B.B.A 1st year
Subject - Principles of Management
Unit-1

Introduction of Management

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfill individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organized groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg., family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organization.

Management is getting things done with effectiveness and efficiency. It is designing and maintaining an environment in which individuals working together accomplish selected aims efficiently.

Management is the first of the modern institutions to shape the society. It pays a vital role in modern world. It regulates man's productive energies. It organizes factors of production. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never becomes production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

DEFINITION OF MANAGEMENT

Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives. —*Henry L. Sisk.*

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

—*F.W. Taylor*

To manage is to forecast and to plan, to organise to command, to coordinate and to control.

CHARACTERISTICS OF MANAGEMENT

An analysis of the definition of management indicates the following features of management:

1. **Management is goal-oriented**
   Management is not an end in itself.It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals one achieved. Thus, management is purposeful.

2. **Management is an Activity**

Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements-planning, organizing, leading and controlling. Terry says, "Management is not people, it is an activity." Those who perform this activity are designated as 'Managers'.

3. **Management is Multidimensional**

A single activity of business includes three main acts.

i. Management of work- planning, organizing, controlling
ii. Management of people- staffing, directing
iii. Management of operations- production, sales, purchase

4. **Management is a continuous Process**

Management is a dynamicand an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

5. **Management is Intangible**

Management is an unseen or invisibleforce. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

6. **Management is multidisciplinary**

Management has to deal withhuman behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

7. **It is Dynamic**

Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes.

8. **Hierarchical Nature**

Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority.

9. **Group Activity**

It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, go-ordinates, directs and controls the group efforts, not the individual efforts.

10. Management is Universal

Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management functions to be performed." Also, the techniques and tools of management are universally applicable.

11. Separate Identity

Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society Labour, Management and Capital are different entities.

12. It Involves Decision-making

Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process,

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13. Pervasive at all Levels
Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role

14. Management is a Social Process
Management is done by people,through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

15. Management is an Integrative Force
The essence of managementlies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

IMPORTANCE OF MANAGEMENT
Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilize the available resources at minimum cost. Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the coordination of management. The significance or importance of management is briefly explained below:

1. **Achievement of group goals***:* A human group consists of severalpersons, each specializing in doing a part of the total task. Each person may be working efficiently, but the group as a whole cannot realize its objectives unless there is mutual cooperation and coordination among the members of the group. management creates team-work and coordination in the group. He reconciles the objectives of the group with those of its members so that each one of them is motivated to make his best contribution towards the accomplishment of group goals. Managers provide inspiring leadership to keep the members of the group working hard

2. **Optimum utilization of resources***:* Managers forecast the need formaterials, machinery, money and manpower. They ensure that the organisation has adequate resources and at the same time does not have idle resources. They create and maintain an environment conducive to highest productivity. Managers make sure that workers know their jobs well and use the most efficient methods of work. They provide training and guidance to employeers so that they can make the best use of the available resources.

3. **Minimisation of cost***:* In the modern era of cut-throat competitionno business can succeed unless it is able to supply the required goods and services at the lowest possible cost per unit. Manage-ment directs day-to-day operations in such a manner that all wastage and extravagance are avoided. By reducing costs and improving efficiency, managers enable an enterprise to be com-petent to face competitors and earn profits.

4. **Survival and growth***:* Modern business operates in a rapidlychanging environment. An enterprise has to adapt itself to the changing demands of the market and society. Management keeps in touch with the existing business environment and draws its predictions about the trends in future. It takes steps in advance to meet the challenges of changing environment. Changes in business environment create risks as well as opportunities. Managers enable the enterprise to minimise the risks and maximise the benefits of opportunities. In this way, managers facilitate the continuity and prosperity of business.

5. **Generation of employment***:* By setting up and expanding business enterprises, managers create jobs for the people. People earn their livelihood by working in these organisations. Managers also create such an environment that people working in enterprise can get job satisfaction and happiness. In this way managers help to satisfy the economic and social needs of the employees.

6. **Effective utilization of business:** There are seven M's in the business. These are said to be man, money, materials, machines, methods, markets and management of information & time.
Management is the topmost of all other 'Ms'. Management has control over other remaining 'Ms'.

7. **Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.

8. **Sound organization structure:** Management lays down the foundation for sound organization structure. Sound organization structure clearly defines the authority and responsibility relationship-who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

9. **Development of the nation***:* Efficient management is equallyimportant at the national level. Management is the most crucial factor in economic and social development. The development of a country largely depends on the quality of the management of its resources. Capital investment and import of technical know-how cannot lead to economic growth unless wealth producing resources are managed efficiently. By producing wealth, management increases the national income and the living standards of people. That is why management is regarded as a key to the economic growth of a country.

FUNCTIONS OF MANAGEMENT

Management functions are the activities that a manager must perform as a result of the position held in the organization. The best way to analyses the management process is in terms of what a manager does. Generally the basic functions of management are: planning, organizing, staffing, directing and controlling. As managing is a dynamic and challenging activity, it includes three kinds of functions and tasks which are common to all managerial jobs. The list of management functions can be presented as follows:

I. Basic Functions

1. Planning
2. Organizing

3. Staffing
4. Directing
5. Controlling

II. Dynamic Functions

1. Co-ordinating
2. Decision Making
3. Representation
4. Innovation
5. Administration

Basic Functions

1. Planning

Planning is one of the most important functions because it sets the pattern for the other activities to follow. Planning function for the new era is more broadly described as delivering strategic value. It is a primary and crucial function which determines how to achieve an objective-deciding what is to be done and when to do it. It is looking ahead and preparing for the future.

2. Organizing

Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning.

3. Staffing

Staffing is the process of planning, recruiting, developing, compensating and maintaining human resources in an organization. In staffing, a manager recruits and selects suitable personnel for manning the jobs.

4**. Directing**

The fourth basic function of management is directing. This is also termed leading or actuating. While planning tells us what to do and organizing tells us how to do directing tells us why the employees should want to do it. Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

(i) Communication
(ii) Command

(iii) Motivation
(iv) Leadership

(V) Supervision

(VI)Controlling

5. Controlling

Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plans. It is reviewing the performance of the employees in the light of the targets and goals.

DYNAMIC FUNCTIONS

1. **Co-ordinating**: To co-ordinate is to harmonize all the activities, decisions and efforts of an organization so as to achieve the unity of action. It is blending the efforts of all employees for and efficient running of an organization.
2. **Decision Making:** decision making is the process by which a course of action is consciously chosen from available alternatives. Decision making is inherent in every managerial function.
3. **Representation:** the manager's job also includes representing his organization in dealings with outside group-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general

4. **Innovation**: innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manger is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.
5. **Administration**: this is a new task of manager which is described by peter F. drucker he says, "The manger has to administer. He has to manage and improve what already exists and is already known. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists. He has to create tomorrow.

ROLES OF MANAGER IN AN ORGANIZATION

1. **Interpersonal roles: -** In the process of management needs to interact with subordinates to get things done by them, and also communicates with superiors, peers, trade union leaders, customers, government and other agencies whose interest is involved in the business. Its importance is evident from that a manager spends nearly 80 percent of his time, in interacting with these parties.
   a) **Figure head role:** The manager works in a line of authority. His position is identified in terms of formal authority, responsibility, obligations and relationship. As a symbol of formal authority, he performs various ceremonial duties e.g. receiving visitors, attending weddings of subordinates, singing various documents, delivering speeches and lectures in important social gathering such as schools, clubs and other religious places.
   b) **Leadership role:** The most important role of the manager is to lead, guide and motivate subordinates and get work done properly. A manager is responsible not only for his own acts but for the activities performed by his subordinates. The leadership qualities of the manager help him in influencing the working behaviour of subordinates, contributing to a higher level of efficiency.
   c) **Liaison role:** A manager serves as connecting link, vertically with superiors and subordinates, and horizontally, with other managers at the same level. Outside the organization, the managers have to undertake liaison to assess the external environment to enable the organization to cope with it.
2. **Informal role: -** To preserve and protect the identify of an organization and to secure its smooth functioning, the manager has to scan the external environment on a regular basis and to deal with outside parties, effectively for which he has to gather a lot relevant information on the various matters concerning the organizations.
   The manager plays three important informational roles while managing the operations of an organization.
   a) **Role of monitor:** The managers interact and deal with insiders and outsiders and scan the external environmental constantly to get useful information. He collects information on the various aspects of the organization and its environment through reports, informal relations dealings and liaison work. He is the most well-informed member of his work group. While managing, he monitors every situation closely and minutely, collects information regarding it and finally, solves it effectively.
   b) **Role of disseminator:** The manager continuously transmits selected information which he has complied through the role of monitor to his subordinates. He keeps them well-in-formed regarding any change in the process, structure, policies and other plans of the organization. The needed information is disseminated among the subordinates by him through formal and informal meetings, memorandums, orders and instructions issued from time to time.
   c) **Role of spokesperson:** A manager acts as a spokesperson of his group while supplying information to superiors and peers. Similarly, he keeps outside parties well-informed on behalf of the organization. He negotiates and enters into comprise with internal and external parties.
3. **Decision-making roles: -** By interacting with insiders and outsiders, the manager gets important information, which he can use or taking decisions and solving problems.
   a) **As an entrepreneur:** The managers have a primary responsibility of improving the overall functioning of their respective work units. They act as an entrepreneur; take bold decisions, seek better results from subordinates, initiate required changes, implementing them for the betterment of organization. To initiate and implement changes, managers have to be dynamic, innovative and creative.
   b) **As a disturbance or conflict handler:** An organization is a collective entity with diversity of interest and duality of roles for managers. For example, the owners group may be interested in high profits whereas the employees may seek more benefits in the form of higher wages and better working conditions. In such situations, it is only by applying managerial knowledge and playing the role of conflict handlers, thinking analytical and acting practically, that the managers can hope to effectively integrate the interest of employees with the organization. Similar conflicts may arise

Management and Administration

According to Theo Haimann, “Administration means overall determination of policies, setting of major objectives, the identification of general purposes and laying down of broad programmes and projects”. It refers to the activities of higher level. It lays down basic principles of the enterprise. According to Newman, “Administration means guidance, leadership & control of the efforts of the groups towards some common goals”.

Whereas, management involves conceiving, initiating and bringing together the various elements; coordinating, actuating, integrating the diverse organizational components while sustaining the viability of the organization towards some pre-determined goals. In other words, it is an art of getting things done through & with the people in formally organized groups.

The difference between Management and Administration can be summarized under 2 categories: -

1. **Functions**
2. **Usage / Applicability**

On the Basis of Functions: -

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

On the Basis of Usage: -

Basis	Management	Administration
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

AREAS OF MANAGEMENT

Production management:

Production means creation of utilities by converting raw material in to final product by various scientific methods and regulations. It is very important field of management. Various sub-areas of the production department are as follows.

Plant lay out and location: This area deals with designing of plant layout, decide about the plant location for various products and providing various plant utilities

Production planning: Managers has to plan about various production policies and production methods.

Material management: This area deals with purchase, storage, issue and control of the material required for production department.

Research and Development: This area deals with research and developmental activities of manufacturing department. Refinement in existing product line or develop a new product are the major activities.

Quality Control: Quality control department works for production of quality product by doing various tests which ensure the customer satisfaction

Marketing management:

Marketing management involves distribution of the product to the buyers. It may need number of steps. Sub areas are as follows

Advertising: This area deals with advertising of product, introducing new product in market by various means and encourage the customer to buy thee products.

Sales management: Sales management deals with fixation of prices, actual transfer of products to the customer after fulfilling certain formalities and after sales services.

Market research: It involves in collection of data related to product demand and performance by research and analysis of market.

Finance and accounting management:

Financial and accounting management deals with managerial activities related to procurement and utilization of fund for business purpose. Its sub areas are as follows

Financial accounting: It relates to record keeping of various financial transactions their classification and preparation of financial statements to show the financial position of the organization.

Management accounting: It deals with analysis and interpretation of financial record so that management can take certain decisions on investment plans, return to investors and dividend policy

Taxation: This area deals with various direct and indirect taxes which organization has to pay.

Costing: Costing deals with recording of costs, their classification, analysis and cost control.

Personnel Management:

Personnel management is the phase of management which deals with effective use and control of manpower. Following are the sub areas of Personnel management

Personnel planning: This deals with preparation inventory of available manpower and actual requirement of workers in organization.

Recruitment and selection: This deals with hiring and employing human being for various positions as required.

Training and development: Training and development deals with process of making the employees more efficient and effective by arranging training programmes. It helps in making team of competent employees which work for growth of organisation.

Wage administration: It deals in job evaluation, merit rating of jobs and making wage and incentive policy for employees.

Industrial relation: It deals with maintenance of overall employee relation, providing good working conditions and welfare services to employees.

THEORIES OF MANAGEMENT

CLASSICAL SCHOOL:

a. **Scientific Management**

Systematic development of management thought started with the scientific management movement which is said to have its origin as early as 1830s.
The man who popularised the movement is Fredrick Winslow Taylor. He is known as the father of scientific management.

Life and works of Taylor (1856-1915): Fredrick Winslow Taylor, who is known as the father of scientific management, was born in 1856 in Philadelphia, USA. He started his career as an apprentice in a small machine-making shop in 1875. Thereafter, Taylor served in three companies:
(i) Midwell Steel Co., (ii) Simonds Rolling Machine Co., and (iii) Bethlehem Steel Co.
Taylor joined Midwell Steel Works in 1878 where he did time study and evolved one best method of doing each part of a job. He introduced **differential rate system of wages.**

Philosophy and Principles of Taylor:

1. **Develop a science to replace rules of thumb:** Taylor wanted to make management as a science. He, therefore, recommended that every activity of an organisation **must rest on well organized, clearly defined principles,** instead of depending on more or less hazy idea.
2. **Maximisation of output or production:** Taylor believed **maximum output instead of restricted output.** It is because the prosperity for both employer and employees could be achieved only through maximising productivity.
3. **Equal division of responsibility:** There should be equal division of responsibility between managers and workers. Managers must fulfill their responsibility of planning and organising effectively. On the other hand, workers must fulfill their responsibility by executing the work as per the directions of the 'bosses'.
4. **Job specialisation:** Taylor believed that each worker should be specialist in his job. At the same time, each worker must be supervised by different specialist supervisors.

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b. **Administrative Theory:**

Henri Fayol (1841-1925):

Henri Fayol was a French mining engineer and chief executive officer of a coal mine company. He propounded the administrative or functional theory of management.

1. **Administrative management thought era** run almost parallel to the scientific management thought era. **Henri Fayol** is regarded as the herald of the administrative thought. Other contributors include Urwick, Mooney and Reiley, Davis etc.
2. **Elements of administration or management function:** Fayol described five elements of administration or management functions. They are as follows:
   (i) **Planning,** consisting of activities for making plans to achieve goal of the organisation. This function includes forecasting and decision-making.
   (ii) **Organising,** consisting of activities necessary for mobilising human and other resources of the organisation to implement the plans.
   (iii) **Commanding,** whichconsists a activities relating to directing, leading, motivating and communicating for getting things done.
   (iv) **Coordinating,** which is concerned with activities necessary for harmonising the efforts of all in order to achieve a common goal.
   (v) **Controlling,** whichis concerned with ensuring performance in accordance with plans.
3. **Principle of management:** Fayol proposed **fourteen principles** of management**.**
4. **Flexible and adaptable principles:** Fayol made it clear that the principle of management are flexible and adaptable to every need.
5. **Universal principles:** He believed that principles of management are universally applicable. The principles are applicable in all organisations large or small, industrial, commercial, political, religious, or any other.
6. **Management education and training:** Fayol realised the need for management education and training. He strongly pleased for introducing management education and training in schools and universities. He also suggested for conducting organizational 'in-house' training programmes.

Fayol's Fourteen principle of Manangement

1. **Division of Work**

To divide work among departments and employees according to requirement & owned activities & skills to get benefit of specialization & avoid time wastage. It says that every employee should be assigned only one of type of work else there will be waste of time and effort caused by changes from one work process to another.

2. **Authority and Responsibility**

Authority means right to give orders and power to exact obedience.

Responsibility is assignment of tasks and act to be completed in availability of resources accountability extent to which person can be made liable to answer for acts.Fayol said Authority and Responsibility are co existence in nature and must go hand in hard with proper parity in between.Authority without responsibility heads to irresponsible behaviour & responsibility without authority makes manager in effective.

3. **Discipline**

Implies compliance with organizational directions and rules, orders and instructions of superior & to co-operation with fellow workers. He considered discipline as the chief strength of organization and essential for smooth operation.

Discipline generally depends essentially on ability of its leaders. Fayol said best means of maintaining discipline are

- Goods superiors at all levels
- Clear & fair agreements between employees & employer
- Judicious application of penalties

4. **Unity of command**

According To this principle one subordinate should get orders and institutions regarding his work only from one superior.If a subordinate has more than one superior. It will undermine authority weaken discipline create divided loyalty and Lead to confusion, delays due to conflict in instructions & most important it would be difficult to pinpoint responsibility to him.

5. **Unity of Direction**

Means that the there should be complete identify between individual and organizational goals on one hand and between departmental goals on the other i.e. one head & one plan for a group of acts having the same objective. In other words the related acts should be put under one group, these should be one plan of action for them & they should be under the control of one particular manager.

6. **Reading subordinate of individual interest to General interest**

This principle emphasises that the interest of one employee or group of employees should not prevail over that of the concern Fayol suggested these means to protect the general interest. They are

- Firmness and good ex on part of superiors
- Agreement as join as in possible
- Constant supervision

7. **Remuneration of personnel**

Fayol said that the remuneration & methods of payment should be fair and afford the maximum possible satisfaction to employees & employer.Time, job, piece rates, bonus, profit saving, welfare work, Non-financial incentives should be included in best scheme of payment.

8. **Centralization**

Centralization refers to decreasing role of subordination in decision making Fayol says Centralization is not a system of management goods or bad of itself. Centralization implies the Centralization of authority at the top management. Relationship between Centralization & decentralization of authority is a matter of proportion & optimum balance should be maintained according to needs of organization.

9. **Scalar chain**

Scalar chain refers to the chain of superiors ranging from the ultimate authority to lowest ranks. There should be clear line of authority ranging from top to bottom of organization the line of authority is the route followed via every link in the chain by all communication which start from as go the ultimate authority Fayol suggested the concept 'gang plank' which is used to prevent the scalar chain from bogging downaction.

10. **Order**

To run well an organization should have a place of everything and everything should be in its place. These should be an orderly rationally thought out plan for arranging the things and material in their suitable places. There are two order material and social

11. **Equity**

The organizations runs best when there is a feeling of kindliness and justice among managers. Desire for equity & equality of treatment are the common aspirations of employees.

12. **Stability of tenure of personnel**

Efficiency is promoted when job security is assured to employees, Time is required for an employee to get used to new work & succeed in doing it well. An employee cannot render worth while service if he is removed from the job before he is adjusted.

13. **Initiative**

Initiative refers to the freedom to think out a plan and use discretion in executing. It is a freedom to propose and to execute.

14. **Esprit de corps -**

This principle says that "in union there is strength" Harmony, teamwork and union among the employees is a great strength in a concern. Fayol exhorts that the misguided motto 'divide and rule and the abuse of written communication should be avoided by manager rather they should strive to maintain cooperation among employees.

Similarities of Taylor and Fayol:

1. Both devoted to put science into management.
2. Both devoted to the development of management thought.
3. Both were concerned with the **improvement of practice** of management.

4. Both men favoured the development of **theory and principles to improve management practice.**
5. Both emphasised the need for **cooperation between** labour and management.
6. Both realised the **universality of management.**

The Dissimilarities between the two are as follows:

1. Taylor's work is primarily concerned with the **operative level** at the shop level while Fayol's work is concerned with **management at top** and **middle levels.**
2. Taylor started from the bottom of the managerial hierarchy and had **worker upwards** whereas Fayol started from the top executive position and **worked downwards.**
3. Taylor was concerned with increasing **efficiency of labour** whereas Fayol was concerned with with increasing **efficiency of total organisation.**
4. Taylor aimed at increasing productivity by **eliminating or reducing inefficiency and waste.** On the other hand, Fayol aimed at organisational **efficiency through application of management principles.**
5. Taylor described his philosophy as **'Scientific management'** whereas Fayol called his views as 'General theory of administration'.
6. Taylor is known as the **father of scientific management** whereas Fayol is recognised as the **father of modern management theory.**
7. Fayol recognised the need of **education and training** in schools and colleges whereas **Taylor did not so realise.**

C. Bureaucratic Management Approach of Max Weber

Max Weber (1864-1920), a German sociologist; he described a theory to operate an organization in effective way which is known as the Bureaucratic management approach or Weberian bureaucracy.

Max Weber (1864-1920)

Max Weber was a lawyer who got interested in the social aspects of organizations. During his time markets were booming and his lifelong work on the study of organizations led to believe that specific kind of organizations called "bureau" (desk), will help in the growth of marketsMax Weber's work was oftentimes interpreted as a caricature ofmodern bureaucracies with all of their shortcomings.. He gave following main characteristics of the bureaucracy:

Featuresof Bureaucratic Organization

- High degree of Division of Labor and Specialization.
- There is a well-defined chain of command.
- It follows the principle of Rationality, Objectively and Consistency.
- The relationship among the member of the organization is Formal and Impersonal relations. And it's based on positions and not on personalities.
- Rules and Regulations are well defined and it indicates the duties and rights of the employees. These rules apply to everyone from to bottom of organization and must be strictly followed.
- Selection and Promotion is based on Technical qualifications.
- Only Bureaucratic or legal power is given importance.

Criticism of Bureaucratic Organization

Bureaucratic Management Approach of Max Weber also has some fault-lines and received criticism for it.

- The emphasis was only on rules and regulations.
- There will be unnecessary delay in decision-making due to formalities and rules of Bureaucratic Organization.
- Coordination and communication hampered because of too much formality and rules.

- Bureaucracy involves a lot of paper work and has just too much level of authority which results in lot of wastage of time, effort and money. Not ideal for efficiency.
- Because of its too much formality, Bureaucratic approach is not suitable for business organizations. Bureaucratic model may be suitable for government organizations.
- Too much importance is given to the technical qualifications of the employees for promotion and transfers. Dedication and commitment of the employee is not considered.
- Limited scope for Human Resource (HR). No importance is given to informal groups and neither any scope is given to form one.
- Max Weber's bureaucratic approach worked as a solution to problems of traditional administrative systems. But it was not the prefect or "close to perfect" solution. The bureaucratic structure gives all the importance and power to the top level management.

  And the rules and levels of authority are just too much. It gives a greater sense of security to the employees. But bureaucratic management gives window for "red-tapism".

I. NEO-CLASSICAL SCHOOL:

The Human Relations Approach:
Hawthorne studies (1924-1932) by George Elton Mayo and his team members gave rise to new movement which is known as the human relations movement. It may be recalled that Hawthorne studies revealed that better physical environment and more economic benefits were not sufficient to motivate workers for higher productivity. It showed that socio-psychological needs have a powerful influence on the productivity of workers. Moreover, these studies also revealed that informal/social relationship, informal supervision at work also play a crucial role in increasing productivity. These conclusions of the studies gave birth to human relations movement.

Characteristics/Assumptions/ Beliefs: The human relations approach was founded upon the following beliefs or assumptions:

1. It assumes that an organization is a social system.
2. It regards that this system is composed of many interacting groups.
3. It believes that monetary gains alone cannot motivate workers. Satisfaction of socio-psychological needs also has a powerful influence on the motivation of workers.
4. It considers that workers participation in planning and decision making can boost both morale and productivity of workers.
5. It believes that a sound two-way communication system is essential for a healthy working climate in an organization.

Contribution and limitations: Human relations approach has made significant contribution to management thought and practice particularly in the following areas:

1. The thoughts and practice of managers began to be human oriented.
2. Management training was revolutionized with the emphasis on development of people-oriented skills in managers.
3. Managers became sensitive and responsive to the needs and feelings of the workers in the work place.
4. Selection and placement activities began to be given more importance along with improved incentive systems.

Criticism: The human relations approach was criticized on the following counts:

1. It over-emphases on keeping workers happy whereas happiness alone cannot make workers more productive.
2. It emphasizes on manipulation of workers emotions for the organizational purposes.

Hawthorne Experiments

1. **Illumination or test room study:** The illumination study was conducted to determine the relationship between light intensity and productivity or efficiency of workers. For this purpose, three different experiments were conducted in which researchers changed light intensity. Researchers were surprised to note that productivity of

select group of employees tended to improve in spite of the change in their physical surroundings. Productivity increased even when the lights were dimmed to moonlight intensity.

2. **The relay assembly test room study:** The relay assembly test room study was conducted to ascertain the factors other than the light intensity, affecting the productivity. In this study six persons (Five girl assemblers put a layout operator) were placed in a room. In addition, the researchers put an observer with them in the room. The observer was to record everything that happened in the room and to maintain friendly atmosphere therein. The researchers changed working conditions such as rest periods, length of work days, refreshments, temperature, wage rates etc. during the study. In addition, girls were allowed to talk more freely among themselves.
3. **Bank writing observation room study:** In order to observe and analyse informal group behaviour more accurately, bank wiring observation room study was undertaken. This study was conducted in a room of the bank wiring department. In this room, 14 employees performing three interrelated jobs of the department were placed.
4. **Mass interviewing study:** The researchers therefore switched indirect questioning. Under this approach, the employees were allowed to talk about what they felt important. The interviewers patiently heard their views.

Conclusions/Contributions of Hawthorne Studies:

The main conclusions or contributions of Hawthorne studies are as follows:

1. Work is a group activity: Mayo concluded that work is a group activity. Workers work better in groups.
2. Informal groups: Workers form internal informal social cliques/ groups. Such groups may not be based on their occupation.
3. Influence of social groups: The informal social groups within the workplace greatly affect the behaviour and productivity of individual worker.
4. Group cooperation is planned: Group cooperation or collaboration does not occur accidentally. It must be planned and developed.
5. Worker is not only rational economic being: A worker is not only a rational economic being. He is not motivated solely by monetary means. His social needs have a powerful influence on his behaviour and productivity.
6. Role of supervisor's behaviour: The behaviour of supervisors does affect the behaviour of workers. When supervisors provide a more relaxed work environment, by paying special attention to the workers social situation changes.

Criticism of Hawthorne Studies:

Hawthorne Studies are criticized on the following grounds:

1. **Pro-management bias:** These studies are criticized on the ground that these had a pro-management bias.
2. **Not fully scientific:** Some experts allege that the studies were not fully scientific. According to them, there was no scientific basis in the selection of the work, the employees and the environment.
3. **Clinical bias:** Some experts also allege that the studies had a clinical bias. They say that the research was directed to preconceived ideas and conclusions.
4. **Discounted importance of Theory:** It is also argued that studies discounted the importance of theory and overemphasized the importance of observation and collection of facts.

B. Human Resource Approach or Behavioural science Approach:

Neo-classical school or human resource or behavioural approach to management through evolved gradually over the years from late 1920s to 1940s and continued to develop thereafter. This school of thought evolved in recognition of the importance of human behaviour in organization.

DISTINCTION BETWEEN HUMAN RELATIONS APPRAOCH AND BEHAVIOURAL SCIENCE APPROACH

Basis of Distinction	**Human Relations and Approach**	**Behavioural Science Approach**
1. Emphasis	This approach laid emphasis on groups, group behaviour and individual behaviour	This approach emphasizes on studying studying individual, his needs and motivation.
2. Similar set of needs	It believes that all workers have similar set of needs.	It believes that individuals are different from each other. Their need structure is dynamic
3. Conflict	This approach believes that conflicts in organizations and should be resolved	This approach believes that conflicts are not always harmful. sometimes, they are inevitable in organizations.
4. Relations	It focuses informal interpersonal relationships	It focuses on group relationship.

5.	**Origin**	It originated from the conclusions of Hawthorne studies	It emerged in the process of refinement of human relations approach
6.	**Techniques**	Its major techniques are informal supervision, and satisfaction of social needs.	Its techniques are informal leadership, communication, motivation, organization change, conflict resolution.

III. Modern Schools of Management Thought

1. The system approach
2. The contingency appraoch

System Approach to Management

The system approach to management has been evolved out of General System Theory or GST. Ludwing von Bertalanffy is credited for developing the GST. According to GST, study in any area should be based on the assumption that everything is a part of a larger interdependent and organized whole system. And in order to understand this whole system, the knowledge of its part and the relations between them is an essential. In other words, a whole system cannot be understood without an understanding of the parts that make-up the whole.

Definition of System:

According to **Bertalanffy,** "A system is a set of units with interrelationship among them." In the words of **John A. Beckeet**, "A system is a collection of interacting system."

Types of Systems:

According to GST, there are two types of systems: (i) closed system, and (ii) open system.

1. **Closed system:** A closed system is independent of environment. Thus, it is a self-sufficient entity. Therefore, it does not interact with its outside environment. Its activities are not affected by the forces outside its boundary.
2. **Open system:** An open system is one which interacts or interplays with its environment. It interacts with people, things and forces in its environment. it is an input-output system. It takes inputs and gives outputs to its external environment.

Environment Boundary

Inputs

Transformation Process

Output

Feedback

Environment Boundary

Characteristics/Assumptions/Beliefs

This approach to management is based on the following assumptions/beliefs:

1. It believes that managers manage an organization which is a unified or integrated system.
2. It believes that every organization is an open system to its environment. It affects and is affected by its environment.
3. It believes that whole organization system cannot be understood without an understanding of the parts that make-up the whole organization
4. It believes that managers have to manage the organization as the decision in the light of environmental situations.
5. It regards that organizational system is dynamic in which changes take place regularly.

Contributions:

1. It provides a frame-work within which managers can plan actions and anticipate the expected results.
2. It also helps in understanding the unexpected consequences of plans and actions.

3. It helps managers in maintaining a balance between the needs of various parts of the organization and needs and goals of the organization as a whole. [Stoner and Wankel]
4. It helps in integrating various management theories because it has the concept of other management approaches.

Criticism/limitations:

1. Some experts argue that the application of this approach requires study of total organizational system and its sub-systems.
2. It does not lay down principles and techniques of management. It simply suggests the needs for study and understanding of the total organization system and its parts for better management.

Contingency/Situational Approach

Contingency approach suggests that managers must do what the situation warrants or managers actions must be contingent upon the organizational situational situation or environment.
In the words of Stoner and Wankel, "According to contingency approach, the task of managers is to identify which technique will in a particular situation, under particular circumstances, and at a particular time, best contribute to the attainment of managerial goal."
Thus, according to consistency approach, actions managers vary with the situation or environment of the organization. There is no ready-made solution to the problems of every situation. Correct principles or techniques to be applied depend on the prevailing situation or environment.

Characteristics/assumptions/beliefs:

1. It assumes that each organizational is unique. The goals, operations, people, resources, technology, etc. of every organization are unique.
2. It also assumes that external environment of each organization is different and unique from the others.
3. If further assumes that all sub-systems of the organization are interrelated and affect each other.
4. In view of these facts, it believes that there cannot be one best way of doing a thing which can be universally prescribed for all situations.
5. It regards that best approach to management is situational or situation-oriented approach.

Contributions:

1. It makes it clear there are no universal, ultimate or absolute principles, techniques, theories of management which can be applied to every situation.
2. It keeps managers on high alert that next situation may be new and unique. Therefore, they go on finding and analyzing facts of each situation.
3. It widens freedom of operation of mangers. They are not bound by stereotype principles and solutions.
4. It encourages managers to innovate and develop new principles, techniques etc. to handle each new and unique situation.

Criticism/limitations

1. In real-life, managers do not find enough time to analyze and understand every situation and to apply the principles and techniques accordingly.
2. Mangers are not at all times make decisions on rational basis. Sometimes, their rationality becomes limited. Hence, this approach serves no purposes.
3. All managers cannot analyze and understand all variables in a situation or environment. In such case, the approach loses its significance.
4. Sometimes, situations change so rapidly that managers are unable to understand them and make decisions accordingly.

ETHICS IN MANAGEMENT

The word 'Ethics' has been derived from the Greek word "Ethikos" meaning character/ manner.
Ethics is a code of moral standards of conduct for 'what is good and right' as opposed to 'what is bad or wrong'.
Ethics refer to the rules and principles that define right and wrong conduct.
It refers to well-founded standards of right and wrong that prescribe what humans ought to do.

Examples of Ethics in Management:

- Honesty
- Loyalty
- Integrity
- Fair
- Caring
- Respect
- Obeying Law
- Excellence
    - **BUSINESS ENVIRONMENT**
    - Business environment is the sum total of all external and internal factors that influence a business. You should keep in mind that external factors and internal factors can influence each other and work together to affect a business. For example, a health and safety regulation is an external factor that influences the internal environment of business operations.

Types of Business Environment

1) **Internal**
2) **External**

1) Internal Environment

It consists of factors that are under the control of the organization.
It includes:
Value system
Mission & objectives
Management structure & nature
Internal power relationship
Human resources

2) **External Environment**

It consists of factors that are outside the control of the organization.
It is of two types:

- **Micro environment**- close with business and directly affects the capacity to work
- **Macro environment**- indirectly affects the work

SOCIAL RESPONSIBILITY

Social responsibility is an ethical framework and suggests that an entity, be an organization or individual, has an obligation to act for the benefit of society at large.
Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

Arguments for assuming Social Responsibility:

1. Business received its license from society and consequently has to respond to the needs of society.

2. Society gains through better neighborhoods and employment opportunities; business benefits from a better community since the community is the source of its workforce and the consumer of its products and services.

3. Social involvement discourages additional government regulation and interventions. The result is greater freedom and more flexibility in decision making for business.

4. Business have a great deal of power which, should be accompanied with an equal amount of responsibility.

5. Modern society is an interdependent system, and the internal activities of the enterprise have an impact on the external environment.

6. Social involvement may be in the interest of stockholders.

7. Problems can constitute profits. Items that may once considered waste can be profitably used.

Areas of Social Responsibility

- Responsibility towards owners
- Responsibility towardsemployers
- Responsibility towards consumers
- Responsibility towards government
- Responsibility towards community & society

UNIT-II

"It you have planned well, half of you work is done"

Management Functions are – planning, organizing, staffing, directing and controlling and all are required to achieve objectives but without setting objectives there's nothing to organize, direct or control. Therefore every organization requires to specify what it wants to achieve; Planning is related with this very aspect.

CONCEPT OF PLANNING

Plan & Planning -

- Planning is process - have sub activities and steps.
- Plan is commitment to particular course of action – For objective.
- Planning is deciding in advance the future course of action. What is to be done in future?
- When, what, why, where, who how are different aspects of planning
  Why - action's objections or rent result
  What - activates to be undertaken?
  How - generate policies, program, strategies
  They all speak about future of action.
- Planning is selecting missions and objectives as well as the actions to achieve them which required decision making i.e. choosing a course of action among alternatives.

Definitions:

Gorge R. Jerry – "Planning is the selection and relating of fact and making & using of assumptions regarding the future in the visualization and formalization of proposed activities believed necessary to achieve deserved result".

Mc. Farland – "Planning may be broadly defined as a concept of executive action that embodies the skills of anticipating, influencing and controlling the nature and direction of change"

- Anticipating, controlling everything for direction of change, believe that environment of planning is very dynamic & ever changing.

Characteristics or Nature of Planning :

1. Primary task of management
2. Intellectual process
3. Future oriented
4. Decision oriented
5. Goal oriented
6. Forecasting is the essence of planning
7. Pervasive function
8. Planning and action are twins of management
9. Planning is wider than decision making
10. Inter dependent activity
11. Continuous and dynamic activity
12. Planning is the basis of control
13. Planning follows a systematic and reutilized procedure.
14. It is participative in nature
15. Planning always has a dimension of time.
16. Planning also implies “managerial innovation” (Koontz and Weihrich)

Need Importance and advantages of Planning

1. Basis of success
2. Keystone management function
3. To manage by objectives
4. To offset growing complexity of business
5. Better utilization of resources
6. To gain economy in operation

7. Establishes coordinated effort
8. Facilitates control
9. Coping with change
10. Improves competitive strength
11. Creates forward looking attitude
12. Promotes order
13. Prevents hasty judgment and haphazard action
14. Stay on track
15. Managing crises
16. Providing motivation
17. Promotes growth and improvement
18. Encourages creativity
19. Facilitates decentralization
20. It provides alternative courses of action
21. Efficient methods and procedures of action can be developed.

Components/ Elements of Planning

There are a number of different components of planning. They are also called **types of plans.** The major type of management plans along with their components can be classified as follows:

1 Strategic Plans

There are designed to meet the broad objectives of the organization. These are concerned with broad mother that vitally affect development of an organization. They are prepared at the institutional level. The include mission or purpose, objectives and strategies.

2 Standing Plans

These plans are used over and over again. Once established, standing plans provide on -going guidance for performing recurring activities. Similar situations can be handled in a predetermined way. Thus, they save the time used for making decisions. Examples of such plans are policies, procedures, methods, rules and regulations.

3 Single-Use Plans

These plans are designed to achieve specific goals. They are developed to meet unique situations or problems. They are used but once and discarded. Programme, projects. budgets, quotas, schedules, and standards are example of single-use plans.

1. Mission or Purpose

Mission or purpose is a primary and overall objective of an organization. It is the basic functions or task o fan enterprise which is assigned to it, by society. It is organization's reason for existence determined by its founder, owners, or board of directors. Purpose or mission is the definition of the organization, its identity.

Mescon and Allbert observe," Without a mission as a guide, managers would have nothing but their individual values". In brief, the purpose or mission of an organization must convey the following:

(a) The existence of the firm - it means what business is the firm in ?
(b) The external environment that determines the operating philosophies of the firm.
(c) The organizational culture.

2. Objectives or Goals

Objectives or goals are the ends towards which all organizational activities are aimed. **Koontz and O'Donnell** state," They represent not only the end point of planning but the end towards which organizing, staffing, leading and controlling are aimed." objectives decide where we want to go. They are the results to be achieved.

'Goals' and 'Objectives' are often used interchangeable but a few written make a distinction between them. Goals are broad outcomes that managers hope to achieve ultimately. Objectives are more specific and concrete in nature and often include active schedule for the completion of a task. **For example,** profitability may be the goal, but the specific objectives is to earn 20 per cent return on capital net employed.

3. Strategies

The term 'strategy' was first used in the military to describe the ground plan for winning a war. In recent times, it is widely applied to business. According to **Hicks and Gullett** strategy is "the basic pattern of purpose and policies that define the firm and its business". **Andrew szilagyi** defines strategy" as a comprehensive and integrated framework that guides those choices that determine the nature and direction of the organization's activities towards goal achievement".

4. Policies

General statements or understandings that guide decision-making are called **policies.** Policies define the boundaries within which decisions can be made. They direct decision towards the achievement of objectives. According to **Terry**," Policies spell out the sanctioned, general direction and areas to be followed".

Features:

(1) Policies direct the thinking, behaviour and actions of employees.
(2) Policies may be implied even from the actions of managers or from the practice of enterprise.
(3) They may be interpreted as "standing orders" or standing guidelines for decision-making
(4) Policies allow for some discretion and initiative, but within limits.
(5) Policies define the area in which decisions are to be made, but they do not give the decision.
(6) They flow from strategies. They are narrower in scope than strategies.

5. **Procedures:** Policies are carried out by means of procedures. A procedure is a detailed set of instructions for performing a sequence of actions. It is a customary method of handling activities. It provides the exact manner in which a certain activity must be accomplished. Terry defines a procedure as "a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished".
6. **Method:** Method is the best way the job is to be performed. It deals with a task comprising one step of a procedure. It specifies how this one step is to be performed.
7. **Rules:** Rules are standing plans that guide actions. They specify what actions will be taken or not taken and what behaviour is allowed or prohibited. Rules are a particular way of behaving in a particular situation. Generally, rules are all restrictive and leave little room for discretion. They are not guides for thinking or decision-making, rather they are substitutes for them. "No smoking" is an example of a rule.
8. **Programmes:** A programme is a comprehensive plan that covers a relatively large set of activities. It consists of a complex set of goals, policies, procedures, rules, job assignments and resources required to implement them. Programmes are aggregate of several related action plans (goals, procedures, rules etc.) that have been designed to accomplish a mission within a specified time period. Programmes usually include the following steps:
   (a) Stating what is to be done into different parts or units of the organization;
   (b) Determining the relationships among the parts and developing a sequence of steps required to reach an objective;
   (c) Deciding the responsibility for each step and for each unit;
   (d) Determining the financial, physical and human resources to be employed
   (e) Determining capital and operating budgets;
   (f) Developing the order and time schedules for each step.
9. **Projects:** A project may be either a component of a general programme or it may be planned separately on a smaller scale. Each project has its own assignments, time and budget. Sometimes, individual segments of a general programme can be planned and implemented as distinct projects.
   William Glueck defines, "A project is a programme with less significant objectives, generally a shorter period of time, and usually less detail". There is a significant difference between programmes and projects. Programmes can be repeated while projects have one time applications. A project to build rest rooms or to fence dangerous machines may be part of a larger programme to improve working conditions.
10. **Budgets:** A budget is a plan which expresses the anticipated results in numerical terms. It is merely a collection of figures or estimates that indicate the future in financial terms. According to Terry, "A budget is an estimate of future needs, arranged according to an orderly basis, covering some or all of the activities of an enterprise for a definite period of time". It is a statement of planned revenue and expenditures. A budget may be stated in time, materials, money, or other units.
11. **Quota:** Quota is a set goal for sales or other activities. It is the share one is bound to contribute to or entitled to receive from a total. A quota is a limit placed on the amount or units of sales, productions, profit or other activities. Quotas are set in the field of sales, markets or sales territories. For example, every sales territory carry an assigned quota indicating its contribution to profit and volume and its sales activity requirements.

12. **Schedules:** Schedules are important part of operational plans. Schedules are used to plan the timing and sequencing of the use of resources and for the work to be executed. Schedules are the basis of an action plan. Scheduling sets the exact time when each activity would start and when it would end.

13. **Standard:** A standard is an important element of plan. It is a norm against which performance is compared and evaluated. Terry defines it as "a unit of measurement established to serve as a criterion or level of reference". A standard forms the basis of controlling and serves as guide for performance. It brings uniformity in work. Standards assist in settling disputes because they may serve as base levels. They are essential in planning schedules and determining the proper use of resources. Qualitative and quantitative standards are set in various areas of business such as cost standards, quality standards, product standards, material standards, performance standards, etc.

Limitations of Planning

1. Ambiguous objectives and plans
2. Lack of reliable facts and information
3. Inaccurate premises
4. Rigid philosophy or lack of pragmatism
5. Resistance to change
6. Inflexibility of existing objectives and plans
7. Lack of planning skills
8. Failure to integrate with other functions
9. Attitudes and conficts among managers
   i. Conflict on the goals and priorities of planning.
   ii Conflict on the selection of the courses of action and resources.
   iii. Conflicts on their roles in the implementation of plans.
   iv. Conflict between line and staff managers due to their role in planning.
   v. Conflict on the issue of usefulness of the planning itself.
10. Psychological barriers.
    i. Some managers feel that present is more important than the future. They regard present is more desirable and has certainity. Hence, they neglect the significance of planning.
    ii. Some managers feel that certain things are bound to happen in future. Such things cannot be changed by planning.
    iii. Some feel that planning is not successful always. Therefore, it is a waste of time, energy and money.
    iv. Plans serve as standards for evaluating performance. Therefore, many managers fear that others will know their weaknesses at the time of performance evaluation.
11. Expensive
12. Inadequate resources

13. Delay in actions
14. Difficulties in implementation
15. Rapid and random changes

Essentials of effective planning

1. Well defined objectives
2. Simple and easy to understand
3. Comprehensive
4. Flexible
5. Balanced
6. Economical
7. Stable
8. Continuity
9. Unity
10. Consistency
11. Participation

12. Practicable
13. Written
14. It should be logical and rational
15. It must be time bound.

Principles of Planning

1. **Principle of contributions to objectives**
2. **Principle of primacy of planning**
3. **Principle of efficiency of plans** : It means that the amount contribution of plans should exceed the costs involved in their formulation and implementation.
4. **Principle of planning premises** : Planning premises means the assumptions regarding environment which are likely to affect the implementation of plans. This Principle emphasizes the need for consistent planning premises.
5. **Principle of limiting factor** : A limiting factor is one which creates problems in the way of achieving predetermined objectives. This Principle states that planner must recognize and solve the limiting factors in order to formulate effective plans.
6. **Principle of commitment**
7. **Principle of flexibility**
8. **Principle of navigational change**: This principle states that a manager must constantly monitor and review the conditions affecting the plans and redraw the plans if required by the changed conditions.
9. **Principle of pervasiveness**
10. **Planning coordination**
11. **Principle of timing**
12. **Principle of participation/acceptance**
13. **Principle of competitive strategies**
14. **Principle of Alternatives**

Tools & Technique of Planning

Different tools and techniques are used in formulating and implementing plans. Some of the most important are as follow:

1. Forecasting
2. Budgeting
3. Break even analysis
4. Marginal analysis
5. Linear programming
6. Waiting line or Queueing theory
7. PERT/CPM
8. Theory of probability
9. Scheduling
10. Games Theory
11. Simulative Model
12. Sequencing
13. Bench marking
14. Environmental Seanaing
15. MBO

OBJECTIVES AND MANAGEMENT BY

OBJECTIVES Concept & Nature of Objectives:

Objectives are the end results which an organisation wants to achieve.

Mc. Farland – Defines objectives in quite broad term "Objectives are goals, aims or purposes that organisations wish to achieve over varying period of time".

Terry & Franklin -

"A managerial objective is the intended goal that prescribes definite scope & suggests direction to the planning efforts of a manager".

- So we can define objective as the intended and result that an organisation desires to achieve over varying period of time.

Features of objectives are as follows:-

1. Each organisation or group has some objectives in fact they are created basically for certain objectives.
2. Objectives may be broad or may be specifically mentioned. Wide or narrow, Long term or short term. General objective are translated into operative objectives to provide definite action.
3. **Objectives have hierarchy**

Top level - broad object

Dept level - specific object
Unit level - their own object

4. Organisational objectives have **social sanction** they are related with social norms.
Organisation is a social unit, its objectives must confirm to the needs of society.
Various restrictions on organisation objective are put through social norms, rules & customs ***eg:*** objective- Increase stock but not by hoarding

5. One organisation can have **multiple objectives**

eg: HLL- Under chairmanship of T. Thomas (1973-80) has following objectives

(i) To expand & diversify in area of chemicals.
(ii) To control cost & improve productivity very rigorously
(iii) To built up mgt skills for future growth.

Role of objectives:-

1. Defining an Organisation:

Every organisation works in environment consisting of several forces.
Forces provide threats & opportunities both, in order to take best from environment – It must define itself for all.
eg: Modern food industries ltd's objective -"Manufacturing & Marketing of nutritional foods to the public".

2. Directions for decision making:

Objectives set limits, prescribe areas in which man can make decision.
No ambiguity about end results, so manager is clear about all expectations.
it promotes unified planning and acts as motivating force.

3. Performance Standards:

It Sets Benchmarks, the Performance of all – organisation – units Sub-units is measured against objectives.

4. Basis for Decentralization

Decentralization is necessary for large organizations.
Independent decision making may lead to disintegration of organisation Until and unless clear objectives are set for all contributions.

5. Integrating organisation, group & Individual -

Clearly Specified objectives provide integration to various individuals, groups in organisation.
Organisation cannot exist apart of its related people.
eg: creditors, customers, etc.

TYPES OF OBJECTIVES

1. General Objective

- Survival
- Growth
- Economic Contribution
- Social Obligation
- Profit

2. Specific Objectives

3. Objectives Based on organizational levels

- Mission Goals
- Strategic objectives
- Tactical Objectives
- Operational Objectives

4.Time based objectives

- Short term
- Intermediate
- Long-term

5. **Other Types**

- Personal
- Organisational objectives
- Performana goals
- Group Goals

Management by Objective

The term MBO was coined by **Peter Drucker -**1954, since then many organisation have adopted it **Definitions of MBO** –

Heinz & Harold Koontz "MBO is a comprehensive managerial system that integrates many key managerial activities in a systematic manner continuously directed towards the effective and efficient achievement of organisational objectives."

S.K. Chakravarty "MBO is result-centered, non-specialist operational managerial process for the effective utilization of material, physical & human resources the organisation by integrating the individual with the organisation & organization with environment".

MBO is now used not only as a technique of setting objectives but also used as a planning, motivation, performance appraisal and control technique.

MBO is a process whereby both superior and subordinate managers jointly identify their common goals, of their work unit (department) and define each employee's major areas of responsibility and goals with his active participation.

Characteristics of MBO :

1. **A philosophy of management**
2. **Goal oriented approach:** It focuses on setting goals at every level of the organization. In MBO, goal setting begins at the top management level and filters down, one level at a time.
3. **Common objectives and individual goals :** MBO is the process of setting objectives of the organization as well as the each individual's goals.
4. **Participation and involvement :** MBO approach proposes the participation and involvement of all people in goal setting.
5. **An interactive approach:** MBO is an interactive approach to goal setting. Managers and subordinates both are actively involved in setting goals.
6. **A comprehensive approach :** It is a comprehensive approach. It considers both the economic and human aspects of an organization.
7. **A systems approach :** It takes into account the internal as well as external environmental factors.
8. **It applies to total management system :** It can be used with an entire organization, a department or a sub unit having only one subordinate.
9. **Aims at optimum results.** MBO approach provides for interim review of the results and evaluation of performance at the expiry of the time fixed.
10. **Simple universal approach : The** MBO approach to managing is logical, appeals to common sense and enjoys wide spread popularity.

with outside parties which would have to be resolved through meetings, negotiations and compromise.

c) **As a resource allocator:** To manage the organization, physical and human resources are mobilized and utilized efficiently by managers for the accomplishment of pre-determined objectives. They have to play the role of resources allocators. And, in the case of multiple objectives, they set priorities for allocation of resources.

d) **As a negotiator:** Managers work on behalf of the organization or work unit, and subordinates, not only as a spokesperson but as negotiator. They enter into an agreement on behalf of the organization. For example, the personnel manager negotiates with trade unions and representatives of workers.

11. **Multiple uses :** MBO technique is used not only in planning but it is also used in performance appraisal, motivation, and control.

PROCESS OF MBO

Top Management Support & Commitment

Setting Overall Corporate Objectives

Setting Departmental Objectives

Setting Individual Subordinate's Goals

Feedback

Matching Objectives and Resources

Recycling Objectives

Developing Action Plans

Implementing Action Plans

Periodic Performance Review

Final Evaluation

ADVANTAGES OF MBO

1. Encourages result oriented philosophy
2. Clearer goals
3. Effective planning
4. Clarification organizational roles
5. Coordination

LIMITATIONS OF MBO

1. Failure to teach philosophy of MBO
2. Lack of guidelines
3. Inflexibility
4. Time consuming
5. Incomplete understanding
6. Difficulty of setting goals

7. Over use of quantitative goals
8. Dynamic & complex environment
9. Ignores relationship behavior

LEADERSHIP

Leadership is an integral and important part of management and plays a very vital role in managerial process.

Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. Leadership is the practice of influence that stimulates subordinates or followers to do their best towards the achievement of desired goals.

The ability to lead effectively is a key to better managerial performance. There is not magic formula of becoming a good leader. Effective leaders are not created by simply attending a one-day leadership workshop, yet it is not totally in their genes either. One can become an effective leader if a person has willingness to invest the time and energy to develop all the "right-stuff".

Leadership is the activity of influencing the behavior of people to work willingly and with determination for the accomplishment of specific goals & objectives. A person who attempts to influence the behavior of others become a potential leader and the people he is attempting to influence are called as potential followers.

"Leadership is a ability to influence a group of people so that they strive willingly and enthusiastically towards the achievement of goals."
Elements of willingness is very important in the definition of leadership this elements differentiates leadership (leaders) from the managers. Motivating and influencing people to move towards a common goal are the elements of management but the "willingness" of the followers to be led, highlights the special quality of leaders that puts them above the managers. Leadership is a function of-

$$L = F\ (F \times g \times w \times s)$$

L = leadership
F = Functional Relationship
G = Goal
W = Willingness of subordinates
S = Situation

NATURE OR CHARACTERISTICS OF LEADERSHIP

1. **Personal Ability:** Leadership is basically a person ability and skill. It is a personal power which arises out of knowledge, expertise and personality. According to Koontz and others, it is the ability induces subordinates to work with confidence and zeal towards the achievements of organizational goals.
2. **Followership.** Leadership requires followers. It is inseparable from followers. Involves other people, usually in the form of subordinates. It cannot exist without group of followers. Koontz and D'Donnel say, "The essence of leadership is followership. It is the willingness of people to follow that makes a person a leader."
3. **Influencing Behaviour:** Leadership envisages "the power of influence." It involves an attempt to influence another group member.
4. **Interpersonal Relationship:** Leadership involves group behaviour. It is interaction between a leader and one or more followers. It is a reciprocal relationship.
5. **Mutual Goals:** Leadership involves a community of interest between the leader and his followers. It exists from the realization of common goals.
6. **Its Essence is Performance.** Leadership depends on doing. Most people agree that leadership is not a personality trait, but doing something-guiding, directing, influencing or mobilizing actions. Peter Drunker has rightly remarked, "Leadership has little to do with 'leadership qualities' and even less do with 'charisma'. It is mundane, unromantic and boring. It is work. Its essence is performance."
7. **Exemplary conduct:** Leaders not only but also influence by their behaviour. They put example in their actions before the subordinates. Urwick has rightly said, "It is not what a leader says, still less

what he writes, that influences subordinates. It is what he is. And they judge what he is by what he does and what he behaves."

8. **Leadership is Situational:** It assumes that leaders are the product of given situations. Leader emerges out of situation. Leadership is dynamic art. The most effective way to lead is a dynamic and flexible process that adapts to the particulars situation.
9. **Assumption of Responsibility:** The leader assumes full responsibility for all actions of his followers. He remains responsible in all situations.
10. **Importance of Communication:** Leadership is established through the communication process. Communication affects the behaviour and performance of followers. The inability to communication is a serious deficiency in influencing people.
11. **All Managers are not Leaders:** Manager are appointed and have legitimate power that allows them to reward and punish. In contrast, leaders may either be appointed or emerge from within a group. Leaders can influence others to perform beyond me actions dictated by formal authority. They have personal capabilities to influence others. However, not all leaders necessarily hold managerial positions.
12. **Leadership may be Formal or Informal:** Managers who influence the behaviour of their assigned group are the formal leaders of organizations. Their ability to influence is founded upon the formal authority inherent in their positions. Within the organization, informal groups develop, and within those groups informal leaders who influence the behaviour of other group members.
13. **Four-faceted Concept:** Leadership involves four elements - leader, followers, organization and the environment (social, economic and political conditions.) These affect one another in determining appropriate leadership behaviour. To Terry, it implies that "almost everyone can at times show leadership behaviour."
14. **Process:** Leadership is a process engaged in by certain individual. It is an ongoing activity in an organization. Its outcome is some form of goal accomplishment.

Importance/Functions of Leadership –
In brief, some important functions of a leader are as follows:

1. **Formulate Purpose:** A leader defines institutional mission and role. He not only formulates the purpose of the group, he also advances it. His approach is goal-oriented.
2. **Inspire and Initiate Actions:** A leader inspires individuals to make their optimum contribution to organization goals. According to Urwick, the leader initiates all those measures necessary to keep the undertaking healthy and progressive within a competitive economy.
3. **Administer the Organization:** To administer and undertaking, a leader performs the functions of forecasting planning, organizing, direction, coordination and control.
4. **Interpret Reasons:** Leaders make sense of dynamic environment and interpret it to employees. They redirect their efforts to adapt to changing conditions. Urwick says, "Leaders interpret the reasons for everything to everybody.
5. **Represent the Institution.** Representing his institution in dealings with outside groups: government officials, suppliers, customers and the public in general is another function of a leader.
6. **Group Interaction:** The leader facilitates interaction and exchange of idea among organization members. This is done through communication system, which is maintains in the organization.
7. **Goal Accomplishment:** The leader persuades all subordinates to contribute to organizational goals in accordance with their maximum capability and zeal.
8. **Develop Teamwork:** A good leader always attempts to gain an understanding of group dynamics and to develop and nurture voluntary co-operation. He develops trust and friendliness by bringing consistency and fairness in his actions.
9. **Direct and Discipline the Employees:** The leader gives necessary instructions and guidance to the individuals in a formal way. He develops devoted and loyal followers and maintains obedience through discipline.
10. **Ordering of Internal Conflict:** The leader seeks to maintain harmony among the members of the organization. He tries to prevent his group breaking up into opposing factions.
11. **Defend the Organization's Integrity:** The leader integrates the group with the organization. He protects the ethical values, human ideals and working principles.
12. **Maintain Stability.** The leader also helps maintain the stability of an organization in a turbulent environment. He assists in internal coordination and maintains a stable work force.

Distinction between Leadership and Management

	Management	Leadership
1	Management cannot function without formal organization structure and roles.	Leadership can exit in both organized and unorganized group.
2	A manager directs people though he use of normal authority.	But a leader may or may not have formal authority. He directs people through the use of informal and personal power.
3	A manager has to perform five functions of management – planning, organizing, staffing directing, and controlling	Leadership functions come under directing. A leader directs followers by influencing their behaviour. Thus, from a functional angle, leadership is a part of management but not all of it.
4	Management implies the existence superior-subordinate relationships.	Leadership behaviour an occur anywhere. It does not require manager-managed relationship.
5	Its authority arises out of a job position.	Its power arises out of personal ability, knowledge, expertise, performance or situations.
6	Managers are accountable for the job behaviour of their subordinates.	A leader is not accountable for the behaviour of followers.
7	The manager administers.	The leader innovates.
8	The manager is copy. He imitates.	The leader is original. He originates.
9	The manager accepts the status quo.	The leader challenges it.

STYLES AND PATTERNS OF LEADERSHIP

a. Style based on attitude

1. **Positive Leadership-** In this style of leadership leader use positive rewards like recognition, pride & Praise as well as extrinsic rewards like salary hike, promotion, increase of perks & allowances to get the work done from people. Positive leader has a mindset that rewards will make employees happy & satisfied and will motivate them to work effectively and efficiently as desired from them. People will always focus on improving their performance for getting more rewards. This style of leadership leads to higher job satisfaction and performance.
2. **Negative Leadership-** In this style of leadership leaders use negative rewards like fear loss of job, reprimand, demotion, fear of suspension, force, threats penalties or a few days off without pay on people to get the work done from them. This style can help in getting good results in many situations but it is not human in nature and creates a negative & non- acceptable image of a leader in the mind of followers. It leads of more of bossism than leadership.

b. Style based on use of Authority

1. **Autocratic style-** This style of leadership is also known as authoritarian or directive style. This style involves retention of full authority by the leader. Leader makes all the decisions without even consulting and involving employees. In this style of leadership leader only gives order & instructions to their subordinates for getting the work done and also expects from subordinates to follow the orders and instructions. Leaders assume full responsibility for all the actions.

Advantages

i. This style of leadership leads to quick decision making as leaders does not need to consult their group members.
ii. It allows the use of less competent subordinates.
iii. It provides security & structure to employees.
iv. It provides strong motivation to self-centered leaders.
v. It is useful to those subordinates who are not interested to assume responsibility.

Disadvantages

i. It creates fear & frustration & provides less freedom of work & self development to employees.
ii. It gives adverse effect on productivity.
iii. It restricts the development of future leaders.
iv. It leads to defensive behavior from subordinates.

2. **Democratic or Participative Style-** A participative or democratic style of leadership is one in which managers involve their subordinates in decision making. There is decentralization of authority by leaders and they consult & encourage subordinates for participation in decision making process. There is high regard for people and sufficient freedom is allowed to people to work.

Advantages

i. This leadership leads to qualitative decision making as number of people are encouraged to express their ideas.
ii. A positive & human relationship is established between the leader and followers.
iii. It creates job satisfaction motivation and morale & also reduces employees' grievances.
iv. It creates an environment of trust, confidence, mutual co-ordination & loyalty.
v. It improves talent, productivity employees and also increases their acceptances to management ideas & actions.

Limitations

i. It leads to delay in decision making.
ii. This style works well if employees are skilled & well informed about organizational problems.
iii. This style can result into complete loss of leaders control over the employees.

3. **Free-rein Style-** This style of leadership is also called as laissez- faire. In this style of leadership leaders abdicates from leadership position and depends mostly upon the group to establish its own goals and to solve their own problems. Subordinates are given high degree of freedom in their operations. They are their own trainees and source of motivation. Free rein leader avoids power & responsibility and only provides information & represents the group to outsiders. This type of leadership is effective only when the group members are highly knowledgeable, independent, motivated and fully dedicated to the firm.

Advantages-

i. It helps in the personality development of subordinates.
ii. It gives the feeling of responsibility among group members
iii. It creates climate of work freedom & team spirit.

Disadvantages-

i. It may result in disorganized activities.
ii. It leads to absence of centralized authority which results in group conflict & loss of group cohesiveness.
iii. Some leaders use this style to avoid responsibility.
iv. It leads to "non-leadership" and lack of control of leaders over employees.

C) Style based on Behaviour of leader- This type of leadership focus on behavior of leader towards the task as well as the people who are performing the task. A four combination style of leadership can be based on behavior of leader.

i. **High-task and Low-Relationship-** This type of leadership leader has the main emphasis on the accomplishment of tasks and spends very less time to maintain relations & to provide psychological support to employees. This is more of work-oriented approach and is suitable where the employees are in experiences with the work to be performed. This type of leaders is not necessarily rude or discourteous.
ii. **High-Task and High Relationship-** In this type of leadership style a leader gives high emphasis to both task accomplishment as well as Relationship building with employees. Leader spends considerable time to get work done and provide psychological support to employees. This leadership style is best in situations where people need an active & involved leader as well as in case of lack of self-confidence, or technical in employees.
iii. **High Relationship and Low Task-** A leader using this type of leadership style gives much encouragement & psychological support to employees but gives a minimum guidance about the task accomplishment.
iv. **Low Relationship and Low Task-** These leaders have a free-rein leadership style and give very little support, encouragement, praise as well as guidance to do work to employees. This style can be followed where subordinates are highly skilled & mature.

D) Style based on assumptions about people- Here leadership style depends upon the assumption which a leader has about his subordinates. This two way classification of leadership is based on MC Gregor's theory X & theory Y of motivation. This style is basically of two types-

i. **Job-Centered Leadership-** This is a task oriented style of leadership where by a leader focus on getting work done effectively by employees. It is concerned with work designing, production, planning, development of incentives, resource allocation to increase work productivity. This type of leaders focus on making employee work and plan out for worker's
job tasks and job out comes. This style of leadership is suitable for theory X leaders who distrust people and believe in close supervision.

ii. **Employee- Centered Leadership-** This is people where leaders treat subordinates as person, avoids close supervision, and actively considers needs of employees and encourages them to glow, develop. This leadership style is for theory y leaders who trust their subordinates and encourage their participation and development.

E) Style based on decision making - Renises likert classified four styles of leadership-

System 1	**System 2**	**System 3**	**System 4**
Exploitive Authoritative	Benevolent Authoritative	Consultative Authoritative	Participative Authoritative

i. **Exploitive Authoritative-** He is highly autocratic, little trust on subordinates; limits decision-making at the tap, avoid upward communication & motivate people through fear.

ii. **Benevolent authoritarian-** This kind of leader has a patronizing attitude towards employees, invites new ideas from subordinates allow some delegation and motivate then by rewards and some use of punishment.

iii. **Consultative Authoritarian-** Leaders have substantial but not complete trust in employees. They invite ideas from subordinates, allow for decision making by subordinates in some case but act consultatively in various matters.

iv. **Participative authoritarian-** Leaders have complete trust in decision-making of employees in all matters. He involves high level participation of subordinates, set high performance of goals & act a source of knowledge & guidance for subordinates. According to Likert those who apply 4th style of leadership are more successful as leaders.

F) Style based on concern for production versus concern for people:

Managerial Grid Style- This leadership style was given by Blake & Mouton. This grid classifies leaders as having five dimensions- concern for people and concern for production. Grid shows five combination of leadership style.

i. **Impoverished Management-** It has low concern for both people and production. The leader has minimum involvement in his job and only act as a messenger for communicating information from superiors to subordinates.

ii. **Country club Management-** Under this style a leader has no concern for production but has only concern for people. He concentrates on warm human relations.

iii. **Task Management-** Under this style leads is highly concern for task management and little or no concern for subordinates needs & motivation

iv. **Team Management-** Leaders has strong regard for both people and production. Team leader's leads to high morale and high efficiency.

v. **Middle Road Management-** Leader give medium concern for production and for people and leader attains adequate level of performance by balancing efficiency with reasonable goods human relations. Blake & Mouton suggests that the team leaders' style (9, 9) is most effective because it combines a high degree of concern for people as well as production.

UNIT-III

Introduction

The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

- A group of people united by a common purpose.
- An entity, an ongoing business unit engaged in utilizing resources to create a result.
- A structure of relationships between various positions in an enterprise.
- A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

  The dynamic interpretation of the term organization as a process is used in this unit.

Organizing

After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans.

Definition of Organization

Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals.

"Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed."

"Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be accomplished."

According to Robins, "Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made".

Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Hierarchy of Authority
4. Common goals
5. Division of Labor
6. Resources
7. Co-ordination of activities
8. Co-operative efforts
9. Communication

Organization can be of two types :
formal and informal -

Point	Formal Organization	Information Organization
Origin and goals	Deliberately created; reflects organizational goals: Basic purpose is to achieve organization goals.	Arises spontaneously: reflects individual and group goals: basic purpose is to improve human relations.
Structure	It has a definite structure and is reflected in an organization chart built around group positions.	Structure less: organization chart built around people.

Integrating mechanisms	Formal organization is held together by rules, regulations and procedures	Held together by feelings of friendship, mutual help and trust, and so on; it has unwritten rules and is bound by group norms rather than organizational goals.
Communication	Formal organization depends on formal official channels of communication to sell the ideas of management to the organization; communication is a one-way traffic.	The informal organization designs its own communication popularly known as grapevine, for both organizational and social communication process; communication is a two-way traffic.
Size	Tends to be large in size, generally unwieldy and unmanageable.	Tends to be small and manageable.
Durability	Tends to be permanent and stable.	Characterized by instability.
Orientation	It is more or less, an impersonal and arbitrary structure, to which individuals must adjust.	A highly flexible structure designed to satisfy social and psychological needs of individuals.

Purpose of Organizing

1. The organizing defines every employee's task, duties, responsibilities and goals
2. It establishes the authority, responsibility relationship for cooperative and coordinated efforts.
3. It provides a framework of decision making
4. It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.
5. It facilitates administration
6. Facilitates growth diversification.

Process of Organizing

- **Identifying the work:** We organize to achieve objectives. So, it is essential to identify the total work necessary to achieve the goals. The work must be classified in a systematic way so that each person in the organization gets a separate and distinct task. Work must be divided and distributed because no one can handle the total work in an organization single handled.
- **Grouping the work:** Division of work creates the need for coordination. In order to provide for a smooth flow of work all closely related and similar activities must be grouped together. Thus, departments and divisions are crated under the direction of a manger.
- **Establishing relationships:** In order to secure compliance to organizational directives, reporting relationships must be specified. Once formal relationships are established, it would help individuals know what must be done, how it must be done, to whom the matters must be referred and how particular jobs related to one another, etc.
- **Delegating authority:** Authority is the right to act, to issue orders and exact obedience from others. Without authority, a manager may not be able to perform the tasks with confidence and show results.
- **Providing for coordination and control:** The interrelationships between various positions must be specified clearly. The activities and efforts of various individuals must be coordinated. The performance must be measured, evaluated and controlled at frequent intervals. If deviations occur, they must be spotted early and appropriate remedial steps taken immediately.

Principles of organizing

Peter Drucker advances the following principle for designing the organization. The principles are as follows –

1. **Clarity** - Every manager and every part of organization must know its place in the system. He/She should know how he/she is related to other, what contribution he/she has to make to

enable others to perform and what contribution he/she should expect from others to perform his/her own task. Clarity is needed in all kinds of organization. It only means that everyone must know its takes authority, position etc. in the organization.

2. **Economy** - People should be encouraged to take initiative and responsibility, execute judgment in taking decision and taking required actions. It requires minimum control and supervision of sub-ordinates.
3. **Direction of Vision** – The pattern of interaction and communication should be design so as to direct to employees vision towards goals rather than towards the task and activities. The vision should be directed not only towards his/her own goal but also towards the goal of the enterprise.
4. **Understanding One's Own Task and Common Task** - It should enable the employee to understand the common task and the contribution. His task is expected to make the performance against organization task. There should be communication, running through out the organization.
5. **Decision - Making** - The organizational structure should be design so as to permit decision to be made at appropriate level. The decision should be made at that particular level itself. The organization structure should strength the right decision at the right time.
6. **Stability & Adaptability** – Every organization needs a certain degree of stability. The reasonable stability enables an organization to plan, introduce and accept the change. The stability should not be related to rigidity, a balance between stability and change should be maintained, also the organization structures inbuilt an ability to adopt a new situation in internal & external environment.
7. **Perpetuation and Self-Renewal** – In order to perpetuate the organization should be capable of renewing itself continuously. The internal forces should be capable to introduce new things and

discard the old or useless things. It should provide motivation to its employees to learn and develop use their existing capabilities for achieving the objectives. A self-renewing organization should have quality of open mindedness and receptiveness of new ideas.

Organization Structures

Organization structure is the way work is divided among units of the organization. It is concerned with the establishment of positions and authority relationships. It is the framework within which managerial and operating tasks are performed.

"Organization structure is a set of formalized tasks assigned to individual and work units, formal reporting relationships and the development of integration system."

There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

1.Line Organization: Line organization is the oldest type of organization which is also known as military organization. It is characterized by direct lines of authority flowing from top to bottom levels of organizational hierarchy and the lines of responsibility and accountability flowing in a opposite but equally direct manner. More specifically, in line organization lines of authority & commands runs from top managers (Ex-Board of directors) to the lowest level of managers (Ex-Supervisor) through the Process of Delegation & redelegation of authority & line of responsibility flows vertically upward from bottom to top organization.

There are two types of line organization:

i. **Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.

Board of Directors

General Manager

Works Manager

Superintendent

Foreman

Workers

It is of two types –

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

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

There is an inverse relation between the span of control and the number of levels in hierarchy in an organization, i.e., narrower the span, the greater is the number of levels in an organization.

Narrow span of control is more expensive as compared to wide span of control as there are more number of superiors and therefore there are greater communication problems between various levels of management. Wide span of control is best suited when the employees are not widely scattered geographically, as it is easy for managers to be in touch with the subordinates and to supervise them.

In case of narrow span of control, there are comparatively more opportunities for growth as the number of levels are more. The more efficient and organized the superiors are in performing their tasks, the better it is to have wide span of management. The less motivated and confident the employees are, the better it is to have a narrow span of management so that the supervisors can spend time with them and supervise them well. The more standardized is the nature of work ,like - if same task can be performed using same types of inputs, the better it is to have a wide span of management as more number of employees can be supervised by a single supervisor. There is more flexibility, prompt decision making, effective communication between higher level and lower level management, and improved customer interaction in case of wide span of management. Technological advancement such as internet, emails, mobile phones, etc. makes it easy for superiors to widen their span of control as there is more effective communication.

An ideal span of control according to modern authors is around 15 to 20 subordinates per manager, while according to the traditional authors the ideal number is around 6 subordinates per manager. In reality, the ideal span of control depends upon various factors, such as:

- Nature of an organization
- Nature of job
- Skills and competencies of manager
- Employees skills and abilities
- The kind of interaction that takes happens between superiors and subordinates, etc

Green Management –

Green management is when a company does its best to minimize processes that harm the environment. Environmental issues are a company priority. For example, a company engages in green management because it recycles and has reduced the amount of waste dumped in landfills.

Corporate Social Responsibility -

SOCIAL RESPONSIBILITY

Social responsibility is an ethical framework and suggests that an entity, be an organization or individual, has an obligation to act for the benefit of society at large.

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest.

Arguments for assuming Social Responsibility:

1. Business received its license from society and consequently has to respond to the needs of society.
2. Society gains through better neighborhoods and employment opportunities; business benefits from a better community since the community is the source of its workforce and the consumer of its products and services.
3. Social involvement discourages additional government regulation and interventions. The result is greater freedom and more flexibility in decision making for business.
4. Business have a great deal of power which, should be accompanied with an equal amount of responsibility.

5. Modern society is an interdependent system, and the internal activities of the enterprise have an impact on the external environment.
6. Social involvement may be in the interest of stockholders.
7. Problems can constitute profits. Items that may once considered waste can be profitably used.

Areas of Social Responsibility

- Responsibility towards owners
- Responsibility towardsemployers
- Responsibility towards consumers
- Responsibility towards government
- Responsibility towards community & society

(i)

UNIT – IV

Co-ordination –

Co-ordination deals with the task of blending efforts in order to insure successful attainment of an objective. Co-ordination may be defined as an on-going process whereby manager develops an integrated, orderly and synchronized pattern of group effect among the subordinates and tries to attain unity of effort in the pursuit of a common purpose. Co-ordination is a harmonious combination or interaction; it is the process of integrating the various factors of production and their function in an enterprise so as to make a harmonious combination of the factors and synchronize the functions as to time, place and objective.

It is of two types –

1) Internal Co-ordination
2) External Co-ordination

Features of Co-ordination –

- Continuous and never-ending process
- Refers to group effort and not to individual effort.
- Emphasizes unity of effort and united actions.
- Aims at the achievement of the mission.

Co-ordination and Co-operation –

The distinction between co-ordination and co -operation is important, for one is not a substitute for the other. Co-ordination means working together for a common by voluntary action. On the other hand, Co-ordination is a process whereby the activities of each individual are consciously directed by the leader toward the completion of a major task in a certain length of time. Co-ordination is superior in order of importance of Co-ordination.

Decision Making –

Decision-making is a process of selection and the aims is to select the best alternative.

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

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 – V
CONTROL

Introduction

Control is an essential function of management in every organization. The management process is incomplete and sometimes useless without the control function. The management process includes planning, organizing, staffing, leading, and controlling. Planning sets forth the objectives a manager intends to achieve. Organizing provides the structure of an organization by determining how and where the employees will be placed in the organisation and the responsibilities that they will need to fulfill lo attain predefined objectives. Staffing involves the managerial function of placing the right person in the right job in the organization. Leading involves the managerial function of influencing, motivating and directing the human resources of the organization to achieve organizational goals. The control function is concerned with ensuring that the planning, organizing, staffing and leading functions result in the attainment of organizational objectives. In other words, control is a tool that helps organizations measure and compare their actual progress with their established plan.

The term 'control' has different meanings in different contexts. In the management context, 'control" refers to the evaluation of performance and the implementation of corrective actions to accomplish organizational objectives. Some people confuse 'control' with 'supervision.' Supervision is a part of control; it helps identify deviations from the established standards of performance.

The modern concept of control envisages a system that not only provides a historical record of what has happened lo the business as a whole but also pinpoints the reasons why it has happened and provides data that enables the management to take corrective steps, if there is any deviation from the plan. It also enables managers to identify trends in costs, markets, and other aspects of the business, and acts as a guide for future action.

Thus, control ensures that what is done is what is included. Control must be exercised by everyone in the organization, from the lop level to the bottom level. There is a misconception that it is the duty of

only the top level of an organization to exercise control. This is because many managers sec control, discipline and supervision as the same thing. Control is also perceived as light supervision by others. Such misconceptions must be removed, if the control function is lo contribute to the betterment of the organization.

According to Robert J. Mocklcr. "Management control is a systematic effort to set performance standards with planning objectives, lo design information feedback systems, to compare actual performance with these predetermined standards, to determine whether there arc any deviations and to measure their significance, and to take any action required lo assure that all corporate resources arc being used in the most effective and efficient way possible in achieving corporate objectives.'

CHARACTERISTICS OF CONTROL

i. Managerial Function
ii. Circular process
iii. Forward looking
iv. Necessary at all levels of management
v. Actions is the essence of control
vi. Positive and constructive approach
vii. Wide scope
viii. Tool to achieve organizational goals
ix. Not an interference
x. Remedial activity

IMPORTANCE OF CONTROLLING

The control function is gaining importance in today's organizations due to a number of factors. These factors include the need for accountability in organizations, the need to detect environmental changes that significantly affect organizations, the growing complexity of present day organizations and the need to identify operational errors in organizations to avoid incurring excessive costs.

In addition to addressing the above mentioned factors, controlling plays an important role in helping managers detect irregularities, identify opportunities, handle complex situations, decentralize authority, minimize costs, and cope with uncertainty.

1) Coping with Uncertainty

In today's turbulent business environment, all organizations must cope with change. When organization goals are established, they are based on the knowledge available at that point of time. However, by the time the goals arc accomplished, many changes may have occurred in the organization or its environment. The pace at which environmental and other factors change creates a lot of uncertainty. A constant evaluation and revaluation of the organization's strategic and tactical plans is necessary to keep up with changes and cope with uncertainty. The environmental factors Him bring about change in organizations include customer demand, technology, and the availability of raw materials. A properly designed control system can help managers anticipate, monitor and react quickly to changes in the environment. An improperly designed control system, however, may result in poor organizational performance.

2) Detecting Irregularities

Control systems help managers detect undesirable irregularities, such as product defects, cost overruns, or rising personnel turnover. Although small mistakes and errors may not seriously damage the financial health of an organization, they may accumulate and become very serious over time. Early detection of such irregularities can prevent minor problems from mushrooming into major ones and often save a great deal of time and money for the organization. For example. Whistler Corporation, a large radar detector manufacturer in the US. was once faced with such rapidly escalating demand that it stopped giving attention to quality, Tin's led to a rise in the defect rate from 4 percent to 9 percent to 15 percent and, finally, to 25 percent. A manager observed that 100 out of 250 employees of the company were spending all their time fixing defective units and that an inventory worth $2 million was still awaiting repair. Had the company detected the defects and rectified them early, the problem would never have increased to such proportions. Problems such as missing important deadlines or selling faulty merchandise to customers are sometimes difficult to rectify. Identifying aberrations in the early stages helps organizations avoid sue problems.

3) Identifying Opportunities

Control also helps managers identify areas in which things arc going better than expected, thereby alerting management to possible future opportunities.1 For example division managers at the St. Louis-based May Department stores prepare and generate; monthly reports that specify the items that have high demand and the amount of money those items arc generating. On the basis of these reports, the chain develops successful merchandising strategies for all its stores (e.g. what to buy. Which vendor to buy from, and how to display the merchandise).

4) Handling Complex Situations

Another important factor contributing to the need for a control mechanism is the growing complexity of today's organizations. When a company requires only one kind of raw material, produces only one kind of product, has a simple organization design, and enjoys constant demand for its products, it can afford to have a very basic and simple system of control. But, as organizations grow or engage in producing many products from a number of different raw materials, and operate in a large market area with many competitors, efficient and effective coordination becomes necessary. In such cases, managers have to keep track of various activities to make sure that they are well synchronized. Thus, sophisticated control systems become necessary to maintain adequate control in large and complex organizations. When Emery Worldwide (airfreight), a profitable company, bought Purolalor Courier Corporation, the new Emery that emerged after the acquisition was much bigger.and more complex. Initially, no new controls were adopted for the operations of the new entity. This led to increased costs, loss of money and market share, and deterioration in the quality of service. Eventually, the organization could turn itself around from the verge of bankruptcy only by adopting more elaborate controls.

5) Decentralizing Authority
Controls also help managers decentralize authority. With the help of controls, managers can allow their subordinates to take decisions while ensuring that the ultimate authority remains in their hands. For example, Alfred Sloan, former chairman of General Motors, set the standard for the level of return on investment that he wanted the various units of GM to achieve. This type of control allowed him to achieve the required level of investment while maintaining the philosophy of decentralization.

6) Minimizing Costs
When implemented or practiced effectively, control also helps reduce the costs and boost the output of an organization. Georgia-Pacific Corporation, a large wood products company, developed a new technology for making thinner blades for its saws. The company used its control system to evaluate how much wood could be saved by the new blades, relative to the cost of replacing the old blades. It was found that the wood saved by the new blades each year was sufficient to fill eight hundred railcars. Thus, the organization discovered that effective control systems could improve output per unit of input, eliminate waste and lower labor costs.

LEVELS OF CONTROL
The various managerial levels - strategic, tactical and operational - have different planning and control responsibilities. The presence of various degrees of control at each level of management increases the probability of the successful implementation of plans at these levels
1) Strategic Control
Strategic control involves monitoring critical environmental factors to ensure that strategic plans are implemented as intended, assessing the impact of strategic plans, and adjusting such plans when necessary. Top-level managers usually view things from an organizational perspective and are concerned with strategic issues. They usually have a long-term focus except in situations involving unstable environmental conditions and/or intense competition which necessitate shorter reporting C) Thus, strategic control is mainly the function of top-level managers. These mat may also exercise tactical or operational control to monitor the implementation plans at the middle and lower levels of management to ensure that strategic plans i being implemented as intended or planned.

Levels of Management	Type of Planning	Type of Control
Top management • Organization- wide perspective • Concerned with strategic issues • Longtime frame	Strategic planning	Strategic control
Middle management • Department perspective • Concerned with department goals and objectives, programs and budgets • Medium time frame	Tactical planning	Tactical control
First level management • Unit/individual perspective	Operational planning	Operational control

•Concerned with schedules, budgets, rules, and specific individual output requirements
• Short time frame

2) Tactical Control

Tactical control focuses on assessing the implementation of tactical plan at department levels, monitoring associated periodic results, and taking corrective action when necessary. Middle-level managers are concerned with department-level goals and objectives, and programs and budgets. They concentrate on medium lime frames and therefore use weekly, fortnightly, and monthly reporting cycles in their \ Middle-level managers exercise tactical control to test the impact of tactical ii of their departments on the organizational environment. Middle-level managers exercise operational control by monitoring critical aspects of the implement operational plans. They are also involved in strategic control to a certain extent. because they provide information to top-level managers on strategic issues.

3) Operational Control

Operational control involves overseeing the implementation of operational monitoring day-to-day results, and taking corrective action when necessary. Lower-level managers concerned with schedules, budgets, rules, and specific individual output requirements make use of operational control. Using operational control a lower-level manager provides feedback regarding the tasks being carried out on a day-to-day basis (in the very near term) in order to achieve the short-term and long-term goals of the organization.

The three levels of control - strategic, tactical, and operational - must be integrated and interrelated to make the control function effective.

BASIC CONTROL PROCESS

Even though control systems need to be tailored to suit specific situations, they all involve the same basic process. When exercising the control function, a manager measures the performance of an individual, a plan, or a program against certain predetermined standards and takes corrective action if there are any deviations. The process involves the following steps:

i. Determining areas to control
ii. Establishing standards
iii. Measuring performance
iv. Comparing performance against standards
v. Recognizing good or positive performance
vi. Taking corrective action when necessary
vii. Adjusting standards and measures when necessary

1) Determining Areas to Control

It is quite expensive and virtually impossible to control each and every aspect of an organisation's activities. Moreover, employees resent having every move of theirs being controlled by their superiors or the management. Therefore, before initiating the control process, the manager must determine the major areas that need to be controlled. The organizational goals and objectives defined during the planning process must form the basis on which managers decide upon the areas in which to exercise control.

The areas selected for control should be of critical importance to the organisation. Exercising control over critical areas helps a manager manage a large number of subordinates effectively, reduce costs, and improve communication in the organisation.

2) Establishing Standards

Standards constitute the foundation of the control process. They slate the criteria on the basis of which employee performance and related behavior can be evaluated. Thus, establishing standards is an essential part of the control process. (A standard is any guideline established as the basis for measurement. It is a precise, explicit statement of expected results from a product, service, machine, individual, or organisational unit.) Standards are often incorporated into goals when the goals are established during the planning process. In such cases, the standards merely need to be reiterated. Sometimes, however, they need to be developed during the control process. Thus, standards arc predetermined points in the control process at which performance is measured. The setting of standards and measuring organisational performance against these standards helps the manager know how things are progressing in the organisation and eliminates the need to watch every step in the execution of plans. Standards arc expressed numerically and aim at achieving the desired quality and quantity within a specific cost and time frame. For instance, a worker must produce a number of units per day or per week or per month (quantity). he or she must maintain a rejection rate of not more than 2 percent (quality); the cost of producing a specified number of units must not exceed the specified amount (cost): he or she must complete his or her work within three months (time).

Establishing standards serves three major purposes in the context of employee behavior. First, it helps employees understand what is expected of them and how their work will be evaluated, thus helping them perform effectively. Second, it provides a basis for identifying job difficulties with reference to the personal limitations f" employees, which may include lack of experience, ability or training or am oil). task-related deficiency. Such deficiencies prevent an employee from perform1 her task efficiently. Timely detection of such personal limitations makes it possible for the organization to take remedial measures before the deficiencies become serious Finally, standards help reduce the potential negative effects of goal incongruence. Goal incongruence takes place when the goals of the employee and those of the organization fail to match. Goal incongruence may occur due to various reasons such as lack of support of the employees for organizational activities, lack of, organizational goals, etc. For example,
knowing that their job is temporary employees may only put in minimal effort while performing their jobs, This type behavior is incompatible with organizational goals.

Unforeseen circumstances sometimes necessitate changes in established standards order to avoid making frequent changes in established standards, a ‘cushion’ is provided in the control process. This 'cushion’ is known as tolerance and six, acceptable level of degree of variations in the established standards. It is the permissible deviation from the standard. In order to provide this type of "cushion,1 the standards in some industries may be set in terms of a range, such as 2 to 3 percent acceptable rejection rate, and so on.

In order to make standards more effective, a participative approach may be followed while setting them. The management by objectives method (MBO) encourages such an approach by involving the employees' participation in the setting of objectives. permissible deviation from the standard. In order to provide this type of "cushion,1 the standards in some industries may be set in terms of a range, such as 2 to 3 percent acceptable rejection rate, and so on.

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3) Measuring Performance

Once standards arc established, the actual performance must be measured. A manager must decide how to measure the actual performance and how frequently it is necessary to do so. The measurement of performance against standards should be done on a forward-looking basis. Measuring performance on such a basis helps managers detect deviations in their early stages. They can, then, be countered by appropriate action. If performance standards are clearly established and means for exactly determining what subordinates are doing arc available, evaluating the expected or actual performance becomes fairly easy. However, there arc certain activities which arc difficult to measure, and for which it is difficult to establish standards.

For many production jobs and other such activities, the motion and time study technique is used to set standards. As a result, the measurement of actual performance tends to be simple. Though quantitative measures are used whenever possible, many important aspects of performance arc difficult to measure quantitatively. For jobs that involve less technical expertise (such as the job of Vice President of Finance or the job of Director, Industrial Relations, definite standards cannot be easily developed. This makes it difficult to set and measure the standards of performance. Thus, superiors find il difficult to measure the performance of some managers. They are forced to depend on vague criteria to measure the performance of managers at these levels. These criteria include financial health of the business, attitude of labor unions, absence of strikes and lockouts, expressed admiration of business associates, enthusiasm and loyalty of subordinates, and overall success of the department (this is often measured in a negative way by lack of evidence of failure). Similarly, in areas such as research and development, it can be difficult to measure performance quantitatively in the short run because it may take years to determine the final outcome of research programs.

As a result, most organizations use a combination of quantitative and qualitative performance measures. Qualitative performance measures may include qualitative judgment by peers. One of the popular techniques for setting standards and coordinating the measurement of performance is management by objectives.

After selecting the means of measurement, a manager has to decide how frequently performance is to be measured. Managers may need control data on an annual, semiannual, quarterly, monthly, fortnightly, weekly, daily, hourly or even more frequent basis (as in the case of managers of air traffic
control). Depending on how important the goal (or objective) is to the organization, the nature ol the deviation from the standards, and the expenses that the organization will incur to correct the problem, the superior decides at what intervals performance should be measured.

4) Comparing Performance against Standards
In this stage, the performance measured in step 3 is compared with the standards established in step 2. Such a comparison enables managers to determine whether actual performance meets the standards established (predetermined or planned performance). Managers often perform the task of comparison on the basis of information provided in reports. These reports, which may be presented in an oral or written form or generated by a computer, summarize planned versus actual results.

Written data might include time cards, production tallies, inspection reports and sales tickets. Oral reports allow for fast and comprehensive feedback. Computers give supervisors direct access to real time, unaltered data and information. Online system enable supervisors to identify problems as they occur. Computer systems are particularly useful for identifying situations requiring a management by exception approach. Management by exception is a control principle which suggests that managers should be informed about a problematic situation only when the data shows a significant deviation from the established standards. Only a problem that is difficult for subordinates to handle and required managerial intervention should be brought to the notice of managers. This saves managers' time and leaves them free to concentrate on major problems instead of routine ones.

Personal observation is another method for measuring the performance of subordinates against established standards. Management by walking around (MBWA) work area and observing conditions allows the manager to obtain unfiltered information about the work activities of the employees. This is also referred to as management by wandering around. For example, executives in Wal-Mart discount chains use the MBWA technique to manage the company's stores. They visit the stores, check the merchandise, and talk to their employees and customers. Though this technique helps managers provide useful insights, employees may interpret it as mistrust.

Database programs allow supervisors to query, reduces the time spent on gathering facts, and reduces their dependency on other people Such programs give supervisors quick and easy access to information. Statistical reports make visualization easy and are effective at demonstrating relationships. Written reports provide comprehensive feedback that can be easily filed and retrieved.

5) Recognizing Good or Positive Performance
Managers should not always be preoccupied with finding solutions to important problems; they should also find the time to recognize/e and acknowledge good or positive performance by subordinates when their performance meets or exceeds the established standards. Recognition may be in the form of an oral remark, such as "well done," for a routine achievement, or substantial rewards in the form of pay hikes, bonuses, or training opportunities for major achievements or consistent good work.

This approach of recognizing positive performance emphasises the importance of rewarding good performance in order to sustain it and encourage further improvement. This approach is thus consistent with motivation theories such as the expectancy theory (discussed in detail in Chapter 16).

6) Taking Corrective Action when Necessary
When a significant discrepancy occurs between the actual output or performance and planned or predetermined performance standards, specific actions must be taken to correct the situation. Managers must first determine the cause of the deviation from the standard, then take the required action to remove or minimize the cause of deviation.

Sometimes, managers redraw their plans or modify their goals to correct deviations. They may also reassign or clarify the duties and responsibilities of subordinates. In order to rectify a problem, managers may have to train the subordinates, recruit additional staff, or remove inefficient subordinates. They may also tackle the problem by explaining the job in detail to subordinates, thereby helping them overcome their job-related problems.

Sometimes, the established standards may not be realistic. In such situations, managers may conclude that the standards are inappropriate and need to be modified. Changing conditions sometimes make standards that were set earlier seem inappropriate and unrealistic.

7) Adjusting Standards and Measures when Necessary
Control is a dynamic process. In order to ensure that standards and their associated performance measures meet future needs, managers must periodically review standards. It is important for managers to conduct a periodic review of standards for the following reasons:

- (i) Changing conditions, such as the use of sophisticated machinery or improvement in the skill level of employees, make it possible to raise standards for future projects of the organization.
- (ii) Existing standards or measures may become obsolete or ineffective because of changed circumstances or because they were not properly defined.
- (iii) If the standards set have been exceeded, it may indicate unforeseen opportunities for the organization. It encourages the organization to further raise standards in order to effectively tap the potential of the employees to meet the new standards. It also increases the scope of the organization for making adjustments in the organizational plan.

Techniques or Methods of Control
1) General methods
2) Special methods

1) General Methods –

a) Personal observation
b) Setting examples
c) Records and Reports
d) Policies and Procedures
e) Charts and Manuals
f) Standing Rules and Limitations
g) Written instructions
h) Rewards
i) Budgets
j) Break-even-analysis

2) Special Methods

a) Human Asset Accounting
b) Standard Costing
c) Cash flow Analysis
d) Management Information System
e) Porgramme Evaluation and Review Techniques (PERT)
f) Operations Research

Problems and Limitations of Control

1. Quantification
2. Long-run results are unpredictable
3. No control on external factors
4. Difficulty in setting standards
5. Difficulty in fixing responsibility
6. Limits of corrective action
7. Time consuming

Strategic management

Strategic management is the ongoing planning, monitoring, analysis and assessment of all necessities an organization needs to meet its goals and objectives. Changes in business environments will require organizations to constantly assess their strategies for success. The strategic management process helps organizations take stock of their present situation, chalk out strategies, deploy them and analyze the effectiveness of the implemented management strategies. Strategic management strategies consist of five basic strategies and can differ in implementation depending on the surrounding environment. Strategic management applies both to on-premise and mobile platforms.

Benefits of strategic management

Strategic management is generally thought to have financial and nonfinancial benefits. A strategic management process helps an organization and its leadership to think about and plan for its future existence, fulfilling a chief responsibility of a board of directors. Strategic management sets a direction for the organization and its employees. Unlike once-and-done strategic plans, effective strategic management continuously plans, monitors and tests an organization's activities, resulting in greater operational efficiency, market share and profitability.

Strategic management concepts

Strategic management is based around an organization's clear understanding of its mission; its vision for where it wants to be in the future; and the values that will guide its actions. The process requires a commitment to strategic planning, a subset of business management that involves an organization's ability to set both short- and long-term goals. Strategic planning also includes the planning of strategic decisions, activities and resource allocation needed to achieve those goals.

Having a defined process for managing an institution's strategies will help organizations make logical decisions and develop new goals quickly in order to keep pace with evolving technology, market and business conditions. Strategic management can, thus, help an organization gain competitive advantage, improve market share and plan for its future.

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Five stages of strategic management process

There are many schools of thought on how to do strategic management, and academics and managers have developed numerous frameworks to guide the strategic management process. In general, the process typically includes five phases:

- assessing the organization's current strategic direction;
- identifying and analyzing internal and external strengths and weaknesses;
- formulating action plans;
- executing action plans; and
- evaluating to what degree action plans have been successful and making changes when desired results are not being produced.

Effective communication, data collection and organizational culture also play an important part in the strategic management process -- especially at large, complex companies. Lack of communication and a negative corporate culture can result in a misalignment of the organization's strategic management plan and the activities undertaken by its various business units and departments. (See Value of organizational culture.) Thus, strategy management includes analyzing cross-functional business decisions prior to implementing them to ensure they are aligned with strategic plans.

Types of strategic management strategies

The types of strategic management strategies have changed over time. The modern discipline of strategic management traces its roots to the 1950s and 1960s. Prominent thinkers in the field include the Peter Drucker, sometimes referred to as the founding father of management studies. Among his contributions was the seminal idea that the purpose of a business is to create a customer, and what the customer wants determines what a business is. Management's main job is marshalling the resources and enabling employees to efficiently address customers' evolving needs and preferences.

In the 1980s, a Harvard Business School professor called Theodore Levitt, developed a different strategy with a focus on the customer. This strategy was different from the previous emphasis on production -- i.e., creating a product of high quality ensured success.

Distinctive competence, a term introduced in 1957 by sociology and law scholar Philip Selznick, focused on the idea of core competencies and competitive advantage in strategic management theory. This enabled the creation of frameworks for assessing the strengths and weaknesses of an organization in relation to the threats and opportunities in its external environment. (See SWOT analysis).

Canadian management scientist Henry Mintzberg concluded that the strategic management process could be more dynamic and less predictable than management theorists had thought. In his 1987 paper, "The Strategy Concept I: Five Ps for Strategy," he argued "the field of strategic management cannot afford to rely on a single definition of strategy." Instead, he outlined five definitions of strategy and their interrelationships:

- Plan: Strategy as a consciously intended course of action to deal with a situation.
- Ploy: Strategy as a maneuver to outwit a competitor, which can also be part of a plan.

- Pattern: Strategy stemming from consistency in behavior, whether or not intended and which can be independent of a plan.
- Position: Strategy as a mediating force or match between the organization and environment, which can be compatible with any or all of the Ps.
- Perspective: Strategy as a concept or ingrained way of perceiving the world -- e.g., aggressive pacesetter vs. late mover -- which can be compatible with any or all of the Ps.

SWOT analysis

A SWOT analysis is one of the types of strategic management frameworks used by organizations to build and test their business strategies. A SWOT analysis identifies and compares the **s**trengths and **w**eaknesses of an organization with the external **o**pportunities and **t**hreats of its environment. The SWOT analysis clarifies the internal, external and other factors that can have an impact on an organization's goals and objectives.

The SWOT process helps leaders determine whether the organization's resources and abilities will be effective in the competitive environment within which it has to function and to refine the strategies required to remain successful in this environment.

What Is SWOT Analysis?
SWOT (strengths, weaknesses, opportunities, and threats) analysis is a framework used to evaluate a company's competitive position and to develop strategic planning. SWOT analysis assesses internal and external factors, as well as current and future potential.

A SWOT analysis is designed to facilitate a realistic, fact-based, data-driven look at the strengths and weaknesses of an organization, initiatives, or within its industry. The organization needs to keep the analysis accurate by avoiding pre-conceived beliefs or gray areas and instead focusing on real-life contexts. Companies should use it as a guide and not necessarily as a prescription.

Strengths
Strengths describe what an organization excels at and what separates it from the competition: a strong brand, loyal customer base, a strong balance sheet, unique technology, and so on. For example, a hedge fund may have developed a proprietary trading strategy that returns market-beating results. It must then decide how to use those results to attract new investors.

Weaknesses

Weaknesses stop an organization from performing at its optimum level. They are areas where the business needs to improve to remain competitive: a weak brand, higher-than-average turnover, high levels of debt, an inadequate supply chain, or lack of capital.

Opportunities

Opportunities refer to favorable external factors that could give an organization a competitive advantage. For example, if a country cuts tariffs, a car manufacturer can export its cars into a new market, increasing sales and market share.

Threats

Threats refer to factors that have the potential to harm an organization. For example, a drought is a threat to a wheat-producing company, as it may destroy or reduce the crop yield. Other common threats include things like rising costs for materials, increasing competition, tight labor supply. and so on.

How to Use a SWOT Analysis

Internal

What occurs within the company serves as a great source of information for the strengths and weaknesses categories of the SWOT analysis. Examples of internal factors to consider include financial and human resources, tangible and intangible (brand name) assets, and operational efficiencies.

Questions to ask to list the internal factors are:

- (Strength) What are we doing well?
- (Strength) What is our strongest asset?
- (Weakness) What are our detractors?
- (Weakness) What are our lowest performing product lines?

External

What happens outside of the company is equally as important to the success of a company as internal factors. External influences, such as monetary policies, market changes, and access to suppliers, are categories to pull from to create a list of opportunities and weaknesses.[1]

Questions to ask to list the external factors are:

- (Opportunity) What trends are evident in the marketplace?
- (Opportunity) What demographics are we not targeting?
- (Threat) How many competitors exist, and what is their market share?
- (Threat) Are there new U.S. FDA regulations affecting what ingredients we use in our products?

Definition

BCG matrix

(or growth-share matrix) is a corporate planning tool, which is used to portray firm's brand portfolio or SBUs on a quadrant along relative market share axis (horizontal axis) and speed of market growth (vertical axis) axis.

Growth-share matrix

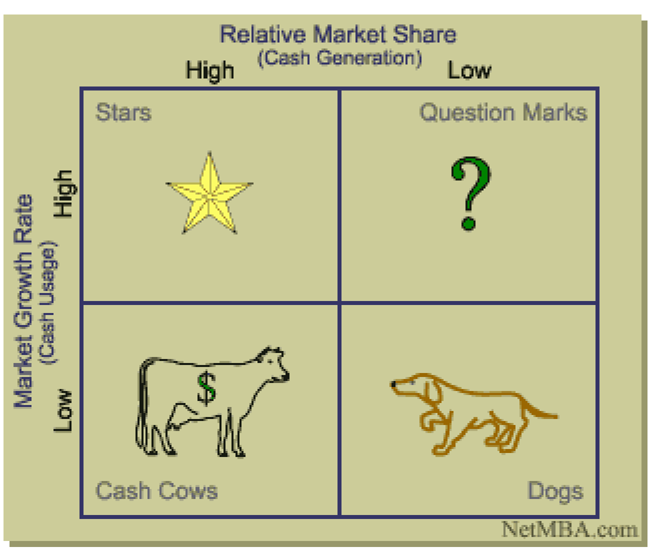
is a business tool, which uses relative market share and industry growth rate factors to evaluate the potential of business brand portfolio and suggest further investment strategies.

Understanding the tool

BCG matrix is a framework created by Boston Consulting Group to evaluate the strategic position of the business brand portfolio and its potential. It classifies business portfolio into four categories based on industry attractiveness (growth rate of that industry) and competitive position (relative market share). These two dimensions reveal likely profitability of the business portfolio in terms of cash needed to support that unit and cash generated by it. The general purpose of the analysis is to help understand, which brands the firm should invest in and which ones should be divested.

Relative market share. One of the dimensions used to evaluate business portfolio is relative market share. Higher corporate's market share results in higher cash returns. This is because a firm that produces more, benefits from higher economies of scale and experience curve, which results in higher profits. Nonetheless, it is worth to note that some firms may experience the same benefits with lower production outputs and lower market share.
Market growth rate. High market growth rate means higher earnings and sometimes profits but it also consumes lots of cash, which is used as investment to stimulate further growth. Therefore, business units that operate in rapid growth industries are cash users and are worth investing in only when they are expected to grow or maintain market share in the future.

There are four quadrants into which firms brands are classified:



Dogs. Dogs hold low market share compared to competitors and operate in a slowly growing market. In general, they are not worth investing in because they generate low or negative cash returns. But this is not always the truth. Some dogs may be profitable for long period of time, they may provide synergies for other brands or SBUs or simple act as a defense to counter competitors moves. Therefore, it is always important to perform deeper analysis of each brand or SBU to make sure they are not worth investing in or have to be divested.
Strategic choices: Retrenchment, divestiture, liquidation

Cash cows. Cash cows are the most profitable brands and should be "milked" to provide as much cash as possible. The cash gained from "cows" should be invested into stars to support their further growth. According to growth-share matrix, corporates should not invest into cash cows to induce growth but only to support them so they can maintain their current market share. Again, this is not always the truth. Cash cows are usually large corporations or SBUs that are capable of innovating new products or processes, which may become new stars. If there would be no support for cash cows, they would not be capable of such innovations.
Strategic choices: Product development, diversification, divestiture, retrenchment

Stars. Stars operate in high growth industries and maintain high market share. Stars are both cash generators and cash users. They are the primary units in which the company should invest its money, because stars are expected to become cash cows and generate positive cash flows. Yet, not all stars become cash flows. This is especially true in rapidly changing industries, where new innovative products can soon be outcompeted by new technological advancements, so a star instead of becoming a cash cow, becomes a dog.
Strategic choices: Vertical integration, horizontal integration, market penetration, market development, product development

Question marks. Question marks are the brands that require much closer consideration. They hold low market share in fast growing markets consuming large amount of cash and incurring losses. It has potential to gain market share and become a star, which would later become cash cow. Question marks do not always succeed and even after large amount of investments they struggle to gain market share and eventually become dogs. Therefore, they require very close consideration to decide if they are worth investing in or not.
Strategic choices: Market penetration, market development, product development, divestiture

Advantages and disadvantages

Benefits of the matrix:

- Easy to perform;
- Helps to understand the strategic positions of business portfolio;
- It's a good starting point for further more thorough analysis.

Growth-share analysis has been heavily criticized for its oversimplification and lack of useful application. Following are the main limitations of the analysis:

- Business can only be classified to four quadrants. It can be confusing to classify an SBU that falls right in the middle.
- It does not define what 'market' is. Businesses can be classified as cash cows, while they are actually dogs, or vice versa.
- Does not include other external factors that may change the situation completely.
- Market share and industry growth are not the only factors of profitability. Besides, high market share does not necessarily mean high profits.
- It denies that synergies between different units exist. Dogs can be as important as cash cows to businesses if it helps to achieve competitive advantage for the rest of the company.

INTRODUCTION

Strategic choice is essentially a decision making process. The decisionϒ making process consist of setting objectives , generating alternatives that will help the organization achieve its objectives in the best possible manner and finally implementing the chosen alternative.

Strategic choice could be defined as " The decision to select from among the grand strategies considered, the strategy which will best meet the enterprise's objectives. The decision involves focusing on a few alternatives, considering the selection factors, evaluating the alternatives against these criteria and making the actual choice"

There are four steps in the process of strategic choice as enumerated below:
1. Focusing on strategic alternatives. 2.Analysing the strategic alternatives. 3.Evaluating the strategic alternatives.
4.Choosing from among the strategic alternat