



NEHRU COLLEGE OF ENGINEERING AND RESEARCH CENTRE (NAAC Accredited)

(Approved by AICTE, Affiliated to APJ Abdul Kalam Technological University, Kerala)



DEPARTMENT OF COMPUTER SCIENCE AND ENGINEERING

COURSE MATERIALS



HS 300 PRINCIPLES OF MANAGEMENT

VISION OF THE INSTITUTION

To mould true citizens who are millennium leaders and catalysts of change through excellence in education.

MISSION OF THE INSTITUTION

NCERC is committed to transform itself into a center of excellence in Learning and Research in Engineering and Frontier Technology and to impart quality education to mould technically competent citizens with moral integrity, social commitment and ethical values.

We intend to facilitate our students to assimilate the latest technological know-how and to imbibe discipline, culture and spiritually, and to mould them in to technological giants, dedicated research scientists and intellectual leaders of the country who can spread the beams of light and happiness among the poor and the underprivileged.

ABOUT DEPARTMENT

- ◆ Established in: 2002
- ◆ Course offered : B.Tech in Computer Science and Engineering
M.Tech in Computer Science and Engineering
M.Tech in Cyber Security
- ◆ Approved by AICTE New Delhi and Accredited by NAAC
- ◆ Affiliated to the A P J Abdul Kalam Technological University.

DEPARTMENT VISION

Producing Highly Competent, Innovative and Ethical Computer Science and Engineering Professionals to facilitate continuous technological advancement.

DEPARTMENT MISSION

1. To Impart Quality Education by creative Teaching Learning Process
2. To Promote cutting-edge Research and Development Process to solve real world problems with emerging technologies.
3. To Inculcate Entrepreneurship Skills among Students.
4. To cultivate Moral and Ethical Values in their Profession.

PROGRAMME EDUCATIONAL OBJECTIVES

- PEO1:** Graduates will be able to Work and Contribute in the domains of Computer Science and Engineering through lifelong learning.
- PEO2:** Graduates will be able to Analyse, design and development of novel Software Packages, Web Services, System Tools and Components as per needs and specifications.
- PEO3:** Graduates will be able to demonstrate their ability to adapt to a rapidly changing environment by learning and applying new technologies.
- PEO4:** Graduates will be able to adopt ethical attitudes, exhibit effective communication skills, Teamwork and leadership qualities.

PROGRAM OUTCOMES (POS)

Engineering Graduates will be able to:

1. **Engineering knowledge:** Apply the knowledge of mathematics, science, engineering fundamentals, and an engineering specialization to the solution of complex engineering problems.
2. **Problem analysis:** Identify, formulate, review research literature, and analyze complex engineering problems reaching substantiated conclusions using first principles of mathematics, natural sciences, and engineering sciences.
3. **Design/development of solutions:** Design solutions for complex engineering problems and design system components or processes that meet the specified needs with appropriate consideration for the public health and safety, and the cultural, societal, and environmental considerations.
4. **Conduct investigations of complex problems:** Use research-based knowledge and research methods including design of experiments, analysis and interpretation of data, and synthesis of the information to provide valid conclusions.
5. **Modern tool usage:** Create, select, and apply appropriate techniques, resources, and modern engineering and IT tools including prediction and modeling to complex engineering activities with an understanding of the limitations.
6. **The engineer and society:** Apply reasoning informed by the contextual knowledge to assess societal, health, safety, legal and cultural issues and the consequent responsibilities relevant to the professional engineering practice.
7. **Environment and sustainability:** Understand the impact of the professional engineering solutions in societal and environmental contexts, and demonstrate the knowledge of, and need for sustainable development.
8. **Ethics:** Apply ethical principles and commit to professional ethics and responsibilities and norms of the engineering practice.
9. **Individual and team work:** Function effectively as an individual, and as a member or leader in diverse teams, and in multidisciplinary settings.
10. **Communication:** Communicate effectively on complex engineering activities with the engineering community and with society at large, such as, being able to comprehend and write effective reports and design documentation, make effective presentations, and give and receive clear instructions.
11. **Project management and finance:** Demonstrate knowledge and understanding of the engineering and management principles and apply these to one's own work, as a member and leader in a team, to manage projects and in multidisciplinary environments.
12. **Life-long learning:** Recognize the need for, and have the preparation and ability to engage in independent and life-long learning in the broadest context of technological change.

PROGRAM SPECIFIC OUTCOMES (PSO)

PSO1: Ability to Formulate and Simulate Innovative Ideas to provide software solutions for Real-time Problems and to investigate for its future scope.

PSO2: Ability to learn and apply various methodologies for facilitating development of high quality System Software Tools and Efficient Web Design Models with a focus on performance

optimization.

PSO3: Ability to inculcate the Knowledge for developing Codes and integrating hardware/software products in the domains of Big Data Analytics, Web Applications and Mobile Apps to create innovative career path and for the socially relevant issues.

COURSE OUTCOMES

CO1	To analyze people and organizations for achieving competitive advantage.
CO2	To analyze and evaluate management theories and practices.
CO3	To develop ability to critically analyze the plan and make decisions for organizations.
CO4	To analyze Organizing for decision making.
CO5	To formulate staffing and related HRD functions
CO6	To lead employees, subordinates and propose control activities in organizations.

MAPPING OF COURSE OUTCOMES WITH PROGRAM OUTCOMES

	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8	PO 9	PO 10	PO 11	PO 12
CO1	-	-	-	-		3	3	2	3	3	3	
CO2	-	3	-	-	3						3	3
CO3	-	3	3	-						3	3	
CO4	-	-	-	-		3			3	3	3	3
CO5	-	-	-	--								
CO6	-	-	-			3		3	3	3	3	3

Note: H-Highly correlated=3, M-Medium correlated=2, L-Less correlated=1

MAPPING OF COURSE OUTCOMES WITH PROGRAM SPECIFIC OUTCOMES

	PSO1	PSO2	PSO3
CO1	3	2	
CO2	3	2	
CO3	3	2	
CO4	3	2	
CO5	3	2	
CO6	3	2	

SYLLABUS

Course code	Course Name	L-T-P - Credits	Year of Introduction
HS300	Principles of Management	3-0-0-3	2016
Prerequisite : Nil			
Course Objectives <ul style="list-style-type: none">To develop ability to critically analyse and evaluate a variety of management practices in the contemporary context;To understand and apply a variety of management and organisational theories in practice;To be able to mirror existing practices or to generate their own innovative management competencies, required for today's complex and global workplace;To be able to critically reflect on ethical theories and social responsibility ideologies to create sustainable organisations.			
Syllabus <p>Definition, roles and functions of a manager, management and its science and art perspectives, management challenges and the concepts like, competitive advantage, entrepreneurship and innovation. Early contributors and their contributions to the field of management. Corporate Social Responsibility. Planning, Organizing, Staffing and HRD functions, Leading and Controlling. Decision making under certainty, uncertainty and risk, creative process and innovation involved in decision making.</p>			

Course Plan			
Module	Contents	Hours	Sem. Exam Marks
I	Introduction to Management: definitions, managerial roles and functions; Science or Art perspectives- External environment-global, innovative and entrepreneurial perspectives of Management (3 Hrs.)– Managing people and organizations in the context of New Era- Managing for competitive advantage - the Challenges of Management (3 Hrs.)	6	15%

Expected outcome.

A student who has undergone this course would be able to

- manage people and organisations
- critically analyse and evaluate management theories and practices
- plan and make decisions for organisations
- do staffing and related HRD functions

Text Book:

Harold Koontz and Heinz Weihrich, *Essentials of Management*, McGraw Hill Companies, 10th Edition.

References:

- Daft, *New era Management*, 11th Edition, Cengage Learning
- Griffin, *Management Principles and Applications*, 10th Edition, Cengage Learning
- Heinz Weirich, Mark V Cannice and Harold Koontz, *Management: a Global, Innovative and Entrepreneurial Perspective*, McGraw Hill Education, 14th Edition
- Peter F Drucker, *The Practice of Management*, McGraw Hill, New York
- Robbins and Coulter, *Management*, 13th Edition, 2016, Pearson Education

II	Early Contributions and Ethics in Management: Scientific Management- contributions of Taylor, Gilbreths, Human Relations approach-contributions of Mayo, McGregor's Theory, Ouchi's Theory Z (3 Hrs.) Systems Approach, the Contingency Approach, the Mckinsey 7-S Framework Corporate Social responsibility- Managerial Ethics. (3 Hrs)	6	15%
FIRST INTERNAL EXAMINATION			
III	Planning: Nature and importance of planning, -types of plans (3 Hrs.)- Steps in planning, Levels of planning - The Planning Process. – MBO (3 Hrs.).	6	15%
IV	Organising for decision making: Nature of organizing, organization levels and span of control in management Organisational design and structure –departmentation, line and staff concepts (3 Hrs.) Limitations of decision making-Evaluation and selecting from alternatives- programmed and non programmed decisions - decision under certainty, uncertainty and risk-creative process and innovation (3 Hrs.)	6	15%
SECOND INTERNAL EXAMINATION			

V	Staffing and related HRD Functions: definition, Empowerment, staff – delegation, decentralization and recentralisation of authority – Effective Organizing and culture-responsive organizations –Global and entrepreneurial organizing (3 Hrs.) Manager inventory chart-matching person with the job-system approach to selection (3 Hrs.) Job design-skills and personal characteristics needed in managers-selection process, techniques and instruments (3 Hrs.)	9	20%
VI	Leading and Controlling: Leading Vs Managing – Trait approach and Contingency approaches to leadership - Dimensions of Leadership (3 Hrs.) - Leadership Behavior and styles – Transactional and Transformational Leadership (3 Hrs.) Basic control process- control as a feedback system – Feed Forward Control – Requirements for effective control – control techniques – Overall controls and preventive controls – Global controlling (3 Hrs.)	9	20%
END SEMESTER EXAM			

Question Paper Pattern

Max. marks: 100, Time: 3 hours .

The question paper shall consist of three parts

Part A: 4 questions uniformly covering modules I and II. Each question carries 10 marks
Students will have to answer any three questions out of 4 (3X10 marks =30 marks)

Part B : 4 questions uniformly covering modules III and IV. Each question carries 10 marks
Students will have to answer any three questions out of 4 (3X10 marks =30 marks)

Part C: 6 questions uniformly covering modules V and VI. Each question carries 10 marks
Students will have to answer any four questions out of 6 (4X10 marks =40 marks)

Note: In all parts, each question can have a maximum of four sub questions, if needed.

QUESTION BANK

MODULE I			
Q:NO:	QUESTIONS	CO	KL
1	Define Management	CO1	K2
2	Write a note on various functions of management	CO1	K2
3	Explain about external environment	CO1	K2
4	Point out various challenges in management	CO1	K4
5	Write a note on management as a science and art perspectives	CO1	K2
6	Elaborate about various managerial roles	CO1	K5
7	Differentiate between entrepreneur & manager	CO1	K4
8	State the need for management	CO1	K4
9	Discuss about various managerial skills	CO1	K2
10	Describe about various levels of management.	CO1	K2
MODULE II			
1	Write a note on pre scientific management era	CO2	K2
2	Discuss about Gannt theory of management	CO2	K2
3	Explain about Fayol principles of management	CO2	K2
4	Describe about management principle given by F W Taylor.	CO2	K2
5	Write a note on Webber and Follet's Principle	CO2	K2
6	Elaborate about corporate social responsibility	CO2	K5
7	Explain about system approach & contingency approach	CO2	K2
8	Illustrate with diagram, the concept of mckinsey 7s framework	CO2	K4
9	Discuss about managerial ethics	CO2	K2
10	Differentiate between the principles in classical approach and behavioral approach	CO2	K4
11	Write a note on McGregor theory X & Y and William Ouchi's Theory Z of motivation	CO2	K2

MODULE III

1	Define planning	CO3	K1
2	Analyze the various nature of planning	CO3	K4
3	Explain about importance of planning	CO3	K2
4	Elaborate about different types of plan	CO3	K5
5	Write a note on different levels of planning	CO3	K2
6	Compare the different levels of planning	CO3	K4
7	Explain about the planning process	CO3	K2
8	Illustrate with diagram, the concept of MBO	CO3	K4
9	Point out the different barriers in planning	CO3	K2
10	Write a note on various approaches in planning	CO3	K2
11	Discuss about SWOT Analysis	CO3	K2
12	Explain about the forecasting technique	CO3	K2

MODULE IV

1	Define Organizing. Write down the characteristics	CO4	K2
2	Explain about the organizing process	CO4	K2
3	Write a note on various principles used in organizing	CO4	K2
4	Elaborate about the concept of span of control	CO4	K5
5	Illustrate with diagram, the concept of various organizational structures	CO4	K4
6	Point out the determinants of organizational structure	CO4	K2
7	Compare the different organizational structures used	CO4	K4
8	Discuss about different types of departmentation	CO4	K2
9	State the advantages of departmentation process	CO4	K2
10	With the help of diagram, explain the decision making process	CO4	K2

11	Point out various factors affecting the decision making	CO4	K3
12	Write a note on different type of decisions	CO4	K2
13	Explain about rational decision making model	CO4	K2
14	Elaborate about various criteria used in decision making under uncertainty with necessary equations and examples	CO4	K5
MODULE V			
1	Explain the terms: a) Staffing b) Authority c) Empowerment d) Delegation	CO5	K2
2	Write a note on centralization and Decentralization	CO5	K2
3	Differentiate between centralization and Decentralization	CO5	K4
4	Elaborate about the staffing process	CO5	K5
5	Point out the different types of organizational culture	CO5	K2
6	Discuss about HRM	CO5	K2
7	Elaborate about Manpower planning & Steps	CO5	K5
8	Write notes on Management inventory Chart	CO5	K2
9	Analyze the concept of Job Analysis	CO5	K4
10	Explain with example, the different methods used in job evaluation	CO5	K2
11	Elaborate about the recruitment and selection process	CO5	K5
12	Point out various techniques and instruments used in selection	CO5	K2
13	Write a note on orientation	CO5	K2
14	Describe the training and development process	CO5	K2
15	Define merit rating. Explain the different methods used	CO5	K2
16	State the various measures for labour welfare	CO5	K2
17	Analyze the various causes for industrial dispute and its settlement	CO5	K4

MODULE VI			
1	Define leadership and its types	CO6	K2
2	Differentiate between manager and leader	CO6	K4
3	Write a note on trait approach	CO6	K2
4	Explain about contingency approach	CO6	K2
5	Elaborate about the transformational components	CO6	K5
6	Discuss about transactional leadership	CO6	K2
7	Compare the transactional and transformational leadership	CO6	K4
8	Write a note on DISC model	CO6	K2
9	Illustrate with diagram, the concept of dimension of leadership	CO6	K4
10	Explain the control process	CO6	K2
11	Point out different types of control point standards	CO6	K2
12	Analyze the concept of control as a feedback	CO6	K4
13	Write a note on feedforward control	CO6	K2
14	Point out the requirements for effective control tailoring	CO6	K2
15	Elaborate about different control techniques	CO6	K5
16	Write a note on preventive control	CO6	K2

APPENDIX 1	
CONTENT BEYOND THE SYLLABUS	
S:NO;	TOPIC
1	Role of Technology in new business standards

MODULE NOTES

HS 300
PRINCIPLES OF MANAGEMENT
MODULE -I

MODULE 1

Introduction to Management

Evolution & Development of Management Thought

Management has existed in every nook and corner of the world since the dawn of civilization. It has emerged when man started living in groups. Strong men organized the masses into groups, according to their intelligence, physical and mental capabilities and became their leaders. Use of Principles of management was found in the organizations of public life in ancient Greece, the organizations of Roman Catholic Church and the organization of military force. It was not in the business world for a long time, because earlier business organizations were too simple in structure.

Later in 1750 there was a radical change, following Industrial revolution and it made the structure of Industry extremely complex. At this juncture the development of formal theory of management for work and workers became absolutely necessary.

1. Egypt : Pyramids (Egyptian skill in planning and organizing the public edifices is evident here)
2. China : Diverse & Complex civilization
3. India : Organization & Management of Trade
4. Greece : Documentation of Management Principles
5. Rome : Craft & Trading groups

“Management as a discipline has attracted the attention of academicians and practitioners to a very great extent.”

“Management as a discipline has drawn concepts and principles from Economics, Sociology, Psychology, Anthropology, History, Statistics and so on.”

It is the process of designing and maintaining an environment in which individuals working together in groups efficiently accomplish selected aims. The aim of any manager is the same, to create surplus. It is concerned with productivity which implies effectiveness and efficiency.

Definitions

According to Harold Koontz “Management is the art of getting things done through and with the people

in formally organized groups.”

According to Dalton E McFarland “Management is defined for conceptual, theoretical, and analytical purposes as that process by which managers create, direct, maintain, and operate purposive organization through systematic, coordinated, co-operative human effort”.

Need For Management

Society has large and complex institutions with many people working together. The relationship between managers and managed has changed as compared to the older master-servant relationship making it more complex. People have greater expectations from their jobs.

“In order to make all these things function properly, people have been trying to evolve some methods and techniques. Such attempts have given the birth of **management** as a separate discipline”

Managerial Roles:

Managerial roles refer to managerial activities. This can be grouped in to three.

A. Interpersonal Role

1. The figure head role : perform ceremonial and social duties
2. The Leader Role
3. The Liaison Role : with outsiders

B. Informational Role

4. The recipient Role : receiving information about the operation of an enterprise
5. The disseminator Role : passing information to subordinates
6. The spokesperson Role: transmitting information to outside

Who are Managers and where do they work?

There’s no prototype or pattern as to who can be managers. Managers can be under the age of 18 to over age 80. They run large corporations as well as entrepreneurial start-ups. They’re found in government departments, hospitals, small businesses, not-for-profit agencies, museums, schools, and even such nontraditional organizations as political campaigns and music tours. Managers can also be found doing managerial work in every country on the globe. In addition, some managers are top-level managers while others are first-line managers. And today, managers are just as likely to be women as they are men.

However all managers share one common element. They work in an organization setting.

What is an organization?

It's a deliberate arrangement of people to accomplish some specific purpose. Your college or university is an organization; so are, government departments, Facebook, your neighborhood grocery store, and global companies like Nestle, Nokia etc. All are considered organizations and have three common characteristics.

First, an organization has a distinct purpose. This purpose is typically expressed through goals that the organization hopes to accomplish. Second, each organization is composed of people. It takes people to perform the work that's necessary for the organization to achieve its goals. Third, all organizations develop some deliberate structure within which members do their work.



What do managers do?

Management is finding one best way to do a job. Eg FW Taylor used his theory of scientific management to find one best way of doing a job.

What is Management?

Management is the process of getting things done, effectively and efficiently, with and through other people. Management of an organization is the process of establishing objectives and goals of the organization periodically, designing the work system and the organization

structure, and maintaining an environment in which individuals, working together in groups, accomplish their aims and objectives and goals of the organization effectively and efficiently

Efficiency refers to getting the most output from the least amount of inputs. Because managers deal with scarce inputs—including resources such as people, money, and equipment—they’re concerned with the efficient use of those resources. It’s often referred to as “doing things right”—that is, not wasting resources.

It’s not enough, however, just to be efficient. Management is also concerned with being effective, completing activities so that organizational goals are attained.

Effectiveness is often described as “doing the right things”—that is, doing those work activities that will help the organization reach its goals.



Mintzberg’s Managerial Roles

The term **managerial roles** refers to specific actions or behaviors expected of and exhibited by a manager. (Think of the different roles you play—such as student, employee, student organization member, volunteer, sibling, and so forth—and the different things you’re expected to do in these roles.) When describing what managers do from a roles perspective, we’re not looking at a specific person per se, but at the expectations and responsibilities that are associated with being the person in that role—the role of a manager.

The **interpersonal roles** are ones that involve people (subordinates and persons outside the organization) and other duties that are ceremonial and symbolic in nature. The three interpersonal roles include figurehead, leader, and liaison. The **informational roles** involve collecting, receiving, and disseminating information. The three informational roles include

monitor, disseminator, and spokesperson. Finally, the **decisional roles** entail making decisions or choices. The four decisional roles include entrepreneur, disturbance handler, resource allocator, and negotiator.

Interpersonal Roles

- Figurehead
- Leader
- Liaison



Informational Roles

- Monitor
- Disseminator
- Spokesperson



Decisional Roles

- Entrepreneur
- Disturbance handler
- Resource allocator
- Negotiator



a) Interpersonal Roles

The ones that, like the name suggests, involve people and other ceremonial duties. It can be further classified as follows

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

b) Informational Roles

Related to collecting, receiving, and disseminating information.

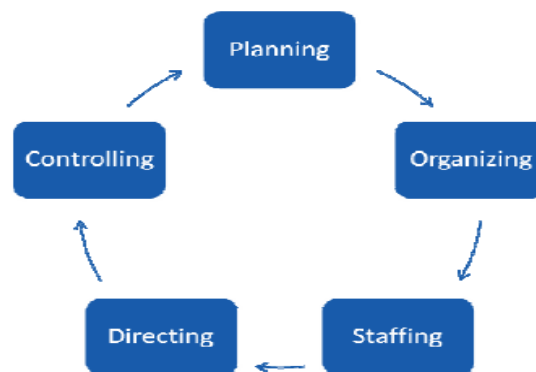
- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all import information received from outsiders to the members of the organization.
- Spokesperson – On the contrary to the above role, here the manager transmits the organization's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

c) Decisional Roles

Roles that revolve around making choices.

- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

Functions of Management



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.

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.

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

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appr8aisal.
- 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 subordinate 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.

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

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.

Nature of Management

Science or an art?

Managing like all other practices- whether medicine, music composition, engineering, accountancy- is an art. It is a know-how. It is doing things in the light of realities of a situation. Yet managers can work better by using the organised knowledge of management. It is this knowledge that constitutes a science. Thus managing as practice is an art; the organised knowledge underlying the practice may be referred to as science.

Levels of Management

Considering the hierarchy of authority and responsibility, one can identify three levels of management namely:

(i) **Top management** of a company consists of owners/shareholders, Board of Directors, its Chairman, Managing Director, or the Chief Executive, or the General Manager or Executive Committee having key officers.

Top management is the ultimate source of authority and it lays down goals, policies and plans for the enterprise. It devotes more time on planning and coordinating functions. It is accountable to the owners of the business of the overall management. It is also described as the policy making group responsible for the overall direction and success of all company activities

(ii) **Middle management** of a company consists of heads of functional departments viz. Purchase Manager, Production Manager, Marketing Manager, Financial controller, etc. and Divisional and Sectional Officers working under these Functional Heads.

The job of middle management is to implement the policies and plans framed by the top management. It serves as an essential link between the top management and the lower level or operative management. They are responsible to the top management for the functioning of their departments.

(iii) **Lower level or operative management** of a company consists of Superintendents, Foremen, Supervisors, etc.

It is placed at the bottom of the hierarchy of management, and actual operations are the responsibility of this level of management. It consists of foreman, supervisors, sales officers, accounts officers and so on. They are in direct touch with the rank and file or workers. Their authority and responsibility is limited. They pass on the instructions of the middle management to workers.

Managerial Skills

A skill is an individual's ability to translate knowledge into action. In order to be able to successfully discharge his roles, a manager should possess four major skills. These are conceptual skill, human relations skill, technical skill and design skill.

Conceptual skill deals with ideas. The conceptual skill refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in

abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it.

The technical skill is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production.

Human relations skill is the ability to interact effectively with people at all levels. This skill develops in the manager sufficient ability (a) to recognize the feelings and sentiments of others; (b) to judge the possible actions to, and outcomes of various courses of action he may undertake; and (c) to examine his own concepts and values which may enable him to develop more useful attitudes about himself.

Design Skill involves the ability to solve problems of the organisation. Top and middle level managements must have the ability to see more than a problem. They must have in addition the skill of a good design engineering working out a practical solution to the problem. Managers must be able to develop a workable solution to the problem.

External Environment

The external business environment of a firm can be classified in to micro and macro environment.

Micro Environment

The micro environment or task environment encompasses those forces in the close surrounding area of an organization that influence its functioning. Even if it is external to an organization, micro factors need not affect all the firms in a particular industry in an equivalent manner. Some of the micro factors may be unique to a firm. It embraces the following factors:

1. Suppliers

Suppliers of raw materials, components and semi finished goods are very prominent for a firm. They operate as an important force within the micro environment of the firm.

2. Marketing intermediaries

It includes the firms that assist the company in promoting, selling and distributing its goods to final buyers. They are operating in the micro environment.

3. Customers

As far as any business firm is concerned, creation and maintenance of customers are of utmost importance. Triumph of a business principally depends on realising the needs, desire and tastes of customers.

4. Competitors

Every organization has a competitive environment. Activities of a business should be adjusted according to the actions and reactions of competitors. An enterprise will be facing direct and

indirect competition from many rivalries. A firm should monitor the activities of the competitors in its micro environment and should counteract accordingly.

5. Public

Public refers to any cluster that has actual or potential interest in the business activities. Such clusters can exert influence on the business. *e.g.*, growth of consumer groups may affect the working of newly developed businesses.

6. Financiers

The term financiers include commercial banks, money lending institutions, private persons etc who have lent money for business operations. In addition to the financing capabilities, their policies and strategies, attitudes, ability to provide non-financial assistance etc are vital.

Macro Environment

A company along with its micro environment situate in a bigger macro environment. This micro environment provides opportunities and poses threats to a firm. The macro forces are generally more uncontrollable and the success of a company depends on its adaptability to the environment. A firm cannot exercise effective control on the factors of macro environment and only the degree of adaptability it has to that particular environment can direct it to success.

The macro environment of a firm consists of the following:

1. Economic environment

The Economic environment includes broad factors like structure and nature of the economy, the stage of development of the economy, economic resources, the level of income of the economy, the distribution of income and assets among citizens, linkages with global economy, economic policies etc. Important economic factors are:

- a) Degree of economic development.
- b) Structure of the economy.
- c) Economic policies.
- d) Economic conditions

2. Political Environment

It primarily comprises of the country's government's actions which may influence the operations of a company or business. These actions can be on different levels like local, regional, national or international. The decision makers should observe the movements of the government keenly, so that they can make quick decisions.

3. Technological environment

Along with determining the destiny of an organization, technology can contribute to the economic and social development of a nation. Factors like the type of technology in use, the level of technological developments, the speed with which new technologies are adopted and diffused, the type of technologies that are appropriate, the technology policy etc has deep implications on the prospects of the business.

4. Social Environment

The social environment of business includes social factors like customs, traditions, values, beliefs, poverty, literacy, life expectancy rate etc. The social structure and the values that a society cherishes have a considerable influence on the functioning of business firms. For example, during festive seasons there is an increase in the demand for new clothes, sweets, fruits, flower, etc.

5. Cultural environment

Culture of a particular region includes activities such as dance, drama, music and festivals. In its exact sense culture is understood as that composite whole which includes knowledge, belief, art, morals, law, customs and other capabilities and habits acquired by individual as a member of a society.

What Factors are Reshaping and Redefining Management

In today's world, managers are dealing with changing workplaces, a changing workforce, global economic and political uncertainties and changing technology.

Importance of Customers to the Manager's Job

Managers are recognizing that delivering consistent high-quality customer service is essential for survival and success in today's competitive environment and that employees are an important part of that equation. The implication is clear—managers must create a customer-responsive organization where employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs, and willing to do what's necessary to please the customer.

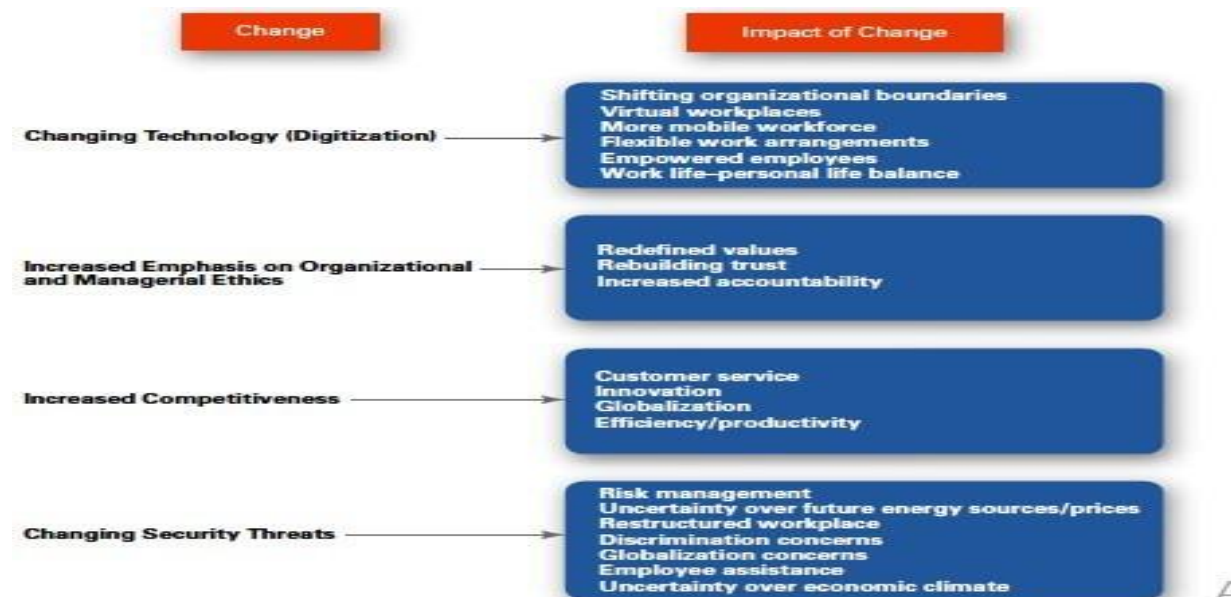
Importance of Innovation to the Manager's Job

“Nothing is more risky than not innovating.” Innovation means doing things differently,

exploring new territory, and taking risks. And innovation isn't just for high-tech or other technologically sophisticated organizations. Innovative efforts can be found in all types of organizations. For example, at Tata of India, the company's top manager, chairman Ratan Tata, told his employees during the bleak aspects of the global economic downturn to "Cut costs. Think out of the box. Even if the world around you is collapsing, be bold, be daring, think big." And his employees obviously got the message. The company's introduction of the Rs 1 Lakh minicar, the Nano, was the talk of the global automotive industry. As these stories illustrate, innovation is critical.

Importance of Sustainability to the Manager's Job

From a business perspective, **sustainability** has been defined as a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social opportunities into its business strategies. Sustainability issues are now moving up the agenda of business leaders and the boards of thousands of companies. Like the managers at Walmart are discovering, running an organization in a more sustainable way will mean that managers have to make informed business decisions based on thorough communication with various stakeholders, understanding their requirements, and starting to factor economic, environmental, and social aspects into how they pursue their business goals.



Rewards and Challenges of Being a Manager

Rewards	Challenges
<ul style="list-style-type: none">• Create a work environment in which organizational members can work to the best of their ability• Have opportunities to think creatively and use imagination• Help others find meaning and fulfillment in work• Support, coach, and nurture others• Work with a variety of people• Receive recognition and status in organization and community• Play a role in influencing organizational outcomes• Receive appropriate compensation in the form of salaries, bonuses, and stock options• Good managers are needed by organizations	<ul style="list-style-type: none">• Do hard work• May have duties that are more clerical than managerial• Have to deal with a variety of personalities• Often have to make do with limited resources• Motivate workers in chaotic and uncertain situations• Blend knowledge, skills, ambitions, and experiences of a diverse work group• Success depends on others' work performance

Challenges of Management

1. Globalisation- When a global disaster strikes a country, the fragility of the global supply chain becomes more apparent. An important issue that managers have to deal with is globalization. Managers have to see through others eyes. All counties have different values, morals, customs, political and economic systems. All this has to be considered by a manager.
2. Expectations from the society – Society expects managers to be responsible and ethical. Managers have to go beyond profit making, including voluntary activities and concern for the broader social system.
3. Ethical behaviour – Managers want to be seen as ethical. Whether a manager acts ethically or unethically depends on his morality, values, personality etc. Code of ethics are popular tools for attempting to reduce employee ambiguity about what's ethical and what's not
4. Workplace diversity – Diversities in workplace exist in terms of age, gender, race, ability/disability, religion etc. Managers have to respond to the changing workforce.
5. Change in technology – A manager is required to be updated with all forms of technology and make appropriate investments in acquisition of manufacturing equipments.

HS 300
PRINCIPLES OF MANAGEMENT
MODULE -II

MODULE II

Management has been practiced a long time now. Organised endeavors directed by people responsible for planning, organizing, leading and controlling activities have existed for thousands of years.

The Egyptian pyramids and the Great Wall of China are proof that projects of tremendous scope, employing tens of thousands of people, were completed in ancient times. It took more than 100,000 workers some 20 years to construct a single pyramid. Who told each worker what to do? Who ensured that there would be enough stones at the site to keep workers busy? The answer is *managers*. Someone had to plan what was to be done, organize people and materials to do it, make sure those workers got the work done, and impose some controls to ensure that everything was done as planned.

I) PRE SCIENTIFIC MANAGEMENT ERA

Adam Smith's contribution in *Wealth of Nations* outlined the economic advantage that organization and society can gain from the **division of labour**. He used the pin-manufacturing industry for his example. Smith noted that 10 individuals, each doing a specialized task, could produce about 4800 pins a day. However, if each worked separately and had to perform each task, it would be quite an accomplishment to produce even 10 pins a day. Smith concluded that division of labour increased productivity by increasing each worker's skill and dexterity, by saving time lost in changing tasks, and by creating labour-saving inventions and machinery

II) SCIENTIFIC MANAGEMENT ERA

FREDERICK W. TAYLOR :

He is known as 'father of scientific management'.

Four basic parts of a series of ideas developed by Taylor are as follows:

- i) Each person's job should be broken down into elements and a scientific way to perform each element should be determined.
- ii) Workers should be scientifically selected and trained to do the work in the designed and

trained manner.

iii) There should be good cooperation between management and workers so that tasks are performed in the designed manner.

iv) There should be a division of labour between managers and workers. Managers should take over the work of supervising and setting up instructions and designing the work, and the workers should be free to perform the work himself.

Taylor based his management system on **production-line time studies**. Instead of relying on traditional work methods, he analyzed and timed steel workers' movements on a series of jobs. Using time study as his base, he broke each job down into its components and designed the quickest and best methods of performing each component. In this way he established how much workers should be able to do with the equipment and materials at hand. He also encouraged employers to pay more productive workers at a higher rate than others, using a "scientifically correct" rate that would benefit both company and worker. Thus, workers were urged to surpass their previous performance standards to earn more pay Taylor called his plan the **differential rate system**.

HENRY L. GANTT

Abandoning the differential rate system as having too little motivational impact, Gantt came up with a new idea. **Every worker** who finished a day's assigned work load would win a **50-cent bonus**. Then he added a second motivation. The **supervisor would earn a bonus** for each worker who reached the daily standard, plus an extra bonus if all the workers reached it. This, Gantt reasoned, would spur supervisors to train their workers to do a better job.

Every worker's progress was rated publicly and recorded on individual bar charts,—in black on days the worker made the standard, in red when he or she fell below it. Going beyond this, Gantt originated a charting system for production scheduling; the "**Gantt chart**" is still in use today.

THE GILBRETHS

Frank B. and Lillian M. Gilbreth made their contribution to the scientific management movement as a husband-and-wife team. Lillian and Frank collaborated on **fatigue and motion studies** and focused on ways of promoting the individual worker's welfare. To them, the ultimate aim of scientific management was to help workers reach their full potential as human beings.

In their conception, motion and fatigue were intertwined—every motion that was eliminated reduced fatigue. Using motion picture cameras, they tried to find the most economical motions for each task in order to upgrade performance and reduce fatigue. The Gilbreths

argued that motion study would raise worker morale because of its obvious physical benefits and because it demonstrated management's concern for the worker.

III) CLASSICAL ORGANIZATION THEORY SCHOOL

Scientific management was concerned with increasing the productivity of the shop and the individual worker. **Classical organization theory** grew out of the need to find guidelines for managing such complex organizations as factories.

HENRI FAYOL

Henri Fayol referred to as father of modern management school.

FAYOL'S 14 PRINCIPLES OF MANAGEMENT

1. **Division of Labor.** Work should be divided among individuals and groups to ensure that effort and attention are focused on special portions of the task. Fayol presented work specialization as the best way to use the human resources of the organization.
2. **Authority and responsibility-** The concepts of Authority and responsibility are closely related. Authority was defined by Fayol as the right to give orders and the power to exact obedience. Responsibility involves being accountable, and is therefore naturally associated with authority. Whoever assumes authority also assumes responsibility.
3. **Discipline.** Members in an organization need to respect the rules and agreements that govern the organization. To Fayol, discipline results from good leadership at all levels of the organization, fair agreements (such as provisions for rewarding superior performance), and judiciously enforced penalties for violations.
4. **Unity of Command.** Each employee must receive instructions from only one person. Fayol believed that when an employee reported to more than one manager, conflicts in instructions and confusion of authority would result.
5. **Unity of Direction.** Those operations within the organization that have the same objective should be directed by only one manager using one plan. For example, the personnel department in a company should not have two directors, each with a different hiring policy.
6. **Subordination of Individual Interest to the Common Good.** In any undertaking, the interests of employees should not take precedence over the interests of the organization as a whole.
7. **Remuneration.** Compensation for work done should be fair to both employees and employers.
8. **Centralization.** Decreasing the role of subordinates in decision making is

centralization; increasing their role in decentralization. Fayol believed that managers should retain final responsibility, but should at the same time give their subordinates enough authority to do their jobs properly. The problem is to find the proper degree of centralization in each case.

9. **Scalar chain or the Hierarchy.** The line of authority in an organization—often represented today by the neat boxes and lines of the organization chart—runs in order of rank from top management to the lowest level of the enterprise. Lower level managers should always keep upper level managers informed of their work activities. The existence of a scalar chain and adherence to it are necessary if the organization is to be successful
10. **Order.** Materials and people should be in the right place at the right time. People, in particular, should be in the jobs or positions they are most suited to.
11. **Equity.** Managers should be both friendly and fair to subordinates.
12. **Stability of tenure of personnel.** A high employee turnover rate undermines the efficient functioning of an organization. Retaining productive employees should always be a high priority of management
13. **Initiative.** Subordinates should be given the freedom to conceive and carry out their plans, even though some mistakes may result.
14. **Espirit de Corps.** Promoting team spirit will give the organization a sense of unity. To Fayol, even small factors should help to develop the spirit. He suggested, for example, the use of verbal communications instead of formal, written communication whenever possible.

MAX WEBER

Developed a theory of **bureaucratic management** a form of organization characterized by division of labor, a clearly defined hierarchy, detailed rules and regulations, and impersonal relationships.

MARY PARKER FOLLETT

Follett was convinced that **no one could become a whole person except as a member of a group.** In fact, she called management "the art of getting things done through people." She was a great believer in the power of the group, where individuals could combine their diverse talents into something bigger.

IV)THE BEHAVIORALSCHOOL

There was increased interest in helping managers deal more effectively with the "**people side**" of their organizations.

THE HUMAN RELATIONS MOVEMENT

Human relations is frequently used as a general term to describe the ways in which managers interact with their employees. When "employee management" stimulates more and better work, the organization has effective human relations; when morale and efficiency deteriorate, its human relations are said to be ineffective. The human relations movement arose from early attempts to systematically **discover the social and psychological factors that would create effective human relations.**

THE HAWTHORNE EXPERIMENTS.

The human relations movement grew out of the famous "Hawthorne Studies" because many of them were performed at Western Electric's Hawthorne plant near Chicago. The Hawthorne Studies began as an attempt to investigate the relationship between the level of lighting in the workplace and worker productivity.

In some of the early studies, the Western Electric researchers divided the employees into experimental groups, who were subjected to deliberate changes in lighting, and control groups, whose lighting remained constant throughout the experiments. It's logical to think that individual output in the experimental group would be directly related to the intensity of the light.

The results of the experiments were ambiguous. However, they found that as the level of light was increased in the experimental group, output for both groups increased. Then, much to the surprise of the engineers, as the light level was decreased in the experimental group, productivity continued to increase in both groups. In fact, a productivity decrease was observed in the experimental group *only* when the level of light was reduced to that of a moonlit night.

Mayo and his associates decided that a complex chain of attitudes had touched off the productivity increases. Because they had been singled out for special attention, both the test and the control groups had developed a group pride that motivated them to improve their work performance.

The researchers concluded that employees would work harder if they believed management was concerned about their welfare and supervisors paid special attention to them. This phenomenon as subsequently labelled the Hawthorne Effect.

V)THE BEHAVIORAL SCIENCE APPROACH

Maslow's Need Hierarchy Theory

According to **Maslow**, the needs that people are motivated to satisfy fall into a hierarchy. The five stage model can be divided into basic (or deficiency) needs (e.g. physiological, safety, love, and esteem) and growth needs (self-actualization). Physiological and safety needs are at the bottom of the hierarchy, and at the top are ego needs (the need for respect, for example) and self actualizing needs (such as the need for meaning and personal growth). In general, Maslow said lower level needs must be satisfied before higher level needs can be met. People are motivated to achieve certain needs.

Mc Gregor's Theory X and Theory Y

McGregor distinguished two alternative basic assumptions about people and their approach to work. These two assumptions, which he called Theory X and Theory Y, take opposite views of people's commitment to work in organizations. Theory X managers, McGregor proposed, assume that people must be constantly coaxed into putting forth effort in their jobs. Theory Y managers, on the other hand, assume that people relish work and eagerly approach their work as an opportunity to develop their creative capacities.

William Ouchi's Theory Z of Motivation

Theory Z focused on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee, both on and off the job. According to Dr. [William Ouchi](#), its leading proponent, Theory Z management tends to promote stable employment, high productivity, and high employee morale and satisfaction.

Theory Z is a form of management in which workers are involved in the work process on the factory floor. Schedules, division of labor, work assignments, and other aspects of the labor process are given over to workers to do as they see best. Investment policies, wages, fringe benefits and kind of product are not given over to workers to decide; only how best to do that decided by top management.

Characteristics of the Theory Z

- Long-term employment and job security
- Collective responsibility
- Implicit, informal control with explicit, formalized measures
- Collective decision-making
- Slow evaluation and promotion
- Moderately specialized careers
- Concern for a total person, including their family

VI) RECENT DEVELOPMENTS IN MANAGEMENT THEORY

THE SYSTEMS APPROACH

Rather than dealing separately with the various segments of an organization, the systems approach to management views the organization as a unified, purposeful system composed of interrelated parts. This approach gives managers a way of looking at the organization as a whole and as a part of the larger, external environment. Systems theory tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

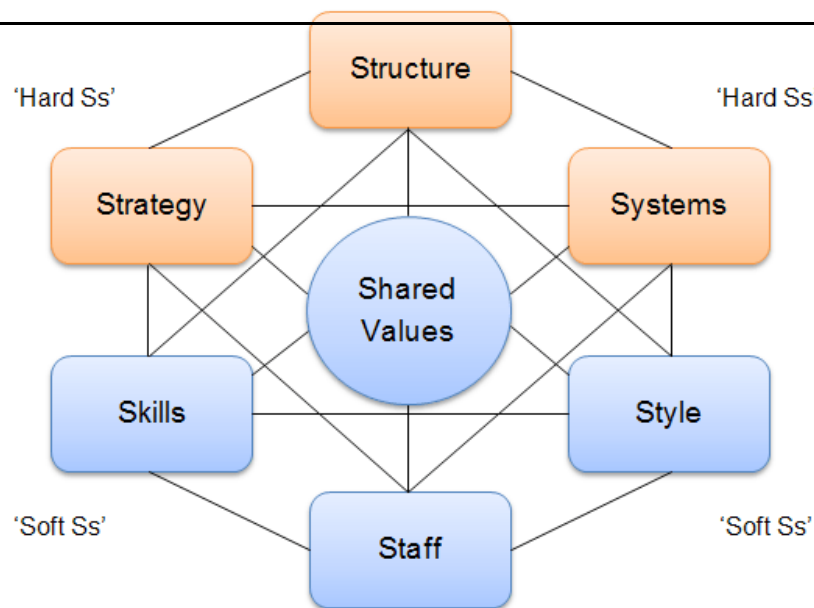
THE CONTINGENCY APPROACH

The contingency approach (sometimes called the situational approach) was developed by managers, consultants, and researchers who tried to apply the concepts of the major schools to real-life situations. When methods highly effective in one situation failed to work in other situations, they sought an explanation. Why, for example, did an organizational development program work brilliantly in one situation and fail miserably in another. Advocates of the contingency approach had a logical answer to all such questions: Results differ because situations differ; a technique that works in one case will not necessarily work in all cases.

According to the contingency approach the manager's task is to identify which technique will, in a particular situation, under particular circumstances, and at particular time, best contribute to the attainment of management goals.

The McKinsey 7-s Framework

McKinsey 7s model is a tool that analyzes firm's organizational design by looking at 7 key internal elements: strategy, structure, systems, shared values, style, staff and skills, in order to identify if they are effectively aligned and allow organization to achieve its objectives.



The key point of the model is that all the seven areas are interconnected and a change in one area requires change in the rest of a firm for it to function effectively. In McKinsey model, the seven areas of organization are divided into the 'soft' and 'hard' areas. Strategy, structure and systems are hard elements that are much easier to identify and manage when compared to soft elements. On the other hand, soft areas, although harder to manage, are the foundation of the organization and are more likely to create the sustained competitive advantage.

Strategy is a plan developed by a firm to achieve sustained competitive advantage and successfully compete in the market.

Structure represents the way business divisions and units are organized and includes the information of who is accountable to whom. In other words, structure is the organizational chart of the firm. It is also one of the most visible and easy to change elements of the framework.

Systems are the processes and procedures of the company, which reveal business' daily activities and how decisions are made. Systems are the area of the firm that determines how business is done and it should be the main focus for managers during organizational change.

Skills are the abilities that firm's employees perform very well. They also include capabilities and competences. During organizational change, the question often arises of what skills the company will really need to reinforce its new strategy or new structure.

Staff element is concerned with what type and how many employees an organization will need and how they will be recruited, trained, motivated and rewarded.

Style represents the way the company is managed by top-level managers, how they interact, what actions do they take and their symbolic value. In other words, it is the management style of company's leaders.

Shared Values are at the core of McKinsey 7s model. They are the norms and standards that guide employee behavior and company actions and thus, are the foundation of every organization

Corporate Social Responsibility

Corporate Social Responsibility means a business firm's intention beyond its legal and economic obligations, to do the right things and act in ways that are good for the society. A socially *responsible* organization views things differently. It goes beyond what it's obligated to do or chooses to do because of some popular social need and does what it can to help improve society because it's the right thing to do.

CSR is "the concept that an enterprise is accountable for its impact on all relevant stakeholders. It is the continuing commitment by business to behave fairly and responsibly, and contribute to economic development while improving the quality of life of the work force and their families as well as of the local community and society at large".

In other words, CSR refers to ensuring the success of the business by inclusion of social and environmental considerations into a company's operations. It means satisfying your shareholders' and customers' demands while also managing the expectation of other stakeholders such as employees, suppliers and the community at large. It also means contributing positively to society and managing your organization's environmental impact. Hence, CSR is a contribution to sustainable development, implying the way a company

balances its economic, environmental and social objectives while addressing stakeholder expectations and enhancing shareholder value

Responsibility of Manager's towards various segments of the society

Major responsibility of business towards different sections of society are as : 1. Employees, 2. Owners, 3. Consumers, 4. Government, 5. Shareholders, 6. Community, 7. Environment

Business depends on society for inputs like money, men, and skills and also for market where products have to be sold to the customers. The business depends on society for existence, sustenance and encouragement.

Being so much dependent on society, business also has a definite responsibility towards different segments of society. Though profit making is one of main objectives of business but it has to satisfy employees, consumer, government, community, shareholders also.

1. Employees:

No Enterprise can succeed without the whole-hearted cooperation of the employees. Responsibility of business towards employees is in the form of training, promotion, proper selection, fair wages, safety, health, worker's education, comfortable working conditions, participation management etc.

The employees should be taken into confidence while taking decisions affecting their interests. The workers should be offered incentives for raising their performance. Mental, physical, economic and cultural satisfaction of employees should be taken care of.

2. Owners:

Business is accountable towards owners as well as managing business profitably, ensuring fair and regular return on capital employed, consolidating financial position of business, guaranteeing capital appreciation so as to enable the owners to withstand any business contingencies.

3. Consumers:

Responsibility of business towards consumer extends to:

(i) Product:

Quality goods should be produced and supplied. Distribution system should make goods easily available to avoid artificial scarcities and after sales service should be prompt. Buying capacity and consumer preferences should be taken into consideration while deciding the manufacturing policies. The care must be exercised in supplying the goods of quality which

has no adverse effect on the health of consumers.

(ii) **Marketing:**

To avoid being misled by wrong claims about products through improper advertisements or otherwise, the consumer should be provided full information about the products including their adverse effects, risks and care to be taken while using the products.

4. Government:

A number of legislatures are formed from time to time by the government for proper regulation and control of business. Businessmen should comply with all legal requirements, execute government contracts, pay taxes honestly and in time, make services of executives available for government, suggest measures and send proposals to enact new laws for the business.

5. Shareholders:

Shareholders who are the owners of business should be provided with correct information about company to enable them to give them true and fair position of the company to enable them to decide about further investments.

6. Community:

Responsibility of business towards community and society includes spending a part of profits towards civic and educational facilities. Every industrial undertaking should take steps to

dispose of Industrial wastes in such a way that ecological balance is maintained and environmental pollution is prevented.

7. Environment:

Business should protect the environment which has acquired great importance all over the world. Business can discharge the responsibility of protecting environment in following way:

(i) Preservation of Natural Resources:

(ii) Pollution Control

Managerial Ethics

Ethics is a branch of social science. It deals with moral principles and social values. It helps us to classify, what is good and what is bad.

Many decisions that managers make require them to consider both the process and who's

affected by the result.

Factors That Determine Ethical and Unethical Behavior

Whether someone behaves ethically or unethically when faced with an ethical dilemma is influenced by several things: his or her stage of moral development and other moderating variables including individual characteristics, the organization's structural design, the organization's culture, and the intensity of the ethical issue.

Stage of Moral Development. Research divides moral development into three levels, each having two stages. At each successive stage, an individual's moral judgment becomes less dependent on outside influences and more internalized.

At the first level, the *preconventional* level, a person's choice between right or wrong is based on personal consequences from outside sources, such as physical punishment, reward, or exchange of favors. At the second level, the *conventional* level, ethical decisions rely on maintaining expected standards and living up to the expectations of others. At the *principled* level, individuals define moral values apart from the authority of the groups to which they belong or society in general

Individual Characteristics. Two individual characteristics—values and personality—play a role in determining whether a person behaves ethically. Each person comes to an organization with a relatively entrenched set of personal **values**, which represent basic convictions about what is right and wrong.

Two personality variables have been found to influence an individual's actions according to his or her beliefs about what is right or wrong: ego strength and locus of control. **Ego strength** measures the strength of a person's convictions. **Locus of control** is the degree to which people believe they control their own fate.

Structural Variables. An organization's structural design can influence whether employees behave ethically. Those structures that minimize ambiguity and uncertainty with formal rules and regulations and those that continuously remind employees of what is ethical are more likely to encourage ethical behavior

Management's Role in encouraging ethical behaviour

The behavior of managers is the single most important influence on an individual's decision to act ethically or unethically. Some specific ways managers can encourage ethical behavior include paying attention to employee selection, having and using a code of ethics, recognizing the important ethical leadership role they play and how what they do is far more important than what they say, making sure that goals and the performance appraisal process don't reward goal achievement without taking into account how those goals were achieved, using ethics training and independent social audits, and establishing protective mechanisms.

- a) Formal mechanism for monitoring ethics
- b) Written organisational codes of conduct
- c) Widespread communication of ethics and social responsibility
- d) Leadership by example
- e) Training programmes in ethics and social responsibility

MODULE III

Planning Function of Management

Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Planning involves selecting missions and objectives and deciding on the actions to achieve them; it requires decision making, that is, choosing a course of action from among alternatives. Planning bridges the gap from where we are to where we want to go.

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.

Importance of Planning

1. *Planning increases the organization's ability to adapt to future eventualities:* The future is generally uncertain and things are likely to change with the passage of time.

The uncertainty is augmented with an increase in the time dimension. With such a rise in uncertainty there is generally a corresponding increase in the alternative courses of action from which a selection must be made. The planning activity provides a systematic approach to the consideration of such future uncertainties and eventualities and the planning of activities in terms of what is likely to happen.

2. ***Planning helps crystallize objectives:*** The first step in planning is to fix objectives which will give direction to the activities to be performed. This step focuses attention on the results desired. A proper definition and integration of overall and departmental objectives would result in more co-ordinated inter-departmental activities and a greater chance of attaining the overall objectives.
3. ***Planning ensures a relatedness among decisions:*** A crystallization of objectives as mentioned above would lead to a relatedness among the decisions which would otherwise have been random. Decisions of the managers are related to each other and ultimately towards the goals or objectives of the enterprise. Creativity and innovation of individuals is thus harnessed towards a more effective management of the company.
4. ***Planning helps the company to remain more competitive in its industry:*** Planning may suggest the addition of a new line of products, changes in the methods of operation, a better identification of customer needs and segmentation and timely expansion of plant capacity all of which render the company better fitted to meet the inroads of competition.
5. ***Adequate planning reduces unnecessary pressures of immediacy:*** If activities are not properly planned in anticipation of what is likely to happen, pressures will be exerted to achieve certain results immediately or in a hurry. Thus adequate planning supplies orderliness and avoids unnecessary pressures.

Types of Plans

Plans can be described by their breadth, time frame, specificity, and frequency of use

1. **On the basis of Breadth or scope** plans can be Strategic, tactical or operational plans.

Strategic plans (long-term plans) are plans that apply to the entire organization, establish the

organization's overall goals, and seek to position the organization in terms of its environment. **Tactical plans** are detailed programmes designed to implement the strategic goals and plans formulated by the top management.

Operational plans (short-term plans) are plans that specify the details of how the overall goals are to be achieved

2. On the basis of Time frame plans can be Short-term, medium term or long-term plans.

Short-term plans are plans that cover one year or less. These are formulated when the organizations want to accomplish their goals within a short span of time. These plans normally become tools for management of day-to-day activities in departments, divisions etc. They are the steps that lead to the fulfillment of long-term objectives. Operational plans are forms of short term plans.

Medium term plans define the organizational activities that are essential for the execution of long term plans and goals. These plans are useful for middle-level managers as they offer directions to them. They normally cover a time horizon of 1-2 years. Tactical plans are forms of medium term plans.

Long-term plans are plans with a time frame beyond three years. They are prepared when organizations require long periods of time to reach their goals. These plans provide a big picture of an organization and also indicate its future direction. Top management is involved in formulating these plans. Strategic plans are long term plans.

3. On the basis of Specificity plans can be Specific or directional plans.

Specific plans are plans that are clearly defined and leave no room for interpretation. These are apt for organizations which enjoy a stable external and internal environment. Eg a plan that aims at cutting production cost by 3 % in one year.

Directional plans are flexible plans that set out general guidelines. They provide a general direction in which the organization proposes to move forward but there are no specific plan deadlines. These plans are best suited for uncertain and volatile organizations. Eg a plan that aims at increasing corporate profit between 4 % and 6 %.

4. On the basis of Frequency of use plans can be Single-use or standing plans. A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation. Eg Programmes and budgets. Standing plans are ongoing plans that provide guidance for

activities performed repeatedly. Eg Policy, procedure, rules.

Classification of plans

Purposes or missions: It identifies the **basic functions or task of an enterprise**. The purpose of a business is generally of production and distribution of goods and services. The purpose of a state highway department is designing, building, and operating a system of state highways.

Objectives: Objectives are **ends** towards which the management seeks to achieve by its operations. They serve as a guide for overall business planning. The objective of a firm might be to make a certain profit.

Strategy: A strategy is the determination of the **basic long term objectives** of an enterprise and adoption of **courses of action** and **allocation of resources** necessary to achieve these goals. A strategy may include such major policies as marketing directly rather than distribution.

Policy: They are **general statements** meant to bring out a consistency in decision making. For example company policy may grant annual vacations to employees

Procedure: They are plans that establish a required **method of handling future activities**. Procedures are routine steps on how to carry out activities. Procedures are specified steps to be followed in particular circumstances. For example in a manufacturing company, the procedure for handling orders may involve the sales department (for the original order), the finance department (for acknowledgement of receipt of funds and for customer credit approval), the accounting department (for recording the transaction), the production department (for the order to produce the goods or the authority to release from stock), and the shipping department (for determination of shipping means and routes)

Rule: Rules are **specific statements that spell out required actions or non actions, allowing no discretion**. Eg No smoking

Programme: Programmes are detailed statements about a project which outlines the objectives, policies, procedures, rules, tasks, human and physical resources required and the budget to implement any course of action. Eg

An airline's programme to acquire a \$400 million fleet of jets.

Budget: It is a plan which quantifies future facts and figures.

Levels of planning

In management theory, it is usual to consider that there are three basic levels of [planning](#), though in practice there may be more than three levels of management and to an extent, there will be some overlapping of planning operations. The three levels of planning are discussed below:

1. **Top level planning:** also known as **overall or strategic planning**, top level planning is done by the top management, i.e., board of directors or governing body. It encompasses the long-range objectives and policies or organisation and is concerned with corporate results rather than sectional objectives. Top level planning is entirely long-range and inextricably linked with long-term objectives. It might be called the 'what' of planning.
2. **Middle level planning:** also known as **tactical planning**, it is done by middle level managers or departmental heads. It is concerned with 'how' of planning. It deals with development of resources to the best advantage. It is concerned mainly, not exclusively, with long-range planning, but its nature is such that the time spans are usually shorter than those of strategic planning. This is because its attentions are usually devoted to the step-by-step attainment of the organisation's main objective. It is, in fact, oriented to functions and departments rather than to the organisation as a whole.
3. **Lower level planning:** also known as **operational planning**, it is the concern of departmental managers and supervisors. It is confined to putting into effect the tactical or departmental plans. It is usually for a short-term and may be revised quite often to be in tune with the tactical planning.

Comparison of strategic, tactical and operational planning

Nature	Strategic planning	Tactical planning	Operational
Management level	Top level	Middle level	Supervisory level
Duration	Long term	Medium term	Short term
Coverage	Whole organisation	Functional areas like production, marketing	Departments, teams etc
Scope of guidelines	Broad and general	Neither too general nor too specific	Too specific
Purpose of Planning	Goal and objective formulation	Developing procedures for goal formulation	Goal implementation and controlling
Decision making	Centralised	Decentralised	Decentralised

Planning Process

1. **Being aware of opportunities** – All managers should take a preliminary look at possible future opportunities and see them clearly and completely, know where their company stands in light of its strengths and weaknesses, understand what problems it has to solve and why and know what it can expect to gain. Awareness of opportunities should be made in light of the market, competition, what customers want, our strengths and our weaknesses.

2. **Setting objectives:** Objectives may be set for the entire organisation and each department or unit within the organisation. Objectives specify the end results and indicate the end points of what is to be done, where primary emphasis is to be placed, and what is to be accomplished by network of strategies, policies, procedures, rules, budgets and programs.

3. **Developing premises:** Premises means the assumptions about the

environment in which the plan is to be carried out. It is important for all managers involved in the planning process to agree on the premises. The more thoroughly individuals charged with planning understand and agree to utilise consistent planning premises, the more coordinated the enterprise planning will be.

- 4. Determining alternative courses:** Search for and examine alternative courses of action.
- 5. Evaluating alternative courses:** The next step is to weigh the pros and cons of each alternative.
- 6. Selecting an alternative:** This is the real point of decision making. The best plan has to be adopted and implemented.
- 7. Implement the plan:** This is concerned with putting the plan into action.
- 8. Follow-up action:** Monitoring the plans are equally important to ensure that objectives are achieved.

Principles of Planning

1. Principle of contribution to objectives – The purpose of planning is the effective and efficient achievement of objectives.
2. Principle of primacy of planning – Planning precedes all other function of management
3. Principle of efficiency of plans – The efficiency of plans is measured on the basis of optimum costs to achieve the objectives successfully
4. Principle of planning premises – Every plan is based on carefully considered assumptions
5. Principle of limiting factor – While choosing an appropriate course of action amongst different alternatives, the limiting factor such as money, materials, machines, manpower etc should be considered
6. Principle of flexibility – There should be flexibility in the plans

Essentials of effective planning

1. Simple – A good plan must be simple and comprehensive. All employees should understand the significance and it can be easily put into operation

2. Clear and well defined objectives – A good plan must not contain anything indefinite or ambiguous. It should be well defined
3. Well balanced and flexible –It should be broad enough to meet future challenges and uncertainties
4. Time bound – The time period for achieving the objectives should be reasonable.
5. Participation by subordinates – Planning should not be the exclusive responsibility of top management. It should involve participation of subordinates.
6. Practical – Plans should be implemented easily
7. Economical – Plans should not involve unnecessary expenses on decision making, implementation and evaluation

Barriers to effective planning

1. Uncertain future – Future is full of uncertainty..
2. Resistance to change – Members of an organisation may resist changes due to implementation of plans
3. Inadequate resources – The success of planning depends critically on resources available. In the event of non-availability of adequate resources, managers will have to limit plan related activities
4. Lack of effective communication – When plans are not adequately communicated to the participants, managers will fail to get their commitment and cooperation
5. Improper contribution to planning activities at different levels – Since most of the planning is done by top management, the middle and lower level management which are closer to the operations may not understand all aspects of planning and therefore may not be able to contribute some necessary key factors as input.

Approaches to planning

1. Top-down approach – In most family owned businesses, the authority and responsibility for planning is centralised at the top. The top management defines the mission, lays down strategies and specifies action plans to achieve the stated goals. The plan is then passed to people working at lower level who have little to contribute to the process of planning
2. Bottom – up approach – Lower level management are drawn into the

preparation and implementation of plans, their loyalty and commitment would go up.

3. Composite approach – A middle path is chosen to facilitate the smooth implementation of plans. Top level offers guidelines, sets boundaries and encourages the middle and lower level executives to come out with tentative plans. Then they discuss and debate. Once approved, such plans gain acceptance readily since everyone has been drawn into the exercise.

Forecasting

A technique managers can use to assess the environment is forecasting. Forecasting is an important part of planning and managers need forecasts that will allow them to predict future events effectively and in a timely manner. Environmental scanning establishes the basis for **forecasts**, which are predictions of outcomes.

I. Qualitative methods or Opinion and judgemental methods

- Deals with
 - What do people say
 - What do they do. Useful in forecasting for new product or new market for which no past data available

A. Consumer's Opinion Survey

- Buyers are asked about their future buying intentions of products, their brand preferences and quantity of purchase.
- Possible response to increase in price, probable change in product's feature and competitive product.

B Sales force Opinion

- Salespersons are asked about their estimated sales target in their respective sales territories in a given period of time.

- Sum total of such estimates form the basis of forecasted demand.

C. Jury of expert opinion

The views of experts from sales, production, finance, purchasing and administration are averaged to generate a forecast about future sales as they are well informed about the company's market position, capabilities, competition and market trend

D. Delphi Technique

It is similar to jury of experts. In this a panel of experts is asked to respond to a series of questionnaires. The responses are tabulated and opinions of the entire group are made known to each other panel members so that they may revise their previous forecast response. The process continues until some degree of consensus is achieved

II. Quantitative methods

It relies on numerical data and mathematical models to predict future conditions. It is used when historical data is available.

The different methods of quantitative analysis are :

1. Time series analysis- Fits a trend line to a mathematical equation and projects into the future by means of this equation. Predicting next quarter's sales on the basis of 4 years of previous sales data
2. Regression models - Predicts one variable on the basis of known or assumed other variables. Seeking factors that will predict a certain level of sales (e.g., price, advertising expenditures)
3. Econometric models - Uses a set of regression equations to simulate segments of the economy. Predicting change in car sales as a result of changes in tax laws

SWOT Analysis

Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis is a technique suitable for early stages of strategic planning process. A scan of the internal and external environment is an important part of the strategic planning process. Internal environment factors are strengths and weaknesses while external environment factors are opportunities and threats.

SWOT analysis provides information that is helpful in matching the firm's resources and capabilities to the competitive environment in which it operates.

Strengths: factors that give an edge for the company over its competitors. Eg Employee strengths, skills, location etc

Weaknesses: factors that can be harmful if used against the firm by its competitors. Eg employee turnover, employee absenteeism

Opportunities: favorable situations which can bring a competitive advantage. Eg change in government policies

Threats: unfavorable situations which can negatively affect the business. Eg change in legal policies, political instability

	Opportunities (external, positive)	Threats (external, negative)
Strengths (internal, positive)	Strength-Opportunity strategies Which of the company's strengths can be used to maximize the opportunities you identified?	Strength-Threats strategies How can you use the company's strengths to minimize the threats you identified?
Weaknesses (internal, negative)	Weakness-Opportunity strategies What action(s) can you take to minimize the company's weaknesses using the opportunities you identified?	Weakness-Threats strategies How can you minimize the company's weaknesses to avoid the threats you identified?

Management by Objectives (MBO)

MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'.

Instead of using traditional goal setting, many organizations use management by objectives (MBO), a process of setting mutually agreed-upon goals and using those goals to evaluate employee performance. It is a process of agreeing within an organization so that management and employees buy into the objectives and understand what they are. It has a precise and written description objectives ahead, timelines for their monitoring and achievement. The employees and manager agree to what the employee will attempt to achieve in a period ahead and the employee will accept and buy into the objectives. It is process whereby the superior and subordinate managers of an enterprise jointly identify the common goals of the enterprise, define each individuals responsibility in terms of result expected of him and use

the objectives developed as guidelines for operating the unit and assessing the contribution of each of its members.

MBO programs have four elements – goal specificity, participative decision making, an explicit time period and performance feedback. Instead of using goals to make sure employees are doing what they are supposed to be doing, MBO uses goals to motivate them as well.

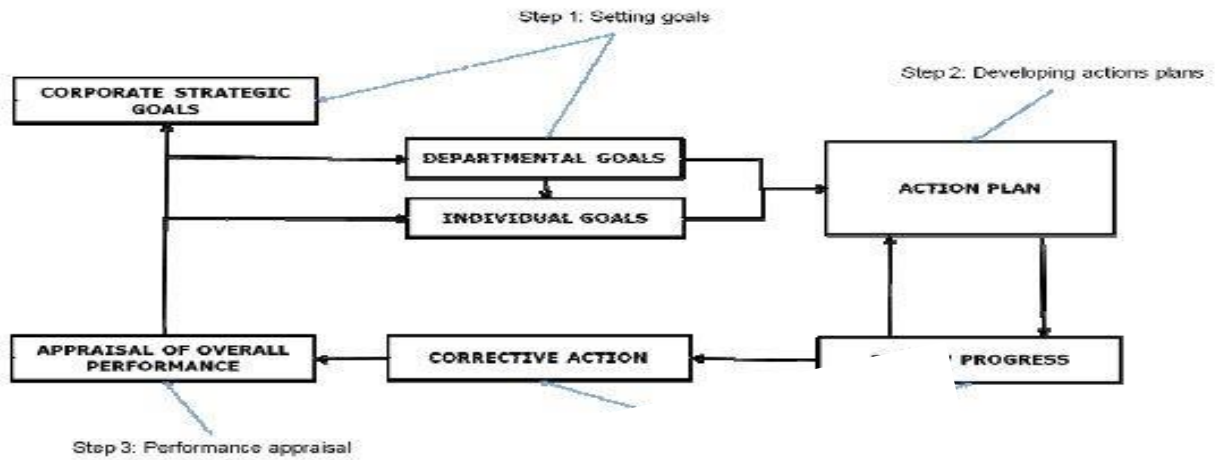
Definition

“MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual’s major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members.”

Features of MBO

1. Superior subordinate participation – MBO requires the superior and the subordinate to recognize that the development of objectives is a joint project
2. Joint goal setting – The subordinate in consultation with his superior sets his own short term goals. Participation encourages commitment
3. Joint decision on methodology – MBO focuses attention on what must be achieved rather than how to achieve it. The superior and subordinate together devise the methodology
4. Makes way to attain maximum result – MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focussing on attainable goals.
5. Support from superior – When subordinate makes efforts to achieve his goals the superiors helping hand is always available

Steps in MBO:



1) Setting objectives:

For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors.

The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them.

Peter Drucker used the acronym SMART (Specific, Measurable, Achievable, Realistic and Time bound)

2) Developing action plans

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

3) Reviewing Progress:

Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced.

4) Performance appraisal:

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

Advantages

- Motivation – Involving employees in the whole process of goal setting and increasing employee empowerment. This increases employee job satisfaction and commitment.
- Better communication and Coordination – Frequent reviews and interactions between superiors and subordinates helps to maintain harmonious relationships within the organization and also to solve many problems.
- Clarity of goals
- Subordinates have a higher commitment to objectives they set themselves than those imposed on them by another person.
- Managers can ensure that objectives of the subordinates are linked to the organization's objectives.

Limitations

There are several limitations to the impact of managing by objectives, including:

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

MODULE 4

Organizing Function of Management

Organising is the process of defining and grouping activities and establishing authority relationships among them to attain organizational objectives.

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

Nature or Characteristics of Organising

(1) Division of Work: Division of work is the basis of an organization. Under division of work the entire work of business is divided into many departments. The work of every department is further sub-divided into subworks. In this way each individual has to do the same work repeatedly which gradually makes that person an expert.

(2) Coordination: Under organizing different persons are assigned different works but the aim of all these persons happens to be the same - the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other's work even though it happens to be different.

(3) Plurality of Persons: Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.

(4) Common Objectives: There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.

(5) Well-defined Authority and Responsibility: Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post.

Importance of Organizing

Specialization: The work of an organization is separated into units and departments through an organizational network of associations. This helps in getting specialization in different areas of work in an organization.

Well-defined jobs: Organizational structure aids in getting the right people to do the job by choosing people in accordance with their skills, knowledge and qualifications for working in different departments of the organization. This aids in properly defining the work of an organization which further aids in explaining the responsibilities of each person.

Clarifies authority: Organizational structure aids in helping the manager to understand each person's role. This can be achieved in the manager being able to understand clearly how he has to use his powers. This aids in an increase in production as jobs and responsibilities that are well defined make the manager's jobs much more efficient.

Co-ordination: Organization is a process of establishing co-ordination amongst various departments and it also aids in defining relations amongst various positions and individuals assisting each other. If the managers at a higher level implement their power over the network of activities of managers at lower levels, it can bring about efficiency in work.

Effective administration: The organizational structure aids in clarifying the positions of the jobs. The roles and responsibilities of different managers are well-defined and by dividing the work it is easy to achieve specialization. This further aids in an organization that is well-organized and efficient.

Organising Process

Determination of Objectives: 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

Division of work: The first process of Organising includes identification and division of work which shall be done in accordance with the plans that are determined previously.

Departmentation: once the work of identifying and dividing the work has been done those that are similar are to be grouped together.

Linking departments: When the process of departmentation was completed, linking of departments has to be done so that those departments operate in a co-ordinated manner which gives a shape to overall organisation structure.

Assigning Duties: On completion of departmentation process assigning duties i.e. defining authority and responsibility to the employees on the basis of their skills and capabilities has to be done, which in consequence magnifies efficiency with regard to their work.

Defining hierarchical structure: Each employee should also know from whom he has to take orders and to whom he is accountable/responsible.

Principles of organizing

1. Principle of unity of objectives – An organisation must have clearly defined objective. Organisational structure is effective if it facilitates the contribution made by all individuals in the enterprise towards the attainment of objectives of the enterprise.
2. Principle of span of control - span of control is a span of supervision which depicts the number of employees that can be handled and controlled effectively by a single manager. According to this principle, a manager should be able to handle what number of employees under him should be decided.
3. Principle of scalar chain - Scalar chain is a chain of command or authority which flows from top to bottom. With a chain of authority available, wastages of resources are minimized, communication is affected, overlapping of work is avoided and easy organization takes place.
4. Principle of Unity of command - It implies one subordinate-one superior relationship. Every subordinate is answerable and accountable to one boss at one time. This helps in avoiding communication gaps and feedback and response is prompt.
5. Principle of authority and responsibility – Manager should keep a balance between authority and responsibility
6. Principle of specialisation - the whole work of a concern should be divided amongst the subordinates on the basis of qualifications, abilities and skills. It is through division of work specialization can be achieved which results in effective organization

Span of Control

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

Factors Affecting Span of control:

- a) Capacity of Superior:

Different ability and capacity of leadership, communication affect management of subordinates.

- b) Capacity of Subordinates:

Efficient and trained subordinates affects the degree of span of management.

c) Nature of Work:

Different types of work require different patterns of management.

d) Degree of Centralization or Decentralization:

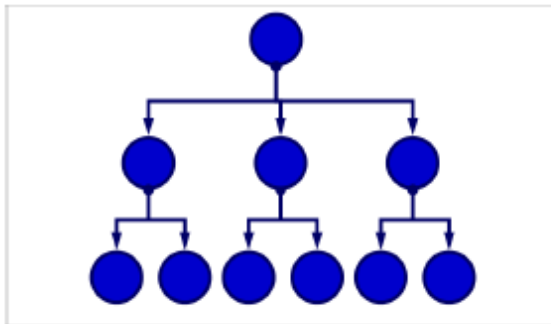
Degree of centralization or decentralization affects the span of management by affecting the degree of involvement of the superior in decision making.

e) Degree of Planning:

Plans which can provide rules, procedures in doing the work higher would be the degree of span of management.

Span of control is of two types:

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



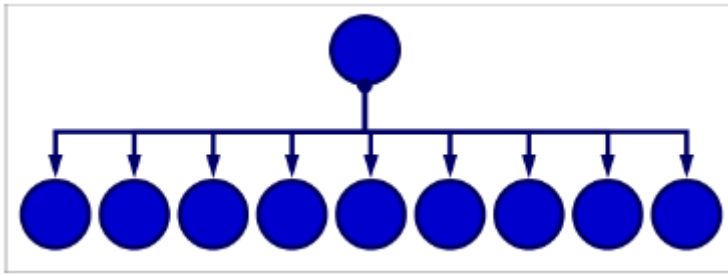
Advantages:

- Close supervision
- Close control of subordinates
- Fast communication

Disadvantages:

- Too much control
- Many levels of management
- High costs
- Excessive distance between lowest level and highest level

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

**Advantages:**

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

Disadvantages:

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

Types of Organisation Structure

There are two types of organisation structure – Formal organisation structure and Informal Organisation structure

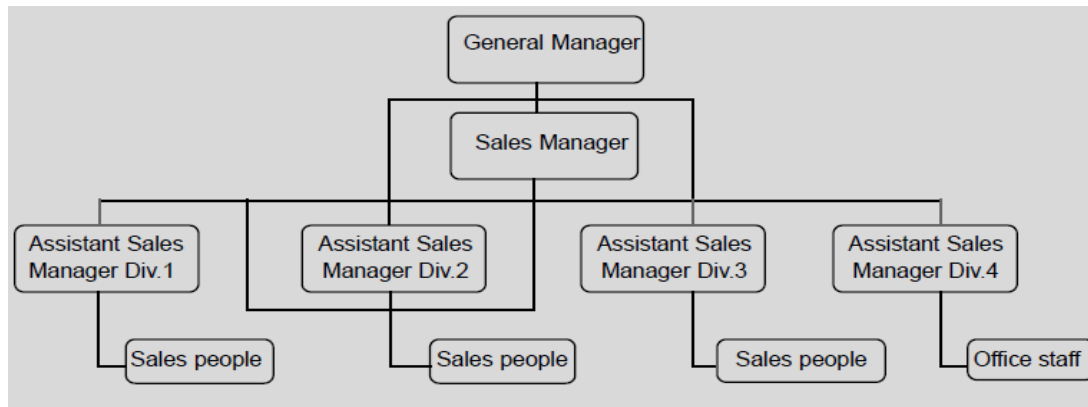
Formal organisation means an intentional structure of roles in a formally organised enterprise. It refers to the structure of jobs and positions with defined functions and relationships. This type of organisation is built by the management to realise its objectives.

Informal organisation is a network of interpersonal relationships that arise when people interact with each other. It refers to the relationships between people based not on procedures but on personal attitudes, prejudices, likes and dislikes.

TYPES OF FORMAL ORGANISATIONAL STRUCTURE**a. Line Organisation**

It is perhaps the oldest and the simplest organisational structure. Line functions are those which have direct responsibility for accomplishing the objective of the enterprise. In this kind of structure every manager exercise a direct authority over his subordinate who in turn directly reports to their superiors.

- There is a hierarchical arrangement of authority.
- Each department is self contained and works independently of other departments.
- Lines of authority are vertical i.e. from top to bottom.
- There are no staff specialists.



Advantages

- Simple to establish and operate
- Promotes prompt decision making.
- Easy to control as the managers have direct control over their subordinates.
- Communication is fast and easy as there is only vertical flow of communication.

Disadvantages

- Lack of specialisation
- Managers might get overloaded with too many things to do.
- Failure of one manager to take proper decisions might affect the whole organisation.

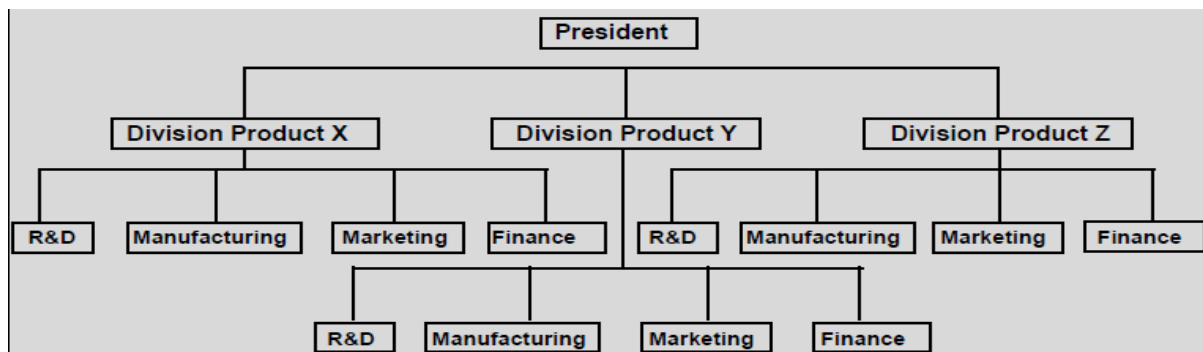
However, line structures are suitable for

- small businesses where there are few subordinates
- organisations where there is largely of routine nature and methods of operations are simple.

b. Functional Organisation

Under this system, the whole task of management and direction of subordinates is divided according to the type of work involved. The organisation is divided into a number of functional areas. This organisation has grouping of activities in accordance with the functions of an organisation such as production, marketing, finance, human resource and so on. The specialist

in charge of a functional department has the authority over all other employees for his function.



Advantages

- Is logical and reflection of functions
- Follows principle of occupation specialisation
- Simplifies training
- Better control as the manager in charge of each functional department is usually an specialist.

Disadvantages

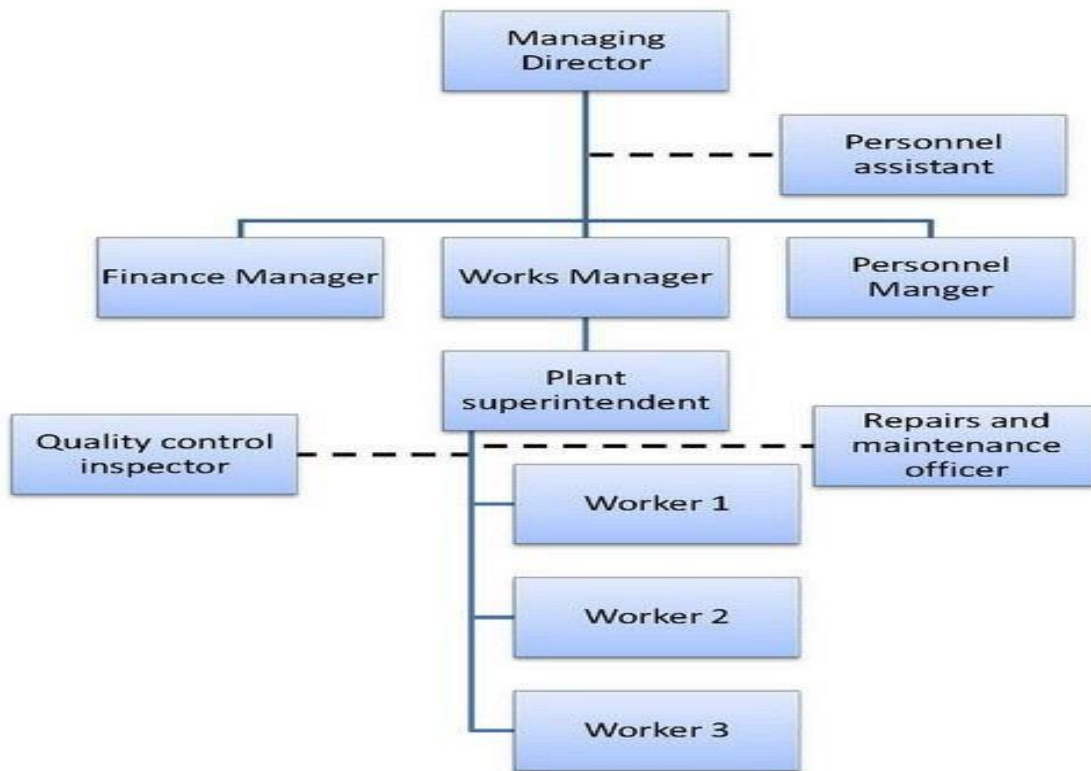
- Reduced coordination between functions.
- Conflicts between different functions could be detrimental for the organisation as a whole.
- Difficult for general managers to coordinate different departments.

However, it is much suitable for large organisations where there is ample scope for specialisation. Once harmony and proper coordination among different functions is achieved, it could lead to sure success for an organisation.

c. Line and Staff Organisation

It is a combination of line and functional structures. Under this organisation the “line” is supported by the “staff”. Staff personnel acts as an advisory group adjacent to the line. In this

organisation structure, the authority flows in a vertical line and gets the help of staff specialist who are in advisory. When the line executives need advice, information about any specific area, these staff specialists are consulted. For example Chief accountant has command authority over accountants and clerks in the accounts departments but he has only advisory relationship with other departments like production or sales.



Advantages

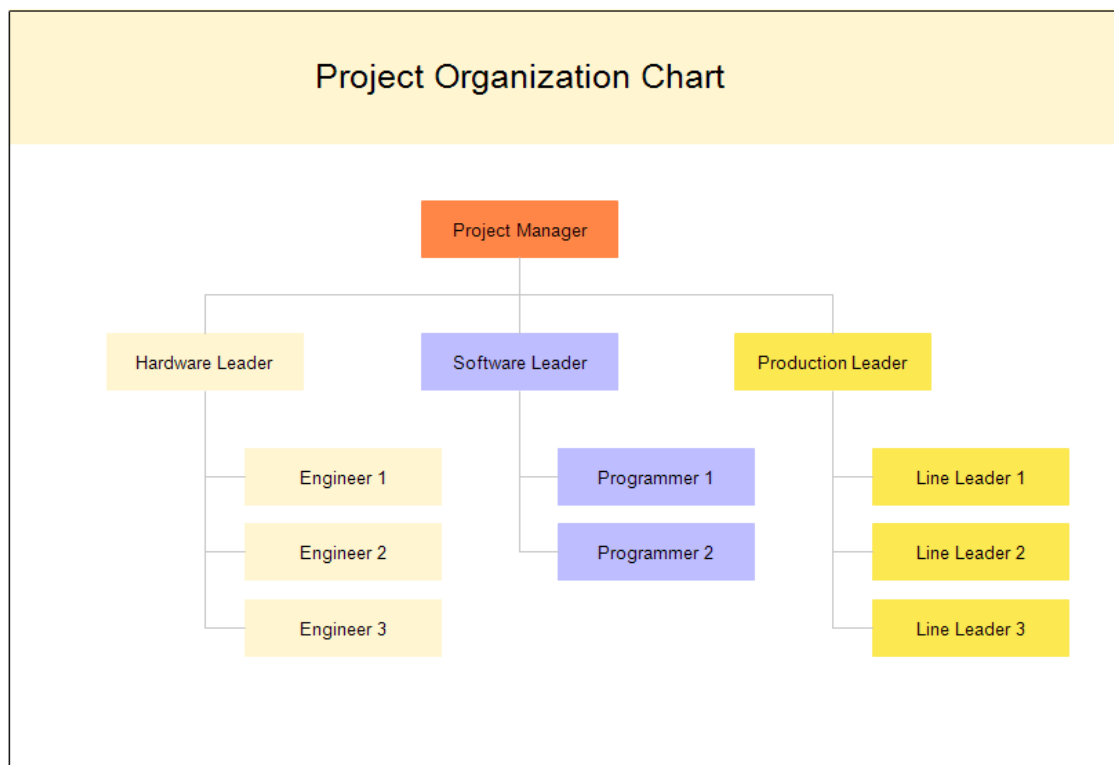
- Line managers are provided expert advice by these specialists.
- Staff managers provide specialist advice which can improve quality of decisions in various departments.

Disadvantages

- Line managers and staff managers might have conflicts on particular issues.
- Line and staff managers might not be clear as to what the actual area of operations is and what is expected of them. Co-ordination may be a problem.

d. Project Organisation

Project organisation is not a separate type of organisation like the line, functional or line and staff organisation; rather it is set up within an organisation for the purpose of completing a project or accomplishing assigned objectives in time and within cost and profit goals laid down by the management. The project structure consists of a number of horizontal organisational units to complete projects of a long duration. A team of specialists from different areas is created for each project. Usually this team is managed by the project manager. The project staff is separate from and independent of the functional departments.



Advantages

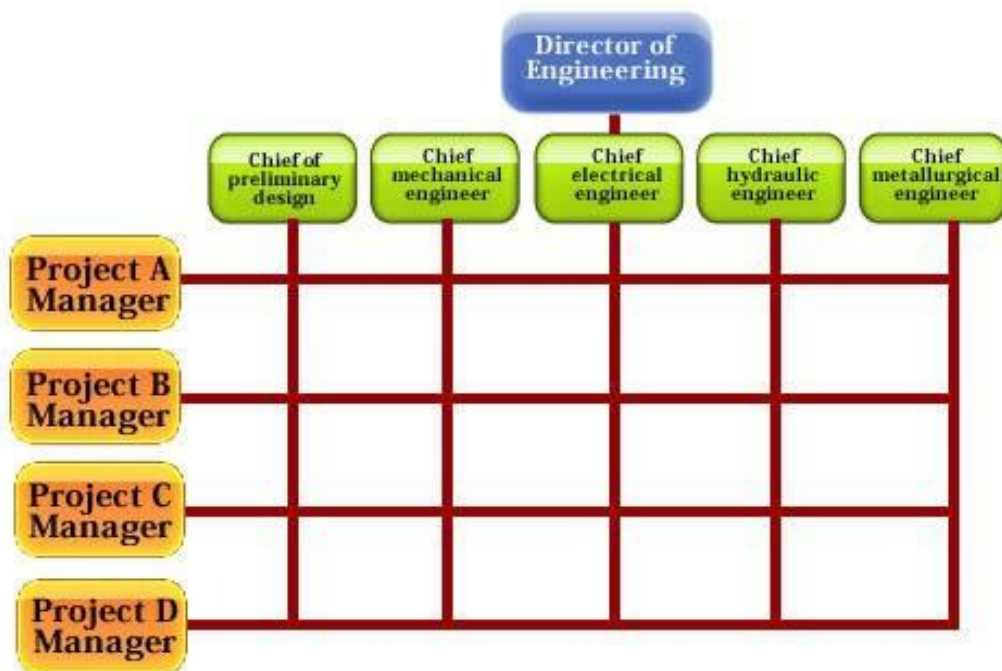
- Special attention can be provided to meet the complex demand of the project.
- It allows maximum use of specialist knowledge thus chances of failure are very less.
- Project staff works as a team towards common goal which results in high motivation level for its members.

Disadvantages

As the project staff consists of personnel from diverse fields, it might be quite challenging for the project manager to coordinate among them.

e. Matrix Organisation

- Matrix organisation combines two structures – functional departmentation and project structure.
- Functional department is a permanent feature of the matrix structure and retains authority for overall operation of the functional units.
- Project teams are created whenever specific projects require a high degree of technical skill and other resources for a temporary period.
- Project team form the horizontal chain and functional departments create a vertical chain of command.
- Members of a particular team are drawn from the functional departments and are placed under the direction of a project manager who has the overall responsibility of a particular project.



Matrix Organisation Structure

Determinants of organizational structure

1. **Environment** – An organization's structure is affected by its environment because of environmental uncertainty. Some organizations face relatively static environments, ie few forces in the environment are changing. Other organizations face very dynamic environments, which are rapidly changing. One word to reduce environmental uncertainty is through adjustments in the organization structure.
2. **Strategy** – There is a close relation between the organizational strategy and its structure. The understanding of this relationship is important so that in implementing the strategy, the organization structure is designed according to the needs of the strategy. Without coordination between structure and strategy there would be confusion and misdirection within the organization.
3. **Size** – Organization size is defined as the total number of employees. The larger an organization becomes, the more complicated is its structure. When an organization is small its structure is simple. In a small organization it may not sometimes have a formal organization structure. Individuals may simply perform tasks based on their likes, dislikes, ability or need. As an organization becomes bigger it becomes difficult to operate without a formal organization structure.
4. **Organization life cycle** – As an organization ages it tends to be more larger. Hence the need for a more formal organization structure.

5. Technology – Technology refers to the methods used in production. The process that transforms inputs to outputs differ by their degree of routineness. The more routine the technology the more standardized the structure.

Departmentation

Determining the functions to be performed involves consideration of division of labour, this is usually accomplished by a process of departmentation. Grouping related functions into manageable units to achieve the objectives of the enterprise in the most efficient and effective manner is departmentation.

Departmentation is the process by which similar activities of the business are grouped into units for the purpose of facilitating smooth administration at all levels.

Purpose of departmentation

1. Group the individuals with common background and shared characteristics
2. Define relationships of positions within an organisation
3. Establish formal lines of authority and fix clear responsibility
4. Provide job specialisation to the members
5. Increase economies of scale (cost reduction through enhanced production)

Types of departmentation

Function wise Departmentation

When departments are formed on the basis of the specialized activities or functions performed by an organization, it is called functional departmentation.

The advantages of this type of structure are as follows:

- (i) It is a logical reflection of functions.
- (ii) It follows the principle of specialisation.
- (iii) Maintains power and prestige of major functions.
- (iv) Inter-departmental co-ordination is facilitated.
- (v) The structure is simple, logical and easy to understand.

There are also some disadvantages:

- (i) Responsibility for profits tends to be at the top.
- (ii) There may be chances of heavy centralisation in decision-making.
- (iii) Where geographical centralisation is desirable or required, this form becomes unsuitable.
- (iv) This is not very suitable where product lines have to be emphasized.

- (v) There is a lower potential for manager development.

Product wise Departmentation

Grouping of activities based on product lines or products is product wise departmentation. In this kind of departmentation, all activities connected with each product, including its production, marketing etc are grouped together under one department. For eg in an automobile manufacturing company, departments may be created for two wheelers, three wheelers, four wheelers etc

The advantages of this type of structure are:

- (i) Places greater effort on individual product line.
- (ii) Better customer service arising from greater product knowledge.
- (iii) Simplifies departmentation of profitability of each product line. Responsibility for profits is at the Division level.
- (iv) Improves co-ordination of functional activities.
- (v) New department may be added without difficulty. Permits growth and diversity of products and services.

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Some of the disadvantages inherent in such departmentation are:

- (i) A customer has to deal with different salesmen or managers for different products of the same company.
- (ii) Extra costs of maintaining separate sales force for each product.
- (iii) Duplication of costs on travel, etc.
- (iv) Tends to make maintenance of economical central services difficult.
- (v) Results in increased problems of the top management control.

Territorial or Geographical Departmentation

When organisations are spread out throughout the world or have territories in many parts of the country, departmentation by geographic area may provide better service to customers and be more cost effective. It may be important that activities in a given territory be grouped and assigned to a manager.

The advantages of such departmentation are:

- (i) Regional expertise is generated and managers can tackle customers or competition

better. Places responsibility at lower levels.

- (ii) Proximity will reduce costs of operation and administration.
- (iii) Places emphasis on local markets and problems. Local conditions might warrant different types of selling. This is possible only in territorial departmentation.
- (iv) Improves co-ordination at the regional level.
- (v) Better face-to-face communication with local interests in mind.

Some disadvantages are listed as follows:

- (i) Involves higher costs of co-ordination and control from headquarters.
- (ii) Results in more managerial levels which increases overhead costs.
- (iii) Unsuitable for departments like Finance, where no gains are possible by specialisation on local factors.
- (iv) Increases problems of the top management control.

Departmentation by Customers

When the organizational activities are grouped on the basis of the type of customers served, it is called customer departmentation. The primary purpose of this form of departmentalization is to ensure that organizations respond to the requirements of a specific customer groups efficiently. Example in case of banks there could be corporate banking, agricultural banking, institutional banking, community banking etc.

Some advantages of this type of structure are:

- (i) Greater specialized customer service.
- (ii) Where marketing channels are considerably different for various types of customers, this type of structure is very useful.

Some disadvantages of this type are:

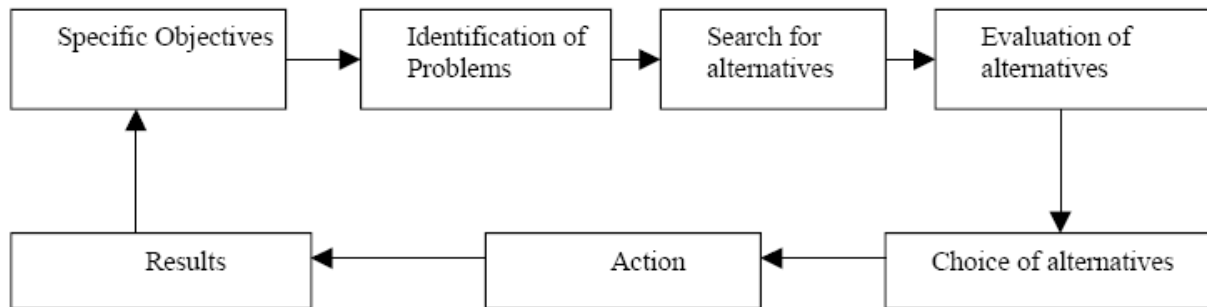
- (i) May not be enough work for certain types of customers. Hence, under employment of facilities and manpower specialized in terms of customer groups.
- (ii) Problems of co-ordination might pose difficulties.
- (iii) Unequal development of customer groups.

DECISION MAKING

"Decision-making is the selection based on some criteria from two or more possible alternatives".

Decision Making Process

The decision making process is presented in the figure below:



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

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

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

identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization.

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

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

Analysis helps managers to gain an insight into the problem.

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

- His own past experiences

- Practices followed by others and
- Using creative techniques.

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

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

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

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

Factors affecting the decision making process

1. **The decision situation** – Elements of change, risk and uncertainty are common in a decision situation and recognizing and making sense of these elements are the main challenges that decision makers face

2. **The decision makers** – Different people approach decision making in different ways. Individuals are unique in terms of their personalities, abilities, beliefs and values. There are therefore many issues around who is involved in decision making process

3. **Time** – A decision is made at a particular time in a particular set of circumstances. The decision situation can change very rapidly which will affect the decision making

4. **People affected by the decision** – People likely to be affected will have an influence on the outcome of a decision

5. **Decision criteria** – The criteria that are established and used to evaluate alternative courses of action in decision making will affect the outcome of a decision.

Characteristics of Decision Making

1. Decision making implies that there are various alternatives and the most desirable alternative

is chosen to solve the problem or to arrive at expected results. It implies **choice**

2. Decision making is **continuous** and a dynamic process.
3. It **involves inbuilt risk and uncertainty** as it relates to the future
4. It is a **time consuming activity** as various aspects need careful consideration and various steps are required to be followed.
5. Decision-making is **goal-oriented**.

Importance of decision making

1. Better utilization of resources
2. Helps to face challenges and problems effectively
3. Helps to achieve objectives
4. Increases efficiency
5. Facilitates innovation

Limitations of decision making

1. Time consuming
2. Compromised decisions
3. Biased Decision
4. Limited analysis
5. Uncertain future

Types of Decisions

a) Programmed and Non-Programmed Decisions:

- i) **Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.
- ii) **Non-Programmed Decisions:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

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

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

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

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

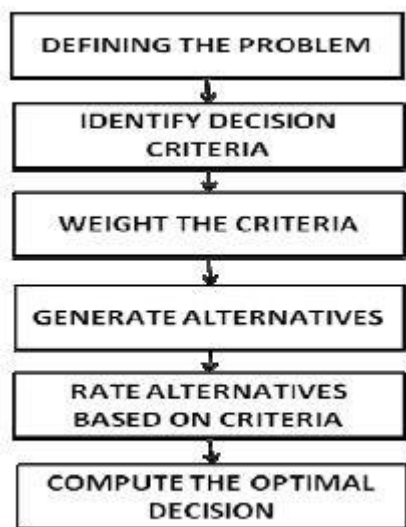
iii) Operational decisions: These are day to day decisions made by junior managers that are simple and routine. This could involve the regular ordering of supplies or the creation of a staff rota. They are decisions regarding the day-to-day functions of a business. These decisions are considered operational decisions and they are subordinate to strategic and tactical decisions. While these decisions are the responsibility of low-level managers, good decision making is crucial here since such decisions focus on productivity, quality control and employee performance. Moreover, operational decisions can be broken down into:

- Short term planning needs like ordering supplies, establishing work priorities and enlisting temporary help
- Medium term planning like hiring and firing personnel, purchasing equipment, training individuals and modifying procedures

- Long term planning like replacing subcontractors, redesigning production facilities and modifying capacity

Rational Decision-Making model

The process is one that is logical and follows the orderly path from problem identification through solution. It provides a structured and sequenced approach to decision making. Using such an approach can help to ensure discipline and consistency is built into your decision making process.



The Six-Step Rational Decision-Making Model

1. Define the problem.
2. Identify decision criteria
3. Weight the criteria
4. Generate alternatives
5. Rate each alternative on each criterion
6. Compute the optimal decision

1) Defining the problem

This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.

2) Identify decision criteria

Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision. This step brings the decision maker's

interests, values, and personal preferences into the process.

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

3) Weight the criteria

The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.

4) Generate alternatives

The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.

5) Rate each alternative on each criterion

The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.

6) Compute the optimal decision

Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

Decision making under various circumstances

The conditions for making decisions can be divided into three types. Namely a) Certainty, b) Risk and c) Uncertainty

Decision Making under Certainty

In this environment, the decision maker knows with certainty the consequences of selecting every course of action or decision choice. In this type of decision problems the decision maker presumes that only one state of nature is relevant for his purposes. He identifies this state of nature, takes it for granted and presumes complete knowledge as to its occurrence. For example, suppose a person has Rs 5,00,000 to invest for a one year period. One alternate is to open a savings account paying 4% interest and another is to invest in a government treasury paying 9% interest. If both investments are secure and guaranteed, then there is a certainty that the treasury note will be the better investment.

The various techniques for solving problems under certainty are i) System of equations ii) Linear programming iii) Inventory models iv) Break even analysis

Decision Making under Risk

The future conditions are not always made in advance. In real life most managerial decisions are made under risk decisions, that is, some information is available but it is insufficient to answer all the questions about the outcome. So a decision maker has to make probability estimates of these outcomes. In decision making under **risk** one assumes that there exist a number of possible future states of nature. Each has a known (or assumed) probability of occurring, and there may not be one future state that results in the best outcome for all alternatives

Examples of future states and their probabilities are as follows:

- Alternative weather (weather) will affect the profitability of alternative construction schedules; here, the probabilities of rain and of good weather can be estimated from historical data.

Important methods of decision making under risk include:

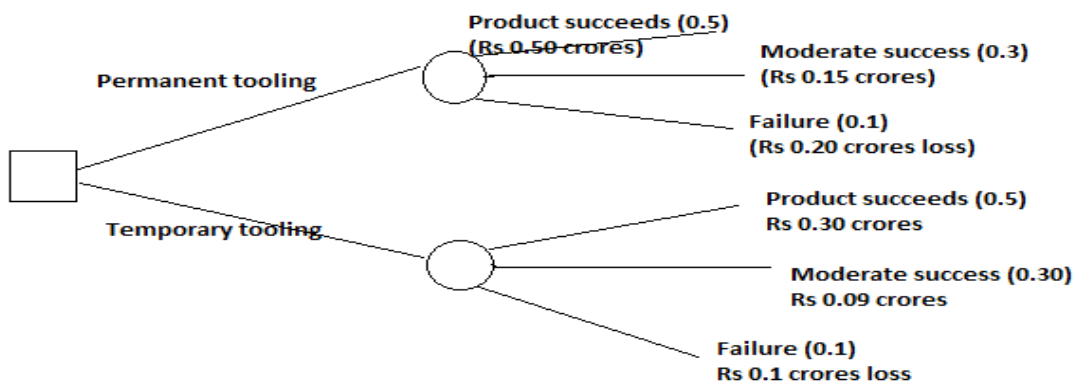
Decision trees

Some decisions involve a series of steps, the second step depending on the outcome of the first, the third depending on the outcome of the second and so on. Often uncertainty surrounds each step, so the decision maker faces uncertainty piled on uncertainty. Decision trees are a model for solving such a problem.

Decision tree is a graphical method for identifying alternate actions, estimating probabilities, and indicating the resulting expected payoff. This graphical form visually helps the decision maker view his alternatives and outcomes. Instead of compressing all the information regarding a complex decision into a table, decision maker can draw a schematic representation of the problem that displays the information in more easily understandable fashion.

Example of the problems which can be solved through decision tree may be when a new product is to be introduced, whether to tool up for tool up for it in a major way as to assure production at the lowest possible cost or to undertake cheaper temporary tooling involving a higher manufacturing cost but lower capital losses if the product does not sell well as estimated etc.

Here the second step of decision, that is, going for major or minor tooling, depends on the outcome of the first decision, that is, whether to go for new product or not. Similarly within the major tooling, there may be alternatives which can be considered in the light of decision made of tooling.



Squares represent decisions you can make. The lines that come out of each square on its right show all the available distinct options that can be selected at that decision analysis point. Circles show various circumstances that have uncertain outcomes (For example, some types of events that may affect you on a given path). The lines that come out of each circle denote possible outcomes of that uncontrollable circumstance.

Decision Making under Uncertainty

At times a decision maker cannot assess the probability of occurrence for the various states of nature. Uncertainty occurs when there exist several (i.e., more than one) future states of nature but the probabilities of each of these states occurring are not known. In such situations the decision maker can choose among several possible approaches for making the decision. A different kind of logic is used here, based on attitudes toward risk. Such situations arise when a new product is introduced in the market or a new plant is set up.

Following choices are available before the decision maker in situations of uncertainty

- Maximax, Minimax, Maximin, Laplace and Hurwicz Alpha criteria.

Maximax Decision Criterion

The term Maximax is the abbreviation of the phrase maximum of the maxima. It is also called the criterion of optimism. An adventurous and aggressive decision maker chooses that act that

would result in the maximum payoff possible. Suppose for each act there are three possible payoffs, corresponding to three states of nature as given in the following decision matrix

Payoff Table States of nature

Acts	S1	S2	S3
A1	220	160	140
A2	180	190	170
A3	100	180	200

The maximum of these three maximums is 220 which relates to A1.

Consequently, according to the Maximax criteria, the decision is to choose A1.

Minimax Decision Criterion

Minimax is just opposite to maximax. Application of the minimax criterion requires a table of losses instead of gains. The losses are the costs to be incurred or the damages to be suffered for each of the alternative act and states of nature. The minimax rule minimizes the maximum possible loss for a course of action. The term minimax is an abbreviation of the phrase minimum of maxima loss. Under each of the various acts, there is a maximum loss and the act that is associated with the minimum of the various maximum losses is the act to be undertaken according to the minimax criterion. Suppose the loss table is

Opportunity loss table States of nature

Acts	S1	S2	S3
A1	0	3	18
A2	5	0	14
A3	10	7	0

Maximum losses incurred by the various decisions. And the minimum among these three maximums is 0 which is offered by A3. According to Minimax criteria, the decision maker should take A3.

Maximin decision criterion (criterion of Pessimism)

The maximin criterion of decision making stands for choice between alternative courses of action assuming pessimistic view. Taking each act in turn, we note the worst possible results in terms of pay off and select the act which maximizes the minimum pay off.

Suppose the pay off table is

Acts	S1	S2	S3	S4
A1	-80	-30	30	75
A2	-60	-10	15	80
A3	-20	-2	7	25

Minima under each decision $A1 = -80$, $A2 = -60$, $A3 = -20$.

According to Maximin criterion, $A3$ is to be chosen, which gives maximum pay off among minima.

Laplace criterion

As the decision maker has no information about the probability of occurrence of various events, the decision maker makes a simple assumption that each probability is equally likely. The expected Pay off is worked out on the basis of these probabilities. Then act having maximum expected pay off is selected.

Acts	S1	S2	S3
A1	21	24	30
A2	12	15	18
A3	24	30	27

We associate equal probability for each event – $1/3$ to each state of nature. So, as per Laplace criterion, expected pay off are

$$A1 = 21 \times 1/3 + 24 \times 1/3 + 30 \times 1/3 = 25$$

$$A2 = 12 \times 1/3 + 15 \times 1/3 + 18 \times 1/3 = 15$$

$$A3 = 24 \times 1/3 + 30 \times 1/3 + 27 \times 1/3 = 27$$

Since $A3$ has maximum expected pay off, as per Laplace criterion, $A3$ is the Act to be selected.

Hurwicz Alpha criterion

This method is a combination of maximin criterion and minimax criterion. In this method, the decision maker's degree of optimism is represented by alpha -the coefficient of optimism. Alpha varies between 0 and 1. When alpha is = 0, there is total pessimism and when alpha is =1, there is total optimism. As per the criterion, Hurwicz value is calculated for each Act, considering maximum pay off and minimum pay off as per an Act. Hurwicz value is the total of products of maximum payoff and alpha, and minimum pay off and $1 - \alpha$.

Hurwicz value = Max pay off x alpha + mini pay off x 1- alpha for an Act.

Consider following pay off table. Hurwicz alpha value given is = .6

Acts	S1	S2	S3
A1	20	25	30
A2	12	15	20
A3	25	30	22

Hurwicz value for A1 = $30 \times .6 + 20 \times .4 = 26$

Hurwicz value for A2 = $20 \times .6 + 12 \times .4 = 16.8$

Hurwicz value for A3 = $30 \times .6 + 22 \times .4 = 26.8$

Since Hurwicz value is maximum for A3, it is the optimal Act. It is to be chosen.

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Creative Process and Innovation

The term creativity refers to the ability and power to develop new ideas. Innovation means the use of these ideas.

The Creative Process:

- 1. Unconscious scanning** – This scanning requires an absorption in the problem, which may be vague in the mind.
- 2. Intuition** – It connects unconscious with the conscious. This stage may involve a combination of factors that may seem contradictory at first. Intuition requires that people find new combinations and integrate diverse concepts and ideas.
- 3. Insight** – It is mostly the result of hard work. Insight may come at times when the thoughts are not directly focused on the problem at hand.
- 4. Logical formulation** – it is the verification stage. Insight needs to be tested through logic or experiment.

Brainstorming

One of the best known techniques for facilitating creativity was developed by Alex F Osborn. Brainstorming is the name given to a situation when a group of people meet to generate new ideas around a specific area of interest. Using rules which remove inhibitions, people are able to think more freely and move into new areas of thought and so create numerous new ideas and solutions. The participants shout out ideas as they occur to them and then build on the ideas raised by others. All the ideas are noted down and are not criticized. Only when the brainstorming session is over are the ideas evaluated.

The rules of brainstorming are:

1. No ideas are ever criticized
2. The more radical the ideas, the better
3. The quantity of idea production is stressed
4. The improvement of ideas by others is encouraged

Brainstorming process:

1. Define and agree the objective.
2. Brainstorm ideas and suggestions having agreed a time limit.
3. Categorise/condense/combine/refine.
4. Assess/analyse effects or results.
5. Prioritise options/rank list as appropriate.
6. Agree action and timescale.
7. Control and monitor follow-up

MODULE V

1. STAFFING

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

Authority

Authority implies the right to command and the power to act. Authority is the right to give orders to subordinates, right to make decisions, and right to control subordinates.

Types of authority

1. Line authority – It is given to line managers to achieve the objectives of the organization
2. Staff authority – It is given to staff managers to give advice and service to the line managers
3. Functional authority – it is the right delegated to an individual or a department to control specified processes, policies or other matters relating to the activities undertaken by persons in the other departments. Eg. Production manager is given line authority in production department. However functional authority may be given for a particular department or full organization. So functional authority is not restricted to a particular department.

Responsibility

It is the work assigned to a position. Responsibility is the assignment of duties by the executive to the subordinates, which the subordinate is expected to perform. This now becomes the responsibility of the subordinate to complete the task given to him by the executive.

Empowerment

Empowerment means that employees, managers, or teams at all levels in the organization are given the power to make decisions without asking their superiors for permission.

Empowerment of subordinates means that superiors have to share their authority and power with the subordinates. This participation raises self esteem. It enhances the sense of belonging and worth and increases their productivity.

Delegation

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and suballocation of powers to the subordinates in order to achieve effective results.

Centralisation

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

Characteristics

Philosophy / emphasis on: top-down control, leadership, vision, strategy.

Decision-making: strong, authoritarian, visionary, charismatic.

Organizational change: shaped by top, vision of leader.

Execution: decisive, fast, coordinated. Able to respond quickly to major issues and changes.

Uniformity. Low risk of dissent or conflicts between parts of the organization.

Advantages of Centralization

Standardisation of procedures

Coordination of activities

Greater efficiency

Reduced cost

Disadvantages of Centralization

Destroys individual initiative.

Slows down operation

Overburden for few

Decentralisation

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

Characteristics

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

Advantages of Decentralization

- Raise morale and promote interpersonal relationships
- Relieve from the daily administration
- Bring decision-making close to action
- Develop Second-line managers
- Promote employee's enthusiasm and coordination

Disadvantages of Decentralization

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

Recentralisation of authority

At times an enterprise can be said to recentralize authority – to centralize authority that was once decentralized. Recentralisation is not normally a complete reversal of decentralization, as the authority is not wholly withdrawn by the managers who made it. The process is a centralization of authority over a certain type of activity or function, wherever in the organization it is found.

Organisation culture

The attitude, traits and behaviour patterns which govern the way an individual interacts with

others is termed as culture. In the same way organizations have certain values, policies, rules and guidelines which help them create an image of their own. Organisational culture is the general pattern of behaviour, shared beliefs, and values that members have in common.

Types of organizational culture

- 1. Strong organization culture** – It refers to a situation where the employees adjust well, respect the organizations policies and adhere to the guidelines. In such a culture people enjoy working and take every assignment as a new learning and try to gain as much as they can.
- 2. Weak organizational culture** – In such a culture individuals accept their responsibilities out of fear of superiors and harsh policies. The employees in such a situation do things out of compulsion.

Staffing Process



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

a) Manpower requirements:

Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

b) Recruitment:

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

c) Selection:

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

d) Training and Development:

Training and Development is a planned effort to facilitate employee learning of job related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms “training” and “development”; “training” denotes efforts to increase employee skills on present jobs, while “development” refers to efforts oriented toward improvements relevant to future jobs.

Human Resource Management (HRM)

Human Resource Management is a process, which consists of four main activities, namely, **acquisition, development, motivation**, as well as **maintenance** of human resources.

Human Resource Management is responsible for maintaining good human relations in the organisation. It is also concerned with development of individuals and achieving integration of goals of the organisation and those of the individuals.

Scope of HRM

- (i) Human Resource Planning, i.e., determining the number and kinds of personnel required to fill various positions in the organisation.
- (ii) Recruitment, selection and placement of personnel, i.e., employment function.
- (iii) Training and development of employees for their efficient performance and growth.
- (iv) Appraisal of performance of employees and taking corrective steps such as transfer from one job to another.
- (v) Motivation of workforce by providing financial incentives and avenues of promotion
- (vi) Remuneration of employees. The employees must be given sufficient wages and fringe benefits to achieve higher standard of living and to motivate them to show higher productivity.
- (vii) Social security and welfare of employees

Manpower planning

Manpower planning or Human resource planning is the systematic and continuing process of analyzing an organization's workforce requirements under changing conditions and developing personnel policies appropriate to the long term effectiveness of the organization.

Human Resource planning is the process by which a management determines how an organisation should move from its current manpower position to its desired manpower position.

Objectives of Manpower Planning

The major objectives of Human Resource Planning in an organisation are to :

- (i) ensure optimum use of human resources currently employed;
- (ii) avoid imbalances in the distribution and allocation of human resources;
- (iii) assess or forecast future skill requirements of the organisation's overall objectives;
- (iv) provide control measure to ensure availability of necessary resources when required;
- (v) control the cost aspect of human resources;
- (vi) formulate transfer and promotion policies

Steps in Manpower Planning HRP involves the following steps:

1. Analysis of Organisational Plans and Objectives:

Human resource planning is a part of overall plan of organisation. Plans concerning technology, production, marketing, finance, expansion and diversification give an idea about the volume of future work activity.

2. Forecasting Demand for Human Resources: Human resource planning starts with the estimation of the number and type of personnel required at different levels and in different departments.

3. Forecasting Supply of Human Resources: One of the important areas of human resources planning is to deal with allocation of persons to different departments depending upon the work-load and requirements of the departments. While allocating manpower to different departments, care has to be taken to consider appointments based on promotions and transfers.

4. Estimating Manpower Gaps: Net human resource requirements or manpower gaps can be identified by comparing demand and supply forecasts. Such comparison will reveal either deficit or surplus of human resources in future. Deficits suggest the number of persons to be recruited from outside whereas surplus implies redundant to be redeployed or terminated. Similarly, gaps may occur in terms of knowledge, skills and aptitudes. Employees deficient in qualifications can be trained whereas employees with higher skills may be given more enriched jobs.

5. Matching Demand and Supply : It is one of the objectives of human resource planning to assess the demand for and supply of human resources and match both to know shortages and surpluses on both the side in kind and in number. This will enable the human resource department to know overstaffing or understaffing. Once the manpower gaps are identified, plans are prepared to bridge these gaps. Plans to meet the surplus manpower may be redeployment in other departments and retrenchment in consultation, with the trade unions. People may be persuaded to quit through voluntarily retirement. Deficit can be met through recruitment, selection, transfer, promotion, and training plans. Realistic plans for the procurement and development of manpower should be made after considering the macro and micro environment which affect the manpower objectives of the organisation.

Importance of Manpower Planning

1. Despite growing unemployment, there has been shortage of human resources with required skills, qualification and capabilities to carry on works. Hence the need for human resource planning.

2 Large numbers of employees, who retire, die, leave organisations, or become incapacitated because of physical or mental ailments, need to be replaced by the new employees. Human resource planning ensures smooth supply of workers without interruption.

3. Human resource planning is also essential in the face of marked rise in workforce turnover (employee turnover refers to the number of employees who leave an organisation and are replaced by new employees) which is unavoidable and even beneficial. Voluntary quits, discharges, marriages, promotions and seasonal fluctuations in business are the examples of factors leading to workforce turnover in organisations.

4. Technological changes and globalisation usher in change in the method of products and distribution of production and services and in management techniques. These changes may also require a change in the skills of employees, as well as change in the number of employees required. It is human resource planning that enables organisations to cope with such changes.

- Human resource planning is also needed in order to meet the needs of expansion and diversification programmes of an organisation.

Manager Inventory Chart

Manager Inventory Chart, also known as replacement chart, is used in Replacement Planning of human resource management in an organization.

It is common for business to keep an inventory (stock) of raw materials and goods on hand to enable it to carry on its operation. In the same sense enterprises keep an inventory of available human resources, particularly managers, as competent managers are vital requirement for success. Manager inventory chart is simply an organizational chart of a unit having managerial positions being indicated and keyed with a system of promotability to each personnel.



Advantages of Manager Inventory chart

- Clear Idea about staffing situation
- Clear indication on future supply of managers
- Reduces migrations or resignations
- Identifies not performing employees and to be trained or replaced
- Managers can be transferred from one department to another and help the weak departments

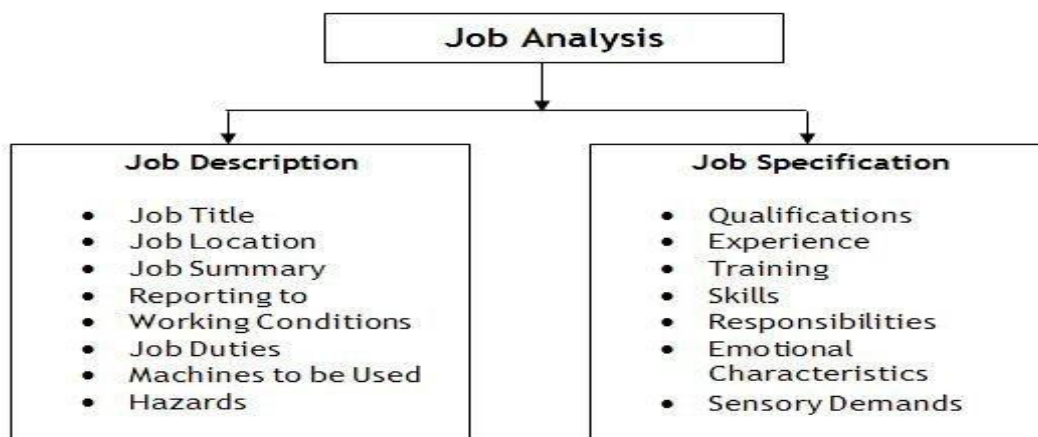
Disadvantages of Manager Inventory Chart

1. Data doesn't show to which position one may be promotable
2. Data insufficient for fair assessment of all capabilities of a person
3. Takes time and effort to keep the chart up-to-date
4. Top level managers may be reluctant to make their charts available to others

Job Analysis

Job analysis is an intensive and direct technique for identifying the essential information regarding the job. It is the process of determining the tasks involved in the job and the personnel qualities of the individuals required to perform the job.

Job analysis provides information both for the job and job holder. Job analysis is —the process of determining, by observation and study, and reporting pertinent information relating to the nature of a specific job. It is the determination of the tasks which comprise the job and of the skills, knowledge, abilities and responsibilities required of the worker for a successful performance and which differentiate one job from all others.



Job Description

The results of the job analysis are written in a statement known as job description. In other words job description is a descriptive statement of the organisational relationship, responsibilities and duties on a given job. It tells us what is to be done and how it is to be done and why.

Job Specification

The job description helps in preparing the specification for each job. So it is a product of job analysis. It is a statement of maximum acceptable human qualities necessary to perform the job satisfactorily. It is written record of the physical, mental, social, psychological and

behavioural characteristics which a person should possess in order to perform the job effectively.

Job Design

Job design follows job analysis. It is a process of organizing tasks, duties and responsibilities into a unit of work to achieve organizational objectives. Job design defines the various tasks required to do a specific job and the method of performing the tasks.

While job analysis is the process that identifies tasks, duties, responsibilities, required qualifications, skills and knowledge etc for an individual for a job, job design is the allocation of tasks to an employee or group of employees in an organization.

Steps involved in job design

1. Specifying individual tasks – This means that the different tasks to be included in a job are specified and are categorized
2. Specifying methods - In this step, the specific methods to conduct the various tasks are identified. Specification of methods provides the basic guidelines to perform the job
3. Combining tasks into jobs – After specifying the individual tasks to be included in a job, they are combined into a group and assigned to individual employee or group

Importance of Job design

1. It helps the firm in achieving cost reduction by eliminating causes of accidents and injuries through enhanced safety and health measures
2. It enhances employee satisfaction, motivation, involvement and commitment levels, leading to improved cooperation between the management and employees
3. It contributes effectively to organizational effectiveness

Job evaluation

Job Evaluation is a system wherein a particular job of an enterprise is compared with its other jobs. In the present industrial era, there are different types of jobs which are performed in every business and industrial enterprise. Comparative study of these jobs is very essential because on the basis of such study the structure of wages for different types of jobs is prepared. The comparison of jobs may be made on the basis of different factors such as duties, responsibilities, working conditions, efforts, etc. In nut shell, it may be said that job evaluation is a process in which a particular job of a business and industrial enterprise is compared with other jobs of the enterprise.

Objectives of Job Evaluation

The following are the objectives of job evaluation :

- To secure and maintain complete, accurate and impersonal descriptions of each distinct job or occupation in the entire plant
- To provide a standard procedure for determining the relative worth of each job in a plant;
- To determine the rate of pay for each job which is fair and equitable with relation to other jobs in the plant, community or industry;
- To ensure that like wages are paid to all qualified employees for like work;
- To promote a fair and accurate consideration of all employees for advancement and transfer;
- To provide a factual basis for the consideration of wage rates for similar jobs in a community and industry; and
- To provide information for work organisation, employees selection, placement, training and numerous other similar problems.

Job Evaluation vs Job Analysis

Job analysis is a systematic way of gathering information about a job.

Job Evaluation begins with job analysis and ends at the determination of the worth of the job.

Methods of Job Evaluation

Ranking Method : Jobs are arranged from the highest to the lowest, in order of their values or merit in the organisation. Job at the top has the highest value and job at the lowest has the lowest value. Jobs are arranged in each department and then department rankings are combined to develop an organisational ranking.

Sr No	Rank	Monthly salaries
1	Accountant	30000
2	Accounts clerk	18000
3	Purchase assistant	17000
4	Machine operator	14000
5	Typist	9000
6	Office boy	6000

Job Grading or Job Classification Method : This method works by assigning each job a grade, level or class that corresponds to a pay grade for instance Grade I, Grade II, Grade III and so forth. These grades or classifications are created by identifying gradations of some common denominations, such as job responsibility, skill, knowledge, education required, and

so on. Then, for each job grade so created standard job descriptions are determined. Thereafter, such standard description is matched with job descriptions in the organisation.

Class	Rank	Employees
Class 1	Executives	Office manager, deputy manager
Class 2	Skilled workers	Purchase assistant, cashier
Class 3	Semi skilled workers	Typist, Machine operators
Class 4	Less skilled workers	File clerks, Office boys

Factor-comparison Method : This method is a combination of ranking and point systems. All jobs are compared to each other for the purpose of determining their relative importance by selecting four or five major job elements or factors which are more or less common to all jobs. These elements are not predetermined. These are chosen on the basis of job analysis. The few factors which are customarily used are : (i) mental requirements (ii) skill (iii) physical requirements (iv) responsibilities (v) working conditions, etc.

Job	Daily wage	Physical effort	Mental effort	Skill	Responsibility	Working condition
Electrician	60	11(3)	14(1)	15(1)	12(1)	8(2)
Fitter	50	14(1)	10(2)	9(2)	8(2)	9(1)
Welder	40	12(2)	7(3)	8(3)	7(3)	6(3)
Cleaner	30	9(4)	6(4)	4(5)	6(4)	5(4)
Labourer	25	8(5)	4(5)	6(4)	3(5)	4(5)

Suppose the job of a painter is found to be similar to electrician in skill (15), fitter in mental effort (10), welder in physical effort (12), cleaner in his responsibility (6) and labourer in working conditions (4). The wage rate for this job would be $(15+10+12+6+4)$ is 47.

Skills Required by Managers

Personal characteristics needed by Managers

1. Desire to manage – The successful manager has a strong desire to manage, to influence others, to get results through team effort of subordinates.
2. Communication skill and empathy
3. Integrity and honesty

Recruitment of employees

Recruitment means search of the prospective employee to suit the job requirements as represented by job specification—a technique of job analysis. It is the first stage in selection which makes the vacancies known to a large number of people and the opportunities that the organisation offers. In response to this knowledge, potential applicants would write to the organisation. The process of attracting people to apply is called recruitment.

Sources of recruitment

The various sources of recruitment are generally classified as internal source and external source.

- **Internal Sources :** This refers to the recruitment from within the company. The various internal sources are promotion, transfer, past employees and internal advertisements.
- **External Sources :** External sources refers to the practice of getting suitable persons from outside. External sources include recruitment agencies, newspaper and media advertisement, campus recruitment etc

Recruitment process

a) Identification of vacancy:

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

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

b) Preparation of job description and job specification:

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

c) Selection of sources:

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

d) Advertising the vacancy:

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

e) Managing the response:

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

The recruitment process is immediately followed by the selection process.

Selection

The selection process begins with the job specification. The more clearly and precisely it is done the less would be the number of qualified applicants. Suppose the purpose is to select management trainees. If the qualification prescribed is MBA, the number of applicants may be in hundred. If the qualification is graduation in any discipline, the number of applicants may be in thousand.

Selection Process

a) Initial Screening

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

b) Preliminary Interview

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

knows about the company. Preliminary interviews are also called screening interviews.

c) Filling Application Form

An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

d) Personal Interview

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

e) References check

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

f) Background Verification

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

g) Final Interview

Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer hopes to determine whether or not the applicant is suitable for the job. Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

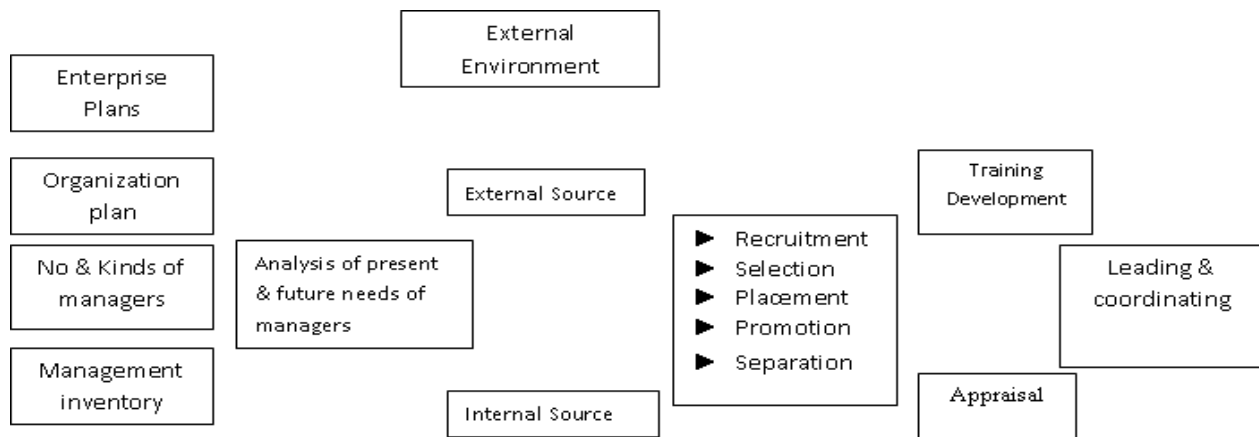
h) Physical Examination

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

i) Job Offer

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

Systems approach to selection



Above figure shows that the staffing is the management function relates to the total management system. The enterprise plans (planning) become the basic for organization plans (organizing) that are necessary to achieve enterprise objectives. The staff selected, will perform its functions under the supervision of first two aforesaid plans.

Techniques and instruments used for selection

1. Tests: A test is a sample of an aspect of an individual's behaviour, performance or attitude. It also provides a systematic basis for comparing the behaviour, performance or attitude of two or more persons. Tests serve as a screening device and provide supplementary inputs in selection decisions. Their value lies in the fact that they serve additional predictors intended to make selection decision more apt and accurate.

Intelligence Tests: These are tests to measure one's intellect or qualities of understanding. They are also referred to as tests of mental ability. The traits of intelligence measured include: reasoning, verbal and non-verbal fluency, comprehension, numerical, memory and spatial relations ability.

Aptitude Tests: Aptitude refers to one's natural propensity or talent or ability to acquire a particular skill. While intelligence is a general trait, aptitude refers to a more specific capacity or potential. It could relate to mechanical dexterity, clerical, linguistic, musical academic etc.

Achievement Tests: These are proficiency tests to measure one's skill or acquired knowledge. The paper and pencil tests may seek to test a person's knowledge about a particular subject.

PIP Tests : PIP tests are those which seek to measure one's personality, interest and preferences. These tests are designed to understand the relationship between any one of these and certain types of jobs.

Projective Tests : These tests expect the candidates to interpret problems or situations. Responses to stimuli will be based on the individual's values, beliefs and motives.

2. Interview: Interview is an oral examination of candidates for employment. No selection process is complete without one or more interviews. Interview is the most common and core method of both obtaining information from job-seekers, and decision-making on their suitability or otherwise

Placement

When a person has been finally selected for a job, the selection process still does not end. The last act in the selection process is the placement of the person into his new job and orientation in to the organizational environment.

Placement is the process of fitting the selected person at the right job or place. A worker should be placed on a position where there is full use of his strengths and all his weaknesses become irrelevant.

Orientation

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

Purposes of Orientation

1. To Reduce Startup-Costs:

Proper orientation can help the employee get "up to speed" much more quickly, thereby reducing the costs associated with learning the job.

2. To Reduce Anxiety:

Any employee, when put into a new, strange situation, will experience anxiety that can impede his or her ability to learn to do the job. Proper orientation helps to reduce anxiety.

3. To Reduce Employee Turnover:

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

4. To Save Time for Supervisor & Co-Workers:

Simply put, the better the initial orientation, the less likely supervisors and co-workers will have to spend time teaching the employee.

5. To Develop Realistic Job Expectations, Positive Attitudes and Job Satisfaction

Training and development

Training is an organised activity for **increasing the knowledge and skills of people for a definite purpose.**

Purpose of Training:

- 1) To improve Productivity: Training leads to increased operational productivity and increased company profit.
- 2) To improve Quality: Better trained workers are less likely to make operational mistakes.
- 3) To improve Organizational Climate: Training leads to improved production and product quality which enhances financial incentives. This in turn increases the overall morale of the organization.
- 4) To increase Health and Safety: Proper training prevents industrial accidents.
- 5) Personal Growth: Training gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

Steps in Training Process

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

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

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

Preparation of the learner:

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

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

4) **Performance Try out:** The trainee is asked to go through the job several times.

This gradually builds up his skill, speed and confidence.

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

Training methods

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

a) On-the-job training

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

b) Off-the-job training

This occurs when workers are **taken away from their place of work** to be trained. This may take place at training agency or local college, although many larger firms also have their own training centres. Training can take the form of lectures or self-study and can be used to develop more general skills and knowledge that can be used in a variety of situations.

Merit Rating

Merit rating is a technique to evaluate the merits of duals according to job request merit. The personal abilities that an individual brings to his job, measured by the extent to which his output or quality of his work exceeds the minimum that can reasonably be expected for his basic rate of pay.

Merit rating is a process through which the ability, efficiency and the potentiality of an employee are evaluated for the purpose of determining wage rate, need of training and for determining the policy for promotions and transfers.

Methods of Merit Rating

1. **Rating Procedure :** In this method, the abilities of an employee are compared with that of other employees. Under this method, the employees are divided into efficient and inefficient employee. This method adopts the technique of paired comparison. Therefore, the pairs of two employees each are made according to the formula of $N(N-1)/2$ and the more efficient employee in every pair is underlined. The employee having maximum underline is treated as the most efficient employee having maximum underline is treated as the most efficient employee whereas the employee having no underline to his credit, is treated least efficient employee.

2. Grading Method : Here different grades are divided for evaluating the ability of different employees and then the employees are placed in these grades. The grades are—Excellent, Very Good, Good, Average, Bad, Worst. Every grade may again be sub-divided into three grades: (i) Highly Satisfactory (ii) Satisfactory (iii) Non-satisfactory. Employees can be placed in any of these groups according to their abilities.

3. Man to Man Comparison Method : This is the method where, a master scale is used to evaluate the qualities of different employees. The five scales of performance are determined for every job in the master scale. For example, to measure the efficiency of employees, first of all the most efficient employee is selected and after that the most inefficient employees are selected who are respectively more efficient than average efficiency and less efficient than average efficiency. These five employees become the base for measuring the efficiency of the total employees. Every employee of the enterprise is compared with these five employees to evaluate their ability and efficiency.

4. Graphic Rating Method : In this method, the abilities of employees are evaluated through graph. The abilities of all the employees are represented on a graph paper with the help of scale. Following qualities are included to evaluate the ability of employees such as Quantity of Job, Quality of job, Regularity, ability to learn, ability to initiate, dependence upon other employees and officers, safety aspects, ability to direct, ability to supervise, behaviour with other employees and officers. Under this method of Merit Rating, a report is prepared regarding Merit Rating of every employees and it is represented on a graph paper. It makes evaluation of employees very easy and simple.

5. Checking List Method : A list of necessary qualities for the performance of a job is prepared under this method. The qualities of the employees are measured on the basis of the abilities of such lists. If an employee possesses that quality, the sign + is marked in the list. If that quality is not possessed by an employee the sign - is marked in the list. If there is a doubt regarding it, the sign of (?) is marked in the list. On the basis these sign, the abilities of an employee are evaluated.

Labour Welfare

Labour welfare is the efforts by the employer to provide the best conditions of employment in their industries. It entails all those activities of employer directed towards providing the employees with certain facilities and services in addition to wages or salaries. It includes monitoring of working conditions, creation of industrial harmony through infrastructure for

health, industrial relations and insurance against disease, accident and unemployment for the workers and their families. Labour welfare activities motivates the workers, improves the morale of workers, helps to have better employee-employer relations and increase the productivity of the industry.

Methods of labour welfare

1. **Economic welfare measures** – It consists of giving health services and first aid, providing pension scheme, giving loans at reduced rates of interest etc to employees by employers
2. **Facilitates welfare** – It consists of measures of providing facilities in addition to basic economic welfare such as transportation facilities, canteen facility, housing, rest rooms, educational facilities, etc
3. **Recreational welfare measures** – It consists of sports, games, social get-togethers, cultural programmes etc.

Industrial Discipline

Discipline means to behave in accordance with the rules, regulations, and orders defined by the management. It can be positive discipline or negative discipline. Positive discipline controls employees without force. Negative discipline control employees by force.

Industrial Disputes

Industrial Disputes Act 1947 defines any dispute or difference between employers and employers or between employers and workers, or between workers and workers, which is connected with the employment or non-employment or terms of employment or with the conditions of labour of any person.

Causes of Industrial Disputes

- 1) **Wages and Allowances:** The most important cause for disputes relates to wages. The demand for increase in wages and allowances is the most important cause of industrial disputes. The demand for wages and allowances has never been fully met because of inflation and high cost of living.
- 2) **Union Rivalry:** Most organizations have multiple unions. Multiplicity of unions leads to interunion rivalries. If one union agrees to a wage settlement, another union will oppose it.
- 3) **Managerial Causes:** These causes include autocratic managerial attitude and defective labour policies. In this includes failures of recognize the trade union, defective recruitment policies, irregular layoff and retrenchment, defiance of agreements and codes,

defective leadership, weak trade unions.

Settlement of industrial disputes

- 1) **Arbitration:** it is a procedure in which a neutral third party studies the bargaining situation listen to both the parties and gathers information and then make recommendation that are binding the parties.
- 2) **Conciliation:** It is a process by which representatives of workers and employees are brought together before a third party with a view to persuading them to arrive at an agreement by mutual discussion between the parties
- 3) **Collective Bargaining:** it is a process by which employers on the one hand and representative of the employees on the other, attempt to arrive at agreements covering the conditions under which employees will contribute and be compensated for their services.
- 4) **Adjudication:** it is means a mandatory settlement of an industrial dispute by a labour court or a tribunal. Whenever an industrial dispute remains unresolved by the conciliation officer and the board of conciliation, the matter is referred in a court of inquiry.

MODULE VI

Leading & Controlling

Leadership

“According to Koontz and O'Donnell “Leadership is generally defined as influence, the art of process of influencing people so that they will strive willingly towards the achievement of group goals”

Leadership Styles

1. Autocrat
2. Democratic Leader
3. Laissez fair or Free Rein Leader
4. Task or Production Oriented Leader
5. People Oriented Leader
6. Japanese Leadership styles

Autocrat :Self-centered& Work centered, Concentrates on Power & Authority, Stress more on Punishment & Penalties, Negative Motivation oriented, Followers are afraid, Leads to frustration, Dissatisfaction, Fear & Conflict

1. Benevolent Autocrat: An autocratic leader with some good qualities like, helping poor, Kindness in mind, God fearing...etc...
2. Tough Autocrat: Autocratic leader with crooked mind & negative thinking

Democratic Leader : Decentralized Authority, Encourages participation of subordinates in decision making, Give prominence to cooperation, involvement, communication, ideas, team spirit among members, Make use of full talents & abilities of members, Rewards & Appreciations to employees, Increased job satisfaction and job performance

Laissez fair or Free Rein Leader :There are no Leaders at all, Group plays a dominant role, and Sets own goals & solves its own problems. They motivate themselves, Members have a freedom to decide their own goals, and No one is there to appreciate the members.

Task or Production Oriented Leader:Focus on Job to be done, Induce to concentrate on the Job, Bother about Production, Productivity, and Product.

Japanese Leadership styles I

1. Well-being of the employees, Human Assets are most important
2. Managers are selected based on the quality of having best relationship with employees
3. Company sponsored cultural, athletic & recreational activities are held

II

1. Minimizes Status differences
2. Same uniform for all

3. Employees are referred as associates no designation
4. No special privileges

III

1. Share lot of information with employees at all levels
2. Workers are informed about company goals & plans

IV

1. Participate in decision making
2. Form quality circle

Managers Vs. Leaders

Managers

Develop Policies & Procedures

Direct & Control

Explain “What we have to do”

Concerned with here and now

Task oriented

Concerned with projects

Doing things right

Leaders

Develop vision & Strategy

Motivate & Inspire

Where we are going

Concerned with long view

Vision oriented

Concerned with people

Doing the right things

The main difference between leaders and managers is that leaders have people follow them while managers have people who work for them.

A successful business owner needs to be both a strong leader and manager to get their team on board to follow them towards their vision of success. Leadership is about getting people to understand and believe in your vision and to work with you to achieve your goals while managing is more about administering and making sure the day-to-day things are happening as they should.

In order for you to engage your staff in providing the best service to your guests, clients or partners, you must enroll them in your vision and align their perceptions and behaviours. You need to get them excited about where you are taking them while making sure they know what's in it for them. With smaller organizations, the challenge lies in making sure you are both leading your team as well as managing your day to day operation. Those who are able to do both, will create a competitive advantage. Are you both a leader and a manager; what would your staff say if you were to ask them?

Trait Approach to Leadership

The scientific study of leadership began with a focus on the traits of effective leaders. The basic premise behind trait theory was that effective leaders are born, not made, thus the name sometimes applied to early versions of this idea, the "great man" theory. Early trait research did not consider the impact of situational variables that might moderate the relationship between leader traits and measures of leader effectiveness. As a result of the lack of consistent findings linking individual traits to leadership effectiveness, empirical studies of leader traits were largely abandoned in the 1950s.

Trait theory important points

1. Focuses on personal characteristics
2. Leaders seen as different from the average person
3. Traits and effective leadership not highly correlated
4. Leaders are born not made

Various Traits identified in Managers

1. Physical Traits : Energy, Appearance , Height, Intelligence & Ability
2. Personality Traits : Adaptability, Aggressiveness, Enthusiasm & Self Confidence, Honesty and integrity, Creativity, Charisma
3. Task Related Traits : Achievement drive, Persistence, Initiative, Motivation, Tenacity, Ambition, Cognitive ability, Flexibility
4. Social Characteristics: Cooperativeness, Interpersonal skills, Administrative ability.

Limitations of Trait Theory

1. Traits do not guarantee effective leadership
2. Situation may limit the validity of traits
3. Traits predict the appearance of leadership, not its effectiveness

Behavioural Theories

Behavioural style determines leadership effectiveness. It assumes that there are 2 primary functions of leadership: Orientation to task and Orientation to people. It also assumes there is one best way to approach leadership: orientation to teamwork, democratic processes and production processes.

Contingency or Situational Approach

Contingency approach has much meaning for managerial theory and practice. They are also in to the system of motivation. Fred E Fiedler and his associates at the University of Illinois came up with this approach.

“The theory holds that people become leaders not only because of the attributes of their personalities but also because of various situational factors and the interactions between leaders and group members”.

Critical dimensions of the leadership situation

1. Position Power: This is the degree to which the power of a position, as distinguished from other sources of power.
2. Task Structure: If the tasks are clear (rather than vague and unstructured) , the quality of performance can more easily controlled and group members can be held more definitely responsible for performance.
3. Leader – Member relations: The extent to which the group members like and trust a leader and are willing to follow the leader.

Contingency Theory – Styles of Leadership

1. Task Oriented : Leader gets satisfaction from seeing tasks performed
2. Interpersonal relations oriented : Leader gets satisfaction with good inter personal relations.

Measuring Leadership styles

Least Preferred Co-worker (LPC): A scale developed by American scientist Fred Fiedler to identify whether an individual's leadership style is relationship-oriented or task-oriented.

Example

Think of all the different people with whom you have ever worked . . . in jobs, in social clubs, in student projects, or whatever. Next think of the one person with whom you could work least well, that is, the person with whom you had the most difficulty getting a job done. This is the one person (a peer, boss, or subordinate) with whom you would least want to work. Describe this person by circling numbers at the appropriate points on each of the following pairs of bipolar adjectives. Work rapidly. There are no right or wrong answers.

Pleasant	8 7 6 5 4 3 2 1	Unpleasant
Friendly	8 7 6 5 4 3 2 1	Unfriendly
Rejecting	1 2 3 4 5 6 7 8	Accepting
Tense	1 2 3 4 5 6 7 8	Relaxed
Distant	1 2 3 4 5 6 7 8	Close

Assumed Similarity between opposites (ASO): In assumed similarity, or the “like me” effect, the observer's perception of others is influenced more by the observer's own characteristics than by those of the person observed.

For example, if you want challenges and responsibility in your job, you'll assume that others want the same. People who assume that others are like them can, of course, be right, but not always. Here we measure Scores on degree to which a member is like another in all possible terms

Results:

1. Highly rated Co-workers: Highly rated co-workers are getting major satisfaction from successful interpersonal relationships
2. Low rated Co-workers: Low rated co-workers are getting satisfaction from task performance.

Task oriented leaders are effective when situation is highly favourable or highly unfavourable, because in a highly favourable environment the leader need not listen to anybody but concentrate only on doing the tasks perfectly. In an unfavourable condition task oriented leader may pressure subordinates to finish the tasks perfectly by threatening them

Human relations oriented leaders are effective when situation is moderately favourable. They will have a good relationship with employees and will never make a situation in which it is broken.

A transformational leader is a person who stimulates and inspires (transform) followers to achieve extraordinary outcomes. He pays attention to the concern and developmental needs of individual followers; they change followers' awareness of issues by helping them to look at old problems in a new way; and they are able to arouse, excite and inspire followers to put out extra effort to achieve group goals. Transformational leadership theory is all about leadership that creates positive change in the followers whereby they take care of each other's interests and act in the interests of the group as a whole. The concept of transformational leadership was introduced by James Macgregor Burns in 1978.

Transformational leadership enhances the motivation, morale, and performance of followers through a variety of mechanisms. These include connecting the follower's sense of identity and self to the project and the collective identity of the organization; being a role model for followers that inspires them and makes them interested; challenging followers to take greater ownership for their work, and understanding the strengths and weaknesses of followers, so the leader can align followers with tasks that enhance their performance.

Components of transformational leadership style:

1) Charisma or idealised influence: the degree to which the leader behaves in admirable ways and displays convictions and takes stands that cause followers to identify with the leader who has a clear set of values and acts as a role model for the followers.

(2) Inspirational motivation: the degree to which the leader articulates a vision that is appealing and inspires the followers with optimism about future goals, and offers meaning for the current tasks in hand.

(3) Intellectual stimulation: The degree, to which the leader challenges assumptions, stimulates and encourages creativity in the followers - by providing a framework for followers to see how they connect to the leader, the organisation, each other, and the goal] they can creatively overcome any obstacles in the way of the mission.

(4) Personal and individual attention: the degree to which the leader attends to each individual

follower's needs and acts as a mentor or coach and gives respect to and appreciation of the individual's contribution to the team. This fulfils and enhances each individual team members' need for self-fulfilment, and self-worth and in so doing inspires followers to further achievement and growth.

Limitations

1. The ambiguity underlying its influences and processes.
2. The overemphasis of the theory on leadership processes at the dyadic level.
3. The theoretical rationale for differentiating among the behaviours is not clearly explained.
4. Omission of several transformational behaviour from the original transformational leadership theory which empirical evidence has shown to be relevant
5. Insufficient specification of situational variables in Transformational leadership
6. The theory does not explicitly identify any situation where transformational leadership is detrimental.
7. Like most leadership theories, transformational leadership theory assumes the heroic leadership stereotype

Transactional Leadership

Transactional Leadership, also known as managerial leadership, focuses on the role of supervision, organization, and group performance; transactional leadership is a style of leadership in which the leader promotes compliance of his followers through both rewards and punishments. Unlike Transformational leadership, leaders using the transactional approach are not looking to change the future; they are looking to merely keep things the same. These leaders pay attention to followers' work in order to find faults and deviations. This type of leadership is effective in crisis and emergency situations, as well as when projects need to be carried out in a specific fashion. Within the context of Maslow's hierarchy of needs, transactional leadership works at the basic levels of need satisfaction, where transactional leaders focus on the lower levels of the hierarchy. Transactional leaders use an exchange model, with rewards being given for good work or positive outcomes. Transactional leaders are effective in getting specific tasks completed by managing each portion individually. Transactional leaders are concerned with processes rather than forward-thinking ideas. These types of leaders focus on contingent reward (also known as contingent positive reinforcement) or contingent penalization (also known as contingent negative reinforcement). Contingent rewards (such as praise) are given when the set goals are accomplished on-time, ahead of time, or to keep subordinates working at a good pace at different times throughout completion. Contingent punishments (such as suspensions) are given when performance quality or quantity falls below production standards or goals and tasks are not met at all. Often, contingent punishments are handed down on a management-by-exception basis, in which the exception is something going wrong.

Within management-by-exception, there are active and passive routes. Active management-by-exception means that the leader continually looks at each subordinate's performance and makes changes to the subordinate's work to make corrections throughout the process. Passive management-by-exception leaders wait for issues to come up before fixing the problems.

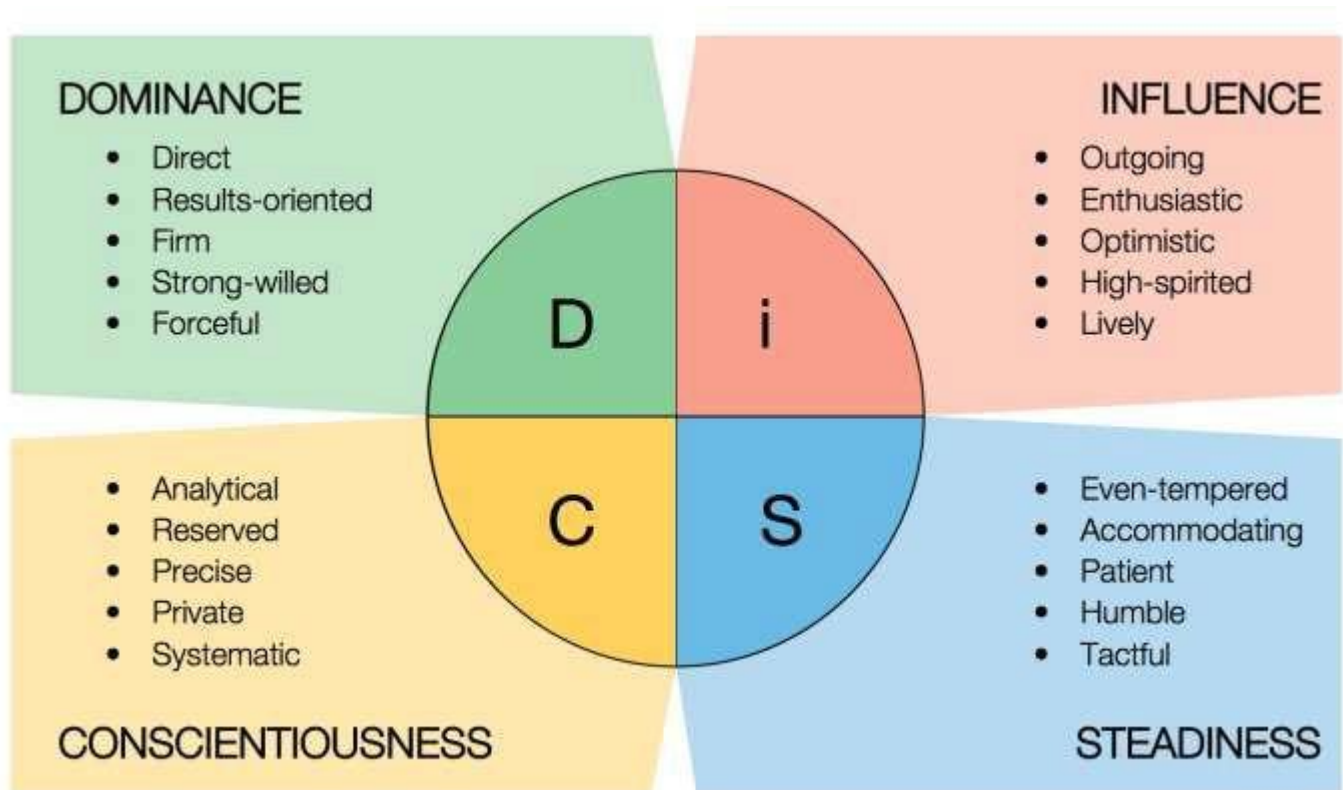
Transactional Leaders	Transformational Leaders
Leaders rely on standard forms of inducement, reward, punishment, and sanction to control staff.	Leaders arouse emotions in their staff, which motivates them to exceed expectations.
Leaders are aware of the link between the effort and reward.	Leadership is proactive and provides new opportunities for staff.
Leadership is responsive and its basic orientation is dealing with present issues.	Leaders are distinguished by their capacity to inspire and provide individualised consideration, intellectual stimulation, and idealised influence to their staff.
Leaders motivate staff by setting goals and promising rewards for desired performance.	Leaders create learning opportunities for their staff and stimulate them to solve problems.
Leadership depends on the leader's power to reinforce subordinates for their successful completion of the work.	Leaders possess good visioning and management skills to develop strong emotional bonds with staff.
Leadership is short-term and hard data oriented.	Leaders motivate staff to work for goals that go beyond self-interest.

DISC Personality Profile - Managers

DiSC® is a personal assessment tool used to improve work productivity, teamwork, leadership and communication. DiSC measures personality and behavioral style. It does not measure intelligence, aptitude, mental health or values. DiSC profiles describe human behavior in various situations, for example how a manager respond to challenges, how influence others, preferred pace and how respond to rules and procedures.

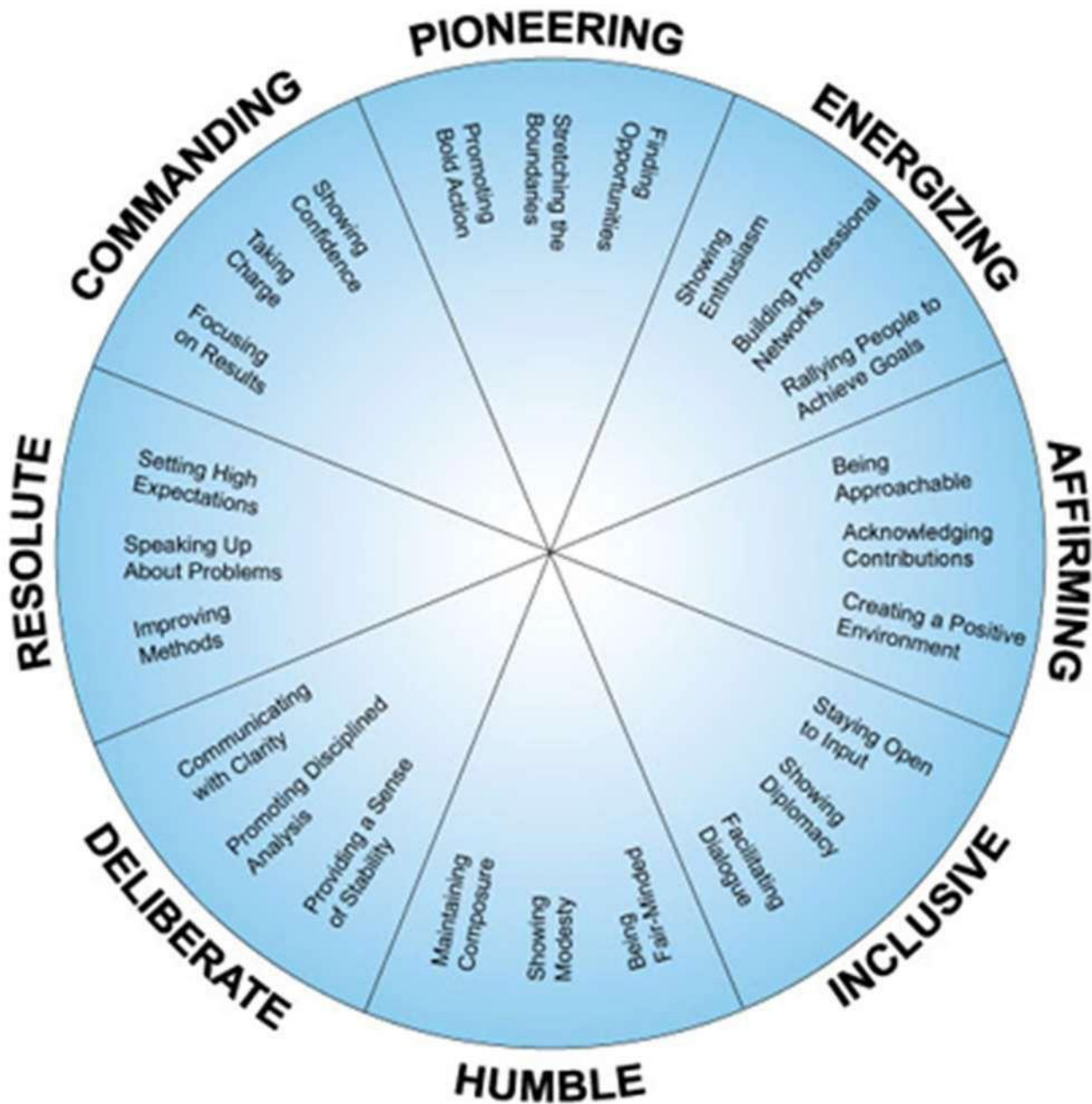
The DiSC model discusses four reference points:

- | | | | | | |
|-------------------|---|--|-----------|---|--------------------------------|
| Dominance | – | direct, strong-willed and forceful | Influence | – | sociable, talkative and lively |
| Steadiness | – | gentle, accommodating and soft-hearted | | | |
| Conscientiousness | – | private, analytical and logical | | | |



Dimensions of Leadership

The 8 Dimensions of Leadership is a tool by Jeffrey Sugerman, Mark Scullard and Emma Wilhelm (Berret-Koehler, 2011), which helps us identify our primary leadership dimension and ways to become a multi-dimensional leader.



1. Pioneering Leader features

Goals: Quick action, new opportunities, exciting breakthroughs, Adventurous, Dynamic & Charismatic, punctual, Optimistic & Persuasive style

Influences others through: Charm, bold action, passion, Good at Making Connections, Help others to reach their goals

Judges others by: Confidence, influence, ability to think creatively.

Fears: Loss of power, stifling environments, loss of attention

2. **Energizing Leader features**

Goals: Popularity, approval, excitement

Influences others through: Charm, optimism, energy, personal connection

Judges others by: Openness, social skills, enthusiasm

Fears: Rejection, not being heard, not being liked

3. **Affirming Leader features**

Goals: Friendship, acceptance, close relationships

Influences others through: Agreeableness, empathy, being patient

Judges others by: Ability to see good in others, warmth, approachability

Fears: Pressuring others, being disliked, facing aggression

4. **Inclusive Leader features**

Goals: Harmony, stability, acceptance

Influences others through: Accommodating others, consistent performance

Judges others by: Dependability, sincerity

Fears: Letting people down, rapid change

5. **Humble Leader features**

Goals: Stability, reliable outcomes, calm environment

Influences others through: Practicality, diplomacy, self-control, humility

Judges others by: Precise standards, reliability, even temperament

Fears: Emotionally charged situations, ambiguity, time pressure, chaos

6. **Deliberate Leader features**

Goals: Accuracy, objective processes

Influences others through: Logic, exacting standards

Judges others by: Expertise, systematic processes

Fears: Being wrong, strong displays of emotion

7. **Resolute Leader features**

Goals: Independence, personal accomplishment, efficient results

Influences others through: High standards, determination, strict standards

Judges others by: Competence, common sense, use of logic

Fears: Failure to achieve their standards, lack of control

8. Commanding Leader features

Goals: Bottom-line results, victory

Influences others through: Assertiveness, insistence, competition

Judges others by: Ability to achieve results

Fears: Being taken advantage of, appearing weak

CONTROL

The measurement and correction of performance in order to make sure those enterprise objectives and the plans devised to attain them are being accomplished.

Basic Control Process

1. Establishing Standards:

The first step in any control process logically would be the plan. But it may vary in detail and complexity. So monitoring the same will be very difficult and hence special standards are established, they are also known as performance criteria

E.g. Standard cost, time and quality.

2. Measurement of Performance:

Measurement of performance is not always easy. It should be done in a forward looking basis so that a deviation may be detected in advance and avoided by proper actions before it occurs. If it is not possible a deviation should be detected and reported as early as possible

E.g. No. of rejects per hour, cost per unit ...etc.

3. Correction of Deviations

When there is deviation or chance for deviation corrective measures should be applied. Correction of deviations is the point at which control can be seen as part of the whole system of management and can be related to other functions of management. Managers may correct deviations by redrawing their plans or by modifying their goals.

E.g. Reassignment or clarification of duties, additional staffing, training & development...etc

Critical control points

“The principle of critical point control states that effective control requires attention to those factors critical to evaluating performance against plans.”

Types of critical point standards

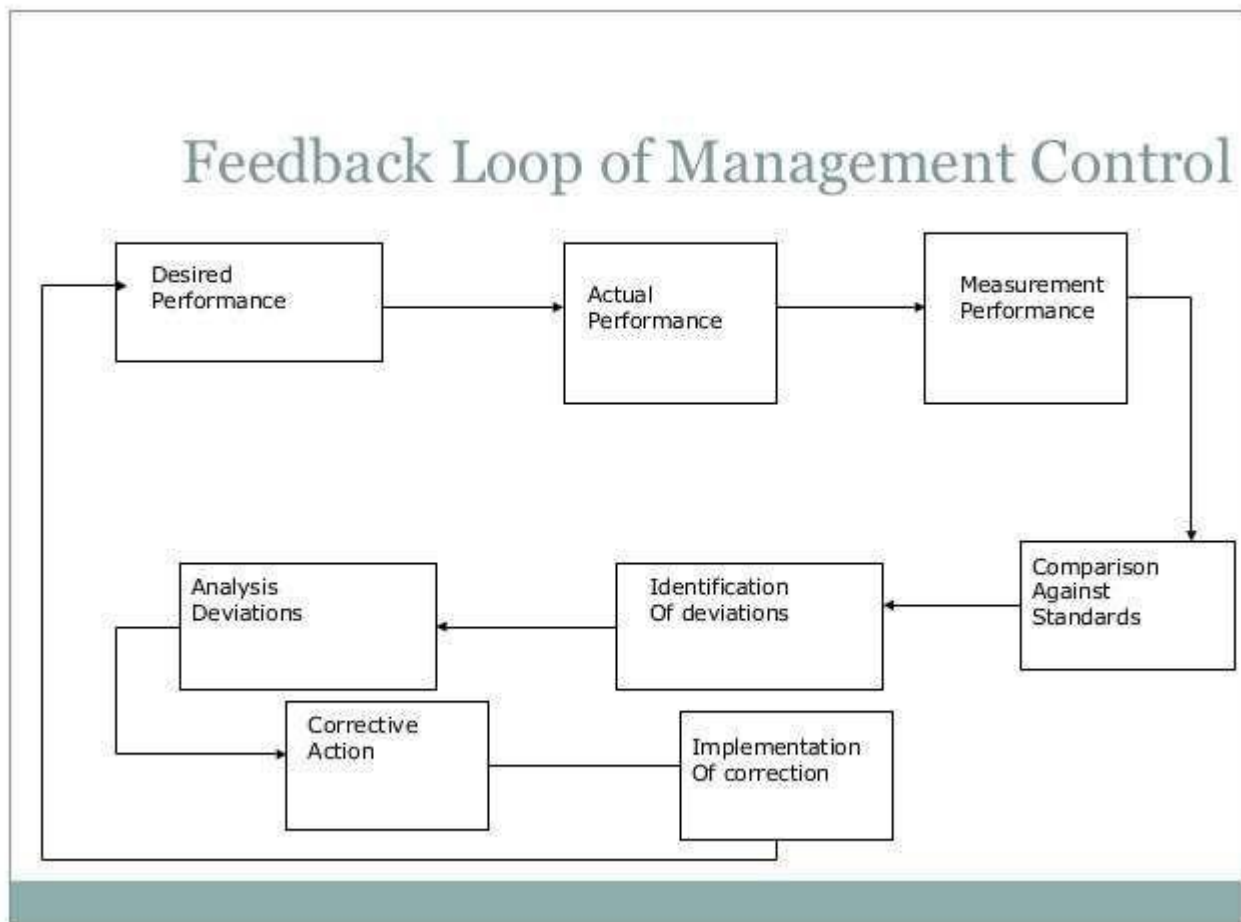
1. **Physical Standards** : Non-monetary measurements such as Labour hours, per unit output, fuel used per hour per hour ...etc
2. **Cost Standards**: Monetary measurements such as direct and indirect cost per unit produced, labour cost per unit, material cost per unit etc...
3. **Capital Standards** : The most widely used standard for new investment , as well as over all control is return on investment
4. **Revenue Standards**: Attaching monetary values to sales. E.g. Average sales per customer.
5. **Program Standards**: Standards fixed to appraise a program such as development of a new product. Timing of the same can be used as objective standard.
6. **Intangible Standards**: It is highly challenging to fix standards for measuring competency of an employee, loyalty of an employee...etc
7. **Goals as Standards**: It is possible to define goals as standards
8. **Strategic plans**: Systematic monitoring of strategic control points and modifying the organization's strategy based on this evaluation. It creates a dynamic ever-changing environment
9. **Bench Marking**: An approach for setting goals and productivity measures based on best industry practices.
 - **Strategic Bench Marking** : Compares various strategies and identifies the key strategic elements of success
 - **Operational Bench Marking**: Compares relative costs or possibilities for product differentiation.
 - **Management Bench Marking**: Focuses on support functions such as market planning, information systems...etc...

Control as a feedback system

Many systems control themselves through information feedback, which shows deviations standards and initiates "Management Control is usually perceived as a feedback system similar to the common house hold thermostat"

Real-Time Information and control: It is the information about what is happening while it is happening. The sooner managers know that activities for which they are responsible are not proceeding in accordance with plan, the faster they can take actions to make corrections.

E.g. Airline ticket booking, Inventory control in a super market ...etc changes.



Feed forward or preventive control

Managers need a system that will tell them potential problems, giving them time to take corrective action before those problems occur.

Examples

1. Employment of preventive maintenance program to prevent a breakdown of machinery
2. A company communicates their policy regarding absenteeism to their new employees
3. Sales forecasts
4. Careful planning of the availability of cash to meet future requirements
5. Human system: A motorist going up a hill will keep the acceleration in such a way for a constant speed.

“Feed forward systems monitor inputs in to a process to ascertain if the inputs are as planned ; if they are not, the inputs or the process is changed in order to obtain the desired results.”

Requirements for Feed forward control

1. Make a thorough and careful analysis of the planning and control system, and identify the more important input variables
2. Develop a model of the system
3. Take care to keep the model up to date
4. Collect data on input variables regularly and put them in to the system
5. Regularly assess the variations of actual input data from planned-for inputs , and evaluate the impact on the expected result.
6. Take action. Like any other technique of planning and control, all the system can do is indicate problems, people must obviously take action to solve them

Requirements for Effective Control Tailoring

Controls to Plans and Positions

Managers need information that will tell them how the plans are progressingControl should be tailored to positions, the controls needed for sales department will be different from that of financeControl should also reflect the organization structure.

Tailoring Controls to Individual managers

Some managers need information in the form of complex tables and some other need graph, charts or in any other statistical form.

Designing Controls to Point up Exceptions at critical points

Efficient control requires that managers look for exceptions, effective control requires that managers pay primary attention to things that are most importantsome deviations from standards have little meaning while others have a great dealException principle should be accompanied in practice by the principle of critical point control.

Seeking objectivity of controls

Control should be objective accurate and suitable in terms of standards. If controls are subjective a manager's or subordinate's personality may influence judgments.

Ensuring Flexibility of Controls

Control should remain workable in the face of changed plans or unforeseen circumstances. For this controls should be flexible.

Fitting the control system to the organization culture

The control system must fit in the organization culture. A tight control system in an organization where employees are already enjoying considerable freedom and participation in decision making will be a failure.

E.g. in Mercedes- Benz, earlier each car produced was checked by many inspectors. But later this responsibility is given to individual production workers

Achieving Economy of Controls

Control system must be worth its cost. The benefits derived from the control system should be more than the cost of exercising a control system

Establishing Controls that lead to Corrective Action

An effective control system will disclose where failures are occurring and who is responsible for them. Control is justified when deviations from plans are corrected through appropriate planning, organizing, staffing and leading

Control Techniques

Budget as a control device

1. Widely used device for managerial control
2. Budgeting is the formulation of plans for a given future period in numerical terms.
3. They are statements of anticipated results either in financial terms like revenue, expenses or in non-financial terms like direct labor hours, materials, physical sales volume...etc

Limitations

1. Budget may be expensive and meaning less
2. Managers may give up a good idea due to budgetary control

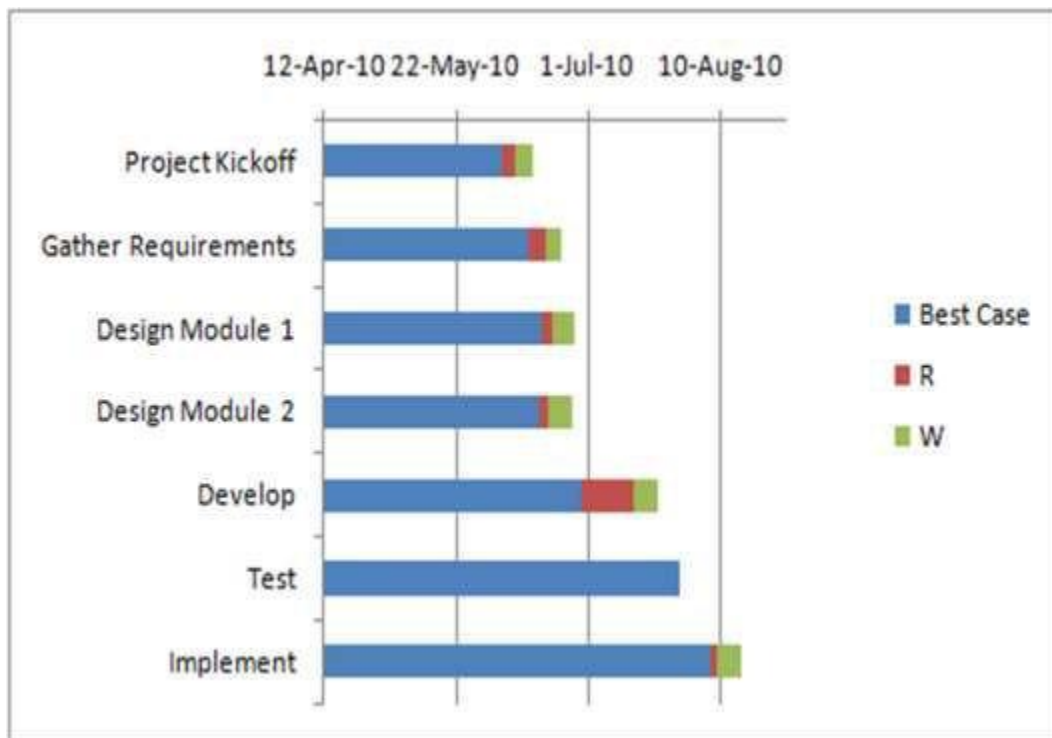
Zero Base Budgeting

1. Dividing enterprise programs into packages composed of goals, activities and needed resources and calculating costs for each package from base zero.
2. The common tendency in budgeting of looking only at changes from a previous period has been avoided here.
3. This technique has generally been applied to support areas like marketing research & development etc...rather than production
4. The major advantage is that this method forces the manager to plan each program afresh

Traditional NON budgetary Control devices

Gantt Charts :

A bar chart that shows the time relationships between the events of a production program, Developed by Henry L Gantt. The total program goal is considered as a series of interrelated supporting plans or events.



Milestone Budgeting:

Milestone budgeting or mile post budgeting and PERT was devised from Gantt Chart. A milestone budgeting break a project down in to controllable pieces and then carefully follows them. Mile stones are defined as identifiable segments

Milestone Triangles



Milestone Flags



Program evaluation & Review technique (PERT)

A time event network analysis system in which the various events in a program or project are identified with a planned time established for each.

Critical path: - It is that sequence of activities which decide the total project duration. It uses maximum resources. Critical path is formed by critical activities.

Estimation of activity time: - For dealing with uncertainties associated with different activities PERT approach computes expected time for each activity from the following three time estimates

Optimistic time (to):- It is the shortest possible time in which an activity can be completed if everything goes exceptionally well

Most likely time (tm):- It is the time in which the activity is normally expected to complete under normal contingencies

Pessimistic time (tp):- It is the time which an activity will take to complete in case of difficulty, i.e. if mostly the things go wrong. It is the longest of all the three time estimates.

$$\text{Expected time } t_e = t_o + (4 \times t_m) + t_p \div 6$$

PERT – ADVANTAGES

1. It forces managers to plan
 2. It forces planning all the way from top to bottom
 3. It concentrates attention on critical elements that may need correction
 4. It makes possible a kind of forward looking control
 5. It enables managers to aim reports and pressure for action at the right spot right time
- PERT LIMITATIONS**

1. It is not useful when the program is nebulous
2. It emphasises only on time
3. It does not focus on costs

Other techniques

1. Statistical Control Reports
2. Personal Observation
3. Cost Accounting and Cost Control
4. Break Even Analysis
5. Management Audit
6. Standard Costing

Management Information System

Over all Controls & preventive controls

Control of overall performance

Control devices have been developed for measuring the over all performance of an organization”

Reasons

1. Just as overall planning must apply to the enterprise, over all control also should be there to analyze the achievements of organizational goals
2. Decentralization of authority creates semi-independent units, these must be subjected to overall control in order to avoid confusions.
3. It permits the measurement of an integrated area.

Many overall controls in business are Financial

1. Finance is the binding force in business.
2. It accurately indicate the total expense s for resources in reaching the goals
3. A manager must have a way of knowing what goal achievement has cost in terms of resources.
4. It has to be tailored to the specific needs of the enterprise or position
5. A deviation from planned costs, may lead a manager to find the causes in poor planning, inadequate training of employees or other nonfinancial factors.

Profit & loss control

- Profit & Loss statement shows all revenues and expenses for a given period.
- Profits are a definite standard against which to measure success
- It is summary of results of business operations
- Each part/division of the enterprise should contribute towards this

Limitations

1. Cost & Time required is very high
2. Duplication of records
3. Difficult to allocate many overhead costs

Control through return on investment

1. Return on Investment is the rate of return that a company or a division can earn on the capital allocated to it
2. It shows the relative success of an organization
3. It recognizes the fundamental fact that capital is a critical factor in any enterprise

Management Audits & Accounting firms

1. Accounting audit agencies/firms do various types of auditing in companies
2. It is an independent process, aims at pointing out the inefficiency in the performance of management functions.
3. It is not compulsory and not enforced by law

Balanced Scorecard



Bureaucratic & clan control

1. Bureaucratic control is characterized by the wide use of rules, regulations, policies, procedures and formal authority
2. Clan control is based on norms, shared values, expected behavior, and other cultural variables

Preventive control

The principle of preventive control states that, the higher the quality of managers and their subordinates, the less will be the need for direct controls.

Assumptions in the Principle of Preventive Control:

1. Qualified Managers make a minimum errors
2. Managerial performance can be measured. Concepts, Principles and techniques are useful diagnostic standards in measuring managerial performance
3. The application of management fundamentals can be

evaluated **ADVANTAGES OF PREVENTIVE CONTROL**

1. Greater accuracy is achieved in assigning personal responsibility
2. Preventive control hasten corrective action and make it more effective
3. Preventive control lightens managerial burden
4. Psychological advantage. Subordinate managers know what is expected of them, understand the nature of managing, and feel a close relationship between performance and measurement

CONTENT BEYOND SYLLABUS

Role of Technology in Changing Business Standards

Technical advancements have reshaped the life of the people. Whether someone wants to buy a new smartphone or interested in buying the latest car model, it can be possible with current technology.

Technology has improved the working conditions for every industry. The kind of obstacles used to be previously faced by businesses has been resolved easily by the introduction of technology. It has changed the way of living life. Barriers related to communication, management, outsourcing are easy to overcome. It has become easy for companies to focus on daily operations with minimum disturbance. Let's see some major roles of technology in changing business status.

1. Increases Efficiency: The workforce is more efficient now than it used to be. The influence of technology on the work process has enhanced the speed of production. Tasks that used to take long hours can be completed in minutes. Technology has made it possible to send instant messages to colleagues present anywhere in the world. Any business proposal or payments can be transferred without any hurdle.

2. Productivity Can be Enhanced: These days, companies rely on software that provides ways to resolve daily productivity-related challenges. Software with advanced features helps managers to keep track of everything and give training to the workforce if required. The availability of new technologies has made employees capable of doing things faster.

3. Enhance Business Collaboration and Outsourcing: Due to technological advancement, businesses found it easy to outsource services from other businesses at the national and international levels. Outsourcing helps firms to get service at lower costs and completing their tasks at the right time. The two common functions that usually firms outsource are customer service and technical support.

4. Customer Base Can be Improved: Technology has allowed all businesses to get access to economic markets. Apart from selling goods or services in the local market, it is now easy for companies to reach both national and international markets.

Nowadays, the introduction of online websites is the most common method used by small businesses to sell out their products. These online sites are the best gift of technological advancement as it increases the customer base of the businesses. Customers can buy products from these sites anytime when they need them.

5. Minimize Security Risks: In the past, it was not difficult to steal confidential data. With the advancement in technology, the problems associated with data leaks have been decreased to a greater extent. Now, it is possible to implement security practices in the workplace and keep details safe.

Using technology, it becomes easy for the organization to control breaches associated with the communication. Every employee knows that they can be caught if they will be involved in any wrong practices.

6. Helps Businesses to be Competitive: Technology helps a small business to compete with financially established corporations without realizing the difference in any way. It got easier and faster to access everything because of technology. Multiple small business units use educational, security, and e-commerce software to keep their customers engaged and beat the competition.

7. Overall Business Costs can be Minimized: Several businesses or entrepreneurs are using technology to minimize the overall costing. Because of the technology, the work burden in the office has been minimized to a greater extent. The work that was previously handled by two or three individuals is now possible to do with the help of just one person. It is one of the biggest advantages obtained because of technology. It has also decreased the rate of jobs to some extent.

8. Promote Businesses of all Sizes: Technology has facilitated multiple ways of encouraging businesses. Whether a business will be small or large, it can ensure high profit using technological methods. The technology works as a major asset in producing large profits. The most important and popular factors affecting the businesses are the social media presence of any business. Technology is implementing new and innovative things on social media sites frequently. Eventually, this is helping businesses to progress to a large extent.

9. Helping with Smart Business Strategies: Due to technology, it becomes easy for businesses to promote themselves on the internet and different other sources. Multiple organizations have expanded their branches in several parts of the world and stay connected

due to the introduction of technology. Companies hire highly skilled employees with the help of technology. Technology has multiple positive impacts on modern business in a period. Interactive communication is the most effective way to have a successful business.

Technology has made everything easy. It is progressing every day and completely transformed the way of organizational work. This has facilitated advanced technical solutions for all problems. By implementing advanced technical methods, a business can ensure a secure profitable future. Customizing software has become an easy task because of technology. Depending on business needs, the software can be modified. One of the examples of such software which is getting popularity in the progressing workplace is named as the facility management software.