

**SREENIVASA INSTITUTE of TECHNOLOGY and MANAGEMENT STUDIES  
(AUTONOMOUS)**

**(PRINCIPLES OF MANAGEMENT)**

**COURSE MATERIALS**

**II MECH / II - SEMESTER**

**REGULATION: R18**



**BY**

**FACULTY INCHARGE :** DR.G.MALYADRI, ASSOCIATE PROFESSOR  
DR.C.JYOTHSNA, ASSISTANT PROFESSOR

**DEPARTMENT :** DEPARTMENT OF MANAGEMENT STUDIES

**Course Educational Objectives (CEO):**

**CEO1:** To enable the students to study the evolution of management and organizations

**CEO2:** To study the functions and principles of management and know the applications of principles in an organization.

**UNIT- 1: INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS**

Definition of management Science or art Manager Vs entrepreneur-Types of managers - Managerial roles and skills evolution of management- Scientific, human relations, system and contingency approaches Types of business organization- Solo proprietorship, partnership, company- Public and private sector enterprises Organization culture and environment-Current trends and issues in management.

**UNIT-2: PLANNING**

Nature and purpose of planning- Planning process- Types of planning-Objectives- Setting objectives - Policies-Planning premises- Strategic management Planning Tools and techniques- Decision making steps and process

**UNIT-3: ORGANISING**

Nature and purpose-Formal and informal organization-organization chart-Organization structure-Types - Line and staff authority - Departmentalization- Delegation of authority - Centralization and decentralization - Job design- Human resource management- HR planning, recruitment, selection, training and development, performance management , career planning and management.

**UNIT-4: DIRECTING**

Foundations of individual and group behavior - Motivation -Motivation theories Motivational techniques - Job satisfaction- job enrichment - Leadership- Types and theories of leadership - Communication - Process of communication- Barrier in communication - Effective communication- Communication and IT.

## UNIT-5: CONTROLLING

System and process of controlling- Budgetary and non-budgetary control techniques - Use of computers and IT in Management control - Productivity problems and management – Control and performance - Direct and preventive control- Reporting.

### Course Outcomes:

On successful completion of the course the student will be able to		POs related to COs
CO1	Understand the concepts of organization, management and the role of managers. Then the global management and ethical responsibilities of the engineer to the organization and society.	PO6,PO9,PO10, PO12
CO2	Obtain the knowledge of planning processes, types of plans, strategies, policies and decision making processes. And how to function effectively as a individual and team work with management principles in ethical manner.	PO6, PO8,PO9,PO10, PO11
CO3	Gain the knowledge of organizing, organization structure and the importance of team work in groups, departmentation, staffing, selection and recruitment, understanding of the engineering and management principles.	PO6, PO9,PO10, PO12
CO4	Acquire the knowledge of directing, motivation, leadership, communication in the management of the organization. And they will understand the responsibilities of the individual and team work to manage the organization culture with ethical principles.	PO6, PO8,PO9,PO10, PO12
CO5	Know about the controlling, types of control and how to manage Projects in multidisciplinary environment through proper communication. Then the life-long learning of the management skills in the broadest context of technological change.	PO6, PO9,PO10, PO11,PO12

### Text Books:

1. Total Quality Management, Dale.H.Besterfield, 3/e, 2010, Pearson Education, New Delhi.
2. Principles of Management, M. Govindarajan and S. Natarajan, Prentice Hall of India Pvt. Ltd.

### Reference Books:

1. Management, Stephen P. Robbins and Mary Coulter, 8/e, Prentice Hall of India.
2. Principles of Management, Charles W.L Hill, Steven L McShane, 2007 McGraw Hill Education, Special Indian Edition.

3. Management-A Competency Based Approach, Hellriegel, Slocum and Jackson, 10/e, 2007, Thomson South Western.
4. Management - A global and Entrepreneurial Perspective, Harold Koontz, Heinz Weihrich and mark V Cannice, 12/e, 2007, Tata Mcgraw Hill.
5. Essentials of Management, Andrew J. Dubrin, 7/e, 2007, Thomson South western.

## UNIT I

Management is essential for organized life and necessary to run all types of management. Good management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives.

According to F.W. Taylor , ' Management is an art of knowing what to do, when to do and see that it is done in the best and cheapest way '.

### **Science or Art**

#### **Management is oldest of Art and Youngest of Science**

It is said that "management is the oldest of arts and the youngest of sciences". This explains the changing nature of management but does not exactly answer what management is? To have an exact answer to the question it is necessary to know the meanings of the terms "Science" and "Art".

#### **What is "Science"?**

Science may be described- "as a systematic body of knowledge pertaining to an area of study and contains some general truths explaining past events or phenomena".

The above definition contains three important characteristics of science. They are

1. It is a systematized body of knowledge and uses scientific methods for observation
2. Its principles are evolved on the basis of continued observation and experiment and
3. Its principles are exact and have universal applicability without any limitation.

The above observation puts a limitation on management as a science. Management like other social sciences can be called as "inexact science".

#### **What is "Art"?**

'Art' refers to "the way of doing specific things; it indicates how an objective is to be achieved." Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

The above definition contains three important characteristics of art. They are-

1. Art is the application of science. It is putting principle into practice.
2. After knowing a particular art, practice is needed to reach the level of perfection.
3. It is undertaken for accomplishing an end through deliberate efforts.

**Management is both a Science as well as an Art**

Management is both a science as well as an art. The science of management provides certain general principles which can guide the managers in their professional effort. The art of management consists in tackling every situation in an effective manner. As a matter of fact, neither science should be over-emphasised nor art should be discounted; the science and the art of management go together and are both mutually interdependent and complimentary.

Management is thus a science as well as an art. It can be said that-"the art of management is as old as human history, but the science of management is an event of the recent past."

**Difference between Entrepreneur and Manager**

The term ‘**entrepreneur**’ is often contrasted with the term ‘manager’, as they are the key persons in an enterprise that help in the organisation, management, control and administration of the company.

An **entrepreneur** is a person with an idea, skills, and courage to take any risk to pursue that idea, to turn it into reality. On the other hand, **manager**, as the name suggests, is the person who manages the operations and functions of the organization.

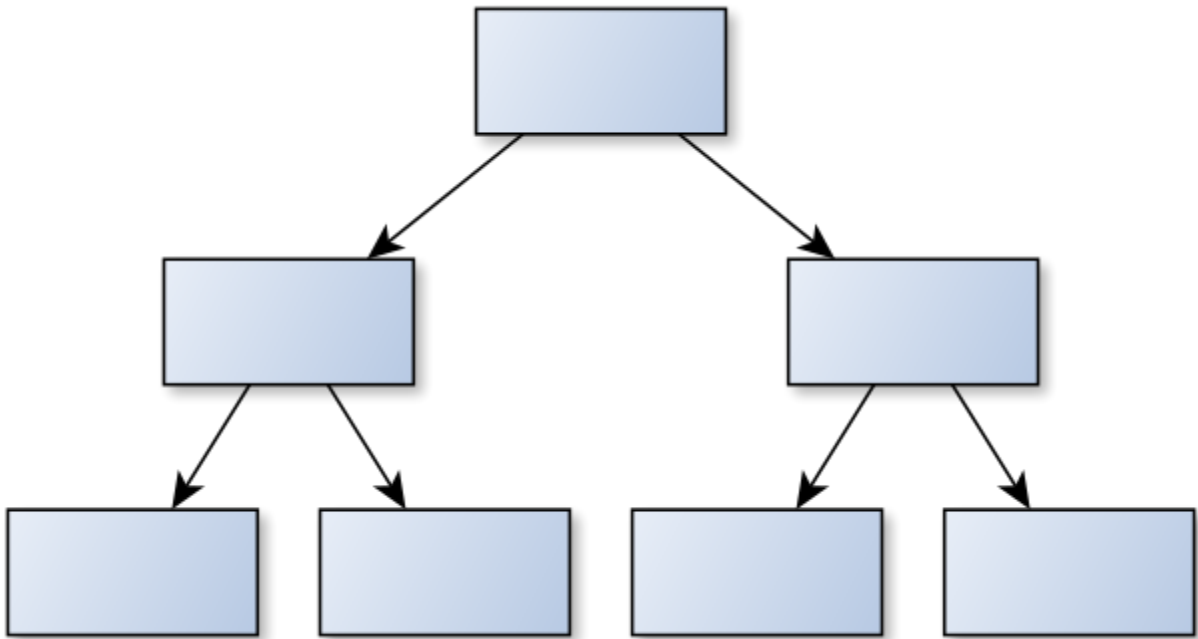
BASIS FOR COMPARISON	ENTREPRENEUR	MANAGER
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.

<b>BASIS FOR COMPARISON</b>	<b>ENTREPRENEUR</b>	<b>MANAGER</b>
Focus	Business startup	Ongoing operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee
Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

### **Types of Managers**

#### **Vertical Management**

**Vertical management**, also called top-down management, refers to the various levels of management within an organization. Managers at different levels are free to focus on different aspects of the business, from strategic thinking to communicating information to operational efficiency. During the nineteenth century and much of the twentieth century, vertical management was highly structured with many layers of management (as depicted by a pyramid). In industries where processes and conditions are stable and where ongoing innovation is less critical, the vertical structure of management can still be very efficient. Workers in labor-intensive industries such as manufacturing, transportation, and construction need to follow established procedures and meet specific goals. Everyone knows who is in charge and assumes the job they do today will be the same next year or in five years.



### Vertical management in a traditional organizational structure

A main disadvantage of vertical management is that it limits information flow from the lower levels of the organization to the upper levels (like water, information flows downhill easily). Without easy two-way communication, top management can become isolated and out of touch with how its plans affect core processes in the organization.

### **Top-Level Managers**

As you would expect, top-level managers (or top managers) are the “bosses” of the organization. They have titles such as chief executive officer (CEO), chief operations officer (COO), chief marketing officer (CMO), chief technology officer (CTO), and chief financial officer (CFO). A new executive position known as the chief compliance officer (CCO) is showing up on many organizational charts in response to the demands of the government to comply with complex rules and regulations.

### **Middle Managers**

Middle managers have titles like department head, director, and chief supervisor. They are links between the top managers and the first-line managers and have one or two levels below them. Middle managers receive broad strategic plans from top managers and turn them into operational



blueprints with specific objectives and programs for first-line managers. They also encourage, support, and foster talented employees within the organization.

### **First-Line Managers**

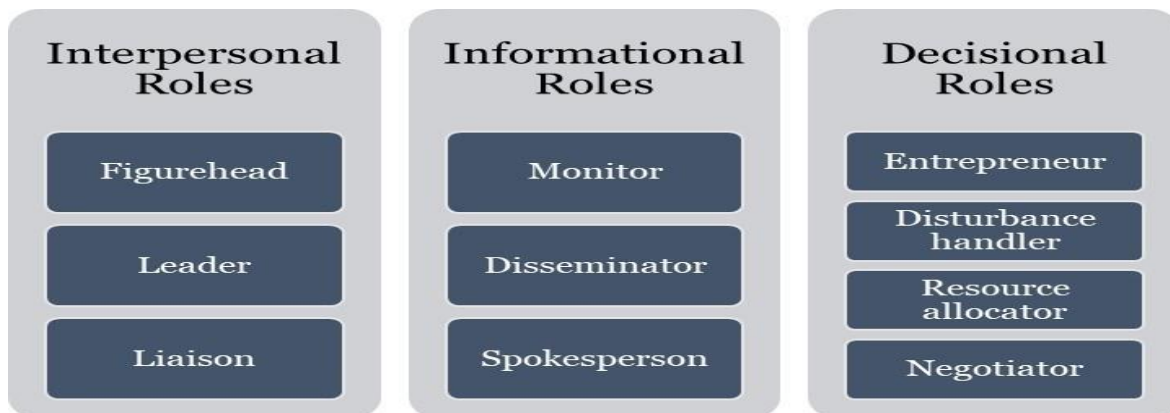
First-line managers are the entry level of management, the individuals “on the line” and in the closest contact with the workers. They may be called assistant managers, shift managers, foremen, section chiefs, or office managers. First-line managers are focused almost exclusively on the internal issues of the organization and are the first to see problems with the operation of the business, such as untrained labor, poor quality materials, machinery breakdowns, or new procedures that slow down production. It is essential that they communicate regularly with middle management.

### **Team Leaders**

A team leader is a special kind of manager who may be appointed to manage a particular task or activity. The team leader reports to a first-line or middle manager. Responsibilities of the team leader include developing timelines, making specific work assignments, providing needed training to team members, communicating clear instructions, and generally ensuring that the team is operating at peak efficiency. Once the task is complete, the team leader position may be eliminated and a new team may be formed to complete a different task.

### **Managerial Roles**

For better understanding, Mintzberg categorized all activities into ten managerial roles performed over the course of a day. These are as follows:



### **Interpersonal Roles**

- Figurehead – includes symbolic duties which are legal or social in nature.
- Leader – includes all aspects of being a good leader. This involves building a team, coaching the members, motivating them, and developing strong relationships.
- Liaison – includes developing and maintaining a network outside the office for information and assistance.

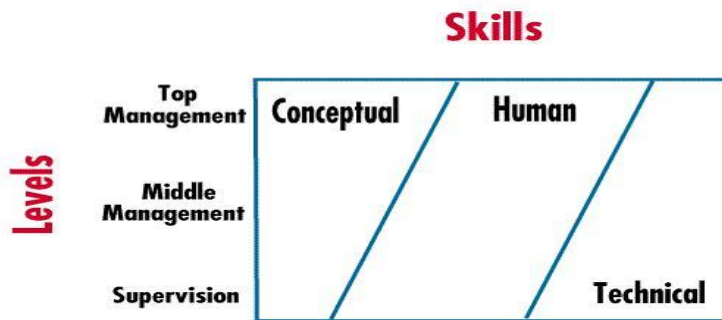
### **Informational Roles**

- Monitor – includes seeking information regarding the issues that are affecting the organization. Also, this includes internal as well as external information.
- Disseminator – On receiving any important information from internal or external sources, the same needs to be disseminated or transmitted within the organization.
- Spokesperson – includes representing the organization and providing information about the organization to outsiders.

### **Decisional Roles**

- Entrepreneur – involves all aspects associated with acting as an initiator, designer, and also an encourager of innovation and change.
- Disturbance handler – taking corrective action when the organization faces unexpected difficulties which are important in nature.
- Resource Allocator – being responsible for the optimum allocation of resources like time, equipment, funds, and also human resources, etc.
- Negotiator – includes representing the organization in negotiations which affect the manager's scope of responsibility.

## MANAGERIAL SKILLS



### **Skill Distribution at Various Management Levels**

#### **Technical skills:**

- Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- These skills require specialized knowledge and proficiency in the mechanics of a particular.
- Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

#### **Human skills:**

- Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- Human skills are concerned with understanding of people.
- These are required to win cooperation of others and to build effective work teams.

#### **Conceptual skills:**

- Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- These skills help the managers to analyze the environment and to identify the opportunities.

- Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

### **Evolution of Management Concept**

The origin of Evolution management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities. Evidence of the use of the well recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces.

Thus management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the on set of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modern management theory and practice.

### **SCIENTIFIC MANAGEMENT THEORY**

**Definition:** The Scientific Management Theory is well known for its application of engineering science at the production floor or the operating levels. The major contributor of this theory is Fredrick Winslow Taylor, and that's why the scientific management is often called as "Taylorism"

The scientific management theory focused on improving the efficiency of each individual in the organization. The major emphasis is on increasing the production through the use of intensive technology, and the human beings are just considered as adjuncts to machines in the performance of routine tasks.

The major principles of scientific management, given by Taylor, can be summarized as follows:

- Separate planning from doing.
- The Functional foremanship of supervision,i.e. Eight supervisors required to give directions and instructions in their respective fields.

- Time, motion and fatigue studies shall be used to determine the fair amount of work done by each individual worker.
- Improving the working conditions and standardizing the tools, period of work and cost of production.
- Proper scientific selection and training of workmen should be done.
- The financial incentives should be given to the workers to boost their productivity and motivate them to perform well.

Thus, the scientific management theory focused more on mechanization and automation, i.e., technical aspects of efficiency rather than the broader aspects of human behavior in the organization.

## HUMAN RELATIONS APPROACH

**1. Human Relations**

- Human relations management emerged in the 1920s and dealt with the human aspects of organizations.
- It has been referred to as the neo-classical school because it was initially a reaction to the shortcoming of the classical approaches to management.
- The human relations movement began with the Hawthorne studies.

Visual Edge



### **There are four major phases to the Hawthorne studies:**

- The illumination experiment: Tried to determine whether better lighting would lead to increased productivity.
- The real assembly group experiments
- The interviewing program and
- The bank wiring group studies.



Visual

### **Understand the human relations theory of management:**

The results of Professor Elton Mayo's Hawthorne studies proved that the factor most influencing productivity are relationships. The researchers realized productivity increased due to relationships and being part of a supportive group where each employee's work had a significant effect on the team output. As a side result, the researchers noticed that the increased attention the workers received by the researchers increased motivation and productivity, which resulted in what is the Hawthorne Effect.

### **SYSTEM APPROACH**

#### **Following are the important features of systems approach to management thought:**

1. System approach considers the organisation as a dynamic and inter-related set of parts. Each part represents a department or a sub-system. Each department has its sub-system. Continuous and effective interaction of sub-systems helps to attain goals of the larger system. Thus, every sub-system is a system and has sub-systems which together make an organisation a set of mutually dependent parts and their sub-parts.

2. It considers the impact of both near and distant future on organisational activities. Organisations constantly respond to changes in the internal and external environmental conditions. They also act as market leaders in the dynamic, competitive environment.

3. System approach integrates goals of different parts of the organisation (sub-systems or departments) with the organisation as a whole. It also integrates goals of the organisation with goals of the environment or society in which it operates. Integration of goals maintains equilibrium or balance and enables organisations to grow in the dynamic environment.

4. It synthesizes knowledge of different fields of study such as biology, sociology, psychology, information systems, economics etc. As business organisation deals with different components of society, it makes best use of different fields of study to improve interaction with its counterparts.

5. System approach enables organisations to frame policies that promote business objectives and social objectives. Business operates in the social system and social values, culture, beliefs and ethics are important constituents of business operations.

## **CONTINGENCY APPROACH**

The 'Contingency Approach to Management' is relatively a new approach to management. It is an extension of the system approach. The basic idea of the contingency approach is that the organisation has to come up with different situations in different ways. There is no single best way of managing applicable to all situations.

In order to be effective, the internal functioning of an organisation must be consistent with the demands of the external environment. The managers must keep the functioning of an organisation in harmony with the needs of its members and the external forces.

**The main characteristics of the Contingency Approach to management are pointed out below:**

1. Management is entirely situational. The application and effectiveness of any technique is contingent on the situation.
2. Management should match its approach to the requirements of the particular situation. To be effective, management policies and practices must respond to environmental changes. The organisation structure, the leadership style, the control system—all should be designed to fit the particular situation.
3. As management's success depends on its ability to cope with its environment, it should sharpen its diagnostic skills so as to anticipate and comprehend environmental changes.

4. The managers should understand that there is no one best way to manage.

5. Because of the specific organisation-environment relationship, no action can be universal. It varies from situation to situation.

, while charities and other nonprofit organizations are part of the voluntary sector.

BASIS FOR COMPARISON	PUBLIC SECTOR	PRIVATE SECTOR
Meaning	The section of a nation's economy, which is under the control of government, whether it is central, state or local, is known as the Public Sector.	The section of a nation's economy, which owned and controlled by private individuals or companies is known as Private Sector.
Basic objective	To serve the citizens of the country.	Earning Profit
Raises money from	Public Revenue like tax, duty, penalty etc.	Issuing shares and debentures or by taking loan
Areas	Police, Army, Mining, Health, Manufacturing, Electricity, Education, Transport, Telecommunication, Agriculture, Banking, Insurance, etc.	Finance, Information Technology, Mining, Education, Transport, Telecommunication, Manufacturing, Banking, Construction, Pharmaceuticals etc.



BASIS FOR COMPARISON		PUBLIC SECTOR	PRIVATE SECTOR
Benefits of working	Job security, Retirement benefits, Perquisites etc.	Good salary package, Competitive environment, Incentives etc.	
Basis of Promotion	Seniority	Merit	
Job Stability	Yes	No	

## Organization Culture

Organizational culture is a system of shared assumptions, values, and beliefs, which governs how people behave in organizations. These shared values have a strong influence on the people in the organization and dictate how they dress, act, and perform their jobs. Every organization develops and maintains a unique culture, which provides guidelines and boundaries for the behavior of the members of the organization.

### Meaning of Organisational Culture:

To understand the meaning of organisational culture, we must first understand the meaning of culture. “Culture is the set of important understandings that members of a community share in common.” It consists of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc. which create a distinctiveness among human groups.

### Definition:

“Organizational culture defines a jointly shared description of an organization from within.” — Bruce Perron

“Organizational culture is the sum of values and rituals which serve as ‘glue’ to integrate the members of the organization.” — Richard Perrin

“Organizational culture is civilization in the workplace.” — Alan Adler

## **Characteristics of Organizational culture:**

### **1. Individual Autonomy:**

The degree of responsibility, freedom and opportunities of exercising initiative that individuals have in the organisation.

### **2. Structure:**

The degree to which the organisation creates clear objectives and performance expectations. It also includes the degree of direct supervision that is used to control employee behaviour.

### **3. Management Support:**

The degree to which, managers provide clear communication, assistance; warmth and support to their subordinates.

### **4. Identity:**

The degree to which, members identify with the organisation as a whole rather than with their particular work group or field of professional expertise.

### **5. Performance Reward System:**

The degree to which reward system in the organisation like increase in salary, promotions etc. is based on employee performance rather than on seniority, favouritism and so on.

### **6. Conflict Tolerance:**

The degree of conflict present in relationships between colleagues and work groups as well as the degree to which employees are encouraged to air conflict and criticisms openly.

### **7. Risk Tolerance:**

The degree to which, employees are encouraged to be innovative, aggressive and risk taking.

### **8. Communication Patterns:**

The degree to which, organisational communications are restricted to the formal hierarchy of authority.

### **9. Outcome Orientation:**

The degree to which, management focuses on results or outcomes rather than on the techniques and processes used to achieve these outcomes.

### **10. People Orientation:**

The degree to which, management decisions take into consideration the impact of outcomes on people within the organisation.

### **Organizational environment**

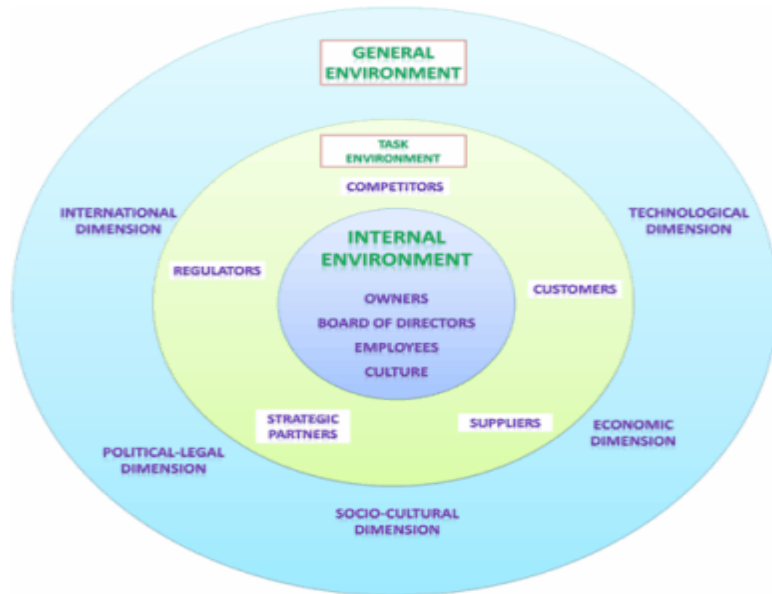
Organizational environment denotes internal and external environmental factors influencing organizational activities and decision making. Every organization, whether business or non-business, has its environment. The organizational environment is always dynamic and ever-changing.

Environment embraces such abstract things as an organization's image and such remote visible issues as economic conditions of the country and political situations. The environmental forces abstracts and visible need careful analysis. The systematic and adequate analysis produces the information necessary for making judgments about what strategy to pursue.

### **Types of Organizational Environment**

#### **Internal environment**

The internal environment generally consists of those elements that exist within or inside the organization such as physical resources, financial resources, **human resources**, information resources, technological resources, organization's goodwill, corporate culture



## External Environment

The external environment embraces all general environmental factors and an organization's specific industry-related factors. The general environmental factors include those factors that are common in nature and generally affect all organizations.

Managers have to continuously read signals from the external environment to spot emerging opportunities and threats. The external environment presents opportunities for growth leadership, and market dominance, it also poses the threat of obsolescence for products, technology, and markets.

## The 5 Most Prominent Management Trends and Issues of the 21st century

- Globalization.
- Technology.
- Sustainability and Corporate Social Responsibility.
- The Study of Psychology.
- Business Ecosystems.

## Globalization

The melting of barriers among nations and their increasing interconnectedness, accelerated by technology, has led to a change in the world order that has had a profound impact on global business. The emergence of nations such as India and China has replaced the era of unquestioned

dominance of the Western countries or any one particular region, paving the way for a flattened business arena where developments in one part of the other are certain to have a spiraling impact. Perhaps the best evidence of this is the recent financial crisis.

### **Technology**

If the current wave of globalization has been the driving force behind the most far-reaching and powerful changes in business, then information technology has indisputably been the facilitator. Drawing attention to the fact that four out of the top five companies in Businessweek's annual list of most innovative companies are technology-driven businesses

### **Sustainability and Corporate Social Responsibility**

For business to be sustainable, and even profitable, our planet has to be sustainable - this realization has hit businesses perhaps the hardest in recent times. HBS Dean Nitin Nohria feels that in the coming decade, we are likely to see a lot of focus directed towards applying management principles to solutions of complex social issues such as environmental sustainability, energy security, access to healthcare etc. This will also underline the need for increased interdisciplinary interaction and influence on business management.

### **The Study of Psychology**

Speaking of interdisciplinary influences on business, the study of human psychology - probing into cognition, motivation, behavior and performance - has become a key pillar of organizational management. From employee management to customer satisfaction and social engagement, satisfaction of business objectives requires effective analysis of both individual and institutional psychology.

### **Business Ecosystems**

Professor Carlyss Y. Baldwin feels that one of the most notable trends in management has been the rise of business ecosystems - defined as groups of firms which together provide complex products and related services to meet end-to-end requirements of users across the value chain.

## UNIT II

### PLANNING

#### **Planning**

**Definition:** Planning is the fundamental management function, which involves **deciding beforehand**, what is to be done, when is it to be done, how it is to be done and who is going to do it. It is an **intellectual process** which **lays down an organisation's objectives and develops various courses of action**, by which the organisation can achieve those objectives. It chalks out exactly, how to attain a specific goal.

#### **Nature of Planning**

The nature of planning can be understood by examining its four major aspects. They are;

1. It is a contribution to objectives,
2. It is primacy among the manager's tasks.
3. It is pervasiveness, and
4. The efficiency of resulting plans.

#### **1. Its contribution to objectives (Plans must have effectiveness).**

Every major plan and its supporting plans should contribute to the accomplishment of the purpose and objectives of the enterprise. It means plans have to be effective. They have to deliver the required output.

#### **2. Its primacy among the manager's tasks.**

Managerial operations of organizing, staffing ( **resourcing**), leading (**executing**) and controlling are done to accomplish the objective through plans. Hence planning logically precedes the execution of all the other managerial functions. Planning is primary task of managers.

#### **3. Its pervasiveness**

All managers from the first line supervisor to the chief executive officer of a company are to do planning. At lower levels we may term it as operational planning and at higher levels we may term it as strategic planning. The amount of time spent in planning may vary with the level.

#### **4. The efficiency of plans**

The effectiveness of a plan pertains to the degree to which it achieves the purpose or objectives. The efficiency of the plan refers to the contribution to the objectives, offset by the costs and other factors required to formulate and operate it. More simply stated if sales is taken as an objective, the total sales revenue is the contribution of the plan to the objective and the profit which is the difference between sales revenue and total cost is the efficiency.

#### **Purpose of Planning**

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

## **PLANNING PROCESS**

The main steps that are taken in planning process are as follows:

### **1. Establishing Objectives:**

Establishing the objectives is the first step in planning. Plans are prepared with a view to achieve certain goals. Hence, establishing the objectives is an important step in the process of planning. Plans should reflect the enterprise's objectives. Objectives should clearly define as to what is to be achieved by policies, procedures, rules, strategies, budgets and programmes. Plan must make sure that every activity undertaken contributes to the achievement of objectives.

The objectives fixed must clearly indicate what is to be achieved, where action should take place, who is to perform it, how it is to be undertaken and when it is to be accomplished. That is, managers should be able to restate the objectives of the firm in definite and clear terms that will motivate examination and evaluation of performance against targeted performance in the plan. Objectives should be measurable.

### **2. Determining Planning Premises**

This is the second step in planning. Premises include actual forecast data, policies and plans of the enterprise. Planning involves looking into the future which necessitates the enterprise to know, how future conditions will affect its activities. Thus, forecasting is an important step in planning. There are two types of forecasting namely,

- i. Prediction of general economic conditions.
- ii. Prediction of market conditions for a specific product or service dealt with by the enterprise.

Keeping the general economic conditions in mind, a study of the industry is made. Then the manager proceeds to make a study of his company's share of the market. Forecasting will reveal those areas where control is lacking. Planning will be reliable when the forecast methods are accurate. Hence, the success of the planning depends very much upon the forecasts.



### **3. Determining Alternative Courses**

Determining alternative courses is the third step in the planning process. The planner should study all the alternatives, consider the strong and weak points of them and finally select the most promising ones.

### **4. Evaluating Alternative Courses**

Alternative courses so selected should be evaluated in the light of premises and goals. Evaluation involves the study of performance of various actions. Various factors such as profitability, investment requirements, etc., of such alternatives should be weighed against each other. Each alternative should be closely studied to determine its suitability.

Many other factors such as uncertain future trend, problems faced financially, future uncertainties renders the evaluation process, complex and difficult. Usually, alternative plans are evaluated against factors such as cost, risks, benefits, organizational facilities, etc. Computer based mathematical plans and techniques can also be utilized to identify best course of action.

### **5. Selecting the Best Course**

After having evaluated the various alternatives, the most suitable alternative is selected. With this, the plan can be considered to have been adopted. It is exactly the point at which decisions are made. Sometimes, in the best interests of the enterprise, several alternative courses can be adopted.

### **6. Formulating Derivative Plans**

Planning is not complete as soon as the best course is selected. The main plan should be supported by a number of derivative plans. Within the framework of a basic plan, derivative plans are formulated in each functional area. Segregation of master plan into departmental, sectional and individual plans, helps to understand the real nature of future uncertainties. To make the planning process more effective, it should also provide for a feedback mechanism. These plans are meant for the implementation of the main plan.

## 7. Implementation of Plans

Implementation of plans is the final step in the process of planning. This involves putting the plans into action so as to achieve the business objectives. Implementation of plans requires establishment of policies, procedures, standards, budgets, etc.

### TYPES OF PLANNING

#### The 4 Types of Plans

##### 1. Operational Planning

**“Operational plans are about how things need to happen,” motivational leadership speaker Mack Story said at LinkedIn. “Guidelines of how to accomplish the mission are set.”**

**This type of planning typically describes the day-to-day running of the company. Operational plans are often described as single use plans or ongoing plans. Single use plans are created for events and activities with a single occurrence (such as a single marketing campaign). Ongoing plans include policies for approaching problems, rules for specific regulations and procedures for a step-by-step process for accomplishing particular objectives.**

##### 2. Strategic Planning

**“Strategic plans are all about why things need to happen,” Story said. “It’s big picture, long-term thinking. It starts at the highest level with defining a mission and casting a vision.”**

**Strategic planning includes a high-level overview of the entire business. It’s the foundational basis of the organization and will dictate long-term decisions. The scope of strategic planning can be anywhere from the next two years to the next 10 years. Important components of a strategic plan are vision, mission and values.**

##### 3. Tactical Planning

“Tactical plans are about what is going to happen,” Story said. “Basically at the tactical level, there are many focused, specific, and short-term plans, where the actual work is being done, that support the high-level strategic plans.”

Tactical planning supports strategic planning. It includes tactics that the organization plans to use to achieve what’s outlined in the strategic plan. Often, the scope is less than one year and breaks down the strategic plan into actionable chunks. Tactical planning is different from operational planning in that tactical plans ask specific questions about what needs to happen to accomplish a strategic goal; operational plans ask how the organization will generally do something to accomplish the company’s mission.

#### 4. Contingency Planning

Contingency plans are made when something unexpected happens or when something needs to be changed. Business experts sometimes refer to these plans as a special type of planning.

Contingency planning can be helpful in circumstances that call for a change. Although managers should anticipate changes when engaged in any of the primary types of planning, contingency planning is essential in moments when changes can’t be foreseen. As the business world becomes more complicated, contingency planning becomes more important to engage in and understand.

## PLANNING PREMISES

The process of planning is based upon estimates and predictions of the future. Though past guides the plans in present, plans achieve the goals in the future. Therefore, the forecast of future events leads to efficient plans. Since future events are not known accurately, the [assumption](#) is made about these events.

These events may be known conditions (even changes in the tax laws as announced in the [budget](#)) or anticipated events which may or may not happen (entry of a competitor in the same market with the same product).

Though these assumptions are primarily based on scientific analysis and models, managers also use their intuition and [judgment](#) to make assumptions about future events. By identifying the factors (assumptions) that affect plans is called premising and the methods used for making premises are called forecasting.

The done forecast or the assumptions about the future which provide a base for planning in present are known as planning premises. This is the expectation or forecasts made for achieving the goals.

## **Types of Planning Premises**

### *1. Internal and External Premises*

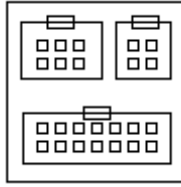
1. Internal Premises come from the business itself. It includes the skills of the labor force, investment policies of the company, management style, sales forecasts, etc.
2. External Premises come from the external environment. That is economic, technological, social, political and even cultural environment. External premises cannot be controlled by the business.

### *2. Controllable, Semi-controllable and Uncontrollable Premises*

1. Controllable Premises are fully controlled by the management. They include factors like materials, machines, and money.
2. Semi-controllable Premises are partly controllable. They include marketing strategy.
3. Uncontrollable Premises as the name suggests are those over which the management has absolutely no control. Take for example weather conditions, consumer behavior, natural disasters, wars, etc.

## **PLANNING TOOLS AND TECHNIQUES**

The *seven management and planning tools* have their roots in [operations research](#) work done after World War II and the Japanese [total quality control](#) (TQC) research.



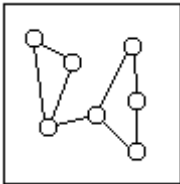
### Affinity Diagram [KJ method]

Affinity diagrams are a special kind of **brainstorming** tool that organize large amount of disorganized data and information into groupings based on natural relationships.

It was created in the 1960s by the Japanese anthropologist Jiro Kawakita. It is also known as KJ diagram, after Jiro Kawakita. An affinity diagram is used when:

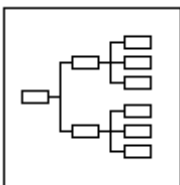
1. You are confronted with many facts or ideas in apparent chaos.
2. Issues seem too large and complex to grasp.

### Interrelationship diagram



Interrelationship diagrams (IDs) displays all the interrelated **cause-and-effect** relationships and factors involved in a complex problem and describes desired outcomes. The process of creating an interrelationship diagram helps a group analyze the natural links between different aspects of a complex situation.

### Tree diagram



This tool is used to break down broad categories into finer and finer levels of detail. It can map levels of details of tasks that are required to accomplish a goal or solution or task. Developing a [tree diagram](#) directs concentration from generalities to specifics.

### **Prioritization matrix**

	a	b	c	d	e	f
1						
2						
3						
4						
5						
6						

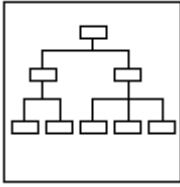
This tool is used to prioritize items and describe them in terms of weighted criteria. It uses a combination of tree and [matrix diagramming](#) techniques to do a pair-wise evaluation of items and to narrow down options to the most desired or most effective. Popular applications for the prioritization matrix include [return on investment \(ROI\)](#) or [cost-benefit analysis](#) (investment vs. return), [time management matrix](#) (urgency vs. importance), etc.

### **Matrix diagram or quality table**

	a	b	c	d	e	f
1						
2						
3						
4						
5						
6						

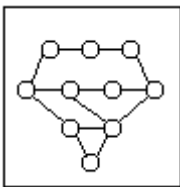
This tool shows the relationship between two or more sets of elements. At each intersection, a relationship is either absent or present. It then gives information about the relationship, such as its strength, the roles played by various individuals or measurements. The matrix diagram enables you to analyze relatively complex situations by exposing interactions and dependencies between things. Six differently shaped matrices are possible: L, T, Y, X, C, R and roof-shaped, depending on how many groups must be compared.

### **Process decision program chart**



A useful way of planning is to break down tasks into a hierarchy, using a tree diagram. The **process decision program chart** (PDPC) extends the tree diagram a couple of levels to identify risks and countermeasures for the bottom level tasks. Different shaped boxes are used to highlight risks and identify possible countermeasures (often shown as "clouds" to indicate their uncertain nature). The PDPC is similar to the **failure modes and effects analysis** (FMEA) in that both identify risks, consequences of failure, and contingency actions; the FMEA also rates relative risk levels for each potential failure point.

### **Activity network diagram**



This tool is used to plan the appropriate sequence or schedule for a set of tasks and related subtasks. It is used when subtasks must occur in parallel. The diagram helps in determining the **critical path** (longest sequence of tasks). The purpose is to help people sequentially define, organize, and manage a complex set of activities.

### **POLICIES**

Policies are guides to thinking in decision making. They reflect and interpret objectives and guide decisions to achieve the objectives. They establish the framework for planning programs. They establish limits or boundaries to plans whereas planning premises provide the operational background.

Policies themselves are plans. They are also the result of planning and decision making. Policies also have levels. A policy can be a major as that of financing growth through retained profits.

Policies can be categorized as originated policy, appealed policy, implied policy, and externally imposed policy.

The most logical way of policy setting is that originated by managers at a certain level for the express purpose of guiding their decisions and the decisions of their subordinates in the operation of business.

The decisions made by superiors in the on problems referred to them can develop into policies and such policies are termed as appealed policy.

Many times policies develop from the actions that people see about them. If a company talks of high quality in speeches and slogans, but is frequently producing and selling shoddy goods, people working in the company assume that poor quality is the policy of the company. Implied policy emerges from instances where stated policy is not enforced.

Government, trade associations and trade unions impose certain policies on the organizations.

#### Guidelines for Effective Policies

Policies should reflect objectives and plans.

Policies should be consistent.

Policies should be flexible

Policies should be distinguished from rules and procedures.

Policies should be in writing.

Policies should be taught.

#### Policies in Various Functional Areas of Business

In the following functional areas, policies are announced generally to guide decision making.

Product selection and development

Pricing

Sales promotion

Distribution channels

Production and inventory



Finance

Personnel selection and training

Compensation

Employee benefits

## **OBJECTIVES**

Objectives are referred to some authors with different terms. Purposes, missions, goals or targets are the terms used to refer to objectives. Mission is usually used in military enterprises and occasionally in churches and government. "Goals" and "targets" often carry the notation of specific quantitative end. Sometimes the end can be qualitative also. Koontz and O'Donnel used the chapter on objectives to discuss all the various types of terms used in relation to objectives.

### **Social objectives**

It is interesting to note that the discussion of objectives is started with the section social objectives. The objectives of a private enterprise have to be in harmony with the ends for which a society is organized. Whenever the actions and objectives of a private enterprise are thought be against the objectives of the society, legal action is initiated to regulate it or suppress it.

### ***Enterprise Objectives***

The plural form is used to stress the fact that enterprises have multiple objectives. Drucker asserted that there are eight areas in which objectives of performance and results have to set by all enterprises. They are: Market Standing, Innovation, Productivity, Physical and Financial Resources, Profitability, Manager Performance and Development, Worker Performance and Development, and Public Responsibility.

### **Principles to be followed in setting objectives:**

1. Objectives have to be practically achievable. The organization must be able to do some thing to achieve each objective that it has set.
2. The objectives have to support the enterprise purpose, its contribution to the customer.
3. If long range objectives and short range objectives are specified, there must be integral relationship between them.

4. At various points of time prioritization among objectives may be required.
5. Objectives have to be specific and actionable and verifiable
6. Objectives have to be planned. They are the result of planning process or activity.
7. Objectives have to be communicated to those charged with building plans to meet them.

## **STRATEGIC MANAGEMENT**

: Strategic Management is now full subject and specialization in management. But it is essential to note from this chapter that strategy making is a part of management process and is a part of planning function of management. Every student of management has to learn strategy development. It is a core management step or activity as we stated earlier that planning is a primary function of management.

### **Strategy**

Some writers include both the end points (purpose, mission, goals, objectives) and the major means of achieving them (programs, policies, and plans) in strategy of the firm. Others emphasize the means.

Conceptually, strategic planning is very simple: Analyze the **current and future environmental situation**, assess the **firm's capabilities**, determine the direction of the firm (**mission**), and develop **means of achieving the mission**. In practice, it is a complex process.

Determination of the mission is done periodically and mission remains the same for many many years. Strategies are more dynamic and every year as part of annual plan strategy is explicitly stated.

### **The Strategic Planning Process**

#### ***Inputs***

The goal inputs of various claimants on the organization have to be ascertained.

#### **Enterprise Profile**

Enterprise profile gives where the company is presently. It also gives present competitive situation in the industry and the position of the company in it.

#### **Orientation of Top Managers**

The enterprise profile is shaped by people, especially top managers. They set the organizational climate and they determine the direction of the firm.

### **Strategic Intent**

Strategic intent is the commitment to win in the competitive environment. Some companies make intent statements. Authors gave the examples of Komatsu "encircle Caterpillar," Canon "beat Xerox," and Honda's intent to become an automotive pioneer, "a second Ford." The intent statement is stable over time and focuses on the essence of winning.

### **External Environment**

Economic, social, political, legal, demographic, geographic, technological and industry (competition) developments are to be monitored and pertinent information is to be used in strategic planning.

### **Internal Environment**

A firm's resources and capabilities are to be understood before the start of each strategic planning effort. The strengths and weaknesses in research & development, production and other operations, supply chain, marketing, HRD, Financing are to be identified. Intangible assets and their relative strength in competitive situation are to be determined.

### **Alternative Strategies**

Generic competitive strategies of cost leadership in a standard product (commodity product) or differentiated product offering is possible in all product categories that a company is doing business.

An organization may focus on niche (one or two customer segments) and or produce and offer complete product line to cater to various customer segments in the market. A firm can specialize in one product or it can diversify into multiple products. Growing internationally is another strategic choice. Retrenchment or sales of certain parts of the organization and liquidation are also strategic choices.

### ***Evaluation and Choice of Strategies***

Various strategic alternatives have to be carefully evaluated before the choice is made. Risk assessment also needs to be done as certain failures can bankrupt the organization.

## **SWOT Analysis or TOWS Matrix**

External opportunities and threats and Internal strengths and weaknesses are to be evaluated by organizations as a part of strategic planning process. If an opportunity and strength match, the organization can exploit the opportunity with confidence. If there is a threat and company seems to be weak in the area, retrenchment can be an alternative.

## **The Product Portfolio Matrix**

It classifies the products based on two dimensions: Business growth rate and relative market position.

Stars, Cash cows, Question marks and Dogs are the four quadrants.

Michael Porter outlined that as generic strategies organizations can follow cost leadership or differentiation to achieve competitive advantage or higher profit margins. Similarly focus on special groups of customers can also be a generic strategic choice.

## **Steps for successful Implementation Strategies**

- 1. Communicating strategies to all key decision-making managers.**
- 2. Developing and communicating planning premises**
- 3. Ensuring that action plans contribute to and reflect major objectives and strategies.**
- 4. Reviewing strategies regularly.**
- 5. Developing contingency strategies and programs.**
- 6. Making organization structure fit strategic needs**
- 7. Continuing to emphasize planning and implementing strategy.**
- 8. Creating a company climate that forces planning.**

## **DECISION MAKING PROCESS**

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

### **Step 1: Identify the decision of problem**

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

### **Step 2: Gather relevant information**

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external “work.” Some information is internal: you’ll seek it through a process of self-assessment. Other information is external: you’ll find it online, in books, from other people, and from other sources.

### **Step 3: Identify the alternatives**

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

### **Step 4: Weigh the evidence**

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you'll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

### **Step 5: Choose among alternatives**

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

### **Step 6: Take action**

You're now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

### **Step 7: Review your decision & its consequences**

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has *not* met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

## UNIT III

### ORGANIZING

Organising or organizing in management refers to the relationship between people, work and resources used to achieve the common objectives.

According to **Haimann**,

"Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them."

According to **Louis Allen**,

Organising is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

#### NATURE OR CHARACTERISTICS OF ORGANIZING

From the study of the various definitions given by different management experts we get the following information about the characteristics or nature of organization,

**Division of Work:** Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments. The work of every department is further sub-divided into sub-works.

**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.

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

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

**Well-defined Authority and Responsibility:** 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. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.

**Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate.

**Organization is a Machine of Management:** Organization is considered to be a machine of management because the efficiency of all the functions depends on an effective organization. In the absence of organization no function can be performed in a planned manner. It is appropriate to call organization a machine of management from another point of view. It is that machine in which no part can afford to be ill-fitting or non-functional

**Organization is a Universal Process:** Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or more than two people work jointly. Therefore, organization has the quality of universality. (9) **Organization is a Dynamic Process:** Organization is related to people and the knowledge and experience of the people undergo a change.

## **PURPOSE OF ORGANIZING**

**Human Treatment of Employees:** Organization should operate for the betterment of staff a **requirement not encourages monotony of labor thanks to higher degree of specialization.** Now, organization has custom-made the trendy construct of systems approach supported human relations and it discards the normal productivity and specialization approach.



**Optimum use of resources:** to form optimum use of resources like men, material, money, machine and methodology, it's necessary to style a company properly. Work ought to be divided and right folks ought to be right folks ought to be right jobs to scale back the wastage of resources in a company.

**Helps to attain organizational goal:** organization is used to attain the objectives of business companies. Organization focuses attention of individual's objectives towards overall objectives.

**Facilitates Growth and Diversification:** a decent organization structure is important for increasing commercial activity. Organization structure determines the input resources required for enlargement of a commercial activity equally organization is important for product diversification like establishing a brand new business line.

**To perform social control Function:** coming up with, organizing, Staffing, directional and dominant cannot be enforced while not correct organizing

### Formal Organisation:

Formal organisational structure clearly spells out the job to be performed by each individual, the authority, responsibility assigned to every individual, the superior- subordinate relationship and the designation of every individual in the organisation. This structure is created intentionally by the managers for achievement of organisational goal.

Features of Formal organisation:

- (1) The formal organisational structure is created intentionally by the process of organising.
- (2) The purpose of formal organisation structure is achievement of organisational goal.
- (3) In formal organisational structure each individual is assigned a specific job.
- (4) In formal organisation every individual is assigned a fixed authority or decision-making power.
- (5) Formal organisational structure results in creation of superior-subordinate relations.
- (6) Formal organisational structure creates a scalar chain of communication in the organisation.

## Advantages of Formal Organisation

### 1. Systematic Working:

Formal organisation structure results in systematic and smooth functioning of an organisation.

2. Achievement of Organisational Objectives: Formal organisational structure is established to achieve organisational objectives.

### 3. No Overlapping of Work:

In formal organisation structure work is systematically divided among various departments and employees. So there is no chance of duplication or overlapping of work.

### 4. Co-ordination:

Formal organisational structure results in coordinating the activities of various departments.

### 5. Creation of Chain of Command:

Formal organisational structure clearly defines superior subordinate relationship, i.e., who reports to whom.

### 6. More Emphasis on Work:

Formal organisational structure lays more emphasis on work than interpersonal relations.

## Informal Organisation:

In the formal organisational structure individuals are assigned various job positions. While working at those job positions, the individuals interact with each other and develop some social and friendly groups in the organisation. This network of social and friendly groups forms another structure in the organisation which is called informal organisational structure.

## Features of informal organisation:

(1) Informal organisational structure gets created automatically without any intended efforts of managers.

(2) Informal organisational structure is formed by the employees to get psychological satisfaction.

(3) Informal organisational structure does not follow any fixed path of flow of authority or communication.

(4) Source of information cannot be known under informal structure as any person can communicate with anyone in the organisation.

(5) The existence of informal organisational structure depends on the formal organisation structure.

Advantages of Informal Organisation:

#### 1. Fast Communication

Informal structure does not follow scalar chain so there can be faster spread of communication.

#### 2. Fulfills Social Needs:

Informal communication gives due importance to psychological and social need of employees which motivate the employees.

#### 3. Correct Feedback:

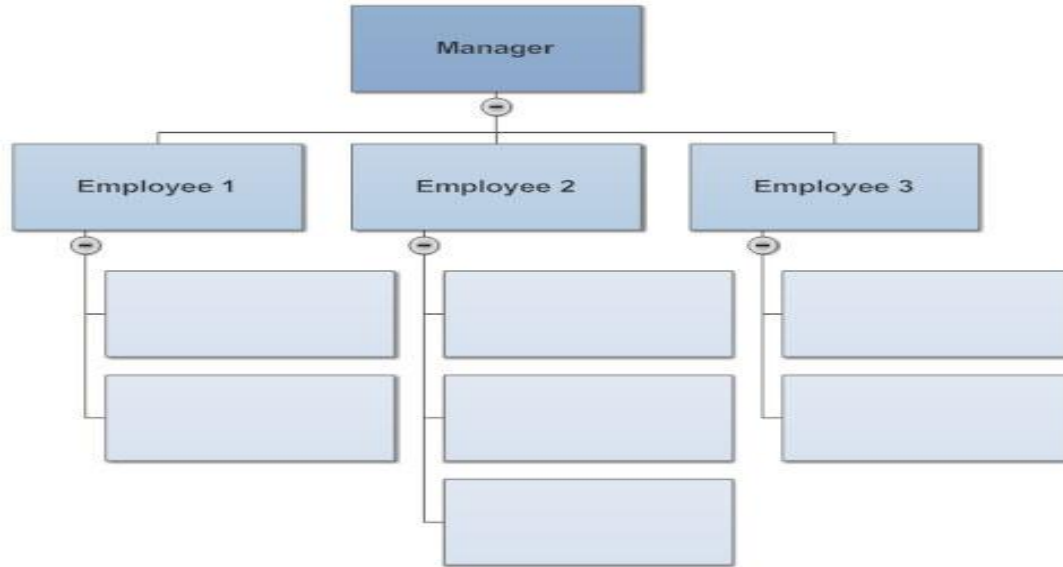
Through informal structure the top level managers can know the real feedback of employees on various policies and plans.

.

## **ORGANISATION CHART**

An **organizational chart** is a **diagram** that visually conveys a **company's** internal **structure** by detailing the roles, responsibilities, and relationships between individuals within an entity.

... **Organizational charts** are alternatively referred to as "org **charts**" or "organization **charts**."



## What Is an Organizational Structure?

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities.

The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization.

### Types of Organisational Structures:

**All managers must bear that there are two organisations they must deal with-one formal and the other informal.**

**The formal organisation is usually delineated by an organisational chart and job descriptions. The official reporting relationships are clearly known to every manager.**

**Alongside the formal organisation exists are informal organisation which is a set of evolving relationships and patterns of human interaction within an organisation that are not officially prescribed.**

**Formal organisational structures are categorised as:**

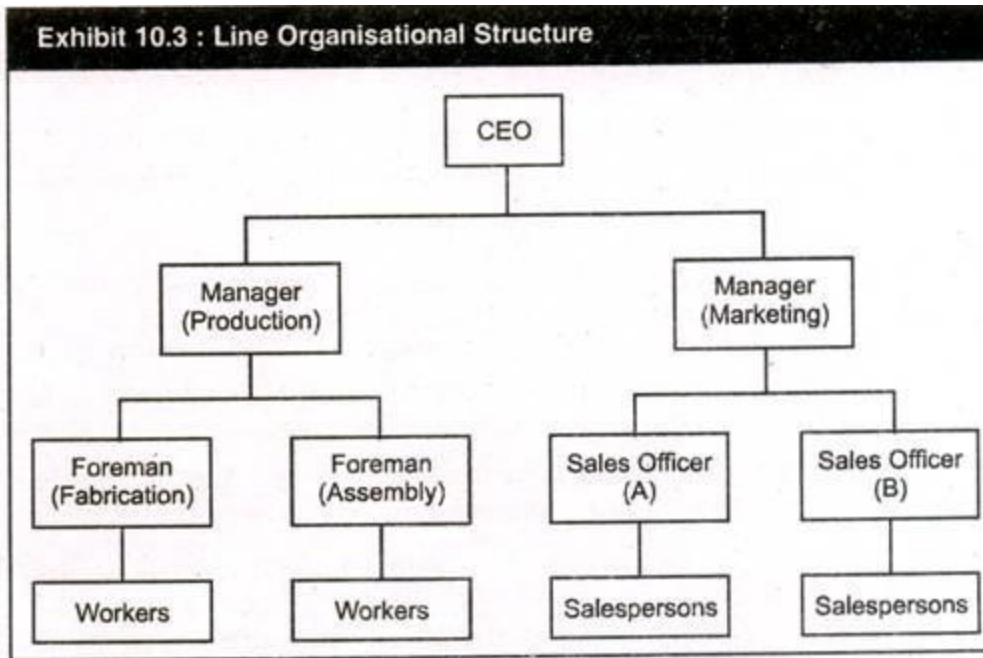
- (i) Line organisational structure.**
- (ii) Staff or functional authority organisational structure.**
- (iii) Line and staff organisational structure.**
- (iv) Committee organisational structure**
- (v) Divisional organisational structure.**
- (vi) Project organisational structure.**
- (vii) Matrix organisational structure and**
- (viii) Hybrid organisational structur**

**These organisational structures are briefly described in the following paragraphs:**

#### **1. Line Organisational Structure:**

**A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.**

**Exhibit 10.3 illustrates a single line organisational structure**



1. Tends to simplify and clarify authority, responsibility and accountability relationships
2. Promotes fast decision making
3. Simple to understand.

Disadvantages:

1. Neglects specialists in planning
2. Overloads key persons.

## **2. Staff or Functional Authority Organisational Structure**

The jobs or positions in an organisation can be categorized as:

(i) Line position:

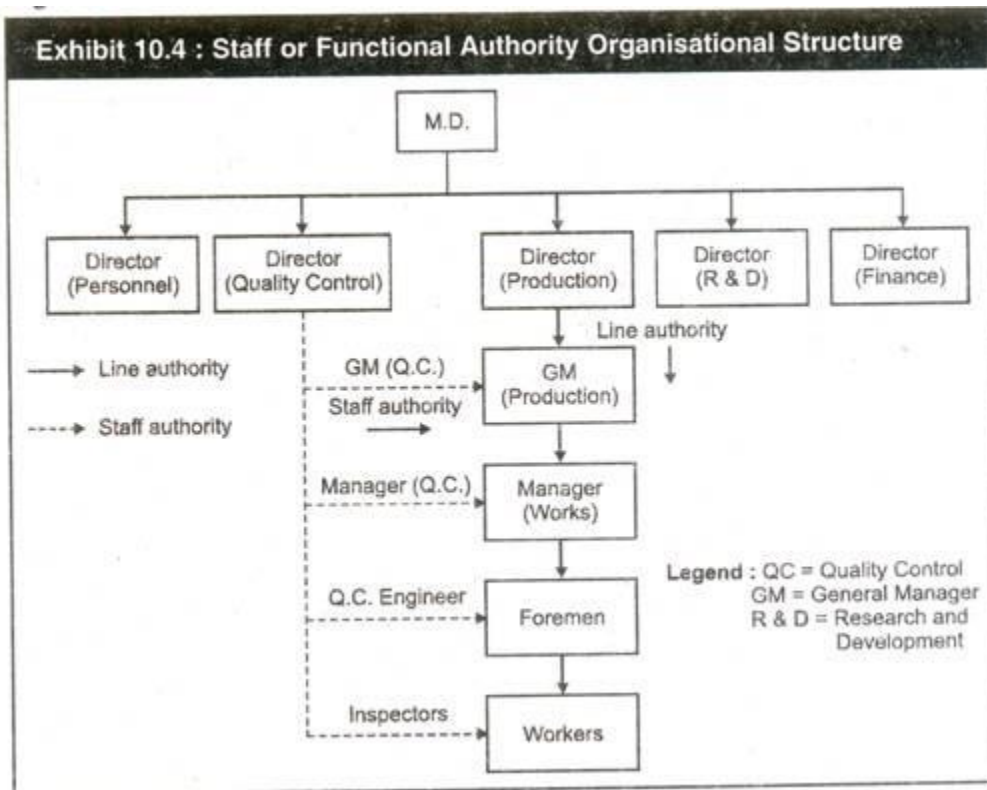
a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions.

The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advise the line) over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation. Exhibit 10.4 illustrates a staff or functional authority organisational structure.



While this type of organisational structure overcomes the disadvantages of a pure line organisational structure, it has some major disadvantages:

They are: (i) the potential conflicts resulting from violation of principle of unity of command and (ii) the tendency to keep authority centralized at higher levels in the organisation.

### **3. Line and Staff Organisational Structure:**

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

|



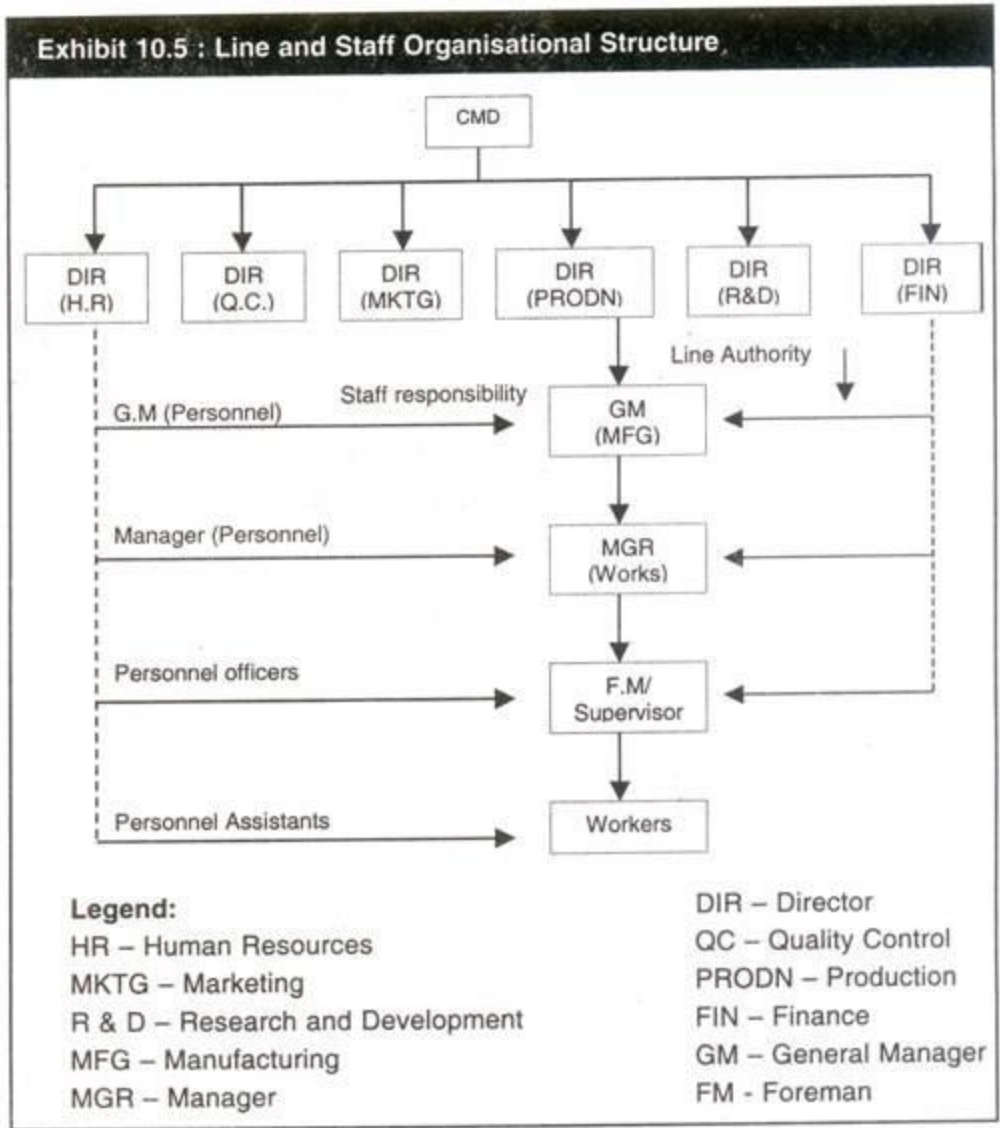


Exhibit 10.5 illustrates the line and staff organisational chart. The line functions are production and marketing whereas the staff functions include personnel, quality control, research and development, finance, accounting etc. The staff authority of functional authority organisational structure is replaced by staff responsibility so that the principle of unity of command is not violated.

Three types of specialized staffs can be identified:

- (i) Advising,

(ii) Service and

(iii) Control.

Some staffs perform only one of these functions but some may perform two or all the three functions. The primary advantage is the use of expertise of staff specialists by the line personnel. The span of control of line managers can be increased because they are relieved of many functions which the staff people perform to assist the line.

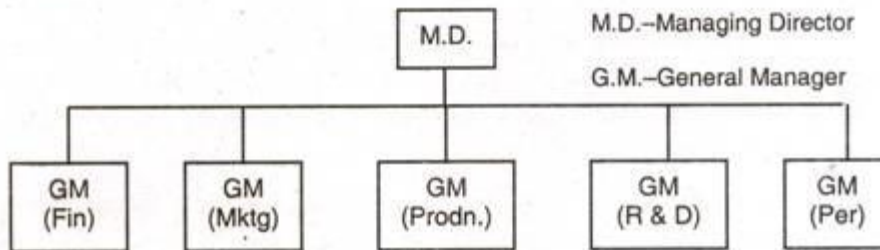
Exhibit 10.6 illustrates organisational structures formed based on the above basis of departmentation.

|

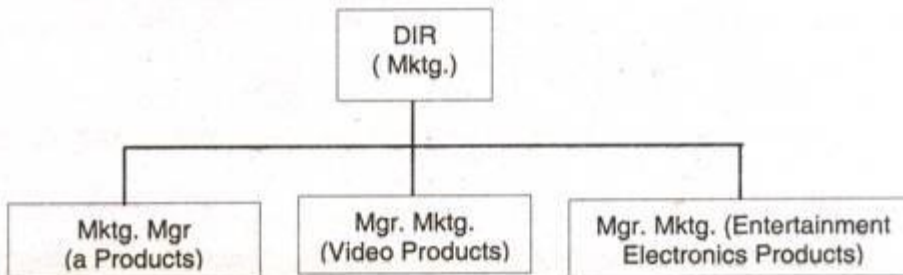
### Exhibit 10.6 : Divisional Organisational Structure (Departmentation)

**Features :** Structure based on division of work based on a functional activity such as finance, marketing etc., or based on type of products manufactured or based on geographic location of the units or based on projects undertaken.

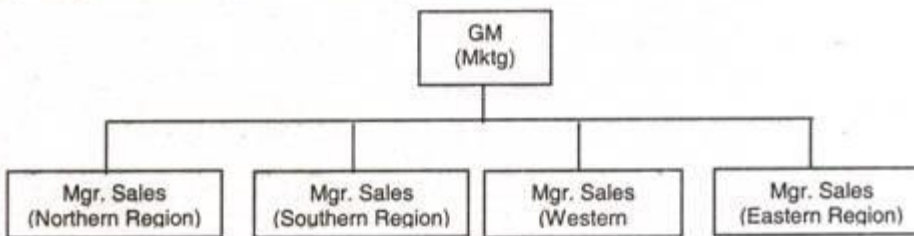
#### (a) Departmentation by Function



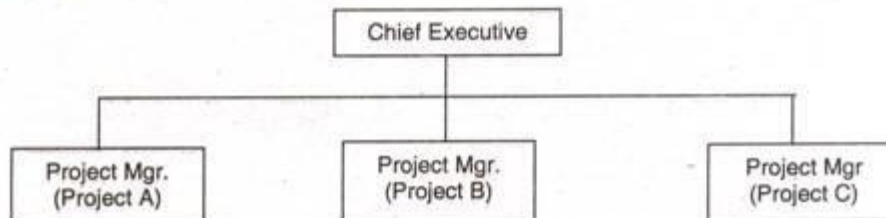
#### (b) Departmentation by Product



#### (c) Departmentation by Geographic territory



#### (d) Departmentation by Project



#### (e) Departmentation by combination approach (Combination of any two or more bases discussed above).

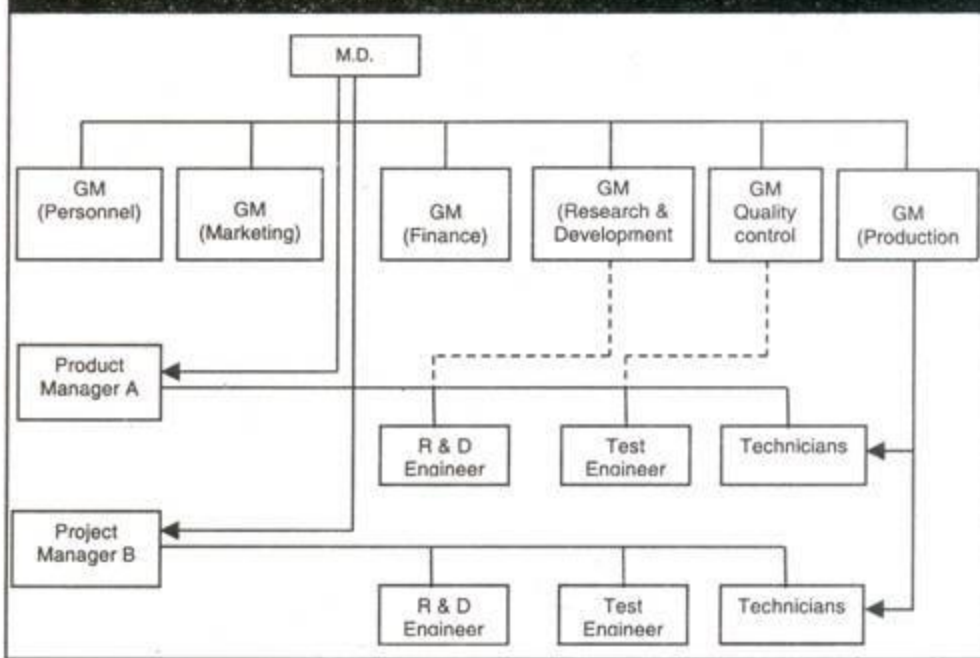
#### 4. Project Organisational Structure:

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. To cope up with such situations, project organisations and matrix organisations have emerged.

A project organisation is a temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The project team focuses all its energies, resources and results on the assigned project. Once the project has been completed, the team members from various cross functional departments may go back to their previous positions or may be assigned to a new project. Some of the examples of projects are: research and development projects, product development, construction of a new plant, housing complex, shopping complex, bridge etc.

Exhibit 10.7 illustrates a project organisational structure.

**Exhibit 10.7 : Project Organisational Structure**



Feature:

Temporary organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation.

Importance of Project Organisational Structure:

Project organisational structure is most valuable when:

- (i) Work is defined by a specific goal and target date for completion.
- (ii) Work is unique and unfamiliar to the organisation.
- (iii) Work is complex having independent activities and specialized skills are necessary for accomplishment.
- (iv) Work is critical in terms of possible gains or losses.
- (v) Work is not repetitive in nature.

Characteristics of project organisation:

1. Personnel are assigned to a project from the existing permanent organisation and are under the direction and control of the project manager.
2. The project manager specifies what effort is needed and when work will be performed whereas the concerned department manager executes the work using his resources.
3. The project manager gets the needed support from production, quality control, engineering etc. for completion of the project.
4. The authority over the project team members is shared by project manager and the respective functional managers in the permanent organisation.
5. The services of the specialists (project team members) are temporarily loaned to the project manager till the completion of the project.
6. There may be conflict between the project manager and the departmental manager on the issue of exercising authority over team members.
7. Since authority relationships are overlapping with possibilities of conflicts, informal relationships between project manager and departmental managers (functional managers) become more important than formal prescription of authority.
8. Full and free communication is essential among those working on the project.

5. Matrix Organisational Structure:

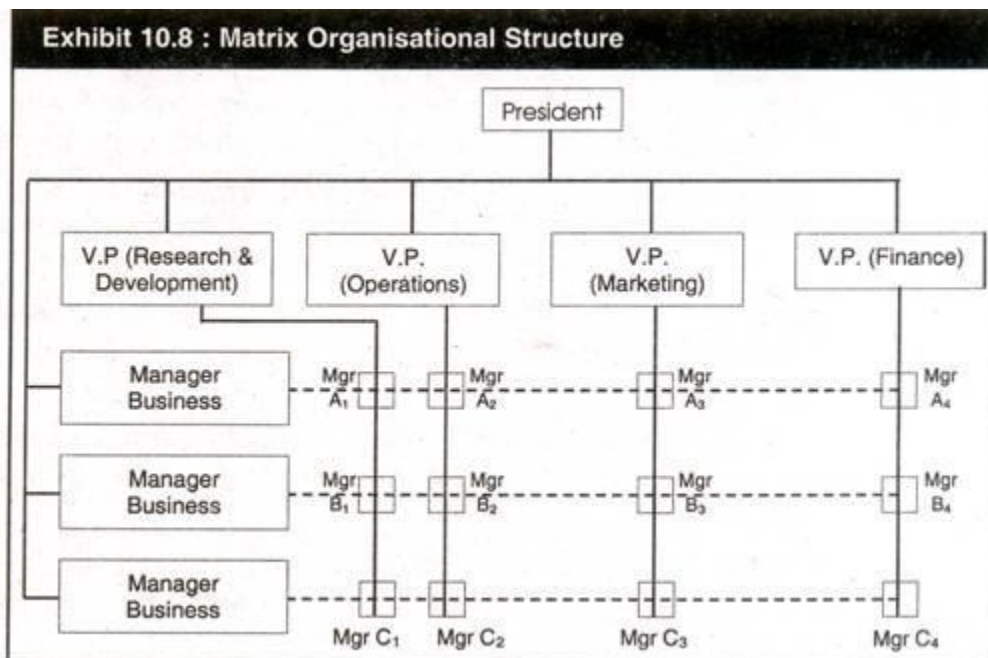
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organisation. The matrix organisation is illustrated in Exhibit 10.8.

Feature:

Superimposes a horizontal set of divisions and reporting relationships onto a hierarchical functional structure

Advantages:

1. Decentralised decision making.
2. Strong product/project co-ordination.
3. Improved environmental monitoring.
4. Fast response to change.
5. Flexible use of resources.
6. Efficient use of support systems



Disadvantages:

1. High administration cost.
2. Potential confusion over authority and responsibility.
3. High prospects of conflict.
4. Overemphasis on group decision making.
5. Excessive focus on internal relations.

This type of organisation is often used when the firm has to be highly responsive to a rapidly changing external environment.

In matrix structures, there are functional managers and product (or project or business group) managers. Functional managers are in charge of specialized resources such as production, quality control, inventories, scheduling and marketing. Product or business group managers are in charge of one or more products and are authorized to prepare product strategies or business group strategies and call on the various functional managers for the necessary resources.

The problem with this structure is the negative effects of dual authority similar to that of project organisation. The functional managers may lose some of their authority because product managers are given the budgets to purchase internal resources. In a matrix organisation, the product or business group managers and functional managers have somewhat equal power. There is possibility of conflict and frustration but the opportunity for prompt and efficient accomplishment is quite high.



**6. Hybrid Organisational Structure:**

**Exhibit 10.9 (a) ill7. Hybrid Organisational Structur**

**Exhibit 10.9 (a) : Hybrid Organisational Structure (IBM Structure)**

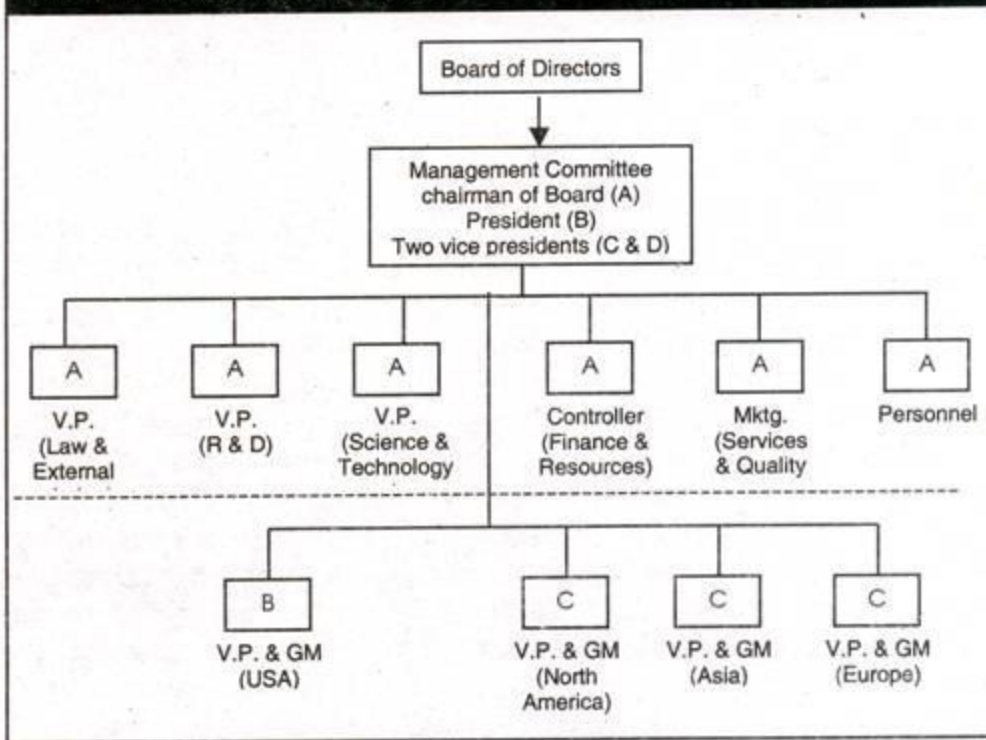
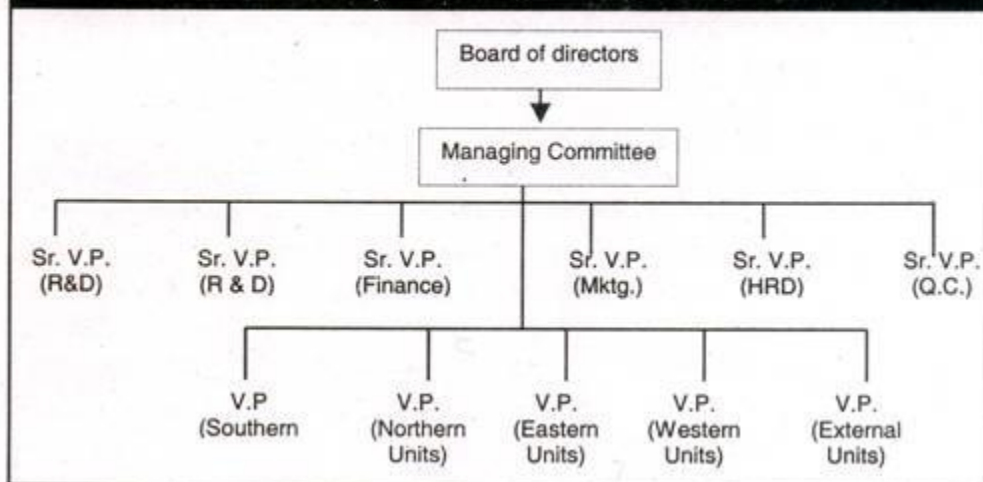


Exhibit 10.9 (b) illustrates a combination structure

**Exhibit 10.9 (b) : Combination Structure (Functional and geographic divisions)**



Advantages:

1. Alignment of corporate and divisional goals.
2. Functional expertise and efficiency.
3. Adaptability and flexibility in divisions.

Disadvantages:

1. Conflicts between corporate departments and units.
2. Excessive administration overhead.
3. Slow response to exceptional situations.

### **Departmentation**

‘Departmentation’ or ‘Departmentalisation’ is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels.

The administrative units so created may be designated as departments, divisions, units, branches, sections, etc. The process of organising consists of dividing and grouping of the works to be done in an enterprise and assigning different duties and responsibilities to different people.

Dividing the work naturally means the identification of individual activities which have to be undertaken for the attainment of the organisational objectives. But once the various activities have been identified, it is necessary to group them together on some logical basis so that a team can be organised.

### **Need for and Importance of Departmentation:**

The basic need for departmentation is to make the size of each departmental unit manageable and secure the advantages of specialisation. Grouping of activities and, consequently, of personnel, into departments makes it possible to expand an enterprise to any extent.

**Departmentation is necessary on account of the following reasons:**

### ***1. Advantages of Specialisation:***

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

### ***2. Feeling of Autonomy:***

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

### ***3. Expansion:***

One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departmentation makes it possible for the enterprise to expand and grow.

### ***4. Fixation of Responsibility:***

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

### ***5. Upliftment of Managerial Skill:***

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

### ***6. Facility in Appraisal:***

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

## Delegation of authority

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

### **Elements of Delegation**

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to

discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

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

#### Features of Delegation of Authority

1. Delegation means giving power to the subordinate to act independently but within the limits prescribed by the superior. Also, he must comply with the provisions of the organizational policy, rules, and regulations.
2. Delegation does not mean that manager give up his authority, but certainly he shares some authority with the subordinate essential to complete the responsibility entrusted to him.
3. Authority once delegated can be further expanded, or withdrawn by the superior depending on the situation.
4. The manager cannot delegate the authority which he himself does not possess. Also, he can not delegate his full authority to a subordinate.

## **Centralization and Decentralization**

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level are subject to the approval of top management. According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, Decentralization is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

### **Implications of Decentralization**

1. There is less burden on the Chief Executive as in the case of centralization.
2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.
3. In decentralization, diversification and horizontal can be easily implanted.

4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.

5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.

<b>Basis for Comparison</b>	<b>Centralization</b>	<b>Decentralization</b>
Meaning	The retention of powers and authority with respect to planning and decisions, with the top management, is known as Centralization.	The dissemination of authority, responsibility and accountability to the various management levels, is known as Decentralization.
Involves	Systematic and consistent reservation of authority.	Systematic dispersal of authority.
Communication Flow	Vertical	Open and Free
Decision Making	Slow	Comparatively faster
Advantage	Proper coordination and Leadership	Sharing of burden and responsibility
Power of decision making	Lies with the top management.	Multiple persons have the power of decision making.
Implemented when	Inadequate control over the organization	Considerable control over the organization
Best suited for	Small sized organization	Large sized organization



### ***JOB Design:***

Job design is defined as a process of describing a job in terms of its duties and responsibilities; the methods to be used in carrying out the job in terms of techniques, systems, and procedures; and the relationship that should exist between the job holders and their superiors, subordinates, and colleagues.

The main goal of designing a job are as follows:

- i. Facilitating the interest of employees towards the job and enhancing their satisfaction
- ii. Increasing employee motivation and productivity
- iii. Enhancing employees' skills by identifying their training needs
- iv. Covering the modern needs of employee participation
- v. Ensuring safer working environment
- vi. Making the communication process clear and effective in the organization
- vii. Improving the quality of working life of employees
- viii. Eliminating the unnecessary levels of supervision, checking, and control
- ix. Establishing high-level standards for customer service
- x. Minimizing cost by reducing wastage.

## **HUMAN RESOURCE MANAGEMENT**

Human Resource Management is the utilization of human resources to achieve organisational objectives.

Human Resource Management is designing management systems to ensure that human talent is used effectively and efficiently to accomplish organisational goals.

### **Nature of HRM**

Human Resource Management is a process of bringing people and organizations together so that the goals of each are met. HR is multidisciplinary: It applies the disciplines of Economics, Psychology, Sociology and Law. The following constitute the core of HRM:

1. Organisations consist of the people who staff and manage organisations.
2. HRM involves the application of management functions and principles
3. Decisions relating to employees must be integrated.
4. Decisions made must influence the effectiveness of an organisation.
5. HRM functions are not confined to business establishments only.

### **OBJECTIVES.**

- To achieve and maintain high morale among employees.
- To develop and maintain a quality of work life.
- To be ethically and socially responsive to the needs of society.
- To enhance employee's capabilities to perform the present job.
- To equip the employees with precision and clarity in transaction of business.
- To inculcate the sense of team spirit, team work and inter-team collaboration.

### **FUNCTIONS OF HRM**

1. **Human Resource Planning, Recruitment and Selection:**

Human resource planning: The focus of HR planning is to ensure the organisation has the right number of human resources, with right capabilities, at the right times and in the right places.

Recruitment and Selection: Recruitment involves identifying the sources of manpower and stimulating them to apply for jobs in the organizations. Selection is the process of choosing the best out of those recruited.

## **2. Human Resource Training and Development:**

On the job training is the responsibility of the HR department. Fresher training may also be provided by some companies for both new hires and existing employees. This Fresher training is mainly done to make the employees up to date in their respective areas as required by the company. This function makes the employees understand the process and makes it easy for them to get on their jobs with much ease. During the process of the training and development, the results are monitored and measured to find out if the employees require any new skills in addition to what he/she had.

**3. Performance Appraisal:** The employees of any organization will be evaluated by the HR department as per the performance. This function of Human Resource Management is to help the organization in finding out if the employee they have hired is moving towards the goals and objectives of the organization. On the other hand, it also helps the company to evaluate whether the employees needs improvement in other areas. It also helps the HR team in drawing certain development plans for those employees who have not met the minimal requirements of the job.

## **4. Compensation and Benefits**

Compensation: includes payment in the form of hourly wages or annual salaries. Compensation affects staffing in that people are generally attracted to organisations offering a higher level of pay in exchange for the work performed.

Benefits: includes insurance, pensions, vacation, sick days.

Benefits are another form of compensation to employees other than direct pay for work performed.

## **5. Career Planning and Management**

**Career development** is the series of activities or the on-going/lifelong process of **developing** one's **career**. ... It involves training on new skills, moving to higher job

responsibilities, making a **career** change within the same organization, moving to a different organization or starting one's own business.

## **Unit 4**

### **Directing**

#### **Introduction**

Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. [Leadership](#), motivation, [supervision](#), communication are various aspects of directing. Let us study the importance and principles of directing.

#### **Definition:**

Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the [organization](#).

#### **Main characteristics of Directing are as follows:**

##### **1. Initiates Action**

A directing function is performed by the managers along with [planning](#), staffing, organizing and controlling in order to discharge their [duties](#) in the organization. While other functions prepare a platform for action, directing initiates action.

##### **2. Pervasive Function**

Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

##### **3. Continuous Activity**

It is a continuous function as it continues throughout the life of organization irrespective of the changes in the managers or [employees](#).

##### **4. Descending Order of Hierarchy**

Directing flows from a top [level of management](#) to the bottom level. Every manager exercises this function on his immediate subordinate.

##### **5. Human Factor**

Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

## **Principles of Directing**

### **1. Maximum Individual Contribution**

One of the main principles of directing is the contribution of individuals. [Management](#) should adopt such directing policies that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

### **2. Harmony of Objectives**

Sometimes there is a conflict between the organizational objectives and individual objectives. For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked really hard for it.

### **3. Unity of Command**

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superiors at the same time, it will create confusion, conflict, and disorder in the organization and also he will not be able to prioritize his work.

### **4. Appropriate Direction Technique**

Among the principles of directing, this one states that appropriate direction techniques should be used to supervise, lead, communicate and motivate the employees based on their needs, capabilities, attitudes and other situational variables.

### **5. Managerial Communication**

According to this principle, it should be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

### **6. Use of Informal Organization**

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information. There should be a free flow

of information among the seniors and the subordinates as an effective exchange of information are really important for the growth of an organization.

### **7. Leadership**

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing.

### **8. Follow Through**

As per this principle, managers are required to monitor the extent to which the policies, procedures, and instructions are followed by the subordinates. If there is any problem in implementation, then the suitable modifications can be made.

## **Foundations of individual and group behaviour**

Organizational behavior is the study of both group and individual performance and action within an enterprise. This field of study scans human behavior in the working atmosphere.

It determines its effect on job structure, performance, communication, motivation, leadership, decision making abilities etc. The way an individual behaves and behavior as a group have two perspectives – internal and external.

### **Behaviour Analysis at Different Levels**

Behavior as an individual or in a group is always analyzed by everyone in the organization. It is analyzed at three different levels –

- Individual level of analysis
- Group level of analysis

### **Individual Level of Analysis**

Organizational behavior, at this level of analysis massively draws upon psychology, engineering, and medicine. At the individual level of analysis, organizational behavior includes the study of learning, perception, creativity, motivation, and personality.

In addition, it also includes the study of turnover, task performance and evaluation, coordinated behavior, deviant work behavior, ethics, and cognition.

**For example** – Ram joins a company as an intern and is very open to learning new things but as time passes and he gets promoted his attitude towards his interns becomes rude. This is a fine example of individual level of analysis.

## **Group Level of Analysis**

Organizational behavior, at this level of analysis, draws upon the sociological and socio-psychological discipline. At the group level of analysis, organizational behavior includes the study of group gesture, intra-group and intergroup dispute and attachment.

It is further extended to the study of leadership, power, norms, interpersonal communication, networks, and roles.

**An example of this level of analysis** – Board of directors of company X decide to give bonus to their workers as they have really worked hard on a certain project.

## **Definition and Meaning of Motivation:**

‘Motivation’ is the process of inspiring people in order to intensify their desire and willingness for executing their duties effectively and for co-operating to achieve the common objectives of an enterprise.

In other words, it means to induce, instigate, incite or prompt someone to a particular course of action for getting the results expected from him.

## **In the words of E.F.L. Brech:**

- “Motivation is a general inspiration process which gets the members of the team pull their weight effectively to give their loyalty to the group, to carry out properly the tasks they have accepted and generally to play an effective part in the job that the group has undertaken.”
- Motivation is a powerful tool in the hands of a manager for inducing his subordinates to act in the desired manner by satisfying their needs and desires. It is concerned with how behaviour gets started, is energised, initiated, sustained and directed.

## **Characteristics of Motivation:**

### **1. Human Aspect:**

Motivation is concerned exclusively with the human side of an enterprise. It means a process of stimulating human beings to make action for getting desired results. It creates will to work in the individuals.

### **2. Psychological Concept:**

Motivation is a psychological concept which generates feelings of certain needs within an individual. Human needs are nothing but feelings in the mind of a person that he lacks certain things. Such internal feelings affect the behaviour of the person.

Performance = Motivation x Abilities.

### **3. Need-Satisfying Activity:**

Motivation is related to satisfying human needs. It can be effective only upon an accurate analysis of the workers' needs for the satisfaction of which they can be induced to work in the desired manner. A worker will perform the desired activity only so long as he sees his action as a means of continued fulfillment of his cherished needs.

### **4. Motivation is Total not Part:**

A worker cannot be motivated in parts. Each individual in the organisation is a self-contained and inseparable unit and all his needs are inter-related. These affect his behaviour in different ways. To be successful, motivation must take a worker as an indivisible unit and seek to appeal to all his urges and aspirations.

### **5. Financial and Non-Financial:**

Motivation may assume several forms depending upon the needs, emotions, and sentiments of the workers. Broadly speaking, it can be classified as financial and non-financial. Financial motivation may be created by way of increasing wages, allowances, bonus, prizes, and other perquisites; while non-financial motivation may take the form of praise, recognition, providing greater responsibility or increased participation in decision-making, etc.

### **6. Constant Process:**

Human needs are infinite. As very aptly put by Abraham H. Maslow, "Man is a wanting animal—as soon as one of his needs is satisfied, another appears in its place. This process is unending..." This means motivation cannot be a time-bound process. It is continuous.

## **Motivation Theories**

Motivation is a state-of-mind, filled with energy and enthusiasm, which drives a person to work in a certain way to achieve desired goals. Motivation is a force which pushes a person to work with high level of commitment and focus even if things are against him. Motivation translates into a certain kind of human behaviour.

Motivation is a huge field of study. There are many theories of motivation. Some of the famous motivation theories include the following:

### **1. Maslow's hierarchy of needs**



Abraham Maslow postulated that a person will be motivated when his needs are fulfilled. The need starts from the lowest level basic needs and keeps moving up as a lower level need is fulfilled. Below is the hierarchy of needs:

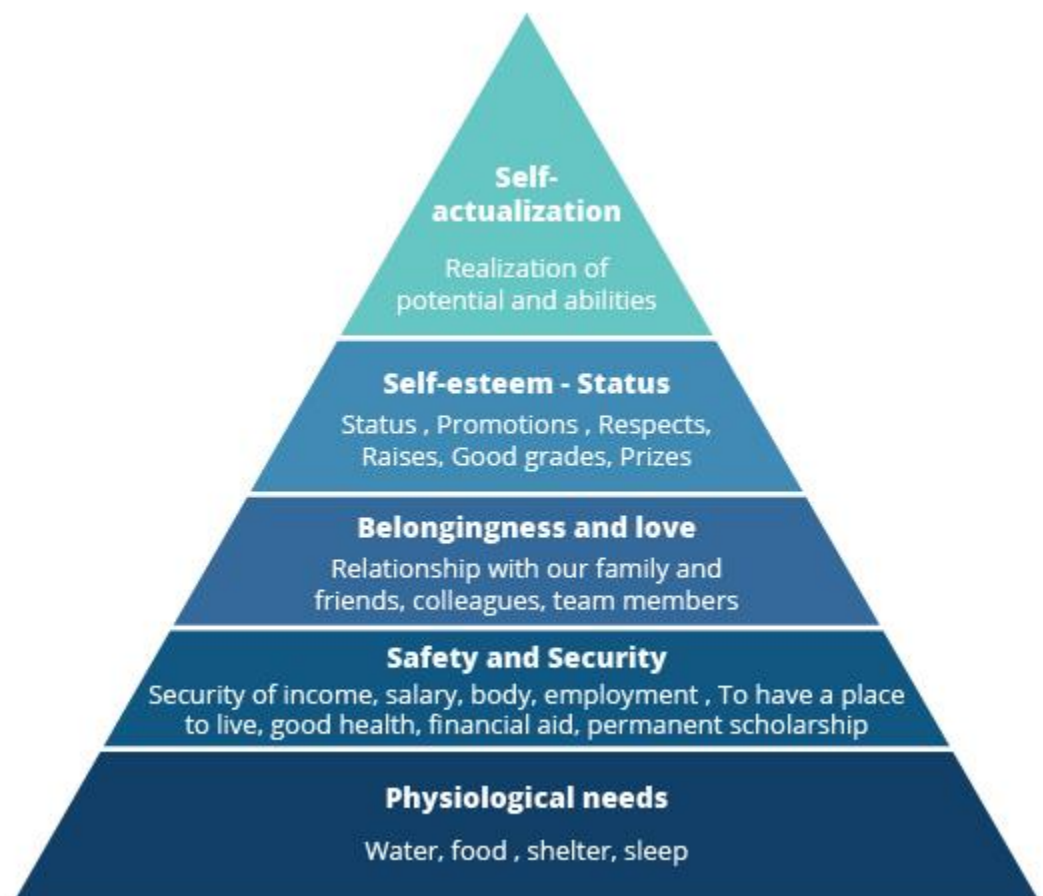
**Physiological:** Physical survival necessities such as food, water, and shelter.

**Safety:** Protection from threats, deprivation, and other dangers.

**Social (belongingness and love):** The need for association, affiliation, friendship, and so on.

**Self-esteem:** The need for respect and recognition.

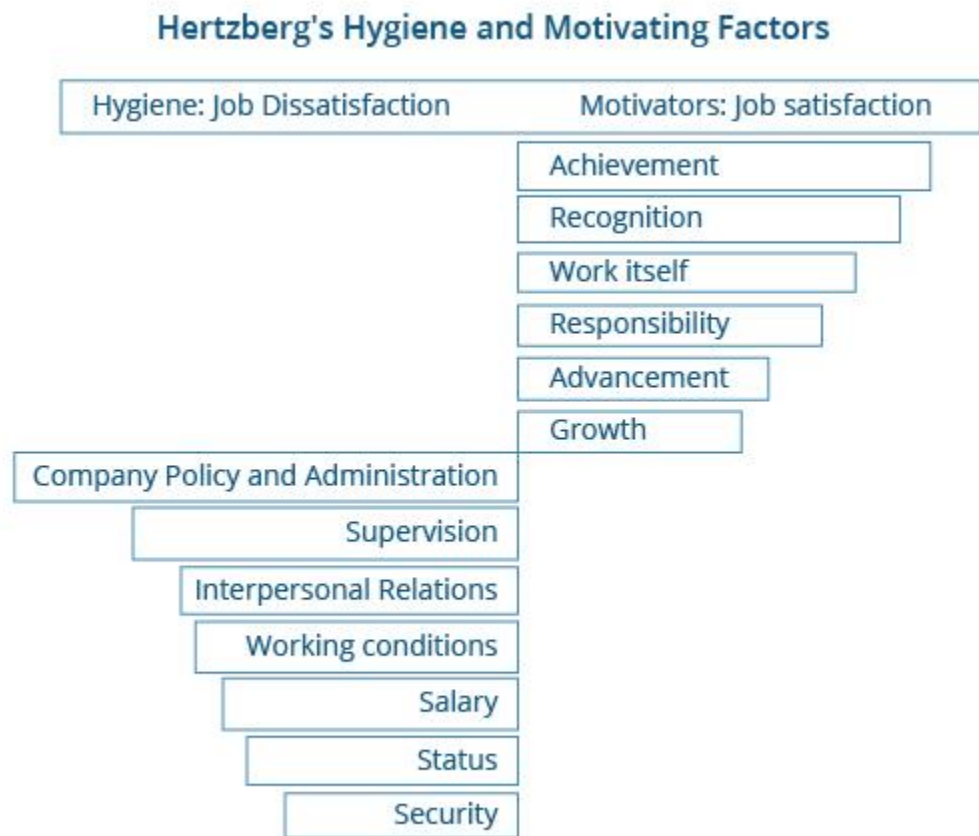
**Self-actualization:** The opportunity for personal development, learning, and fun/creative/challenging work. Self-actualization is the highest level need to which a human being can aspire.



The leader will have to understand the specific need of every individual in the team and accordingly work to help fulfil their needs.

## 2. Herzberg's two factor theory

Hertzberg classified the needs into two broad categories namely hygiene factors and motivating factors.



Hygiene factors are needed to make sure that an employee is not dissatisfied. Motivation factors are needed for ensuring employee's satisfaction and employee's motivation for higher performance. Mere presence of hygiene factors does not guarantee motivation, and presence of motivation factors in the absence of hygiene factors also does not work.

### 3. McClelland's theory of needs

McClelland affirms that we all have three motivating drivers, and it does not depend on our gender or age. One of these drives will be dominant in our behaviour. The dominant drive depends on our life experiences.

The three motivators are:

**Achievement:** a need to accomplish and demonstrate own competence People with a high need for achievement prefer tasks that provide for personal responsibility and results based on their own efforts. They also prefer quick acknowledgement of their progress.

**Affiliation:** a need for love, belonging and social acceptance People with a high need for affiliation are motivated by being liked and accepted by others. They tend to participate in social gatherings and may be uncomfortable with conflict.

**Power:** a need for control own work or the work of others People with a high need for power desire situations in which they exercise power and influence over others. They aspire for positions with status and authority and tend to be more concerned about their level of influence than about effective work performance.

#### **4. Vroom's theory of expectancy**

Victor Vroom stated that people will be highly productive and motivated if two conditions are met: 1) people believe it is likely that their efforts will lead to successful results and

2) those people also believe they will be rewarded for their success.

People will be motivated to exert a high level of effort when they believe there are relationships between the efforts they put forth, the performance they achieve, and the outcomes/ rewards they receive.

#### **5. McGregor's theory X and theory Y**

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first is basically negative, labelled as Theory X, and the other is basically positive, labelled as Theory Y. Both kinds of people exist. Based on their nature they need to be managed accordingly.

**Theory X:** The traditional view of the work force holds that workers are inherently lazy, self-centred, and lacking ambition. Therefore, an appropriate management style is strong, top-down control.

**Theory Y:** This view postulates that workers are inherently motivated and eager to accept responsibility. An appropriate management style is to focus on creating a productive work environment coupled with positive rewards and reinforcement.

#### **Techniques for Increasing Motivation**

- **Create a Positive Work Environment**

Motivate employees by offering an upbeat, positive work environment. Encourage teamwork and idea-sharing, and make sure staffers have the tools and knowledge to perform well. Be available when employees need you to be a sounding board or a dispute mediator. Eliminate conflict as it arises, and give employees freedom to work independently when appropriate.

- **Set Goals that are Reasonable and Achievable**

Help employees become self-motivated by helping establish professional goals and objectives. Not only does this give employees something to strive for, but your business benefits when goals are tied to corporate contributions. Make sure goals are reasonable and achievable so employees don't get discouraged. Offer encouragement when workers hit notable milestones.

- **Increase Motivation by Providing Incentives**

Increase motivation by providing incentives to work toward. You can create individual incentives for each employee or team incentives to motivate employees as a group. Financial incentives can include cash prizes, gift cards or restaurant gift certificates. Nonfinancial incentives can include extra vacation days, compressed work weeks or choice office space or parking spots.

- **Recognize Achievements and Accomplishments**

Celebrate employee achievements through employee-of-the-month or star performer awards. Make a big deal out of accomplishments by celebrating at staff meetings. Print certificates or engrave plaques, issue a press release or post a notice on your company website. Recognize team accomplishments as well as individual efforts.

- **Share Profits to Improve Performance**

Motivate employees with the incentive of a profit-sharing program. In this way, employees increase earnings while helping the business income rise. This approach simultaneously promotes collective goal-setting and teamwork. It also gives employees a sense of pride in ownership and can improve performance and reduce turnover as well as raise morale.

- **Solicit Employee Input**

Regularly survey employee satisfaction. You can conduct anonymous polls or hire an independent party to conduct a formal focus group. This will help you catch potential morale breakers before they get out of hand. Soliciting employee input also shows staffers that you care about the opinions of workers and want to continually improve working conditions.

**Definition: Job Satisfaction**

Job satisfaction is defined as the extent to which an employee feels self-motivated, content & satisfied with his/her job. Job satisfaction happens when an employee feels he or she is having job stability, career growth and a comfortable work life balance. This implies that the employee is having satisfaction at job as the work meets the expectations of the individual.

**Importance of Job Satisfaction**

A satisfied employee is always important for an organization as he/she aims to deliver the best of their capability. Every employee wants a strong career growth and [work life balance](#) at workplace.

**For Employees:** Job satisfaction from an employee perspective is to earn a good [gross salary](#), have [job stability](#), have a steady career growth, get rewards & recognition and constantly have new opportunities.

**For Employers:** For an employer, job satisfaction for an employee is an important aspect to get the best out of them. A satisfied employee always contributes more to the company, helps control [attrition](#) & helps the company grow. Employers needs to ensure a good [job description](#) to attract employees and constantly give opportunities to individuals to learn and grow.

**The positive effects of job satisfaction include:**

1. More efficiency of employees of workplace if they are satisfied with their job.
2. Higher employee loyalty leading to more commitment.
3. Job satisfaction of employees eventually results in higher profits for companies.
4. High employee retention is possible if employees are happy.



### Job Satisfaction Factors

**1. Compensation & Working conditions:** One of the biggest factors of job satisfaction are the compensation and benefits given to an employee. An employee with a good salary, incentives, bonuses, healthcare options etc is happier with their job as compared to someone who doesn't have the same. A healthy workplace environment also adds value to an employee.

**2. Work life balance:** Every individual wants to have a good workplace which allow them time to spend with their family & friends. Job satisfaction for employees is often due a good work life balance policy, which ensures that an employee spends quality time with their family along with doing their work. This improves the employee's [quality of work life](#).

**3. Respect & Recognition:** Any individual appreciates and feels motivated if they are respected at their workplace. Also, if they are awarded for their hard work, it further motivates employees. Hence recognition is one of the job satisfaction factors.

**4. Job security:** If an employee is assured that the company would retain them even if the market is turbulent, it gives them immense confidence. [Job security](#) is one of the main reasons for job satisfaction for employees.

**5. Challenges:** Monotonous work activities can lead to dissatisfied employees. Hence, things like [job rotation](#), [job enrichment](#) etc can help in job satisfaction of employees as well.

**6. Career Growth:** Employees always keep their career growth part as a high priority in their life. Hence, if a company helps groom employees and gives them newer job roles, it enhances the job satisfaction as they know they would get a boost in their career.

## **Job Enrichment**

### **Meaning:**

Fredrick Herzberg gave greater emphasis on job enrichment in his two factor theory. He assumed that in order to motivate personnel, the job must be designed to provide opportunities for achievement, recognition, responsibility, advancement and growth. This technique entails enriching the job so that these factors are included.

It simply means, adding a few more motivators to a job to make it more rewarding. A job is enriched when the nature of the job is made more exciting, challenging and creative or gives the job holder more decision making, planning and controlling powers.

**According to Beatty and Schneider**, “Job enrichment is a motivational technique which emphasizes the need for challenging and interesting work. It suggests that jobs be redesigned so that intrinsic satisfaction is derived from doing the job. In its best applications, it leads to a vertically enhanced job by adding functions from other organizational levels, making it contain more variety and challenge and offer autonomy and pride to the employee.”

### **Characteristics of an Enriched Job:**

#### **1. Direct Feed Back:**

There should be a direct feed back of the employees performance. Employees should be able to get immediate knowledge of the results they are achieving. The job evaluation can be inbuilt in the job or provided by a supervisor.

#### **2. Client Relationships:**

When an employee serves a client or customer directly, he has an enriched job. The client can be outside the organization or inside.

#### **3. New Learning:**

An enriched job allows the employee to learn more. He should feel that he is growing mentally. An employee, who is doing some intellectual work, is having an enriched job.

#### **4. Scheduling Own Work:**

Freedom to schedule one’s own work contributes to enrichment. Deciding when to tackle which assignment is an example of self scheduling. Employees who perform Creative work have more opportunity to schedule their assignments as compared to employees performing routine jobs.

#### **5. Unique Experience:**

An enriched job has some unique qualities or features as compared to the other jobs.

## **6. Control Over Resources:**

One approach to job enrichment is that each employee should have control over his own resources and expenses.

## **7. Direct Communication Authority:**

An employee holding the enriched job will be allowed to communicate directly with people who use his output.

## **8. Personal Accountability:**

An enriched job holds the incumbent responsible for the results. He receives praise for good work and blame for poor work.

## **Leadership:**

Leadership is an influence relationship among leaders and followers who intend real changes and reflect their mutual purpose. With this definition, we accept the following attributes of 'LEADERSHIP'. Leadership is not an act or set of acts, it is a process.

Leadership is not just influence, yet it involves influencing others through the leadership. While between the leader and followers, the influence is mutual, together, they influence the environment around them in some way. Leadership goes beyond goals. There is a purpose a cause which is broad enough to create a vision that connects followers who might have different individual goals.

## **Theories of Leadership:**

During the 20th Century, there has been a great interest in research on leadership. Early leadership theories focused on what qualities distinguished between leaders and followers (i.e., traits), while subsequent theories looked at other variables such as behavioural and situational factors and skill levels.

### **1. "Great Man" Theories:**

Great man theories assume that the Leaders are born and not made. Great leaders will arise when there is a great need, like Rama, Krishna, Buddha, Mahatma Gandhi, Eisenhower, and Winston Churchill.

These theories often portray great leaders as heroic, mythic and destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership.

### **2. Trait Theories:**



Similar in some ways to “Great Man” theories, trait theories assume that People are born with inherited qualities and traits that make them better suited to leadership. Some traits are particularly suited to leadership. Trait theories often identify particular personality or behavioral characteristics shared by leaders. People who make good leaders have the right (or sufficient) combination of traits.

The traits are vision, self confidence, simplicity, integrity, and adherence to values. Traits are matched by skills. There have been many different studies of leadership traits and they agree only in the general saintly qualities needed to be a leader.

### **3. Behavioral Theories:**

Behavioural theories of leadership are based upon the beliefs that great leaders are made, not born (a big leap from Trait Theory) and exhibit something unique in their behaviour. Behavioural theories of leadership do not seek inborn traits or capabilities. Rather, they look at what leaders actually do, like democratically or autocratically. People can learn to become leaders through learning and observation. This is the crux behind leadership development programmes.

### **4. Contingency and Situational Theories:**

During researches it has been realised that leadership phenomenon is more than isolating a few traits or behaviours. According to contingency theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, capabilities and behaviour of the followers and other situational factors.

### **Types of Leadership:**

#### **1. Bureaucratic Leadership:**

Bureaucratic leadership follows a close set of standards. Everything is done in an exact, specific way to ensure safety and/or accuracy. One will often find this leadership role in a situation where the work environment is dangerous and specific sets of procedures are necessary to ensure safety.

#### **2. Charismatic leadership:**

“Charismatic leadership emphasises primarily the magnetic personality and behaviour of leaders and their effects on followers, organizations, and society. Sociologists, political historians, and political scientists have widely accepted the theory of charismatic leadership originally advanced

by Weber (1947). Charisma is regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.

### **3. Visionary Leadership:**

A visionary leader perceives challenges and growth opportunities before they happen, positioning people to produce extraordinary results that make real contributions to life. Some of the visionary leaders include – Dalai Lama (for his ability to incorporate new ideas into his traditional framework while being a messenger for peace and enlightenment for the world), Mahatma Gandhi and Nelson Mandela (for his courage and conviction and perseverance against all odds to free and unite people for justice), and President Obama (for his ability to galvanize and inspire people with the vision that we can transform our consciousness & world). The list is endless.

### **4. Strategic Leadership:**

Strategic leadership refers to a manager's potential to express a strategic vision for the organization, and to motivate and persuade others to acquire that vision.

Strategic leadership can also be defined as utilizing strategy in the management of employees. It is the potential to influence organizational members and to execute organizational change. Strategic leaders create organizational structure, allocate resources and express strategic vision.

### **5. Servant leadership:**

The term "Servant Leadership" was coined by Robert K. Greenleaf in *The Servant as Leader*, an essay that he first published in 1970. Leaders have a responsibility towards society and those who are disadvantaged. People who want to help others best do this by leading them. The servant-leader is servant first and leader next.

### **6. Substitutes for Leadership:**

The term has been brought to light by Kerr and Jermier in 1978. According to them there are aspects of the work setting and the people involved that can reduce the need for a leader's personal involvement, because leadership is already provided from within. The term substitutes mean the situation where leader behaviours are replaced by characteristics of subordinates, the task at hand, and the organisation.

### **7. Transactional and Transformational Leadership:**

Transactional leadership is based upon the assumptions that people are motivated by reward and punishment (Rational Man), social systems work best with a clear chain of command, when

people have agreed to do a job, a part of the deal is that they cede all authority to their manager, and the basic purpose of a subordinate is to do what their manager tells them to do.

Transformational leadership is based upon the assumptions that people will follow a person who inspires them, a person with vision and passion can achieve great things, and the way to get things done is by injecting enthusiasm and energy. These leaders are focused on the performance of group members, but also want each person to fulfil his or her potential. Leaders with this style often have high ethical and moral standards.

## **Communication**

Communications is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings, etc. among the people to reach a common understanding. Communication is the key to the Directing [function of management](#). A [manager](#) may be highly qualified and skilled but if he does not possess good communication skills, all his ability becomes irrelevant. A manager must communicate his directions effectively to the subordinates to get the work done from them properly.

### **Communications Process**

Communications is a continuous process which mainly involves three elements viz. sender, message, and receiver. The elements involved in the communication process are explained below in detail:

#### **1. Sender**

The sender or the communicator generates the message and conveys it to the receiver. He is the source and the one who starts the communication

#### **2. Message**

It is the idea, information, view, fact, feeling, etc. that is generated by the sender and is then intended to be communicated further.

#### **3. Encoding**

The message generated by the sender is encoded symbolically such as in the form of words, pictures, gestures, etc. before it is being conveyed.

#### **4. Media**

It is the manner in which the encoded message is transmitted. The message may be transmitted orally or in writing. The medium of communication includes telephone, internet, post, fax, e-mail, etc. The choice of medium is decided by the sender.

### **5. Decoding**

It is the process of converting the symbols encoded by the sender. After decoding the message is received by the receiver.

### **6. Receiver**

He is the person who is last in the chain and for whom the message was sent by the sender. Once the receiver receives the message and understands it in proper perspective and acts according to the message, only then the purpose of communication is successful.

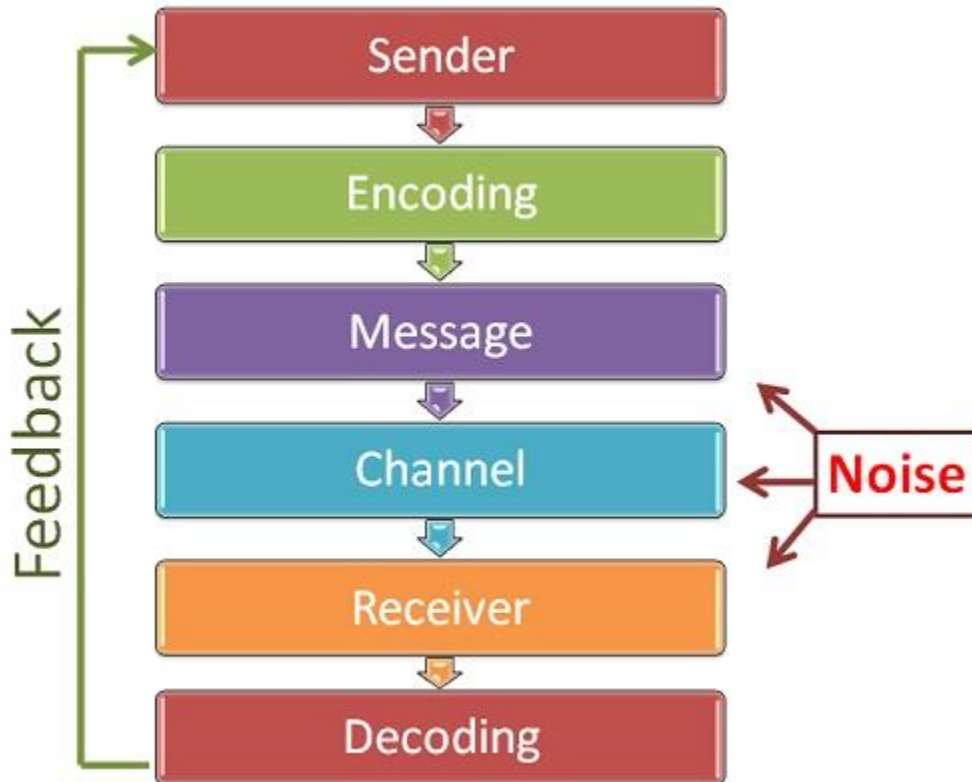
### **7. Feedback**

Once the receiver confirms to the sender that he has received the message and understood it, the process of communication is complete.

### **8. Noise**

It refers to any obstruction that is caused by the sender, message or receiver during the [process of communication](#). For example, bad telephone connection, faulty encoding, faulty decoding,

inattentive receiver, poor understanding of message due to prejudice or inappropriate gestures, etc.



## **Barriers to Communication**

### **1. Semantic Barriers**

These are concerned with the problems and obstructions in the process of encoding and decoding of a message into words or impressions. Normally, such barriers result due to use of wrong words, faulty translations, different interpretations, etc.

### **2. Psychological Barriers**

Emotional or psychological factors also act as barriers to communication. The state of mind of both sender and receiver of communication reflects in effective communication. A worried person cannot communicate properly and an angry recipient cannot understand the message properly.

### **3. Organizational Barriers**

The factors related to organizational structure, rules and regulations authority relationships, etc. may sometimes act as barriers to effective communication. In an organization with a highly centralized pattern, people may not be encouraged to have free communication. Also, rigid rules and regulations and cumbersome procedures may also become a hurdle to communication.

### **4. Personal Barriers**

The personal factors of both sender and receiver may act as a barrier to [effective communication](#). If a superior thinks that a particular communication may adversely affect his authority, he may suppress such communication.

### [Effective Communication.](#)

Measures to improve communication effectiveness are as follows

- Communication of Clarification of the idea.
- Communication should be according to the needs of the receiver.
- Consulting others before communication.
- Awareness about the language, tone and body postures and gestures.
- Convey information useful to the receiver.
- Ensure proper feedback.
- Follow up communications.
- Be a good listener.

## **Communication and Information Technology**

Information and communications technology (ICT) refers to all the technology used to handle telecommunications, broadcast media, intelligent building management systems, audiovisual processing and transmission systems, and network-based control and monitoring functions. Although ICT is often considered an extended synonym for information technology (IT), its scope is more broad.

Information technology (IT) is the use of computers to store, retrieve, transmit, and manipulate data, or information, often in the context of a business or other enterprise. IT system is generally an information system, a communications system or, more specifically speaking, a computer system – including all hardware, software and peripheral equipment – operated by a limited group of users. The term is commonly used as a synonym for computers and computer networks, but it also encompasses other information distribution technologies such as television and telephones. IT is considered to be a subset of information and communications technology (ICT).

### **Components of ICT**

• **Cloud computing** – The term is generally used to describe data centers available to many users over the Internet. Large clouds, predominant today, often have functions distributed over

multiple locations from central servers. If the connection to the user is relatively close, it may be designated an edge server. Clouds may be limited to a single organization (enterprise clouds), be available to many organizations (public cloud) or a combination of both (hybrid cloud). The largest public cloud is Amazon AWS .

- **Software** is a set of instructions, data or programs used to operate computers and execute specific tasks. Opposite of hardware, which describes the physical aspects of a computer, software is a generic term used to refer to applications, scripts and programs that run on a device. Software can be thought of as the variable part of a computer and hardware the invariable part. Software is often divided into application software, or user downloaded programs that fulfil a want or need, and system software, which includes operating systems and any program that supports application software.

- **Hardware** – in the context of technology, refers to the physical elements that make up a computer or electronic system and everything else involved that is physically tangible. This includes the monitor, hard drive, memory and the CPU. Hardware works hand-in-hand with firmware and software to make a computer function. Hardware is only one part of a computer system; there is also firmware, which is embedded into the hardware and directly controls it.

**Digital Transactions** can be broadly defined as online or automated transactions that take place between people and organizations—without the use of paper. Digital transactions save time and money, resulting in a better bottom line. Customer experiences are also enhanced (think of the convenience of eSigning versus having to print a contract, sign it, and then return it by mail or fax). And digital transactions improve tracking capabilities—which helps reduce errors.

- **Digital Data** is data that represents other forms of data using specific machine language systems that can be interpreted by various technologies. The most fundamental of these systems is a binary system, which simply stores complex audio, video or text information in a series of binary characters, traditionally ones and zeros, or «on» and «off» values.

- **Internet access** is the process of connecting to the internet using personal computers, laptops or mobile devices by users or enterprises. Internet access is subject to data signalling rates and users could be connected at different internet speeds. Internet access enables individuals or organizations to avail internet services/web-based services.

## Unit-5

### Controlling

Controlling consists of verifying whether everything occurs in conformance with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals.

Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

According to Brech, “Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs.”

## **Features of Controlling Function**

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in conformance with plans.
2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewal methods, changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseparable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. *Planning presupposes controlling and controlling succeeds planning.*

## **Process of Controlling**

Controlling as a management function involves following steps:



1. Establishment of standards- Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criteria for judging the performance. Standards generally are classified into two-

a. Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2.Measurement of performance- The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-

a. Attitude of the workers,

b. Their morale to work,

c. The development in the attitudes regarding the physical environment, and

d. Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3.Comparison of actual and standard performance- Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out

whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, “ If a manager controls everything, he ends up controlling nothing.” For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

- a. Erroneous planning,
- b. Co-ordination loosens,
- c. Implementation of plans is defective, and
- d. Supervision and communication is ineffective, etc.

4. Taking remedial actions- Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-

- a. Taking corrective measures for deviations which have occurred; and
- b. After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

## **What is Budgetary Control?**

**Budgetary control is a system of controlling cost which includes preparation of Budgets coordinating the departments and establishing responsibilities comparing performance with budgeted and acting upon results to achieve the maximum profitable.**

**Budgetary Control is a means of control in which the actual results are compared with the budgeted results so that appropriate action may be taken about any deviations between the two.**

.

## **Types of Budgetary Controlling Techniques**

**Budgetary control is a system for monitoring an organization's process in monetary terms.**

**Types of budgetary controlling techniques are;**

- 1. Financial Budgets.**
- 2. Operating Budget.**
- 3. Non-Monetary Budgets.**

## **Financial Budgets**

**Such budgets detail where the organization expects to get its cash for the coming period and how it plans to spend it. Usual sources of cash include sales revenue, the sales of assets, the issuance of stock, and loans.**

**On the other hand, the common uses of cash are to purchase new assets, pay expenses, repay debts, or pay dividends to shareholders.**

**Financial budgets may be of the following types:**

- 1. Cash budget**

**This is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured**

**It provides an important control in an enterprise since it breaks down incoming and outgoing cash into monthly, weekly, or even daily periods so that the organization can make sure it can meet its current obligations.**

**The cash budget also shows the availability of excess cash, thereby making it possible to plan for profit-making investment of surpluses.**

## **2. Capital expenditure budget**

**This type of financial budget concentrates on major assets such as a new plant, land or machinery. Organizations often acquire such assets by borrowing significant amounts through, say, long-term bonds or securities.**

**All organizations, large or small, business or non-business, pay close attention to such a budget because of the large investment usually associated with capital expenditure.**

## **3. The balance sheet budget**

**It forecasts what the organization's balance sheet will look like if all other budgets are met.**

**Hence it serves the purpose of overall control to ensure that other budgets mesh properly and yield results that are in the best interests of the organization.**

## **Operating Budgets**

**This type of budget is an expression of the organization's planned operations for a particular period. They are usually of the following types:**

### **1. The sales or revenue budget**

**It focuses on the income the organization expects to receive from normal operations. It is important since it helps the manager understand what the future financial position of the organization will be.**

### **2. The expense budget**

**It outlines the anticipated expenses of the organization in a specified period. It also points out upcoming expenses so that the manager can better prepare for them.**

### **3. The project budget**

**It focuses on anticipated differences between sales or revenues and expenses i.e. profit. If the anticipated profit figure is too small, steps may be needed to increase the sales budget or cut the expense budget.**

#### **Non-monetary budgets**

**Budgets of this type are expressed in non-financial sales or revenues and expenses, i.e. profit. If the anticipated profit figure is too small steps may be needed to increase the sales budget or cut the expense budget.**

#### **Fixed and variable budgets**

**Regardless of their purpose, most budgets must account for the three following kinds of costs:**

##### **1. Fixed costs**

**They are the expenses that the organization incurs whether it is in operation or not. Salaries of managers may be an example of such a cost.**

##### **2. Variable costs**

**Such costs vary according to the scope of operations.**

**The best example may be the raw materials used in production. If \$5 worth of material is used per unit. 10 units would cost \$50, 20 units would cost \$100 and so on.**

##### **3. Semi-variable costs**

**They also vary, but in a less direct fashion. Costs for advertising, repairs, and maintenance, etc. may fall under this category.**

**All these categories of cost must be accurately accounted for in developing a budget. Fixed costs are usually the easiest to deal with. Variable costs can also be forecast, although with less precision from projected operations.**

**Semi-variable costs are the most difficult to predict because they are likely to vary, but not in direct relation to operations. For these costs, the manager must often rely on experience and judgment.**

## **Non-Budgetary Control Techniques**

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

### **1 Statistical data;**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

### **2 Break- even point analysis:**

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

### **3 Operational audit:**

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

#### **4 Personal observation:**

**In any preoccupation with the devices of managerial control, one should never overlook the importance of control**

#### **Use of computers in Management control**

virtually every business, a computer is an essential tool for running the day-to-day operations, enhancing productivity and communicating with customers, suppliers and the public. Managers use computers for a variety of reasons, including keeping their teams on track, budgeting and planning projects, monitoring inventory and preparing documents, proposals and presentations. Managers need to understand not only the basic functions of the corporate software tools used in the office but also the Internet and other external computing tools that can improve the way they manage their departments.

#### **Business Planning**

Business planning can take up a lot of a manager's time, but computer programs make it easier. From using email programs like Outlook or Google Mail to set appointments, tasks and deadlines to using financial tools to develop budgets and project proposals, using computers to plan the day-to-day activities of a business is essential. Managers also use the Internet to research their industries, the competition and to look for ideas to help them create plans to engage customers, win more business and succeed in the competitive world of business.

#### **Record Keeping**

Managers keep track of a lot of information that is vital to the company's success. From customer records to financial records to employee records, the data a company has to store are seemingly endless. Using computers to store and manage documents, files and records reduces the amount of physical storage a company needs and also allows managers to have easy access to their files using simple document search methods. Additionally, by keeping records, managers can easily



share information about an employee's history and job performance with other managers in the company.

### Communication

One of the most common uses for computers in business is communication. Communication is essential not only between employees but with customers as well. Many customer service departments use computers to log service issues and make a record of their resolutions. Using email and instant messaging programs allows employees to gather information from one another that they need to complete their jobs. It also allows managers to delegate work tasks and follow up on projects.

### Document Preparation

For creating spreadsheets, presentations, memos and other corporate documents, computers are essential in business. Managers need to have a basic understanding of common workplace productivity software such as Microsoft Office, but specialized industries such as advertising and marketing also require managers to work with more advanced programs like Adobe Photoshop and Illustrator to create visual materials for clients.

## PRODUCTIVITY PROBLEMS IN MANAGEMENT

Productivity refers to the ratio between the output from production processes to its input. Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized. Typical Productivity Calculations Measures of size and resources may be combined in many different ways. The three common approaches to defining productivity based on the model of Figure 2 are referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery

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

.b) Functional Productivity This is a ratio of the amount of the functionality delivered to there sources consumed(usually effort). Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method).Typically, effort is measured in terms of staff hours, days, or months . Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue

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

## **Control theory of performance management system**

Performance Management system is that vital part of Human Resource Management which aligns and optimizes individual performance with the overall performance of the organization. It can be defined as “a continuous process of identifying, measuring and developing performance in organizations. It is achieved by linking each individual’s performance and objectives to the organization’s overall mission and goals” (Aguinis, 2011). There are many notable strategies and approaches of performance management systems in order to simplify the process. This also helps

to make performance management process more efficient for organizations. Among different approaches, Control theory is one such approach. Control theory helps in sustaining the performance management system by defining forms of control between the organization and the systems within. According to control theory, actions of all systems should be in sync with the overall goals and objectives of an organization (Barrows & Neely, 2012).

### Overview of control theory

Control theory focuses on control mechanism which should be imposed at all levels of an organization. There are different forms of control which an organisation can use in order to get the desired results such as:

- organizational structure,
- behavioural controls like norms and policies of an organization or
- performance measurement mechanisms.

These results have to be congruent with the objectives and goals of an overall organization (Barrows & Neely, 2012). Control theory has three types of control systems:

1. Under **behaviour control**, employer monitor and evaluate the actions of the employees on a regular basis, as per the standards of the organization and then reward accordingly.
2. In the case of **output control**, the performance of an employee is controlled with rewards or sanctions after evaluating it on the basis of organizational standards.
3. **Input control** system seeks to control the selection and training process of an employee. However, it is important to ensure the availability of required competencies in the employees as desired by the organization for growth and development (Krausert, 2009).

Out of these three systems, organisations can use any type of control system or a combination of different models. Selection of the control depending on the structure, norms, policies and administrative information in an organization (Shell, 1992).

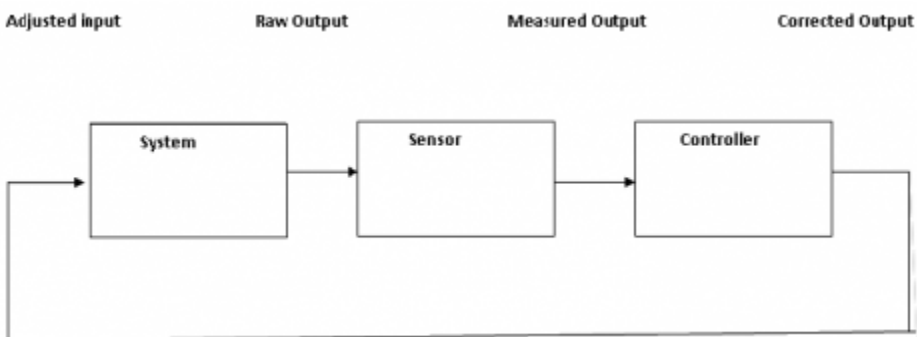
	Complete	Incomplete
Crystallized	<b>Behavior control, output control, or both</b>	<b>Output control</b>
Ambiguous	<b>Behavior control</b>	<b>Input control</b>

Shell control theory

Source: (Krausert, 2009)

### Managing performance through a controlled process in the system

Control theory helps in performance management by evaluating the output of the system for its consistency with pre-defined sets of parameters. In case of any kind of deviation, it will be adjusted by the controller in the system. This model is popularly known as the Cybernetic model (Barrows & Neely, 2012). This model helps the managers to control the performance of the employees. Similarly, it also generates faster and better outputs by regular monitoring and feedback. The cybernetic model states that, if an organisation can execute control and performance more effectively and efficiently, it can easily cope up with the changes in its external environment.



Cybernetic model of control theory Sources : (Barrows & Neely, 2012)

## **DIRECT CONTROL VERSUS PREVENTIVE CONTROL**

### **DIRECT CONTROL:**

1. Cause of negative Deviations from standards. Un certain, Lac of knowledge, experience or judgment
2. Questionable assumptions underlying direct control
  - Assumption that that performance can be measured
  - Assumption that personal responsibility exists
  - Assumption that time expenditure if warranted
  - Assumption that mistake can be discovered in time
  - Assumption that the person responsible will take.
  - Corrective steps.

### **PREVENTIVE CONTROL**

Assumption :

Qualified managers make a minimum of errors.  
Management fundamental can e used to measure performance  
Application of management fundamentals can be evaluated.

Advantages :

1. Greater accuracy
2. Encourage self control
3. Lighten the managerial burden
4. Impressive

Thus control is a very important process through which managers ensure that actual activities confirm to planned activities. It is mainly used to measure progress, to uncover deviations and to indicate corrective action.

## Reporting to management

The reporting to management is a process of providing information to various levels of management so as to enable in judging the effectiveness of their responsibility centres and become a base for taking corrective measures, if necessary.

### Definition of Reporting to Management

S.N.Maheshwari,

“Reporting to Management can be defined as an organized method of providing each manager with all the data and only those data which he needs for his decisions, when he needs them and in a form which aids his understanding and stimulates his action”.

The reporting to management can also be called as management reporting or internal reporting.

### **Objectives or Purpose of Reporting to management**

A Management Accountant has to prepare the report for the following purposes.

1. Means of Communication: A report is used as a means of upward communication. A report is prepared and submitted to someone who needs that information for carrying out functions of management.
2. Satisfy Interested Parties: The interested parties of management report are top management executives, government agencies, shareholders, creditors, customers and general public. Different types of management reports are prepared to satisfy above mentioned interested parties.
3. Serve as a Record: Reports provide valuable and important records for reference in the future. As the facts and investigations are recorded with utmost care, they become a rich source of information for the future.
4. Legal Requirements: Some reports are prepared to satisfy the legal requirements. The annual reports of company accounts is prepared to furnished the same to the shareholders of the company under Companies Act 1946. Likewise, audit report of the company accounts is submitted before the income tax authorities under Income Tax Act 1961.

5. **Develop Public Relations:** Reports of general progress of business and utilization of national resources are prepared and presented before the public. It is useful for increasing the goodwill of the company and developing public relations.

6. **Basis to Measure Performance:** The performance of each employee is prepared in a report form. In some cases, group or department performance is prepared in a report form. The individual performance report is used for promotion and incentives. The group performance report is used for giving bonus.

7. **Control:** Reports are the basis of control process. On the basis of reports, actions are initiated and instructions are given to improve the performance.

### **Essentials of a Good Reporting System:**

A good reporting system is a better guide and effective tool for efficient managerial decision - making.

Hence, the essentials of a good reporting system are as follows:

#### **1. Proper Form:**

In order to facilitate decision-making the information supplied should be in proper form. The style and layout of a report depend upon the needs of the individual who will use the same. The report may be submitted in the form of narration [written statement of facts], statistical tabulations, graphs, charts, etc.

#### **2. Proper Time:**

Promptness is very important because information delayed is information denied. Reports are meant for action and when adverse tendencies or events are noticed, actions should follow forthwith. The sooner the report is made, the quicker the corrective action be taken.

#### **3. Proper Flow of Information:**

The information should flow from the right level of authority to the level of authority where the decisions are to be made. Further complete and consistent information should flow in a systematic manner.

#### 4. Flexibility:

The system should be capable of being adjusted according to the requirements of the user. For example, production manager should be provided with information relating to his division or area of control only.

#### 5. Facilitation of Evaluation:

The system should distinctively report deviations from standards or estimates. Controllable factors should be distinguished from non-controllable factors and reported separately. A good reporting system should give information required for the evaluation of each manager's area of responsibility in relation to the goals of the organization.

#### 6. Economy:

There is a cost for rendering information and such cost should be compared with benefits derived from the report or loss sustained by not having the report. Economy is an information aspect to be considered while developing reporting system.

- Meaning of Reporting:
- Objects of Reporting:
- Essentials of a Good Reporting System:



