptable to changing environmental conditions.
8. **Planning is an intellectual process:** The quality of planning will vary according to the quality of the mind of the manager.

Purpose of Planning

1. **To manage by objectives:** All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
2. **To offset uncertainty and change:** Future is always full of uncertainties and changes. It foresees the future & makes necessary provisions for it.
3. **To secure economy in operation:** The selection of most profitable course of action that would lead to the best result at the minimum costs.
4. **To help in co-ordination:** Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
5. **To make control effective:** The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
6. **To increase organizational effectiveness:** Mere efficiency in the organization is not important; it should also

lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

Features of Planning

- It is primary function of management.
- It is an intellectual process
- Focuses on determining the objectives
- Involves choice and decision making
- It is a continuous process

It is a pervasive function

CLASSIFICATION OF PLANNING

On the basis of content

Strategic Planning	Tactical Planning
It is process of deciding on Long-term objectives of firm	It involves conversion of detailed and specific plans into detailed and specific action plans.
It encompasses all the functional areas of Business	It is the blue print for current action and it supports the strategic plans.

On the basis of time period

Long term planning	Intermediate term planning	Short term planning
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Time frame beyond five years	Time frame between two and five years	Time frame of one year or less
It specifies what the organization wants to become in long run	It is designed to implement long term plans	It provide basis for day to day operations
It involves great deal of uncertainty.		

PLANNING PROCESS

a) Perception of Opportunities: Is not strictly a planning process. However, this awareness is very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking up particular plans. From this point of view, it can be considered as the beginning of planning process. Perception of opportunities includes a preliminary look at possible opportunities and the ability to see them clearly and completely, knowledge of where the organization stands in the light of its strengths and weaknesses, an understanding of why the organization wants to solve uncertainties, and a vision of what it expects to gain.

b) Establishing Objectives: The first and primary step in planning process is the establishment of planning objectives or goals. Definite objectives, in fact, speak categorically about what is to be done, where to place the initial emphasis and the things to be accomplished by the network of

policies, procedures, budgets and programmes, the lack of which would invariably result in either faulty or ineffective planning.

Considering the Planning Premises: Planning premises are assumptions about the future understanding of the expected situations. These are the conditions under which planning activities are to be undertaken. These premises may be internal or external. Internal premises are internal variables that affect the planning. These include organizational policies, various resources and the ability of the organization to withstand the environmental pressure. External premises include all factors in task environment like political, social technological, competitors' plans and actions, government policies, market conditions. Both internal factors should be considered in formulating plans. At the top level mainly external premises are considered. As one moves downward, internal premises gain importance.

Identification of alternatives: Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives. For instance, to achieve the objectives of securing desired profits, necessary plant and machinery should be established in the organization. The machinery can be of different types like: Manual plant, Semi automatic plant, complete automatic plant. While developing the alternatives, organizational frame work like constraint of capital, manpower and philosophies may be taken into account.

Evaluation of alternatives: At the stage, an attempt is made to evaluate how each alternative contributes to the organizational objectives in the light of its resources and constraints. This presents a problem because each alternative may have certain positive points on one aspect but negative on others. For example, one alternative may be

most profitable but requires heavy investment with long gestation period; another may be less profitable but also involves less risk. Moreover, there is no certainty about the outcome of any alternative because it is related with future and future is not certain. This is the reason why more sophisticated techniques of planning and decision-making have been developed.

e) Choice of alternative plans: After the evaluation of various alternatives the fit one is selected. Sometimes evaluation shows that more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future, which is not constant. A course of action chosen keeping in view the various planning premises may not be the best one if there is change in planning premises. Therefore, planner must be ready with alternative, normally known as contingency plan, which can be implemented in changed situations.

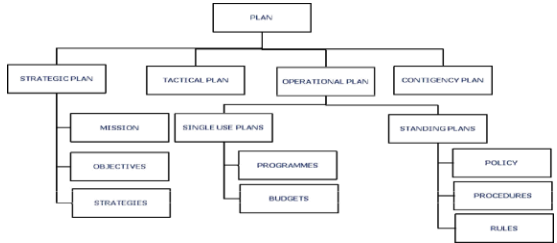
f) Formulating of Supporting Plans: After formulating the basic plan, various plans are derived so as to support the major plan. In an organization there can be various derivative plans like planning for buying equipment's, buying raw materials, recruiting and training personnel, developing new product, etc. These derivative plans are formulated out of the main plan and, therefore, they support it.

g) Establishing sequence of activities: After formulating

basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to give plan more concrete meaning or implementation.

TYPES OF PLANS / COMPONENTS OF PLANNING

Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.



Plans can be broadly classified as

a) Strategic plans: A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments. It is further classified as

Mission: The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company is the answer of the question: why does the organization exist? Mission of Ford: —we are a global, diverse family with a proud inheritance,

providing exceptional products and services.

- **Objectives or goals:** Both goal and objective can be defined as statements that reflect the end towards which the organization is aiming to achieve. However, there are significant differences between the two. A goal is an abstract and general umbrella statement, under which specific objectives can be clustered. Objectives are statements that describe—in precise, measurable, and obtainable terms which reflect the desired organization’s outcomes.
- **Strategies:** Strategy is the determination of the basic long term objectives of an organization and the adoption of action and collection of action and allocation of resources necessary to achieve these goals. Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning.

b) Tactical plans: A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. They are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one

year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

- **Operational plans:** The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. Process 150 sales applications each week or
- Publish 20 books this quarter are examples of operational goals.

An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or a standing plan.

Single-use plans apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.

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

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

Standing plans are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

Policy: Provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

Rule: Is an explicit statement that tells an employee what he or she can and cannot do. Rules are —do and —don't statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about absenteeism.

Procedure: A procedure is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The Requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

Contingency plans: Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a —keeping all options open approach at all times — that's where contingency planning comes in. Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances. Keep in mind that events beyond a manager's

control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

OBJECTIVES

Objectives may be defined as the goals which an organization tries to achieve. Objectives are described as the end- points of planning. According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme." Objectives constitute the purpose of the enterprise and without them no intelligent planning can take place.

Features of Objectives

- The objectives must be predetermined.
- clearly defined provides clear direction for managerial effort
- Objectives must be realistic.
- Objectives must be measurable.
- Objectives must have social sanction.
- All objectives are interconnected and mutually supportive.
- Objectives may be short-range, medium- range long-range.
- Objectives may be constructed into a hierarchy.

Advantages of Objectives

- Clear definition of objectives encourages unified planning.
- Objectives provide motivation to people in the organization.
- When the work is goal-oriented, unproductive tasks can be

avoided.

- Objectives provide standards which aid in the control of human efforts in an organization.
- Objectives serve to identify the organization and to link it to the groups upon which its existence depends.
- Objectives act as a sound basis for developing administrative controls.
- Contribute to the management process: they influence the purpose of the orgn, policies, personnel, leadership as well as managerial control.

Process of Setting Objectives: Objectives are the keystone of management planning. It is the most important task of management. Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

- Objectives are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.
- The objectives to be set in various areas have to be identified.
- the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.

- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.
- **MANAGEMENT BY OBJECTIVES (MBO)**
- MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'.
- **Definition:** —MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.¶

Features of MBO

1. MBO is concerned with goal setting and planning for individual managers and their units.
2. The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
3. Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
4. MBO focuses attention on appropriate goals and plans.
5. MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

Steps in MBO:

The typical MBO process consists of:

- 1) Establishing a clear and precisely defined statement of objectives for the employee
- 2) Developing an action plan indicating how these objectives are to be achieved
- 3) Reviewing the performance of the employees
- 4) Appraising performance based on objective achievement

1) Setting objectives: To be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors. The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them. MBO systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets.

1) Developing action plans: Actions plans specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action and according to what timeline. An overall, top-level action plan that depicts how each strategic goal will be reached is developed by the top level management. The format of the action plan depends on the objective of the organization.



2) Reviewing Progress: Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions & results produced. Effort refers to the amount of energy an employee uses in performing a job. Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time. Role perception refers to direction in which employees believe they should channel their efforts on their jobs, & they are defined by the activities & behaviors they believe are necessary.

3) Performance appraisal: Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement. Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion. Appraisals can also provide input for determining both individual and organizational training and development needs. Performance appraisals encourage performance improvement.

Advantages

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment.
- Better communication and Coordination – Frequent

reviews and interactions between superiors and subordinates Clarity of goals

- Subordinates have a higher commitment to objectives they set themselves than those imposed on them by another person.
- Managers can ensure that objectives of the subordinates are linked to the organization's objectives.

Limitations: There are several limitations to the assumptive base underlying the impact of managing by objectives, including:

- It over-emphasizes the setting of goals over the working of a plan as a driver of outcomes.
- It underemphasizes the importance of the environment or context in which the goals are set. That context includes everything from the availability and quality of resources, to relative buy-in by leadership and stake-holders.
- Companies evaluated their employees by comparing them with the "ideal" employee. Trait appraisal only looks at what employees should be, not at what they should do.
- When this approach is not properly set, agreed and managed by organizations, self-centered employees might be prone to distort results, falsely representing achievement of targets that were set in a short-term, narrow fashion. In this case, managing by objectives would be counterproductive.

STRATEGIES:

According to Koontz and O' Donnell, "Strategies must often denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives". Strategies are plans made in the light of the plans of the competitors because a modern business institution operates in a competitive environment. They are a useful framework for guiding enterprise thinking and action.

Characteristics of Strategy

- It is the right combination of different factors.
- It relates the business organization to the environment.
- It is an action to meet a particular challenge, to solve particular problems or to attain desired objectives.
- Strategy is a means to an end and not an end in itself.
- It is formulated at the top management level.
- It involves assumption of certain calculated risks.

Strategic Planning Process / Strategic Formulation Process

1. **Input to the Organization:** Various Inputs (People, Capital, Management and Technical skills, others) including goals input of claimants (Employees, Consumers, Suppliers, Stockholders, Government, Community and others) need to be

elaborated.

2. **Industry Analysis:** Formulation of strategy requires the evaluation of the attractiveness of an industry by analyzing the external environment. The focus should be on the kind of compaction within an industry, the possibility of new firms entering the market, the availability of substitute products or services, the bargaining positions of the suppliers, and buyers or customers.
3. **Enterprise Profile:** Enterprise profile is usually the starting point for determining where the company is and where it should go. Top managers determine the basic purpose of the enterprise and clarify the firm's geographic orientation.
4. **Orientation, Values, and Vision of Executives:** The enterprise profile is shaped by people, especially executives, and their orientation and values are important for formulation the strategy. They set the organizational climate, and they determine the direction of the firm though their vision. Consequently, their values, their preferences, and their attitudes toward risk have to be carefully examined because they have an impact on the strategy.
5. **Mission (Purpose), Major Objectives, and Strategic Intent:** Mission or Purpose is the answer to the question: What is our business? The major Objectives are the end points towards which

the activates of the enterprise are directed. Strategic intent is the commitment (obsession) to win in the competitive environment, not only at the top-level but also throughout the organization.

6. **Present and Future External Environment:** Must be assessed in terms of threats and opportunities.
7. **Internal Environment:** Internal Environment should be audited and evaluated with respect to its resources and its weaknesses, and strengths in research and development, production, operation, procurement, marketing and products and services. Other internal factors include, human resources and financial resources as well as the company image, the organization structure and climate, the planning and control system, and relations with customers.
8. **Development of Alternative Strategies:** Strategic alternatives are developed on the basis of an analysis of the external and internal environment. Strategies may be specialize or concentrate. Alternatively, a firm may diversify, extending the operation into new and profitable markets. Other examples of possible strategies are joint ventures, and strategic alliances which may be an appropriate strategy for some firms.

Evaluation and Choice of Strategies: Strategic

choices must be considered in the light of the risk involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm. Another critical element in choosing a strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriate time.

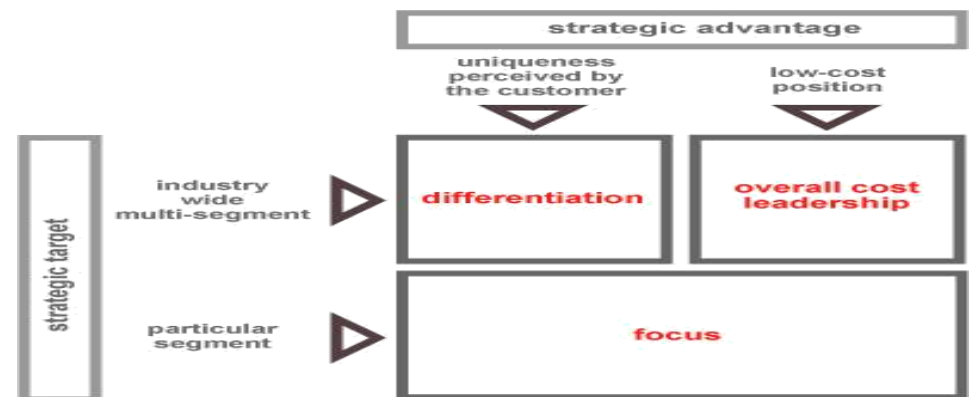
9. **Consistency Testing and Contingency Planning:** The last key aspect of the strategic planning process is the testing for consistency and preparing for contingency plans.

TYPES OF STRATEGIES

According to Michel Porter, the strategies can be classified into three types. They are

- a) Cost leadership strategy
- b) Differentiation strategy
- c) Focus strategy

The following table illustrates Porter's generic strategies:



a) Cost Leadership Strategy: This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market. Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

Firms that succeed in cost leadership often have the following internal strengths:

- Access to the capital required to make a significant investment in production assets; this investment represents a barrier to entry that many firms may not overcome.
- Skill in designing products for efficient manufacturing, for example, having a small

- component count to shorten the assembly process.
- High level of expertise in manufacturing process engineering.
- Efficient distribution channels.

Each generic strategy has its risks, including the low-cost strategy. For example, other firms may be able to lower their costs as well. As technology improves, the competition may be able to leapfrog the production capabilities, thus eliminating the competitive advantage. Additionally, several firms following a focus strategy and targeting various narrow markets may be able to achieve an even lower cost within their segments and as a group gain significant market share.

b) Differentiation Strategy: A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

Firms that succeed in a differentiation strategy often have the

following internal strengths:

- Access to leading scientific research.
- Highly skilled and creative product development team.
- Strong sales team with the ability to successfully communicate the perceived strengths of the product.
- Corporate reputation for quality and innovation.

The risks associated with a differentiation strategy include imitation by competitors and changes in customer tastes. Additionally, various firms pursuing focus strategies may be able to achieve even greater differentiation in their market segments.

c) Focus Strategy: The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly.

Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers. However, firms pursuing a differentiation-focused strategy may be able to

pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor a broad range of product development strengths to a relatively narrow market segment that they know very well.

Some risks of focus strategies include imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad-market cost leader to adapt its product in order to compete directly. Finally, other focusers may be able to carve out sub-segments that they can serve even better.

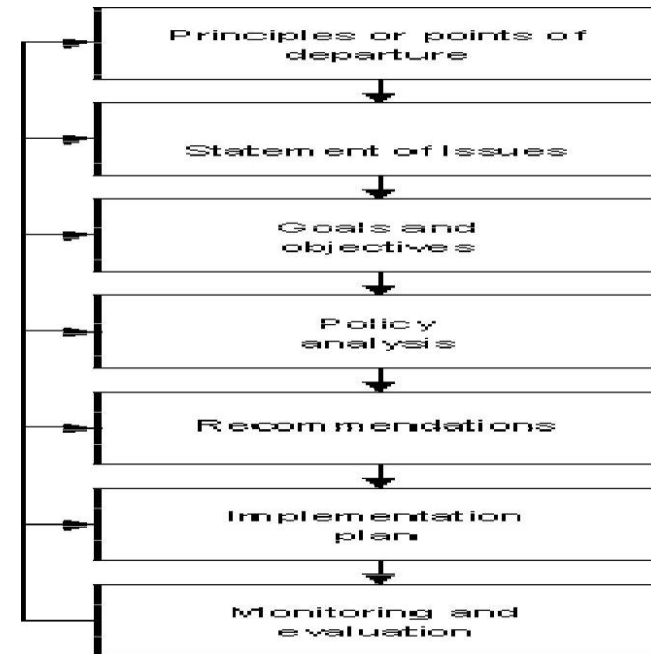
A Combination of Generic Strategies: These generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt it may achieve no advantage at all. For example, if a firm differentiates itself by supplying very high quality products, it risks undermining that quality if it seeks to become a cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over the long-term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not

achieve a competitive advantage. Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle."

However, there exists a viewpoint that a single generic strategy is not always best because within the same product customers often seek multi-dimensional satisfactions such as a combination of quality, style, convenience, and price. There have been cases in which high quality producers faithfully followed a single strategy and then suffered greatly when another firm entered the market with a lower-quality product that better met the overall needs of the customers.

POLICIES

Policies are general statements or understandings that guide managers' thinking in decision making. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make.



The first step in the process of policy formulation, as shown in the diagram below, is to capture the values or principles that will guide the rest of the process and form the basis on which to produce a statement of issues. The statement of issues involves identifying the opportunities and constraints affecting the local housing market, and is to be produced by thoroughly analyzing the housing market. The kit provides the user with access to a housing data base to facilitate this analysis.

The statement of issues will provide the basis for the formulation of a set of housing goals and objectives,

designed to address the problems identified and to exploit the opportunities which present themselves.

The next step is to identify and analyze the various policy options which can be applied to achieve the set of goals and objectives. The options available to each local government will depend on local circumstances as much as the broader context and each local authority will have to develop its own unique approach to addressing the housing needs of its residents.

An implementation program for realizing the policy recommendations must then be prepared, addressing budgetary and programming requirements, and allocating roles and responsibilities. Finally, the implementation of the housing strategy needs to be systematically monitored and evaluated against the stated goals and objectives, and the various components of the strategy modified or strengthened, as required.

At each step of the way, each component of the strategy needs to be discussed and debated, and a public consultation process engaged in. The extent of consultation and the participants involved will vary with each step.

Essentials of Policy Formulation

The essentials of policy formation may be listed as below:

- A policy should be definite, positive and clear. It should be understood by everyone in the organization.
- A policy should be translatable into the practices.
- A policy should be flexible and at the same time have a high degree of permanency.
- A policy should be formulated to cover all reasonable anticipatable conditions.
- A policy should be founded upon facts and sound judgment.
- A policy should conform to economic principles, statutes and regulations.
- A policy should be a general statement of the established rule.

Importance of Policies

Policies are useful for the following reasons:

- They provide guides to thinking and action and provide support to the subordinates.
- They delimit the area within which a decision is to be made.
- They save time and effort by pre-deciding problems and
- They permit delegation of authority to managers at the lower levels.

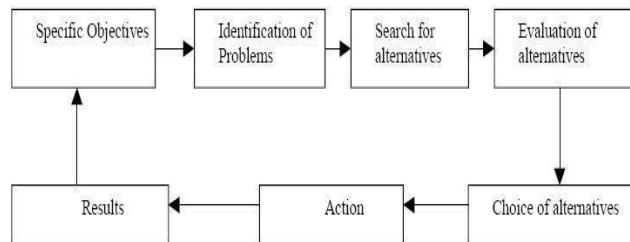
DECISION MAKING

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus,

decision involves cutting off of alternatives between those that are desirable and those that are not desirable. In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

Characteristics of Decision Making

- Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- The decision-maker has freedom to choose an alternative.
- Decision-making may not be completely rational but may be judgemental and emotional.
- Decision-making is goal-oriented.
- Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.



- A decision may be expressed in words or may be implied from behaviour.
- Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.

- Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

TYPES OF DECISIONS

a) Programmed and Non-Programmed Decisions:

Herbert Simon has grouped organizational decisions into two categories based on the procedure followed. They are:

i) Programmed decisions: Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.

ii) Non-Programmed Decisions: Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/ unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

b) Strategic and Tactical Decisions: Organizational decisions may also be classified as strategic or tactical.

i) **Strategic Decisions:** Basic decisions or strategic decisions are decisions which are of crucial importance. Strategic decisions a major choice of actions concerning allocation of resources and contribution to the achievement of organizational objectives. Decisions like plant location, product diversification, entering into new markets, selection of channels of distribution, capital expenditure etc are examples of basic or strategic decisions.

ii) **Tactical Decisions:** Routine decisions or tactical decisions are decisions which are routine and repetitive. They are derived out of strategic decisions. The various features of a tactical decision are as follows:

- Tactical decision relates to day-to-day operation of the organization and has to be taken very frequently.
- Tactical decision is mostly a programmed one. Therefore, the decision can be made within the context of these variables.
- The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.
- The authority for making tactical decisions can be delegated to lower level managers because: first, the impact of tactical decision is narrow and of short-term nature

and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on strategic decisions.

DECISION MAKING PROCESS

The decision making process is presented in the figure below:

Specific Objective: The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the determination of whether a decision needs to be made.

1. Problem Identification: A problem is a felt need, a question which needs a solution. In the words of Joseph L Massie "A good decision is dependent upon the recognition of the right problem". The objective of problem identification is that if the problem is precisely and specifically identifies, it will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

Diagnosis: Diagnosis is the process of identifying a problem from its signs and symptoms. A symptom is a condition or set of conditions that indicates the existence of a problem. Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

Analysis: Diagnosis gives rise to analysis. Analysis of a problem requires:

- Who would make decision? What information would be needed? From where the information is available?

2. Search for Alternatives: A problem can be solved in several ways; however, all the ways cannot be equally satisfying. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker can use several sources for identifying alternatives:

- His own past experiences
- Practices followed by others and
- Using creative techniques.

3. Evaluation of Alternatives: After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. /the decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.

4. Choice of Alternative: The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.

5. Action: Once the alternative is selected, it is put into action. The actual process of decision making ends with the choice of an alternative through which the objectives can be achieved.

6. Results: When the decision is put into action, it brings certain results. These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus, results provide indication whether decision making and its implementation is proper.

Characteristics of Effective Decisions

An effective decision is one which should contain three aspects. These aspects are given below:

- **Action Orientation:** Decisions are action-oriented and are directed towards relevant and controllable aspects of the environment. Decisions should ultimately find their utility in implementation.
- **Goal Direction:** Decision making should be goal-directed to enable the organization to meet its objectives.

- **Effective in Implementation:** Decision making should take into account all the possible factors not only in terms of external context but also in internal context so that a decision can be implemented properly.

RATIONAL DECISION MAKING MODEL: The Rational Decision Making Model is a model which emerges from Organizational Behavior. The process is one that is logical and follows the orderly path from problem identification through solution. It provides a structured and sequenced approach to decision making. Using such an approach can help to ensure discipline and consistency is built into your decision making process.

The Six-Step Rational Decision-Making Model

- 1) **Defining the problem:** This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.
- 2) **Identify decision criteria:** Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision. This step brings the decision maker's interests, values, and personal preferences into the process. Identifying criteria is important because

what one person thinks is relevant, another may not. Also keep in mind that any factors not identified in this step are considered as irrelevant to the decision maker.

- 3) **Weight the criteria:** The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.
- 4) **Generate alternatives:** The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.
- 5) **Rate each alternative on each criterion:** The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.
- 6) **Compute the optimal decision:** Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

DECISION MAKING UNDER VARIOUS CONDITIONS

The conditions for making decisions can be divided into three types. Namely

- a) Certainty,

- b) Uncertainty and
c) Risk.

Virtually all decisions are made in an environment to at least some uncertainty. However, the degree will vary from relative certainty to great uncertainty. There are certain risks involved in making decisions.

a) Certainty: In a situation involving certainty, people are reasonably sure about what will happen when they make a decision. The information is available and is considered to be reliable, and the cause and effect relationships are known.

b) Uncertainty: In a situation of uncertainty, on the other hand, people have only a meager database, they do not know whether or not the data are reliable, and they are very unsure about whether or not the situation may change. Moreover, they cannot evaluate the interactions of the different variables. For example, a corporation that decides to expand its Operation to an unfamiliar country may know little about the country, culture, laws, economic environment, and politics. The political situation may be volatile that even experts cannot predict a possible change in government.

c) Risk: In a situation with risks, factual information may exist, but it may be incomplete. To improve decision making One may estimate the objective probability of an

outcome by using, for example, mathematical models. On the other hand, subjective probability, based on judgment and experience may be used. All intelligent decision makers dealing with uncertainty like to know the degree and nature of the risk they are taking in choosing a course of action. One of the deficiencies in using the traditional approaches of operations research for problem solving is that many of the data used in model are merely estimates and others are based on probabilities. The ordinary practice is to have staff specialists come up with best estimates.

Virtually every decision is based on the interaction of a number of important variables, many of which has an element of uncertainty but, perhaps, a fairly high degree of probability. Thus, the wisdom of launching a new product might depend on a number of critical variables: the cost of introducing the product, the cost of producing it, the capital investment that will be required, the price that can be set for the product, the size of the potential market, and the share of the total market that it will represent.

PLANNING PREMISES

According to H. Wehrich and H. Koontz, "Planning premises are identified as the anticipated environment in which plans are expected to operate."

PROCESS OF PLANNING PREMISES: *Wrong premises can lead to failure of plans.*

1. Selection of the premises: Though there are innumerable factors in the environment, all of them do not affect operations of the business enterprise. Top managers should select the premises which have direct impact on developing organizational plans. There are many factors that affect business decisions, some of which are general in nature while others are selective. The general factors affect all the firms alike but specific factors affect different firms differently. While developing premises, organizations should focus more on specific factors (or its micro environment) as they have immediate impact on making the plans.

In order to analyze the factors that affect developing the premises, two factors have to be taken into account:

I. The probability of impact of factors: Represents whether the factors under study affect or do not affect the planning premises. This probability can be high, medium or low.

II. The degree of impact of factors: Given the factors which have the probability of developing planning premises, it represents the degree to which these factors affect the planning premises. This can also be high, medium or low.

Based on these two broad factors, nine different combinations can be formed which broadly result into four categories:

1. Critical factors: These factors must be thoroughly analyzed as they significantly affect making of the planning premises.

(i) High probability of impact, and (ii) High degree of impact.

2. High priority factors: Though these factors are not as important as critical factors, they rank high in priority in developing the planning premises. These factors also must be thoroughly analysed by managers as they significantly affect the making of planning premises.

(i) Medium probability of impact, and High degree of impact and (ii) High/Medium probability of impact, and Medium degree of impact

3. Factors to be watched: Thus, while these factors may not affect the planning premises, but if they affect, their degree of impact is high. A close watch must be kept on these factors so that their impact may not be ignored.

(i) Low probability of impact, and (ii) High degree of impact.

4. Low priority factors: These factors rank low in priority in affecting the planning premises as either their probability of impact is low or the degree of impact is low. These factors do not significantly affect making of the

planning premises and, therefore, do not require extensive scanning by managers.

(i) Low probability of impact, and Medium degree of impact and (ii) High/Medium/Low probability of impact, and Low degree of impact.

The factors covered under various categories are not generic and determination of these factors depends upon the judgment of managers, nature and size of the organization and nature of environment in which the organizations are operating.

Probability of impact of factors	Degree of Impact of factors		
	High	Medium	Low
High	Critical	High priority	Low Priority
Medium	High Priority	High Priority	Low Priority
Low	To be watched	Low Priority	Low Priority

2. Development of alternative premises: Since factors affecting organizational plans cannot be perfectly predicted, managers should develop alternative premises i.e., plans under different sets of assumptions about the future events. This helps in developing contingent plans. Contingent plans are the alternative plans for alternative premises. Since the premises keep changing, some slowly and some fast, to keep pace with such changes, alternative plans must be developed. As developing too many plans is costly in terms of time and money, the following factors

should be considered in developing contingent plans:

(a) Should be made for those factors which are important for corporate decisions like economic factors, competitors’ policies, consumers’ tastes etc. They should be made in the order of priority of factors like: Critical factors, High priority factors, To be watched factors, Low priority factors,

(b) They should be made on the basis of cost-benefit analysis, i.e., alternative whose cost seems to be more than its benefits should be dropped out.

(c) Though maximum details should be covered in each contingency plan, all the plans cannot cover extensive information. Contents or details should depend on the order of priority of plans. Important plans made for critical factors should cover maximum information while plans for low priority factors should not contain extensive details as the degree of their impact on organizational plans is low.

Collecting details or information about the factors that affect the premises is based on forecasting techniques. The choice of technique (simple or complex) depends upon the need of the organization, resources, the period in which information is collected, the sample size, to what degree is the sample representative of the general population etc. Every technique has costs and benefits and a thorough cost- benefit analysis should be undertaken

before adopting a specific technique of forecasting. In some cases, this information is available through secondary sources like published journals, magazines and information agencies. The relevance of such information should be considered before using it for development of premises.

3. Verification of premises: Planning staff at different levels of different departments makes plans according to their judgement. These premises are then sent to top executives for their approval. The premises which involve both staff and line managers are more consistent than those that are developed by executives alone.

4. Communication of premises: After the premises are developed, they are supported by budgets and programmes and communicated to all those concerned with development of plans at different levels in different departments. Planning premises are contained in documents like environmental threat and opportunity profile (ETOP) and communicated to managers concerned. The premises, thus, help to develop sound plans followed by strategies, policies, procedures etc. which further help in effective implementation of plans.

Types of Planning Premises

1. Internal and External Premises

- **Internal Premises** come from the business itself. It includes skills of the workers, capital investment policies, philosophy of management, sales forecasts, etc.
- **External Premises** come from the external environment. That is, economic, social, political, cultural and technological environment. External premises cannot be controlled by the business.

2. Controllable, Semi-controllable and Uncontrollable Premises

- **Controllable Premises** are those which are fully controlled by the management. They include factors like materials, machines and money.
- **Semi-controllable Premises** are partly controllable. They include marketing strategy.
- **Uncontrollable Premises** are those over which the management has absolutely no control. They include weather conditions, consumers' behavior, government policy, natural calamities, wars, etc.

3. Tangible and Intangible Premises

- **Tangible Premises** can be measured in quantitative terms. They include units of production and sale, money, time, hours of work, etc.

- **Intangible Premises** cannot be measured in quantitative terms. They include goodwill of the business, employee's morale, employee's attitude and public relations.

4. Constant and Variable Premises

- **Constant Premises** do not change. They remain the same, even if there is a change in the course of action. They include men, money and machines.
- **Variable Premises** are subject to change. They change according to the course of action. They include union-management relations.

UNIT III ORGANIZING

- ❖ According to Koontz and O'Donnell, "Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination."
- ❖ Organization involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies.

NATURE OR CHARACTERISTICS OF ORGANIZING

- **Division of Work:** Under division of work the entire work of business is divided into many departments. The work of every department is further sub-divided into sub-works. In this way each individual has to do the work repeatedly which gradually makes that person an expert.
- **Coordination:** Organization ensures that the work of all the persons depends on each other's work even though it happens to be different. The work of one person starts from where the work of another person ends. It is thus, clear that it is in the nature of an organization to establish coordination among different works, departments and posts in the enterprise.
- **Plurality of Persons:** Organization is a group of many persons who assemble to fulfil a common purpose. A single individual cannot create an organization.
- **Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.
- **Well-defined Authority and Responsibility:** Every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.
- **Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate.
- **Organization is a Machine of Management:** In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford to be ill-fitting or non-functional. In other words, if the division of work is not done properly or posts are not created correctly the whole system of management collapses.
- **Organization is a Universal Process:** Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or more

than two people work jointly. Therefore, organization has the quality of universality.

- **Organization is a Dynamic Process:** Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

IMPORTANCE OR ADVANTAGES OF ORGANIZING

(1) Increase in Managerial Efficiency: A good and balanced organization helps the managers to increase their efficiency. Managers, through the medium of organization, make a proper distribution of the whole work among different people according to their ability.

(2) Proper Utilization of Resources: Through the medium of organization optimum utilization of all the available human and material resources of an enterprise becomes possible. Work is allotted to every individual according to his ability and capacity and conditions are created to enable him to utilize his ability to the maximum extent. For example, if an employee possesses the knowledge of modern

machinery but the modern machinery is not available in the organization, in that case, efforts are made to make available the modern machinery.

(3) Sound Communication Possible: Communication is essential for taking the right decision at the right time. However, the establishment of a good communication system is possible only through an organization. In an organization the time of communication is decided so that all the useful information reaches the officers concerned which, in turn, helps the decision-making.

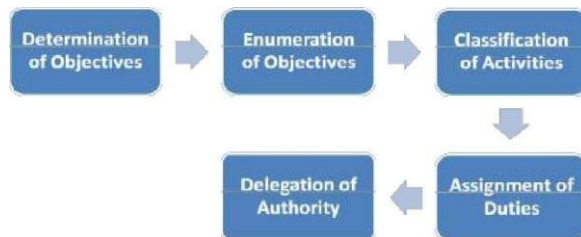
(4) Facilitates Coordination: In order to attain successfully the objectives of the organization, coordination among various activities in the organization is essential. Organization is the only medium which makes coordination possible. Under organization the division of work is made in such a manner as to make all the activities complementary to each other increasing their inter-dependence. Inter-dependence gives rise to the establishment of relations which, in turn, increases coordination.

(5) Increase in Specialization: Under organization the whole work is divided into different parts. Competent persons are appointed to handle all the sub-works and by handling a particular work repeatedly they become specialists. This enables them to have maximum work performance in the minimum time while the organization gets the benefit of specialization.

(6) Helpful in Expansion: A good organization helps the enterprise in facing competition. When an enterprise starts making available good quality product at cheap rates, it increases the demand for its products. In order to meet the increasing demand for its products an organization has to expand its business.

ORGANIZING PROCESS

Organization is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organize is to harmonize, coordinate or arrange in a logical and orderly manner. Each member in the organization is assigned a specific



responsibility or duty to perform and is granted the corresponding authority to perform his duty. The managerial function of organizing consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well-coordinated and orderly structure for the accomplishment of work. According to Louis A Allen, "Organizing involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational

objectives." The various steps involved in this process are:

a) Determination of Objectives: It is the first step in building up an organization. Organization is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. Organization structure is built on the basis of the objectives of the enterprise. That means, the structure of the organization can be determined by the management only after knowing the objectives to be accomplished through the organization. This step helps the management not only in framing

the organization structure but also in achieving the enterprise objectives with minimum cost and efforts. Determination of objectives will consist in deciding as to why the proposed organization is to be set up and, therefore, what will be the nature of the work to be accomplished through the organization.

b) Enumeration of Objectives: If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organizing group effort is the division of the total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions – production, financing, personnel, sales, purchase, etc.

c) Classification of Activities: The next step will be to classify activities according to similarities and common purposes and functions and taking the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

d) Assignment of Duties: Here, specific job assignments are made to different subordinates for ensuring a certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him. In the words of Kimball and Kimball - "Organization embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals."

e) Delegation of Authority: Since so many individuals work in the same organization, it is the responsibility of management to lay down structure of relationship in the organization. Authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel. Everybody should clearly know to whom he is accountable; corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

ORGANIZATION STRUCTURE

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization.

Significance of Organization Structure

- Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- Organization structure determines the location of decision-making in the organization.
- Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- Organization structure provides the pattern of communication and coordination.
- The organization structure helps a member to know what his role is and how it relates to other roles.

PRINCIPLES OF ORGANIZATION STRUCTURE

Modern organizational structures have evolved from several organizational theories, which

have identified certain principles as basic to any organization structure.

a) Line and Staff Relationships: Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are

responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.

b) Departmentalization: Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.

c) Span of Control: This refers to the number of specialized activities or individuals supervised by one person. Deciding the span of control is important for coordinating different types of activities effectively.

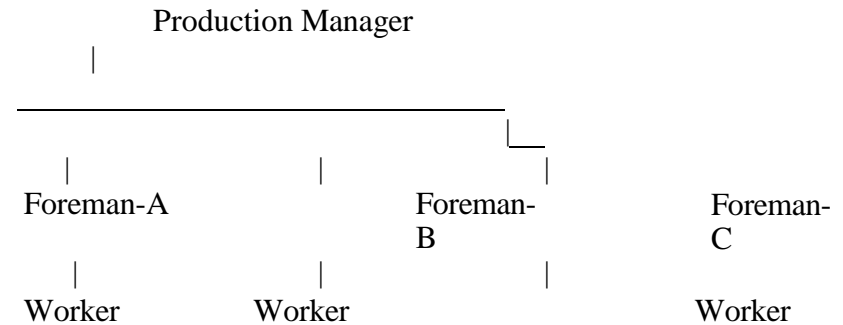
d) De-centralization and Centralization: De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. The degree of centralization and de-centralization depends on the number of levels of hierarchy, degree of coordination, specialization and span of control.

TYPES OF ORGANISATION STRUCTURE

LINE ORGANISATION STRUCTURE

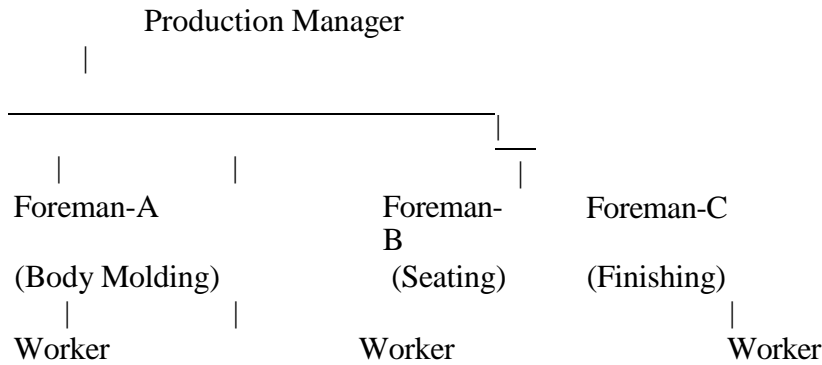
It is also known as scalar, military, or vertical organisation and perhaps is the oldest form. In this form of organization managers have direct responsibility for the results; line organisation can be designed in two ways.

1. PURE LINE ORGANISATION: Under this form, similar activities are performed at a particular level. Each group of activities is self – contained unit and is able to perform the assigned activities without the assistance of others



2. DEPARTMENTAL LINE ORGANISATION:

Under this form, entire activities are divided into different departments on the basis of similarity of activities. The basic objective of this form is to have uniform control, authority and responsibility.

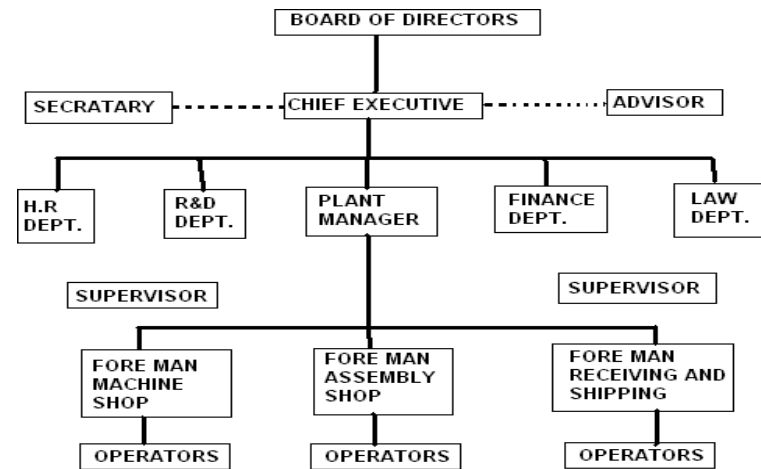


Merits	Demerits
1) It is simple to understand 2) Easy supervision & control 3) Quick decisions 4) It sets clearly the direct lines of authority and responsibility of a line manager	1) Lack of specialization 2) Low – Morale 3) Autocratic approach to 4) Overburden to manager

LINE AND STAFF ORGANISATION: It refers to a pattern in which staff specialists advise line managers to perform their duties. When the work of an executive increases its performance requires the services of specialists which he himself cannot provide because of his limited capabilities on these matters. Such advice is provided to line managers by staff personal who are generally specialists in their fields. The staff people have the right to recommend, but have no authority to enforce their preference on other departments.

FEATURES:-

- This origin structure clearly distinguishes between two aspects of administration viz., planning and execution.
- Staff officers provide advice only to the line officers; they do not have any power of command over them.
- The staff supplements the line members.



MERITS	DEMERITS
1. It enhances the quality of decision 2. Greater scope for advancement 3. It relieves the line managers. 4. Reduction of burden.	1. It may create more friction or Conflict between line and staff 2. It is expensive 3. It creates confusion

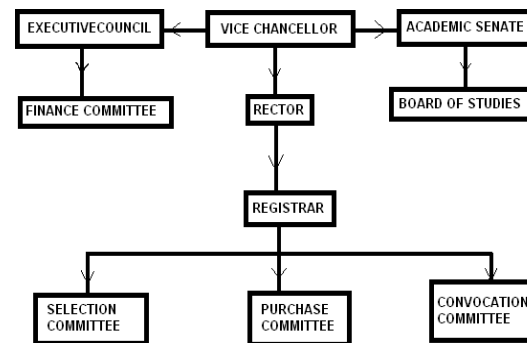
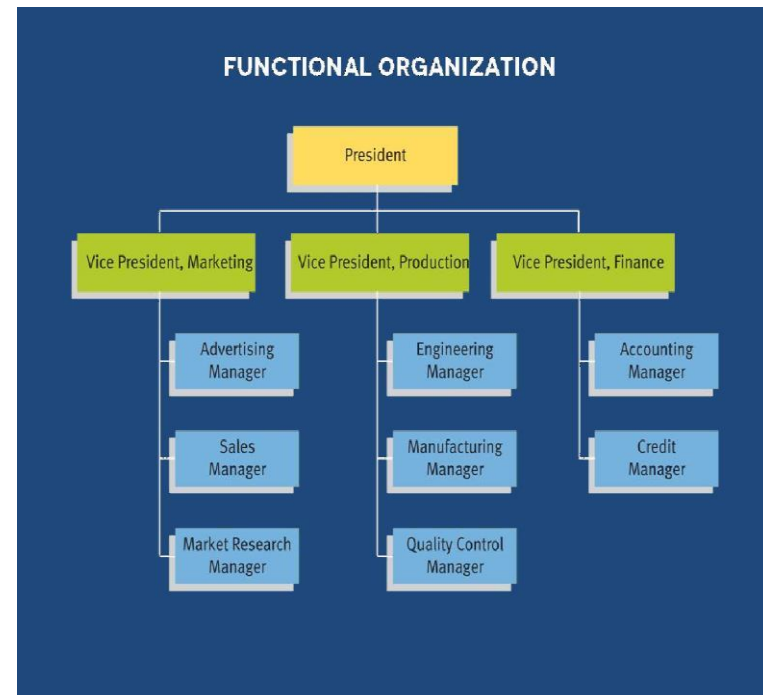
FUNCTIONAL ORGANISATION STRUCTURE: It is the most widely used organization structure in the medium

and large scale organizations having limited number of products. This structure emerges from the idea that the organization must perform certain functions in order to carry on its operations. Functional structure is created by grouping the activities on the basis of functions required for the achievement of organizational objectives. For this purpose, all the functions required are classified into basic, secondary and supporting functions according to their nature & importance.

FEATURES:

- 1) The whole activities of an organisation are divided into various functions
- 2) Each functional area is put under the charge of one executive
- 3) For any decision, one has to consult the functional specialist

COMMITTEE ORGANISATION: A committee does not represent a separate type of organization like line and staff, or functional. It is rather a device which is used as supplementary to or in addition to any of the above types of organizations. A committee may be defined as a group of people performing some aspects of Managerial functions. Thus, a committee is a body of persons appointed or elected for the Consideration of specific matters brought before it.



MERITS	DEMERITS
1. Group Deliberation and Judgement:	1. High Cost in Time and Money
2. Fear of Authority	2. Indecisive Action
3. Representation of interested Group	3. Compromising Attitude
4. Coordination of Functions	4. Dominance of a Few
5. Transmission of Information	6. Splitting of Responsibilities

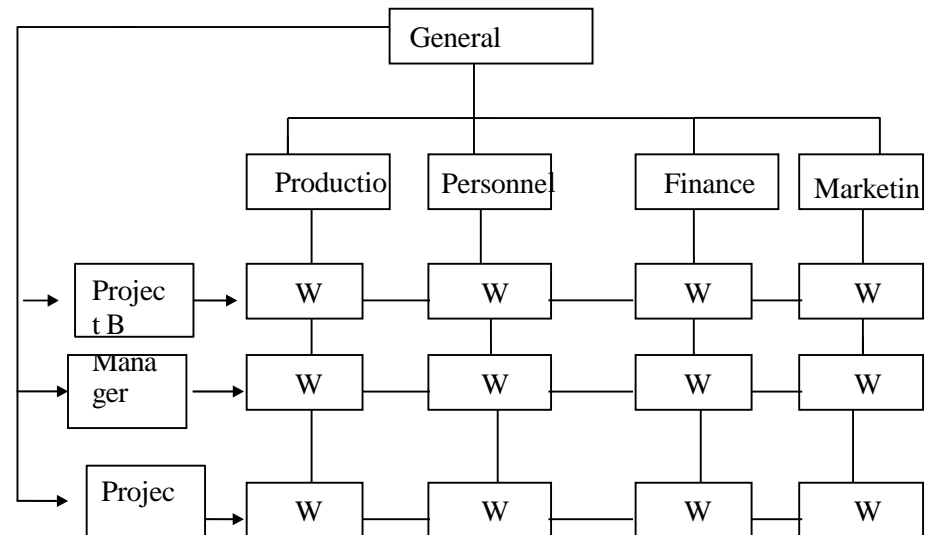
MATRIX ORGANISATION: It is also called project organization. It is a combination of all relationships in the organization, vertical, horizontal and diagonal. It is a mostly used in complex projects. The main objective of Matrix organisation is to secure a higher degree of co-ordination than what is possible from the conventional, organizational structures such as line and staff. In matrix organization structure, a project manager is appointed to co-ordinate the activities of the project. Under this system a subordinate will get instructions from two or more bosses, Viz., administrative head and his project manager.

Merits

1. It offers operational freedom & flexibility
2. It focuses on end results.
3. It maintenance professional Identity.
4. It holds an employee responsible for management of resources.

Demerits:-

1. It calls for greater degree of coordination,
2. It violates unity of command.



FORMAL ORGANIZATION

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organization is conscious common purpose and comes into being when persons—

- Are able to communicate with each other
- Are willing to act and Share a purpose.

The formal organization is built around four key pillars. They are:

- Division of labor
- Scalar and functional processes
- Structure and
- Span of control

Thus, a formal organization is one resulting from planning where the pattern of structure has already been determined by the top management.

Characteristic Features of formal organization

- Formal organization structure is laid down by the top management to achieve organizational goals.
- Formal organization prescribes the relationships amongst the people working in the organization.
- A formal organization is bound by rules, regulations and procedures.
- In formal organization, position, authority, responsibility & accountability of each level clearly defined.
- Organization structure is based on division of labor and specialization to achieve efficiency in operations.

- In a formal organization, coordination proceeds according to the prescribed pattern.

Advantages of formal organization

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

Disadvantages or criticisms of formal organization

- The formal organization does not take into consideration the sentiments of organizational members.
- The formal organization does not consider the goals of the individuals. It is designed to achieve the goals of the organization only.
- The formal organization is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

INFORMAL ORGANIZATION

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally

large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organization according to its environment.

Characteristics features of informal organization

- Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.
- Informal organizations reflect human relationships. It arises from the personal and social relations amongst the people working in the organization.
- Formation of informal organizations is a natural process. It is not based on rules, regulations and procedures.
- The inter-relations amongst people in an informal organization cannot be shown in an organization chart.

Benefits of Informal organization

- It blends with the formal organization to make it more effective.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- An informal organization has a powerful influence on productivity and job satisfaction.
- Informal organization helps the group members to attain specific personal objectives.

DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION

DEPARTMENTATION BY DIFFERENT STRATEGIES

DEPARTMENTATION refers to the process of grouping activities into departments. Departmentation is the

process of grouping of work activities into departments, divisions, and other homogenous units.

Key Factors in Departmentation

- It should facilitate control.
- It should ensure proper coordination.
- It should take into consideration the benefits of specialization.
- It should not result in excess cost.
- It should give due consideration to Human Aspects.

Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

a) FUNCTIONAL DEPARTMENTATION

Functional departmentation is the process of grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, finance, production, and marketing. Functional departmentation can be used in all types of organizations.

Advantages:

- Advantage of specialization
- Easy control over functions
- Pinpointing training needs of manager
- It is very simple process of grouping activities.

Disadvantages:

- Lack of responsibility for the end result
- Overspecialization or lack of general management

- It leads to increase conflicts and coordination problems among departments.

b) PRODUCT DEPARTMENTATION



Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. Dabur India Limited is the India’s largest Ayurvedic medicine manufacturer is an example of company that uses product departmentation. Its structure is based on its varied product lines which include Home care, Health care, Personal care and Foods.

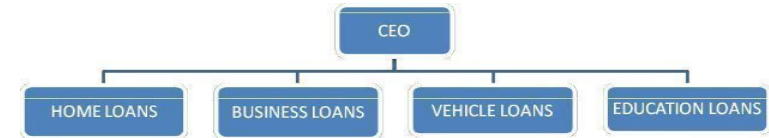
Advantages

- It ensures better customer service
- Unprofitable products may be easily determined
- It assists in development of all around managerial talent
- Makes control effective
- It is flexible and new product line can be added easily.

Disadvantages

- It is expensive as duplication of service functions occurs in various product divisions
- Customers and dealers have to deal with different persons for complaint and information of different products.

c) CUSTOMER DEPARTMENTATION



Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO is the one of the largest commercial banks of India is an example of company that uses customer departmentation. Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans.

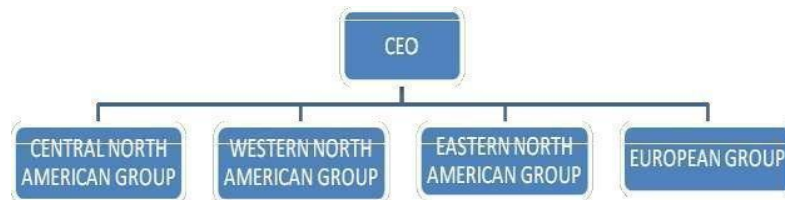
Advantages

- It focused on customers who are ultimate suppliers of money
- Better service to customer having different needs and tastes
- Development in general managerial skills

Disadvantages

- Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.
- Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

d) GEOGRAPHIC DEPARTMENTATION



Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group

Advantages

- Help to cater to the needs of local people more satisfactorily.
- It facilitates effective control
- Assists in development of all-round managerial skills

Disadvantages

- Communication problem between head office and regional office due to lack of means of communication at some location

- Coordination between various divisions may become difficult.
- Distance between policy framers and executors
- It leads to duplication of activities which may cost higher.

e) PROCESS DEPARTMENTATION



Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing, and finishing (which makes newsprint).

Advantages

- Oriented towards end result.
- Professional identification is maintained.
- Pinpoints product-profit responsibility.

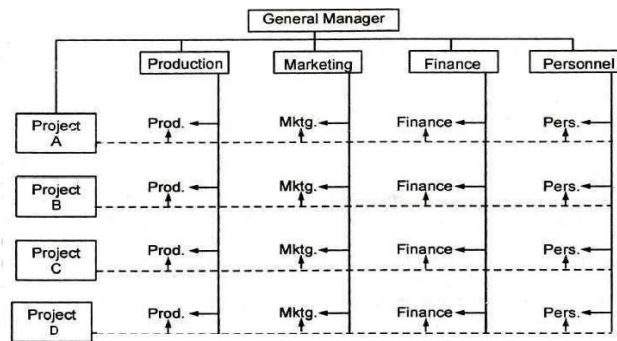
Disadvantage

- Conflict in organization authority exists.
- Possibility of disunity of command.
- Requires managers effective in human relation

f) MARTIX DEPARTMENTATION

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

used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method. One of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.



Advantages

- Efficiently manage large, complex tasks
- Effectively carry out large, complex tasks

Disadvantages

- Requires high levels of coordination
- Conflict between bosses
- Requires high levels of management skills

SPAN _____ OF
CONTROL

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.

- ❖ It determines the complexity of individual manager job.
- ❖ It determines the shape or configuration of the organisation. The classical writers suggest that between 3 to 8 subordinates as ideal depending up on the level of management.

V.A.Gracuna a French management consultant has suggested a mathematical formula to fix the number of subordinates. He classified superior and subordinate relationship into the following:

- **Direct single relationship:** - Direct single relationships arise from the direct individual contacts of the superior with his subordinates. Ex: - A, B,C are subordinates to X. Here three single relationships.
- **Direct group relationships:**-Direct group relationships arise between the superior and subordinates in all possible combinations. Thus the superior may consult his subordinates with one or more combinations. Ex:-A with B, B with C, A with C, etc..

Cross relationships:- Cross relationships arise because of mutual interaction of subordinates working under the common superior , such as A and B,B and C,A and C,C and A etc.. The relationship is quite different between A and B than B and A from management point of view because the type of interaction will be different in both cases.

Gracuna has given formula to find various relationships with varying number of subordinates.

$$\begin{aligned}
 \text{Number of subordinates} &= n, \\
 \text{Direct single relationship} &= n, \\
 \text{Direct group relationship} &= n(2^{n-1}-1) \\
 \text{Cross relationship} &= n(n-1), \\
 \text{Total relationship} &= n(2^n/2+n-1) \\
 & \text{(or)} \\
 &= n(2^{n-1} +n-1).
 \end{aligned}$$

No. of sub ordinates	No. of relationships
1	.
2	1
3	6
4	18
5	44
6	100
8	222
10	1080
	5210

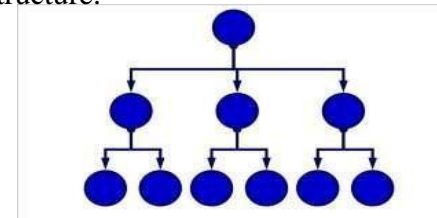
Gracuna suggest that most *ideal span* for a manager is 6 subordinates with 222 relationships.

Factors effecting span of management:-

1. Capacity of superior
2. Capacity of subordinate
3. Nature of work
4. Degree of decentralization
5. Degree of planning
6. Communication technique
7. Use of staff assistance
8. Supervision from others

Span of control is of two types:

1. **Narrow span of control:** Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.



Advantages:

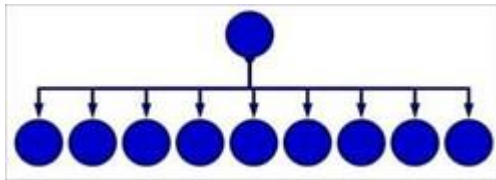
- Close supervision
- Close control of subordinates
- Fast communication

Disadvantages:

- Too much control
- Many levels of management
- High costs

- Excessive distance between lowest level and highest level

2. Wide span of control: Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.



Advantages:

- More Delegation of Authority
- Development of Managers
- Clear policies

Disadvantages:

- Overloaded supervisors
- Danger of superiors loss of control
- Requirement of highly trained managerial personnel
- Block in decision making

Characteristics

- Philosophy / emphasis on: top-down control, leadership, vision, strategy.
- Decision-making: strong, authoritarian, visionary, charismatic.
- Organizational change: shaped by top, vision of leader.
- Execution: decisive, fast, coordinated. Able to respond quickly to major issues and changes.
- Uniformity. Low risk of dissent or conflicts between parts

of the organization.

Advantages of Centralization

- Provide Power and prestige for manager
- Promote uniformity of policies, practices and decisions
- Minimal extensive controlling procedures and practices
- Minimize duplication of function

Disadvantages of Centralization

- Neglected functions for mid. Level, and less motivated beside personnel.
- Nursing supervisor functions as a link officer between nursing director and first-line management.

DECENTRALIZATION:

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tears in the organization, because there is more autonomy in the lower ranks.

Characteristics

- Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.
- Decision-making: democratic, participative, detailed.
- Organizational change: emerging from interactions, organizational dynamics.
- Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.
- Participation, accountability. Low risk of not-invented-here behaviour.

Three Forms of decentralization

- **De-concentration.** The weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.
- **Delegation.** A more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.
- **Devolution.** A third type of decentralization is devolution. The authority for decision-making is transferred completely to autonomous organizational units.

Advantages of Decentralization

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action
- Develop Second-line managers
- Promote employee’s enthusiasm and coordination
- Facilitate actions by lower-level managers

Disadvantages of Decentralization

- Top-level administration may feel it would decrease their status
- Managers may not permit full and maximum utilization of highly qualified personnel
- Increased costs. It requires more managers and large staff
- It may lead to overlapping and duplication of effort

DELEGATION OF AUTHORITY

A manager alone cannot perform all the tasks

assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results. Elements of Delegation

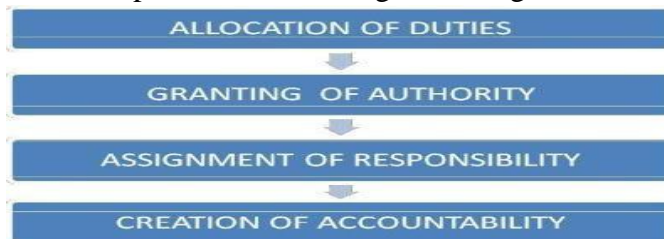
1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn’t mutualize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn’t imply escaping from accountability. Accountability still rest with the person having the utmost authority.
2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held

responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

- 3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability ,in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

DELEGATION PROCESS

The steps involved in delegation are given below



- 1. **Allocation of duties** – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.
- 2. **Granting of authority** – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.
- 3. **Assigning of Responsibility and Accountability** – The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, Responsibility is absolute and cannot be shifted.
- 4. **Creation of accountability** – Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out

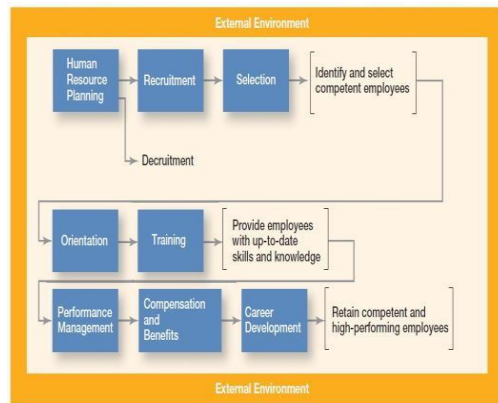
of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegate's role which means his responsibility and accountability is attached with the authority over to here.

STAFFING

Staffing involves filling the positions needed in the organization structure by appointing competent and qualified persons for the job.

STAFFING/HRM Process



a) Manpower requirements: Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the

right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

b) Recruitment: Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. **Job descriptions and job specifications** are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates.

c) Selection: Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

d) Training and Development: Training and Development is a planned effort to facilitate employee learning of job-related behaviour's in order to improve employee performance. Experts sometimes distinguish between the terms —training‖ and —development‖; —training‖ denotes efforts to increase employee skills on present jobs, while —development‖ refers to efforts oriented toward improvements relevant to future jobs. In practice, though, the distinction is often blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).

RECRUITMENT PROCESS

Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. The recruitment process consists of the following steps

- a) Identification of vacancy
- b) Preparation of job description and job specification
- c) Selection of sources
- d) Advertising the vacancy
- e) Managing the response

a) Identification of vacancy: The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

- Posts to be filled
- Number of persons
- Duties to be performed
- Qualifications required

b) Preparation of job description and job specification:

A job description is a list of the general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, specifications such as the qualifications or skills needed by the person in the job, or a salary range. A job specification describes the knowledge, skills, education, experience, and abilities you believe are essential to performing a particular job.

c) Selection of sources: Every organization has the option

of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of the recruitment.

d) Advertising the vacancy: After choosing the appropriate sources, the vacancy is communicated to the candidates by means of a suitable media such as television, radio, newspaper, internet, direct mail etc.

e) Managing the response: After receiving an adequate number of responses from job seekers, the sieving process of the resumes begins. This is a very essential step of the recruitment selection process, because selecting the correct resumes that match the job profile, is very important. Naturally, it has to be done rather competently by a person who understands all the responsibilities associated with the designation in its entirety. Candidates with the given skill set are then chosen and further called for interview. Also, the applications of candidates that do not match the present nature of the position but may be considered for future requirements are filed separately and preserved. The recruitment process is immediately followed by the selection process.

Sources of recruitment

Internal sources of recruitment involve motivating the employees of the organization to apply for the openings

within the organization

f) Identification of vacancy: The recruitment process begins with the human resource department receiving requisitions for recruitment from any department of the company. These contain:

- Posts to be filled
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- Duties to be performed
- Qualifications required

g) Preparation of job description and job specification:

A job description is a list of the general tasks, or functions, and responsibilities of a position. It may often include to whom the position reports, specifications such as the qualifications or skills needed by the person in the job, or a salary range. A job specification describes the knowledge, skills, education, experience, and abilities you

Sources of recruitment

Internal sources of recruitment involve motivating the employees of the organization to apply for the openings within the organization

1. **Transfers:** The employees of the organization are transferred to the similar jobs of other departments. It may not involve a change in salary, responsibility, and position of the job. Transfers help in reducing the boredom and monotony of the employees or it may be used to fill the vacancies with suitable internal candidates.
2. **Promotions:** Promotions involve vacancies of the

organization are filled by promoting the skilled employees to the suitable jobs and it can motivate the employees by giving higher position, increased salary, status, and responsibility. Promotions can help in reducing employee turnover by creating the hope of getting higher positions.

3. **Demotions:** Depending on the performance of the employees of the organizations, sometimes managers have to take decisions regarding lowering the positions of few employees of the organization. These employees can act as a source of recruitment to the lower positions.
4. **Employees of the organization:** Employees of the organization communicate or inform about the vacant positions of the organization to their friends and relatives. In many organizations, they allowed referring potential candidates for the suitable vacancies.
5. **Retired employees:** If the organizations do not find the right persons to fulfil the key managerial positions then they call back the retired employees for achieving the objectives.

External sources of recruitment involve motivating the skilled and more efficient candidates external to the organization to apply for the vacant positions in the organization.

1. **Advertisements:** To find the skilled and more efficient manpower giving advertisement for the vacant job position is the better way.

Advertisements help in attracting the right candidates and in maximizing brand image. Advertisements may be given in print media or electronic media, it gives better results and it is cheaper than approaching third parties.

2. **Job portals:** With the growing technology and internet usage, job portals are playing a major role in finding right candidates for right jobs. Job portals can inform up to date job alerts to the candidates and offer attractive benefits and packages to the employers. The tools and techniques used by the job portals highly reduce the efforts in finding the skilled candidates.
3. **Company's websites:** With the increase in business operations and globalization, the need for human resources is also increasing day by day. To face a severe competition and to reduce the cost during the long run, many companies are setting up their own websites for finding and attracting candidates with competitive skills.
4. **Social networking sites:** Communicating about vacant positions of the organization through social networking sites help in motivation and attracting the highly skilled and more efficient candidates to apply for the jobs.
5. **Placement agencies:** Approaching placement agencies reduces the time and efforts to find the right candidates from the pool of skilled candidates. They use various tools and techniques to filter the resumes and they send it to the companies for further processing. The main drawback of this method is commission basis on hiring the candidates.

6. **Job fairs and walk in interviews:** Walk in interviews and job fairs are declared and conducted by companies to find the skilled candidates. Following this method highly reduces efforts in finding more efficient human resources for the bulk requirement.
7. **Campus interviews:** This is an easy and economical method helps in finding eligible candidates, through this method organization can find energetic and more competitive candidates for suitable vacancies, this method is beneficial for both the candidates and companies.

JOB ANALYSIS

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

The outputs of job analysis are

- a) Job description
 - b) Job specification
- believe are essential to performing a particular job.

h) Selection of sources: Every organization has the option of choosing the candidates for its recruitment processes from two kinds of sources: internal and external sources. The sources within the organization itself (like transfer of employees from one department to other, promotions) to fill a position are known as the internal sources of recruitment. Recruitment candidates from all the other sources (like outsourcing agencies etc.) are known as the external sources of the recruitment.

i) Advertising the vacancy: After choosing the appropriate sources, the vacancy is communicated to the candidates by means of a suitable media such as television, radio, newspaper, internet, direct mail etc.

j) Managing the response: After receiving an adequate number of responses from job seekers, the sieving process of the resumes begins. This is a very essential step of the recruitment selection process, because selecting the correct resumes that match the job profile, is very important. Naturally, it has to be done rather competently by a person who understands all the responsibilities associated with the designation in its entirety. Candidates with the given skill set are then chosen and further called for interview. Also, the applications of candidates that do not match the present nature of the position but may be considered for future requirements are filed separately and preserved. The recruitment process is immediately followed by the selection process.

Contents

- A job description usually covers the following information:
- § Job title: Tells about the job title, code number and the department where it is done.
 - § Job summary: A brief write-up about what the job is all about.
 - § Job activities: A description of the tasks done, facilities used, extent of supervisory help, etc.
 - § Working conditions: The physical environment of job in terms of heat, light, noise and other hazards.
 - § Social environment: Size of work group and

interpersonal interactions required to do the job.

Job Specification: Job specification summarizes the human characteristics needed for satisfactory job completion. It tries to describe the key qualifications someone needs to perform the job successfully. It spells out the important attributes of a person in terms of education, experience, skills, knowledge and abilities (SKAs) to perform a particular job. The job specification is a logical outgrowth of a job description. For each job description, it is desirable to have a job specification. This helps the organization to find what kinds of persons are needed to take up specific jobs.

Contents

A job specification usually covers the following information:

- Education
- Experience
- Skill, Knowledge, Abilities
- Work Orientation Factors
- Age

SELECTION PROCESS

Selecting a suitable candidate can be the biggest challenge for any organisation. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

Though there is no fool proof selection procedure that will ensure low turnover and high profits, the following steps generally make up the selection process-



a) Initial Screening: This is generally the starting point of any employee selection process. Initial Screening eliminates unqualified applicants and helps save time. Applications received from various sources are scrutinized and irrelevant ones are discarded.

b) Preliminary Interview: It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

c) Filling Application Form: An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well

professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

d) Personal Interview: Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee. It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some Companies, the selection process comprises only of the Interview.

e) References check: Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into - former employer, former customers, business references, reputable persons. Such references are contacted to get a feedback on the person in question including his behaviour, skills, conduct etc.

f) Background Verification: A background check is a review of a person's commercial, criminal and (occasionally) financial records. Employers often perform background checks on employers or candidates for employment to confirm information given in a job application, verify a person's identity, or ensure that the individual does not have a history of criminal activity, etc., that could be an issue upon employment.

g) Final Interview: Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this

process, the employer hopes to determine whether or not the applicant is suitable for the job. Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

h) Physical Examination: If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

i) Job Offer: A candidate who clears all the steps is finally considered right for a particular job and is presented with the job offer. An applicant can be dropped at any given stage if considered unfit for the job.

EMPLOYEE INDUCTION/ORIENTATION

Orientation or induction is the process of introducing new employees to an organization, to their specific jobs & departments, and in some instances, to their community.

Purposes of Orientation

Orientation isn't a nicety! It is used for the following purposes:

1. To Reduce Start-up-Costs: Proper orientation can help the employee get "up to speed" much more quickly, thereby reducing the costs associated with learning the job.

2. To Reduce Anxiety: Any employee, when put into a new, strange situation, will experience anxiety that can impede his or her ability to learn to do the job. Proper orientation helps to reduce anxiety that results from entering into an unknown situation, and helps provide guidelines for behaviour and conduct, so the employee doesn't have to

experience the stress of guessing.

3. To Reduce Employee Turnover: Employee turnover increases as employees feel they are not valued, or are put in positions where they can't possibly do their jobs. Orientation shows that the organization values the employee, and helps provide tools necessary for succeeding in the job.

4. To Save Time for Supervisor & Co-Workers: Simply put, the better the initial orientation, the less likely supervisors and co-workers will have to spend time teaching the employee.

5. To Develop Realistic Job Expectations, Positive Attitudes and Job Satisfaction: It is important that employees learn early on what is expected of them, and what to expect from others, in addition to learning about the values and attitudes of the organization. While people can learn from experience, they will make many mistakes that are unnecessary and potentially damaging.

An orientation program principally conveys 3 types of information, namely:

- a) General information about the daily work routine to be followed
- b) A review of the organization's history, founders, objectives, operations & products or services, as well as how the employee's job contributes to the organization's needs.
- c) A detailed presentation of the organization's policies, work rules & employee benefits.

Two Kinds of Orientation

There are two related kinds of orientation. The first we will call **Overview Orientation**, and deals with the basic

information an employee will need to understand the broader system he or she works in.

Overview Orientation includes helping employees understand:

- Management in general
- Department and the branch
- Important policies
- General procedures (non-job specific)
- Information about compensation
- Accident prevention measures
- Employee and union issues (rights, responsibilities)
- Physical facilities

6. Often, Overview Orientation can be conducted by the personnel department with a little help from the branch manager or immediate supervisor, since much of the content is generic in nature.

7. The second kind of orientation is called **Job-Specific Orientation**, and is the process that is used to help employees understand:

- a) Function of the organization,
- b) Responsibilities,
- c) Expectations,
- d) Duties
- e) Policies, procedures, rules and regulations
- f) Layout of workplace

Introduction to co-workers and other people in the broader organization.

Job specific orientation is best conducted by the immediate supervisor, and/or manager, since much of the content will be specific to the individual. Often the

orientation process will be ongoing, with supervisors and co-workers supplying coaching.

CARRER DEVELOPMENT

Career development not only improves job performance but also brings about the growth of the personality. Individuals not only mature regarding their potential capacities but also become better individuals.

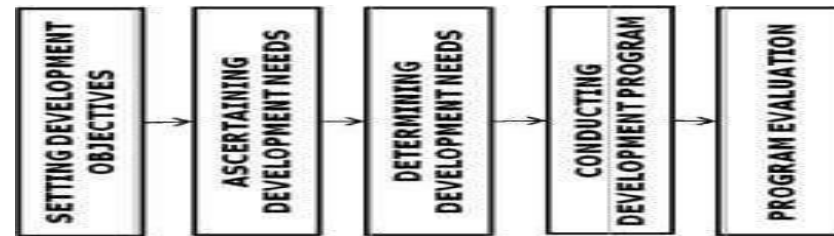
Purpose of development

Management development attempts to improve managerial performance by imparting

- Knowledge
- Changing attitudes
- Increasing skills

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

Development Process:



The development process consists of the following steps

1. **Setting Development Objectives:** It develops a framework from which executive need can be determined.
2. **Ascertain Development Needs:** It aims at organizational planning & forecast the present and future

growth.

3. Determining Development Needs: This consists of

- Appraisal of present management talent
- Management Manpower Inventory

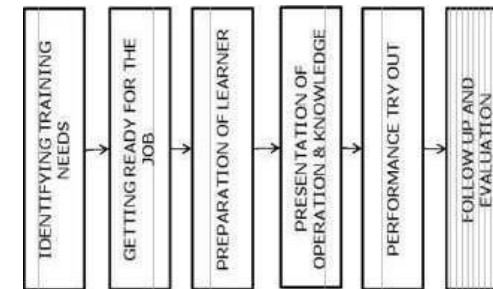
The above two processes will determine the skill deficiencies that are relative to the future needs of the organization.

4. 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 organizational needs and the time & cost involved.

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

- To increase Health and Safety: Proper training prevents industrial accidents.
- Personal Growth: Training gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

Steps in Training Process:



1) **Identifying Training needs:** A training program is designed to assist in providing solutions for specific operational problems or to improve performance of a trainee.

- Organizational determination and Analysis: Allocation of resources that relate to organizational goal.
- Operational Analysis: Determination of a specific employee behaviour required for a particular task.
- Man Analysis: Knowledge, attitude and skill one must possess for attainment of organizational objectives.

2) **Getting ready for the job:** The trainer has to be prepared for the job. And also who needs to be trained - the newcomer or the existing employee or the supervisory staff.

Preparation of the learner:

- Putting the learner at ease

TRAINING

Training is a process of learning a sequence of programmed behaviour. It improves the employee's performance on the current job and prepares them for an intended job.

Purpose of Training:

- To improve Productivity: Training leads to increased operational productivity and increased company profit.
- To improve Quality: Better trained workers are less likely to make operational mistakes.
- To improve Organizational Climate: Training leads to improved production and product quality which enhances financial incentives. This in turn increases the overall morale of the organization.

- Stating the importance and ingredients of the job
- Creating interest
- Placing the learner as close to his normal working position
- Familiarizing him with the equipment, materials and trade terms

3) **Presentation of Operation and Knowledge:** The trainer should clearly tell, show, illustrate and question in order to convey the new knowledge and operations. The trainee should be encouraged to ask questions in order to indicate that he really knows and understands the job.

4) **Performance Try out:** The trainee is asked to go through the job several times. This gradually builds up his skill, speed and confidence.

5) **Follow-up:** This evaluates the effectiveness of the entire training effort

TRAINING METHODS

Training methods can be broadly classified as on-the-job training and off-the-job training

a) On-the-job training: On the job training occurs when workers pick up skills whilst working alongside experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works. New workers may simply “**shadow**” or observe fellow employees to begin with and are often given instruction manuals or interactive

training programmes to work through.

1. **Coaching:** Coaching is a one-to-one training. It helps in quickly identifying the weak areas and tries to focus on them. It also offers the benefit of transferring theory learning to practice. The biggest problem is that it perpetuates the existing practices and styles. In India most of the scooter mechanics are trained only through this method.
2. **Mentoring:** The focus in this training is on the development of attitude. It is used for managerial employees. Mentoring is always done by a senior inside person. It is also one-to- one interaction, like coaching.
3. **Job Rotation:** It is the process of training employees by rotating them through a series of related jobs. Rotation not only makes a person well acquainted with different jobs, but it also alleviates boredom and allows to develop rapport with a number of people. Rotation must be logical.
4. **Job Instruction:** This method is also known as training through step by step. Under this method, trainer explains the trainee the way of doing the jobs, job knowledge and skills and allows him to do the job. The trainer appraises the performance of the trainee, provides feedback information and corrects the trainee.
5. **Committee Assignments:** Under the committee assignment, group of trainees are given and asked to solve an actual organisational problem. The trainees solve the problem jointly. It develops

team work.

Apprenticeship: Apprenticeship is a formalized method of training curriculum program that combines classroom education with on-the-job work under close supervision. The training curriculum is planned in advance and conducted in careful steps from day to day. Most trade apprenticeship programs have a duration of three to four years before an apprentice is considered completely accomplished in that trade or profession. This method

6. is appropriate for training in crafts, trades and technical areas, especially when proficiency in a job is the result of a relatively long training or apprenticeship period, e.g., job of a craftsman, a machinist, a printer, a tool maker, a pattern designer, a mechanic, etc.
7. **Understudy:** In this method, a superior gives training to a subordinate as his understudy like an assistant to a manager or director (in a film). The subordinate learns through experience and observation by participating in handling day to day problems. Basic purpose is to prepare subordinate for assuming the full responsibilities and duties.

Advantages of On-the-Job Training:

1. It is directly in the context of job
2. It is often informal
3. It is most effective because it is learning by experience
4. It is least expensive
5. Trainees are highly motivated
6. It is free from artificial classroom situations

Disadvantages of On-the-Job Training:

1. Trainer may not be experienced enough to train or he may not be so inclined.
2. It is not systematically organized
3. Poorly conducted programs may create safety hazards.
4. **Off-the-job training:** This occurs when workers are **taken away from their place of work** to be trained. This may take place at training agency or local college, although many larger firms also have their own training centres. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations. The various types of off-the-job training are
 - **Instructor presentation:** The trainer orally presents new information to the trainees, usually through lecture. Instructor presentation may include classroom lecture, seminar, and workshop.
 - **Group discussion:** The trainer leads the group of trainees in discussing a topic.
 - **Demonstration:** The trainer shows the correct steps for completing a task, or shows an example of a correctly completed task.
 - **Assigned reading:** The trainer gives the trainees reading assignments that provide new information.

- **Exercise:** The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.
- **Case study:** The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.
- **Role play:** Trainees act out a real-life situation in an instructional setting.
- **Field visit and study tour:** Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.

Advantages of Off-the-Job Training

- Trainers are usually experienced enough to train
- It is systematically organized
- Efficiently created programs may add lot of value

Disadvantages of Off-the-Job Training:

- It is not directly in the context of job
- It is often formal
- It may not be based on experience.
- It is expensive.
- Trainees may not be much motivated
 - It is artificial in nature

CAREER STAGES

What people want from their careers also varies according to the stage of one's career. What may have been important in an early stage may not be important in

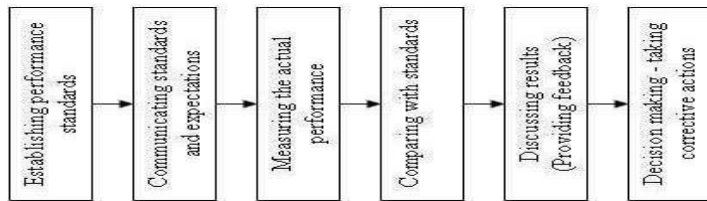
a later one. Five distinct career stages have been identified: trial, establishment/advancement, mid-career, and late career. Each stage represents different career needs and interests of the individual

a) Trial stage: The trial stage begins with an individual's exploration of career-related matters and ends usually at about age 25 with a commitment on the part of the individual to a particular occupation. Until the decision is made to settle down, the individual may try a number of jobs and a number of organizations. Unfortunately for many organizations, this trial and exploration stage results in high level of turnover among new employees. Employees in this stage need opportunities for self-exploration and a variety of job activities or assignments.

b) Establishment Stage: The establishment/advancement stage tends to occur between ages 25 and 44. In this stage, the individual has made his or her career choice and is concerned with achievement, performance, and advancement. This stage is marked by high employee productivity and career growth, as the individual is motivated to succeed in the organization and in his or her chosen occupation. Opportunities for job challenge and use of special competencies are desired in this stage. The employee strives for creativity and innovation through new job assignments. Employees also need a certain degree of autonomy in this stage so that they can experience feelings of individual achievement and personal success.

c) **Mid Career Crisis Sub Stage:** The period occurring between the mid-thirties and mid-forties during which people often make a major reassessment of their progress relative to their original career ambitions and goals.

d) **Maintenance stage:** The mid-career stage, which occurs roughly between the ages 45 and 64, has also been referred to as the maintenance stage. This stage is typified by a continuation of established patterns of work behavior. The person is no longer trying to establish a place for him or herself in the organization, but seeks to maintain his or her position. This stage is viewed as a mid-career plateau in which little new ground is broken. The individual in this stage may need some technical updating in his or her field. The employee should be encouraged to develop new job



skills in order to avoid early stagnation and decline.

e) **Late-career stage:** In this stage the career lessens in importance and the employee plans for retirement and seeks to develop a sense of identity outside the work environment.

PERFORMANCE APPRAISAL

Performance appraisal is the process of obtaining, analyzing and recording information about the

relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does.

Objectives of Performance appraisal:

- To review the performance of the employees over a given period of time.
- To judge the gap between the actual and the desired performance.
- To help the management in exercising organizational control.
- To provide feedback to the employees regarding their past performance.
- Provide information to assist in the other personal decisions in the organization.
- To judge the effectiveness of the other human resource functions of the organization such as recruitment, selection, training and development.
- To reduce the grievances of the employees.

Process of performance appraisal:

Establishing performance standards: The first step in the process of performance appraisal is the setting up of the standards which will be used to as the base to compare the actual performance of the employees. This step requires setting the criteria to judge the performance of the employees as successful or unsuccessful and the degrees of their contribution to the organizational goals and objectives. The standards set should be clear, easily understandable and in measurable terms. In case the

performance of the employee cannot be measured, great care should be taken to describe the standards.

a) Communicating the standards: After establishing the standards, it is the responsibility of the management to communicate the standards to all the employees of the organization. The employees should be informed and the standards should be clearly explained to them. This will help them to understand their roles and to know what exactly is expected from them. The standards should also be communicated to the appraisers or the evaluators and if required, the standards can also be modified at this stage itself according to the relevant feedback from the employees or the evaluators.

b) Measuring the actual performance: The most difficult part of the Performance appraisal process is measuring the actual performance of the employees that is the work done by the employees during the specified period of time. It is a continuous process which involves monitoring the performance throughout the year. This stage requires the careful selection of the appropriate techniques of measurement, taking care that personal bias does not affect the outcome of the process and providing assistance rather than interfering in an employees work.

c) Comparing the actual with the desired performance: The actual performance is compared with the desired or the standard performance. The comparison tells the deviations in the performance of the employees from the standards set. The result can show the actual

performance being more than the desired performance or, the actual performance being less than the desired performance depicting a negative deviation in the organizational performance. It includes recalling, evaluating and analysis of data related to the employees' performance.

d) Discussing results: The **result of the appraisal** is communicated and discussed with the employees on one-to-one basis. The focus of this discussion is on communication and listening. The results, the problems and the possible solutions are discussed with the aim of problem solving and reaching consensus. The feedback should be given with a positive attitude as this can have an effect on the employees' future performance. The purpose of the meeting should be to solve the problems faced and motivate the employees to perform better.

e) Decision making: The last step of the process is to take decisions which can be taken either to improve the performance of the employees, take the required corrective actions, or the related HR decisions like rewards, promotions, demotions, transfers etc.

METHODS OF PERFORMANCE APPRAISALS

PAST ORIENTED METHODS

Rating Scales: Rating scales consists of several numerical scales representing job related performance criterions such as dependability, initiative, output, attendance, attitude etc. Each scales ranges from

excellent to poor. The total numerical scores are computed and final conclusions are derived. Advantages – Adaptability, easy to use, low cost, every type of job can be evaluated, large number of employees covered, no formal training required. Disadvantages – Rater’s biases

Checklist: Under this method, checklist of statements of traits of employee in the form of Yes or No based questions is prepared. Here the rater only does the reporting or checking and HR department does the actual evaluation. Advantages – economy, ease of administration, limited training required, standardization. Disadvantages – Raters biases, use of improper weighs by HR, does not allow rater to give relative ratings

1. **Forced Choice Method:** The series of statements arranged in the blocks of two or more are given and the rater indicates which statement is true or false. The rater is forced to make a choice. HR department does actual assessment. Advantages – Absence of personal biases because of forced choice. Disadvantages – Statements may be wrongly framed.
2. **Forced Distribution Method:** here employees are clustered around a high point on a rating scale. Rater is compelled to distribute the employees on all points on the scale. It is assumed that the performance is conformed to normal distribution. Advantages – Eliminates Disadvantages – Assumption of normal distribution, unrealistic, errors of central tendency.
3. **Critical Incidents Method:** The approach is focused on certain critical behaviors of employee that makes all the difference in the performance. Supervisors as and when they occur record such incidents. Advantages – Evaluations are based on actual job behaviors, ratings are supported by descriptions, feedback is easy, reduces recency biases, chances of subordinate improvement are high. Disadvantages – Negative incidents can be prioritized, forgetting incidents, overly close supervision; feedback may be too much and may appear to be punishment.
4. **Behaviorally Anchored Rating Scales (BARS):** statements of effective and ineffective behaviors determine the points. They are said to be behaviorally anchored. The rater is supposed to say, which behavior describes the employee performance. Advantages – helps overcome rating errors. Disadvantages – Suffers from distortions inherent in most rating techniques.
5. **Field Review Method:** This is an appraisal done by someone outside employees’ own department usually from corporate or HR department. Advantages – Useful for managerial level promotions, when comparable information is needed, Disadvantages – Outsider is generally not familiar with employees work environment, Observation of actual behaviors not possible.
6. **Performance Tests & Observations:** This is based on the test of knowledge or skills. The tests may be

written or an actual presentation of skills. Tests must be reliable and validated to be useful. Advantage – Tests may be apt to measure potential more than actual performance. Disadvantages – Tests may suffer if costs of test development or administration are high.

7. **Confidential Records:** Mostly used by government departments, however its application in industry is not ruled out. Here the report is given in the form of Annual Confidentiality Report (ACR) and may record ratings with respect to following items; attendance, self-expression, team work, leadership, initiative, technical ability, reasoning ability, originality and resourcefulness etc. The system is highly secretive and confidential. Feedback to the assesses is given only in case of an adverse entry. Disadvantage is that it is highly subjective and ratings can be manipulated because the evaluations are linked to HR actions like promotions etc.
8. **Essay Method:** In this method the rater writes down the employee description in detail within a number of broad categories like, overall impression of performance, promotability of employee, existing capabilities and qualifications of performing jobs, strengths and weaknesses and training needs of the employee. Advantage – It is extremely useful in filling information gaps about the employees that often occur in a better-structured checklist. Disadvantages – It is highly dependent upon the writing skills of rater and most of them are not good writers. They may get confused success depends on the memory power of

raters.

9. **Comparative Evaluation Method (Ranking & Paired Comparisons):** These are collection of different methods that compare performance with that of other co-workers. The usual techniques used may be ranking methods and paired comparison method.
 - a. **Ranking Methods:** Superior ranks his worker based on merit, from best to worst. However how best and why best are not elaborated in this method. It is easy to administer and explanation.
 - b. **Paired Comparison Methods:** In this method each employee is rated with another employee in the form of pairs. The number of comparisons may be calculated with the help of a formula as under.

Future Oriented Methods

1. **Management By Objectives:** It means management by objectives and the performance is rated against the achievement of objectives stated by the management. Advantage – It is more useful for managerial positions. Disadvantages – Not applicable to all jobs, allocation of merit pay may result in setting short-term goals rather than important and long-term goals etc.
2. **Psychological Appraisals:** These appraisals are more directed to assess employees potential for future performance rather than the past one. It is done in the form of in-depth interviews, psychological tests, and discussion with supervisors and review of other evaluations. It is more focused on employees emotional,

intellectual, and motivational and other personal characteristics affecting his performance. This approach is slow and costly and may be useful for bright young members who may have considerable potential. However quality of these appraisals largely depend upon the skills of psychologists who perform the evaluation.

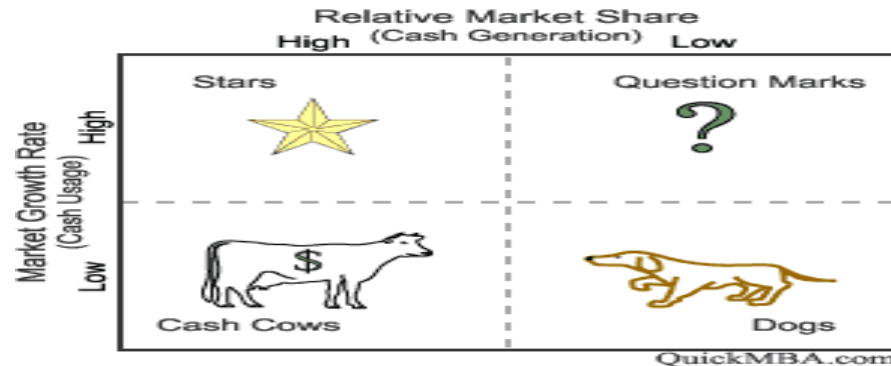
3. **Assessment Centers:** An assessment center is a central location where managers may come together to have their participation in job related exercises evaluated by trained observers. It is more focused on observation of behaviors across a series of select exercises or work samples. Assessments are requested to participate in in-basket exercises, work groups, computer simulations, role playing and other similar activities which require same attributes for successful performance in actual job. The characteristics assessed in assessment center can be assertiveness, persuasive ability, communicating ability, planning and organizational ability, self-confidence, resistance to stress, energy level, decision making, sensitivity to feelings, administrative ability, creativity and mental alertness etc. Disadvantages – Costs of employees traveling and lodging, psychologists, ratings strongly influenced by assesses interpersonal skills. Solid performers may feel suffocated in simulated situations. Those who are not selected for this also may get affected.

4. **360-Degree Feedback:** It is a technique which is systematic collection of performance data on an individual group, derived from a number of stakeholders like immediate supervisors, team members, customers, peers and self. In fact anyone who has useful information on how an employee does a job may be one of the appraisers. This technique is highly useful in terms of broader perspective, greater self-development and multi-source feedback is useful. 360-degree appraisals are useful to measure interpersonal skills, customer satisfaction and team building skills. However on the negative side, receiving feedback from multiple sources can be intimidating, threatening etc. Multiple raters may be less adept at providing balanced and objective feedback.

PLANNING TOOLS AND TECHNIQUES FOR STRATEGIC MANAGEMENT

BCG GROWTH-SHARE MATRIX:

Companies that are large enough to be organized into strategic business units face the challenge of allocating resources among those units. In the early 1970's the Boston Consulting Group developed a model for managing a portfolio of different business units (or major product lines). The **BCG growth-share matrix** displays the various business units on a graph of the market growth rate vs. market share relative to competitors:



Resources are allocated to business units according to where they are situated on the grid as follows:

- **Cash Cow** - a business unit that has a large market share in a mature, slow growing industry. Cash cows require little investment and generate cash that can be used to invest in other business units.
- **Star** - a business unit that has a large market share in a fast growing industry. Stars may generate cash, but because the market is growing rapidly they require investment to maintain their lead. If successful, a star will become a cash cow when its industry matures.
- **Question Mark (or Problem Child)** - a business unit that has a small market share in a high growth market. These business units require resources to grow market share, but whether they will succeed and become stars is unknown.
- **Dog** - a business unit that has a small market share in a mature industry. A dog may not require substantial cash, but it ties up capital that could better be deployed elsewhere. Unless a dog has some other strategic purpose, it should be

liquidated if there is little prospect for it to gain market share.

SWOT ANALYSIS

A scan of the internal and external environment is an important part of the strategic planning process. Environmental factors internal to the firm usually can be classified as strengths (S) or weaknesses (W), and those external to the firm can be classified as opportunities (O) or threats (T). Such an analysis of the strategic environment is referred to as a **SWOT analysis**.

Strengths

A firm's strengths are its resources and capabilities that can be used as a basis for developing a competitive advantage.

Examples of such strengths include:

- patents
- strong brand names
- good reputation among customers
- cost advantages from proprietary know- how
- exclusive access to high grade natural resources
- favourable access to distribution networks

Weaknesses

The absence of certain strengths may be viewed as a weakness. For example, each of the following may be considered weaknesses

- lack of patent protection
- a weak brand name
- poor reputation among customers
- high cost structure
- lack of access to the best natural resources
- lack of access to key distribution channels

In some cases, a weakness may be the flip side of a strength. Take

the case in which a firm has a large amount of manufacturing capacity. While this capacity may be considered a strength that competitors do not share, it also may be considered a weakness if the large investment in manufacturing capacity prevents the firm from reacting quickly to changes in the strategic environment.

Opportunities

The external environmental analysis may reveal certain new opportunities for profit and growth. Some examples of such opportunities include:

- an unfulfilled customer need
- arrival of new technologies
- loosening of regulations
- removal of international trade barriers

Threats

Changes in the external environmental also may present threats to the firm. Some examples of such threats include:

- shifts in consumer tastes away from the firm's products
- emergence of substitute products
- new regulations
- increased trade barriers

The SWOT Matrix

A firm should not necessarily pursue the more lucrative opportunities. Rather, it may have a better chance at developing a competitive advantage by identifying a fit between the firm's strengths and upcoming opportunities. In some cases, the firm can overcome a weakness in order to prepare itself to pursue a compelling opportunity. To develop strategies that take into account the SWOT profile, a matrix of these factors

can be constructed. The SWOT matrix (also known as a **TOWS Matrix**) is shown below:

SWOT / TOWS Matrix

	Strengths	Weaknesses
Opportunities	S-O strategies	W-O strategies
Threats	S-T strategies	W-T strategies

- **S-O strategies** pursue opportunities that are a good fit to the company's strengths.
- **W-O strategies** overcome weaknesses to pursue opportunities.
- **S-T strategies** identify ways that the firm can use its strengths to reduce its vulnerability to external threats.
- **W-T strategies** establish a defensive plan to prevent the firm's weaknesses from making it highly susceptible to external threats.

PORTER'S FIVE FORCES OF COMPETITIVE POSITION ANALYSIS

Porter's Five Forces of Competitive Position Analysis were developed in 1979 by Michael E Porter of Harvard Business School as a simple framework for assessing and evaluating the competitive strength and position of a business organization.

This theory is based on the concept that there are five forces that determine the competitive intensity and attractiveness of a market. Porter's five forces help to

identify where power lies in a business situation. This is useful both in understanding the strength of an organization’s current competitive position, and the strength of a position that an organization may look to move into. The five forces are:

1. **Supplier power.** An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.
2. **Buyer power.** An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organization; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.
3. **Competitive rivalry.** The main driver is the number and capability of competitors in the market. Many competitors, offering undifferentiated products and services, will reduce market attractiveness.
4. **Threat of substitution.** Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.
5. **Threat of new entry.** Profitable markets attract new entrants, which erodes profitability. Unless

incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.



**UNIT IV
DIRECTING**

DEFINITION

"Activating deals with the steps a manager takes to get subordinates and others to carry out plans" - Newman and Warren.

Directing concerns the total manner in which a manager influences the actions of subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.

Characteristics

- Elements of Management
- Continuing Function
- Pervasive Function
- Creative Function
- Linking function
- Management of Human Factor

Scope of Directing

- Initiates action
- Ensures coordination
- Improves efficiency
- Facilitates change
- Assists stability and growth

Elements of Directing

The three elements of directing are

- Motivation
- Leadership

- Communication

CREATIVITY AND INNOVATION

Often used interchangeably, they should to be considered separate and distinct. Creativity can be described as problem identification and idea generation and innovation is considered as idea selection, development and commercialization. Creativity is creation of new ideas and Innovation is implementation of the new ideas. There cannot be innovation without creativity. There can be creativity without innovation but it has no value.

Steps involved in creativity

a) Preparation: This is the first stage at which the base for creativity and innovation is defined; the mind is prepared for subsequent use in creative thinking. During preparation the individual is encouraged to appreciate the fact that every opportunity provides situations that can educate and experiences from which to learn. The creativity aspect is kindled through a quest to become more knowledgeable. This can be done through reading about various topics and/or subjects and engaging in discussions with others. Taking part in brainstorming sessions in various forums like professional and trade association seminars, and taking time to study other countries and cultures to identify viable opportunities is also part of preparation. Of importance is the need to cultivate a personal ability to listen and learn from others.

b) Investigation: This stage of enhancing entrepreneurial creativity and innovation involves the business owner taking time to study the problem at hand and what its various components are.

c) Transformation: The information thus accumulated and acquired should then be subjected to convergent and divergent thinking which will serve to highlight the inherent similarities and differences. Convergent thinking will help identify aspects that are similar and connected while divergent thinking will highlight the differences. This twin manner of thinking is of particular importance in realizing creativity and innovation for the following reasons:

- One will be able to skim the details and see what the bigger picture is the situation/problem's components can be reordered and in doing so new patterns can be identified.
- It will help visualize a number of approaches that can be used to simultaneously tackle the problem and the opportunity.
- One's decision-making abilities will be bettered such that the urge to make snap decisions will be resisted.

d) Incubation: At this stage in the quest for creativity and

innovation it is imperative that the subconscious reflect on the accumulated information, i.e. through incubation, and this can be improved or augmented when the entrepreneur:

- Engages in an activity completely unrelated to the problem/opportunity under scrutiny.
- Takes time to daydream i.e. letting the mind roam beyond any restrictions self-imposed or otherwise.
- Relax and play
- Study the problem/opportunity in a wholly different environment

e) Illumination: This happens during the incubation stage and will often be spontaneous. The realizations from the past stages combine at this instance to form a breakthrough.

f) Verification: This is where the entrepreneur attempts to ascertain whether the creativity of thought and the action of innovation are truly effective as anticipated. It may involve activities like simulation, piloting, prototype building, test marketing, and various experiments. While the tendency to ignore this stage and plunge headlong with the breakthrough may be tempting, the transformation stage should ensure that the new idea is put to the test.

MOTIVATION AND SATISFACTION

MOTIVATION

"Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals.

Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures and influences that trigger, channel, and sustain human behavior. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance

According to Koontz and O'Donnell, "Motivation is a class of drives, needs, wishes and similar forces".

NATURE AND CHARACTERISTICS OF MOTIVATION

Psychologists generally agree that all behavior is motivated, and that people have reasons for doing the things they do or for behaving in the manner that they do. Motivating is the work a manager performs to inspire, encourage and impel people to take required action.

The characteristics of motivation are given below:-

- **Motivation is an Internal Feeling:** Motivation is a psychological phenomenon which generates in the mind of an individual the feeling that he lacks certain things and needs those things. Motivation is a force within an individual that drives him to behave in a certain way.
- **Motivation is Related to Needs:** Needs are deficiencies which are created whenever there is a physiological or psychological imbalance. In order to motivate a person, we have to understand his

needs that call for satisfaction.

- **Motivation Produces Goal-Directed Behaviour:** Goals are anything which will alleviate a need and reduce a drive. An individual's behavior is directed towards a goal.
- **Motivation can be either Positive or Negative:** Positive or incentive motivation is generally based on reward. According to Flippo - "positive motivation is a process of attempting to influence others to do your will through the possibility of gain or reward". Negative or fear motivation is based on force and fear. Fear causes persons to act in certain way because they are afraid of the consequences if they don't.

IMPORTANCE OF MOTIVATION

A manager's primary task is to motivate others to perform the tasks of the organization. Therefore, the manager must find the keys to get subordinates to come to work regularly and on time, to work hard, and to make positive contributions towards the effective and efficient achievement of organizational objectives. Motivation is an effective instrument in the hands of a manager for inspiring the work force and creating confidence in it. By motivating the work force, management creates "will to work" which is necessary for the achievement of organizational goals. The various benefits of motivation are:-

- 1) Motivation is one of the important elements in the

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

- 2) Workers will tend to be as efficient as possible by improving upon their skills and knowledge so that they are able to contribute to the progress of the organization thereby increasing productivity.
- 3) For performing any tasks, two things are necessary. They are: (a) ability to work and (b) willingness to work. Without willingness to work, ability to work is of no use. The willingness to work can be created only by motivation.
- 4) Organizational effectiveness becomes, to some degree, a question of management's ability to motivate its employees, to direct at least a reasonable effort towards the goals of the organization.
- 5) Motivation contributes to good industrial relations in the organization. When the workers are motivated, contented and disciplined, the frictions between the workers and the management will be reduced.
- 6) Motivation is the best remedy for resistance to changes. When changes are introduced in an organization, generally, there will be resistance from the workers. But if the workers of an organization are motivated, they will accept,

introduce and implement the changes whole heartily and help to keep the organization on the right track of progress.

- 7) Motivation facilitates the maximum utilization of all factors of production, human, physical and financial resources and thereby contributes to higher production.
- 8) Motivation promotes a sense of belonging among the workers. The workers feel that the enterprise belongs to them and the interest of the enterprise is their interests.
- 9) Many organizations are now beginning to pay increasing attention to developing their employees as future resources upon which they can draw as they grow and develop.

SATISFACTION

Employee satisfaction (Job satisfaction) is the terminology used to describe whether employees are happy and contented and fulfilling their desires and needs at work. Many measures purport that employee satisfaction is a factor in employee motivation, employee goal achievement, and positive employee morale in the workplace. Employee satisfaction, while generally a positive in your organization, can also be a downer if mediocre employees stay because they are satisfied with your work environment. Factors contributing to employee satisfaction include treating employees with respect, providing regular employee recognition, empowering

employees, offering above industry-average benefits and compensation, providing employee perks and company activities, and positive management within a success framework of goals, measurements, and expectations. Employee satisfaction is often measured by anonymous employee satisfaction surveys administered periodically that gauge employee satisfaction in areas such as:

- management,
- understanding of mission and vision,
- empowerment,
- teamwork,
- communication, and
- Coworker interaction.

The facets of employee satisfaction measured vary from company to company.

A second method used to measure employee satisfaction is meeting with small groups of employees and asking the same questions verbally. Depending on the culture of the company, either method can contribute knowledge about employee satisfaction to managers and employees.

JOB DESIGN

It is the process of Work arrangement (or rearrangement) aimed at reducing or overcoming job dissatisfaction and employee alienation arising from repetitive and mechanistic tasks. Through job design, organizations try to raise productivity levels by offering non-monetary rewards such as greater satisfaction from a

sense of personal achievement in meeting the increased challenge and responsibility of one's work.

Approaches to job design include:

- **Job Enlargement:** Job enlargement changes the jobs to include more and/or different tasks. Job enlargement should add interest to the work but may or may not give employees more responsibility.
- **Job Rotation:** Job rotation moves employees from one task to another. It distributes the group tasks among a number of employees.
- **Job Enrichment:** Job enrichment allows employees to assume more responsibility, accountability, and independence when learning new tasks or to allow for greater participation and new opportunities.

TYPES OF MOTIVATION TECHNIQUES

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

a) Positive Motivation:

This type of motivation is generally based on reward. A positive motivation involves the possibility of increased

motive satisfaction. According to Flippo - "Positive motivation is a process of attempting to influence others to do your will through the possibility of gain or reward". Incentive motivation is the "pull" mechanism. The receipt of awards, due recognition and praise for work-well done definitely lead to good team spirit, co-operation and a feeling of happiness.

- Positive motivation include:-
- Praise and credit for work done
- Wages and Salaries
- Appreciation
- A sincere interest in subordinates as individuals
- Delegation of authority and responsibility

b) Negative Motivation:

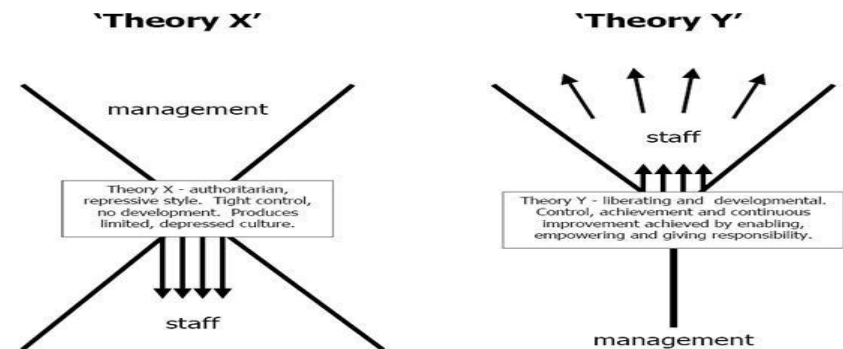
This type of motivation is based on force and fear. Fear causes persons to act in a certain way because they fear the consequences. Negative motivation involves the possibility of decreased motive satisfaction. It is a "push" mechanism. The imposition of punishment frequently results in frustration among those punished, leading to the development of maladaptive behaviour. It also creates a hostile state of mind and an unfavourable attitude to the job. However, there is no management which has not used the negative motivation at some time or the other.

MOTIVATION THEORIES

Some of the motivation theories are discussed below

a) McGregor's Theory X and Theory Y:

McGregor states that people inside the organization can be managed in two ways. The first is basically negative, which falls under the category X and the other is basically positive, which falls under the category Y. After viewing the way in which the manager dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mold his or her behavior towards subordinates according to these assumptions.



Under the assumptions of theory X:

- Employees inherently do not like work and whenever possible, will attempt to avoid it.
- Because employees dislike work, they have to be forced, coerced or threatened with punishment to achieve goals.

- Employees avoid responsibilities and do not work if formal directions are issued.
- Most workers place a greater importance on security over all other factors and display little ambition.

In contrast under the assumptions of theory Y:

- Physical and mental effort at work is as natural as rest or play.
- People do exercise self-control and self-direction and if they are committed to those goals.

- Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.
- That the way the things are organized, the average human being's brainpower is only partly used.

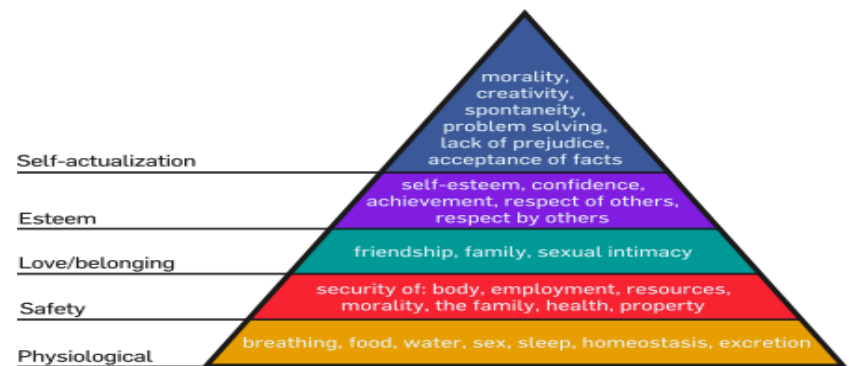
On analysis of the assumptions it can be detected that theory X assumes that lower-order needs dominate individuals and theory Y assumes that higher-order needs dominate individuals. An organization that is run on Theory X lines tends to be authoritarian in nature, the word "authoritarian" suggests such ideas as the "power to enforce obedience" and the "right to command." In contrast Theory Y organizations can be described as "participative", where the aims of the organization and of the individuals in it are integrated; individuals can achieve their own goals best by directing their efforts towards the

success of the organization.

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

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

As per his theory these needs are:



(i) Physiological needs: These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.

(ii) Security or Safety needs: These are the needs to be

free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

(iii) Social needs: Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

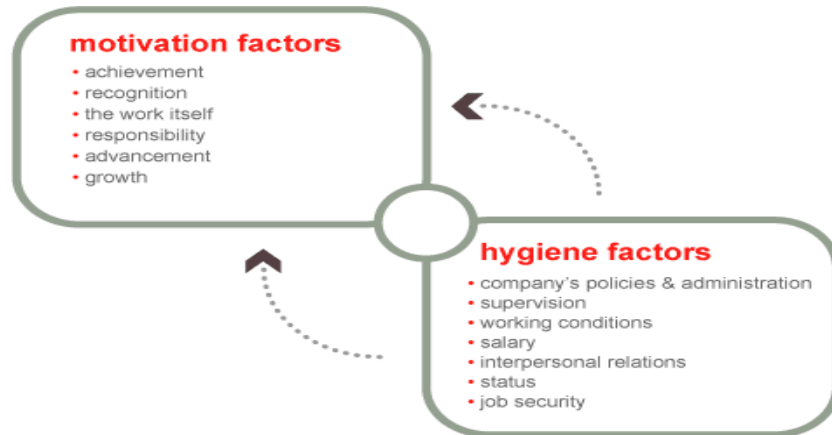
(iv) Esteem needs: According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

(v) Need for self-actualization: Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming; it includes growth, achieving one's potential and self-fulfillment. It is to maximize one's potential and to accomplish something. All of the needs are structured into a hierarchy and only once a lower level of need has been fully met, would a worker be motivated by the opportunity of having the next need up in the hierarchy satisfied. For example a person who is dying of hunger will be motivated to achieve a basic wage in order to buy food before worrying about having a secure job contract or the respect of others. A business should therefore offer different incentives to workers in order to help them fulfill

each need in turn and progress up the hierarchy. Managers should also recognize that workers are not all motivated in the same way and do not all move up the hierarchy at the same pace. They may therefore have to offer a slightly different set of incentives from worker to worker.

c) Frederick Herzberg's motivation-hygiene theory:

Frederick has tried to modify Maslow's need Hierarchy theory. His theory is also known as two-factor theory or Hygiene theory. He stated that there are certain satisfiers and dissatisfiers for employees at work. Intrinsic factors are related to job satisfaction, while extrinsic factors are associated with dissatisfaction. He devised his theory on the question: "What do people want from their jobs?" He asked people to describe in detail, such situations when they felt exceptionally good or exceptionally bad. From the responses that he received, he concluded that opposite of satisfaction is not dissatisfaction. Removing dissatisfying characteristics from a job does not necessarily make the job satisfying. He states that presence of certain factors in the organization is natural and the presence of the same does not lead to motivation. However, their non-presence leads to demotivation. In similar manner there are certain factors, the absence of which causes no dissatisfaction, but their presence has motivational impact.



Examples of Hygiene factors are: Security, status, relationship with subordinates, personal life, salary, work conditions, relationship with supervisor and company policy and administration.

Examples of Motivational factors are: Growth prospectus job advancement, responsibility, challenges, recognition and achievements.

d) Victor Vroom's Expectancy theory:

The most widely accepted explanations of motivation have been propounded by Victor Vroom. His theory is commonly known as expectancy theory. The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple, expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance

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Alderfer has tried to rebuild the hierarchy of needs of Maslow into another model named ERG i.e. Existence – Relatedness – Growth. According to him there are 3 groups of core needs as mentioned above. The existence group is concerned mainly with providing basic material existence. The second group is the individuals need to maintain interpersonal relationship with other members in the group. The final group is the intrinsic desire to grow and develop personally. The major conclusions of this theory are:

- In an individual, more than one need may be operative at the same time.
- If a higher need goes unsatisfied than the desire to satisfy a lower need intensifies.
- It also contains the frustration-regression dimension.

f) McClelland's Theory of Needs:

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

- (i) Need for Power
- (ii) Need for Affiliation
- (iii) Need for Achievement

Basically people for high need for power are inclined towards influence and control. They like to be at the center and are good orators. They are demanding in nature, forceful in manners and ambitious in life. They can be motivated to perform if they are given key positions or

power positions. In the second category are the people who are social in nature. They try to affiliate themselves with individuals and groups. They are driven by love and faith. They like to build a friendly environment around themselves. Social recognition and affiliation with others provides them motivation. People in the third area are driven by the challenge of success and the fear of failure. Their need for achievement is moderate and they set for themselves moderately difficult tasks. They are analytical in nature and take calculated risks. Such people are motivated to perform when they see at least some chances of success.

McClelland observed that with the advancement in hierarchy the need for power and achievement increased rather than Affiliation. He also observed that people who were at the top, later ceased to be motivated by this drives.

g) Stacey Adams' Equity Theory:

As per the equity theory of J. Stacey Adams, people are motivated by their beliefs about the reward structure as being fair or unfair, relative to the inputs. People have a tendency to use subjective judgment to balance the outcomes and inputs in the relationship for comparisons between different individuals. Accordingly: If people feel that they are not equally rewarded they either reduce the quantity or quality of work or migrate to some other organization. However, if people perceive that they are

rewarded higher, they may be motivated to work harder.

h) Skinner's Reinforcement Theory:

B.F. Skinner, who propounded the reinforcement theory, holds that by designing the environment properly, individuals can be motivated. Instead of considering internal factors like impressions, feelings, attitudes and other cognitive behavior, individuals are directed by what happens in the environment external to them. Skinner states that work environment should be made suitable to the individuals and that punishment actually leads to frustration and demotivation. Hence, the only way to motivate is to keep on making positive changes in the external environment of the organization.

LEADERSHIP

Definition

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.

- Leaders act to help a group attain objectives through the maximum application of its capabilities.
- Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers.

Importance of Leadership

- Aid to authority
- Motive power to group efforts
- Basis for co operation
- Integration of Formal and Informal Organization.

LEADERSHIP STYLES

The leadership style we will discuss here are:

- a) Autocratic style
- b) Democratic Style
- c) Laissez Faire Style

a) Autocratic style

Manager retains as much power and decision-making authority as possible. The manager does not consult employees, nor are they allowed to give any input. Employees are expected to obey orders without receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments.

Autocratic leadership is a classical leadership style with the following characteristics:

- Manager seeks to make as many decisions as possible
- Manager seeks to have the most authority and control in decision making
- Manager seeks to retain responsibility rather than utilize complete delegation
- Consultation with other colleagues in minimal and decision making becomes a solitary process

- Managers are less concerned with investing their own leadership development, and prefer to simply work on the task at hand.

Advantages

1. Reduced stress due to increased control
2. A more productive group „while the leader is watching“
3. Improved logistics of operations

Disadvantages

1. Short-term approach to management.
2. Manager perceived as having poor leadership skills
3. Increased workload for the manager
4. People dislike being ordered around
5. Teams become dependent upon their leader

b) Democratic Style

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

The style has the following characteristics:

- a. Manager seeks consultation on all major issues and decisions.
- b. Manager effectively delegate tasks to subordinates and give them full control and responsibility for those tasks.
- c. Manager welcomes feedback on the results of initiatives and the work environment.
- d. Manager encourages others to become

leaders and be involved in leadership development.

Advantages

1. Positive work environment
2. Successful initiatives
3. Creative thinking
4. Reduction of friction and office politics
5. Reduced employee turnover

Disadvantages

1. Takes long time to take decisions
2. Danger of pseudo participation
3. Like the other styles, the democratic style is not always appropriate. It is most successful when used with highly skilled or experienced employees or when implementing operational changes or resolving individual or group problems.

c) Laissez-Faire Style:

This French phrase means “leave it be” and is used to describe a leader who leaves his/her colleagues to get on with their work. The style is largely a "hands off" view that tends to minimize the amount of direction and face time required.

Advantages

- No work for the leader
- Frustration may force others into leadership roles
- Allows the visionary worker the opportunity to do what they want, free from interference Empowers the group

Disadvantages

- It makes employees feel insecure at the unavailability of a manager.
- The manager cannot provide regular feedback to let employees know how well they are doing.
- Managers are unable to thank employees for their good work.
- The manager doesn't understand his or her responsibilities and is hoping the employees can cover for him or her.

COMMUNICATION

Communication is the exchange of messages between people for the purpose of achieving common meanings. Unless common meanings are shared, managers find it extremely difficult to influence others. Whenever group of people interact, communication takes place. Communication is the exchange of information using a shared set of symbols. It is the process that links group members and enables them to coordinate their activities. Therefore, when managers foster effective communication, they strengthen the connections between employees and build cooperation. Communication also functions to build and reinforce interdependence between various parts of the organization. As a linking mechanism among the different organizational subsystems, communication is a central feature of the structure of groups and organizations. It helps to coordinate tasks and

activities within and between organizations.

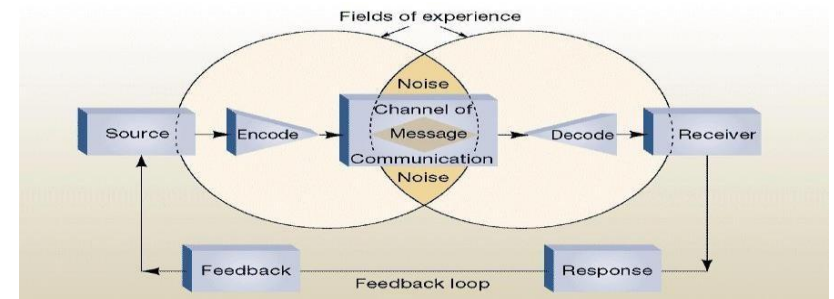
DEFINITION

According to Koontz and O'Donnell, "Communication, is an intercourse by words, letters symbols or messages, and is a way that the organization members shares meaning and understanding with another".

THE COMMUNICATION PROCESS

Communication is important in building and sustaining human relationships at work. Communication can be thought of as a process or flow. Before communication can take place, a purpose, expressed as a message to be conveyed is needed. It passes between the sender and the receiver. The result is transference of meaning from one person to another. The figure below depicts the communication process.

- This model is made up of seven parts:
 (1) Source, (2) Encoding, (3) Message, (4) Channel, (5) Decoding, (6) Receiver, and (7) Feedback.



a) Source:

The source initiates a message. This is the origin of the communication and can be an individual, group or inanimate object. The effectiveness of a communication depends to a considerable degree on the characteristics of the source. The person who initiates the communication process is known as sender, source or communicator. In an organization, the sender will be a person who has a need or desire to send a message to others. The sender has some information which he wants to communicate to some other person to achieve some purpose.

b) Encoding:

Once the source has decided what message to communicate, the content of the message must be put in a form the receiver can understand. As the background for encoding information, the sender uses his or her own frame of reference. It includes the individual's view of the organization or situation as a function of personal education, interpersonal relationships, attitudes, knowledge and experience. Three conditions are necessary for successful encoding the message.

- **Skill:** Successful communicating depends on the skill you possess. Without the requisite skills, the message of the communicator will not reach the requisite skills; the message of the communicator will not reach the receiver in the desired form. One's total communicative success includes speaking, reading, listening and reasoning skills.

- **Attitudes:** Our attitudes influence our behaviour. We hold predisposed ideas on a number of topics and our communications are affected by these attitudes.
- **Knowledge:** We cannot communicate what we don't know. The amount of knowledge the source holds about his or her subject will affect the message he or she seeks to transfer.

c) The Message:

The message is the actual physical product from the source encoding. The message contains the thoughts and feelings that the communicator intends to evoke in the receiver. The message has two primary components:-

- **The Content:** The thought or conceptual component of the message is contained in the words, ideas, symbols and concepts chosen to relay the message.
- **The Affect:** The feeling or emotional component of the message is contained in the intensity, force, demeanour (conduct or behaviour), and sometimes the gestures of the communicator.

d) The Channel:

The actual means by which the message is transmitted to the receiver (Visual, auditory, written or some combination of these three) is called the channel. The channel is the medium through which the message travels. The channel is the observable carrier of the message.

Communication in which the sender's voice is used as the channel is called oral communication. When the channel involves written language, the sender is using written communication. The sender's choice of a channel conveys additional information beyond that contained in the message itself. For example, documenting an employee's poor performance in writing conveys that the manager has taken the problem seriously.

f) Decoding:

Decoding means interpreting what the message means. The extent to which the decoding by the receiver depends heavily on the individual characteristics of the sender and receiver. The greater the similarity in the background or status factors of the communicators, the greater the probability that a message will be perceived accurately. Most messages can be decoded in more than one way. Receiving and decoding a message are a type of perception. The decoding process is therefore subject to the perception biases.

g) The Receiver:

The receiver is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message - for example, hearing the sound of a supplier's voice over the telephone or seeing the boss give a thumbs-up signal. Like the sender, the receiver is subject to many influences that can affect the understanding of the message. Most important, the receiver will perceive a communication in a manner that is

consistent with previous experiences. Communications that are not consistent with expectations is likely to be rejected.

h) Feedback:

The final link in the communication process is a feedback loop. Feedback, in effect, is communication travelling in the opposite direction. If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender learn whether the original communication was decoded accurately. Without feedback, one-way communication occurs between managers and their employees. Faced with differences in their power, lack of time, and a desire to save face by not passing on negative information, employees may be discouraged from providing the necessary feedback to their managers.

Guidelines for effective Communication

- Senders of message must clarify in their minds what they want to communicate. Purpose of the message and making a plan to achieve the intended end must be clarified.
- Encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
- For the planning of the communication, other people should be consulted and encouraged to participate.

- It is important to consider the needs of the receivers of the information. Whenever appropriate, one should communicate something that is of value to them, in the short run as well as in the more distant future.
- In communication, tone of voice, the choice of language and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
- Communication is complete only when the message is understood by the receiver. And one never knows whether communication is understood unless the sender gets a feedback.
- The function of communication is more than transmitting the information. It also deals with emotions that are very important in interpersonal relationships between superiors, subordinates and colleagues in an organization.
- Effective communicating is the responsibility not only of the sender but also of the receiver of the information.

BARRIERS TO EFFECTIVE COMMUNICATION

Barriers to communication are factors that block or significantly distort successful communication. Effective managerial communication skills helps overcome some, but not all, barriers to communication in organizations. The more prominent barriers to effective communication which

every manager should be aware of are given below:

1. **Perceptual and Language Differences:** Perception is generally how each individual interprets the world around him. All generally want to receive messages which are significant to them. But any message which is against their values is not accepted. A same event may be taken differently by different individuals. For example: A person is on leave for a month due to personal reasons (family member being critical). The HR Manager might be in confusion whether to retain that employee or not, the immediate manager might think of replacement because his teams productivity is being hampered, the family members might take him as an emotional support.

The linguistic differences also lead to communication breakdown. Same word may mean different to different individuals. For example: consider a word “value”.

- a. What is the **value** of this Laptop?
- b. I **value** our relation?
- c. What is the **value** of learning technical skills?

“Value” means different in different sentences. Communication breakdown occurs if there is wrong perception by the receiver.

2. **Information Overload:** Managers are surrounded with a pool of information. It is essential to control this information flow else the information is likely to be misinterpreted or forgotten or overlooked. As a result communication is less effective.
3. **Inattention:** At times we just not listen, but only hear. For example a traveler may pay attention to one “NO PARKING” sign, but if such sign is put all over the city, he no longer listens to it. Thus, repetitive messages should be ignored for effective communication. Similarly if a superior is engrossed in his paper work and his subordinate explains him his problem, the superior may not get what he is saying and it leads to disappointment of subordinate.
4. **Time Pressures:** Often in organization the targets have to be achieved within a specified time period, the failure of which has adverse consequences. In a haste to meet deadlines, the formal channels of communication are shortened, or messages are partially given, i.e., not completely transferred. Thus sufficient time should be given for effective communication.
5. **Distraction/Noise:** Communication is also affected a lot by noise to distractions. Physical tions are also there such as, poor lightning, uncomfortable

sitting, unhygienic room also affects communication in a meeting. Similarly use of loud speakers interferes with communication.

6. **Emotions:** Emotional state at a particular point of time also affects communication. If the receiver feels that communicator is angry he interprets that the information being sent is very bad. While he takes it differently if the communicator is happy and jovial (in that case the message is interpreted to be good and interesting).
7. **Complexity in Organizational Structure:** Greater the hierarchy in an organization (i.e. more the number of managerial levels), more is the chances of communication getting destroyed. Only the people at the top level can see the overall picture while the people at low level just have knowledge about their own area and a little knowledge about other areas.
8. **Poor retention:** Human memory cannot function beyond a limit. One cant always retain what is being told specially if he is not interested or not attentive. This leads to communication breakdown

OVERCOMING COMMUNICATION BARRIERS / EFFECTIVE COMMUNICATION

1. **Eliminating differences in perception:** The organization should ensure that it is recruiting right individuals on the job. It’s the responsibility of the interviewer to ensure that the interviewee has command over the written and spoken language. There should be proper Induction program so that the policies of the company are clear to all the employees. There should be proper trainings conducted for required employees (for eg: Voice

- and Accent training).
2. **Use of Simple Language:** Use of simple and clear words should be emphasized. Use of ambiguous words and jargons should be avoided.
 3. **Reduction and elimination of noise levels:** Noise is the main communication barrier which must be overcome on priority basis. It is essential to identify the source of noise and then eliminate that source.
 4. **Active Listening:** Listen attentively and carefully. There is a difference between “listening” and “hearing”. Active listening means hearing with proper understanding of the message that is heard. By asking questions the speaker can ensure whether his/her message is understood or not by the receiver in the same terms as intended by the speaker.
 5. **Emotional State:** During communication one should make effective use of body language. He/she should not show their emotions while communication as the receiver might misinterpret the message being delivered. For example, if the conveyer of the message is in a bad mood then the receiver might think that the information being delivered is not good.
 6. **Simple Organizational Structure:** The organizational structure should not be complex. The number of hierarchical levels should be optimum. There should be a ideal span of control within the organization. Simpler the organizational structure, more effective will be the communication.
 7. **Avoid Information Overload:** The managers should know how to prioritize their work. They should not overload themselves with the work. They should spend quality time with their subordinates and should listen to their problems and feedbacks actively.
 8. **Give Constructive Feedback:** Avoid giving negative feedback. The contents of the feedback might be negative, but it should be delivered constructively. Constructive feedback will lead to effective communication between the superior and subordinate.
 9. **Proper Media Selection:** The managers should properly select the medium of communication. Simple messages should be conveyed orally, like: face to face interaction or meetings. Use of written means of communication should be encouraged for delivering complex messages. For significant messages reminders can be given by using written means of communication such as : Memos, Notices etc.
 10. **Flexibility in meeting the targets:** For effective communication in an organization the managers should ensure that the individuals are meeting their targets timely without skipping the formal channels

of communication. There should not be much pressure on employees to meet their targets.

CHANNELS/TYPES OF COMMUNICATION

a) Formal Communication: Formal communication follows the route formally laid down in the organization structure. There are three directions in which communications flow: downward, upward and laterally (horizontal).

i) Downward Communication: Downward communication involves a message travelling to one or more receivers at the lower level in the hierarchy. The message frequently involves directions or performance feedback. The downward flow of communication generally corresponds to the formal organizational communications system, which is usually synonymous with the chain of command or line of authority. This system has received a great deal of attention from both managers and behavioral scientists since it is crucial to organizational functioning.

ii) Upward Communication: In upward communication, the message is directed toward a higher level in the hierarchy. It is often takes the form of progress reports or information about successes and failures of the individuals or work groups reporting to the receiver of the message. Sometimes employees also send suggestions or complaints upward through the organization's hierarchy. The upward flow of communication involves two distinct manager-

subordinate activities in addition to feedback:

- The participation by employees in formal organizational decisions.
- Employee appeal is a result against formal organization decisions. The employee appeal is a result of the industrial democracy concept that provides for two-way communication in areas of disagreement.

iii) Horizontal Communication: When takes place among members of the same work group, among members of work groups at the same level, among managers at the same level or among any horizontally equivalent personnel, we describe it as lateral communications. In lateral communication, the sender and receiver(s) are at the same level in the hierarchy. Formal communications that travel laterally involve employees engaged in carrying out the same or related tasks. The messages might concern advice, problem solving, or coordination of activities.

b) Informal Communication or Grapevine: Informal communication, generally associated with interpersonal communication, was primarily seen as a potential hindrance to effective organizational performance. This is no longer the case. Informal communication has become more important to ensuring the effective conduct of work in modern organizations. Probably the most common term used for the informal communication in the workplace is “grapevine” and this communication that is sent through

the organizational grapevine is often considered gossip or rumor. While grapevine communication can spread information quickly and can easily cross established organizational boundaries, the information it carries can be changed through the deletion or exaggeration crucial details thus causing the information inaccurate – even if it's based on truth. The use of the organizational grapevine as an informal communication channel often results when employees feel threatened, vulnerable, or when the organization is experiencing change and when communication from management is restricted and not forthcoming.

UNIT V

CONTROLLING

DEFINITION

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

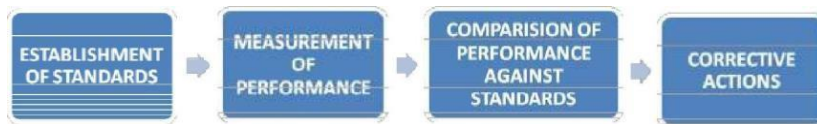
In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

Nature & Purpose of Control

- Control is an essential function of management
- Control is an ongoing process
- Control is forward – working because pas cannot be controlled
- Control involves measurement
- The essence of control is action
- Control is an integrated system

CONTROL PROCESS

The basic control process involves mainly these steps as shown in Figure



a) **The Establishment of Standards:** Because plans are the yardsticks against which controls must be revised, it follows logically that the first step in the control process would be to accomplish plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to Figure out the deviations.

Examples for the standards

- Profitability standards: In general, these standards indicate how much the company would like to make as profit over a given time period- that is, its return on investment.
- Market position standards: These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.
- Productivity standards: How much that various segments of the organization should produce is the focus of these standards.
- Product leadership standards: These indicate what must be done to attain such a position.
- Employee attitude standards: These standards indicate what types of attitudes the company managers should strive to indicate in the company_s employees.
- Social responsibility standards: Such as making contribution to the society.

- Standards reflecting the relative balance between short and long range goals.

b) Measurement of performance: The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions. The degree of difficulty in measuring various types of organizational performance, of course, is determined primarily by the activity being measured. For example, it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

c) Comparing Measured Performance to Stated Standards: When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individuals working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

d) Taking Corrective Actions: After actual performance has been measured compared with

established performance standards, the next step in the controlling process is to take corrective action, if necessary. Corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards. In other words, corrective action focuses on correcting organizational mistakes that hinder organizational performance. Before taking any corrective action, however, managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable.

At first glance, it seems a fairly simple proposition that managers should take corrective action to eliminate problems - the factors within an organization that are barriers to organizational goal attainment. In practice, however, it is often difficult to pinpoint the problem causing some undesirable organizational effect.

BARRIERS FOR CONTROLLING

There are many barriers, among the most important of them:

- Control activities can create an undesirable overemphasis on short-term production as opposed to long-term production.
- Control activities can encourage the falsification of reports.
- Control activities can cause the perspectives of organization members to be too narrow for the good of the organization.
- Control activities can be perceived as the goals of the control



process rather than the means by which corrective action is taken.

REQUIREMENTS FOR EFFECTIVE CONTROL

The requirements for effective control are

- a) Control should be tailored to plans and positions
- b) Control must be tailored to individual managers and their responsibilities
- c) Control should point up exceptions as critical points
Control should be objective
- d) Control should be flexible
- e) Control should be economical
- f) Control should lead to corrective actions

TYPES OF CONTROL SYSTEMS

The control systems can be classified into three types namely feed forward, concurrent and feedback control systems.

- a) **Feed forward controls:** They are preventive controls that try to anticipate problems and take corrective action before they occur. Example – a team leader checks the quality, completeness and reliability of their tools prior to going to the site.
- b) **Concurrent controls:** They (sometimes called

screening controls) occur while an activity is taking place. Example – the team leader checks the quality or performance of his members while performing.

- c) **Feedback controls:** They measure activities that have already been completed. Thus corrections can take place after performance is over. Example – feedback from facilities engineers regarding the completed job.

BUDGETARY CONTROL

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

Salient features:

- **Objectives:** Determining the objectives to be achieved, over the budget period, and the policy that might be adopted for the achievement of these ends.
- **Activities:** Determining the variety of

activities that should be undertaken for achievement of the objectives.

- **Plans:** Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period and its parts.
- **Performance Evaluation:** Laying out a system of comparison of actual performance by each person section or department with the relevant budget and determination of causes for the discrepancies, if any.
- **Control Action:** Ensuring that when the plans are not achieved, corrective actions are taken; and when corrective actions are not possible, ensuring that the plans are revised and objective achieved

CLASSIFICATION OF BUDGETS

Budgets may be classified on the following bases –



3

BASED ON TIME PERIOD:

- (i) **Long Term Budget:** Budgets which are prepared for periods longer than a year are

called Long Term Budgets. Such Budgets are helpful in business forecasting and forward planning. Eg: Capital Expenditure Budget and R&D Budget.

- (ii) **Short Term Budget:** Budgets which are prepared for periods less than a year are known as Short Term Budgets. Such Budgets are prepared in cases where a specific action has to be immediately taken to bring any variation under control. Eg: Cash Budget.

b) **BASED ON CONDITION:**

- (i) **Basic Budget:** A Budget, which remains unaltered over a long period of time, is called Basic Budget.
- (ii) **Current Budget:** A Budget, which is established for use over a short period of time and is related to the current conditions, is called Current Budget.

c) **BASED ON CAPACITY:**

- (i) **Fixed Budget:** It is a Budget designed to remain unchanged irrespective of the level of activity actually attained. It operates on one level of activity and less than one set of conditions. It assumes that there will be no change in the prevailing conditions, which is unrealistic.
- (ii) **Flexible Budget:** It is a Budget, which by recognizing the difference between fixed, semi variable and variable costs is designed to change in

relation to level of activity attained. It consists of various budgets for different levels of activity

d) **BASED ON COVERAGE**

(i) **Functional Budget:** Budgets, which relate to the individual functions in an organization, are known as Functional Budgets, e.g. purchase Budget, Sales Budget, Production Budget, plant Utilization Budget and Cash Budget.

(ii) **Master Budget:** It is a consolidated summary of the various functional budgets. It serves as the basis upon which budgeted Profit & Loss Account and forecasted Balance Sheet are built up.

BUDGETARY CONTROL TECHNIQUES

The various types of budgets are as follows

• **Revenue and Expense Budgets:** The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

• **Time, Space, Material, and Product Budgets:** Many budgets are better expressed in quantities rather

than in monetary terms. e.g. Direct-labour-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended.

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

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

• **Variable Budget:** The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year.

Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts); and, by statistical studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output.

• **Zero Based Budget:** The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

Advantages

There are a number of advantages of budgetary control:

- Promotes coordination and communication.
- Enables remedial action to be taken as variances emerge.
- Motivates employees by participating in the setting of budgets.

- Improves the allocation of scarce resources.
- Economises management time by using the management by exception principle.

Problems in budgeting

- Whilst budgets may be an essential part of any marketing activity they do have a number of disadvantages, particularly in perception terms.
- Budgets can be seen as pressure devices imposed by management, thus resulting in:
 - Bad labour relations o Inaccurate record-keeping.
 - Departmental conflict arises due to:
 - Disputes over resource allocation
 - Departments blaming each other if targets are not attained.
- It is difficult to reconcile personal/individual and corporate goals.
- Responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs.
- Managers may overestimate costs so that they will not be blamed in the future should they overspend.

NON-BUDGETARY CONTROL TECHNIQUES

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls.

- **Statistical data:** Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control.

Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

- **Break- even point analysis:** An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

- **Operational audit:** Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

- **Personal observation:** In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

- **PERT:** The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

- **GANTT CHART:** A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal

elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

PRODUCTIVITY

Productivity refers to the ratio between the output from production processes to its input. Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized.

Typical Productivity Calculations

Measures of size and resources may be combined in many different ways. The three common approaches to defining productivity based on the model of Figure 2 are referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery.

a) Physical Productivity: This is a ratio of the amount of product to the resources consumed (usually effort). Product may be measured in lines of code, classes, screens, or any other unit of product. Typically, effort is measured in terms of staff hours, days, or months. The physical size also may be used to estimate software performance factors (e.g., memory utilization as a function of lines of code).

b) Functional productivity: This is the ratio of the amount of the functionality delivered to the resources consumed (usually effort). Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method). Typically, 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 likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

c) Economic Productivity: This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization. Economic productivity usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates, and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity. However, understanding economic productivity is essential to making good decisions about outsourcing and subcontracting. The basic calculation of economic productivity is as follows:

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

PROBLEMS IN MEASUREMENT OF PRODUCTIVITY OF KNOWLEDGE WORKERS

Productivity implies measurement, which in turn, is an essential step in the control process. Although there is a general agreement about the need for improving productivity, there is little consensus about the fundamental causes of the problem and what to do about them. The blame has been assigned to various factors. Some people place it on the greater proportion of less skilled workers with respect to the total labor force, but others disagree. There are those who see cutback in research and the emphasis on immediate results as the main culprit. Another reason given for the productivity dilemma is the growing affluence of people, which makes them less ambitious. Still others cite the breakdown in family structure, the workers' attitudes, and government policies and regulations. Another problem is that the measurement of skills work is relatively easy, but it becomes more difficult for knowledge work. The difference between the two kinds is the relative use of knowledge and skills.

COST CONTROL

Cost control is the measure taken by management to assure that the cost objectives set down in the planning stage are attained and to assure that all segments of the organization function in a manner consistent with its policies.

Steps involved in designing process of cost control system

- **Establishing norms:** To exercise cost control it is essential to establish norms, targets or parameters which may serve as yardsticks to achieve the ultimate objective. These standards, norms or targets may be set on the basis of research,

study or past actual.

- **Appraisal:** The actual results are compared with the set norms to ascertain the degree of utilization of men, machines and materials. The deviations are analyzed so as to arrive at the causes which are controllable and uncontrollable.

- **Corrective measures:** The variances are reviewed and remedial measures or revision of targets, norms, standards etc., as required are taken.

Advantages of cost control

- Better utilization of resources
- To prepare for meeting a future competitive position.
- Reasonable price for the customers
- Firm standing in domestic and export markets.
- By continuous search for improvement creates proper climate for the increase efficiency.
- Improves the image of company for long-term benefits.
- Improve the rate of return on investment.

PURCHASE CONTROL

Purchase control is an element of material control. Material procurement is known as the purchase function. The functional responsibility of purchasing is that of the purchase manager or the purchaser. Purchasing is an important function of materials management because in purchase of materials, a substantial portion of the company's finance is committed which affects cash flow position of the company. Success of a business is to a large extent

influenced by the efficiency of its purchase organization.

Advantages:

- Continuous availability of materials:** It ensures the continuous flow of materials. So production work may not be held up for want of materials. A manufacturer can complete schedule of production in time.
- Purchasing of right quantity:** Purchase of right quantity of materials avoids locking up of working capital. It minimizes risk of surplus and obsolete stores. It means there should not be possibility of overstocking and under stocking.
- Purchasing of right quality:** Purchase of materials of proper quality and specification avoids waste of materials and loss in production. Effective purchase control prevents wastes and losses of materials right from the purchase till their consumptions. It enables the management to reduce cost of production.
- Economy in purchasing:** The purchasing of materials is a highly specialized function. By purchasing materials at reasonable prices, the efficient purchaser is able to make a valuable contribution to the success of a business.
- Works as information centre:** It serves as a function centre on the materials knowledge relating to prices, sources of supply, specifications, mode of delivery, etc. By providing continuous information to the management it is possible to

prepare planning for production.

- f) Development of business relationship:** Purchasing of materials from the best market and from reliable suppliers develops business relationships. The result is that there may be smooth supply of materials in time and so it avoid disputes and financial losses.
- g) Finding of alternative source of supply:** If a particular supplier fails to supply the materials in time, it is possible to develop alternate sources of supply. the effect of this is that the production work is not disturbed.
- h) Fixing responsibilities:** Effective purchase control fix the responsibilities of operating units and individuals connected with the purchase, storage and handling of materials.

In short, the basic objective of the effective purchase control is to ensure continuity of supply of requisite quantity of material, to avoid held up of production and loss in production and at the same time reduces the ultimate cost of the finished products.

MAINTENANCE CONTROL

Maintenance department has to exercise effective cost control, to carry out the maintenance functions in a pre-specified budget, which is possible only through the following measures:

First line supervisors must be apprised of the cost information of the various materials so that the objective of the management can be met without extra expenditure on maintenance functions

A monthly review of the budget provisions and expenditures actually incurred in respect of each centre/shop will provide guidelines to the departmental head to exercise better cost control.

The total expenditure to be incurred can be uniformly spread over the year for better budgetary control. However, the same may not be true in all cases particularly where overhauling of equipment has to be carried out due to unforeseen breakdowns. Some budgetary provisions must be set aside, to meet out unforeseen exigencies.

The controllable elements of cost such as manpower cost and material cost can be discussed with the concerned personnel, which may help in reducing the total cost of maintenance. Emphasis should be given to reduce the overhead expenditures, as other expenditures cannot be compromised.

It is observed through studies that the manpower cost is normally fixed, but the same way increase due to overtime cost. However, the material cost, which is the prime factor in maintenance cost, can be reduced by timely inspections designed, to detect failures. If the inspection is carried out as per schedule, the total failure of parts may be avoided, which otherwise would increase the maintenance cost. The proper handling of the equipment by the operators also reduces the frequency of repair and material requirements. Operators, who check their equipment regularly and use it within the operating limits, can help avoid many unwanted repairs. In the same way a

good record of equipment failures/ maintenance would indicate the nature of failures, which can then be corrected even permanently.

QUALITY CONTROL

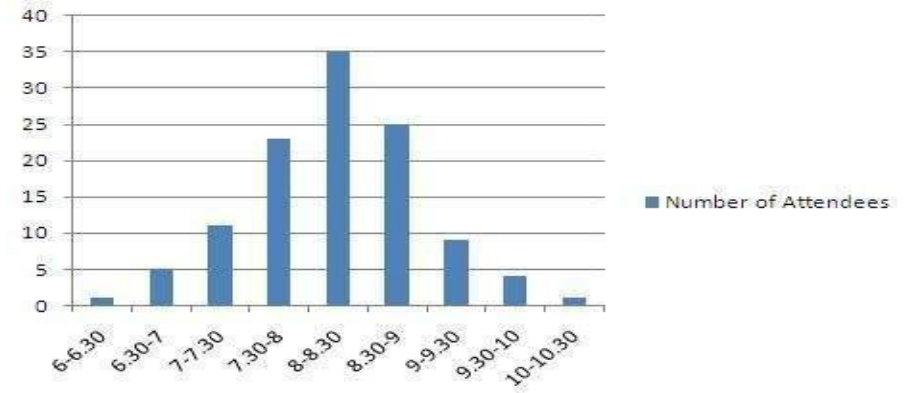
Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements

The steps involved in quality control process are

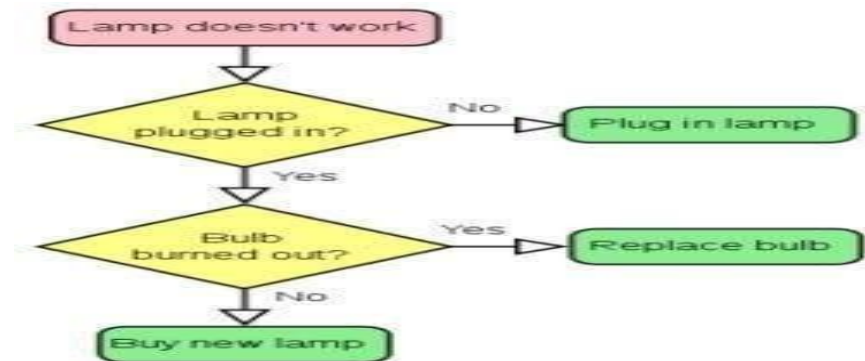
- 1) Determine what parameter is to be controlled.
- 2) Establish its criticality and whether you need to control before, during or after results are produced.
- 3) Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.
- 4) Produce plans for control which specify the means by which the characteristics will be achieved and variation detected and removed.
- 5) Organize resources to implement the plans for quality control.
- 6) Install a sensor at an appropriate point in the process to sense variance from specification.
- 7) Collect and transmit data to a place for analysis.
- 8) Verify the results and diagnose the cause of variance.
- 9) Propose remedies and take action to restore the status quo.
- 10) Take the agreed action and check that the variance has been corrected.

TOOLS & TECHNIQUES OF QUALITY

1. **Flow Charts:** This is one of the basic quality

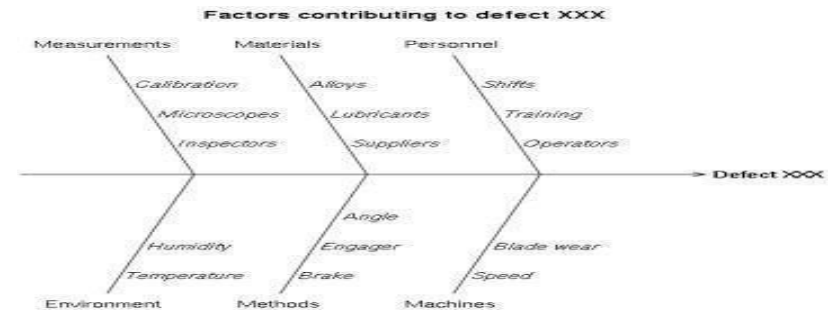


tool that can be used for analyzing a sequence of events. The tool maps out a sequence of events that take place sequentially or in parallel. The flow chart can be used to understand a complex process in order to find the relationships and dependencies between events. You can also get a brief idea about the critical path of the process and the events involved in the critical path. Flow charts can be used for any field to illustrate complex processes in a simple way.



2. Histogram: Histogram is used for illustrating the frequency and the extent in the context of two variables. Histogram is a chart with columns. This represents the distribution by mean. If the histogram is normal, the graph takes the shape of a bell curve. If it is not normal, it may take different shapes based on the condition of the distribution. Histogram can be used to measure something against another thing. Always, it should be two variables. Consider the following example: The following histogram shows morning attendance of a class. The X-axis is the number of students and the Y-axis the time of the day.

3. Cause and Effect Diagram: Cause and effect diagrams (Ishikawa Diagram) are used for understanding organizational or business problem causes. Organizations face problems everyday. And it is to understand the causes of these problems in order to solve them effectively. Cause and effect diagrams exercise is usually teamwork. A brainstorming session is required in order to come up with an effective cause and effect diagram. All the main components of a problem area are listed and possible causes from each area is listed. Then, most likely causes of the problems are identified to carry out further analysis.



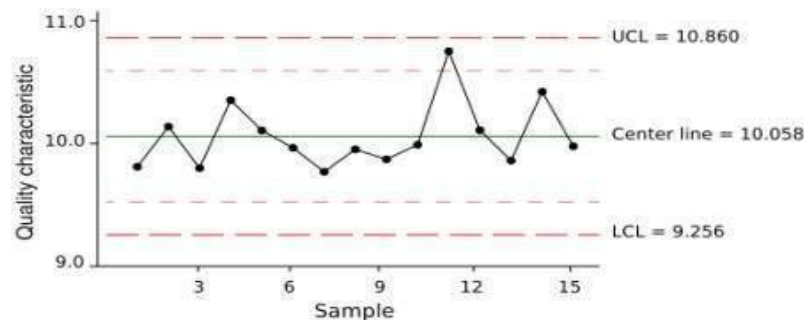
4. Check Sheet: A check sheet can be introduced as the most basic tool for quality. A check sheet is basically used for gathering and organizing data. When this is done with the help of software packages such as Microsoft Excel, you can derive further analysis graphs and automate through macros available. Therefore, it is always a good idea to use a software check sheet for information gathering and organizing needs. One can always use a paper-based check sheet when the information gathered is only used for backup or storing purposes other than further processing.

Motor Assembly Check Sheet

Name of Data Recorder: Lester B. Page
 Location: Rochester, New York
 Data Collection Dates: 1/17 - 1/23

Defect Type/ Event Occurrence	Dates							TOTAL
	Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	
Supplied parts rusted								20
Misaligned weld								5
Improper test procedure								0
Wrong part issued								3
Film on part								0
voids in casting								5
Incorrect dimensions								2
Adhesive failure								0
Making inefficiencies								1
Spray failure								4
TOTAL		20	13	30	5	4		

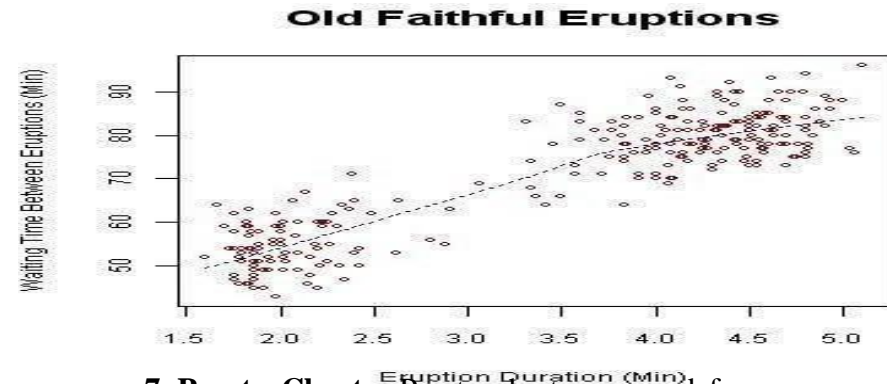
5. Scatter Diagram: When it comes to the values of two variables, scatter diagrams are the best way to present. Scatter diagrams present the relationship between two variables and illustrate the results on a Cartesian plane. Then, further analysis, such as trend analysis can be performed on the values. In these diagrams, one variable denotes one axis and another variable denotes the other axis.



6. Control Charts: Control chart is the best tool for monitoring the performance of a process. These types of charts can be used for monitoring any processes related to function of the organization. These charts allow you to identify the following conditions related to the process that has been monitored.

- Stability of the process
- Predictability of the process

- Identification of common cause of variation
- Special conditions where the monitoring party needs to react.



7. Pareto Charts: Pareto charts are used for identifying a set of priorities. You can chart any number of issues/variables related to a specific concern and record the number of occurrences. This way you can figure out the parameters that have the highest impact on the specific concern. This helps you to work on the propriety issues in order to get the condition

Management Information System

- A **management information system (MIS)** is a system that provides information needed to manage organizations efficiently and effectively.
- MIS encompass three primary components: Technology, People (individuals, groups, or organizations), and Data/Information for **decision making**.

8. USE OF COMPUTERS AND IT IN MANAGEMENT CONTROL

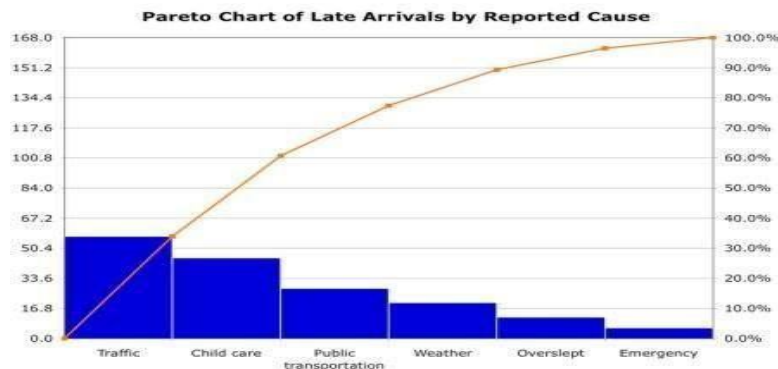
The Nature of Information

- We tend to use the term **Data** and **Information** interchangeably, there is distinction between the two concepts.
- **Data** are raw, unanalyzed numbers and facts about events
- **Information**, in contrast, results when data are organized or analyzed in some meaningful way

- Academically, the term is commonly used to refer to the study of how individuals, groups, and organizations evaluate, design, implement, manage, and utilize systems to generate information to improve efficiency and effectiveness of decision making, including systems termed decision support system, Expert systems, and executive information systems.

Electronic Data Processing (EDP)

- **Electronic Data Processing (EDP)** can refer to the use of automated methods to process commercial data
- Typically, this uses relatively simple, repetitive activities to process large volumes of similar information
- For example: stock updates applied to an inventory, banking transactions applied to account and customer master files, booking and ticketing transactions to an airline's reservation system, billing for utility services.



Main Resources of MIS

- Hardware
- Software
- Telecommunications
- Network
- People
- Procedures
- Data

Implementation of MIS

1. Preparing organizational plans
2. Planning of workflow
3. Training of personnel
4. Development of software
5. Acquiring computer hardware
6. Designing the format for data collection
7. Construction of data files
8. Operation of old and new systems in parallel
9. Phasing out the old and inducing the new systems
10. Evaluation, Maintenance and control of the new system

Computer Based Information System (CBIS)

- **Information systems (IS)** is the study of complementary networks of hardware and software that people and organizations use to collect, filter, process, create, and distribute data
- Information system that goes beyond the mere standardization of data to add in the planning process.

Decision Support System

- *Decision Support System (DSS)* are computer program applications used by middle management to compile information from a wide range of sources to support problem solving and decision making.
- A properly designed DSS is an interactive software-based system intended to help decision makers compile useful information from a combination of raw data, documents, and personal knowledge, or business models to identify and solve problems and make decisions.

BALANCED SCORECARD

A performance measurement tool that looks at more than just the financial perspective. The balanced scorecard approach is a way to evaluate organizational performance from more than just the financial perspective. A balanced scorecard typically looks at four areas that contribute to a company’s performance:

- financial,
- customer,
- Internal processes and
- people/innovation/growth assets

According to this approach manager should develop goals in each of the four areas and then measure whether the goals are being met.

For instance, at IBM Global Services in Houston, managers developed a scorecard around an overriding strategy of customer satisfaction. However, the other areas (financial, internal processes, and people/innovation/growth) support that central strategy.

Balanced Scorecard Measurements

Perspective	Generic Measurements
Financial	Return of Capital Employed, Economic value added, Sales growth, Cash flow
Customer	Customer satisfaction, retention, acquisition, profitability, market share
Internal business process	Includes measurements along the internal value chain for: Innovation - measures of how well the company identifies the customers’ future needs. Operations - measures of quality, cycle time, and costs. Post sales service - measures for warranty, repair and treatment of defects and returns.
Learning and growth	Includes measurements for: People - employee retention, training, skills, morale. Systems - measure of availability of critical real time information needed for front line employees.

BENCHMARKING

- The search for the best practices among competitors or non-competitors that lead to their superior performance. The standard of excellence against which to measure and compare.
- Managers in diverse industries such as health care, education, and financial services are discovering what manufacturers have long recognized — the benefits of benchmarking, which is the search for the best practices among competitors or noncompetitors that lead to their superior performance.

- Benchmarking should identify various benchmarks, which are the standards of excellence against which to measure and compare.
- For instance, the American Medical Association developed more than 100 standard measures of performance to improve medical care.
- Carlos Ghosn, CEO of Nissan, benchmarked Walmart operations in purchasing, transportation, and logistics.
- At its most basic, benchmarking means learning from others.