

SKP Engineering College

Tiruvannamalai – 606611

A Course Material

on

Principle of Management



By

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Quality Certificate

This is to Certify that the Electronic Study Material

Subject Code: MG 6851

Subject Name: Principle of Management

Year/Sem: III / VI

Being prepared by **Mr.R.sridharan, Mr.M.Thirumurugan, Mr.A.R.Vignesh, Mr.D.Narayana Moorthy** and it meets the knowledge requirement of the University curriculum.

Signature of the Author

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This is to certify that the course material being prepared by R.sridharan, M.Thirumurugan, R.Vignesh, D.Narayana Moorthy is of the adequate quality. He has referred more than five books and one among them is from abroad author.

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MG6851 PRINCIPLES OF MANAGEMENT L T P C 3 0 0 3

Lecture :	3 hrs/Week	Internal Assessment:	20 Marks
Tutorial :	0 hr/week	Final Examination:	80 Marks
Practical :	-	Credits:	3

TYPE OF COURSE: Required course

ASSESSMENT METHOD: 2 internal tests, 1 Model examination and Course end university examination.

PREREQUISITE: Project work, communication laboratory, In-plant trainings.

COURSE OBJECTIVES:

- To enable the students 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:

Upon completion of this course the student will be able to:

CO1	Understand the elements of effective management.
CO2	Implement planning, organizing and control processes.
CO3	Describe various theories related to the development of leadership skills, motivation techniques, team work and effective communication
CO4	Evaluate global situation, including opportunities and threats that will impact management of an organization
CO5	Understand Economic control over various functional departments in organization

CO-PO MAPPING

CO/P O	PO1	PO2	PO3	PO4	PO5	PO6	PO7	PO8	PO9	PO1 0	PO1 1	PO1 2
CO1	1					2	1	1	3	1	2	2
CO2		2	1	1		1	1	2	3	1	3	1
CO3	1		1	2	1		2	3	2	3	2	1
CO4				1		2		1	1		2	
CO5		2		1	2		2	1	2	1	3	2

SYLLABUS

UNIT I 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.

UNIT II 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.

UNIT III 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.

UNIT IV DIRECTING 9

Foundations of individual and group behavior – 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.

UNIT V 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: 45PERIODS

TEXT BOOKS:

1. Stephen P. Robbins & Mary Coulter, “ Management”, Prentice Hall (India) Pvt. Ltd., 10th

Edition,2009.

2. JAF Stoner, Freeman R.E and Daniel R Gilbert “Management”, Pearson Education, 6th

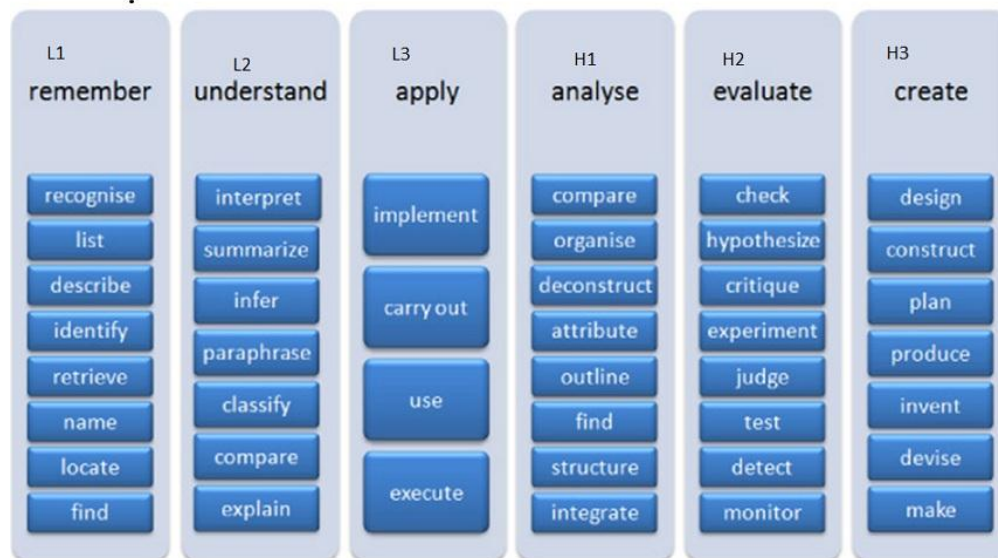
Edition,2004.

REFERENCES:

1. **Stephen A. Robbins & David A. Decenzo & Mary Coulter, “Fundamentals of Management”**
Pearson Education, 7th Edition, 2011.
2. Robert Kreitner & **Mamata Mohapatra, “ Management”, Biztantra, 2008.**
3. **Harold Koontz & Heinz Weihrich “Essentials of Management” Tata McGraw Hill,1998**
4. **Tripathy PC & Reddy PN, “Principles of Management”, Tata McGraw Hill, 1999.**

LOTS (lower order thinking skills)

HOTS (higher order thinking skills)



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UNIT 1**Introduction to management and organization****Part – A-2Marks****1. Define Management. [CO1 - L1 - May '05]**

Management is the art of getting things done through others. According to Harold Koontz, "Management is the process of designing and maintaining an environment in which individuals, working together in groups, accomplish their aims effectively and efficiently.

2. Mention various functions of Management.[CO1 - L2 - May'07]

- Planning,
- Organizing,
- Staffing,Directing,
- Controlling.

3. Define social Responsibility. [CO1 - L1 - Nov'04]

Social responsibility is considered a part of Management's perspective in protecting the society.

It may be in the form of providing basic health facilities or rendering help to charitable institutions. Usually a small amount from the surplus generated is budgeted for the purpose.

4. Who is referred as the father of scientific Management? What is the goal of scientific Management? [CO1- L1 - May'07]

Fredrick Winslow Taylor is called "father of scientific management".The goals of scientific

Management are,

- Observation and measurement should be used in the Organizations.
- The employees should be scientifically selected and trained.
- Due to scientific, selection and training of employee has the opportunity of earning a high rate of pay.
A mental revolution in the form of constant cooperation between the employer and employees should be given the benefits of scientific management.

4. Difference between Management and Administration [CO1- L2 - Nov'06, May'07, 08]

S.NO	Administratio n	Management
1	It is higher level functions	It is lower level functions
2	It refers to the owners of the organization	It refers to the employees
3	Administration is concerned with decision making	Management is concerned with Execution
4	It acts through the management	It acts through the organization
5	Administration lays down broad policies and principles for guidance	Management executes these policies in to practice

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6. What is Ethics in Business?. [CO1-L1]

Business Ethics is concerned with truth and justice and has a variety of aspects such as expectations of society, fair competition, advertising, public relations, Social responsibilities, Consumer autonomy and Corporate behavior in the home country as well as abroad.

7. Mention the different level of management with its skills required. [CO1 - L2]

- Top level management □ Middle level management, □ Lower level Management.

The skills required are technical, human and conceptual as shown in the diagram.

8. Mention the elements of Management as an art. (CO1,L2)

- Management process involves the use of practical knowledge and personal skill.
- Management is creative.
- Application of practical knowledge and certain skills helps to achieve concrete results.

9. Define Functional foremanship. [CO1-L1]

- Taylor developed a theory called functional foremanship based on specialization of function.
- In this system eight foremanship were involved to direct and control the activities of the worker.

10. Define scientific Management. [CO1 - L1- Nov'06, May'08]

Taylor attempted a more scientific approach to management as well as the problems and the approach was based upon four basic principles.

- Observation and measurement should be used in the Organizations.
- The employees should be scientifically selected and trained.
- Due to scientific selection and training, employee has the opportunity of earning a high rate of pay.
- A mental revolution in the form of constant cooperation between the employers and employees should give the benefits of scientific management.

Part-B-16Marks

1. Explain the different Business organization. [CO1 - L3 - May'05, 07, 08)

Business Organization

An Organization is a group of people working together to achieve a common goal. Organization exists to achieve goals that individuals cannot achieve on their own. Organization is grouping of activities and putting under different departments according to their functions. The Organization brings men and material resources together for fulfilling the goals of enterprises.

Types of Organization

1. Sole proprietorship / Individual
2. Partnership
3. Joint stock Company - Private Ltd Company & Public Ltd Company
4. Co operative Enterprises
5. Public Enterprises / State ownership

Sole proprietorship - the individual entrepreneur supplies the entire capital, employs labor and machines. Individual uses his own skill in the management of affairs and is solely responsible for the good or bad result of its operation and working **Merits**

1. Simplest form of business

2. Least legal complication
3. Quick decision
4. Maximum Profit
5. Personal Care
6. Quality product
7. Minimum wastage
8. Flexible business

Partnership - two or more persons come together and start a business with their own funds, the parties agree to share the profits as well as bear the losses in the agreed proportion. The formation and management of partnership organization is governed by the Indian Partnership Act, 1932.

Merits

1. Has larger financial resources
2. greater personal contacts of the partners gives more customer base and benefits
3. Persons of different skills and abilities can work for betterment of Organization
4. Less expenditure per partner is involved in forming partnership Organization
5. Loss will be divided among the partners

Joint Stock Company - Capital is contributed by a large number of people in the form of shares of different values.

Private Ltd Company - can be established with two to fifty members. The maximum number of membership is limited to 50. When this type of Organization expands beyond certain limit, it can restrict its liability by registering the firm as a limited company. The company is registered under Indian Company act 1956.

Public Ltd Company - the minimum number of members required are 7 and there is no upper limit. Such companies offer shares to general public. Public Ltd companies are supervised and

controlled by the Government to protect the interest of Share holder public. The company is governed by an elected body called board of directors.

Merits

- The shareholders bear no risk as the liability is limited
- Large scale business can be undertaken
- Take advantage of economies of scale in production because management can employ specialized labor, can use latest machinery and thus can achieve large scale production at low cost.
- Not affected by the retirement of any share holder hence the existence of Organization is permanent in nature.

- Works on democratic principles, which results in economy and efficiency. **Co-operative Enterprises** - Co-operation is a form of Organization where persons irrespective of caste, creed and religion, voluntarily associate together as human beings. It is based on the democratic principles and functions for the welfare of the public at large. It protects the interest of consumer as well as that of small producers.

Features

- Voluntary Organization
- Open Membership
- Common purpose I Interest
- Democratic Management
- Not profit oriented

2. Is Management Profession-discuss? [CO1- L2 - May '06]

The essential attribute of a profession

1. A well-defined and organized body of knowledge
2. Learning and Experience
3. Entry restricted by qualification
4. Recognized national body
5. Ethical code of conduct
6. Dominance of service motive

Mgt cannot be a fully fledged profession due to the following shortcomings

- Skills not fully developed

- No uniform method of entry
- Objective is monetary rather than service
- Ethical code is not strict
- Associations are not statutory bodies

Levels of Management

1. Top Level Mgt-

- To analyze, evaluate and deal with the environmental forces
- To establish overall long term goals and broad policies of the company including the master budget
- To appoint departmental and other key executives
- To represent the company to the outside world
- To coordinate the activities and efforts of different department

2. Middle Level Mgt -

- To interpret and explain the policies framed by top management
- To compile and issue detailed instruction regarding operations
- To cooperate among themselves so as to integrate various parts of the division or a department
- To motivate supervisory personnel to work for Organization goals
- To develop and train supervisory and operative personnel.

3. Supervisory / Operating / Lower Level Mgt-

- Toplan day to day production within the goals lay down by higher authority
- Toassign jobs to workers and to make arrangement for their training and development
- Tosupervise and control workers and to maintain personal contact with them.

Roles of a manager (Mint berg)

1. Interpersonal Role - Interacting with people inside and outside the Organization

- **Figurehead** - as a symbolic head of an organization, the manager performs routine duties of a legal nature
- **Leader** - Hiring, Training, motivating and guiding subordinates
- **Laison-** Interacting with other managers outside the organization to obtain favors and information

2. Informational Role - Serving as a focal point for exchange of Information

- **Monitor** - Seeks and receive information concerning internal and external events so as to gain understanding of the Organization and its environment.
- **Disseminator** - Transmits information to subordinates, peers and superiors within the Organization
- **Spokesperson** - Speaking on behalf of the Organization and transmitting information on Organization plans, policies and actions to outsiders.

3. Decisional Role- Makes important decision

- **Entrepreneur** - Initiating changes or improvements in the activities of the Organization on
- **Disturbance handler-** Taking charge and corrective action when Organization faces unexpected crises

- **Resource allocator** - Distributing Organization's resources like money, time, equipment and labor

- **Negotiator** Representing the Organization in bargaining and negotiations with outsiders and insiders.

3. Discuss the contribution of Henry Fayol Management. [C01 - L2 - May'04, 06, 07, 08]

Father of Management - Henry Fayol (1841- 1925) Henry Fayol contributed 14 principles to Mgt which is widely applied in the entire Organization

1. Division of Work
2. Authority and Responsibility
3. Discipline
4. Unity of Command
5. Unity of Direction
6. Subordination of individual interest to general interest
7. Remuneration of personnel
8. Centralization
9. Scalar Chain
10. Order
11. Equity
12. Stability of Tenure of Personnel
13. Initiative
14. Esprit-de-corps.

4. Discuss the contribution of F.W. Taylor to management. [CO1- L2- May'05, 08]

Taylor defined management as, "the art of knowing exactly what you want men to do and seeing that they do it in the best and cheapest way." The objective of management should be to secure the maximum prosperity for both the employer and the employees. Taylor stated that best management was a true science based upon certain clearly defined principles. He exhorted both managers and workers to substitute scientific investigation and knowledge in place of individual involvement and experience in all matters relating to the work alone in an organization. Taylor's theory came to be called 'scientific management'. His ideas are available in his book 'Principles of scientific management' published in 1911.

Taylor's principles of scientific management are as follows;

Development of a true science for each element of a man's job to replace the old rule of thumb method.

- Scientific selection, training and development of workers for every job
- An almost equal division of work and responsibility between management and workmen, management entrusted with the planning of work and workmen to look after execution of plans.
- Close co-operation between management and workers to ensure that work is done in accordance with the principles of the science, which has been developed.
- Maximum output in place of restricted output.

Techniques of scientific Management

Taylor developed several techniques these techniques provide the mechanism for implementing his principles. Some of these techniques are given below:

1. Separation of planning and doing:

- Taylor suggests the separation of planning and doing. Taylor says that supervisor should do the planning.
-
- The workers only concentrate on doing the work.

2. Functional foremanship:

- Taylor developed a theory called functional foremanship based on specialization of function.
- In this system eight foreman were involved to direct and control the activities of the workers.

3. Job analysis -'

- Time Study: Time Study or work measurement is designed to establish the standard time required to carry out a job under specified conditions. It involves analysis of a job into its constituent elements and recording the time taken in performing each element. Taylor suggested the use of time study to lay down "a fair day's work "so as to avoid guesswork and certainty in the effort and productivity expected of each worker.
- Motion Study: It is a systematic and critical study of the movements of both the worker and the machine so as to identify and eliminate unnecessary and wasteful movements. Motion study helps to develop the best way of doing a Job.
- Fatigue study: Employees are both physical as well as mental fatigue easily.
- Fatigue study indicates the amount and frequency of rest required in completing the job. Taylor suggests a fair day's work requiring certain movements and rest periods to complete it.

4. Standardization:

Under scientific management, predetermined standards are laid down regarding the task, materials, methods, time, quality and cost and working conditions. Standardization helps to simply work, to ensure interchangeability of parts, to ensure uniformity of operations and to facilitate comparisons of efficiency.

5. Scientific selection and training:

- Taylor suggested that workers should be selected on scientifically.
- A worker should be physically and technically most suitable.

5. Is Management Art or Science. Comment. [CO1,L2-May'07, Nov'06]

Management as an Art

- Art involves the practical application of personal skills and knowledge to achieve concrete results

- It is a practical way of doing specific things
- Art is a personalized process and every artist has his own style. Art is essentially creative and the success of an artist is measured by the results he achieves
- Art is a practice based and perfection in it requires continuous practice over a long period of time. The main elements of an art are -
 - a. Personal Skills
 - b. Practical know-how
 - c. Result orientation
 - d. Creativity
 - e. Constant practice aimed at perfection

Management is basically an art because of the following reasons - A manager applies his knowledge and skills to coordinate the efforts of his people □

- Mgt seeks to achieve concrete practical result
- Mgt is creative. It brings out new situation and converts into output
- Effective Mgt lead to realization of Organizational and other goals. Mastery in Mgt requires a sufficiently long period of experience in, managing.

Management as Science

The essential elements of Science

- is a systematized body of Knowledge
- Contains underlying principles and theories developed through continuous observation, experimentation and research.
- Universal applicability
- Organized body of knowledge can be taught and learnt in class room and outside.

- Mgt is a science because it contains all the essential of science. Thus, the theory (Science) and practice (art) of Mgt go side by side for the efficient functioning of an organization.

Techniques of scientific Management

Taylor developed several techniques these techniques provide the mechanism for implementing his

principles. Some of these techniques are given below:

- **Time Study:** Time Study or work measurement is designed to establish the standard time required to carry out a job under specified conditions. It involves analysis of a job into its constituent elements and recording the time taken in performing each element. Taylor suggested the use of time study to lay down “a fair day’s work “ so as to avoid guesswork and certainty in the effort and productivity expected of each worker.
- **Motion Study:** It is a systematic and critical study of the movements of both the worker and the machine so as to identify and eliminate unnecessary and wasteful movements. Motion study helps to develop the best way of doing a job.
- **Scientific Task Planning:** It is the technique of forecasting and picturing ahead every step in a long series of separate operations, each step to be taken in the right place, of the right degree and at the right time, and each operation to be performed at the optimum efficiency. It provides answers to question like what work is to be done, how its is to be done where it is to be done, and when it is to be done. More efficient routing systems and work scheduling were developed for effective planning of work.
- **Standardization and Simplification:** under scientific management, predetermined standards are laid

down regarding the task, materials, methods, time, quality and cost and working conditions. Standardization helps to simplify work, to ensure interchangeability of parts, to ensure uniformity of operations and to facilitate comparisons of efficiency.

- **Differential Piece rate System:** Stressing the need for scientific determination of remuneration for workers, Taylor suggested that a direct link should be created between remuneration and productivity for motivating workers. For this purpose, he developed the differential piece rate system of wage payment. Under this system two pieces rates are laid down: one, low rate for those failing to achieve the standard output and the second higher rate for those achieving or exceeding the standard output. Suppose, the two-piece rates are Re.1 and RS.150 respectively. Standard daily output lay down through time and motion studies in 10 units. The daily wages of two workers A and B who produces 8 and 12 units respectively will be calculated as under:

A's Wages = 8 units x Rs 1 = Rs. 1

B's Wages = 12 units x Rs 1.50 = Rs 18

Due to Significant difference in wages, A and other inefficient workers will be under pressure to reach the standard output .B and other efficient workers will be encouraged to keep their output above standard. Differential piece rate system is thus better than the straight piece rate system under which the rate per pieces is the same for all workers.

- **Functional Foremanship:** According to Taylor, one Supervisor cannot be an expert in all aspects of work supervision. He suggested the system of functional Foremanship in which eight supervisors supervise a workers job. Four of them are concerned with the planning of work in the factory office and the other four are involved in the execution of work at the shop floor. The eight foreman and the their respective duties are give below:
- **Route clerk:** The route clerk lays down the sequence or path that each operation is to follow for the completion of a particular job. He decides the exact route through which every piece of work should travel from machine to machine. Workers are expected to do their work strictly according to the route specified by the route clerk.



Instruction Card Clerk: The job of instruction card clerk is to prepare detailed instructions according to which workers have to perform their jobs. These instructions relate to matters like the

speed of work, tools and fixtures to be used, technical specifications of work etc



Time and Cost Clerk: The time and cost clerk frames the timetable for doing various jobs and maintains the records of the costs of work.



Shop Disciplinarian: The main function of the shop disciplinarian is to enforce rules and regulations and maintain discipline among workers .He deals with the cases of unauthorized absence from duty, insubordination, violation of established rules and regulations etc.

- Gang Boss:** The gang boss is concerned with all preliminary work before the actual operation. He has to assemble the necessary tools and equipment and also arrange the facilities in the plant. He is also expected to explain to workers how to set the work in the machine in the most accurate and quickest manner.
 - Speed Boss:** the speed boss is responsible for ensuring that the work is done well in time. In order to get the work complete in the specified time he should see that the workers operate at the right speed and in accordance with the specifications laid down in advance.
 - Repair Boss:** His job is to ensure that each worker keeps his machine clean and free from rust, and that he oils and treats the machine properly. In order to keep all machines and tools in perfect working order it is necessary that all standards established for the maintenance of machines and their accessories are rigidly maintained.
 - Inspector:** It is the responsibility of the inspector to see that the work is performed in accordance with the quality standards laid down by the office.
- **High Speed Steel:** Taylor conducted systematic experiments to improve the operational efficiency of tools and equipment for pig iron handling, shoveling iron ore and coal and for metal cutting. He developed high speed steel for metal cutting and designed better shovels. These improvements led to a tremendous increase in labor productivity besides reducing physical strain and effort on the part of workers. Taylor developed slide rule and other work-saving implements.

Critical Evaluation

Taylor's ideas caught the imagination of several individuals and organizations in the USA and Europe. Scientific management led to a tremendous increase in productivity and wages. However his scientific approach to every aspect of management created suspicion in the minds of workers and trade unions. They feared that working harder and faster might eventually lead to exhaustion of all available jobs and retrenchment. Scientific management has been criticized on the following grounds:

- i. **Mechanistic Approach:** The main criticism is that scientific management ignores the human element in production and is devoid of a human touch. It treats workers as factors of production and not as human beings. Too much emphasis is placed on technical aspects of work ignoring the human side. Therefore Taylor and his associates were ridiculed as efficiency experts and time study analysis.
- ii. **Unrealistic Assumptions:** Scientific Management is based on the assumption that people are rational and they are motivated by material gains. Taylor and his associates concentrated on physical and economic needs and overlooked the social and ego needs of people. Latter experience has revealed that financial gain is not the only things that matter. Workers also want job satisfaction, participation and recognition.
- iii. **Narrow View:** Scientific management is quite limited in scope. Taylor focused attention completely on efficiency at the shop floor. As a consequence management became the study of shop management while the more general aspects were overlooked. Scientific management has thus been described, as a theory of industrial engineering .It does not with management of the total organization.
- iv. **Impracticable:** Many ideas of Taylor are said to be infeasible in practice. For e.g. planning cannot fully be separated from doing because these are two sides of the same job and are not different jobs. Similarly functional foremanship is likely to create problems because it violates the principle of unity of command.
- v. **Exploitation of labor:** Inthe name of increasing efficiency workers were forced to speed up affecting
their physical and mental health.

Specialization and standardization make the job dull and monotonous.

In final analysis, Taylor made a lasting contribution to making jobs and their management more efficient and productive. Scientific management was developed by engineers and scientists and their concern for efficiency led to better methods and tools. Many contributions of Taylor have stood the test of time. According to Peter Drucker Scientific management is one of the great liberating and pioneering insights. Without it a real study of human beings at work would be impossible. Taylor laid the foundations of management as science.

6. Explain the nature and scope of Management. [CO1,L2]

Management Definition

Management is the art of getting things done through others. Harold Koontz Def as "Management is the process of designing and maintaining an environment in which individuals, working together in groups efficiently to accomplish selected aims"

Managers carry out their managerial function

- Applies to any kind of Organization
- Applies to managers at all organizational levels
- Aim is to create a surplus
- Concerned with productivity, implies effectiveness and efficiency
- Mgt of 4 M's in the Organization - Men, Machine, Materials & money

Characteristicsof

Management

Mgt is Universal

1. Mgt is Purposeful

2. Mgt is integrative Function
3. Mgt is a Social process
4. Mgt is a Multi disciplinary
5. Mgt is a continuous process
6. Mgt is intangible

Mgt is an art as well as a science Management as an Art

- Art involves the practical application of personal skills and knowledge to achieve concrete results
- It is a practical way of doing specific things
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Management as a Profession

The essential attribute of a profession

1. A well-defined and organized body of knowledge
2. Learning and Experience
3. Entry restricted by qualification
4. Recognized national body
5. Ethical code of conduct
6. Dominance of service motive

7. Explain the role of Managers. Levels of Management

1. Top Level Mgt -

- To analyses, evaluate and deal with the environmental forces
- To establish overall long term goals and broad policies of the company including the master budget
- To appoint departmental and other key executives
- To represent the company to the outside world
- To coordinate the activities and efforts of different department

2. Middle Level Mgt-

- To interpret and explain the policies framed by top management
- To compile and issue detailed instruction regarding operations
- To cooperate among themselves so as to integrate various parts of the division or a department

- To motivate supervisory personnel to work for Organization goals
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- To plan day to day production within the goals lay down by higher authority
- To assign jobs to workers and to make arrangement for their training and development
- To supervise and control workers and to maintain personal contact with them.

Roles of a manager (Mint berg)

1. Interpersonal Role - Interacting with people inside and outside the

Organization

- Figurehead** - as a symbolic head of an organization, the manager performs routine duties of a legal nature
- Leader** - Hiring, Training, motivating and guiding subordinates
- Liaison** - Interacting with other managers outside the organization to obtain favors and information

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- Monitor** - Seeks and receive information concerning internal and external events so as to gain understanding of the Organization and its environment.
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Spokesperson - Speaking on behalf of the Organization and transmitting information on Organization plans, policies and actions to outsiders.

3. Decisional Role - Makes important decision



Entrepreneur - Initiating changes or improvements in the activities of the Organization



Disturbance handler- Taking charge and corrective action when Organization faces unexpected crises



Resource allocator - Distributing Organization's resources like money, time, equipment and labor



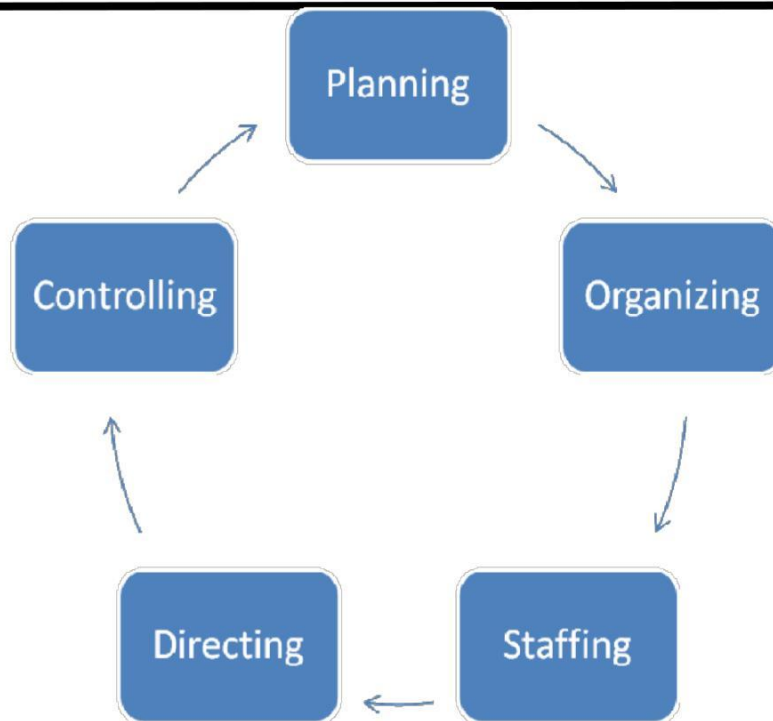
Negotiator - Representing the Organization in bargaining and negotiations with outsiders and insiders

8. EXPLAIN FUNCTIONS OF MANAGEMENT [CO1,L2- MAY 2016]

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 manager 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 control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing,

D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning, Organizing, Staffing, Directing** and **Controlling**. For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



1. Planning

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

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry

Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw

material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

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

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz &

O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed on the structure". Staffing involves:

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

4. Directing

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

- Supervision
- Motivation
- Leadership
- Communication

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

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

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

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

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, "Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation". According to Koontz & O'Donnell "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.
- (ii) Measurement of actual performance.
- (iii) Comparison of actual performance with the standards and finding out deviation if any.
- (iv) Corrective action.

9. EXPLAIN DETAIL ABOUT ORGANIZATION AND ENVIRONMENTAL FACTORS [CO1-L3]

An organization is a group of people intentionally organized to accomplish a common or set of goals.

Types of Business Organizations

When organizing a new business, one of the most important decisions to be made is choosing the structure of a business.

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.
- Have a hard time attracting high-caliber employees, or those that are motivated by the opportunity to own a part of the business.
- Employee benefits such as owner's medical insurance premiums are not directly deductible from business income (partially deductible as an adjustment to income).

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. Yes, its hard to think about a "break-up" when the business is just getting started, but many partnerships split up at crisis times and unless there is a defined process, there will be even greater problems. 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.

d) Joint Stock Company:

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

The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions.

There are two main types of joint stock Companies.

(i) Private limited company.

(ii) Public limited company

(i) Private limited company: This type company can be formed by two or more persons. The maximum number of membership is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

(ii) Public Limited Company: Its is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise

to offer its share to genera public through a prospectus. These public limited companies are subjected to

greater control & supervision of control.

Merits:

- The liability being limited the shareholder bear no risk & therefore more as make persons are encouraged to invest capital.
- Because of large numbers of investors, the risk of loss is divided.
- Joint stock companies are not affected by the death or the retirement of the shareholders.

Disadvantages:

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

e) Public Corporations:

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

Merits:

- These are expected to provide better working conditions to the employees & supported to be better managed.
- Quick decisions can be possible, because of absence of bureaucratic control.
- More Flexibility as compared to departmental organization.
- Since the management is in the hands of experienced & capable directors & managers, these are managed more efficiently than that of government departments.

Demerits:

- Any alteration in the power & Constitution of Corporation requires an amendment in the particular Act, which is difficult & time consuming.
- Public Corporations possess monopoly & in the absence of competition, these are not interested in adopting new techniques & in making improvement in their working.

f) Government Companies:

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & party by one to more state governments. It is managed b the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed ever year on the table of the parliament or state legislatures along with the comments of the government to concerned department.

Merits:

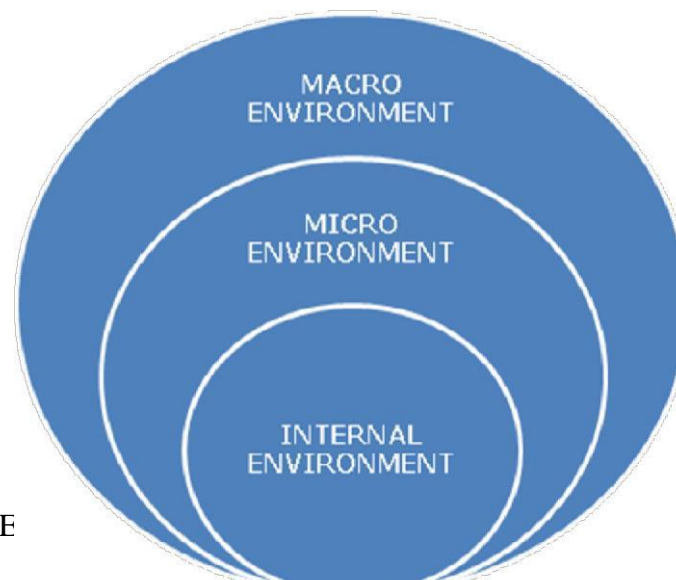
- It is easy to form.
- The directors of a government company are free to take decisions & are not bound by certain rigid rules & regulations.

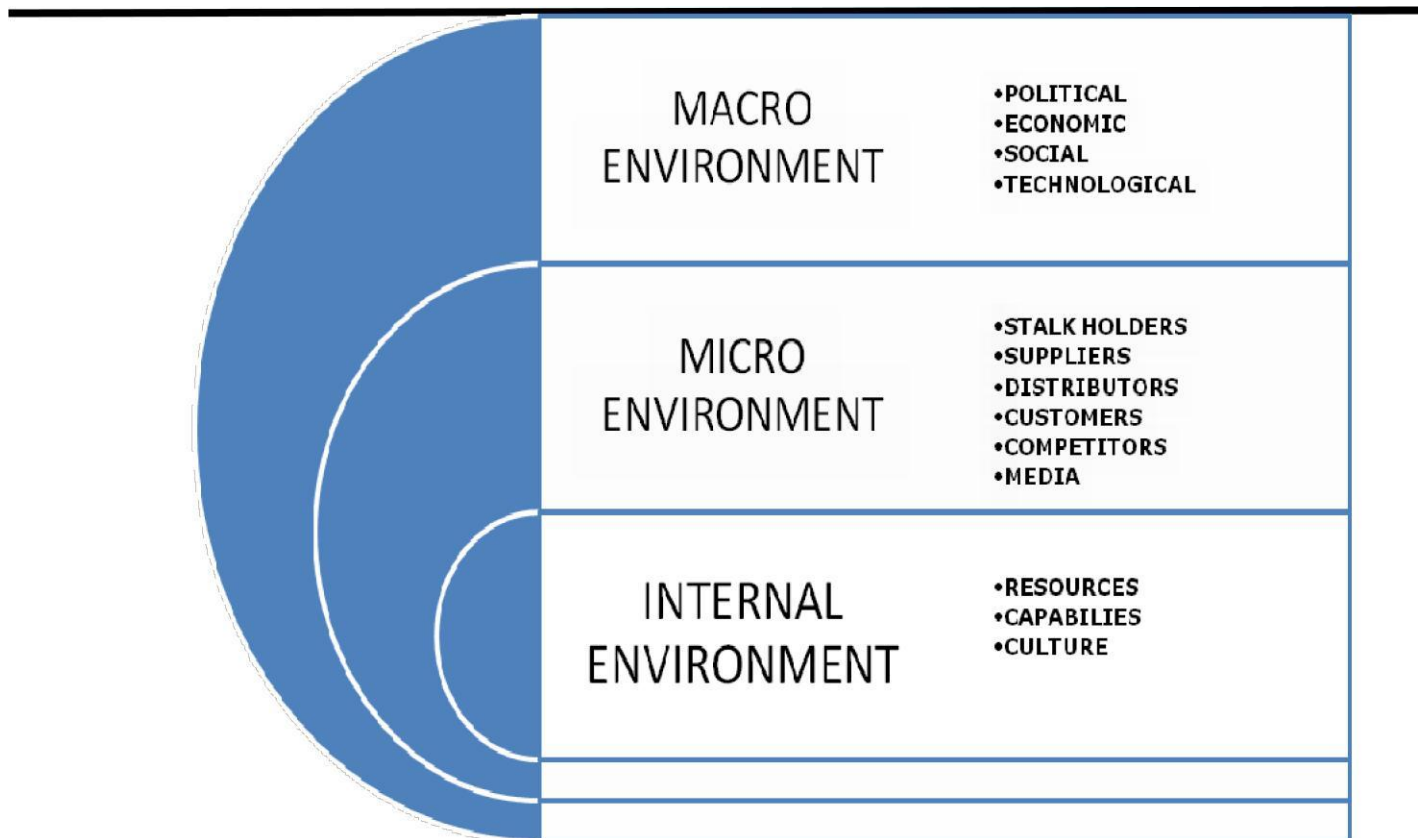
Demerits:

- 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.

CLASSIFICATION OF ENVIRONMENTAL FACTORS

On the basis of the extent of intimacy with the firm, the environmental factors may be classified into different types namely internal and external.





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 private ownership to public. However this movement unleashes the forces of shareholder pressure on the 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.

v) 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 organisations 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, hforcing 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 macroeconomy:

- 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

10.DISCUSS ABOUT TRENDS AND CHALLENGES OF MANAGEMENT IN GLOBAL SCENARIO [CO1,L2]

The management functions are planning and decision making, organizing, leading, and controlling — are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work for them; and they have to develop appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario

To effectively plan and make decisions in a global economy, managers must have a broad-based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factors that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter a market in France, should it buy a local firm there, build a plant, or seek a strategic alliance? Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization, and how decision making affects the global organization.

b) Organizing in a Global Scenario

Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

c) Leading in a Global Scenario

We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact with people from different cultural backgrounds. Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership

changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

d) Controlling in a Global Scenario

Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not. Likewise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.

UNIT 2**PLANNING****Part-A****1. Define Planning. State any two advantages of planning. [CO2 – L2- May'04]**

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

- Better utilization of resources
- Economy in operation
- It reduces uncertainty and risk.
- It improves competitive strength

2. Define decision making. [CO2 – L2- Nov'06]

Knootz and weihrich,"Decision making is defined as the selection of a course of action from among alternatives".

Henry Sisk and Clifton Williams," A decision is the selection of a course of action from two or more alternatives, the decision making process is a sequence of steps leading to that selection".

3. What are the objectives of planning? [CO2 – L1- No v '05]

- Planning is a primary function of an organization
- It helps in achieving objectives
- It is done to cope with uncertainty and change

- It helps in facilitating control
- It helps in coordination
- Planning increases organizational effectiveness
- Planning guides in decision making.

4. What do you mean by a Strategy? [CO2 – L3- Nov'06]

A strategy may also be defined as a special type of plan prepared for meeting the challenge posed by the activities of competitors and other environmental forces.

5. Mention different types of plan. [CO2 – H2- May'04]

Two types of plans. There are Standing plans, Single use plans.

Standing plans are Mission or purpose, Objectives, Strategies, Policies, Procedures, and Rules.

Single use plans are, Programmers, Budgets, Schedules, Methods, Projects.

6. List any four quantitative forecasting techniques. [CO2 – L2- May'08]

- Jury of executive opinion
- Delphi method
- Simple moving average
- Weighted moving average.

7. Define MBO [CO2 – L1- May '07]

Koontz and Weihrich have defined MBO as follows: "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is

consciously directed towards the effective and efficient achievement of organizational and individual objectives."

8. Mention the three approaches generally adopted by managers in selecting an alternative. [CO2 – L2- Apr'05]

- Quantitative and Qualitative analysis
- Marginal analysis
- Cost effectiveness analysis

9. Define "policies". [CO2 – L1]

Policies are general statements or understandings which provide guidance in decision making to various managers.

PART B

1.EXPLAIN ABOUT NATURE AND PURPOSE OF PLANNING [CO2 – L1 – APRIL 2014]

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:** Planning 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

As a managerial function planning is important due to the following reasons:-

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. Planning foresees the future and makes the necessary provisions for it.
3. **To secure economy in operation:** Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
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
 - It is the process of deciding on Long-term objectives of the organization. – It encompasses all the functional areas of business
- Tactical Planning
 - It involves conversion of detailed and specific plans into detailed and specific action plans.
 - It is the blue print for current action and it supports the strategic plans.

On the basis of time period

- Long term planning
 - Time frame beyond five years.
 - It specifies what the organization wants to become in long run.

–It involves great deal of uncertainty.

- Intermediate term planning

–Time frame between two and five years.

–It is designed to implement long term plans.

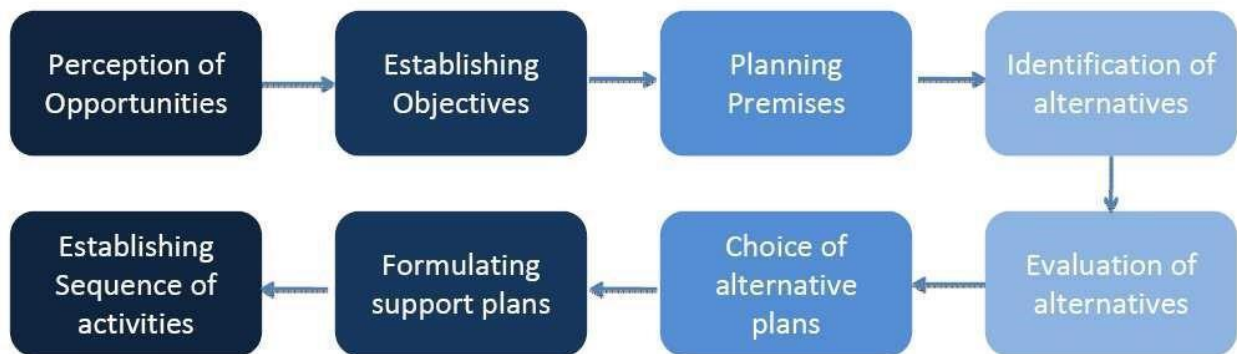
- Short term planning

–Time frame of one year or less.

–It provide basis for day to day operations.

2.DISCUSS ABOUT PLANNING PROCESS [CO2 – H1 – APRIL 2013]

The various steps involved in planning are given below



Planning Process

a) Perception of Opportunities:

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

b) Establishing Objectives:

The first step in planning itself is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs.

Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line. The objectives of lesser departments will be better framed, however, if subdivision managers understand the overall enterprise objectives and the implied derivative goals and if they are given an opportunity to contribute their ideas to them and to the setting of their own goals.

c) Considering the Planning Premises:

Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable basic policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning.

The more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be.

Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters.

Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

Since agreement to utilize a given set of premises is important to coordinate planning, it becomes a major responsibility of managers, starting with those at the top, to make sure that subordinate managers understand the premises upon which they are expected to plan. It is not unusual for chief executives in well-managed companies to force top managers with differing views, through group deliberation, to arrive at a set of major premises that all can accept.

d) Identification of alternatives:

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

The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best.

The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating, through the process of approximation, the least promising ones.

e) Evaluation of alternatives

Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company in long-range objectives.

If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so

evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

f) Choice of alternative plans

An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

g) Formulating of Supporting Plans

After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance-sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

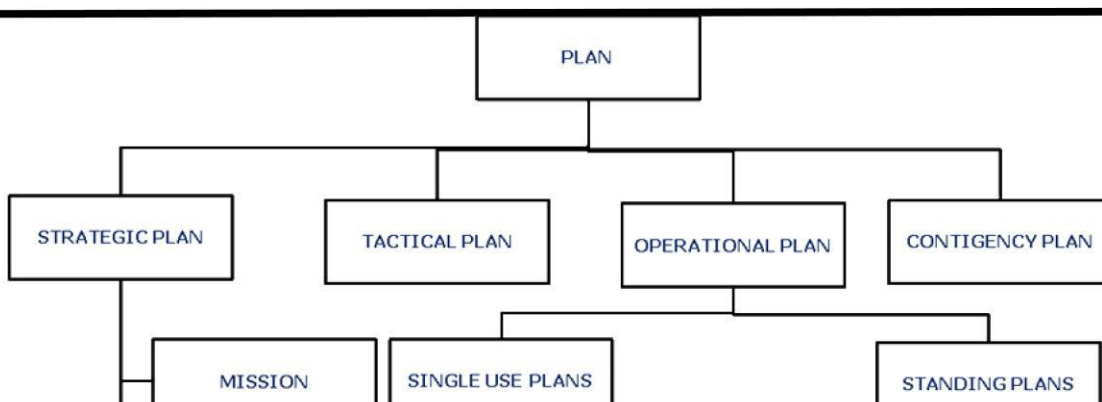
If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

h) Establishing sequence of activities

Once plans that furnish the organization with both long-range and short-range direction have been developed, they must be implemented. Obviously, the organization can not directly benefit from planning process until this step is performed.

3.EXPLAIN ABOUT TYPES OF PLANS / COMPONENTS OF PLANNING [CO2 – L1]

In the process of planning, several plans are prepared which are known as components of planning.



Plans can be broadly classified as

a) Strategic plans

b) Tactical plans

c) Operational plans

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.

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

i) Mission:

. The mission is a statement that reflects the basic purpose and focus of the organization which normally remain unchanged. The mission of the company is the answer of the question : why does the organization exists?

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

Mission of Ford: “we are a global, diverse family with a proud inheritance, providing exceptional products and services”.

ii) 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.

iii) Strategies:

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

Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organization. Top-level management develops the directional objectives for the entire organization, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for 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.

Tactical plans 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.

c) 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.

i) **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.

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

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.

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

Rules are “do” and “don't” statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

d) 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.

4.DISCUSS ABOUT OBJECTIVES [CO2 – L1 – MAY 2014]

Objectives may be defined as the goals which an organisation 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.

Objectives are, therefore, the ends towards which the activities of the enterprise are aimed. They are present not only the end-point of planning but also the end towards which organizing, directing and controlling are aimed. Objectives provide direction to various activities. They also serve as the benchmark of measuring the efficiency and effectiveness of the enterprise. Objectives make every human activity purposeful. Planning has no meaning if it is not related to certain objectives.

Features of Objectives

- The objectives must be predetermined.
- A clearly defined objective provides the 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 and 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.
- Objectives contribute to the management process: they influence the purpose of the organization, 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.
- While setting the objectives, the past performance must be reviewed, since past performance indicates what the organization will be able to accomplish in future.
- The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.
- Objectives must be consistent with one and other.
- Objectives must be set in clear-cut terms.
- For the successful accomplishment of the objectives, there should be effective communication.

1. What is planning? Explain the various steps involved in Planning.

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

achieve these objectives. Steps in Planning

1. Being aware of Opportunity

- In light of the market, competition, what customer wants, our Strengths and weakness?

2. Setting Objectives or goals

- Where we want to be and we want to accomplish and when

3. Considering Planning Premises

- In what environment. Internal or External - will our plan to operate?

4. Identifying alternatives

- What are the most promising alternatives to accomplish our Objectives?

5. Comparing alternatives in light of goals

- Which alternative will give us the best chance of meeting our goals at the lowest cost and highest profit?

6. Choosing an alternative

- Selecting the course of action we will pursue

7. Formulating supporting plan

- Such as plans to buy equipment, buy materials, hire and train Workers. Develop a product.

8. Number zing plans by making budgets'

- Developing such budgets as volume and price of sales operating expenses necessary for plans expenditure for capital equipment.

5.DISCUSS ABOUT STRATEGIES[CO2 – L1]

The term 'Strategy' has been adapted from war and is being increasingly used in business to reflect broad overall objectives and policies of an enterprise. Literally speaking, the term 'Strategy' stands for the war-art of the military general, compelling the enemy to fight as per out chosen terms and conditions.

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. A perfect strategy can be built only on perfect knowledge of the plans of others in the industry. This may be done by the management of a firm putting itself in the place of a rival firm and trying to estimate their plans.

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 through 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 activities 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:** The 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.
9. **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.
10. **Medium/Short Range Planning, Implementation through Reengineering the Organization Structure, Leadership and Control:** Implementation of the Strategy often requires reengineering the organization, staffing the organization structure and providing leadership. Controls must also be installed monitoring performance against plans.

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

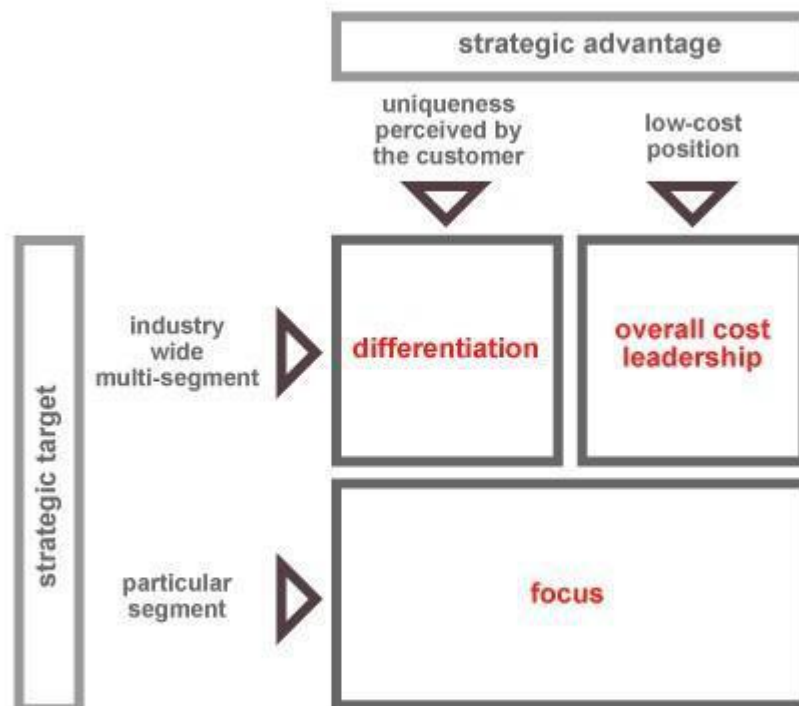
6.EXPLAIN ABOUT TYPES OF STRATEGIES [CO2 – L1]

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, or avoiding some costs altogether. 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.

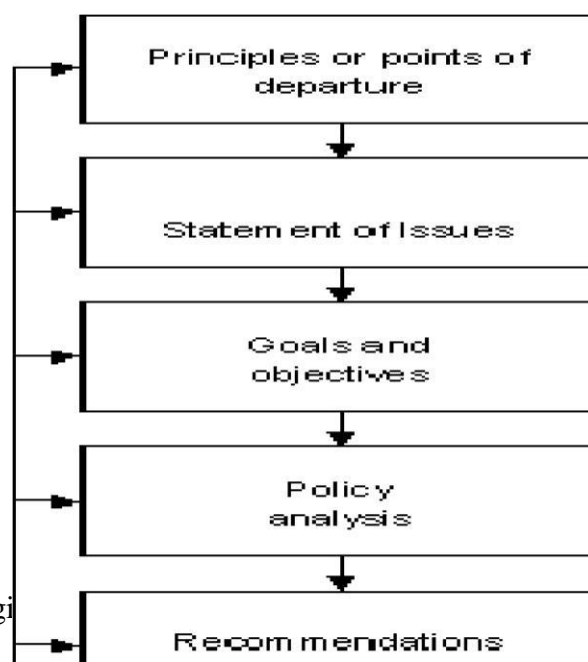
Porter argued that firms that are able to succeed at multiple strategies often do so by creating separate business units for each strategy. By separating the strategies into different units having different policies and even different cultures, a corporation is less likely to become "stuck in the middle."

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.

7.DICUSS ABOUT POLICIES[CO2 – H1 –MAY 2013]

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.

8.Explain the Planning Premises.

[CO2 – H1 - Nov'08)

Planning Premises

- A plan is based on certain assumptions called premises
- Assumptions or premises are for a future setting or happenings
- Assumptions based upon certain intuition or scientific forecasting
- The assumptions about future derived from forecasting and used in Planning are known as planning premises

De! - Koontz O'Donnell

"Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecast of the future and known conditions that will affect the operations of plans. E.g. as prevailing policies and existing company plans that control the basic nature of supporting plans.

Purpose of premises is to facilitate the planning process by guiding, directing, simplifying and reducing the degree of uncertainty in it. Premises guide planning. **Planning! Premises**

Classification

Planning premises may be classified as follows

1. Internal and External.
2. Tangible and Intangible
3. Controllable and uncontrollable

Internal and External premises

Internal premises exist within a business enterprise. These include resources and abilities of enterprise in the form of men, material, machine, money and methods. Competence of management personal and skill labor force may be regarded as the most important internal premises

External premises are those which lie outside of the firm, There are many kinds of external

premises.

- (a) General business environment including economic technological, political, and social conditions
- (b) The product market consisting of the demand and supply forces for the product or service and
- (c) The factor market for land, labor, capital etc.

2. Tangible and Intangible premises

Tangible premises are those which can be expressed in quantitative terms like monetary unit. Unit of product, labor hour, machine hour and so on.

Intangible premises are those which cannot be measured quantitatively

The example of such premises is reputation of the concern, public relations, employee morale, motivation etc.

3. Controllable and uncontrollable premise

This classification is on the basis of controllability. Controllable premises are those which are entirely within the control and realm of management. These include organizational policies, structure, systems, procedures etc. Such premises are mostly internal.

Uncontrollable premises are those which cannot be controlled by an organization's action. These include the rate of economic growth. Population, growth, taxation policy of government, natural climate, war etc

Making premises effective:

Special attention should be given to premising step in planning since so many failures occur in planning and planning coordination through poor premising. It is difficult to achieve practical implementation of consistent and meaningful¹ planning premises. The following practices are helpful in achieving more effective premising.

a) Selection of premises

The initial step in this process is selection of premises on the basis of which plans are formulated. There are many premises that are important to one enterprise but not to another. Thus, all the managers of every enterprise should select their own premises. For identifying the relevant environment, both internal and external, a manager can put the question "what factors will influence most of the course of plans for which I am responsible.

b) Collection of information

Identification and collection of factors which are significant for setting planning premises is another major step. The information collection technique may vary from simple verbal method to highly complex forecasting technique according to their needs. The following questions are very useful to judge the validity of such information.

- Who has collected the information?
- What was the objective of collecting the information?
- When was information collected?
- How was information analyzed?

c) Development of alternative premises for contingency planning

Planning premises are not constant but dynamic. Some of the premises change slowly and steady and others may change rapidly. Since the future is not certain, managers should be ready with alternative premises and align their plans accordingly.

d) Verification of the consistency of premises

One way of ensuring that premises are consistent is to have each planning staff at various levels recommended its crucial planning premises which are applicable for an enterprise to the appropriate top executive.

e) Communication of planning premises

Sound planning premises development is not sufficient. These must be communicated to those who are involved in planning process at different levels.

9.Explain the process of MBO and explain its benefits and weakness. [CO2 – H1 - Nov'04, May'05)

Management by Objectives (MBO)

"MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of Organization and individual Objectives."

- Where superiors and subordinates jointly identify the goals of the Organization

Process of MBO

- Setting preliminary Objectives
- Clarifying Organizational roles
- Setting subordinates Objectives
- Recycling Objectives

How to set Objectives

- Quantitative &Qualitative
- Setting Objectives in Govt
- Guidelines for setting Objectives

Benefits of MBO

- Improvement of managing
- Clarification of Organization
- Encouragement of Personal commitment
- Development of Effective control

Weakness of MBO

- Failure to teach the philosophy of MBO
- Failure to give guidelines to goal setters
- Difficulty of setting goals
- Emphasis on short run goals
- Danger of Inflexibility

10. Define Forecasting. Explain the various forecasting techniques used for decision making process. [CO2 – H1 - May '07)

Forecasting

- Process of predicting future conditions that will influence and guide the activities, behavior and performance of the Organization.

Def- "Fore casting is the formal process of predicting future events that will significantly affect the functioning of the enterprises.

Features

- Involvement of Future events
- Depends upon past and present events happening of future events Make use of forecasting techniques

Process

- Developing the ground work estimating the future trends
- Comparing actual with estimated results refining the forecast

Importance

- Key to planning
- Means of coordination Basis for control
- Executive development
- Facing Environmental challenges

Forecasting Techniques

Qualitative (use of Statistical tools) and Quantitative (employ human judgments to predict future)

- Time series Analysis** - involves decomposition of historical series into its various components. VI - trend, seasonal variations, cyclical variations and random variations. A trend can be known over the period of time and projections can be made about future.
- Historical Analogy** - past history records
- Correlation** - to find the relationship between two variables. E.g. Between advertising expenditure and sales volume, Future sales estimated on basis of change in adv expenditure
- Regression** - To measure the relationship between two variables. To find the relative movements of two or more interrelated series.
- Delphi Technique** - the minds of the experts in the concerned areas are probed systematically.
- Input output analysis**

11. Discuss the process involved in decision making. [CO2 – H1 - Nov'05]

Decision Making

Is the process of choosing a course of action from available alternatives?

Def. Haynes & Massie "Decision making is a process of selection from a set of alternative courses of action which is thought to fulfill the objective of the decision - problem more satisfactorily than others."

Types of Managerial Decision

- Organizational and Personal decision
- Routine and Strategic decision
- Programmed non programmed decision
- Policy and operating decision
- Individual group decision

Decision making process

- Defining the problem
- Analyzing the problem
- Developing alternative solutions
- Evaluating the alternative

UNIT 3**ORGANIZING****PART - A****1. What do you understand by effective organizing? [CO3 – L2 - Nov'05]**

Effective organizing focuses on finding mistakes in present organizing and avoiding such mistakes by proper planning. Effective organizing avoids organizational inflexibility and makes the staff work effectively by avoiding conflicts by clarification.

2. Enumerate the advantages of functional organization grouping. [CO3 – L2 - May'05]

1. Since a foreman is responsible for one function, he can perform his duties in a better manner.
2. This organization structure makes use of specialists to give expert advice to workers.
3. It relieves line executives of routine, specialized decisions which are sometime bore some.
4. Expert guideline reduces the number of accidents and wastages materials, man and machine

hours.

5. It relieves pressure of need to search a large number of all-round executives.

3. What is span of control? [CO3 – L2 - May'04, 07]

Span of control means the number of people managed effectively by a single superior in an organization. The term "Span of control" is also known as "Span of management", "Span of authority" and "Span of responsibility". But span of management is a better term because control and supervision are elements of management.

4. What are the advantages of decentralization? [CO3 – L3 – May 04)

- It reduces the burden of the management so that it can focus more.
- Attention on strategic management.
- It encourages decision making and assumption of authority and responsibility.
- It facilitates growth and diversification in the organization.
- It enables the department staff members to complete work early.

5. What is the purpose of HRM? [CO3 – L2 - Nov'05]

Recruitment.



Selection

Training

Appraisal process.

6. Distinguish between Authority and Power? [CO3 – H3 - May'07]

“Authority is the right to give orders and the power to exact obedience”.

The various sources of authority are:

1. Formal authority theory
2. Acceptance authority theory

3. Competence theory.

Power:

"Power is the probability that one actor within the relationship will be in a position to carry out his own despite resistance".

7. What is meant by delegation of authority? [CO3 – H2 - May'08]

Delegation of authority is a process which enables a person to assign works to others and delegate them with adequate authority to do it.

8. Differentiate between effectiveness and efficiency. [[CO3 – L2 - May'08] Efficiency:

Efficiency means doing things right. It defines the ability to minimize the use of resources in achieving organizational objectives.

Effectiveness:

Effectiveness means "Doing the right thing". The ability is to determine appropriate objectives.

9. Limitations of line authority: [CO3 – L2]

- It neglects specialists.
- It overloads a few key executives.
- It is limited to very small organization.
- It encourages directorial way of working which may not develop own creative thinking of workers.

Limitations of staff authority:

- Danger of undermining line authority,
- Lack of staff responsibility,

- Thinking in vacuum,
- Managerial problems.

10. Why is informal organization needed? [CO3 – H2 - Nov'06]

- Informal organization gives satisfaction to the workers; it motivates workers and also maintains the stability of the work.
- It fills up the gaps and deficiency of the formal organization
- It fills up the gaps among the abilities of the managers.
- The presence of informal organization encourages the executives to plan the work correctly and act accordingly.
- It is one of the useful channels of communication.

Part-B

1. A) Explain the nature and purpose of organization.

[CO3 – L2 - Nov'06]

Definition of Organization

Koontz and O'Donnell define organizing as "the grouping of activities necessary to attain objectives, the assignment of each grouping to a manner with authority necessary to supervise it, and the provision for coordination horizontally in the enterprise structure".

Nature of organization:

- Common objectives
- Specialization or division of labour

- Authority of structure
- Group of persons
- Co-ordination
- Communication
- Environment
- Rules and regulations, **Purpose of organization:**
- Facilitate administration
- Increases the efficiency of management
- Facilitates growth and diversification
- Ensures optimum use of man and material resources.
- Facilitates co-ordination and communication
- Permits optimum use of technological innovations
- Stimulates creativity and initiative
 - Facilitates development of managerial ability.

b) Explain the qualitative forecasting.

[CO3 – L2 - Nov'06) Forecasting

Process of predicting future conditions that will influence and guide the activities, behavior and performance of the Organization.

Def- "Fore casting is the formal process of predicting future events that will significantly affect the functioning of the enterprises.

Forecasting Techniques

Qualitative (use of Statistical tools) and Quantitative (employ human judgments to predict future).

Qualitative forecasting methods:

1. Jury of executive opinion,
2. Del phi method,
3. Consumer market survey,
4. Sales force opinion composite,
5. Scenario building,
6. Judgment decomposition.

2. Discuss the merits and demerits of a line and staff organization. [CO3 – L2 - May'07]

S.NO	Line Authority	Staff Authority
1	Right to decide and command	Right to provide advice,
2	Contributes directly to the accomplishment of Organizational objectives	Assist line in the effective accomplishment of Organization objectives

3	Relatively unlimited and general	Relatively restricted to a particular function
4	Flow downward from a superior to subordinate	May flow in any direction depending upon the need of
5	Creates superior and subordinate relation	Extension of line and support line
6	Exercise control	Investigates and reports
7	Makes operating decision	Provides idea for decision
8	Bears final responsibility results for	Does not bear final responsibility
9	Doing function	Thinking function
10	Provides channel of communication	No channel of communication is created

3. List the functions of staffing in HRM. Discuss in detail the steps involved in a selection of human resources. [CO3 – H2 - May'07]

Functions of staffing:

- "Staffing is a function of all managers or it is to be performed by specialized department known as personnel department.
- "Personnel department which is being changed to human resources department.
- "Staffing can be equated with HR management as both have the same objectives.

The steps involved in a selection of human resources:

1. Recruitment:

Recruitment is defined as " a process to discover the source of man

power to meet the requirements of the staffing schedule and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient work force".

Source of Recruitment:

The sources of recruitment may be classified in to

- (1) Internal sources
- (2) External sources.

Internal sources:

- Present permanent employees.
- Present temporary/casual employees.
- Retired employees.

- Depends of deceased, disabled, retired and present employees.

Merits of internal sources:

- Internal recruitment can be used as a technique of motivation.
- Trade unions can be satisfied.
- Employees become loyal to the enterprise.

External sources:

- It includes Educational and Training Institutes.
- Private Employment Agencies Public Employment Exchange Casual applications.

Merits of External sources:

- The suitable candidates with knowledge, talent, skill etc. are generally available.
- Latest knowledge, skills and creative talent can be brought into the organization on.

2. Selection:

The selection procedure is the system of functions and devices adopted in a given company to ascertain whether the candidate's specifications are matched with the job specifications and requirements.

Selection process:

- Screening of applications,
- Selection tests,
- Preliminary interview,
- Reference check,
- Medical Examination,
- Final interview,
- Approved by appropriate authority, Placement.

Interview:

Interview is the most widely used technique of employee selection. Employment interviews can be divided into three categories.

Types of interview:

- Preliminary interview,
- Core interview,
- Decision making interview.

Preliminary interview:

- Informal interview,
- Unstructured interview

Core interview:

- Background informal interview,
- Formal and structured interview

- Stress interview,
- Group interview,
- Panel interview,
- Depth interview.

Decision making interview:

In this interview interviewer examines the interest of the candidate in the job, carrier planning, promotional opportunities, work adjustment etc. the personnel manager interviews the candidates acceptance regarding salary, allowances, benefits, promotions etc. the interviewers jointly inform their decisions to the top management who finally make the decision of the candidates performance and their ranks in the interview.

Tests:

A test is an instrument to measure selected psychological factors. The tests may be classified in to various types.

1. Aptitude test,
2. Intelligence test,
3. Psychomotor test,
4. Personality test.

4. Bring out the factors affecting centralization! Decentralization. Also highlight the merits and demerits of centralization and decentralization with examples. [CO3 – L2 - May'08]

Centralization and decentralization refer to the location of decision making authority in an organization. Centralization means that the authority for most decisions is concentrated at the top managerial hierarchy whereas 'decentralization' requires such authority to be dispersed by extension and delegation through all levels of management. Actually, these different degrees of delegation of authority.

Louis A. Allen has defined both the terms as, "centralization is the systematic and consistent reservation of authority at central points within an organization. Decentralization applies to the systematic delegation of authority in an organization-wide context".

Centralization and decentralization are opposite but relative terms because every organization contains both the features. There cannot be absolute centralization and absolute decentralization in practice. In case of having absolute centralization, each and every decision is to be taken by top level management. But practically, it is not possible, some decentralization, there is no control over the activities of the subordinates which is also not practicable. Therefore, effective decentralization of authority requires a proper balance between dispersal of authority among lower levels and adequate control over them.

Advantages of Decentralization:

- It reduces burden of the management so that it can focus more attention and strategic management.
- It encourages decision making and assumption of authority and responsibility.
- It facilitates growth and diversification in the organization.
- It enables the department staff members to complete work early.
- It facilitates setting up of profit centers.

Disadvantages of Decentralization:

- It is difficult to have a uniform policy and procedure.

- There is an increase in complexity of coordination of decentralized organizational units.
- If it is not followed properly, decentralization will create chaos in the organization in the absence of proper control.
- There is a possibility of duplication of work.
- It may be limited to external factors like trade labour unions, government control, tax policies, market uncertainties etc.

Making decentralization effective:

- Central top policy,
- Appreciation of concept of decentralization,
- Development of managers,
- Competition among units,
- Open communication, Effective co-operation.

5.EXPLAIN ABOUT IMPORTANCE OR ADVANTAGES OF ORGANIZING [CO3 – L2]

Organization is an instrument that defines relations among different people which helps them to understand as in who happens to be their superior and who is their subordinate. This information helps in fixing responsibility and developing coordination. In such circumstances the objectives of the organization can be easily achieved. That is why, it is said that Organization Is a mechanism of management. In addition to that it helps in the other functions of management like planning, staffing, leading, controlling, etc. The importance of organization or its merits becomes clear from the following facts,

(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 ant 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 interdependence. 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.

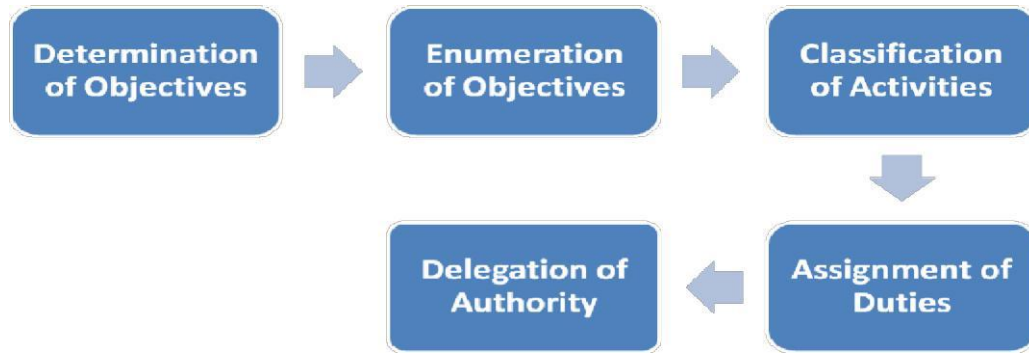
(6) Helpful in Expansion: A good organization helps the enterprise in facing competition. When an enterprise starts making available good quality product at cheap rates, it increases the demand for its products. In order to meet the increasing demand for its products an organization has to expand its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

On the other hand, a good organization has an element of flexibility which far from impeding the expansion work encourages it.

6.DICUSS ABOUT ORGANIZING PROCESS [CO3 – H2]

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.

7.EXPLAIN ABOUT ORGANIZATION STRUCTURE [CO3 – L2]

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.

March and Simon have stated that-"Organization structure consists simply of those aspects of pattern of behavior in the organization that are relatively stable and change only slowly." The structure of an organization is generally shown on an organization chart. It shows the authority and responsibility relationships between various positions in the organization while designing the organization structure, due attention should be given to the principles of sound 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 Wehrich). 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.

Every organizational structure contains both centralization and de-centralization, but to varying degrees. The extent of this can be determined by identifying how much of the decision making is concentrated at the top and how much is delegated to lower levels. Modern organizational structures show a strong tendency towards de-centralization.

8.FORMAL AND INFORMAL ORGANIZATION [CO3 – L2]

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is built by the management to realize objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives.

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—

(i) Are able to communicate with each other

(ii) Are willing to act and (iii) 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.
- The organization structures is consciously designed to enable the people of the organization to work together for accomplishing the common objectives of the enterprise
- Organization structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.
- In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organization arise from the pattern of responsibilities that are created by the management.
- A formal organization is bound by rules, regulations and procedures.

- In a formal organization, the position, authority, responsibility and accountability of each level are clearly defined.
- Organization structure is based on division of labor and specialization to achieve efficiency in operations.
- A formal organization is deliberately impersonal. The organization does not take into consideration the sentiments of organizational members.
- The authority and responsibility relationships created by the organization structure are to be honored by everyone.
- 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 the people in an informal organization cannot be shown in an organization chart.
- In the case of informal organization, the people cut across formal channels of communications and communicate amongst themselves.
- The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.
- Membership of informal groups can be overlapping as a person may be member of a number of informal groups.

- Informal organizations are based on common taste, problem, language, religion, culture, etc. it is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organization.

Benefits of Informal organization

- It blends with the formal organization to make it more effective.
- Many things which cannot be achieved through formal organization can be achieved through informal organization.
- The presence of informal organization in an enterprise makes the managers plan and act more carefully.
- Informal organization acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.
- An informal organization has a powerful influence on productivity and job satisfaction.
- The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.
- Informal organization helps the group members to attain specific personal objectives.
- Informal organization is the best means of employee communication. It is very fast.
- Informal organization gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organization because they get a platform to express their feelings.
- It serves as an agency for social control of human behavior.

DIFFERENCES BETWEEN FORMAL AND INFORMAL ORGANIZATION

Formal Organization	Informal Organization

1. Formal organization is established with the explicit aim of achieving well-defined goals.	1. Informal organization springs on its own. Its goals are ill defined and intangible.
2. Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	2. Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right.
3. Formal organization recognizes certain tasks which are to be carried out to achieve its goals.	3. Informal organization does not have any well-defined tasks.
4. The roles and relationships of people in formal organization are impersonally defined	4. In informal organization the relationships among people are interpersonal.
5. In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	5. Informal organization is characterized by relative freedom, spontaneity, by relative freedom, spontaneity, homeliness and

	warmth.
6. In formal organization, the social and psychological needs and interests of members of the organization get little attention.	6. In informal organization the sociopsychologic needs al , interests and aspirations of members get priority.
7. The communication system in formal organization follows certain pre-determined patterns and paths.	7. In informal organization, the communicatio n pattern is haphazard, intricate and natural.
8. Formal organization is relatively slow to respond dynamic and and adapt to changing situations and to its	8. Informal organization is very vigilant. It is sensitive

surroundings.

9. EXPLAIN ABOUT DEPARTMENTATION BY DIFFERENT STRATEGIES [CO3 – H2]

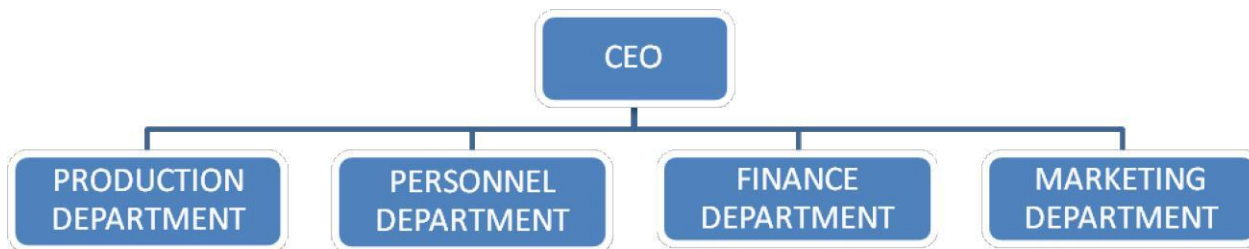
DEPARTMENTATION refers to the process of grouping activities into departments. Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units.

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:

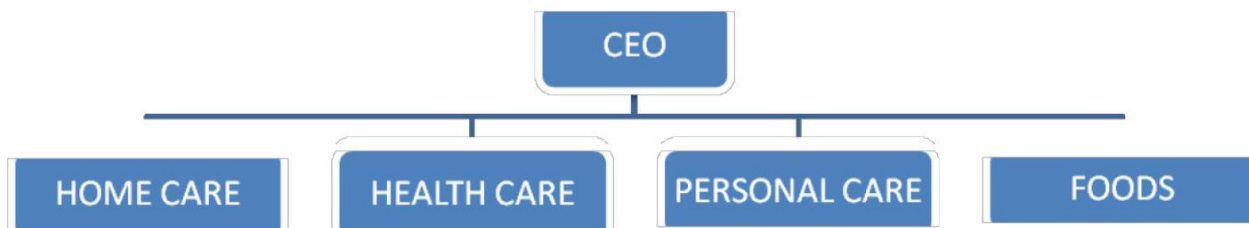
- Advantage of specialization
- Easy control over functions
- Pinpointing training needs of manager
- It is very simple process of grouping activities.

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.

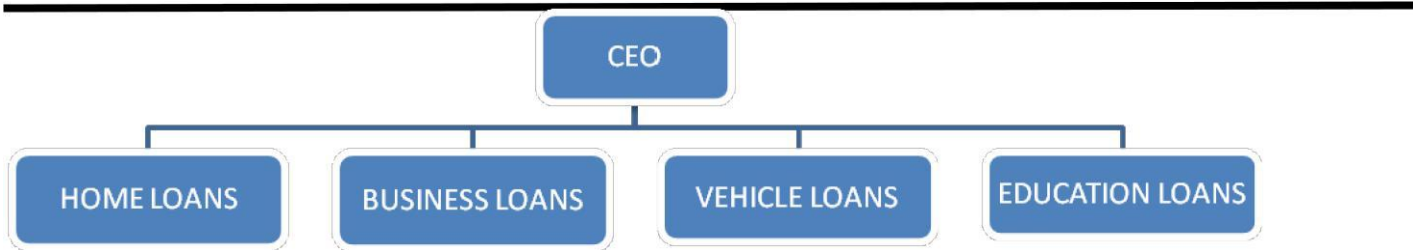
Advantages

- 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.

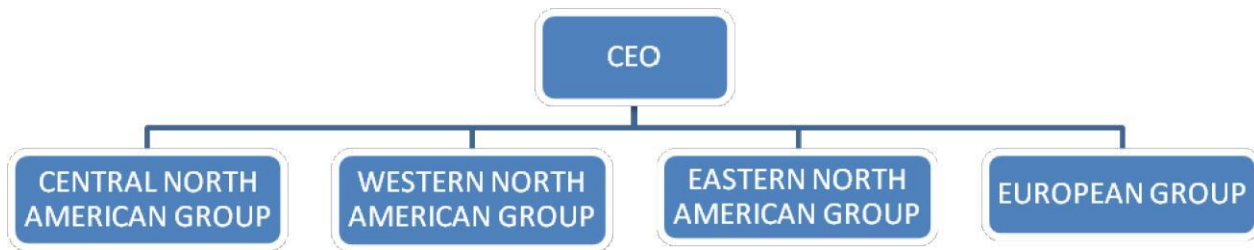
Advantages

- 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

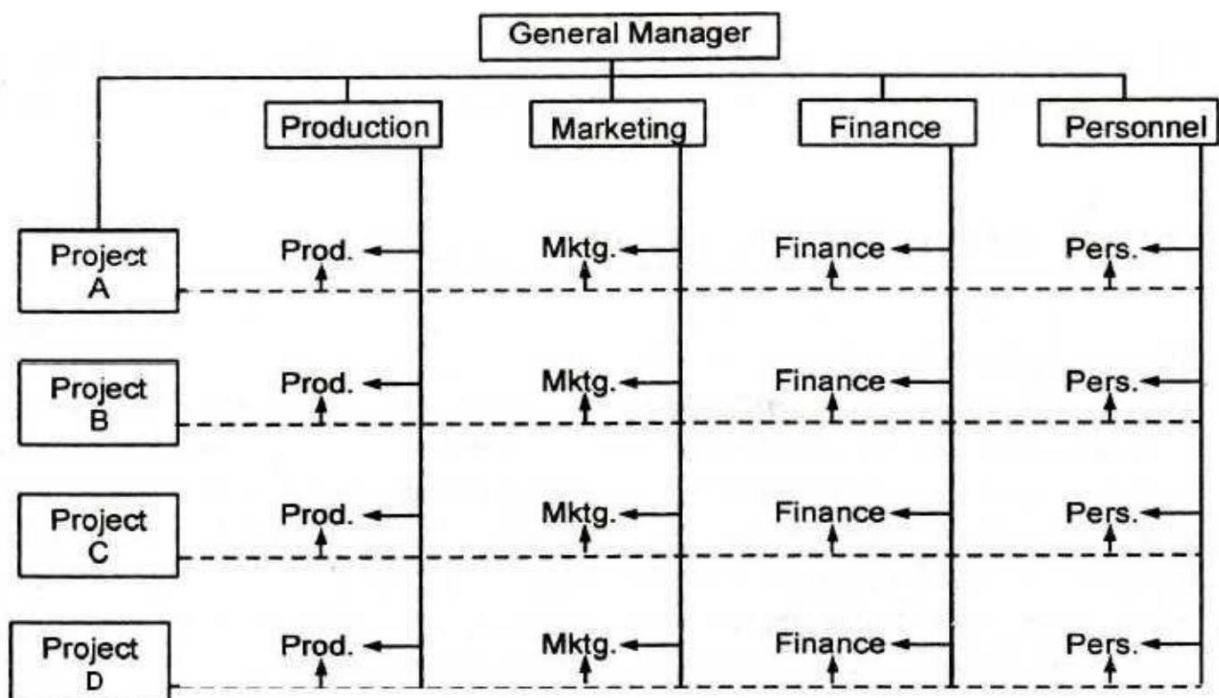
Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests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

Departmentation by process: -**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

UNIT 4

DIRECTING

PART A

1. Distinguish between creativity and innovation. [CO4 – L2 - Nov '06, May '07]

The term creativity refers to the ability and power to develop ideas on the other hand, innovation means

the use of these ideas.

2. List the Hierarchy of needs. [CO4 – L2 - Nov '06, May '07]

a) Physiological needs

b) Safety needs

c) Social needs

d) Esteem needs

e) Self -actualization needs.

3. What are the different motivational theories? [CO4 – L2 - Apr'04]

Mc Greg or's Theory X and Theory Y.

4. List out few leadership traits. [CO4 – L1 - Nov'04]

a. The Michigan Studies

- b. The Ohio state university Studies
- c. The managerial grid.

5. Mention any two leadership qualities. [CO4 – L2 - Apr'05, Nov'05]

- Physical qualities: Sound health, vitality, appearance, physical and nervous energy, forcefulness, physique, enthusiasm.
- Intellectual qualities: High intelligence, sound judgment, ability to teach, scientific approach, decisiveness, self understanding.
- Morale qualities: Integrity, moral courage, fair play, will power, sense of purpose, objectivity.
- Social qualities: Ability to inspire, tact, percussiveness, selfconfidence, empathy, initiative, knowledge of human nature human relations attitude.

6. Define Motivation. [CO4 – L2 - Nov'05]

According to Koontz and O' Donnell, "Motivation is a general term applying to the entire class of drives, desires, needs wishes and similar forces that induce an individual or a group of people to work".

Scott defines, " Motivation means a process of stimulating people in action to accomplish desired

goals".

7. What is job enrichment? [CO4 – H2 - Apr' 08]

Job enrichment is therefore based on the assumptions that in order to motive personnel, the job itself must provide opportunities for achievement, recognition, responsibility, advancement and growth.

8. Mention the various types of Leadership styles. [CO4 – L2 - May' 07]

- Autocratic or Dictatorial leadership.
- Participative or Democratic leadership.
- Laissez- faire or free-rein leadership.

9. Name the various types of communication. [CO4 – H2 - Apr'04]

- a) Downward communication.
- b) Upward communication.
- c) Horizontal communication

10. What is meant by Brain Storming? [CO4 – L2 - Nov'04]

Brainstorming is an excellent way of developing many creative solutions to a problem. It works by focusing on a problem, and then coming up with very many radical solutions to it. The essence of brainstorming is a creative conference, ideally of 8 to 12 people meeting for less than an hour to develop a long list of 50 or more ideas. Suggestions are listed without criticism on a blackboard or newsprint as they are offered; one visible idea leads to others. At the end of this session, participants

Part-B

1.DEFINITION "Activating deals with the steps a manager takes to get sub-ordinates and others to carry out [CO4 – L2 –APRIL 2013]

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

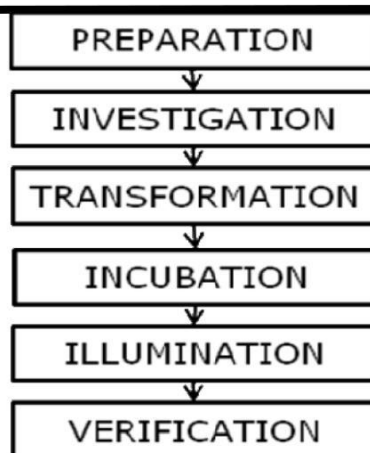
CREATIVITY AND INNOVATION

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.

2.EXPLAIN IN DETAIL ABOUT MOTIVATION AND SATISFACTION [CO4 – L2 –DEC 2013]

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 a 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:-

- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- Motivation facilitates the maximum utilization of all factors of production, human, physical and financial resources and thereby contributes to higher production.
- 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.
- 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.

3.DISCUSS ABOUT TYPES OF MOTIVATION TECHNIQUES [CO4 – L2 –APRIL 2014]

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:

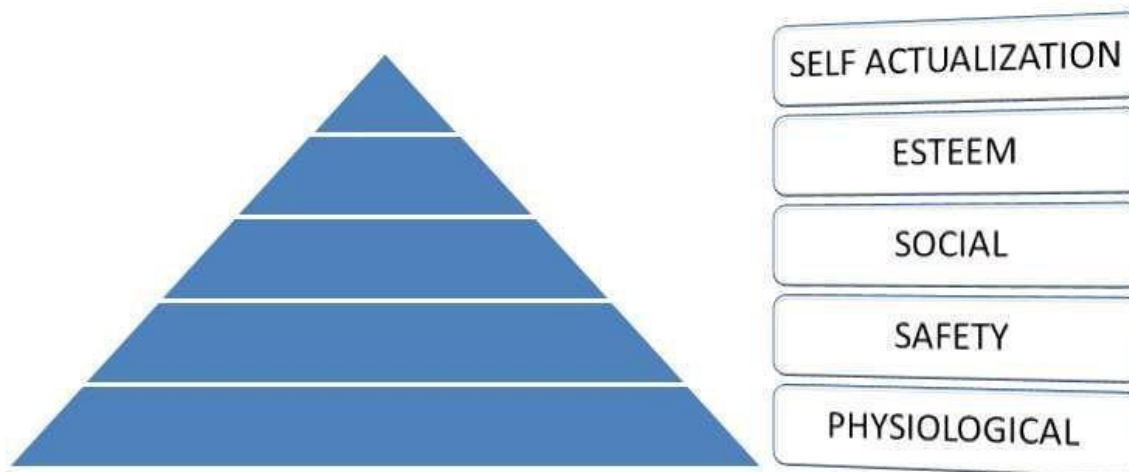
Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

(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 selfrespect, 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 de-motivation. 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 appraisal and that this shall result into realization of personal goal in form of some reward.

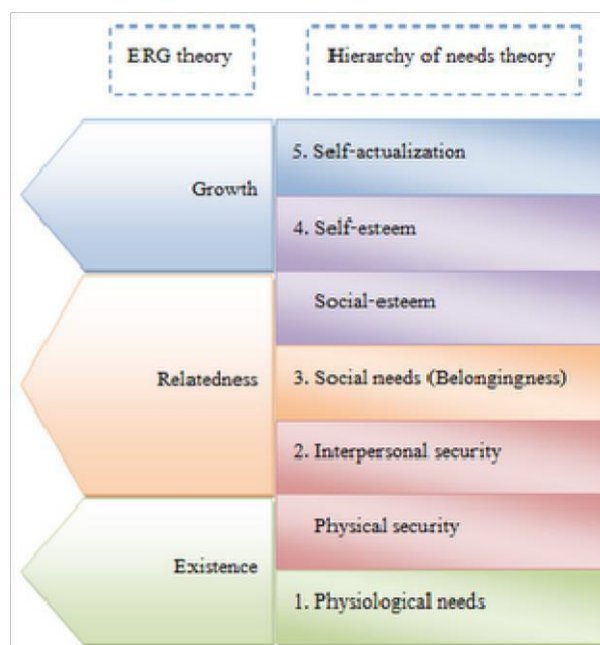
Therefore an employee is:

Motivation = Valence x Expectancy.

The theory focuses on three things:

- Efforts and performance relationship
- Performance and reward relationship
- Rewards and personal goal relationship

e) Clayton Alderfer's ERG Theory:



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:

$$\frac{\text{Out comes by a person}}{\text{Inputs by a person}} = \frac{\text{Out comes by another person}}{\text{Input by another person}}$$

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

1. Aid to authority
2. Motive power to group efforts
3. Basis for co operation
4. 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

Reduced stress due to increased control

A more productive group 'while the leader is watching'

Improved logistics of operations

Faster decision making

Disadvantages

Short-termistic approach to management.

Manager perceived as having poor leadership skills

Increased workload for the manager
People dislike being ordered around

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:

- Manager seeks consultation on all major issues and decisions.
- Manager effectively delegate tasks to subordinates and give them full control and responsibility for those tasks.
- Manager welcomes feedback on the results of initiatives and the work environment.
- Manager encourages others to become leaders and be involved in leadership development.

Advantages

Positive work environment

Successful initiatives

Creative thinking

Reduction of friction and office politics

Reduced employee turnover

Disadvantages

Takes long time to take
decisions Danger of pseudo
participation

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.

4.DISCUSS LEADERSHIP THEORIES [CO4 – H2 – NOV/DEC 2013]

The various leadership theories are

a) Great Man Theory:

Assumptions

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

Description

Early research on leadership was based on the study of people who were already great leaders. These people were often from the aristocracy, as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding.

The idea of the Great Man also strayed into the mythic domain, with notions that in times of need, a Great Man would arise, almost by magic. This was easy to verify, by pointing to people such as Eisenhower and Churchill, let alone those further back along the timeline, even to Jesus, Moses, Mohammed and the Buddah.

Discussion

Gender issues were not on the table when the 'Great Man' theory was proposed. Most leaders were male and the thought of a Great Woman was generally in areas other than leadership. Most researchers were also male, and concerns about androcentric bias were a long way from being realized.

b) Trait Theory:

Assumptions

- People are born with inherited traits.
- Some traits are particularly suited to leadership.
- People who make good leaders have the right (or sufficient) combination of traits.

Description

Early research on leadership was based on the psychological focus of the day, which was of people having inherited characteristics or traits. Attention was thus put on discovering these traits, often by studying successful leaders, but with the underlying assumption that if other people could also be found with these traits, then they, too, could also become great leaders.

McCall and Lombardo (1983) researched both success and failure identified four primary traits by which leaders could succeed or 'derail':

Emotional stability and composure: Calm, confident and predictable, particularly when under stress.

Admitting error: Owning up to mistakes, rather than putting energy into covering up.

Good interpersonal skills: able to communicate and persuade others without resort to negative or coercive tactics.

Intellectual breadth: Able to understand a wide range of areas, rather than having a narrow (and narrow-minded) area of expertise.

c) Behavioral Theory:

Assumptions

- Leaders can be made, rather than are born.
- Successful leadership is based in definable, learnable behavior.

Description

Behavioral theories of leadership do not seek inborn traits or capabilities. Rather, they look at what leaders actually do.

If success can be defined in terms of describable actions, then it should be relatively easy for other people to act in the same way. This is easier to teach and learn than to adopt the more ephemeral 'traits' or 'capabilities'.

d) Participative Leadership:

Assumptions

- Involvement in decision-making improves the understanding of the issues involved by those who must carry out the decisions.
- People are more committed to actions where they have involved in the relevant decisionmaking.
- People are less competitive and more collaborative when they are working on joint goals.
- When people make decisions together, the social commitment to one another is greater and thus increases their commitment to the decision.

- Several people deciding together make better decisions than one person alone.

Description

A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Often, however, as it is within the managers' whim to give or deny control to his or her subordinates, most participative activity is within the immediate team. The question of how much influence others are given thus may vary on the manager's preferences and beliefs, and a whole spectrum of participation is possible

e) Situational Leadership:

Assumptions

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

Description

When a decision is needed, an effective leader does not just fall into a single preferred style. In practice, as they say, things are not that simple.

Factors that affect situational decisions include motivation and capability of followers. This, in turn, is affected by factors within the particular situation. The relationship between followers and the leader may be another factor that affects leader behavior as much as it does follower behavior.

The leaders' perception of the follower and the situation will affect what they do rather than the truth of the situation. The leader's perception of themselves and other factors such as stress and mood will also modify the leaders' behavior.

f) Contingency Theory:

Assumptions

- The leader's ability to lead is contingent upon various situational factors, including the leader's preferred style, the capabilities and behaviors of followers and also various other situational factors.

Description

Contingency theories are a class of behavioral theory that contend that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others.

An effect of this is that leaders who are very effective at one place and time may become unsuccessful either

when transplanted to another situation or when the factors around them change.

Contingency theory is similar to situational theory in that there is an assumption of no simple one right way. The main difference is that situational theory tends to focus more on the behaviors that the leader should

adopt, given situational factors (often about follower behavior), whereas contingency theory takes a broader view that includes contingent factors about leader capability and other variables within the situation.

g) Transactional Leadership:

Assumptions

- People are motivated by reward and punishment.
- Social systems work best with a clear chain of command.
- When people have agreed to do a job, a part of the deal is that they cede all authority to their manager.

- The prime purpose of a subordinate is to do what their manager tells them to do.

Description

The transactional leader works through creating clear structures whereby it is clear what is required of their subordinates, and the rewards that they get for following orders. Punishments are not always mentioned, but they are also well-understood and formal systems of discipline are usually in place.

The early stage of Transactional Leadership is in negotiating the contract whereby the subordinate is given a salary and other benefits, and the company (and by implication the subordinate's manager) gets authority over the subordinate.

When the Transactional Leader allocates work to a subordinate, they are considered to be fully responsible for it, whether or not they have the resources or capability to carry it out. When things go wrong, then the subordinate is considered to be personally at fault, and is punished for their failure (just as they are rewarded for succeeding).

h)Transformational Leadership:

Assumptions

- People will follow a person who inspires them.
- A person with vision and passion can achieve great things.
- The way to get things done is by injecting enthusiasm and energy.

Description

Working for a Transformational Leader can be a wonderful and uplifting experience. They put passion and energy into everything. They care about you and want you to succeed.

Transformational Leaders are often charismatic, but are not as narcissistic as pure Charismatic Leaders, who succeed through a belief in themselves rather than a belief in others.

One of the traps of Transformational Leadership is that passion and confidence can easily be mistaken for truth and reality.

Transformational Leaders, by definition, seek to transform. When the organization does not need transforming and people are happy as they are, then such a leader will be frustrated. Like wartime leaders, however, given the right situation they come into their own and can be personally responsible for saving entire companies.

5. DISCUSS ABOUT COMMUNICATION [CO4 – L2 –APRIL 2015]

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

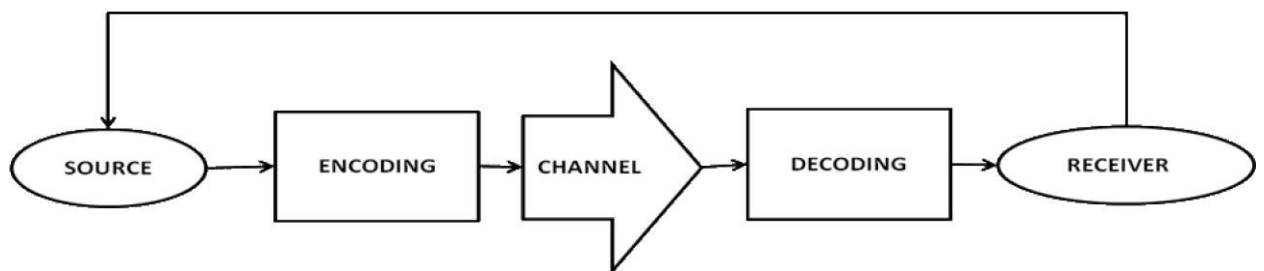
thought of as a process or flow. Before communication can take place, a purpose, expressed as a message to be

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. By initiating the message, the sender attempts to achieve understanding and change in the behaviour of the receiver.

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 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

- (i) 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.
- (ii) Encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
- (iii) For the planning of the communication, other people should be consulted and encouraged to participate.

- (iv) 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.
- (v) 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.
- (vi) 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.
- (vii) 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.

- (viii) 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 is given below:

a) Filtering:

Filtering refers to a sender manipulating information so it will be seen more favourably by the receiver. The major determinant of filtering is the number of levels in an organization's structure. The more vertical levels in the organization's hierarchy, the more opportunities for filtering. Sometimes the information is filtered by the sender himself. If the sender is hiding some meaning and disclosing in such a fashion as appealing to the receiver, then he is "filtering" the message deliberately. A manager in the process of altering communication in his favour is attempting to filter the information.

b) Selective Perception:

Selective perception means seeing what one wants to see. The receiver, in the communication process, generally resorts to selective perception i.e., he selectively perceives

the message based on the organizational requirements, the needs and characteristics, background of the employees etc. Perceptual distortion is one of the distressing barriers to the effective communication. People interpret what they see and call it a reality. In our regular activities, we tend to see those things that please us and to reject or ignore unpleasant things. Selective perception allows us to keep out dissonance (the existence of conflicting elements in our perceptual set) at a tolerable level. If we encounter something that does not fit our current image of reality, we structure the situation to minimize our dissonance. Thus, we manage to overlook many stimuli from the environment that do not fit into our current perception of the world. This process has significant implications for managerial activities. For example, the employment interviewer who expects a female job applicant to put her family ahead of her career is likely to see that in female applicants, regardless of whether the applicants feel that way or not.

c) Emotions:

How the receiver feels at the time of receipt of information influences effectively how he interprets the information. For example, if the receiver feels that the communicator is in a jovial mood, he interprets that the information being sent by the communicator to be good and interesting. Extreme emotions and jubilation or depression are quite likely to hinder the effectiveness of communication. A person's ability to encode a message can become impaired when the person is feeling strong emotions. For example, when you are angry, it is harder to consider the other person's viewpoint and to choose words carefully. The angrier you are, the harder this task becomes. Extreme emotions – such as jubilation or depression - are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

d) Language:

Communicated message must be understandable to the receiver. Words mean different things to different people. Language reflects not only the personality of the individual but also the culture of society in which the individual is living. In organizations, people from different regions, different backgrounds, and speak different languages. People will have different academic backgrounds, different intellectual facilities, and hence the jargon they use varies. Often, communication gap arises because the language the sender is using may be incomprehensible, vague and indigestible. Language is a central element in communication. It may pose a barrier if its use obscures meaning and distorts intent. Words mean different things to different people. Age, education and cultural background are three of the more obvious variables that influence the language a person uses and the definitions he or she gives to words. Therefore, use simple, direct, declarative language.

Speak in brief sentences and use terms or words you have heard from you audience. As much as possible, speak in the language of the listener. Do not use jargon or technical language except with those who clearly understand it.

e) Stereotyping:

Stereotyping is the application of selective perception. When we have preconceived ideas about other people and refuse to discriminate between individual behaviours, we are applying selective perception to our relationship with other people. Stereotyping is a barrier to communications because those who stereotype others use selective perception in their communication and tend to hear only those things that confirm their stereotyped images. Consequently, stereotypes become more deeply ingrained as we find more "evidence" to confirm our original opinion. Stereotyping has a convenience function in our interpersonal relations. Since people are all different, ideally we should react and interact with each person differently. To do this, however, requires considerable psychological effort. It is much easier to categorize (stereotype) people so that we can interact with them as members of a particular category. Since the number of categories is small, we end up treating many people the same even though they are quite different. Our communications, then, may be directed at an individual as a member of a category at the sacrifice of the more effective communication on a personal level.

f) Status Difference:

The organizational hierarchy pose another barrier to communication within organization, especially when the communication is between employee and manager. This is so because the employee is dependent on the manager as the primary link to the organization and hence more likely to distort upward communication than either horizontal or downward communication. Effective supervisory skills make the supervisor more approachable and help reduce the risk of problems related to status differences. In addition, when employees feel secure, they are more likely to be straightforward in upward communication.

g) Use of Conflicting Signals:

A sender is using conflicting signals when he or she sends inconsistent messages. A vertical message might conflict with a nonverbal one. For example, if a manager says to his employees, "If you have a problem, just come to me. My door is always open", but he looks annoyed whenever an employee knocks on his door". Then we say the manager is sending conflicting messages. When signals conflict, the receivers of the message have to decide which, if any, to believe.

h) Reluctance to Communicate:

For a variety of reasons, managers are sometimes reluctant to transmit messages. The reasons could be:-

- They may doubt their ability to do so.
- They may dislike or be weary of writing or talking to others.
- They may hesitate to deliver bad news because they do not want to face a negative reaction. When someone gives in to these feelings, they become a barrier to effective communications.

i) Projection:

Projection has two meanings.

(a) Projecting one's own motives into others behavior. For example, managers who are motivated by money may assume their subordinates are also motivated by it. If the subordinate's prime motive is something other than money, serious problems may arise. (b) The use of defense mechanism to avoid placing blame on oneself. As a defense mechanism, the projection phenomenon operates to protect the ego from unpleasant communications. Frequently, individuals who have a particular fault will see the same fault in others, making their own fault seem not so serious.

j) The "Halo Effect":

The term "halo effect" refers to the process of forming opinions based on one element from a group of elements and generalizing that perception to all other elements. For example, in an organization, a good attendance record may cause positive judgments about productivity, attitude, or quality of work. In performance evaluation system, the halo effect refers to the practice of singling out one trait of an employee (either good or bad) and using this as a basis for judgments of the total employee.

CHANNELS 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 5**CONTROLLING****PART A****1. What is control? [CO5 – L2 - May '05]**

Control is a process that guides activity towards some predetermined goals.

2. Define: Budgetary control. [CO5 – L2 - May '07]

According to 1.Batty, "A system which uses budgets as a means of planning and controlling all aspects of producing and or selling commodities and services".

3. What are the uses of computers in handling the information?

[CO5 – L2 - Nov'06]

The uses of computers in handling the information are, Sales

Forecast and Control, Payroll, Business management, Accounting, Personnel management information, Cost Accounting, Manufacturing information control, Banking and Credit.

4. Define the term Productivity. [CO5 – L2 - Nov'05, May'07]

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

5. Define OR [CO5 – L2 - Nov'05]

Operation Research is a systematic analysis of a problem through scientific methods, carried out by appropriate specialists, working together as a team, finding an optimum and the most appropriate solution to meet the given objective under a given set of constraints.

6. What is JIT? [CO5 – L2 - May'05]

Just in Time Inventory system. In this method the suppliers delivers the materials to the production spot just in time to be assembled. This method reduces cost of inventory.

7. What is Ethno Centric Organization? [[CO5 – H2 - May' 08]

The management orientation and managerial activities operations are based on that of the parent company. This type of management may not be work in all types of environments.

8. What is Globalization? [CO5 – H2 - Nov' 06]

- Globalization means the internationalization of trade. Particularly product transaction and the integrating of economic and capital markets throughout the world.
- The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.
- **In** globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.

9. What is preventive control? [CO5 – L2 - May'05]

An efficient manager applies the skills in managerial philosophy eliminate undesirable activated

which are the reasons for poor management.

10. What are the limitations of Budgeting? [CO5 – L2 - Nov'04]

1. Inaccuracy
2. Expenditure
3. Distortion of goals.

Part-B**1.DEFINE CONTROL PROCESS [CO5 – L2 – APRIL 2015]**

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

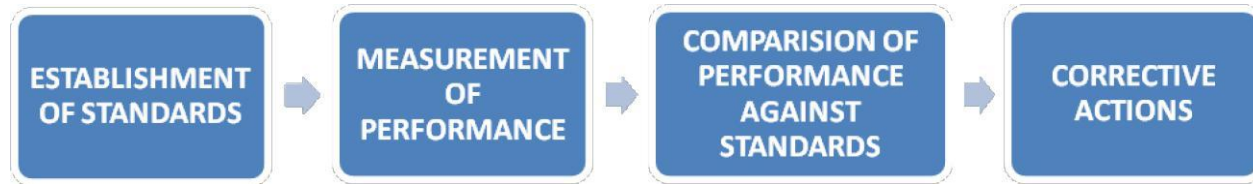
In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

Nature & Purpose of Control

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

2.EXPLAIN ABOUT CONTROL PROCESS [CO5 – L2 – MAY 2013]

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

- Control activities can encourage the falsification of reports.
- Control activities can cause the perspectives of organization members to be too narrow for the good of 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

This means that, all control techniques and systems should reflect the plans they are designed to follow. This is because every plan and every kind and phase of an operation has its unique characteristics.

b) Control must be tailored to individual managers and their responsibilities

This means that controls must be tailored to the personality of individual managers. This because control systems and information are intended to help individual managers carry out their function of control. If they are not of a type that a manager can or will understand, they will not be useful.

c) Control should point up exceptions as critical points

This is because by concentration on exceptions from planned performance, controls based on the time honored exception principle allow managers to detect those places where their attention is required and should be given. However, it is not enough to look at exceptions, because some deviations from standards have little meaning and others have a great deal of significance.

d) Control should be objective

This is because when controls are subjective, a manager's personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs

that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

e) Control should be flexible

This means that controls should remain workable in the case of changed plans, unforeseen circumstances, or oversight failures. Much flexibility in control can be provided by having alternative plans for various probable situations.

f) Control should be economical

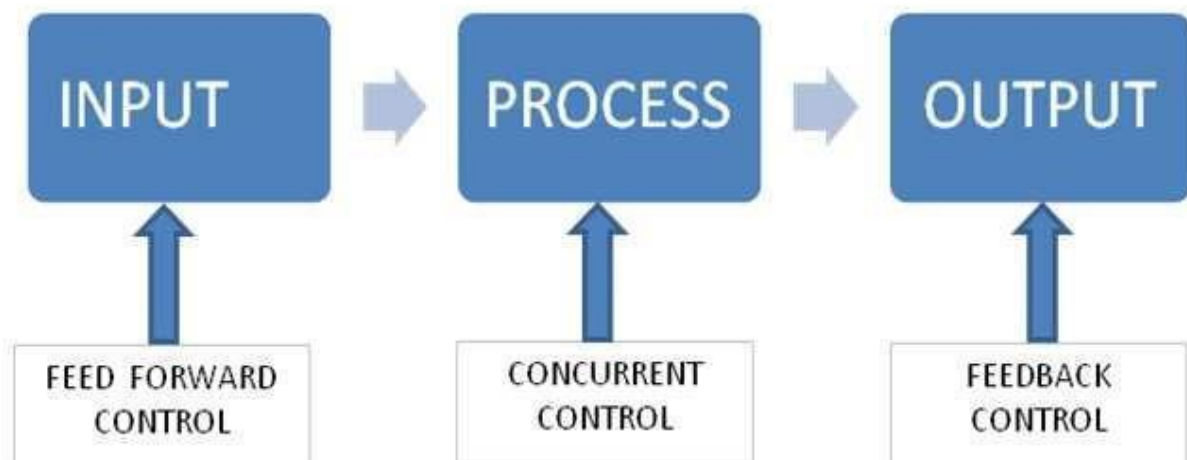
This means that control must worth their cost. Although this requirement is simple, its practice is often complex. This is because a manager may find it difficult to know what a particular system is worth, or to know what it costs.

g) Control should lead to corrective actions

This is because a control system will be of little benefit if it does not lead to corrective action, control is justified only if the indicated or experienced deviations from plans are corrected through appropriate planning, organizing, directing, and leading.

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.

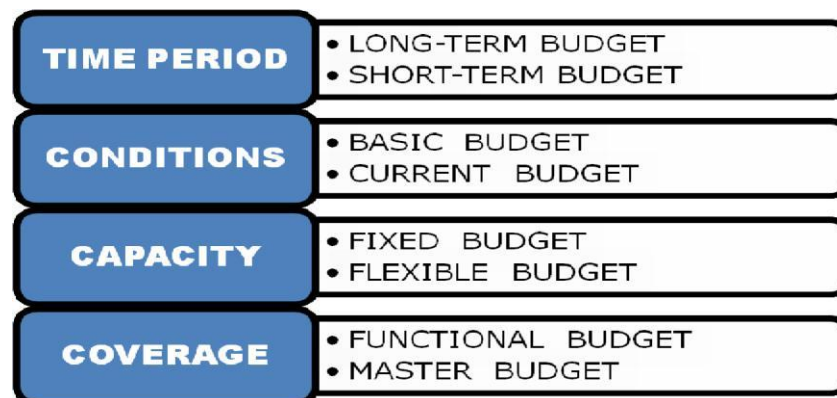
Salient features:

- a. **Objectives:** Determining the objectives to be achieved, over the budget period, and the policy(ies) that might be adopted for the achievement of these ends.
- b. **Activities:** Determining the variety of activities that should be undertaken for achievement of the objectives.
- c. **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.
- d. **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.

e. **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 –



a) BASED ON TIME PERIOD:

(i) Long Term Budget

Budgets which are prepared for periods longer than a year are called LongTerm 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 ShortTerm 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

i) 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.

ii) Time, Space, Material, and Product Budgets:

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-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.

iii) 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 a 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.

iv) 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.

v) Variable Budget:

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

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

vi) Zero Based Budget:

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs 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:

- Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.
- Promotes coordination and communication.
- Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.
- Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.
- 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: a) bad labour relations

b) inaccurate record-keeping.

- Departmental conflict arises due to:
 - a) disputes over resource allocation
 - b) departments blaming each other if targets are not attained.
- It is difficult to reconcile personal/individual and corporate goals.
- Waste may arise as managers adopt the view, "we had better spend it or we will lose it". This is often coupled with "empire building" in order to enhance the prestige of a department.
- 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.

3.DISCUSS NON-BUDGETARY CONTROL TECHNIQUES [CO5 – L3 – MAY 2014]

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are: statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

i) 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.

ii) 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.

iii) 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.

iv) Personal observation:

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

v) 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.

vi) 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.

4.DICUSS ABOUT PRODUCTIVITY [CO5 – H2 – MAY 2016]

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 a 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:

Economic Productivity = 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.