FUNDAMENTALS OF MANAGEMENT

NAITIKA BAKSHI

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Naitika Bakshi

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Naitika Bakshi
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INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

1

Definition of Management - Science or Art - Manager Vs Entrepreneur - types of managers - managerial roles and skills - Evolution of Management - Scientific, human relations, system and contingency approaches - Types of Business organization - Sole proprietorship, partnership, company - public and private sector enterprises - Organization culture and Environment - Current trends and issues in Management.

1.1 Definition of Management

"Management is that the process of obtaining things done through the efforts of other people so as to achieve the predetermined objectives of organization".

In other words Management be defined as, "The process by that execution of given purpose put into operation and supervise".

Another statement:

Management can be defined as, "A technique by that the purpose and objectives of particular human group are determined, defined, clarified and completed.

According to Harold Koontz, "Management is an art of getting things done through others and with formally organized groups. It is an art of creating an environment in which people can perform and individuals can cooperate towards attaining the group goals".

Management is the process of designing and maintaining an environment in which individuals working together in groups efficiently to accomplish selected aims.

Levels of Management:

1. Top Management

2. Upper Middle management

3. Middle Management

4. Lower Management

5. Operating Force or Rank and file workmen

Top Management includes:

a) Managing directors

b) Board of directors

c) General Manager

d) Chief executives

e) Share holders

f) Owners

Functions:

a) Expanding or contracting activities

b) Setting basic goals and objectives

c) Monitoring performance

d) Establishing policies

e) Shouldering financial responsibilities

f) Designing/Redesigning organization system etc

Upper Middle Management includes:

a) Production executives

b) Sales executives

c) Accounts executives

d) R & D executives

e) Finance executives

Functions:

a) Selection of staff for lower levels of management

b) Establishment of organization

c) Designing operating policies and routines

d) Installing different departments

e) Assigning duties to their subordinates

Middle Management includes:

a) Branch Managers

b) Superintendent etc

Functions:

a) To understand the interlocking of department in major policies

b) To cooperate to run organization smoothly

c) To conduct training for employee development

d) To build an efficient company's team spirit

e) To achieve coordination between different parts of the organization

Lower Management includes:

a) Supervisors or charge-hands

b) Foremen

c) Inspectors

d) Office Superintendent etc.

Functions:

a) Developing and improving the work method operations

b) Direct supervision of workers and their work

c) Imparting instruction to workers

d) Inspection function

e) To act as link between top management and operating force

f) To give the finishing touch to the plans and policies of top management

g) To communicate the feelings of workers to the top management

Operating force includes:

a) Rank and file workman

b) Workers

c) Unskilled workers

d) Skilled and Semi-skilled workers

Functions:

a) To work independently or under the guidance of supervisor

b) To do work on machines or manually, using tools etc

Functions Of Management:

There are five functions of management. They are:

1. Planning

2. Organizing

3. Staffing

4. Leading

5.Controlling

The function of manager provides an useful structure for organizing the management knowledge.

(1) Planning

It involves selecting the missions and objectives and the action to achieve them requires decision making and choosing future course of action from among alternatives.

There are five types of planning:

1. Missions and objectives

2. Strategies and polices

3. Procedures and rules

4. Programs

5. Budgets

(2) Organizing

It is the part of managing that involves establishing an internal structure of roles for people to fill in an organization. The purpose of an organization structure is to create an environment helpful for human performance.

(3) Staffing

Staffing involves filling the positions in the organization. This is done by identifying the work-force requirement, inventorying the people available, recruiting, selecting, placing, promoting, appraising, planning the careers, compensating and training.

(4) Leading

Leading is to influence people so that they will contribute to the organizational and group goals.

All managers would agree that their most problems arises from people, their desires and problems as well as their behavior as individuals and in groups, that effective managers also need to be effective leaders.

It involves motivation, leadership styles, approaches and communications.

(5) Controlling

Controlling is measuring and correcting individuals and organizational performance. It involves measuring performance against goals and plans, showing where the deviations from standards exit and helping to correct them.

The short controlling facilitates the accomplishment of plans. Control activity commonly relate to the measurement of achievement. Some means of controlling like the budget for expenses, inspection, record of labors-hours lost are generally familiar. Each shows whether plans are working out.

Function of management

1.2 Science or Art

Scientific Management:

F.W. Taylor and Henry Fayol are usually considered the founders of scientific management and administrative management, each give the idea for science and art of management.

Features of Scientific Management:

1. It had been closely related to the commercial revolution and also the rise of large-scale enterprise.

2. Classical organization and management theory relies on contributions from variety of sources. They're scientific management, administrative management theory, official model and micro-economics and public administration.

3. Management thought targeted on job content division of labour, standardization, simplification, specialization and scientific approach towards organization.

Taylor's Scientific Management (USA 1856-1915):

Frederick Winslow Taylor was well-known because the fobelow of scientific management. He was the primary to acknowledge and emphasize the necessity for adopting a scientific approach to the task of managing an enterprise.

He tried to diagnose the causes of low potency in business and came to the conclusion that a lot of waste and unskillfulness is because of the shortage of order and system within the methods of management.

He found that the management was typically unaware of the quantity of work that would be done by a employee during a day as additionally the simplest method of doing the work.

As a result, it remained mostly at the mercy of the employees. Thus he advised that those liable for management ought to adopt a scientific approach in their work and make use of "scientific method" for achieving higher potency.

The scientific method consists of four essential steps as follows:

(a) Observation

(b) Measurement

(c) Experimentation

(d) Inference

He advocated an intensive designing of the work by the management and stressed the need of good below standing and co-operation between the management and thus the employees each for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.

He summed up his approach in these words:

1. Science, not rule of thumb.

2. Harmony, not discord.

3. Co-operation, not individualism.

4. Maximum output, in place of restricted output.

5. The development of each man to his greatest efficiency and prosperity.

Elements of Scientific Management:

The techniques that Taylor considered its essential parts or features may be classified as below:

1. Scientific Task and Rate-setting

2. Planning the Task

3. Vocational Selection and Training

4. Standardization

5. Specialization

6. Mental Revolution

1. Scientific Task and Rate-Setting (work study): Work study is also defined because the systematic, objective and important examination of all the factors governing the operational efficiency of any specified activity so as to effect improvement.

Work study includes:

(a) Methods Study: The management should attempt to ensure that the plant is set out in the simplest manner and is supplied with the best tools and machinery. The possibilities of eliminating or combining certain operations is also studied.

(b) Motion Study: It's a study of the movement of an operator in acting an operation with the aim of eliminating useless motions.

(c) Time Study: The essential purpose of time study is to see the correct time for performing the operation. Such the time study may be conducted after the motion study.

Both time and motion study help in determining the simplest method of doing employment and the standard time allowed for it.

(d) Fatigue Study: If a regular task is about while not providing for measures to eliminate fatigue, might either be beyond the employees or the employees may over strain themselves to attain it.

It is thus necessary to manage the working hours and supply for rest pauses at scientifically determined intervals.

(e) Rate-setting: Taylor suggested the differential piece wage system, below that employees performing the standard task within prescribed time are paid a much higher rate per unit than inefficient employees who are not ready to come up to the standard set.

2. Planning the Task: Having set the task that an average worker should strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly in order that there is no bottle neck and the work goes on consistently.

3. Selection and Training: Scientific Management needs a radical change within the methods and procedures of choosing employees. It is thus necessary to entrust the task of selection to a central personnel section.

The procedure of choice will also need to be systematized. Proper attention has also to be devoted to the training of the employees in the correct methods of work.

4. Standardization: Standardization is also introduced in the following:

(a) Tools and equipment: Standardization is the method of transporting about uniformity. The management should select and store normal tools and implement the most effective .

(b) Speed: There is typically an optimum speed for each machine. If it is exceeded, it is probably to result in damage to machinery.

(c) Conditions of work: To achieve standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is extremely essential.

(d) Materials: The potency of a employee depends on the standard of materials and the method of handling materials.

5. Specialization: Scientific management won't be complete without the introduction of specialization. Below this plan the two functions of 'planning' and 'doing' are separated within the organization of the plant.

The functional foremen are experts who join their heads to offer thought to the planning of the performance of operations in the workshop.

Taylor advised eight functional foremen below his scheme of functional foremanship.

(a) The Route Clerk: To set down the sequence of operations and instruct the employees involved regarding it.

(b) The Instruction Card Clerk: To organize detailed instructions regarding completely different aspects of work.

(c) The Time and Cost Clerk: To send all information relating to their pay to the employees and to secure proper returns of work from them.

(d) The Shop Disciplinarian: To deal with the cases of breach of discipline and absenteeism.

(e) The Gang Boss: To assemble, set up tools and machines and to teach the employees to make all their personal motions in the fastest and the best way.

(f) The Speed Boss: To ensure that machines run at their best speed and proper tools are used by the employees.

(g) The Repair Boss: To ensure that each worker should keeps his machine in good order and maintains cleanliness around him/her and their machines.

(h) The Inspector: To show the worker how to do the work.

Mental Revolution: At present, industry is divided into two groups as management and labour. The serious problem between these two groups is the division of excess.

The management wants the maximum possible share of the excess as profit, the employees want a large share in the form of wages. Taylor has in mind the enormous gain that get from higher productivity.

Such gains can be shared both by the management and employees in the form of increased profits and increased wages.

Benefits of Scientific Management:

Taylor's ideas is brought research and recommendations into focus technological, human and organizational issues in industrial management.

The Taylor's scientific management included broad scope for specialization, accurate planning, timely delivery, standardized methods, better quality, lesser costs, minimum wastage of materials, time and energy and cordial relations between management and employees.

According to Gilbreths, the main benefits of the scientific management are "conservation and savings making an sufficient use of every one’s energy of any type that is expended".

The benefits of scientific management are:

1. Replace the traditional rule of thumb method by scientific techniques.

2. Proper selection and training of employees.

3. Incentive wages to the employees for higher production.

4. Elimination of wastes and rationalization of system of control.

5. Standardization of tools, equipment, materials and work methods.

6. Detailed instructions and constant guidance of the employees.

1.3 Manager Vs Entrepreneur

Parameter	Entrepreneur	Manager
Decision making capabilities	Takes all decision to follow his/her dream.	Obey with company's policies and those above in the corporate hierarchy.
Family background	Comes from a history of entrepreneurs or small business may even come from farming background.	Comes from a family whose members commonly work for large corporations or the government.
Relationship with others	Base of relationship with others is transactions and deal making. To define his own hierarchy.	Relates to others within the existing hierarchy.
Relationship with each other	Must have managerial skills.Management is a subset of entrepreneurship.	Manager cann't be an entrepreneur.
Age	In males it is generally 25 to 35 and for females it is between 35 to 45.	Depends upon qualification,experience and performance.

1.4 Types of managers

Managers can be classified by their level in the organization, especially in traditionally structured organizations and those shaped like a pyramid.

Types of managers

The Top Managers:

It consists of board of directors,the chief executive or the managing director. The top management is the extreme source of authority and it manages goals and the policies for an enterprise. It allocate more time on planning and coordinating functions.

The role of top management can be summarized as follows :

a. Top management set down the objectives and wide policies of the organization.

b. It issues necessary instructions for preparation of department budgets, procedures, schedules and so on.

c. It prepares strategic plans & policies for the enterprise.

d. It appoints the executive for the middle level. That is departmental managers.

e. It controls & coordinates the activities of all the departments.

f. It is responsible for maintaining a contact with the outside world.

g. It provides guidance and direction.

h. It is also responsible to the shareholders for the performance of the enterprise.

Middle Level Managers:

The middle level branch constitute managers and departmental managers. They are responsible to the top management for the functioning of their department.

They allocate more time to organizational and directional functions. Small organization have only one layer of middle level of management but in big organization there may be senior and junior middle level management.

Their role can be highlighted as :

a. They execute the plans of the organization in accordance with the policies and the directives of the top management.

b. They prepare plans for the sub-units of the organization.

c. They participate in employment and training of the lower level management.

d. They translate and explain policies from top level management to the lower level.

e. They are responsible for co-ordinating the activities within the division or department.

f. It is also send important reports and other important data to the top level management.

g. They evaluate performance of junior managers.

h. They are also answerable for inspiring the lower level managers towards better performance.

Lower Level Managers:

The Lower level is also known as supervisory or operative level of management. It consists of supervisors, foreman, section officers, superintendent and so on.

Refer to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and the direction of operative employees”.

In other words, they are concerned with direction and controlling function of management. Their activities includes:

a. Assigning jobs and tasks to various workers.

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

c. They are responsible for the quality as well as quantity of production.

d. They are also entrusted with the responsibility of maintaining good relation in the organization.

e. They communicate workers problems, suggestions and appeals etc. to the higher level and higher level goals and objectives to the workers.

f. They help to solve the grievances of the workers.

g. They supervise & guide the sub-ordinates.

h. They are responsible for providing training to the workers.

i. They arrange necessary materials, machines, tools etc. for getting things done.

j. They prepare periodical reports about the performance of the workers.

k. They ensure discipline in the enterprise.

l. They motivate workers.

m. They are the image builders of the enterprise because they are in direct contact with the workers.

Another major classification of managers depends on the scope of activities they manage and they are as follows:

1. Functional Managers

2. General Managers

Functional Managers: The functional manager is responsible for only one functional area such as production, marketing or finance.

General Managers: The general manager on the other hand oversees a complex unit such as a company, a subsidiary or an independent operating division. He or she is responsible for all the activities of that unit, such as its production, marketing and finance.

"A small company may have only one general manager as its president or executive vice president. But a large organization may have several, each heading a relatively independent division.

1.5 Managerial roles and skills

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A role is an organized set of behaviours associated with a particular position. The positions usually make necessary multiple roles. E.g., Roles for a salesperson position in a general store might include information like stock handles and cash collection.

There are 3 types of roles being observed. They are:

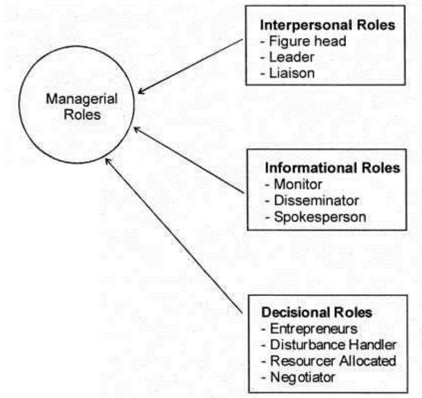
1. Interpersonal roles

2. Information roles

3. Decision roles

Being manager as head of organization in head role, manager performs symbolic or ceremonial duties of either social or legal nature. This includes greeting job candidates, present award.

Mintzberg’s role approach provides different view on management than the four management functions. At first glance it might seem that the Mintzberg’s findings are incompatible with the view that the planning, organizing, leading and controlling are the important parts of management process.



Managerial roles

1. Interpersonal Role

The interpersonal role grows directly out of the authority of 9 managers position and involves developing and maintaining positive relationship with others.

The interpersonal roles of managers include:

a. Figure head role

b. Leader role

c. Liason role

Figure Head Role:

The symbolic head of the organization. Managers spend 10 - 12 percent of their time in this role.

Leader Role:

In leader role, manager builds relationship with subordinates also communicates, motivates and train the employees.

Liaison Role:

• Here the manager maintains networks of contracts, out ride work unit who provide help and information.

• This includes not only managers. They also include customers, suppliers, government, official managers etc.

2. Informational Role

• Informational role pertains to receiving and transmitting information from staff members. Most of the managers have a great role in this.

• The roles involved here includes monitor role, disseminator role and spokesperson role.

Monitor Role:

• Managers monitor or scan the source of information. Management collects the internal and external information.

Disseminator Role:

• The managers pass the information to the press or subordinates from either internal or external sources.

Spokes Person Role:

• Managers provides information about the organization to the external community such as press, TV, suppliers and to government officers.

3. Decisional Role

• In Decisional role, the managers examine alternative and then make choices and commitments.

• It includes entrepreneurs, handle resource allocator and negotiator.

Entrepreneur Role:

• Manager acts as initiator, designer and encourages change and innovation to improve.

• Managers not only make routine decision in their jobs but also frequently make decisions that explore new opportunities or start new projects.

Disturbance Handler Role:

• Managers takes collective action when organization faces important and unexpected difficulties.

• Managers has to settle the disputes which affects the company's functioning like strikes and notations.

Resource Allocator Role:

• In resource allocator role, manager distributes resource of all types including time, finding, equipment and human resources.

Negotiator Role:

• Manages negotiation on behalf of company with trade union, contract or joint venture.

Managerial Skills:

Managers are expected to have the following set of skills.

1. Technical skills

Technical skills that reflect both an understanding of and a proficiency in a specialized field. For example, a manager may have technical skills in accounting, finance, engineering, manufacturing or computer science.

2. Human Skills

Human skills are the skills associated with managers ability to work well with others, both as a member of a group and as a leader who gets things done through other.

3. Concept Skills

Conceptual skills relates to the ability to visualize the organization as a whole, discern interrelationships among organizational parts and understand how the organization fits into the wider context of the industry, community and world.

Conceptual skills coupled with technical skills, human skills and knowledge base are important ingredients in organizational performance.

4. Design Skills

Design Skills is the ability to solve the problems in different ways that will benefit the enterprise. Managers must be able to solve the problems.

1.6 Evolution of Management- Scientific, human relations, system and contingency approaches

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Evolution Of Management

Evolution of management thought is divided into the following four stages:

1. Pre scientific or Pre classical management period

2. Classical Management Theory

A. Scientific management of Taylor

B. Administrative Management of Fayol

C. Bureaucratic Model of Max Weber

3. Neo classical Theory or Behavioural Theory

4. Modem Theory

A. Systems approach

B. Contingency approach

PRE-SCIENTIFIC OR PRE-CLASSICAL MANAGEMENT PERIOD:

The advent of industrial revolution in the middle of the 18th century had its impact on management. During the period following the industrial revolution, certain pioneers tried to challenge the traditional character of management by introducing new ideas and approaches. The notable contributors of this period are:

1. Robert Owen (1771 -1858):

He emphasized the recognition of human element in industry. He firmly believed that workers performance in industry was influenced by the working conditions and treatment of workers. He introduced new ideas of human relations such as housing facilities, shorter working hours, education of their children, training of workers in hygiene, provision of canteen etc. Though his approach was very strict, he came to be regarded as the father of personnel management.

2. Charles Babbage (1792 -1871):

He advocated the use of accurate observations, measurement and precise knowledge for taking business decisions. His management ideas also anticipated the concept of profit sharing to improve the productivity.

3. Henry Robinson Towne (1844 -1924):

He was the president of the famous lock manufacturing company "Yale and Town". He advised the combination of engineers and economists as industrial managers. This combination of qualities together with at least some skill as an accountant is essential to the successful management of industrial workers.

CLASSICAL MANAGEMENT THEORY

The classical management theory developed during the industrial revolution when new problems related to the factory system started to appear. Managers were unsure of how to train employees or deal with increased labour dissatisfaction, so they began to test solutions.

As a result, the classical management theory developed from efforts to find the "one best way" to perform and manage tasks. A classical management theory is made up of three parts:

- **Scientific management theory**
- **Administrative management theory**
- **Bureaucratic management theory**

Scientific Management Theory

Scientific management is defined as the use of the scientific method to define the"one best way" for a job to be done.

The scientific management theory was developed due to the need to increase productivity and efficiency. The emphasis was trying to find the best way to get the most work done by using any of the methods mentioned below.

- By examining how the work process was actually accomplished.
- By scrutinizing the skills of the workforce.

The major contributors of this scientific management theory are:

F.W.Taylor's Scientific Management

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

1. Study each part of task scientifically and develop the best method to perform it.

2. Carefully select workers and train them to perform a task using scientifically developed method.

3. Cooperate fully with workers to ensure they use the proper method.

4. Divide the work and responsibility. So management is responsible for planning work methods using scientific principles and workers are responsible for executing the work accordingly.

A mental revolution in the form of constant cooperation between the employer and the employees should be given the benefits of scientific management.

Fayol's Administrative Management Theory

Scientific management focused on the productivity of individuals, whereas the administrative management theory concentrates on developing organizational structure that leads to high efficiency and effectiveness.

Organizational structure is the system of task and authority relationships that control how employees use resources to achieve the organizations goals. The emphasis is on the development of managerial principles rather than work methods. Henry Fayol was the most important exponent of this theory.

Bureaucratic Management Theory

Max Weber (1864 1920):

A well known German sociologist, coined the term "bureaucracy" to apply to the large organizations operating on a rational basis. Many European organizations were managed on a "personal" family such as basis and that employees were loyal to individual supervisors rather than the organization.

He believed that organizations should be managed impersonally and a formal organizational structure where specific rules were followed was important.

In other words, he did not think that authority should be based on a person's personality. He thought that the authority should be something that was part of a person's job and passed from individual to individual as one person left and another took over. This non personal objective form of organization was called a bureaucracy.

BEHAVIOURAL MANAGEMENT THEORY

Management principles developed during the classical period were simply not useful in dealing with many management situations and could not explain the behavior of individual employees.

In short a classical theory ignored employee motivation and behavior. As a result, the behavioural theory was a natural outcome of this revolutionary management experiment. It modified, improved and extended the classical theory.

The behavioral theory pointed out the role of psychology and sociology in understanding of individual and group behaviour in an organization. Several individuals and experiments contributed to this theory.

Systems Approach to Management

System is a set of interrelated and interdependent parts arranged in a manner that produces a unified whole.

While an organization as a whole is a system, the various components or parts within it are called the subsystem. Thus a department is a subsystem of the organization.

The systems approach to management is based on the belief that organizations can be visualized as systems of interrelated parts or subsystems that operate as a whole in pursuit of common goals. An organization as a system is composed of five elements:

1. Input

2. Transformation processes

3. Output

4. Feedback

5. Environment

Contingency Approach to Management

The contingency approach is also called as situational approach. It was developed by managers, consultants and researchers who tried to apply for real life situations. In the 1960s Contingency theory was developed by Tom Bums and G.M. Stalker in the United Kingdom and Paul Lawrence and Jay Lorsch in the United States.

The crucial message of contingency theory is that there is no one best way to organize. According to contingency theory, the characteristics of environment affect an organization’s ability to obtain resources.

For example, some management concepts are more effective in one situation. The same management concept may fail in another situation. Results or solutions differ because situations differ.

The contingency approach theory favour to the modem management theory. Modem management theory suggests the psychological approach to the employees. The contingency approach is highly dependent on the experience and judgment of the manager in a given organizational environment.

1.7 Types of Business organization- Sole proprietorship, Partnership, company - Public and private sector enterprises

Business Organization:

An Organization is a group of people working together to achieve a common goal. Organization exists to achieve goals that individuals cannot achieve on their own. Organization is grouping of activities and putting them under different departments according to their functions.

The Organization brought men and material resources together for fulfilling the goals of enterprises.

Types of Organization:

1) Sole proprietorship/individual

2) Partnership

3) Joint stock Company - Private Ltd Company & Public Ltd Company

4) Co-operative Enterprises

5) Public Enterprises or State Ownership.

Sole Proprietorship: The individual entrepreneur supplies the entire capital, employs labour and machines. Individual uses his own skill in the management of affairs and is solely responsible for the good or bad result of its operation and working.

Merits:

1) Least legal complication.

2) Simplest form of business.

3) Maximum profit.

4) Quick decision.

5) Quality product.

6) Personal care.

7) Flexible business.

8) Minimum wastage.

Demerits:

1. No economies of bulk trade.

2. Unlimited Liability.

3. Limited capital.

4. Limited Managerial ability.

5. Limited life.

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

Merits:

1) Loss will be divided among the partners.

2) Has larger financial resources.

3) Less expenditure per partner is involved in forming partnership Organization.

4) Greater personal contacts of the partners gives more customer base and benefits.

5) Persons of different skills and abilities can work for betterment of Organization.

Demerits:

1) Divorce of Control from ownership.

2) Formalities and Expenses.

3) Delay in administration.

4) Rigid government control.

Joint Stock Company :

Private Ltd Company: It can be established with two to fifty members. The maximum number of membership is limited to 50.

When this type of organization expands beyond certain limit, this can restrict its liability by registering the firm as a limited company. The company is registered under Indian Company Act 1956.

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

Public Ltd companies are supervised and controlled by the Government to protect the interest of Share holder public. The company is governed by an elected body called board of directors.

Merits:

1) Works on the democratic principles results in economy and efficiency.

2) Large scale business can be undertaken.

3) The shareholders bears no risk as the liability is limited.

4) Take advantage of economies of scale in production because management can employ specialized labour, can use latest machinery and thus can achieve large scale production at low cost.

5) Not affected by the retirement of any share holder thus the existence of organization is permanent in nature.

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

Features:

1) Not profit orient.

2) Voluntary Organization.

3) Democratic Management.

4) Common purpose/interest.

5) Open Membership.

Types of co-operative societies:

They are as follows:

1) Consumer Co-operatives.

2) Products or Industrial Co-operative Societies.

3) Co-operative Farming societies.

4) Co-operative Housing Societies.

1.8 Organization culture and Environment

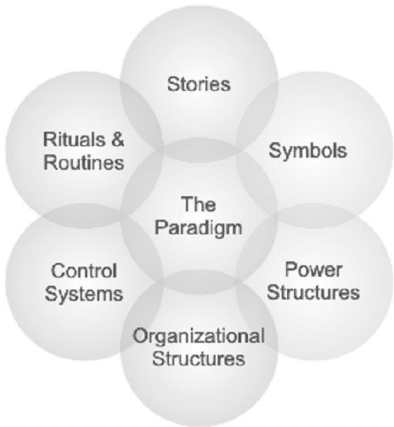
Organizational Culture

Organizational culture is an idea in the field of organizational studies and management which describes the psychology, attitudes, experiences, beliefs, personal and cultural values of an organization.

Organizational Culture has been defined as "the specific collection of values and norms that are shared by the people and the groups in an organization and that control the way they interact with each other and with stakeholders outside a organization."

Elements Of Organizational Culture:

Johnson and Scholes described a cultural web, that identifying a number of elements that can be used to describe or influence Organizational Culture.



Elements of organizational culture

The six elements are:

a) Stories: The past events people talked about inside and outside the company. Who and what the company chooses to immortalize says a great deal about what it values and perceives as great behavior.

b) Rituals and Routines: This determines what is expected to happen in a given situations and what is valued by management.

c) Symbols: The visual representations of the company includes logos, how plush the offices are and the formal or informal dress codes.

d) Organizational Structure: This includes both the structure defined by the organization chart and the unwritten lines of power and influence that indicate whose contributions are most valued.

e) Control Systems: These include financial systems, quality systems and rewards including the way they are measured and distributed within the organization.

f) Power Structures: The pockets of real power in the company. This may involve one or two key senior executives, a whole group of executives or even a department.

The key is that these people have the greatest amount of influence on decisions, operations and the strategic direction.

Types Of Organizational Culture

Organizational culture is based on the following two elements:

1. Feedback Speed: How quickly are feedback and rewards provided.

2. Degree of Risk: The level of risk taking.

1.9 Current trends and issues in Management.

The management functions which includes planning, decision making, organizing, leading and controlling are just as related to the international managers as to the domestic managers.

International managers must have a clear view of where they want their firm to be in future, they have to organize to implement their plans, they have to motivate those who work for them and they have to develop an appropriate control mechanisms.

a) Planning and Decision Making in a Global Scenario:

To effectively plan and make decisions in a global economy, the managers must have a broad based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations.

At the corporate level, the executives need a great deal of information to function effectively which includes Which markets are growing? Which markets are shrinking? Who are our domestic and foreign competitors? They must also make a variety of strategic decisions about their organizations. For example, if a firm wishes to enter market in France, should it buy a local firm there, build a plant or seek a strategic alliance?

Critical issues include understanding environmental circumstances, the role of goals and planning in a global organization and how decision making affects the global organization.

b) Organizing in a Global Scenario:

Managers in international business must attend a variety of organizing issues. For example, General Electric has operations scattered around the globe.The firm has made the decision to give local managers a great deal of the responsibility for how they run their business.

In contrast, many Japanese firms give the managers of their foreign operations relatively small responsibility.

As a result, those managers must frequently travel back to Japan to present the problems or get decisions approved. Managers in an international business must address the basic issues of the organization, managing change, structure and design and dealing with the human resources.

c) Leading in a Global Scenario:

Individual managers must be prepared to deal with the cultural factors and other factors as they interact with people from different cultural backgrounds.

Supervising a group of five managers, each of whom is from a different state in the United States, is much simpler than supervising a group of five managers, each of whom is from a different culture.

The managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures and how the interpersonal and group processes depends on the cultural background.

d) Controlling in a Global Scenario

Finally, the managers in international organizations must also be concerned with control. Distances, time zone differences and cultural factors also play a role in control.

For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not. Likewise, executives in the United States and the Japan may find it difficult to communicate vital information to one another because of the time zone differences.

Basic control issues for the international manager revolve around operations management, productivity, quality, technology and information systems.

PLANNING

Nature and purpose of planning - planning process - types of planning - objectives - setting objectives - policies - Planning premises - Strategic Management - Planning Tools and Techniques - Decision making steps and process.

2.1 Nature and purpose of planning

Nature of Planning:

12. Planning is goal-oriented: Every plan must contribute in some positive way towards the accomplishment of the group objectives. It has no meaning without being related to goals.

2. Primacy of Planning: It is the first of managerial functions. This precedes all other management functions.

3. Pervasiveness of Planning: It is found at all levels of management. Top management looks after strategic planning. Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.

4. Efficiency, Economy and Accuracy: Efficiency is measured by its contribution to the objectives as economically as possible. Planning also focuses on the accurate forecasts.

5. Co-ordination: Planning co-ordinates the what, who, how, where and why of the planning. Without co-ordination of all activities we cannot have united efforts.

6. Limiting Factors: The planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.

7. Flexibility: The process of planning is adaptable to changing the environmental conditions.

8. Planning is an intellectual process: The quality of planning will vary according to the quality of the mind of the manager.

Purpose of Planning:

Planning is important due to the following reasons:

1. To manage by objectives: All the activities of an organization are designed to achieve certain specified objectives. Thus, planning makes the objectives more concrete by focusing attention on them.

2. To offset uncertainty and change: Future is always full of uncertainties and changes. Planning foresees the future and it makes the necessary provisions for it.

3. To secure economy in operation: Planning involves the selection of most profitable course of action that would lead to the best result at the minimum costs.

4. To help in co-ordination: Co-ordination is the essence of management, planning is the base of it. Without planning it is not possible to co-ordinate the different activities of the organization.

5. To make control effective: The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling others performance.

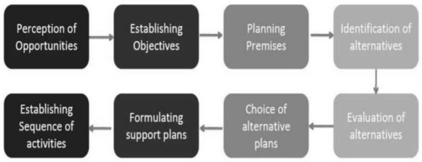
6. To increase organizational effectiveness: More efficiency in the organization is not important. It should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

2.2 Planning process

Planning process:

Planning is the management function that involves setting of goals and deciding the best method to achieve them.

The various steps involved in planning are given below :



Planning process

Perception of Opportunities:

Awareness of an opportunity is the real starting point for planning.

It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely, knowledge of where we stand in the light of our strengths and weaknesses and an understanding of why we wish to solve the uncertainties and a vision of what we expect to gain.

Setting realistic objectives depends on this awareness. Planning requires realistic diagnosis of the opportunity.

Establishing Objectives:

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

Enterprise objectives should give direction to the nature of all major plans which by reflecting these objectives, define the objectives of major departments.

Major department objectives, in turn control the objectives of subordinate departments and so on down line.

Considering the Planning Premises:

Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These includes forecast data of a factual nature, applicable basic policies and existing company plans.

Premises, then are planning assumptions in other words, the expected environment of plans in operation. It leads to one of the major principles of the planning. The more the individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated the enterprise planning will be.

Planning premises include far more than the usual basic forecasts of population, production, prices, costs, markets. Because the future environment of plan is very complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

Since agreement to utilize the given set of premises is very important to coordinate the planning, it becomes a major responsibility of managers starting with those at the top to make sure that the subordinate managers understand the premises upon which they are expected to plan.

Identification of alternatives:

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

The focus of this step is to search for and examine alternative courses of action particularly those not immediately apparent.

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

Evaluation of alternatives:

Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of the premises and goals.

If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome and if most factors could be reduced to the definite data, it should be relatively easy.

But typical planning is replete with uncertainties, problems of capital shortages and intangible factors and so evaluation is usually very difficult.

A company may wish to enter a new product line primarily for purposes of prestige, the forecast of expected results may show a clear financial loss but the question is still open as to whether the loss is worth the gain.

Choice of alternative plans:

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

Formulating of Supporting Plans:

After decisions are made and plans are set, the final step to give them meaning is to number them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance sheet items such as cash and capital expenditures.

Each department or program of a business or other enterprise can have its own budgets, usually of capital expenditures and expenses, which tie into the overall budget.

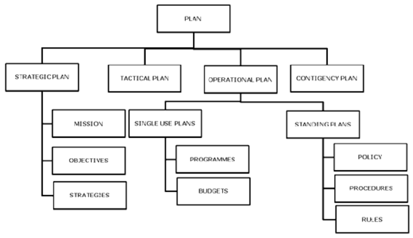
If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

Establishing sequence of activities:

Once plans that furnish the organization with both long-range and short range direction have been developed they must be implemented.

2.3 Types of planning

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



Types of planning

Plans can be classified as:

a) Strategic plans

b) Tactical plans

c) Operational plans

d) Contingency plans

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

a) Strategic plans:

Strategic plan is the outline of steps designed with the goals of the entire organization as a whole in mind, rather than with goals of specific divisions or departments.

b) Tactical plans:

A tactical plan is concerned with what lower level units within each division must do, how they must do it and who is in charge at each level. It is the means needed to activate a strategy and make it work.

Tactical plans are concerned with shorter time frames and narrower scopes. These plans generally span one year or less because they are considered short term goals.

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

c) Operational plans:

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

It is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders and facilitators develop operational plans to support tactical plans.

Operational plans can be a single use plan or a standing plan.

d) Contingency plans:

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility and mastery of changing conditions. The Strong management requires “keeping all options open” approaches at all times and that's where contingency planning comes in.

Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

Unexpected problems and events may frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected.

Management can then develop alternatives to the existing plan to be used when and if circumstances make these alternatives appropriate.

2.4 Objectives - Setting objectives

It may be defined as the goals which an organization tries to achieve. Objectives are described as the end points of planning.

According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme."

It constitute the purpose of the enterprise and without them no intelligent planning can take place.

Objectives are the ends towards which the activities of the enterprise are aimed. They present not only the end-point of planning but also the end towards which organizing, directing and controlling are aimed. Objectives provide direction to various activities.

They also serve as the benchmark of measuring the efficiency and effectiveness of the enterprise. It make every human activity purposeful. Planning has no meaning if it is not related to the certain objectives.

Features of Objectives :

• Objectives may be constructed into a hierarchy.

• A clearly defined objective provides the clear direction for managerial effort.

• The objectives must be predetermined.

• Objectives must be measurable.

• Objectives must be realistic.

• All objectives are interconnected and mutually supportive.

• Objectives must have social sanction.

• Objectives may be short-range, medium-range and long-range.

Advantages of Objectives:

• Objectives contribute to the management process, they influence the purpose of the policies, personnel, organization, leadership as well as managerial control.

• Objectives provide motivation to people in the organization.

• Clear definition of objectives encourages unified planning.

• Objectives provide standards which aid in the control of human efforts in an organization.

• When the work is goal-oriented, unproductive tasks can be avoided.

• Objectives act as a sound basis for developing administrative controls.

• Objectives serve to identify the organization and to link it to the groups upon which its existence depends.

Process of Setting Objectives:

• Objectives are the keystone of management planning. It is the most important task of management.

• They are required to be set by management in every area which directly and vitally affects the survival and prosperity of the business.

• Objectives are required to be set in every area which directly and vitally effects the survival and prosperity of the business. In the setting of objectives, the following points should be borne in mind.

• While setting the objectives, the past performance must be reviewed since past performance indicates what the organization will be able to accomplish in future.

• The objectives to be set in various areas have to be identified.

• Objectives must be consistent with one and other.

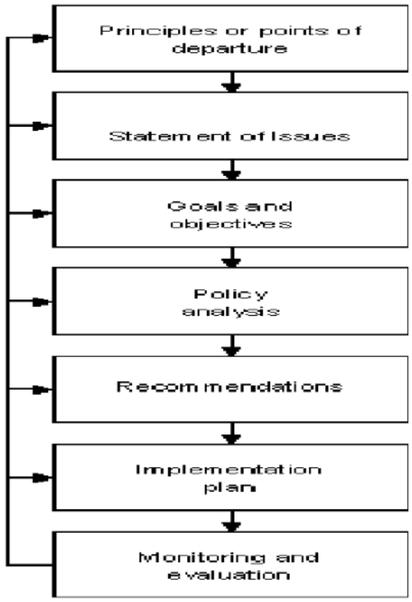
• The objectives should be set in realistic terms i.e., the objectives to be set should be reasonable and capable of attainment.

• For the successful accomplishment of the objectives, there should be effective communication.

• Objectives must be set in clear-cut terms.

2.5 Policies

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



Steps in policies

The first step is to capture the values or principles that will guide the rest of the process and form the basis on which a statement of issues has to be produced.

The statement of issues involves identifying the opportunities and constraints affecting the local housing market and is to be produced by thoroughly analyzing the housing market.

The kit provides the user with access to a housing database to facilitate this analysis. The statement of issues provides the basis for the formulation of a set of housing goals and objectives designed to address the problems identified and to exploit the opportunities which present themselves .

The next step is to identify and analyze the various policy options which can be applied to achieve the set of goals and objectives.

The options available to each local government depends on the local circumstances as much as the broader context and each local authority will have to develop its own unique approach to addressing the housing needs of its residents.

An implementation program for realizing the policy recommendations must then be prepared addressing budgetary and programming requirements and also allocating the roles and responsibilities.

Finally the implementation of the housing strategy needs to be systematically monitored and evaluated against the stated goals and objectives and the various components of the strategy are modified or strengthened as required .

At each step of the way, each component of the strategy needs to be discussed and debated and a public consultation process engaged in.

The extent of consultation and the participant involved will vary with each step.

The essentials of policy formation may be listed as below:

• A policy should be a general statement of the established rule.

• A policy should be translatable into the practices.

• A policy should be definite, positive and clear. It should be understood by everyone in the organization.

• A policy should conform the economic principles, status and regulations.

• A policy should be formulated to cover all reasonable anticipated conditions.

• A policy should be founded upon facts and sound judge-ment.

• A policy should be flexible and at the same time have a high degree of permanency.

Importance of Policies:

Policies are useful for the following reasons:

• They delimit the area within which a decision is to be made.

• They provide guides to thinking and action provide support to the subordinates.

• They permit delegation of authority to mangers at the lower levels.

• They save time and effort by pre-deciding problems.

2.6 Planning premises

Planning premises are planning assumptions, expected environmental and internal conditions.

Planning premises can be external and internal. External premises include total factors in task environment like political, social, technological, competitor's plan and actions, government policies, etc.

Internal factors include organization’s policies, resources of various types and the ability of the organization to withstand the environmental pressure.These are essential to make plan.

2.7 Strategic Management

The term 'Strategy' has been adapted from war and is being increasingly used in business to reflect broad overall objectives and policies of an enterprise.

Literally speaking, the term 'Strategy' stands for the military general, compelling the enemy to fight as per out chosen terms and conditions.

According to Koontz and O' Donnell, "Strategies must often denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives".

Strategies are the plans made in the light of the plans of the competitors because a modern business institution operates in the competitive environment. They are a useful framework for guiding enterprise thinking and action.

Characteristics of Strategy :

• It relates the business organization to the environment.

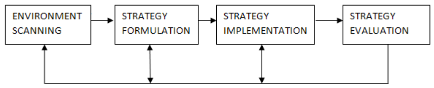
• It is the right combination of different factors.

• Strategy is a means to an end and not an end in itself.

• It is an action to meet a particular challenge, to solve particular problems or to attain desired objectives.

• It involves assumption of certain calculated risks.

• It is formulated at the top management level.



a) Strategic plans:

A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments.

It is further classified as:

i) Mission:

The mission is a statement which reflects the basic purpose and focus of the organization which normally remains unchanged. Properly crafted mission statements serves as the filters to separate what is important from what is not, clearly state which markets will be served and how and communicate a sense of intended direction to the entire organization.

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

ii) Objectives or goals:

Both goal and objective can be defined as the statements that reflect the end towards which the organization is aiming to achieve.

The goal is an abstract and general umbrella statement under which specific objectives can be clustered.

Objectives are statements that describe measurable and obtainable terms which reflect the desired organization’s outcomes.

iii) Strategies:

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

Strategic planning begins with an organization's mission. It look ahead over the next two, three, five or even more years to move the organization from where it currently is to where it wants. Requiring multilevel involvement, these plans demand harmony among all the levels of management within the organization.

Top level management develops the directional objectives for the entire organization while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning.

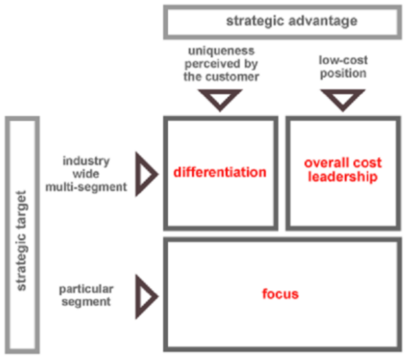
TYPES OF STRATEGIES

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

a) Cost leadership strategy

b) Differentiation strategy

c) Focus strategy



Porter's generic strategies

a) Cost Leadership Strategy:

This strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of the rivals or below the average industry prices to gain the market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market.

Some of the ways that firms acquire cost advantages are by improving the process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions or avoiding some costs altogether. If competing firms are unable to lower their costs by the similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

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

• Skill in designing products for efficient manufacturing, for example, having a small component count to shorten the assembly process.

• Access to the capital required to make the significant investment in production assets this investment represents a barrier to entry that many firms may not overcome.

• Efficient distribution channels.

• High level of expertise in manufacturing process engineering.

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

b) Differentiation Strategy:

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

Firms that succeed in a differentiation strategy often have the following internal strengths such as:

• Highly skilled and creative product development team.

• Access to leading scientific research.

• Corporate reputation for quality and innovation.

• Strong sales team with the ability to successfully communicate the perceived strengths of the product.

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

c) Focus Strategy :

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

Because of its narrow market focus, firms pursuing a focus strategy have lower volumes and thus, less bargaining power with their suppliers. Although, firms pursuing a differentiation-focused strategy may be able to pass higher costs on to customers since close substitute products do not exist.

Firms that succeed in a focus strategy are able to tailor the broad range of product development strengths to a relatively narrow market segment which they know very well. Some risks of focus strategies includes the imitation and changes in the target segments. Furthermore, it may be fairly easy for a broad market cost leader to adapt its product to compete directly. Finally, other focusers may be able to carve out the sub segments that they can serve even better.

Combination of Generic Strategies :

These generic strategies are not necessarily compatible with one another. If a firm attempts to achieve an advantage on all fronts, in this attempt it may achieve no advantage at all.

For example, if a firm differentiates itself by supplying the high quality products, it risks undermining that quality if it seeks to become the cost leader. Even if the quality did not suffer, the firm would risk projecting a confusing image. For this reason, Michael Porter argued that to be successful over such long term, a firm must select only one of these three generic strategies. Otherwise, with more than one single generic strategy the firm will be "stuck in the middle" and will not achieve a competitive advantage.

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

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

2.8 Planning Tools and Techniques

Strategic Formulation Process:

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

2. Industry Analysis: Formulation of strategy requires the evaluation of attractiveness of an industry by analyzing the external environment. The focus should be on the kind of competition within an industry, the possibility of new firms entering the market, the availability of substitute products or services, the bargaining positions of the suppliers and the buyers or customers.

3. Enterprise Profile: Enterprise profile is generally the starting point for determining where the company is and where it should go. Top managers determine the basic purpose of the enterprise and clarify the firm’s geographic orientation.

4. Orientation, Values and Vision of Executives: The enterprise profile is shaped by the people, particularly executives and their orientation and values are important for formulation of strategy. They set the organizational climate and they determine the direction of the firm though their vision. Therefore their values, their preferences and their attitudes toward risk have to be carefully examined because they have an impact on the strategy.

5. Mission, Major Objectives and Strategic Intent: Mission or Purpose is the answer to the question: What is our business? The major Objectives are the end points towards which the activities of the enterprise are directed. Strategic intent is the commitment to win in the competitive environment, not only at the top-level but also throughout the organization.

6. The Present and Future External Environment: It must be assessed in terms of threats and opportunities.

7. Internal Environment: Internal Environment should be audited and evaluated with respect to its resources and its weaknesses and strengths in research and development, production, operation, procurement, marketing.

Other internal factors include human resources and financial resources as well as the company image, the organization structure and climate, the planning and control system and relations with customers.

8. Development of Alternative Strategies: Strategic alternatives are developed on the basis of an analysis of the external and internal environment. Examples of possible strategies are joint ventures and strategic alliances which may be an appropriate strategy for some firms.

9. Evaluation and Choice of Strategies: Strategic choices must be considered in the light of risk involved in a particular decision. Some profitable opportunities may not be pursued because a failure in a risky venture could result in bankruptcy of the firm.

Another critical element in choosing a strategy is timing. Even the best product may fail if it is introduced to the market at an inappropriate time.

10. Medium or Short Range Planning, Implementation through Re-engineering the Organization Structure, Leadership and Control:

The Implementation of the Strategy often requires re-engineering the organization, staffing the organization structure and providing leadership. The Controls must also be installed monitoring performance against plans.

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

2.9 Decision making steps and process

Decision-making

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable.

In the words of George R. Terry, "It is the selection based on some criteria from two or more possible alternatives".

Characteristics of Decision Making

• Decision-making is goal-oriented.

• It implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.

• Decision-making may not be completely rational but may be judgemental and emotional.

• The decision-maker has freedom to choose an alternative.

• It is a mental or intellectual process because the final decision is made by the decision-maker.

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

• Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.

• A decision may be expressed in words or may be implied from behaviour.

Types of Decision making:

1. Major and Minor Decisions

2. Programmed and Non-programmed Decisions

3. Policy and Operative Decisions

4. Routine and Strategic Decisions

5. Individual and Group Decisions

6. Organizational and Personal Decisions

7. Initiative and Forced Decisions

8. Long term, Departmental and Non-economic Decisions

a) Programmed and Non-Programmed Decisions

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

i) Programmed decisions:

Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are well established in advance to solve the recurring problems in the organization.

Programmed decisions have short-run impact. They are normally taken at the lower level of management.

ii) Non-Programmed Decisions:

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

b) Strategic and Tactical Decisions

Organizational decisions may also be classified as strategic or tactical.

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

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

• Tactical decision is mostly a programmed one. Hence, the decision can be made within the context of these variables.

• Tactical decision relates to the day-to-day operation of the organization and has to be taken very frequently.

• The authority for making tactical decisions can be delegated to lower level managers because:

First, the impact of the tactical decision is narrow and of short-term nature and Second, by delegating authority for such decisions to lower-level managers, higher level managers are free to devote more time on the strategic decisions.

• The outcome of tactical decision is of short-term nature and affects a narrow part of the organization.

Techniques of Decision making

1. Break-Even Analysis

2. Marginal analysis

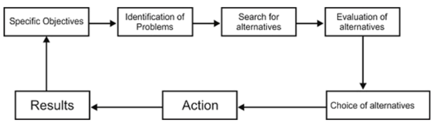
3. Financial analysis

4. Operational research

5. Ratio analysis

6. Pareto analysis

Decision Making Process:



Decision Making Process

1. Specific Objective:

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

2. Problem Identification:

In the words of Joseph L Massie, “A good decision is dependent upon the recognition of the right problem”.

The objective of problem identification is that if the problem is precisely and specifically identified, it will provide a clue in finding a possible solution.

The problem can be identified clearly, if managers go through diagnosis and analysis of the problem.

Diagnosis:

Diagnosis is the process of identifying a problem from its signs and symptoms. The symptom is a condition or set of conditions that indicates the existence of a problem.

Diagnosing the real problem implies knowing the gap between what is and what ought to be, identifying the reasons for the gap and understanding the problem in relation to higher objectives of the organization. Diagnosis gives rise to analysis.

Analysis of the problem requires:

• Who would make decision?

• What information would be needed?

• From where the information is available?

Analysis helps managers to gain an insight into the problem.

3. Search for Alternatives:

A problem can be solved in several ways, however all the ways cannot be equally satisfying. Thus, the decision maker must try to determine the various alternatives available to get the most satisfactory result of a decision.

A decision maker can use several sources for identifying the alternatives such as:

• Practices followed by others.

• His own past experiences.

• Using creative techniques.

4. Evaluation of Alternatives:

After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria, the decision maker must check proposed alternatives against limits and if an alternative does not meet them, he can discard it.

Having narrowed down the alternatives which needs serious considerations, the decision maker will go for evaluating how each alternative may contribute towards objective supposed to be achieved by implementing the decision.

5. Choice of Alternative:

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

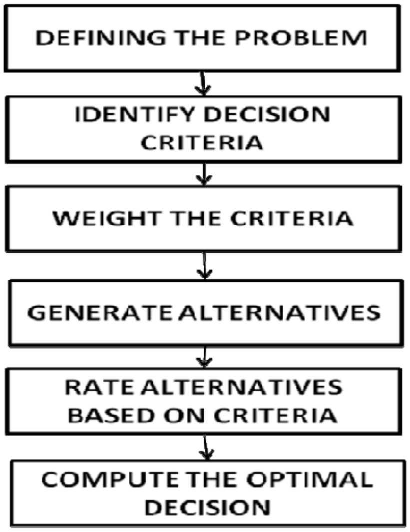
6. Action:

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

7. Results:

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

Steps in decision making:



Steps in decision making

1) Defining the problem:

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

2) Identify decision criteria:

Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker determines what is relevant in making the decision. This step brings the decision maker's interests, values and personal preferences into the process.

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

3) Weight the criteria:

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

4) Generate alternatives:

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

5) Rate each alternative on each criterion:

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

6) Compute the optimal decision:

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

ORGANISING

Nature and purpose – Formal and informal organization – organization chart – organization structure – types – Line and staff authority – departmentalization – delegation of authority – centralization and decentralization – Job Design - Human Resource Management – HR Planning, Recruitment, selection, Training and Development, Performance Management, Career planning and management.

3.1 Nature and purpose

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

Nature Of Organizing

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

(1) Division of Work: Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under this the entire work of business is divided into many departments.

The work of every department is further sub-divided into sub-works. In this way each individual has to do the same work repeatedly which gradually makes the person an expert.

(2) Coordination: Under organizing, different persons are assigned different works but the aim of all these persons happens to be the same and the attainment of the objectives of the enterprise.

Organization ensures that the work of all persons depends on each other’s work even though it happens to be different. The work of one person starts from where the work of another person ends. The non-completion of the work of one person affects the work of everybody.

Therefore everybody completes their work in time and does not hinder the work of others.

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

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

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

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

(6) Organization is a Structure of Relationship: Relationship between the persons working on different posts in the organization is decided. In other words it is decided as to who will be the superior and who will be the subordinate.

Leaving the top level post and the lowest level post, everybody is somebody's superior and somebody's subordinate. The person working on the top level post has no superior and the person working on the lowest level post has no subordinate.

(7) Organization is a Machine of Management: Organization is considered to be the machine of management because the efficiency of all the functions depends on the effective organization. In the absence of organization no function can be performed in a planned manner.

It is appropriate to call organization as the machine of management from another point of view. It is that machine in which no part can afford to be ill-fitting or non-functional.

In other words if the division of work is not done properly or posts are not created correctly the whole system of management collapses.

(8) Organization is a Universal Process: Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or more than two people work jointly. Therefore organization has the quality of universality.

(9) Organization is a Dynamic Process: Organization is related to the people, the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations.

Thus organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

Purpose Of Organizing

Organization is an instrument that defines relations among different people which helps them to understand as in who happens to be their superior and who is their subordinate. This information helps in fixing responsibility and developing coordination. In such circumstances the objectives of the organization can be easily achieved.

Hence organization is a mechanism of management. In addition to that it helps in the other functions of the management like planning, staffing, leading, controlling etc.

The importance of organization or its advantages becomes clear from the following facts:

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

(2) Proper Utilization of Resources: Through the medium of organization optimum utilization of all the available human and material resources of an enterprise becomes possible. Work is allotted to every individual according to their ability and capacity and conditions are created to enable them to utilize their ability to the maximum extent.

For example, if an employee possesses the knowledge of modern machinery but the modern machinery is not available in the organization, in that case efforts are made to make available the modern machinery.

(3) Sound Communication Possible: Communication is essential for taking the right decision at the right time. However the establishment of a good communication system is possible only through an organization.

In an organization the time of communication is decided so that all the useful information reaches the officers concerned which in turn helps the decision-making.

(4) Facilitates Co-ordination: In order to attain successfully the objectives of the organization, co-ordination among various activities in the organization is essential.

Organization is the only medium which makes coordination possible. Under organization the division of work is made in such a manner as to make all the activities complementary to each other increasing their interdependence. Inter-dependence gives rise to establishment of relations which in turn increases the coordination.

(5) Increase in Specialization: Under organization the whole work is divided into different parts.

Competent persons are appointed to handle all the sub-works and by handling a particular work repeatedly they become specialists. This enables them to have maximum work performance in the minimum time while the organization gets the benefit of specialization.

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

3.2 Formal and informal organization

FORMAL ORGANIZATION

Chester I Bernard defines formal organization as, "a system of consciously coordinated activities or forces of two or more persons. Formal organization refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."

The essence of the formal organization comes into being when persons are:

(i) Able to communicate with each other.

(ii) Willing to act and share a purpose.

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

• Division of labor

• Scalar and functional processes

• Structure

• Span of control

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

Characteristic Features of formal organization:

• Formal organization structure is laid down by the top management to achieve organizational goals.

• Formal organization prescribes the relationships among the people working in the organization.

• The organization structures is consciously designed to enable the people of the organization to work together for accomplishing common objectives of the enterprise.

• Organization structure concentrates on the jobs to be performed and not the individuals who perform the jobs.

• In a formal organization, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus the formal relations in the organization arise from the pattern of responsibilities that are created by the management.

• A formal organization is bound by rules, regulations and procedures.

• In a formal organization, position, authority, responsibility and accountability of each level are clearly defined.

• The formal organization is intentionally impersonal. The organization does not take into consideration the sentiments of organizational members.

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

Advantages of formal organization:

• It structure concentrates on the jobs to be performed. It therefore makes everybody responsible for a given task.

• The formal organization is bound by rules, regulations and procedures. It thus ensures law and order in the organization.

• The organization structure enables the people of the organization to work together for accomplishing the common objectives of the enterprise.

Disadvantages or criticisms of formal organization:

• It does not take into consideration the sentiments of organizational members.

• The formal organization does not consider the goals of individuals. It is designed to achieve the goals of the organization only.

• It is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

Informal Organization

It refers to the relationship between people in the organization based on the personal attitudes, emotions, prejudices, likes, dislikes etc. An informal organization is an organization which is not established by any formal authority but arises from the personal and social relations of the people.

These relations are not developed according to the procedures and the regulations laid down in the formal organization structure, generally large formal groups give rise to the small informal or social groups.

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

Characteristics features:

• Informal organization is not established by any formal authority. It is unplanned and arises spontaneously.

• Informal organizations reflects human relationships. It arises from the personal and the social relations among the people working in the organization.

• Formation of informal organizations is a natural process. It is not based on the rules, regulations and procedures.

• The inter-relations among the people in an informal organization cannot be shown in an organization chart.

• In the case of informal organization, the people cut across formal channels of communications and communicate among themselves.

• The membership of informal organizations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.

• Membership of informal groups can be overlapping as a person may be member of a number of informal groups.

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

Benefits of Informal organization:

• It blends with the formal organization to make it more effective.

• Many things which cannot be achieved through formal organization can be achieved through informal organization.

• The presence of informal organization in an enterprise makes the managers to plan and act more carefully.

• Informal organization acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.

• An informal organization has a powerful influence on productivity and job satisfaction.

• The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.

• It helps the group members to attain specific personal objectives.

• It is the best means of employee communication. It is very fast.

• Informal organization gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of organization because they get a platform to express their feelings.

Differences Between Formal And Informal Organization:

Formal Organization	**Informal Organization**
Formal organization is established with the explicit aim of achieving well-defined goals.	It springs on its own. Its goals are ill defined and intangible.
Formal organization is bound together by authority relationships among members. A hierarchical structure is created, constituting top management, middle management and supervisory management.	Informal organization is characterized by a generalized sort of power relationships. Power in informal organization has bases other than rational legal right.
Formal organization recognizes certain tasks which are to be carried out to achieve its goals	Informal organization does not have any well-defined tasks.
The roles and relationships of people in formal organization are impersonally defined.	In informal organization, the relationships among people are interpersonal.
In formal organization, much emphasis is placed on efficiency, discipline, conformity, consistency and control.	Informal organization is characterized by relative freedom, spontaneity, homeliness and warmth.
In formal organization, the socio-psychological needs and interests of members of the organization get little attention.	In informal organization, the socio-psychological needs, interests and aspirations of members get priority.
The communication system in formal organization follows certain pre-determined patterns and paths.	In informal organization, the communication pattern is haphazard, intricate and natural.
Formal organization is relatively slow to respond and adapt to changing situations and realities.	Informal organization is dynamic and very vigilant. It is sensitive to its surroundings.

3.3 Organization chart

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

The each member in the organization is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty.

The managerial function of organizing consists of making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well co-ordinated and orderly structure for the accomplishment of work.

According to Louis A Allen, "Organizing involves identification and grouping the activities to be performed and dividing them among the individuals and creating the authority and responsibility relationships among them for the accomplishment of organizational objectives."

The various steps involved in this process are:

Organization chart

a) Determination of Objectives:

It is the first step in building up an organization. The organization is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity.

Organization structure is built on the basis of the objectives of the enterprise. That means, the structure of the organization can be determined by the management only after knowing the objectives to be accomplished through the organization. This step helps the management not only in framing the organization structure but also in achieving the enterprise objectives with minimum cost and efforts.

Determination of objectives consists of deciding why the proposed organization is to be set up and what will be the nature of the work to be accomplished through the organization.

b) Enumeration of Objectives:

If the members of the group are to pool their efforts effectively, there must be proper division of the major activities.

The first step in organizing group effort is the division of total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts.

For example, the work of an industrial concern may be divided into the following major functions: production, financing, personnel, sales, purchase and so on.

c) Classification of Activities:

The next step will be to classify activities according to the similarities, common purposes, functions, taking the human and material resources into account.

Then closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

d) Assignment of Duties:

In the assignment of duties, specific job assignments are made to different subordinates for ensuring a certainty of work performance.

Each individual should be given a specific job to do according to their ability and made responsible for that. They should also be given the adequate authority to do the job assigned to them.

According to Kimball and Kimball, "Organization embraces the duties of designating the departments and personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between the departments and individuals."

e) Delegation of Authority:

Since so many individuals work in the same organization, it is the responsibility of management to lay down structure of relationship in the organization.

The authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel.

Everybody should clearly know to whom he is accountable. Corresponding to the responsibility, authority is delegated to the subordinates for enabling them to show the work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

3.4 Organization structure- Types

An organization structure is a type of the framework that allots a particular space for a particular department or an individual and shows its relationship to the other.

An organization structure shows the authority and responsibility relationships between various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of organization.

March and Simon have stated that, "Organization structure consists simply of those aspects of pattern of behavior in the organization that are relatively stable and change only slowly."

The authority and responsibility relationships between the various positions in the organization while designing the organization structure, due attention should be given to the principles of sound organization.

Types of Business Organizational Structures:

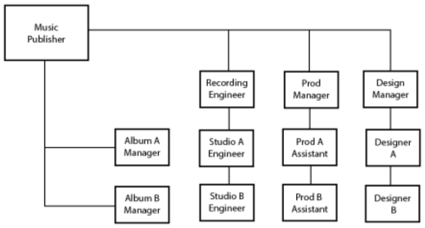
There are 5 Common Business Organizational Structures and are as explained below:

1. Matrix Organizational Structure:

A matrix structure provides for the reporting levels both horizontally as well as vertically. Employeesmay be part of a functional group but may serve on a team that supports new product development. This kind of the structure may have members of different groups working together to develop a new product line.

For example, a recording engineer who works for a music publisher, may have engineers who report to him but may also use his expertise and work with teams to develop new music albums.

The merit of a matrix organizational structure is that employees have responsibility not only for their department but for the organizational projects. A challenge with this type of structure presents itself when employees are given direction from two different managers and they need to prioritize their work responsibilities.



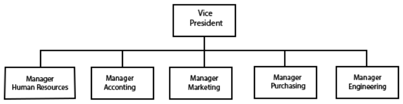
Matrix Organizational Structure

2. Functional Organizational Structure:

Functional organizational structures are the most common. A structure of this type groups individuals by specific functions performed. Common departments such as human resources, accounting and purchasing are organized by separating each of these areas and managing them independently of the others.

For example, the managers of different functional areas all report up to one director or vice president who has responsibility for all of the operational areas.

The merit of this type of structure is that functions are separated by expertise but the challenges comes in when different functional areas turn into silos that focus only on area of their responsibility and don’t support the function of other departments.



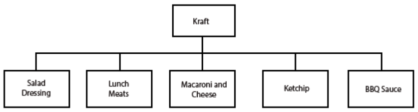
Functional Organizational Structure

3. Product Organizational Structure:

Product Organizational structure is to be organized by a specific product type. Each product group falls within the reporting structure of an executive and that person oversees everything related to that particular product line.

For example an executive over the Kraft products would be responsible for every product under that label dressings, meats, sauces, etc.

The merit of this type of structure is that it organizes products by category but can create completely separate processes from other product lines within the organization.



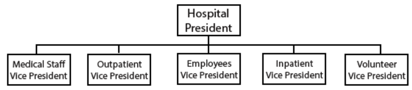
Product Organizational Structure

4. Customer Organizational Structure:

Certain type of industries will organize by customer type. This is done in an effort to ensure specificcustomer expectations are met by a customized service approach.

An example of this would be in healthcare. A patient seen as an outpatient has very different needs than those of patients who spend time in the hospital as inpatients. A structure which is customer centered creates customized care for those patients.

The advantage of this type of structure is that it specializes in the needs of each customer group but can ignore the needs of different customer types.

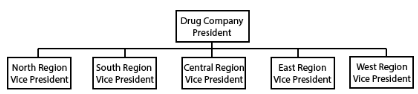


Customer Organizational Structure

5. Geographic Organizational Structure:

For organizations that cover a span of geographic regions, it sometimes makes sense to organize by region. This is done to better support logistical demands and differences in geographic customer needs.

Typically a structure that is organized by geographical regions reports up to a central oversight person. We see this type of structure in companies that go beyond a city or state limit and may have customers all across the country or in multiple states.



Geographic Organizational Structure

Deliberate time and thought should go into design of an organization's structure. This is important so employees have a visual of how the organization functions and understands chain of command. Operating within a defined structure, with good communication processes and work-flows, help to ensure efficient management of resources people, time and money.

Significance of Organization Structure:

• Organization structure determines the location of decision-making in the organization.

• A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.

• Sound organization structure stimulates creative thinking among organizational members by providing well defined patterns of authority.

• It provides the pattern of communication and coordination.

• Properly designed organization can help improve the teamwork and productivity by providing a framework within which the people can work together most effectively.

• The organization structure helps a member to know what his role is and how it relates to other roles.

3.5 Line and staff authority

Line authority

Line authority flows down the chain of command. For example, line authority gives a production supervisor the right to direct an employee to operate a particular machine and it gives the vice president of finance the right to request a certain report from a department head.

Therefore line authority gives an individual a certain degree of power relating to the performance of an organizational task.

Two important clarifications that should be considered are as follows:

1. Line authority does not ensure effective performance.

2. Line authority is not restricted to the line personnel. The head of a staff department has line authority over his or her employees by virtue of authority relationships between the department head and his or her directly reporting employees.

Advantages:

(a) It is simple to operate and easy to understand.

(b) Line authority facilitates unity of control and the presence of scalar principle.

(c) Line authority enables clear cut definition of authority and responsibility. Each staff is clear about his authority and responsibility.

(d) Line authority facilitates better discipline because of unified control. The subordinates know the person who commands them and they will do their best to satisfy his commands.

(e) This organization is flexible as the executive enjoy freedom within the defined sphere.

Disadvantages:

(a) No specialization in work is possible as line organization does not give emphasis on appointment of specialists.

(b) The top executives are overburdened and as such it becomes difficult to manage the key areas of the operation.

Staff authority

Staff authority is the right to advise or counsel those with line authority. For example, the human resource department employees help other departments by selecting and developing a qualified workforce.

The quality control manager aids a production manager by determining the acceptable quality level of products or services at a manufacturing company, initiating quality programs and carrying out statistical analysis to ensure compliance with quality standards.

Therefore staff authority gives staff personnel the right to offer advice in an effort to improve line operations.

Advantages:

(a) It encourages and facilitates division of labour which results in specialization of activities. As the head of the functional department is entrusted with one kind of work, he becomes a specialist in course of time.

(b) It brings separation of manual and mental function and receives the advantages of proper planning.

(c) Functional techniques are improved through intensive study and research because special attention is given to the departmental work.

(d) It develops operation & team spirit in work. This results in elimination of autocratic management.

(e) It facilitates mass production because in this organization specialization is coupled with standardization.

Disadvantages:

(a) It gives too much emphasis on specialization. Too much specialization is undesirable because it makes organization confused.

(b) This system of organization leads to conflict among the foreman and supervisor for equal status.

(c) In this organization the disciplinary controls are weak as a worker is commanded by more than one person.

3.6 Departmentalization

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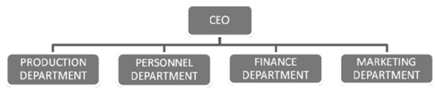
Departmentation is the process of grouping of work activities into departments, divisions and other homogeneous units.

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

Functional Departmentation:



Functional Departmentation

Functional Depart-mentation is the process of grouping activities by functions performed.

Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments. For example human resources, finance, production and marketing.

Functional Depart-mentation can be used in all types of organizations.

Advantages:

• Easy control over functions.

• Pinpointing training needs of manager.

• It is a very simple process of grouping activities.

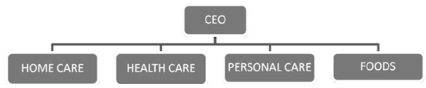
Disadvantages:

• Lack of responsibility for the end result.

• Over specialization or lack of general management.

• It leads to increased conflicts and coordination problems among departments.

b) Product Departmentation



Product departmentation

It is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service thus placing all activities related to the product or the service under one manager.

Each major product area in the corporation is under the authority of a senior manager who is expert in and is responsible for everything related to the product line.

Dabur India Limited, India's largest Ayurvedic medicine manufacturer is an example of a company that uses product depart-mentation. Its structure is based on its varied product lines which include Home care, Health care, Personal care and Foods.

Advantages:

• It ensures better customer service.

• Unprofitable products may be easily determined.

• It assists in development of all around managerial talent.

• Makes control effective.

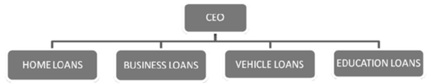
• It is flexible and new product line can be added easily.

Disadvantages:

• It is expensive as duplication of service functions occurs in various product divisions.

• Customers and dealers have to deal with different persons for complaint and information of different products.

c) Customer Departmentation



Customer departmentation

It is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization.

The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO, one of the largest commercial banks of India is an example of a company that uses customer departmentation.

Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans.

Advantages:

• It is focused on customers who are ultimate suppliers of money.

• Offers better service to customer having different needs and tastes.

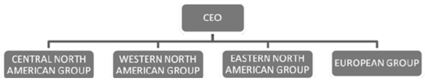
• Development in general managerial skills.

Disadvantages:

• Sales being the exclusive field of its application, co-ordination may appear difficult between sales function and other enterprise functions.

• Specialized sales staff may become idle with the downward movement of sales to any specified group of customers.

d) Geographic Depart-mentation



Geographic depart-mentation

It is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography.

For example, the organization structure of Coca-Cola Ltd. has reflected the company’s operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group.

Advantages:

• Help to cater to the needs of local people more satisfactorily.

• It facilitates effective control.

• Assists in development of all-round managerial skills.

Disadvantages:

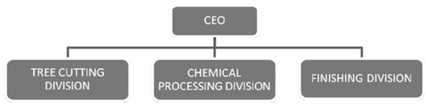
• Communication problem between head office and regional office due to lack of means of communication at some location.

• Coordination between various divisions may become difficult.

• Distance between policy framers and executors.

• It leads to duplication of activities which may cost higher.

e) Process Departmentation



Process departmentation

It is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process depart-mentation allows homogeneous activities to be categorized.

For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing and finishing (which makes newsprint).

Advantages:

• Oriented towards end result.

• Professional identification is maintained.

• Pinpoints product-profit responsibility.

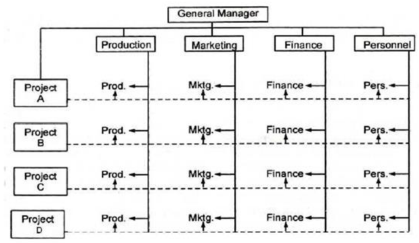
Disadvantage:

• Conflict in organization authority exists.

• Possibility of disunity of command.

• Requires managers effective in human relation.

f) Matrix Departmentation



Matrix departmentation

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

Composite or hybrid method forms the common basis for classifying activities rather than one particular method.

One of the mixed forms of organization is referred to as matrix or grid organization. According to the situations, the patterns of Organizing varies from case to case.

It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations.

For instance, a large hospital could have an accounting department, surgery department, marketing department and a satellite center project team that make up its organizational structure.

Advantages:

• Efficiently manage large, complex tasks.

• Effectively carry out large, complex tasks.

Disadvantages:

• Requires high levels of coordination.

• Conflict between bosses.

• Requires high levels of management skills.

3.7 Delegation of authority

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, manager should delegate authority.

It means division of authority and powers downwards to the subordinate.

Delegation is about assign someone else to do parts of our job. Delegation of authority can be defined as subdivision and sub-allocation of the powers to the subordinates in order to achieve effective results.

Elements of Delegation:

1. Authority: In context of a business organization, the authority can be defined as the power and right of a person to use and allocate resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives.

Authority must be well defined. All people who have the authority should know what is the scope of their authority is and they should not misuse it.

The authority is the right to give commands, orders and get the things done. The top level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility.

Delegating the authority to someone else doesn’t imply escaping from accountability. The accountability still rest with the person having the utmost authority.

Responsibility: It is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him.

If the tasks for which he was held responsible are not completed, then he should not give any explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person.

It flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it.

If he performs the tasks assigned as expected, he is bound for praises. While if he does not accomplish tasks assigned as expected, then also he is answerable for that.

Accountability: It means giving explanations for any variance in the actual performance from the expectations set. Accountability cannot be delegated.

For example, if ’A’ is given a task with sufficient authority and ’A’ delegates this task to B and asks him to ensure that task is done well, the responsibility rests with ’B’, but the accountability still rests with ’A’.

The top level management is the most accountable. Being accountable means being innovative as the person will think beyond his scope of job. The accountability in short means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

Delegation Process:

The steps involved in delegation are given below :

Delegation process

1. Allocation of duties: The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from his subordinates.

The clarity of duty as well as result expected has to be the first step in delegation.

2. Granting of authority: The subdivision of authority takes place when a superior divides and shares his authority with his/her subordinate. It is for this reason every subordinate should be given enough independence to carry the task given to him by his superiors.

Managers at all levels delegate authority and power which is attached to their job positions. Subdivision of powers is very important to get effective results.

3. Assigning of Responsibility and Accountability: The delegation process does not end once the powers are granted to subordinates. They at the same time have to be obligatory towards the duties assigned to them.

Responsibility is said to be a factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, the responsibility is absolute and cannot be shifted.

4. Creation of accountability: The accountability on the other hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed.

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

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

3.8 Centralization and decentralization

Centralization:

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

Characteristics:

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

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

• Organizational change: shaped by top, vision of leader.

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

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

Advantages of Centralization:

• Provide Power and prestige for manager.

• Promote uniformity of policies, practices and decisions.

• Minimal extensive controlling procedures and practices.

• Minimize duplication of function.

Decentralization:

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

Characteristics:

• Philosophy / emphasis on: bottom-up, political, cultural and learning dynamics.

• Decision-making: democratic, participative, detailed.

• Organizational change: emerging from interactions, organizational dynamics.

• Execution: evolutionary, emergent. Flexible to adapt to minor issues and changes.

Three Forms of decentralization are:

• **De-concentration:** It is the weakest form of decentralization. Decision making authority is redistributed to lower or regional levels of the same central organization.

• **Delegation:** The more extensive form of decentralization. Through delegation the responsibility for decision-making are transferred to the semi-autonomous organizations not wholly controlled by the central organization, but ultimately accountable to it.

• **Devolution:** The third type of decentralization is devolution. The authority for decision-making is transferred completely to autonomous organizational units.

Advantages:

• Raise morale and promote interpersonal relationships.

• Relieve from the daily administration.

• Bring decision-making close to action.

• Develop Second-line managers.

• Promote employee's enthusiasm and coordination .

• Facilitate actions by lower-level managers.

Disadvantages:

• Top-level administration may feel it would decrease their status.

• Managers may not permit full and maximum utilization of highly qualified personnel.

• Increased costs. Decentralization requires more managers and large staff.

• It may lead to overlapping and duplication of effort.

Centralization and Decentralization are two opposite ways to transfer decision-making power and to change the organizational structure of organizations accordingly.

There must be a good balance between centralization and decentralization of authority and power. The extreme centralization and decentralization must be avoided.

3.9 Job Design

Job design is the process of work arrangement aimed at reducing or overcoming job dissatisfaction and employee alienation arising from repetitive and mechanistic tasks.

Through this, organizations try to raise productivity levels by offering non-monetary rewards such as greater satisfaction from a sense of personal achievement in meeting the increased challenge and responsibility of one's work.

Approaches to job design are:

Job Enlargement: It changes the job to include more and different tasks. It should add interest to the work but may or may not give employees more responsibility.

Job Rotation: It moves employees from one task to another. It distributes the group tasks among the number of employees.

Job Enrichment: It allows employees to assume more responsibility, accountability and independence when learning new tasks or to allow for greater participation and new opportunities.

3.10 Human Resource Management-HR Planning, Recruitment, Selection, Training and Development, Performance Management, Career planning and management.

Human Resource Management:

The human resources planning are the process that identifies current and future human resources needs for an organization to achieve its goals.

It should serve as a link between human resources management and overall strategic plan of an organization.

Aging worker population in most western countries and growing demands for qualified workers in developing economies have underscored the importance of effective Human Resources Planning.

HR Planning:

The ongoing process of systematic planning to achieve optimum use of an organizations most valuable asset is its human resources.

The objective of human resource (HR) planning is to ensure the best fit between employees and jobs while avoiding the manpower shortages or surpluses.

The three key elements of the HR planning process are forecasting labor demand, analyzing present labor supply and balancing projected labor demand and supply.

Recruitment:

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

Steps involved in recruitment process:

- Identification of vacancy.
- Preparation of job description and job specification.
- Selection of sources.
- Advertising the vacancy.
- Managing the response.

Recruitment is one of the challenging activities of Personnel managers. Recruitment means securing human resources for organization.

The principle purpose of recruitment activities is to attract sufficient and suitable potential employees.

Recruitment is defined as the process of searching for prospective employees and stimulating them to apply for jobs in concern.

Sources of Recruitment:

(a) Internal Recruitment within the organization:

- Promotion
- Transfer

(b) External Recruitment:

When large vacancies are to be filled, external sources of manpower supply are preferred. The principle sources of external recruitment are mentioned below.

- Employment agencies
- Advertisements
- Campus recruitment
- Trade unions
- Intermediaries

Training:

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

Purpose of Training:

1) To improve Productivity: It leads to increased operational productivity and increased company profit.

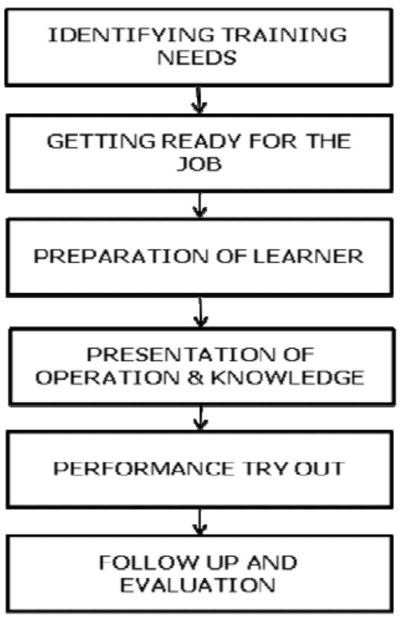
2) To improve Quality: Better trained workers are less likely to make operational mistakes.

3) To improve Organizational Climate: Training leads to improved production and the product quality which enhances financial incentives. This in turn increases the overall morale of the organization.

4) To increase Health and Safety: The proper training prevents industrial accidents.

5) Personal Growth: It gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

Steps in Training Process



Steps in Training Process

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

• Organizational determination and Analysis: The allocation of resources that relate to the organizational goal.

• Operational Analysis: Determination of a specific employee behaviour required for a particular task.

• Man Analysis: Knowledge, attitude and skill one must possess for attainment of organizational objectives.

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

3) Preparation of the learner:

• Putting the learner at ease.

• Stating the importance and ingredients of the job.

• Creating interest.

• Placing the learner as close to his normal working position.

• Familiarizing him with the equipment, materials and trade terms.

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

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

6) Follow-up: This evaluates the effectiveness of the entire training effort.

Training Methods:

It can be broadly classified as on-the-job training and off-the-job training.

a) On-the-job training:

On the job training occurs when workers pick up the skills while working along side experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works.

New workers may simply “shadow” or observe fellow employees to begin with and are often given instruction manuals or interactive training programs to work through.

b) Off-the-job training:

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

The various types of off-the-job training are:

(i) Instructor presentation: The trainer orally presents new information to the trainees generally through lecture. Instructor presentation may include classroom lecture, seminar, workshop and the like.

(ii) Group discussion: The trainer leads the group of trainees in discussing a topic.

(iii) Demonstration: The trainer shows the correct steps for completing a task or shows an example of a correctly completed task.

(iv) Assigned reading: The trainer gives the trainees, the assignments that provide new information.

(v) Exercise: The trainer assigns problems to be solved either on paper or in real situations related to the topic of the training activity.

(vi) Case study: The trainer gives the trainees information about a situation and directs them to come to a decision or solve a problem concerning the situation.

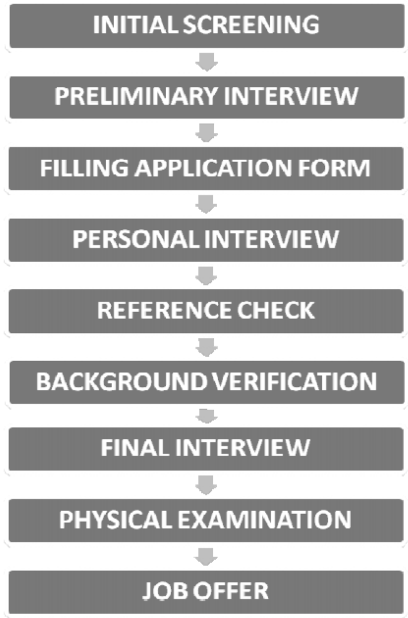
(vii) Role play: Trainees act out a real-life situation in an instructional setting.

(viii) Field visit and study tour: Trainees are given the opportunity to observe and interact with the problem being solved or skill being learned.

Selection Process

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

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



Steps in Selection Process

a) Initial Screening:

This is generally the starting point of any employee selection process. It eliminates unqualified applicants and helps save time.

The applications received from various sources are scrutinized and irrelevant ones are discarded.

b) Preliminary Interview:

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization.

The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews.

The candidates are given a brief up about the company and the job profile and it is also examined how much the candidate knows about the company. Preliminary interviews are also called as screening interviews.

c) Filling Application Form:

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

d) Personal Interview:

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee.

It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some companies, the selection process comprises only of the Interview.

e) References check:

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

f) Background Verification:

It is a review of a persons commercial, criminal and (occasionally) financial records.

Employers often perform background checks on candidates for employment to confirm information given in a job application, verify a persons identity or ensure that the individual does not have a history of criminal activity etc., that could be an issue upon employment.

g) Final Interview:

It is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the employer determine whether or not the applicant is suitable for the job.

Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

h) Physical Examination:

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

i) Job Offer:

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

Career Development:

It is not only improves job performance but also brings about the growth of the personality.

Purpose of development management attempts to improve managerial performance by imparting the following:

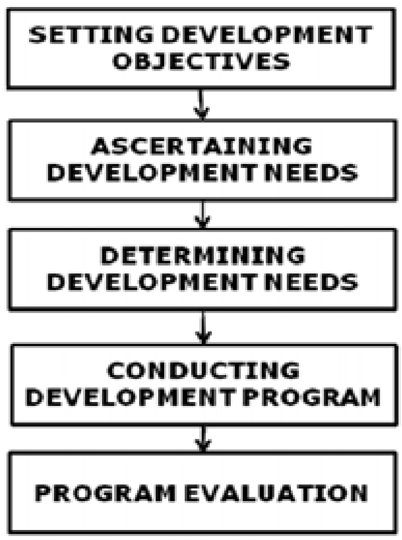
• Knowledge.

• Changing attitudes.

• Increasing skills.

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

Development Process:



Steps in Development Process

The development process consists of the following steps:

1. Setting Development Objectives:

It develops a framework from which executive needs can be determined.

2. Ascertaining Development Needs:

It aims at organizational planning & forecast the present and future growth.

3. Determining Development Needs:

This consists of appraisal of present management talent, management Manpower Inventory .

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

4. Conducting Development Programs:

It is carried out on the basis of needs of different individuals, differences in their attitudes and behavior, also their physical, intellectual and emotional qualities. Thus a comprehensive and well conceived program is prepared depending on the organizational needs and the time & cost involved.

5. Program Evaluation:

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

DIRECTING

Foundations of individual and group behaviour – motivation – motivation theories – motivational techniques – job satisfaction – job enrichment – leadership – types and theories of leadership – communication – process of communication – barrier in communication – effective communication – communication and IT.

4.1 Foundations of individual and group behaviour

Organizational behavior (OB) is concerned specifically with the actions of people at work.

When we look at organizations for instance, we see their formal aspects: strategies, objectives, policies and procedures, structure, technology, formal authority and chains of command.

Organizational behavior focuses on two major area that are individual and group behaviors.

The goals of OB are to explain and predict behavior. The following information will reveal how understanding the attitudes, personalities and learning preferences of employees can help managers to predict and explain the employee productivity, absence , turnover rates and job satisfaction.

4.2 Motivation

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

It may be defined as those forces that cause people to behave in certain ways. It encompasses all those pressures and influences that trigger, channel and sustain human behavior.

Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance.

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

Nature And Characteristics:

Psychologists usually agree that all behavior is motivated and that people have reasons for doing the things they do or for behaving in the manner that they do.

Motivating is the work, a manager performs to inspire, encourage and impel people to take required action.

The characteristics of motivation are given below:

1. Motivation Is An Internal Feeling:

Motivation is a psychological phenomenon which generates in the mind of individual, the feeling that he lacks certain things and needs those things.

Motivation is a force within an individual that drives him to behave in a certain way.

2. Motivation is related to the Needs:

Needs are deficiencies which are created whenever there is a physiological or psychological imbalance. In order to motivate a person, we have to understand his/her needs that calls for satisfaction.

3. Motivation produces Goal-Directed Behaviour:

Goals are anything which will alleviate a need and reduce a drive. An individual's behavior is directed towards a goal.

4. Motivation can be either Positive or Negative:

Positive or incentive motivation is generally based on rewards. Negative or fear motivation is based on force and fear. Fear causes person to act in a certain way because they are afraid of consequences if they don't.

4.3 Motivation theories

Motivation Theories are:

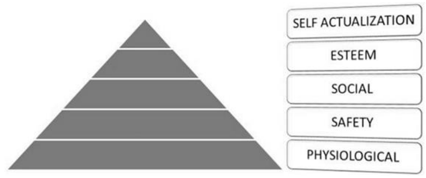
1. Maslow's need hierarchy theory (priority model).

2. Herzberg's two factor theory.

3. McGregor's theory X and Theory Y.

4. MacClelland achievement theory of motivation.

1. Maslow identified the basic human needs are:



Basic human needs

(a) Physiological Needs:

According to this hierarchy, our first need is survival which includes the clothing, food, shelter, water, sleep and air etc. These are called as physiological needs, the need for those things which will keep us alive and functioning physiologically.

(b) Safety Needs:

Security and safety needs are secondary in priority. Everybody needs economic security and physical protection. These needs includes protection against threat, job security, property, insurance, provisions for old age. Management can offer pension, insurance and job security to fulfill their needs.

(c) Social Needs:

Social needs are the needs for the sense of belongingness and acceptance by others. These needs can be fulfilled by effective communication, supervision, good co-workers (peers), superior etc.

(d) Esteem Needs:

Esteem needs are related to the two prolonged desire to have a positive self-image and to have our contribution appreciated by others. They are of two types:

(i)Self-esteem.

(ii)Public esteem.

(e) Self-Actualization Needs:

Maslow regards this as the highest need in this hierarchy. Self-actualisation pertains to the requirements of developing capability and reaching full potential.

2. McGregor's theory X and theory Y:

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

Under the assumptions of theory X:

• Employees inherently do not like work and whenever possible will attempt to avoid it.

• They have to be forced, coerced or threatened with punishment to achieve the goals.

• Employees avoid responsibilities and do not work fill formal directions are issued.

• Most workers place a greater importance on security over all other factors and display little ambition.

In contrast, under the assumptions of theory Y:

• People do exercise self-control and self-direction if they are committed to those goals.

• Physical and mental effort at work is as natural as rest or play.

• The way the things are organized, the average human being's brainpower is only partly used.

• Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.

On the analysis of the assumptions, it can be detected that theory X assumes that lower-order needs dominate individuals and theory Y assumes that higher-order needs dominate individuals.

An organization that is run on theory X lines tends to be authoritarian in nature. The word "authoritarian" suggests such ideas as the "power to enforce obedience" and the "right to command."

In contrast, Theory Y organizations can be described as "participative", where the aims of the organization and of the individuals in it are integrated. Individuals can achieve their own goals best by directing their efforts towards the success of the organization.

3. Stacey Adam's Equity Theory:

As per the equity theory of J. Stacey Adams, people are motivated by their beliefs about the reward structure as being fair or unfair, relative to the inputs. People have a tendency to use subjective judgment to balance the outcomes and inputs in the relationship for comparisons between different individuals.

Accordingly, If people feel that they are not equally rewarded they either reduce the quality or quantity of work or migrate to some other organization. However, if people perceive that they are rewarded higher, they may be motivated to work harder.

4.4 Motivational techniques

Types Of Motivation Techniques

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

a) Positive Motivation:

This type of motivation is generally based on reward. It involves the possibility of increased motive satisfaction.

Incentive motivation is the "pull" mechanism. The receipt of awards due to recognition and praise for work-well done definitely lead to good team spirit, co-operation and a feeling of happiness.

It include:

• Praise and credit for work done.

• Wages and Salaries.

• Appreciation.

• A sincere interest in subordinates as individuals.

• Delegation of authority and responsibility.

b) Negative Motivation:

It is based on force and fear. Fear causes persons to act in a certain way because they fear the consequences.

It involves the possibility of decreased motive satisfaction. It is a "push" mechanism. The imposition of punishment frequently results in frustration among those punished, leading to the development of maladaptive behaviour.

Negative Motivation also creates a hostile state of mind and an unfavourable attitude to the job. Also there is no management which has not used the negative motivation at some time or the other.

4.5 Job satisfaction - Job enrichment

Job satisfaction:

Employee satisfaction (Job satisfaction) is the terminology used to describe whether employees are happy and contented and fulfilling desires and needs at work. Many measures purport that employee satisfaction is a factor in employee motivation, employee goal achievement and positive employee morale in the workplace.

Employee satisfaction generally a positive in an organization, can also be a downer if mediocre employees stay because they are satisfied with the work environment.

Factors contributing to employee satisfaction includes treating employees with respect, providing regular employee recognition, empowering employees, offering above industry average benefits and compensation, providing employee perks and company activities.

Employee satisfaction is often measured by anonymous employee satisfaction surveys administered periodically that gauge employee satisfaction in areas such as:

• Management

• Understanding of mission and vision

• Empowerment

• Teamwork

• Communication

• Coworker interaction

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

The second method used to measure employee satisfaction includes meeting with small groups of employees and asking the same questions verbally.

Depending on the culture of the company, either method can contribute knowledge about employee satisfaction to managers and employees.

Job enrichment:

Job enrichment can be described as a medium through which management can motivate self-driven employees by assigning them additional responsibility normally reserved for higher level employees. By doing this, the employees feel like their work has meaning and is important to the company.

4.6 Leadership - Types and theories of leadership

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Definition:

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

Types and theories of leadership:

The leadership style are given below:

a) Autocratic style

b) Democratic Style

c) Laissez Faire Style

a) Autocratic style:

Manager retains as much power and decision making authority as possible. The manager neither consult employees nor are they allowed to give any input.

Employees are expected to obey orders without receiving any explanations. The motivation environment is produced by creating a structured set of rewards and punishments.

It is a classical leadership style with the following characteristics:

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

• The Manager seeks to have the most authority and control in decision making.

• The Manager seeks to make as many decisions as possible.

• Consultation with other colleagues is reduced and decision making becomes a solitary process.

• Manager seeks to retain responsibility rather than utilizing complete delegation.

Advantages:

1. A more productive group ‘while the leader is watching’.

2. Reduced stress due to increased control.

3. Faster decision making.

4. Improved logistics of operations.

Disadvantages:

1. Manager perceived as having poor leadership skills.

2. Short-term approach to management.

3. Teams become dependent upon their leader.

4. People dislike being ordered around.

5. Increased workload for the manager.

b) Democratic Style:

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

The style has the following characteristics:

• Manager effectively delegate tasks to subordinates and give them full control and responsibility for those tasks.

• Manager seeks consultation on all major issues and decisions.

• Manager encourages others to become leaders and be involved in leadership development.

• Manager welcomes feedback on the results of initiatives and the work environment.

Advantages:

1. Successful initiatives.

2. Positive work environment.

3. Reduced employee turnover.

4. Reduction of friction and office politics.

5. Creative thinking.

Disadvantages:

1. Like the other styles, the democratic style is not always appropriate. It is most successful when used with highly skilled or experienced employees or when implementing operational changes or resolving individual or group problems.

2. Danger of pseudo participation.

3. Takes long time to take decisions.

c) Laissez-Faire Style:

This French phrase means “leave it be” and is used to describe a leader who leaves his/her colleagues to get on with their work.

The style is largely a "hands off" view that tends to minimize the amount of direction and face time required.

Advantages:

• Frustration may force others into leadership roles.

• No work for the leader.

• Empowers the group.

• Allows the visionary worker the opportunity to do what they want, free from interference.

Disadvantages:

• The manager doesn’t understand his/her responsibilities and is hoping the employees can cover for him or her.

• Managers are unable to thank employees for their good work.

• It makes employees feel insecure at the unavailability of a manager. The manager cannot provide regular feedback to let employees know how well they are doing.

The various leadership theories are as follows:

Great Man Theory:

The assumptions are:

• Leaders are born and not made.

• Great leaders will arise when there is a great need.

Description:

The early research on leadership was based on the study of people who were already great leaders.

These people were often from the aristocracy as few from lower classes had the opportunity to lead. This contributed to the notion that leadership had something to do with breeding.

Behavioral Theory:

Assumptions:

• Leaders can be made rather than are born.

• The successful leadership is based in definable, learnable behavior.

Description:

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

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

Trait Theory:

The assumptions are:

• The people are born with inherited traits.

• Some traits are particularly suited to leadership.

• The people who make good leaders have the right (or sufficient) combination of traits.

Description:

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

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

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

• Admitting error: Owning up to mistakes rather than putting energy in covering up.

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

• Intellectual breadth: Able to understand a wide range of areas rather than having a narrow area of expertise.

4.7 Communication- Process of communication

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

Different types:

a) Formal Communication:

It follows the route formally laid down in the organization structure.

There are three directions in which communications flow: downward, upward and laterally (horizontal).

i) Downward Communication:

Downward communication involves, message traveling to one or more receivers at the lower level in the hierarchy. The message frequently involves directions or performance feedback.

The downward flow of communication generally corresponds to the formal organizational communications system which is generally synonymous with the chain of command or the line of authority. This system has received a great deal of attention from both managers and behavioral scientists since it is crucial to organizational functioning.

ii) Upward Communication:

In upward communication, the message is directed towards a higher level in the hierarchy. It is often takes the form of progress reports or information about successes and failures of the individuals or work groups reporting to the receiver of the message. Sometimes employees also send suggestions and complaints upward through the organization's hierarchy.

The upward flow of communication involves two distinct manager-subordinate activities in addition to the feedback. They are as follows:

• The participation by employees in formal organizational decisions.

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

iii) Horizontal Communication

If it takes place among members of the same work group, among members of work groups at the same level, among managers at the same level or among any horizontally equivalent personnel, we call it as lateral communications.

In lateral communication, the sender and the receiver(s) are at same level in the hierarchy. Formal communications that travels laterally involve employees engaged in carrying out the same or related tasks.

The Communication Process

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

The figure below represents the communication process. This model is made up of seven parts:

(1) Source

(2) Encoding

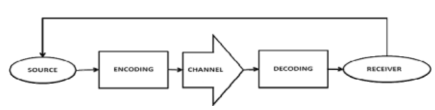
(3) Message

(4) Channel

(5) Decoding

(6) Receiver

(7) Feedback.



Communication process

a) Source:

The source initiates a message. This is the origin of the communication and can be an individual, group or an object.

The effectiveness of the communication depends to a considerable degree on the characteristics of the source.

The person who initiates the communication process is called as sender, source or communicator. In an organization, the sender will be a person who has a need or desire to send a message to others.

The sender has some information which he wants to communicate to some other person to achieve some purpose. By initiating the message, the sender attempts to achieve understanding and change in the behaviour of the receiver.

b) Encoding:

Once the source has decided what message to communicate, the content of the message must be put in a form the receiver can understand. As the background for encoding information, the sender uses his/her own frame of reference.

It includes the individual's view of the organization or situation as a function of personal education, interpersonal relationships, attitudes, knowledge and experience.

Three conditions are necessary for successful encoding of the message that includes the following:

• **Skill:** Successful communication depends on the skill we posses. Without the requisite skills, the message of the communicator will not reach the receiver in the desired form. One's total communicative success includes speaking, reading, listening and reasoning skills.

• **Attitudes:** Our attitudes influence our behaviour. We hold predisposed ideas on a number of topics and our communications are affected by these attitudes.

• **Knowledge:** We cannot communicate what we don't know. The amount of knowledge the source holds about his/her subject will affect the message he/she seeks to transfer.

c) The Message:

The message is the actual physical product from the source encoding. The message contains the thoughts and feelings that the communicator intends to evoke in the receiver.

The message has two primary components:

• **The Content:** The thought or conceptual component of the message is contained in the words, ideas, symbols and concepts chosen to relay the message.

• **The Affect:** The feeling or emotional component of the message is contained in the intensity, force, demean our (conduct or behaviour) and sometimes the gestures of the communicator.

d) The Channel:

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

The channel is the medium through which the message travels. The channel is the observable carrier of the message.

Communication in which the sender's voice is used as channel is called oral communication. When the channel involves written language, the sender is using written communication.

The sender's choice of a channel conveys additional information beyond that contained in the message itself. For example, documenting an employee's poor performance in writing conveys that the manager has taken the problem seriously.

e) Decoding:

Decoding is nothing but interpreting what the message means. The extent to which the decoding by the receiver depends heavily on the individual characteristics of the sender and receiver.

The greater the similarity in the background or status factors of the communicators, the greater is the probability that the message will be perceived accurately. Most messages can be decoded in more than one way.

Receiving and decoding a message are the types of perception. The decoding process is subject to the perception biases.

f) The Receiver:

It is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message. For example, hearing the sound of a supplier's voice over the telephone or seeing the boss give a thumbs-up signal.

Like the sender, the receiver is subject to many influences that can affect the understanding of message.

Most importantly, the receiver will perceive a communication in a manner that is consistent with previous experiences. Communications that are not consistent with expectations is likely to be rejected.

g) Feedback:

The final link in the communication process is a feedback loop. Feedback in effect, is communication traveling in the opposite direction.

If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender to learn whether the original communication was decoded accurately.

Without feedback, one-way communication occurs between managers and their employees. Faced with differences in their power, lack of time and a desire to save face by not passing on negative information, employees may be discouraged from providing the necessary feedback to their managers.

4.8 Barriers in communication

Barriers of effective interpersonal communications

1. Physical barriers: These barriers are environment factors that reduce the sending and receiving of communication. It includes physical distance, distracting noises and other interferences. Difficulty in passing of message mainly increases with increase in physical distance.

2. Personal or Socio-psychological barriers: It arises from motives, attitudes, judgement and emotions. Finally, it leads to psychological distances. It may be caused due to problem in encoding and decoding others sentiments, attitudes and motives.

3. Organizational barriers: Usually information flows through hierarchical structure in an organization. So there may chances of information being filtered.

Example: The information received from the top to bottom may not reach in the same sense.

Sometimes the information may be coloured favourably according to the situations. It is done by intermediate person between top and bottom status which is also a barrier of communication in formal organization.

4. Semantic barriers: Semantic barriers refers to the relationship of signs to their reference. It arises due to limitations of the symbolic system. Symbols may reach a person's brain through any of the senses such as feeling or hearing. Generally, symbols may be classified as language, picture and action.

5. Mechanical barriers: It includes inadequate arrangement like poor office layout, defective procedures and practices.

4.9 Effective communication

Communication is the process by which information is transmitted between individuals or organizations.

Guidelines:

(i) Senders of message must clarify in their minds what they want to communicate. Purpose of the message and making a plan to achieve the intended end must be clarified.

(ii) Encoding and decoding be done with symbols that are well known by the sender and the receiver of message.

(iii) For the planning of communication, other people should be consulted and encouraged to participate.

(iv) It is important to consider the needs of the receivers of the information. Whenever appropriate, one should communicate something that is of value to them, in the short run as well as in the more distant future.

(v) In communication, tone of voice, the choice of language and the congruency between what is said and how it is said, influence the reactions of the receiver's message.

(vi) Communication is complete only when the message is understood by the receiver and one never knows whether communication is understood unless the sender gets a feedback.

(vii) The function of communication is more than transmitting the information. It also deals with emotions that are very important in interpersonal relationships between superiors, subordinates and colleagues in an organization.

(viii) Effective communication is the responsibility not only of the sender but also of the receiver of information.

4.10 Communication and IT

Information and communications technology (ICT) is often used as an extended synonym for the information technology (IT) but is a more specific term that stresses the role of unified communications and the integration of telecommunications (telephone lines and wireless signals), computers as well as necessary enterprise software, middleware, storage and audio-visual systems which enable users to access, store, transmit and manipulate information.

5

CONTROLLING

System and process of controlling – budgetary and non-budgetary control techniques – use of computers and IT in Management control – Productivity problems and management – control and performance – direct and preventive control – reporting.

5.1 System and process of controlling

The process of controlling are expressed as follows,

Control process

a) The Establishment of Standards:

As plans are the yardsticks against which controls must be revised, it follows logically that the first step in control process would be to accomplish the plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations.

Examples for the standards:

• **Profitability standards:** In common, these standards indicate how much the company would like to make profit over a given time period. i.e., its return on investment.

• **Market position standards:** These standards indicate the share of total sales in a particular market that the company would like to have relative to its competitors.

• **Productivity standards:** How much that various segments of the organization should produce is the focus of these standards.

• **Product leadership standards:** These are indicate what must be done to attain such a position.

• **Employee attitude standards:** These standards are indicate what types of attitudes the company managers should strive to indicate in the company's employees.

• **Social responsibility standards:** Includes making contribution to the society.

b) Measurement of Performance:

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions.

The degree of difficulty in measuring various types of organizational performance, of course is determined primarily by the activity being measured.

For example, it is far more difficult to measure the performance of the highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

c) Comparing Measured Performance to Stated Standards:

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard.

A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individual working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

d) Taking Corrective Actions:

After actual performance has been measured, compared with established performance standards, the next step in the controlling process is to take corrective action if necessary.

It is managerial activity aimed at bringing organizational performance upto the level of performance standards. In other words, it focuses on correcting organizational mistakes that hinder organizational performance.

Before taking any corrective action, however managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable. At first glance, it seems a fairly simple proposition that managers should take corrective action to eliminate problems, the factors within an organization that are barriers to organizational goal attainment. In practice, also it is often difficult to pinpoint the problem causing some undesirable organization effect.

Barriers for controlling :

There are many barriers:

• Its can create an undesirable overemphasis on short-term production as opposed to long- term production.

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

• It can encourage the falsification of reports.

• It can cause the perspectives of organization members to be too narrow for the good of the organization.

• It can be perceived as the goals of the control process rather than the means by which corrective action is taken.

Requirements for effective control :

The requirements for effective control are

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

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

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

d) It should be objective. This is because when controls are subjective, a manager‘s personality may influence judgments of performance inaccuracy. Objective standards can be quantitative such as costs or man hours per unit or date of job completion. They can also be qualitative in the case of training programs that have specific characteristics or are designed to accomplish a specific kind of upgrading of the quality of personnel.

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

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

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

5.2 Budgetary and Non- budgetary control techniques

Budgetary Control Techniques

The various types of budget are as follows:

i) Revenue and Expense Budget:

The most common budgets spell out plan for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast.

The revenue from sales of products or services furnishes the income to pay operating expenses and yield profits.

Expense budget may deal with individual items of expense such as travel, data processing, entertainment, advertising, telephone and insurance.

ii) Time, Space, Material and Product Budget:

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated and units produced.

The rupee cost would not accurately measure the resources used or the results intended.

iii) Capital Expenditure Budget:

Capital expenditure budget outline specifically capital expenditures for plant, machinery, equipment, inventories and other items. These budget require care because they give definite form to plan for spending the funds of an enterprise.

Hence a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should generally be tied in with fairly long-range planning.

iv) Cash Budget:

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured.

v) Variable Budget:

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

Some costs do not vary with volume, particularly in short period such as 1 month, 6 months or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, costs of keeping a minimum staff of supervisory and other key personnel.

Costs that vary with volume of output, range from those that are completely variable to those that are only slightly variable.

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

vi) Zero Based Budget:

The idea behind Zero Based Budget is to divide enterprise programs into "packages" composed of goals, activities and needed resources and then to calculate costs for each package .

By starting the budget of each package from base zero, budgeters calculate costs a fresh for each budget period, thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

Advantages of advantages of budgetary control:

There are a number of advantages. They are:

• Compels management to think about the future which is probably the most important feature of a budgetary planning and control system.

• Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and each manager to anticipate and give the organization purpose and direction.

• Promotes coordination and communication.

• It clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.

• It provides a basis for performance appraisal. A budget is usually a yardstick against which actual performance is measured and assessed.

• The control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into the controllable and the non-controllable factors.

• Enables remedial action to be taken as variances emerge.

• It motivates the employees by participating in the setting of budgets.

• Improves the allocation of scarce resources.

• While budgets may be an essential part of any marketing activity, they do have a number of disadvantages particularly in perception terms.

• The budgets can be seen as pressure devices imposed by management, thus resulting in:

a) Bad labour relations.

b) Inaccurate record-keeping.

• The departmental conflict arises due to:

a) Disputes over resource allocation

b) Departments blaming each other if targets are not attained.

• It is difficult to reconcile personal/individual and corporate goals.

• Responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs.

• The managers may overestimate costs so that they will not be blamed in the future that they overspend.

Non-Budgetary Control Techniques

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

Among the most important of these are: statistical data, special reports and analysis, analysis of break- even points, the operational audit and the personal observation.

i) Statistical data:

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

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

ii) Break- even point analysis:

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

iii) Operational audit:

Another effective tool of managerial control is the internal audit or as it is now coming to be called the operational audit.

Operational auditing, in its broadest sense is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial and other operations of a business.

iv) Personal observation:

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

v) PERT:

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

vi) GANTT CHART:

it is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project.

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

5.3 Use of computers and IT in Management control

Using computers can restrict employee access to business or financial information in management information systems.

Most of the computers or software applications requires user names and passwords to access the data. This is preventing the individuals from filtering or altering information prior to review by owners and managers.

5.4 Productivity problems and management

Productivity

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

a) Physical Productivity:

This is the ratio of the amount of product to the resources consumed (usually effort). Product may be measured in lines of code, classes, screens or any other unit of product.

Effort is measured in terms of staff hours, days or months. The physical size also may be used to estimate software performance factors (e.g., memory utilization as a function of lines of code).

b) Functional Productivity:

This is a ratio of the amount of the functionality delivered to the resources consumed usually effort. Functionality may be measured in terms of use cases, requirements, features or function points. Typically, effort is measured in terms of staff hours, days or months.

Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

c) Economic Productivity:

This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization.

It usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity.

Although, understanding economic productivity is essential in making good decisions about outsourcing and subcontracting.

The basic calculation of economic productivity is as follows:

Economic Productivity = Value/Cost.

Problems In Measurement Of Productivity Of Knowledge Workers:

Productivity implies measurement which in turn, is an essential step in the control process. Although there is a general agreement about the need for improving productivity, there is little consensus about the fundamental causes of the problem and what to do about them.

The blame has been assigned to various factors. Some people place it on the greater proportion of less skilled workers with respect to the total labor force but others disagree. There are those who see cutback in research and the emphasis on the immediate results as the main culprit.

Another reason given for the productivity problem is the growing affluence of people which makes them less ambitious. Still others cite the breakdown in family structure, the worker's attitudes and government policies and regulations.

Another dilemma is that the measurement of skills work is relatively easy but it becomes more and more difficult for knowledge work. The difference between two kinds is the relative use of knowledge and skills.

5.5 Control and performance- Direct and preventive control

Direct Control: A control that is directly imposed upon the manufacturing, pricing and distribution of specific goods in contrast with an indirect or general control (such as a credit and fiscal policy) that affects the economy and specific goods indirectly.

Preventive Control: Preventive controls are intended to prevent an incident from occurring, e.g. by locking out unauthorized intruders. During the event, detective controls are intended to identify and characterize an incident in progress, e.g. by sounding the intruder alarm and alerting the security guards or police.

5.6 Reporting

It is a document that presents information in an organized format for a specific audience and purpose. Although summaries of reports may be delivered orally, complete reports are almost always in the form of written documents.

Types of reports include memos, minutes, lab reports, book reports, progress reports, justification reports, compliance reports, annual reports and policies and procedures.