FM UNIT-WISE QUESTIONS FOR SEMESTER END EXAM

INTRODUCTION TO MANAGEMENT

A business develops in course of time with complexities. With increasing complexities managing the business has become a difficult task. The need of existence of management has increased tremendously. Management is essential not only for business concerns but also for banks, schools, colleges, hospitals, hotels, religious bodies, charitable trusts etc. Every business unit has some objectives of its own. These objectives can be achieved with the coordinated efforts of several personnel. The work of a number of persons are properly coordinated to achieve the objectives through the process of management is not a matter of pressing a button, pulling a lever, issuing orders, scanning profit and loss statements, promulgating rules and regulations. " Peter F. Drucker has stated in his famous book "The Practice of Management" that, "the emergence of management as an essential, a distinct and leading social institution is a pivotal event in social history.

Management is a vital aspect of the economic life of man, which is an organized group activity. It is considered as the indispensable institution in the modern social organization marked by scientific thought and technological innovations. One or the other form of management is essential wherever human efforts are to be undertaken collectively to satisfy wants through some productive activity, occupation or profession. It is management that regulates man's productive activities through coordinated use of material resources. Without the leadership provided by management, the resources of production remain resources and never become production. Management is the integrating force in all organized activity. Whenever two or more people work together to attain a common objective, they have to coordinate their activities. They also have to organize and utilize their resources in such a way as to optimize the results. Not only in business enterprises where costs and revenues can be ascertained accurately and objectively but also in service organizations such as government, hospitals, schools, clubs, etc., scarce resources including men, machines, materials and money have to be integrated in a productive relationship, and utilized efficiently towards the achievement of their gals. Thus, management is not unique to business organizations but common to all kinds of social organizations. Management has achieved an enviable importance in recent times.

DEFINITIONS OF MANAGEMENT

Henry Fayol, "To mange is to forecast and plan, to organize, to compound, to co-ordinate and to control."

Harold Koontz says, "Management is the art of getting things done through and within formally organized group."

Peter F. Drucker defines, "management is an organ; organs can be described and defined only through their functions".

Terry, "Management is not people; it is an activity like walking, reading, swimming or running. People who perform Management can be designated as members, members of Management or executive leaders."

Ralph C. Davis has defined Management as, "Management is the function of executive leadership anywhere."

NATURE OF MANAGEMENT
OR
FEATURES OF MANAGEMENT

1) **Management is a social process:-** Social process refers to the series of activities that are performed in the society. These activities are carried out by administrators, politicians, economists, house wives, businessmen and so on. Management helps everyone to carry out the activities in the society effectively.

2) **Body of people:-** Management also denotes a ‘body of people’ involved in decision-making.

3) **Management is omnipresent**:- Management principles are applied to every kind of organization and also to every level in it.

4) **It is an inexact science**:- Management principles are not like those in sciences or maths where things are fairly clear or exact. Management deals with people ad it is difficult to predict their behavior accurately. It falls in area of social science. Its principles are situation bound, so their applicability does not give same result every time.

5) **It is complex**:- Management functions call for a fairly professional approach to manage a given situation. Businesses are operating in complex environments.

6) **Management is situational in nature:-** The same style of management cannot work for the same situation every time.

7) **Management is an art and also a science**:- An art is personal skill. The management skills are highly individual oriented and can be sharpened with more training and practice. It is a systematic body of knowledge, its principles are universally acceptable. Science establishes cause and effect relationship between variables. It also establishes cause-and-effect relationship between the given factors. It explains what happens if the employees are not paid salaries on time.

8) **Management is a profession**:- Profession refers to vocation or a branch of advanced learning such as engineering or medicine. Managers are professional in their approach.

9) **Management is inter-disciplinary**:- The subject of management is heavily dependent on other disciplines such as economics, operations research, statistics, sociology, Psychology and mathematics etc.

10) **Manager has 4 types of resources**:- The 4 M's Men, Money, Materials and Machines to manage.

SCOPE OF MANAGEMENT

Management is an all pervasive function since it is required in all types of organized Endeavour, Thus, its scope is very large. The following activities are covered under the scope of management:

1. Production Management:

Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management, then, is that branch of management 'which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.'

Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. Marketing Management:

Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives. Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.

3. Financial Management:

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:

a. Estimation of capital requirements.
b. Ensuring a fair return to investors.
c. Determining the suitable sources of funds.
d. Laying down the optimum and suitable capital.

4. Personnel Management:

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

Functions of personnel management include:

a) Personnel planning.
b) Organizing by setting up the structure of relationship among jobs, personnel.

c) Directing and controlling the employees
d) Procurement of right kind and number of persons
e) Training and development of employees
f) Determination of adequate and equitable compensation of employees
g) Integration of the interests of the personnel with that of the enterprise
h) Providing good working conditions and welfare services to the employees.

5. Office Management:

The concept of management when applied to office is called ‘office management’. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments. The success of a business depends upon the efficiency of its administration. The efficiency of the administration depends upon the information supplied to it by the office.

Harry H. Wylie defines office management as “the manipulation and control of men, methods, machines and material to achieve the best possible results—results of the highest possible quality with the expenditure of least possible effect and expense, in the shortest practicable time, and in a manner acceptable to the top management.”

FUNCTIONS OF MANAGEMENT

According to Henry Fayol, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas Luther Gullick has given a keyword ’**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

1) **Planning**: Planning is the conscious determination of future course of action. This involves why an action, what action, how to take action, and when to take action. Thus, planning includes determination of specific objectives, determining projects and programs, setting policies and strategies, setting rules and procedures and preparing budgets. Planning involves

essentially four stages: 1. Identifying the goal to be achieved 2. Exploring the courses of action available to reach this goal 3. Evaluating each course of action 4. Selecting the best course of action for implementation.

2) **Organizing**: Organizing is the process of dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into departments and sections, assigning duties to individual positions, and delegating authority to each positions so that the work is carried out as planned. It is viewed as a bridge connecting the conceptual idea developed in creating and planning to the specific means for accomplishment these ideas.

3) **Staffing**: Ascertain how many positions are there in the organization and at what level. Once this information is available, the next task is to collect details such as what type of candidates are required for each level and accordingly fill these positions with right people. Staffing is process which includes recruitment, selection, training, placement, appraisal, promotion and career planning.

4) **Directing**: when people are available in the organization, they must know what they are expected to do in the organization. Superior managers fulfill this requirement by communicating to subordinates about their expected behavior. Once subordinates are oriented, the superiors have continuous responsibility of guiding and leading them for better work performance and motivating them to work with zeal and enthusiasm. Thus, directing includes communicating, motivating and leading. Organizing as a process involves: a) Identification of activities. b) Classification of grouping of activities. c) Assignment of duties. d) Delegation of authority and creation of responsibility. e) Coordinating authority and responsibility relationships.

5) **Controlling**: Controlling involves identification of actual results, comparison of actual results with expected results as set by planning process, identification of deviations between the two, if any, and taking of corrective action so that actual results match with expected results.

6) **Reporting:** The Managers are the coordinators and leaders of the organization. And the coordinators hold the responsibility of reporting status and position of the organization before the interested groups of people, such as shareholders, stakeholders, Top Management, Administrators, Board of Directors, Employees, Trade unions, Customers, Financiers and so forth. So, the management informs and inspires the relevant groups about their objectives, status and reputation.

7) **Budgeting:** A budget is a financial plan for a defined period of time, usually a year. It may also include planned sales volume and revenues, resource quantities, costs and expenses, assets, liabilities and cash flows. Budgeting is a process of preparing estimates of future sales, expenses, revenues, cash flows, etc. Some authors say the budgeting is include in planning function, but Luther Gullick considered this as a separate function.

MANAGERIAL ROLES

Like we perform different roles in our family (such as father, son, brother, mother, sister, daughter and so on), the manager also performs several roles though officially they are given one job title (such as trainer, monitor, leader, counselor, mentor, coach, advisor, controller etc.). Dr. Henry Mintzberg has explained ten roles of manager in his report "Managerial work: Analysis From Observation".

1. Interpersonal Roles

a) **Figurehead**: Manager as a figurehead, performs all symbolic legal and social duties and discharges all social, legal and ceremonial obligations. He inspires the employees and shareholders with vision, mission and action plans. He plans, organizes and controls the business.
b) **Leader :** As a leader, every manager must motivate and encourage his employees. He must also try to reconcile their individual needs with the goals of the organization.
c) **Liaison :** He forms relationship with outside the department or organization to obtain information useful for his organization.

2. Informational Roles

a) **Monitor :** As a monitor, the manager has to perpetually scan his environment for information, interrogate his liaison contacts and his subordinates, and receive unsolicited information, much of it as result of the network of personal contacts he has developed.
b) **Disseminator:** In the role of a disseminator, the manager passes some of his privileged information directly to his subordinates who would otherwise have no access to it.
c) **Spokesman :** In this role, the manager informs and satisfies various groups and people who influence his organization. Thus, he advises shareholders about financial performance, assures consumer groups that the organization is fulfilling its social responsibilities and satisfies government that the origination is abiding by the law.

3. Decisional Roles

a) **Entrepreneur :** In this role, the manager constantly looks up for new ideas and seeks to improve his unit by adapting it to changing conditions in the environment.
b) **Disturbance Handler (Trouble Shooter) :** In this role, the manager has to work like a fire fighter. He must seek solutions of various unanticipated problems – a strike may loom large a major customer may go bankrupt; a supplier may renege on his contract, and so on.
c) **Resource Allocator :** In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.
d) **Negotiator :** The manager has to spend considerable time in negotiations. Thus, the chairman of a company may negotiate with the union leaders a new strike issue, the foreman may negotiate with the workers a grievance problem, and so on. In addition, managers in any organization work with each other to establish the organization's long-range goals and to plan how to achieve them. They also work together to provide one another with the accurate information needed to perform tasks. Thus, managers act as channels of communication with the organization.

LEVELS OF MANAGEMENT

An enterprise may have different levels of management. Levels of management refer to a line of demarcation between various managerial positions in an enterprise. The levels of management depend upon its size, technical facilities, and the range of production. The real significance of levels is that they explain authority relationships in an organization. Considering the hierarchy of authority and responsibility, one can identify three levels of management namely:

1. Top level management: Top level management of a company consists of owners/shareholders, Board of Directors, its Chairman, Managing Director, or the Chief Executive, or the General Manager or Executive Committee having key officers.

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

a) To establish the objectives or goals of the enterprise.
b) To make policies and frame plans to attain the objectives laid.
c) To set up an organizational frame work to conduct the operations as per plans.
d) To assemble the resources of money, men, materials, machines and methods to put the plans into action.
e) To exercise effective control of the operations.
f) To provide overall leadership to the enterprise.

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

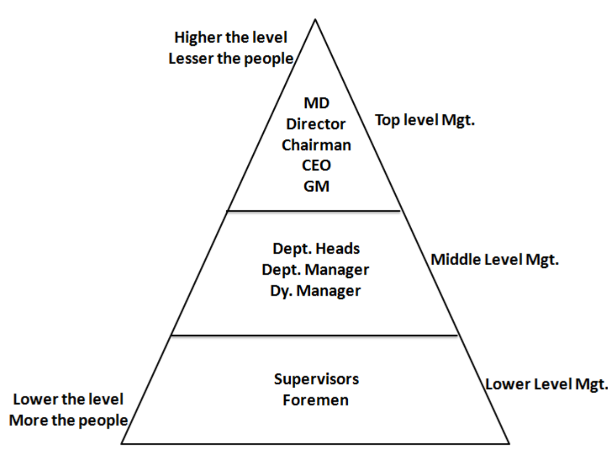
The job of middle management is to implement the policies and plans framed by the top management. It serves as an essential link between the top management and the lower level or operative management. They are responsible to the top management for the functioning of their departments. They devote more time on the organization and motivation functions of management. Without them the top management's plans and ambitious expectations will not be fruitfully realized. The following are the main functions of middle management:

a) To interpret the policies chalked out by top management.

b) To prepare the organizational set up in their own departments.
c) To recruit and select suitable operative and supervisory staff.
d) To assign activities, duties and responsibilities for timely implementation of the plans.
e) To compile all the instructions and issue them to supervisor under their control.
f) To motivate personnel to attain higher productivity and to reward them properly.
g) To cooperate with the other departments for ensuring a smooth functioning of the entire organization.
h) To collect reports and information on performance in their departments.
i) To report to top management
j) To make suitable recommendations to the top management for the better execution of plans and policies.

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

They interpret and divide the plans of the management into short-range operating plans. They are also involved in the process of decisions-making. They have to get the work done through the workers. They allot various jobs to the workers, evaluate their performance and report to the middle level management. They are more concerned with direction and control functions of management. They devote more time in the supervision of the workers.



MANAGERIAL SKILLS

A skill is an individual's ability to translate knowledge into action. Hence, it is manifested in an individual's performance. Skill is not necessarily inborn. It can be developed through practice and through relating learning to one's own personal experience and background. In order to be able to successfully discharge his roles, a manager should possess three major skills. These are conceptual skill, human relations skill and technical skill.

1. Conceptual skill: The Conceptual Skill which deals with ideas refers to the ability of a manager to take a broad and farsighted view of the organization and its future, his ability to think in abstract, his ability to analyze the forces working in a situation, his creative and innovative ability and his ability to assess the environment and the changes taking place in it. In short, it is his ability to conceptualize the environment, the organization, and his own job, so that he can set appropriate goals for his organization, for himself and for his team. This skill seems to increase in importance as manager moves up to higher positions of responsibility in the organization.

2. Technical Skill: The technical skill which deals with things is the manager's understanding of the nature of job that people under him have to perform. It refers to a person's knowledge and proficiency in any type of process or technique. In a production department this would mean an understanding of the technicalities of the process of production. Whereas this type of skill and competence seems to be more important at the lower levels of management, its relative importance as a part of the managerial role diminishes as the manager moves to higher positions.

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

Top Management → Conceptual Skills

Middle Management → Human Relations Skills

Low Management → Technical Skills

CHALLENGES OF MANAGEMENT

In the present scenario it is difficult for the organizations to survive. The challenges and the competition bring organizations more opportunities.

1. Economic Pressure: During difficult economic times, effective management is often at a premium. Anybody can run a company when business is booming. The difference between a bad management and a good management reflects the difference between making a lot of money and making a lot more money. In tough times the difference between a good and a bad management can be the difference between profit or loss or ultimately between survival and failure.

2. Globalization: Globalization refers to the free movement of goods, services and people across the world. Today we are living in a global village. We are now not just national citizens but we have become a global citizen. Globalization in its literal sense is the process or transformation of local or regional phenomena into global ones. Globalization is often used to refer to economic globalization, that is, integration of national economies into the international economy through trade, foreign direct investment, capital flows, migration, and the spread of technology.

Globalization makes it possible for companies to find economies with cheaper costs and buy component parts at a reduced price. Companies can benefit through outsourcing and off-shoring. It also means firms would have a global reach thus increasing the potential customers.

3. Change: Businesses should embrace change. Change is important for any organization because, without change, businesses would likely lose their competitive edge and fail to meet the needs of what most hope to be a growing base of loyal customers. Today the organizations have to adapt themselves to the changing business environment. If the organization continues with its old business methods and do not adopt the new strategies then it is likely that the business might come to an end. Change can be in view of technology, culture, growth opportunities etc.

4. Innovation: Innovation refers to the process of translating an idea into a good or service tha creates value for which customer pay money. Innovation differs from invention in that innovation refers to the use of a better and, as a result, novel idea or method, whereas invention refers more directly to the creation of the idea or method itself. Organizations are finding innovative ways of making their existence in the world, be it the advertisement of their product, their services, their social message etc.

5. Customer Service: Organizations can't exist without customers. Meeting the required needs and demands of the customers has become a challenge for the organization. In the Internet era, a challenge has been to maintain and/or enhance the personal experience while making use of the efficiencies of online commerce. Many organizations are trying to target their customers through web portals and allowing them a convenient approach to their services at their homes only.

6. Employee Satisfaction: Employee satisfaction is a measure of how happy workers are with their job and working environment. Keeping morale high among workers can be of tremendous benefit to any company, as happy workers will be more likely to produce more, take fewer days off, and stay loyal to the company. Companies are trying new management techniques to keep their employees satisfied in order to derive maximum productivity from them. Keeping employees motivated, help improving their skills, providing assistance in case of crisis, are some of the practices followed by the organizations.

7. Organization Ethics: Simply speaking, ethics means being good and doing good. Organizational Ethics is the ethics of an organization, and it is how an organization ethically responds to an internal or external stimulus. Behaving ethically in business is widely regarded as good business practice.

8. Social Responsibility: Social responsibility includes accountability, transparency, ethical behavior, respect to stakeholders interest, respect for human rights and respect to law. Social responsibility is a duty of every individual or organization which has to perform so as to maintain a balance between the economy and the ecosystem. Businesses can use decision making to secure their businesses by making decisions that allow for government agencies to minimize their involvement with the corporation.

9. Pressure from World Organizations: Many world organizations such as WTO, GATT, IMP, World Bank etc. has a great influence on the working of the multinational organizations as well as on national organizations. The organizations have to follow the rules, principles and various articles laid down by these World organizations.

EVOLUTION OF MANAGEMENT

The origin of management can be traced back to the days when man started living in groups. History reveals that strong men organized the masses into groups according to their intelligence, physical and mental capabilities. Evidence of the use of the well recognized principles of management is to be found in the organization of public life in ancient Greece, the organization of the Roman Catholic Church and the organization of military forces. Thus management in some form or the other has been practiced in the various parts of the world since the dawn of civilization. With the onset of Industrial Revolution, however, the position underwent a radical change. The structure of industry became extremely complex. At this stage, the development of a formal theory of management became absolutely necessary. It was against this background that the pioneers of modern management thought laid the foundations of modern management theory and practice.

The classical development of management thoughts can be divided into- the scientific management, the administration/organizational management, the behavioral management and the quantitative management. The first two (scientific management school and organizational) emerged in late 1800s and early 1900s were based on the management belief that people were rational, economic creatures choose a course of action that provide the greatest economic gain. These schools of management thoughts are explained as below:

1. The Scientific Management:

F.W.Taylor (1856-1915): Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasis the need for adopting a scientific approach to the task of managing an enterprise. He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management. He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of (a) Observation (b) Measurement (c) Experimentation and (d) Inference.

Characteristics of Scientific Management

i. Science, not a rule of thumb

ii. Harmony between management and workers
iii. Monitor workers performance
iv. Wages are paid according to piece rate
v. Division of work

Elements of Scientific Management:

The techniques which Taylor regarded as its essential elements or features may be classified as under:

1.**Work Study:** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. Work study includes.

a) **Methods Study:** It is the systematic investigation of the existing method of doing a job. The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.
b) **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions. It means examining the necessary time to perform a job.
c) **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both time study and motion study help in determining the best method of doing a job and the standard time allowed for it.
d) **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.
e) **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

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

3. **Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

4. **Standardization:** Standardization may be introduced in respect of the following.

a) **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.

b) **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.

c) **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.

d) **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The `functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

a) **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.

b) **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.

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

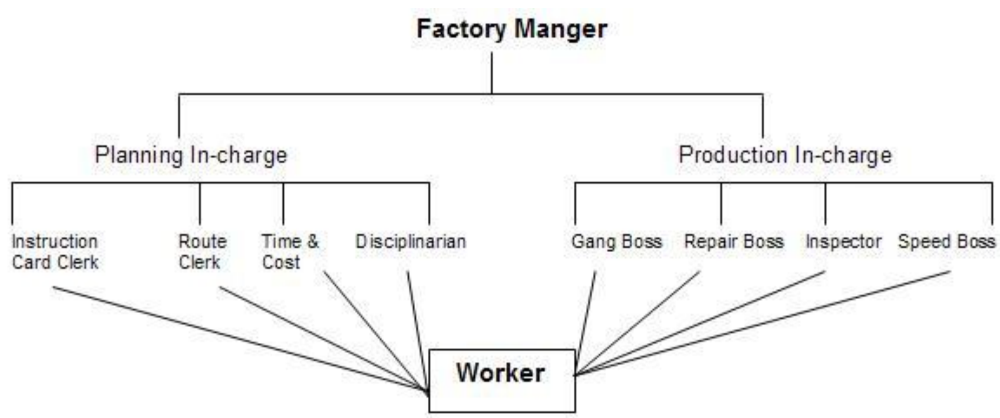
d) **The Shop Disciplinarian**: To deal with cases of breach of discipline and absenteeism.

e) **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.

f) **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.

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

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



6. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Criticism on Scientific Management

a) **Speeding up of workers:** Scientific Management is only a device to speed up the workers without much regard for their health and well-being.

b) **Loss of individual worker's initiative:** Scientific Management reduces workers to automatic machine by taking away from them the function of thinking.

c) **Problem of monotony:** By separating the function of planning and thinking from that of doing, Scientific Management reduces work to mere routine.

d) **Reduction of Employment:** Scientific Management creates unemployment and hits the workers hard.

e) **Weakening of Trade Unions:** Under Scientific Management, the important issues of wages and working conditions are decided by the management through scientific investigation and the trade unions may have little say in the matter.

f) **Exploitation of workers:** Scientific Management improves productivity through the agency of workers and yet they are given a very small share of the benefit of such improvement.

g) **Heavy Investment:** It requires too heavy an investment. The employer has to meet the extra cost of the planning department though the foreman in this department do not work in the workshop and directly contribute towards higher production.

h) **Loss due to re-organization:** The introduction of Scientific Management requires a virtual reorganization of the whole set-up of the industrial unit. Work may have to be suspended to complete such re-organization.

i) **Unsuitable for small scale firms:** various measures like the establishment of a separate personnel department and the conducting of time and motion studies are too expensive for a small or modest size industrial unit.

Advantages of Scientific Management

1. Scientific management improved working methods and brought enormous increase in productivity.
2. Piece rate wage system was introduced and incentive systems were evolved.
3. It laid down foundation for work study and other related techniques.
4. Scientific selection and training of employees leads to better workforce which ensures increase in efficiency.
5. Harmonious relationship between the workers and the management.
6. Opportunity for scientific training and development to increase skills knowledge and competency.

7. Application of scientific methods and techniques in better working conditions to reduce fatigue.
8. Higher wages to the workers for higher productivity.

Disadvantages of Scientific Management

1. It is based upon one best way and is applicable for simple organizations than that for today's dynamic and complex organization.
2. It focuses on individual performance than group efforts and divides the workers into efficient and inefficient categories.
3. It is focused on specialization and repetition of jobs to increase the productivity which reduces innovation and creativity and promotes monotony.
4. It neglects human factor because it motivates workers to work for monetary benefits rather than human resource development and resources.

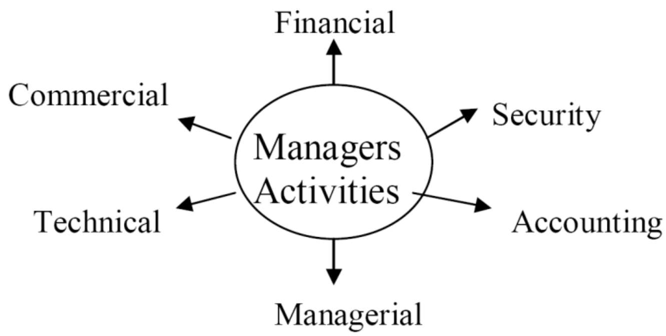
   There is no scope for creativity of employees because they are developed by manager which promotes frustration.

2. **The Administrative Management:**

   Henry Fayol is generally regarded as the founder of administrative management and he provided the bases for art of management. Fayol found that industrial activities could be divided into six groups as shown in figure.

   1. Technical (Production)
   2. Commercial (buying, Selling and exchanging).
   3. Financial (Search for, and optimum use of capital).
   4. Security (Protection of property and persons).
   5. Accounting (including Statistics).
   6. Managerial (Planning, organization, command, contribution and control).

   Henri Fayol pointed out that these activities exist in every size of business.



Also, Fayol identified 14 principles of managemnet. They are:

Principles of Management (DAD U SEE USSR ?. O I SEE…)

1. **Division of Work**: According to this principle, work should be divided into small tasks and each task is performed by a person who is specialist in that area. This will save the time and energy needed to complete a task and also increase the speed, accuracy and efficiency of work. According to Fayol, this principle is applicable to both technical and managerial work.
2. **Authority and Responsibility:** Authority is the power or right to give orders. Fayol proposed that for every authority there should be a corresponding responsibility. Then only, a person can work effectively and get efficient results. In the same way, if a person is given a responsibility without an adequate authority, he will not be effective in getting the required results.
3. **Discipline**: A good discipline is required at all levels for he smooth functioning of an organization. It includes respect of authority, obedience, proper conduct, fair clear rules and regulations careful use of penalties. According to Fayol, a good supervision at all levels helps to maintain discipline in an organization.
4. **Unity of Command**: Unity of Command employs that there should only one boss for an employee i.e., an employee should be answerable to only one superior and receive orders only from him. This helps to avoid confusion regarding what task is to be done, when it is to be done how it is to be done.
5. **Centralization**: It means the extent to which authority should be concentrated in the hands of top level management. It may be centralized or decentralized. There are limitations of complete centralization & complete decentralization. Therefore, there should be proper balance between this two.

6. **Unity of Direction**: This principle says that there should be one head and one plan. All similar activities should be grouped together, be supervised by one and have one plan of action. The efforts of all the members of a group must be directed towards the achievement of common goals.
7. **Subordination**: In an organization individual interest should not be given any importance. The manager should always keep organizational interest before him & should determine such policies which will be beneficial to entire group & not just few personnel. It is responsibility to management to create common understanding between all. Individual interest is subordinated to organizational interest.
8. **Scalar Chain**: Under this principle, Fayol emphasized on having a formal chain of command and communication from the top level management to lower level. The chain should be strictly followed by all managers and subordinators except in situations of emergency. Such emergency is referred to by Fayol as Gang Plank. Under Gang Plank , Same level managers can talk to each other without following the regular chain of sequences for any decision making in order to avoid any delay in communication . It shows the straight line of authority from highest level to lower level for communication.
9. **Remuneration**: According to this principle, employees should be fairly compensated for their efforts in achieving organizational objectives. The remuneration should be just and equitable for both the employees and employer, it should be determined based on the work allocated, cost of living, market wage rate for similar work and financial position of an organisation.
10. **Order**: This principle stresses on the orderliness of everything and everyone. This means that every one working in an organization should be allocated a particular place of work and he should be at that place during working hours. It means keeping the right man or right thing at the right time in the right place.
11. **Initiative**: Fayol suggested that employees should be allowed to take initiative in work related matters without being undisciplined.
12. **Stability of Tenure of Personnel**: Retaining productive employees should always be a high priority of management. This indicates avoiding frequent transfers of the employees much before they settle in their jobs.

13. **Equity**: According to this principle, everyone in an organization should be equal in the eyes of management. The managers should neither favour any subordinate nor neglect them; they should give them a fair treatment without discriminating on the basis of gender, religion, nationality and language. This will make employees more devoted to work.
14. **Esprit De Corps (Unity is strength)**: This is a French term. It means manager is like a captain of a team who is responsible to maintain high moral in all workers. It may be possible by effective communication among all persons in organization. His understanding & differences in opinions should not be harmful. The best way of taking such situation is to establish dialogue between parties. Participation of workers in the process of decision making is important. The principle states that an organization must make every effort to maintain group cohesion in the organization. This principle emphasizes on team work. Unity of staff is the foundation of success.

3. Behavioral Approach

Elton Mayo's Human Relations Approach: Scientific management theory focused on physical resources rather than human resources. This theory concentrated on economic needs of workers but not social needs because it concentrated on improvement of the working methods but not on the working men. The human relations approach is often called the behavioral management theory. The criticism of the Scientific and Administrative Management as advocated by Taylor and Fayol, respectively, gave birth to Human Relation Approach. The behavioural scientists criticized the early management approaches for their insensitiveness to the human side of organization. The behavioural scientists did not view the employees mechanically in work situation, but tried to show that the employees not only have economic needs but also social and psychological needs like need for recognition, achievement, social contact, freedom, and respect. Human relations school regards business organization as a psycho-social system.

Professor George Elton Mayo (1880-1949) and his associates conducted a famous study on human behaviour at the Hawthorne plant of the Western Electric Company from 1924 to 1932 and this study formed the foundation of this school of management thoughts.

Hawthorne Experiments:

1. Lighting Experiments

These experiments were performed to find out the effect of different levels of lighting on productivity of labour. The brightness of the light was increased and decreased to find out the effect on the productivity of the test group. Surprisingly, the productivity increased even when the level of lighting was decreased. It was concluded that factors other than light were also important.

2. Relay Assembly Test Room Study

Under this test, two small groups of six female telephone relay assemblers were selected. Each group was kept in separate rooms. From time to time, changes were made in working hours, rest periods, lunch breaks, etc. They were allowed to choose their own rest periods and to give suggestions. Output increased in both the control rooms. It was concluded that social relationship among workers, participation in decision-making, etc. had a greater effect on productivity than working conditions.

3. Mass Interviewing Programme

21,000 employees were interviewed over a period of three years to find out reasons for increased productivity. It was concluded that productivity can be increased if workers are allowed to talk freely about matters that are important to them.

The basic hypotheses of this study as well as the basic propositions of the Human Relation Approach are the following:

1. The social and psychological factors are responsible for workers' productivity and job satisfaction. Only good physical working conditions are not enough to increase productivity.
2. The informal relations among workers influence the workers' behaviour and performance more than the formal relations in the organisation.
3. Employees will perform better if they are allowed to participate in decision-making affecting their interests.
4. Employees will also work more efficiently, when they believe that the management is interested in their welfare.
5. When employees are treated with respect and dignity, their performance will improve.
6. Financial incentives alone cannot increase the performance. Social and Psychological needs must also be satisfied in order to increase productivity.

7. Good communication between the superiors and subordinates can improve the relations and the productivity of the subordinates.
8. Special attention and freedom to express their views will improve the performance of the workers.

The human relations approach is concerned with recognition of the importance of human element in organizations. It revealed the importance of social and psychological factors in determining worker's productivity and satisfaction. It is instrumental in creating a new image of man and the work place. However, this approach also did not go without criticism. It was criticized that the approach laid heavy emphasis on the human side as against the organizational needs. However, the contribution of this approach lies in the fact that it advises managers to attach importance to the human side of an organization.

Criticisms on Human Relations Approach

1. **Lacks Validity** : The Hawthorne experiments were conducted under controlled situations. These findings will not work in real setting. The workers under observation knew about the experiments. Therefore, they may have improved their performance only for the experiments.
2. **More Importance to Human Aspects** : This approach gives too much importance to human aspects. Human aspects alone cannot improve production. Production also depends on technological and other factors.
3. **More Emphasis on Group Decision-making** : This approach places too much emphasis on group decision-making. In real situation, individual decision-making cannot be totally neglected especially when quick decisions are required and there is no time to consult others.
4. **Over Importance to Freedom of Workers** : This approach gives a lot of importance to freedom of the workers. It does not give importance to the constructive role of the supervisors. In reality too much of freedom to the workers can lower down their performance or productivity.

Maslow's Need Hierarchy Approach:- Abraham. H. Maslow developed a need hierarchy to explain human bevaviour within an organization. According to his writings, the humans work attitude depends on their needs. His theory states that the human beings work according to their needs. One may work for food, while other for status. Thus a good manager will extract the work form his subordinate by providing and fulfilling the suitable need.

McGregor's Theory X and Theory Y:- McGregor classified the people into two categories as Theory-X type (work avoiders) and Theory –Y type (work acceptors). The essence of management according to his theory is that the leader should identify the type of behavior of his subordinate and accordingly. A manager has to use a carrot approach (pat the employees) for theory Y people while a stick (punish the employees) for theory X people.

4. **The Quantitative Approach:**

The quantitative approach to management, sometimes known as operations research or management science, uses quantitative techniques to improve decision making. This approach includes applications of statistics, optimization models, information models, and computer simulations. The quantitative approach originated during World War II as mathematical and statistical solutions to military problems were developed for wartime use. The relevance of quantitative approach today is that it has contributed most directly to managerial decision making, particularly in planning and controlling. The availability of sophisticated computer software programs has made the use of quantitative techniques more feasible for managers. Techniques such as linear programming, simulation, queuing theory, network analysis, etc. are extensively use mathematical symbols, relationships and models in analyzing the management problems such as cost minimization, profit maximization, resource optimization, etc. This approach focuses attention on the fundamentals of analysis and decision making. The Quantitative School quantifies the problem; generate solution, tests the solution for their optimality and then it recommends. The decisions are optimum and perfect as distinguished from the human behavioral approach, in which decisions are 'satisfying'. This approach is devoid of any personal bias, emotions, sentiments, and intuitiveness. The main postulates of the quantitative approach are as follows:

a) Management is a series of decision making. The job of a manager is to secure the best solution out of a series of interrelated variables.
b) These variables can be presented in the form of a mathematical model. It consists of a set of functional equation which set out the quantitative interrelationship of the variable.
c) If the model is properly formulated and the equations are correctly solved, one can secure the best solution to the model.

d) Organizations exist for the achievement of specific and measurable economic goals.

e) In order to achieve these goals, optimal decisions must be made through scientific formal reasoning backed by quantification.

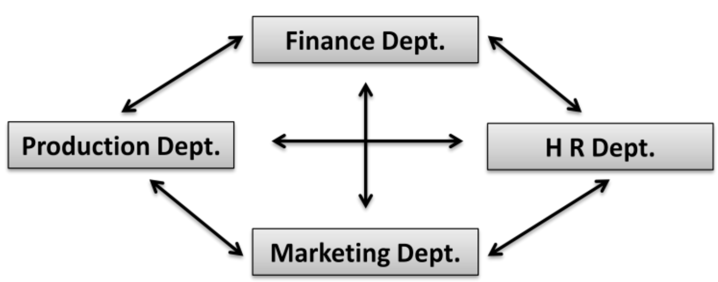
f) Decision making models should be evaluated in the light of set criteria like cost reduction, return on investment, meeting time schedules etc.

g) The quality of management is judged by the quality of decisions made in diverse situations.

As Harold Koontz observed, mathematics is just a tool and it cannot be viewed as school or a separate approach to management theory.

4. **The Systems Approach:** A system is a set of interrelated but separate parts working towards a common purpose. In the 1960s, a new approach to management appeared which attempted to unify the earlier school of thoughts. This approach is commonly referred to as 'System Approach'. This system is one of the modern approaches to understand management. The system approach is based on the generalization that an organization is a system and its components (departments) are inter-related and inter-dependent. "A system is composed of related and dependent elements (departments) which, when in interactions, form a unitary whole. On other words, a system may be defined as an organized and purposeful entity of inter-related, inter-dependent and inter-acting elements. Our human body is system. In human body, each part of the body is viewed as a sub-system. These sub-systems are functionally related to each other and to the total system.

The managers must intertwine their department with the total organization and communicate with all other departments, employees and with each other.



The features of Systems Approach

a. An organization is a system consisting of several subsystems. For example, in a business enterprise production, sales and other departments are the subsystem.

b. A system consists of interacting elements. It is set of inter-related and inter-dependent parts arranged in a manner that produces a unified whole.
c. The various sub-systems should be studied in their inter-relationships rather, than in isolation from each other.
d. An organizational system has a boundary that determines which parts are internal and which are external.
e. A system does not exist in a vacuum. It receives information, material and energy from other systems as inputs. These inputs undergo a transformation process within a system and leave the system as output to other systems.
f. An organization is a dynamic system as it is responsive to its environment. It is vulnerable to change in its environment.

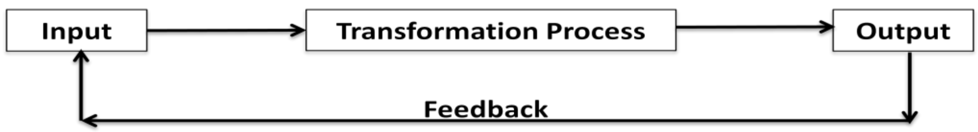
Systems can be open or closed. A **closed system** is not affected by its environment. For example, a chuck of iron ore is not substantially affected by its environment. An **open system** is a system that is affected by its environment. A simple example is a living organism, such as an animal. Most theorists treat an organization as an open system.

The open system consisting of four basic elements

1. **Inputs**: These are ingredients required to initiate the transformation process. They include human, financial, material and information resources.
2. **Transformation Process**: The inputs are put through a transformation process that applies technology, operating methodologies, administrative practices and control techniques in order to produce the output.
3. **Outputs**: The output may be products and/or services, the sale of which creates profits or losses. This process also has by-product outputs such as worker behaviour, information, environmental pollution, community services and so on.
4. **Feedback**: A feedback loop is used to return the resultant environmental (public or customers) feedback to the system as inputs. A **negative feedback loop** indicates a problem that should be corrected. For example, the failure of product design indicated by the need to recall the product. A **positive feedback loop** can identify outputs that have worked well. For example, a successful marketing campaign that yields high sales.

If the environment is satisfied with the output, business operations continue. If it is not, changes are initiated within the business systems so that requirements of the customers are fully met. This is how an open system responds to the forces of change in the environment.

OPEN SYSTEM MODEL



5. **The Contingency or Situational Approach:**

Another important approach which has arisen because of the inadequacy of the Quantitative, Behavioural and System Approach to management is the Contingency Approach. Pigors and Myers propagated this approach in 1950. Other contributors include Joan Woodward, Tom Burns, G.W.Stalker, Paul Lawrence, Jay Lorsch and James Thompson. They analyzed the relationship between organization and environment. They concluded that managers must keep the functioning of an organization in harmony with the needs of its members and the external forces. Management is situational and lies in identifying the important variables in a situation.

The basic theme of contingency approach is that organizations have to cope with different situations in different ways. Organizations behave as situation demands. In other words, decision making is contingent on situations. As situation changes, the solutions also differ. Management problems vary with situation and require to be handled differently as situation demands. No two situations are absolutely identical. Therefore, each situation requires its own unique situation. **For example**, you may have chosen to construct building in a certain way with certain strategies, but that same approach may not work for different buildings because they require a completely different approach. The functioning of managers is not a manager's choice. It is contingent on external or internal environment or both. There cannot be particular management action which will be suitable for all situations. The management must keep the functioning of an organization in harmony with the needs of its members and the external forces.

According to Kast and Rosenzweig, "The contingency view seeks to understand the interrelationships within and among sub-system as well as between the organization and its environment and to define patterns of relationships or configurations of variables. Contingency views are ultimately directed towards suggesting organizational designs and managerial actions most appropriate for specific situations". The approach has been used in important sub systems of management like organization, design, leadership, behaviour change and operation.

Features of contingency approach

a) Management is entirely situational. The application and effectiveness of any techniques is contingent on the situation.
b) Management action is contingent on certain action outside the system or subsystem as the case may be.
c) Management should, therefore, match or fit its approach to the requirements of the particular situation. To be effective management policies and practices must respond to environmental changes.
d) Organizational action should be based on the behaviour of action outside the system so that organization should be integrated with the environment.
e) Management should understand that there is no one hard way to manage. They must not consider management principles and techniques universal.

In order to operationalise the contingency approach, managers need to know the alternatives for different situations. It may be operationalized as a 'if then' approach to management. The environment (If) is an independent variable where as management (when) is a dependent variable. In this model, a manager has to take four sequential steps:

a) Analyze and understand the situation,
b) Examine the applicability or validity of different principles and techniques to the situation at hand,
c) Make the right choice by matching the techniques to the situations,
d) Implement the choice.

6. **The IT Management Approach:**

IT managers focuses on the information technology resources in accordance with its needs and priorities. The resources include tangible investments like computer hardware, or intangible software, data, networks and data centre facilities, as well as the staff hired to maintain them.

Moreover, the IT manager use the important terminology, facts, concepts, principles, analytic techniques, and theories to apply when analyzing complex actual situations and integrates when developing solutions to IT management multifaceted problems of these complex situations.

Of course, the basic management functions, like budgeting, staffing, change management, organizing and controlling are inherently embedded in this style of management, but the beauty of this style is that the management uses software design, network, planning, tech support, etc. that requires little manpower.

Examples:

- Business/IT alignment: The businesses maintain the data base of their customers to alert them as and when a service is required for them.
- E-Governance: The government can perform registrations and issue certificates. The services of government to the people can be made available at their doorsteps.
- IT financial management and service management: The tax management, complaint resolutions, property dealings, financial services, banking activities are some examples.
- Sourcing and IT enabled services: Transport services, insurance services, health services can be managed easily by coupling the source and destination points with IT enabled services.

Features of IT Management Approach

1. To generate value to the through technology.
2. To generate value, business strategies and technology are aligned.
3. The organizational relationship between internal and external environments is networked through technology to improving the overall value chain of an organization.
4. The technology providers build product-centric infrastructure and management offerings with converged infrastructure environments.

INTRODUCTION TO PLANNING

Planning is the most fundamental function of management. An organization can succeed in effective utilization of its human, financial and material resources. Planning involves determination of objectives of the business, formation of programs and courses of action for their attainment, development of schedules and timings of action and assignment of responsibilities for their implementation. Planning thus precedes all efforts and action, as it is the plans and programs that determine the kind of decisions and activities required for the attainment of the desired goals. In the absence of planning, it will be impossible to decide what activities are required, how they should be combined into jobs and departments, who will be responsible for what kind of decisions and actions, and how various decisions and activities are to be coordinated.

Definition of Planning

Planning is the process of deciding in advance what is to be done, who is to do it, how it is to be done and when it is to be done. It is the process of determining a course of action, so as to achieve the desired results. It helps to bridge the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen. Planning is a higher order mental process requiring the use of intellectual faculties, imagination, foresight and sound judgment.

According to Koontz O'Donnell - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

Planning Elements

1. **What will be done** – what are the objectives of business in the short and in the long run?
2. **What resources will be required** – This involves estimation of the available and potential resources, estimation of resources required for the achievement of objectives, and filling the gap between the two, if any.

3. **How it will be done** – This involves two things : (i) determination of tasks, activities, projects, programs, etc., required for the attainment of objectives, and (ii) formulation of strategies, policies, procedures, methods, standard and budgets for the above purpose.
4. **Who will do it** – It involves assignment of responsibilities to various managers relating to contributions they are expected to make for the attainment of enterprise objectives. This is preceded by the breaking down of the total enterprise objectives into segmental objectives, resulting into divisional, departmental, sectional and individual objectives.
5. **When it will be done** – It involves determination of the timing and sequence, if any, for the performance of various activities and execution of various projects and their parts.

NATURE/CHARACTERISTICS OF PLANNING

1. **Goal oriented**: Planning centers around the corporate mission and goals. So planning is said to be goal oriented. It contributes positively to achievement of mission and goals. It identifies the measures to be taken to achieve the targeted results efficiently and economically.

2. **Intellectual process:** Not everybody can be good at planning. Planning is not guessing. One should be capable of thinking in a systematic manner. It is so because planning demands intellectual skills such as vision, farsighted outlook, imagination and analytical skills to take rational decisions.

3. **Involves choice:** There are alternatives available to achieve a particular target. The manager has to select the best alternative based on the merits and demerits of each alternative.

4. **Basis for other functions:** Since planning is first function of the manager, the results of planning form the basis for all other managerial functions.

5. **Pervasive in nature:** Planning is essential for all organizations – small or big, domestic or foreign, profit-making or non-profit making oriented. Managers at the top, middle an d lower levels in any organization have to systematically plan for the future. Thus, planning is said to be all pervasive.

6. **Continuous and dynamic:** Business environment is complex and keeps changing. Consequently, plans also need to be dynamic. They have to be worked out for a given

timeframe at the end of which they must be reviewed and new plans prepared for the next year. Thus, planning is a continuous process.

7. **Flexible in nature:** Plans should not be rigid. They should be flexible in nature and accommodate a change in circumstances.

8. **Intends to enhance efficiency:** the aim of planning is to achieve the maximum targets at minimum cost and quickly. So all plans should be cost effective and worth their investments. The benefits from a plan should be more than its costs.

IMPORTANCE OF PLANNING

1. **Helps to achieve targets:** Plans are expressed in terms of budgets. Budgets act as targets. Every manager strives hard to achieve a given target. Thus, planning contributes to target achievement.

2. **Minimizes uncertainty and risk**: Business environment is uncertain and risky. Planning is the only way to move towards certainty and confidence.

3. **Guide for action:** Plans direct people towards achieving goals. As part of planning, organizations keep a list of supporting plans, policies, procedures, programs, strategies, rules and budgets to guide their people towards the goals.

4. **Ensures order:** Organizations walk into chaos if they don't plan properly. The only way to ensure order is to think of probable problems in advance and create the necessary infrastructure to sort them out.

5. **Improves efficiency:** Efficiency means doing things correctly and at minimum cost. Every department has a budget. It means all possible activities have been considered while framing the budget. Clear plans leave only one task for mangers – their implementation. Planning is bound to improve efficiency.

6. **Facilitate control:** Plan is a means of control. The actual performance of the organization and also its members can be evaluated based on plans.

7. **Promotes innovation and creativity:** Progressive organizations involve their staff in organizational planning. Planning is considered a means to promote innovation and creativity among the staff.

8. **Coordination made easy:** Plans indicate what the employees have to do to attain their goals. Plans make it easier for mangers to coordinate the efforts of their staff.

GENERAL FRAMEWORK FOR PLANNING

1. Define present situation: Define the present situation (includes examining internal capabilities and external threats and opportunities).

2. Establish goals and objectives: Establish goals that can continue to focus on what the business can do best

3. Analyze environment: Analyze the environment in terms of aids and barriers to goals and objectives: Predict which internal and external factors will foster or hinder attainment of desired goals

4. Develop action plans: Develop action plans for reaching goals and objectives (without action plans, goals may not be attained).Develop budgets (most action plans require money, so realistic budgets have to be developed).Implement the plans (plans are often developed then forgotten).

5. Develop budgets: Among the expenses would be larger advertising and promotion budgets

6. Implement the plans: If the plans developed in the previous five steps are to benefit the firm, they must be put to use.

7. Control the plans: Control the plans (evaluate progress and make any necessary adjustments for lack of progress).Make contingency plans (develop an alternative in case the original plan cannot be implemented successfully or at all; an exit strategy might be part of the contingency plan).

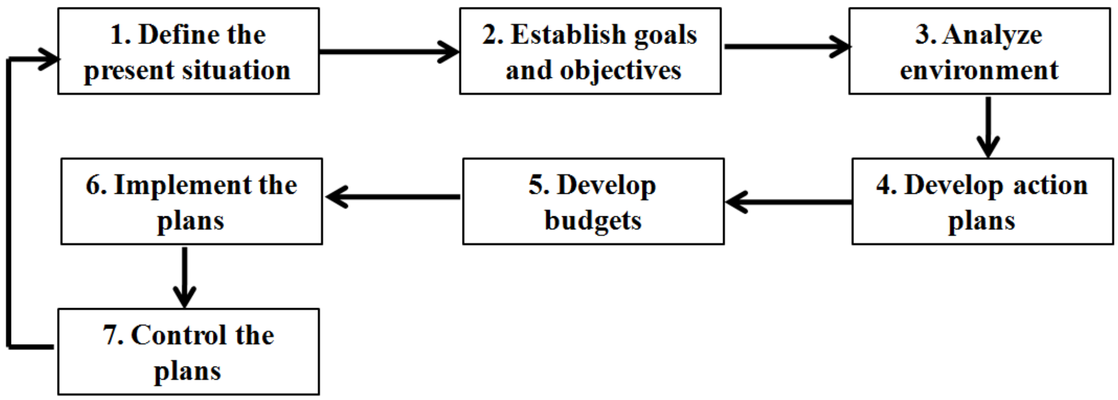


Fig: General Frame Work for Planning

PLANNING PROCESS

The following eight main steps are involved in the planning process of an organization.

1. Identifying Opportunities: Real planning starts with knowing the availability of different opportunities. For each opportunity, assess carefully the size of markets, type of markets, type of customers, degree of competition, needs of customers, finances required and the strengths and weaknesses of the firm. Then, identify the right opportunity.

2. Defining goals: Once the opportunity is identified, define the goals you want to achieve for the entire organization. Goals, in turn, will throw light on what objectives, strategies, policies, procedures, rules, budgets and programs you should follow. This is to be done for the long term as well as for the short range. Goals specify the expected results and indicate the end points of what is to be done, where the primary emphasis is to be placed and what is to be accomplished by the various types of plans.

3. Considering Planning Premises: After determination of organizational goals, the next step is establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises refers to the assumptions about the environment in which plans have to be carried out. Correct assumptions about markets, completion, product technology, prices, volume of sales, costs, tax rates etc. are essential for business planning. Government policies, annual budgets, economic indicators, survey of specific industries etc. provide valuable insights on the basis of which 'premises' can be worked out.

Thus planning premises are external and internal. **External premises** include total factors in task environment like political, social, technological, competitors, plans and actions, government policies. **Internal premises** include organization’s policies, resources of various types, and the ability of the organization to withstand the environmental pressure. The plans are formulated in the light of both external and internal factors.

4. Identifying Alternatives: The fourth step in planning is to identify the alternatives. Various alternatives can be identified based on the organizational goals and planning premises. The concept of various alternatives suggests that a particular goals can be achieved through various actions.

For example, if an organization has set its goals to grow further, it can be achieved in several ways like expanding in the same Field of business or product line diversifying in other areas, joining hands with other organizations, or taking over another organization and so on. Within each category, there may be several alternatives.

5. Evaluating Alternatives: The various alternative courses of action should be analyzed in the light of premises and goals. There are various techniques available to evaluate alternatives. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

6. Choosing the Best Alternative: The best alternative is chosen on the given situation. Normally, it involves optimum utilization of resources. At times, an analysis and evaluation of alternative courses will disclose that two or more alternatives are advisable and beneficial. The fit one is selected.

7. Formulating Supporting Plans: After formulating the basic plan, various plan are derived so as to support the main plan. In an organization there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personnel, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

8. Making Budgets: After formulating basic and derivative plans, the sequence of activities is determined so those plans are put into action. After decisions are made and plans are set, budgets for various periods and divisions can be prepared to give plans more concrete meaning for implementation.

Budget is "numerical expression" of a plan. The overall budgets of an enterprise represent the sum total of income and expenses, with resultant profit or surplus, and budgets of major balance sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget.

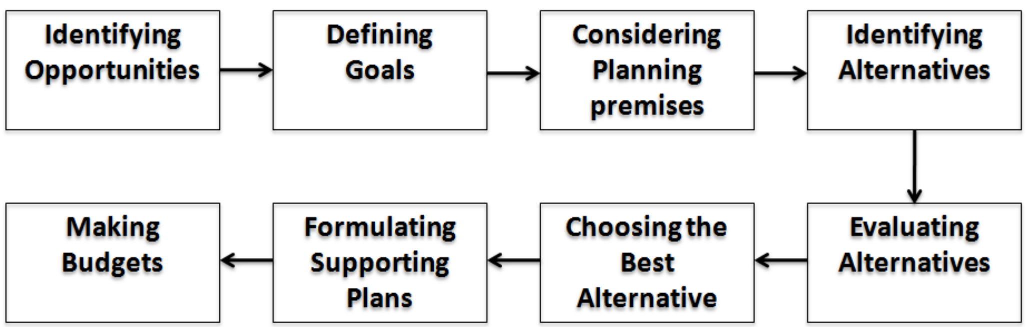


Fig: Steps in Planning

MANAGEMENT BY OBJECTIVES (MBO)

The term Management By Objectives (MBO) has been popularized by Peter Drucker in his 1954 book ***"The Practice of Management"*** and George S. Odiorne gave depth to the meaning and usage of MBO through his book ***"Management By Objectives: A System of Managerial Leadership".*** It is the process of defining objectives within an organization so that management and employees agree collectively to the objectives and understand what they need to do in the organization. It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. This provides not only supports but eases and quickness the achievement of such objectives.

It concentrates on the achievement of objectives through participation of all concerned through team spirit and trust on one another. This not only supports but also eases and speeds up reaching the goals. Thus, MBO has become the most widely accepted philosophy of management today due to its demanding and rewarding style.

The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives of that organization, as well as awareness of their own roles and responsibilities in achieving those aims.

Definition of MBO

George S. Odiorne defines "MBO is a process whereby superior and subordinate managers of an organization jointly define its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members".

Features of MBO

1. Management by Objectives is a philosophy or a system, and not merely technique.
2. It emphasizes participative goal setting.
3. It clearly defines each individual responsibility in terms of results.
4. It focuses attention on what must be accomplished goals rather than on how it is to be accomplished.
5. It converts objective needs into personal goals at every level in the organization.
6. It establishes standards or yardsticks (goals) as operation guides and also as basis of performance evaluation.
7. It is a system intentionally directed toward effective and efficient attainment of organizational and personal goals.

The Six Steps in MBO Process

1. Define Organizational Goals: Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed.

And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives: After determining the organizational goals, the next thing to do is to know the individual's goals or more clearly employees' goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Get specific and clear about what you wan to achieve (I want to be a rich), make your goal measureable-quantify what you want (I want to have Rs. 10 lakh), Make your goal achievable within your resources (I work hard as hell), make your goal relevant-is it worthwhile (I want to keep her happy), your goal needs to be timed-set a start and finish date (One year time)> Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favor of the organization.

3. Continuous Monitoring Performance and Progress: The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

- Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.
- Using ZBB (Zero Based Budgeting)
- Defining short and long term plans and objectives
- Installing efficient and effective controls
- Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. Performance Evaluation: MBO is designed to improve performance at all levels of the organization. To ensure this happens, you need to put a comprehensive evaluation system in place. As goals have been defined in a specific, measurable and time-based way, the evaluation aspect of MBO is relatively straightforward. Employees are evaluated on their performance with respect to goal achievement (allowing appropriately for changes in the environment.)

5. Providing Feedback: The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally. This continuous feedback is supplemented by periodic formal appraisal meetings which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal: In this step, the worth of employee is examined and judged. Performance appraisals are a regular review of employee performance within organizations. When you reward goal achievers you send a clear message to everyone that goal attainment is valued and that the MBO process is not just an exercise but an essential aspect of performance appraisal. The importance of fair and accurate assessment of performance highlights why setting measurable goals and clear performance indicators are essential to the MBO system.

Merits/Benefits of MBO

1. **Goals set up the motivation levels:** If achievable, albeit higher, goals are set in consultation with the subordinates and keeping to mind their strengths and weaknesses, employees get highly motivated to put in their best.

2. **Result oriented management:** The management focuses the attention of mangers on the results to be achieved rather than on activities.

3. **Clarity in organizational structures:** Everyone in an organization knows the purpose and mission of the company and is aware of its objectives. This helps managers to perform better with greater commitment and accountability.

4. **Superior subordinates relationships are reinforced:** Since mangers at different levels are consulted and senior mangers counsel the juniors, there is greater understanding between them. Communication gaps are eliminated and subordinates develop a sense of involvement which enhances their productivity.

5. **Monitoring is made easy:** It facilitates self evaluation and feedback which improves the efficiency of mangers. There is less need for monitoring from above.

6. **Improved planning:** managers at all levels are compelled to think ahead. Interaction among managers results in better ideas and , consequently there will be improved planning and control.

7. **More objective appraisal:** The element of subjectivity can be minimized. There is no scope for personal bias, feeling, sentiments and emotions.

8. **Self check:** MBO is a tool for self control and self direction that helps mangers to turn into professionals. There is no need for any advice or memo to an employee from the top management on whether or not he has completed his targets. He can push himself in areas he lags behind by figuring out the possible correcting measures.

9. **Review of objectives:** Business environment is very dynamic. There may be changes in it which may call for review and resetting of objectives, if necessary.

Demerits/Limitations of MBO

1. **Inadequate commitment from top management:** MBO could not take off in many organizations for want of a clear cut policy from the top management. MBO requires a great deal of appreciation and commitment on the part of mangers who implement it. They should explain to their subordinates about its operational details and utility. Otherwise, they cannot win them over and that is vital for the successful implementation of MBO.

2. **Goal setters are not given any orientation:** Goal setting is the primary task in MBO. Goal setter should be given a total orientation about corporate goals, planning premises, broad policies of the company and how these, in turn, are likely to affect their own objectives. Any failure to give such guidelines may limit the utility of MBO.

3. **Setting goals is complex process:** Setting realistic and achievable goals for subordinates is not an easy task. If the objectives are not reasonable, behavioural implications are not clearly stated, and ethical bevariour is not given high priority, people will use unethical means to achieve goals.

4. **Emphasis on short-term goals:** MBO centers the accomplishment of mutual set objectives which are more short-term in nature. In a majority of the cases, short-term goals are not well integrated into long-term objectives and consequently, undue emphasis on short-term goals marginalizes the long-term goals.

5. **Inflexibility**: Objectives for every manger or subordinate are set after much interaction, debate, discussion and understanding of individual aspirations. Managers tend to hesitate in changing the objectives worked out in such a detailed effort even when there is a change in corporate goals and planning premises.

6. **Problems of status and authority:** MBO focuses on personal interaction among mangers. In reality, organizations are characterized more by people conscious of their

authority and status. They seldom like to interact freely with their subordinates, leave alone assessing the latter's strengths and weaknesses.

7. **Lower levels are deprived of freedom and interaction:** If MBO philosophy does not spread right down, it will not be successful. But mangers at lower level have little freedom to react to even organizational goals, to speak nothing of the freedom to set their own objectives. In such an environment, setting of objectives jointly is merely a dream.

8. **Limited time horizon:** MBO may be useful in a limited time horizon. In reality, business environment is not so stable that objectives once set will hold good till they are achieved. Objective get revised frequently in view of hostile and volatile environment.

TYPES OF PLANS

Plans commit individuals, departments, organizations, and the resources of each to specific actions for the future. Effectively designed organizational goals fit into a hierarchy so that the achievement of goals at low levels permits the attainment of high-level goals.

Three major types of plans can help managers achieve their organization's goals: strategic, tactical, and operational. 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.

1. Operational plan: Operational plan covers the day-to-day operations of business such as facilities, inventory management, production plan, supply and distribution etc. An operational plan is like a map that can help to navigate your business towards specific goals. Operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders develop operational plans to support tactical plans. Operational plans can be a single-use plan or an ongoing plan.

a) **Single-use plans** apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity. A budget is also a single-use plan because it predicts sources and amounts of income and how much they are used for a specific project.

b) **Continuing or ongoing plans** are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

- **Policies**: Policies are statements of understanding that specify 'what can be done or what cannot be done' to achieve the given objectives. Policies guide the behavior or thinking of people in an organization. They define the framework within which a decision is to be made. Policies provide a broad guideline for managers to follow when dealing with important areas of decision making. For example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.
- **Procedures**: Procedures outline in detail the method of carrying out a task. A procedure is a set of step-by-step directions that explains how activities or tasks are to be carried out in a given sequence. The employees are trained in organizational procedures. The top management is concerned with the laying down of procedures and the middle and the lower levels with their implementation.

  Policies and programs are closely related to each other. A company may have a policy of expansion by 10% every year. To attain this, it has to carefully develop procedures to raise finances, manpower and production.
- **Rules:** A rule is an explicit statement that tells an employee what he or she can and cannot do. Rules are "do" and "don't" statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. Observe these rules: No credit, No smoking, Come in queue etc.
- **Programs:** These specify what is to be done. They reflect goals, policies, procedures and rules to be followed, steps to be taken, resources to be employed and even minor details necessary to execute a task. Every program is supported by budget. Programs may be major or minor based on their purpose, scope and time duration.
- **Budgets:** When plans are expressed in numbers, they become budgets. A budget may be expressed in financial terms or any other measurable form such as machine hours., labor hours, or units of production. It can also be expressed in terms of enterprise

activities such as sales budget, advertisement budget, purchases budget, cash budget etc.

A budget provides means of controlling the organization's performance. While making budget is a part of planning, controlling employee performance is part of the controlling function of manager. Budgets are prepared for a clearly defined period, say a week, month or year.

2. Tactical plan: A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. The tactics needed to achieve the goals defined in a strategic plan. For example, if a company's strategic plan is to become a market leader, its tactical plan might be to double the amount spent on advertisement and marketing. 8/Tactical planning involves:

- Products or services to be added or deleted.
- Size of capital investments required.
- Pricing the products and services to be provided.
- Withdrawing investments from projects. etc.

3. Strategic plan: Strategic planning includes plans made by the top management to pursue long term goals with the resources with likely to be available. 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. Strategic planning begins with an organization's mission. Strategic plans look ahead over the next two, three, five, or even more years to move the organization from where it currently is to where it wants to be. Top management's strategic plan for the entire organization becomes the framework and sets dimensions for the lower level planning. Strategic planning involves:

- Formulating a mission for the entire organization.
- Identifying the business that helps to meet a mission.
- Determination of financial requirements.

- Allocating resources effectively. etc.

4. Contingency plan: Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances. Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

DEVELOPING A BUSINESS STRATEGY

The process of developing, formulating and implementing the strategy involves the following stages:

1. Develop a vision statement: This statement should describe the future direction of the business and its aims in the medium to long term. It’s about describing the organization’s purpose for being and its values. Business gurus have debated long and hard about what comes first – the vision, or the mission statement. But, in practice, you could develop both at the same time.

2. Develop a mission statement: Like the vision statement, this defines the organization’s purpose, but it also outlines its primary objectives. This focuses on what needs to be done in the short term to realize the long term vision. So, for the vision statement, you may want to answer the question: “Where do we want to be in 5 years?”. For the mission statement, you’ll want to ask the questions:

- What do we do?
- How do we do it?
- Whom do we do it for?
- What value do we bring?

3. Goals: The first step in the development of any business strategy is the determination of the goal, its desired endpoint. The goal sets the stage for the development of measures and specific actions that the company takes to achieve these goals. So, for instance, the goal might be to "increase market share" or to "improve customer satisfaction."

4. Objectives: Objectives are the measurable element of a strategy. Objectives indicate, specifically, what outcomes are desired. While goals set a broad direction ("increase market share"), objectives will provide the detail that ensures the team knows when it achieves success.

5. Situation Analysis: Once a goals and objectives are established and the planning team knows what to do, information needs to be gathered so that the decisions are based on solid facts and data. The situation analysis involves a review of information internal to the organization (about employees, sales, customers) as well as external information (about competitors, the industry, the economic climate).

6. SWOT Analysis: A SWOT analysis is a brainstorming process used by strategic planning teams to identify the organization's strengths and weaknesses, which are internal environment; and opportunities and threats, which are external environment. Based on the data gathered during the situation analysis and by brainstorming and prioritizing these items, the team gets a better sense of the most important areas to focus on.

7. Generate Strategy Alternatives: Generic strategy alternatives refer to identifying the alternatives of strategies. After the nature of business is defined, the next task is to focus on the type of strategy alternative, in general, the firm will pursue. Given the information from the environmental scan, the firm should match its strengths to the opportunities that are identified, and at the same time address its weaknesses and external threats.

8. Strategy Variations: The generic strategy alternatives can have a numerous variations every strategy can have variations as internal or external, related or unrelated, horizontal or vertical and active or passive. For example, if we choose expansion, it can be either internal or external expansions. Internal expansions can be achieved through penetrating existing markets, adding new products. External expansion can be achieved through mergers and acquisitions, developing subcontracts, developing subsidiaries, etc.

9. Strategic Choice: Once the strategy is formulated and variations are evaluated, then the next step of strategist is to choose the exact strategy. Thus strategic choice involves the decision making to select the best strategy among the alternatives which can effectively contribute to the business objectives.

10. Allocation of Resources: The operating strategy of the firm is framed by the resource allocation decisions (budgeting) – such as, 'which department is to be sanctioned how much money, materials, manpower and other resources'.

11. Development of Organizational Structure: An appropriate organization structure can demonstrate an effective co-operation and efficient division of labour. The best organization structure is one that fits into the organizational environment. Suitable changes may be initiated in the organization structure to ensure strategic implementation.

12. Formulation of Policies, Plans and Programs: The next step is to see that the resources are well utilized and properly maintained as desired by the organization. This is possible only if there is a perfect monitoring mechanism and correct basis for evaluation of effectiveness. This monitoring mechanism can be built up by suitably formulating its policies, plans and programs.

13. Strategy Implementation: The selected strategy is implemented by means of programs, budgets and procedures. Implementation involves organizing the resources and motivating the staff to achieving objectives. The implementation of the strategy must be monitored an d adjusted made as needed.

14. Strategy Evaluation and Control: Evaluation and control is the final phase of the strategic management process and consists of these steps: 1) Define parameters to be measured, 2) Define target values for those parameters, 3) Perform measurements, 4) Compare measured results to the pre-determined standards and 5) Make necessary corrections.

DECISION MAKING AND PROBLEM SOLVING

Decision making is one of the most important functions of the management process. In fact, it is the manager's primary duty to take right decisions at right time. Decision making is defined as 'selecting a course of action from among alternatives. At every moment, the management process needs a manager's decision.

Problem solving and decision-making are important skills for business and life. Problem-solving often involves decision-making, and decision-making is especially important for management and leadership. Problem solving is a process in which we perceive and resolve a gap between a present situation and a desired goal, with the path to the goal blocked by known or unknown obstacles. In general, the situation is one not previously encountered, or where at least a specific solution from past experiences is not known. In contrast, decision making is a selection process where one of two or more possible solutions is chosen to reach a desired goal. The steps in both problem solving and decision making are quite similar. In fact, the terms are sometimes used interchangeably.

Most of the models of problem solving and decision making include at least four phases. 1) an Input phase in which a problem is perceived and an attempt is made to understand the situation or problem; 2) a Processing phase in which alternatives are generated and evaluated and a solution is selected; 3) an Output phase which includes planning for and implementing the solution; and 4) a Review phase in which the solution is evaluated and modifications are made, if necessary. Most researchers describe the problem-solving/decision-making process as beginning with the perception of a gap and ending with the implementation and evaluation of a solution to fill that gap. Each phase of the process includes specific steps to be completed before moving to the next phase.

Steps in Decision Making and Problem Solving

1. Identification of the Problem: This is the first step of decision making and problem solving to indentify the problem. A managerial problem may take birth at any level of the organization. But most of the problems go unidentified till they grow big. If it is still neglected they ultimately flare up into emergency. A good manager predicts well in advance to the generation of the problems and tries to prevent it as he believes that a stitch in time saves nine.

2. Gather Complete Information: In the second step, the manager collects the complete information regarding the problem. The information should contain the answers to the following questions:

- Where and when did it generate?.
- What are the causes and triggers?.
- What would be the effects?. Who are most affected?.
- Is it recurring problem or one time problem?.
- Who is responsible for this problem?.\
- Does it belong to programmed decision or non-programmed decision?.

3. Generate Alternative Courses of Action: Third step is concerned with the generation of a set of alternative courses of action. Based on the relevant information, the manager has to indentify alternative courses of action that lead to desirable solution. The manager may rely on his own expertise, may talk to his staff or may even conduct a brains storming with experts. New alternatives or options have to be generated through creative thinking.

4. Choose the Appropriate Alternative: The manager at this stage selects the best of the alternatives. Here, the best decision generally infers effectiveness. The best decision means the one that maximizes the factors such as sales, profits, or units produced. In some other cases, the effective decision may be one that minimizes the factors as customer complaints, employee turnover, or operating costs.

5. Implement the Course of Action: After choosing the appropriate alternative, appropriate action plans must be established and implemented. Often implementation suffers resistance from the work forces. So it is suggested that the merits of the decision have to be explained to at least some critical or influencing persons if not all people involved.

5. Evaluate results: The decision making process is not complete until results are evaluated. This evaluation is a form of managerial control. The feedback is very important aspect to determine if the decision is implemented in the desired manner. If the desired results are not achieved, the process must be renewed to allow for corrective action.

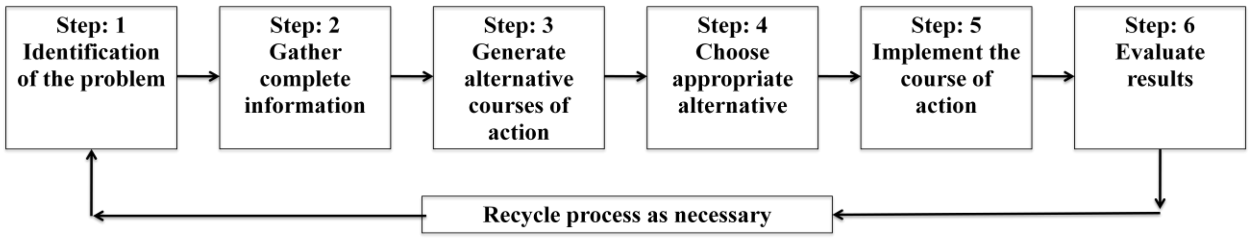


Fig: Steps in decision making and problem solving

PROGRAMMED AND NON-PROGRAMMED DECISIONS

Programmed Decisions:

Decisions related to structured situations (planned or organized situations), where the problem is more or less routine and repetitive in nature are known as programmed decisions. Programmed decisions are those that a manager has encountered and made in the past. The decision the manager made was correct because he/she used the assistance of company policies, computations or a set of decision-making guidelines. For example, problems related to leave are solved by policy relating to leave rules. Employees who take leave according to leave rules are granted leave and those who do not follow the leave rules may not be granted leave. The routine problems may not always be simple.

There may be complex routine problems. For example, production department follows a routine that managers order for inventory when it reaches the re-order point. If there is sudden increase in demand for the product, managers cannot wait for inventory to reach the re-order point to make fresh orders. Orders are placed before this level is reached. Ordering inventory is, thus, a problem of routine nature but ordering inventory before the re-order point is a routine but complex problem.

In either situation, managers depend on pre-established criteria for taking decisions. Various policies, schedules and procedures guide these decisions and, therefore, policies and procedures should be as clear as possible. Since decisions are based on pre-defined standards, they do not require much of brainstorming and are taken normally by middle and lower-level managers.

Managers do not think of innovative ways to solve the routine problems. Therefore, they can concentrate on important and crucial activities. These decisions also involve some amount of certainty, i.e., outcomes of these decisions are, by and large, known.

Various types of programmed decisions are:

(1) Organizational decisions

(2) Operational decisions

(3) Research decisions, and

(4) Opportunity decisions.

Non-Programmed Decisions:

These decisions are taken in unstructured situations (unplanned or unorganized situations) and these decisions are new and different from situation to situation. The problems are non-recurring or exceptional in nature. Since they have not occurred before, they require extensive brainstorming. Managers use skills and subjective judgment to solve the problems through scientific analysis and logical reasoning. Non-programmed decisions are unique.

Subjective judgment is based on assessment of the situation. In objective judgment (in case of programmed decisions), past experience forms the basis for decision-making. These decisions involve fair degree of uncertainty since outcomes of decisions are not always known. These decisions are based on partial ignorance as the alternatives and their outcomes cannot be known in advance. They are taken in the context of changing, dynamic environmental conditions.

For example, increase in advertising expenditure, effective salesmanship, upgraded technology, quality controls, brand image and reasonable prices are expected to increase sales and profits. If, in spite of all these, profits are declining, it requires immediate decision-making and such decisions are non-programmed decisions.

These decisions are taken by top-level managers. As we move up the organizational hierarchy, the need for taking non-programmed decisions increases.

Different types of non-programmed decisions are:

(1) Personal decisions,

(2) Strategic decisions,

(3) Crisis intuitive decisions, and

(4) Problem-solving decisions.

Differences between programmed and non-programmed decisions

	Programmed Decisions	Non-Programmed Decisions
1 . Nature of problem	Structural/Routine/Well defined	Unstructured/Novel/Ill defined
2. Recurrence of problem	Repetitive	Non-repetitive
3. Method of solving	Policies/Standards/Rules	Managerial initiative
4. Judgment	Objective	Subjective
5. Probability of outcome	Some degree of certainty is involved	Uncertain
6. Level of management	Middle/lower level	Top level
7. Types	Organizational/Operational/Research/Opportunity	Personal/Strategic/Crisis intuitive/Problem solving

There is no clear line of demarcation between programmed and non-programmed decisions. Decisions are neither totally programmed nor non-programmed. They are a combination of both and lie on continuum of decision; between totally programmed decisions at one end of the continuum and totally non-programmed decisions at the other end.

BOUNDED RATIONALITY AND INFLUENCE ON DECISION MAKING

Decision making is the most important part of administration and the outcome of decisions depend on the process that is used in making decisions.

There are two primary models or theories for decision-making: the Rationality model (optimizes) and the Bounded rationality model (satisfices). In the former, a decision-maker attempts to optimize the decision by selecting the best possible alternative. In the latter, rationality of individuals is limited by the information they have, cognitive limitations and time constraints.

Bounded rationality

Herbert Simon propounded the bounded rationality model to explain why limits exist to rational decision within decision – making environment. He defined decision – making as "the alternative courses of action". He states that, decision – making pervades the entire organization that is decisions are made at all level of organizations. Hence, he said an organization as structure of decision – makers. According to him, decision is an all – embracing activity subsuming all the administrative functions described as 'POCCC' by Fayol and 'POSDCORB' by Gullick. Bounded rationality is the concept that decision makers (irrespective of their level of intelligence) have to work under the unavoidable constraints.

The Simon's satisfying model states that firms carry out their operations under bounded rationality and they can only attain a satisfactory level of profit, sales and growth. Simon carried out a research and found that modern businesses don't have adequate information and they are uncertain about future due to which it is very difficult to optimize their profit, sales and growth.

He argued that in real situations people take decisions on the basis of heuristics (a method of teaching to learn by discovering things themselves and learning from their own experiences rather than by telling them things) rather than rule based optimization methods. He argued that decision-making is bounded by the following limitations.

The decision makers (irrespective of their level of intelligence) have to work under three unavoidable constraints.

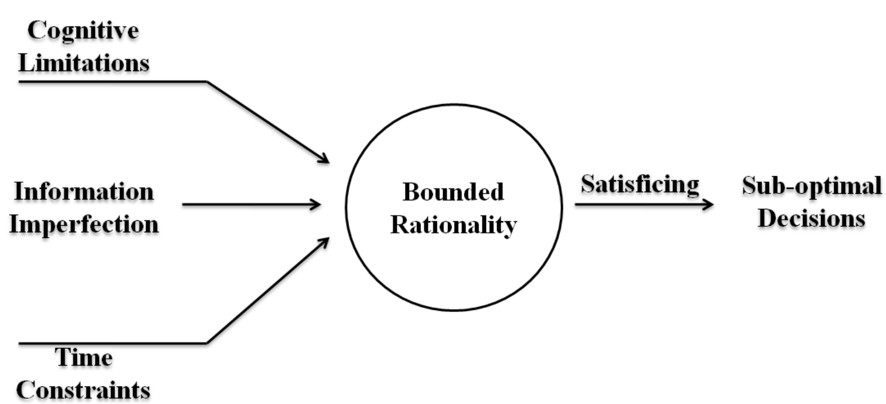
1. Lack of Information: Lack of information or incomplete information leads to sub optimal decisions as the decision-maker is not fully aware of the pros and cons of a decision due to lack of information. Hence, lack of information creates a boundary and hinders the rational choice of the decision-maker.

2. Limited Intellectual Ability/Cognitive Ability/Mental Ability: The capacity of the human mind to perceive, retain and retrieve complete knowledge and information on past, present and future events is not unlimited. Human mind has only limited capacity to evaluate and process the information that is available. The problem at hand may be so complex that the decision-maker may not be able to comprehend the true nature and complexity of the problem, leading to a sub optimal decision. If the problem would have been comprehensible, the decision-maker would have made a rational choice. This creates a boundary on the otherwise rational choice of the decision-maker.

3. Lack of Time to take Decisions: The lack of time may also lead to suboptimal decisions as in this case the decision-maker does not have time to evaluate all the choices and come to a rational choice. On the contrary, lack of time leads to improper and sub optimal decisions, as one does not have the required time to process the information available.

Therefore even individuals who intend to make rational choices/decisions are bound to make satisficing (rather than maximizing or optimizing) choices/decisions in complex situations. These limits (bounds) on rationality also make it nearly impossible to draw up contracts that cover every contingency, necessitating reliance on rules of thumb.

Hence, Bounded rationality (satisfying model) suggests that managers seek alternatives until they find one that is satisfactory, not optimal. The concept suggests that the ability of decision makers to be rational is limited by numerous constraints, such as complexity, time and money, and their cognitive capacity, values, skills, habits, and unconscious reflexes known as bounded rationality.



All the three factors which are illustrated in the diagram will influence the human or organizational decision by bounded rationality leading to **'satisficing decisions'** as against maximizing decisions (optimizing decisions).

GROUP PROBLEM SOLIVING AND DECISION MAKING

A problem may be defined as the difference between the desired situation and actual situation. So, awareness of the problem means understanding the gap between the two (desired and actual) situations. Problem solving is the process of identifying and filling the “gap” or finding a discrepancy and initiating a corrective action. A problem solving is a multi-step procedure in which a group develops a plan to move from an unsatisfactory state to a desired goal. Group problem solving is the process of bringing together stakeholders who through their analytical decision making abilities can influence the outcome of the problem. The use of groups in problem solving is encouraged as groups tend to evaluate diverse solutions and action plans.

The tasks are becoming more interdisciplinary and interdependent; hence modern business demands a comprehensive and integrated perspective of the business. Particularly in this context, group decisions are considered more relevant and worth pursuing. Hence, group problem solving becomes prominent and is necessary to understand how problem can be solved in groups and thereby contribute more effectively to decision-making.

Many key problems are solved in groups or teams in organizations. Though high-level interpersonal skills are important for mangers, more important are the capabilities to work closely with others in solving problems and making decisions. There are many executive development programs offered by premier business schools in India and abroad to strengthen problem solving skills in groups.

As a part of leveraging the collective wisdom, the problems are presented to groups and the group members are advised to arrive at decisions which are more rational and feasible. In group decision making, the feedback from more than one individual is evaluated logically and scientifically before an optimum result is identified that is based on an economic view of decision-making wherein people hope to maximize gain and minimize loss.

Group Problem Solving Process

Typically, the team members hold a discussion about the problem on hand and explore all the ways and means arise out of business or social situations and develop the ability to generate a wide variety of potential solutions to a given problem. The below process involves group problem solving.

1. Define the Problem: Define the problem by considering the three elements shared by every problem: the current undesirable situation, the goal or more desirable situation, and obstacles in the way. At this stage, group members share what they know about the current situation, without proposing solutions or evaluating the information. Here are some good questions to ask during this stage: What is the current difficulty? How did we come to know that the difficulty exists? Who/what is involved? Why is it meaningful/urgent/important? What have the effects been so far? What, if any, elements of the difficulty require clarification? At the end of this stage, the group should be able to compose a single sentence that summarizes the problem called a problem statement.

2. Analyze the Problem: During this step a group should analyze the problem and the group's relationship to the problem. Whereas the first step involved exploring the "what" related to the problem, this step focuses on the "why." At this stage, group members can discuss the potential causes of the difficulty.

3. Develop Alternative Solutions: During this step, group members generate possible solutions to the problem. Again, solutions should not be evaluated at this point, only proposed and clarified. The question should be what *could* we do to address this problem, not what *should* we do to address it.

4. Evaluate All Solutions: During this step, solutions can be critically evaluated based on their credibility, completeness, and worth. Solutions can be evaluated based on how well they fit with the group's charge and the abilities of the group. To do this, group members may ask, "Does this solution live up to the original purpose or mission of the group?" and "Can the solution actually be implemented with our current resources and connections?" and "How will this solution be supported, funded, enforced, and assessed?"

5. Implement and Assess the Solution: Implementing the solution requires some advanced planning, and it should not be rushed unless the group is operating under strict time restraints or delay may lead to some kind of harm. Although some solutions can be implemented immediately, others may take days, months, or years.

Methods of Group Problem Solving

1) **Brainstorming:** Before groups can make a decision, they need to generate possible solutions to their problem. The most commonly used method is brainstorming. Brainstorming is a creative art of generating the greatest number of ideas in the shortest possible time. Here, members in the group are encouraged to present their ideas that can contribute to problem solving. It is popular method of finding alternatives to real life problems and for creativity training. The group size is restricted to five to seven members. Everyone is given reasonable time and opportunity to present their ideas or alternative solutions. The purpose of brainstorming is to generate as many as ideas possible and explore different dimensions of the given problem. The members can combine some of the ideas and offer improved version of their earlier ideas.
2) **Nominal Group Technique:** The Nominal Group Technique is a form of brainstorming, wherein a structured meeting is held among the group members where they are required to find solutions to the problem identified for the discussion. The objective of nominal group technique is to resolve the opinion conflicts among the group members by enabling each individual to pen down his/her thoughts about the problem and later discuss it with the entire group to reach the consensus solution. Generally, the nominal group training is comprised of the following steps:

    1. First of all, the facilitator welcomes all the participants and then briefs about the problem requiring decision.
    2. The participants are given time to pen down their ideas that come to their minds in reference to the problem being discussed. During this period, each member writes his/her ideas silently without discussing anything with each other.
    3. Once all the members have written, their ideas are required to share them in front of all the group members. At this stage, the facilitator chalks down the ideas of each group member on the flip chart, thereby giving all the members equal opportunity to share what they feel.

4. Once the key points are written on the chart, the members are asked to discuss the points which they feel requires an explanation. Each member explains his/her mind to the other members and in the meanwhile, the facilitator tries to maintain the discussion as neutral as possible, thereby avoiding the criticism and judgment.
5. Once all points are explained, the members are asked to give vote or rank various ideas by prioritizing these in relation to the basic problem, for which the meeting is held.

If the group does not reach a consensus decision, then again the ranks are assigned to the recorded ideas and this process continues till the final decision is arrived.

3) **Stand-up Meetings:** Considering that sitting posture will make members less alert and involved. Meetings are conducted while standing up instead of sitting down to solve the problems and make decisions. It is considered that people are more alert when standing, and don't want to stand for too long so they reach a decision quickly.

4) **Majority rule:** It is a commonly used decision-making technique in which a majority (one-half plus one) must agree before a decision is made.

5) **Consensus rule:** This is a decision-making technique in which all members of the group must agree on the same decision.

CREATIVITY AND INNOVATION IN MANAGERIAL WORK

The growth and survival of the business in the dynamic environment as of today depends upon the development of new products. Organizations must be always in the lookout for new opportunities and exploiting them by creating new products and services. Therefore, it is needless to say that new product development holds the key for the survival of an organization. New products do not come about on their own. They are the result of the ingenuity of creativity people in the organization. As such, it is obvious that new product development is the function of organizational creativity. In other words, it depends upon how creative an organization is in respect of new ideas. It may be understood that any organization can be as creative as its people.

Having understood the importance of creativity in the organizational context, let us understand the meaning and process of creativity.

Creativity and Innovation

Creativity is an essential part of problem solving and decision making. To be creative is to see new relationships and produce imaginative solutions. Creativity can be defined simply as the process of developing novel ideas that can be put into action. By emphasizing the application of ideas, creativity is closely linked to innovation. To be innovative, a person must produce a new product, service, process, or procedure. Innovation can be regarded as the commercialization or implementation of creative ideas.

Creativity involves a departure from conventional thinking to non-conventional thinking. A close examination of many products enables us to understand how apparently unrelated things are related to produce a new product. The ubiquitous wet grinder found in many of the kitchens may be cited as a best example where a relationship is established between the electric motor and the conventional stone used in the Indian homes for grinding purposes since times immemorial. Similar is the case with the electric bulb and the lens that are combined to develop the overhead projector used in the classrooms. The same logic holds good for many products that we see around.

Though, at times creativity and innovation are used interchangeably, it is appropriate to know that both are different. Creativity and innovation go hand in hand. While creativity is the generation of a new idea, innovation is the translation of such an idea into a product, service or method of production. According to Lawrence B. Mohr **"creativity implies bringing something new into being while innovation implies bringing something new into use".** According to Rosabeth Kanter, **"Innovation is the generation, acceptance and implementation of new ideas, processes, products or services".** Such a distinction is necessary because the skills required to generate new ideas (creativity) are not the same as those required to make the ideas take the shape of products or services. Since both creativity and innovation are two different functions, organizations need people good at both the functions. Further, creativity alone does not contribute for organizational effectiveness unless the creative ideas can in some way be used or implemented. A new idea, however good it is, must be capable of implementation and must actually be implemented for the organization to benefit from it.

Conditions Necessary for Creativity

Certain individual and organizational conditions are necessary for, or at least enhance the production of, creative ideas. The most consistent of these conditions are described here. Creativity takes place when these components join together.

1. **Expertise:** Expertise refers to the necessary knowledge/skills in a particular field to put facts together. The more ideas floating around in your mind, the more likely you are to combine them in some useful way.

2. **Creative Thinking Skills:** Thinking how to make solutions differently leads to creativity. If you know how to keep digging for alternatives and how to avoid getting stuck in the status quo, your chances of being creative multiply. Preserving, or sticking with a problem to a conclusion, is essential for finding creative solution. A few rest breaks to gain a fresh perspective may be helpful, but the creative person keeps coming back until a solution emerges.

3. **Internal Motivation:** The right type of motivation is the third essential ingredient for creative thought. A fascination with the task or passion for the task is more important than searching for external rewards.

4. **Environmental Need:** In addition to the internal conditions that foster creativity, the factors outside the person have a significant effect. An environmental need must stimulate the setting of a goal, which is another way of saying. “Necessity is the mother of invention”.

5. **Conflict and Tension:** Enough conflict and tension to put people on edge also foster creativity. A practical way to create this conflict is for people to challenge each other’s thinking, such as saying, “Offering construction workers rents as temporary housing won’t attract enough of them to come down here. Let’s try harder for a housing solution.”

6. **Encouragement from Others:** Another external factor in creativity is encouragement, including a permissive atmosphere that welcomes new ideas. A manager who encourages

imaginative and original thinking, and does not punish people for making honest mistakes, is likely to receive creative ideas form employees.

The Creativity Process

In business jargon, creative people can think outside of the box, or get beyond the usual constraints when solving problems. Yet another way of characterizing creative thinkers is that they break the rules. As such, creative people are often mavericks. They are unconventional and off-the-wall. A key part of being creative is to think laterally. Lateral thinking spreads out to find many alternative solutions to a problem. Lateral thinking is thus divergent, while vertical thinking is convergent. Creative people think divergently and they can expand the number of alternatives to a problem, thus moving away from a single solution. Let us acquaint with the process of creativity.

1. **Idea generation:** The individual selects a problem to work on or more likely become aware that a problem or need exists. This is the starting point for the new product development indeed. This refers to the awareness about the ‘gaps’ in the market.
2. **Preparation**: The individual becomes obsessed with the idea/ problem, recalling and collecting information that seems relevant and dreaming up hypothesis without evaluating them. Openness to experience, tolerance for ambiguity and willingness and courage to redefine the existing concepts, beliefs are the important psychological attributes required at the stage.
3. **Incubation:** After assembling the available information, the individual relaxes and the subconscious mind becomes active. In this not much understood but crucial step, the individual often appears to be idle or day dreaming, but the subconscious is in fact trying to arrange the facts into a pattern. Psychological freedom and safety are important at this stage.
4. **Illumination:** This is something which we experience quite often. Often, when least expected – while eating, falling asleep or walking- the new integrative idea will flash into the individual’s mind. Such insights must be recorded quickly, because the conscious mind may forget them in the course of other activities.
5. **Verification and Application:** The individual sets out to prove by logic or experiment that the idea can solve the problem and can be implemented. Tenacity may be required at this

point. It is at this state the individual switches over to the logical, analytical or convergent thinking. The practical implications are examined what is known as feasibility assessment-both technical and economic for commercialization of the idea/concept. This is also known as assessing the scalability.

Organizational Programs for Improving Creativity and Innovation

1. **Creativity Training:** A standard approach to enhancing individual and organizational creativity is to offer creativity training to many workers throughout the organization. Much of creativity training encompasses the ideas such as learning to overcome traditional thinking and engaging in some type of brainstorming.
2. **Brainstorming:** the best-known method of improving creativity is brainstorming. This technique is a method of problem solving carried out by a group. Brainstorming is standard practice for solving real problems facing a company, and is also a creative training technique. Group members spontaneously generate numerous solutions to a problem, without being discouraged or controlled. By brainstorming, people improve their ability to think creativity. Brainstorming produces many ideas; it is not a technique for working out details during the first meeting. Some types of businesses problems are well suited to brainstorming, such as identifying ways to attract new customers and making cost-cutting suggestions, etc.
3. **Systematically Gathering Ideas:** The major new thrust in developing an innovative organizations is to systematically gather ideas from people inside and outside the firm.
4. **Appropriate Physical Surroundings:** creativity is facilitated when the physical environment allows for the flow of ideas, including the room with natural lighting and conducive atmosphere.

ORGANIZING AND ORGANIZATION

Organizing: Organizing is one of the functions of management. Organizing is the means to achieve the plans. If planning involves making a road map for the chosen destination, then organization is the means by which you reach your chosen destination. Organizing is a process of;

- Determining, grouping and structuring the activities
- Creating roles for effective performance at work
- Allocating necessary authority and responsibility for results
- Determining detailed procedures and systems for different problems areas such as coordination, communication, decision-making, motivation, conflict resolution, and so on.

Organizing function ends with creating a structure of relationships. It explains who is responsible for a given task.

Organization: Organization refers to the institution wherein the management functions are performed. A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems--they affect and are affected by their environment.

Organization may be formal, informal, or both.

The formal organization is basically goal oriented entity that exists to accurate the efforts of individuals and it refers to the structure of jobs and positions with clearly defined functions, responsibilities and authorities.

According to Chester Bernard, an organization is formal when the activities are coordinated towards a common objective.

Informal organization refers to network of personal and social relationships (alliances, friendships) that arise as people associate with others people in a work environment.

The chief executive calls his staff for a meeting at a given time and when the staff meets, it is formal organization.

On the other hand, after the meeting is called off, when some staff stay back to discuss their personal problems with the chief executive, it is said to be an informal organization.

BASIC CONCEPTS OF ORGANIZATION

Organizational Hierarchy: Hierarchy is system/structure in which members in an organization are ranked according to their status and authority. The hierarchy in a business refers to the layers of management from the top management down to managers or superiors of the lowest rank. Number of layers depend upon the size of the organization.

Employees in a hierarchy have varying degrees of authority. Higher levels in the hierarchy are characterized by higher responsibility and authority.

Authority and Responsibility:

Authority is the power or right to give orders/commands and to use discretion vested in that particular position or job. If the person is removed from the job, he or she loses the authority.

Responsibility is the obligation/duty on the part of subordinates to complete the given ob. If a manager has only authority, he may misuse it. As a control measure, the employee is held responsible for the results also. Authority can be transferred to lower positions but not responsibility.

Delegation of Authority: The process of transferring authority from the top to the lower levels in the organization is called **delegation**. Although a task maybe delegated or passed down the chain of command form a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions are carried out. The organization is said to be **centralized** when the authority to take decisions is held by the corporate office. If the authority is delegated to the regional offices, then the organization is said to be **decentralized**.

Span of Management: It is also called span of control. It refers to the number of subordinates that can be effectively controlled by the manager at a given point of time. If the production manager has, say, five employees under his direct control, it means his span is five.

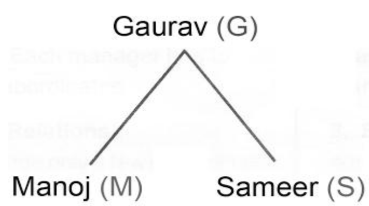
V.A. Graicunas mentioned three types of Superior-Subordinate relationships, viz.,

1. Direct Single Relationships,
2. Direct Group Relationships, and
3. Cross Relationships.

According to V.A. Graicunas, as the number of subordinates increases arithmetically (like 1, 2, 3, 4, 5, 6, etc.) the number of relationships which the superior has to control also increases almost geometrically (like 1, 6, 18, 44, 100, 222, etc.). Therefore, a superior can only control a limited number of subordinates, and anything beyond this limit is very hard to control.

V.A. Graicunas Theory can be explained with the help of this simple example.

For example, consider **Gaurav** (G) is a superior (boss) and **Manoj** (M) and **Sameer** (S) are his subordinates (juniors or lower-grade employees).



According to V.A. Graicunas, Gaurav (G) has to control following three types of relationships, with or among Manoj (M) and Sameer (S):-

(a) Direct Single Relationships :-

G with M, and G with S, i.e. a total of 2 direct single relationships.

(b) Direct Group Relationship :-

G with M in presence of S, and G with S in presence of M, i.e. a total of 2 direct group relationships.

(c) Cross Relationships :-

M with S, and S with M, i.e. again a total of 2 cross relationships.

Therefore, total number of relationships which Gaurav (G) has to control are:- 2 + 2 + 2 = 6 relationships.

Thus, when the number of subordinates is 2, the number of relationships, which the superior (boss) has to control is 6. Similarly, when the number of subordinates is 3, the number of relationships to control will be 18.

V.A. Graicunas has explained his **principle** with the help of the this formula:-

$$\mathbf{r = n\left(\frac{2^n}{2} + (n-1)\right)}$$

Here, r = No. of relations

n = No. of subordinates

No. of Subordinates	No. of Relations
1	1
2	6
3	18
4	44
5	100
6	222

Flat and Tall Organizations:

Flat Organizational Structure (Horizontal Organizational Structure)

Flat structures have fewer management levels. Flat organizations are known by their wider span of control. In other words, each manager controls more number of employees at a given point of time. These organizations focus on empowering employees in greater decision making rather than adhering to the chain of command. By encouraging autonomy and self-direction, flat structures attempt to tap into employees' creative talents and to solve problems by collaboration.

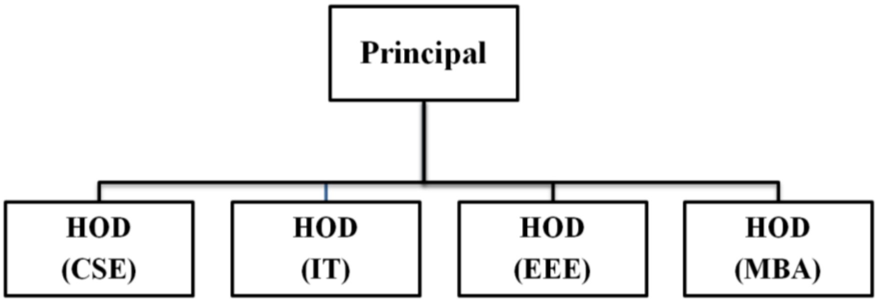


Fig: Flat Organizational Structure

In this structure, there are few or no levels of management between staff and executives. Top management has direct contact with frontline employees. It is useful to small organizations.

ADVANTAGES

1. Lower supervision costs
2. It creates fewer levels of management.
3. Quick decisions can be taken
4. Clear communication is possible

DISADVANTAGES

1. There are chances of loose control
2. Discipline may not be good
3. It may not work as business expands
4. Experience superiors are required

Tall Organizational Structure (Vertical Organizational Structure)

Large, complex organizations often require a taller hierarchy. In its simplest form, a tall structure results in one long chain of command similar to the military. As an organization grows, the number of management levels increases and the structure grows taller. In a tall structure, managers form many ranks and each has a small area of control. Generally, the greater the height of the organization chart, the smaller is the span of control, and vice versa.

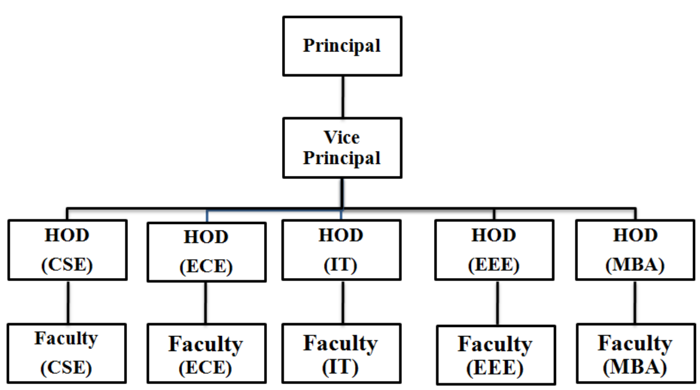


Fig: Tall Organizational Structure

Tall organizations have many levels of hierarchy. Span of control is narrow. Lines of communication are long. There are many level of middle management between top management and employees.

ADVANTAGES	DISADVANTAGES
1. Allows for tight control and supervision	1. Delays in communication
2. Quality of performance will improve	2. It is very costly
3. The manager gets more time to plan and organize	3. Decisions are delayed
4. Easy communication is possible	4. Coordination among numerous managers becomes difficult

PRINCIPLES OF ORGANIZATION

1. Principle of Objective: The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole and the organization is set up to achieve that goal. In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization.

2. Principle of Specialization: The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification. The person should continue the same work so that he specializes in his work. This helps in increasing production in the concern.

3. Principles of Co-ordination: The co-ordination of different activities is an important principle of the organization. There should be some agency to co-ordinate the activities of various departments. In the absence of co-ordination there is a possibility of setting up different goals by different departments. .

4. Principle of Authority and Responsibility: The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been given the work. If a superior delegates his authority to his subordinate, the superior is not absolved of his responsibility, though the subordinate becomes liable to his superior. The responsibility cannot be delegated under any circumstances.

5. Principle of Definition: The scope of authority and responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility also. The relationship between different departments should also be clearly defined to make the work efficient and smooth.

6. Span of Control: Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that the supervisor should be able to control their work effectively. If the span of control is disproportionate, it is bound to affect the efficiency of the workers because of slow communication with the supervisors.

7. Principle of Balance: The principle means that assignment of work should be such that every person should be given only that much work which he can perform well. Some person is over worked and the other is under-worked, then the work will suffer in both the situations. The work should be divided in such a way that everybody should be able to give his maximum.

8. Principle of Continuity: The organization should be amendable according to the changing situations. Everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static. There should always be a possibility of making necessary adjustments.

9. Principle of Uniformity: The organization should provide for the distribution of work in such a manner that the uniformity is maintained. Each officer should be in-charge of his respective area so as to avoid dual subordination and conflicts.

10. Principle of Unity of Command: There should be a unity of command in the organization. A person should be answerable to one boss only. If a person is under the control of more than one person then there may be confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of responsibility to one person.

11. Principle of Exception: This principle states that top management should interfere only when something goes wrong. If the things are done as per plans then there is no need for the interference of top management. The management should leave routine things to be supervised by lower cadres. Principle of exception allows top management to concentrate on planning and policy formulation. Important time of management is not wasted on avoidable supervision.

12. Principle of Simplicity: The organizational structure should be simple so that it is easily understood by each and every person. The authority, responsibility and position of every person should be made clear so that there is no confusion about these things. A complex organizational structure will create doubts and conflicts among persons. There may also be over-lapping and duplication of efforts which may otherwise be avoided.

13. Principle of Efficiency: The organization should be able to achieve enterprise objectives at a minimum cost. The standards of costs and revenue are pre-determined and performance should be according to these goals. The organization should also enable the attainment of job satisfaction to various employees.

14. Scalar Principle: This principle refers to the vertical placement of supervisors starting from top and going to the lower level. The scalar chain is a pre-requisite for effective and efficient organization.

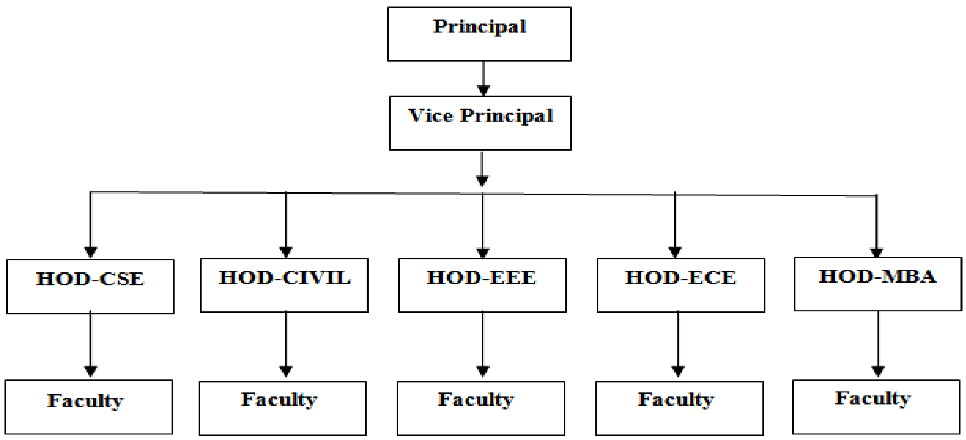
ORGANIZATION DESIGN AND STRUCTURES

An organization can be classified on the basis of authority relationship or on the basis of its departments.

I. Organization structures based on authority relationships

1. **Line Organization:** Line organization is the simple and oldest type of organization followed in an organization. Under line organization, each department is generally a complete self-contained unit. A separate person will look after the activities of the department and he has full control over the department. The same level executives do not give or receive orders amongst themselves. But they receive orders from their immediate boss and give orders to their subordinates. Hence, all the heads are responsible to the general manager, the general manager, in turn, is responsible to the shareholders who are the owners. This type of organization is followed in the army on the same pattern. So, it

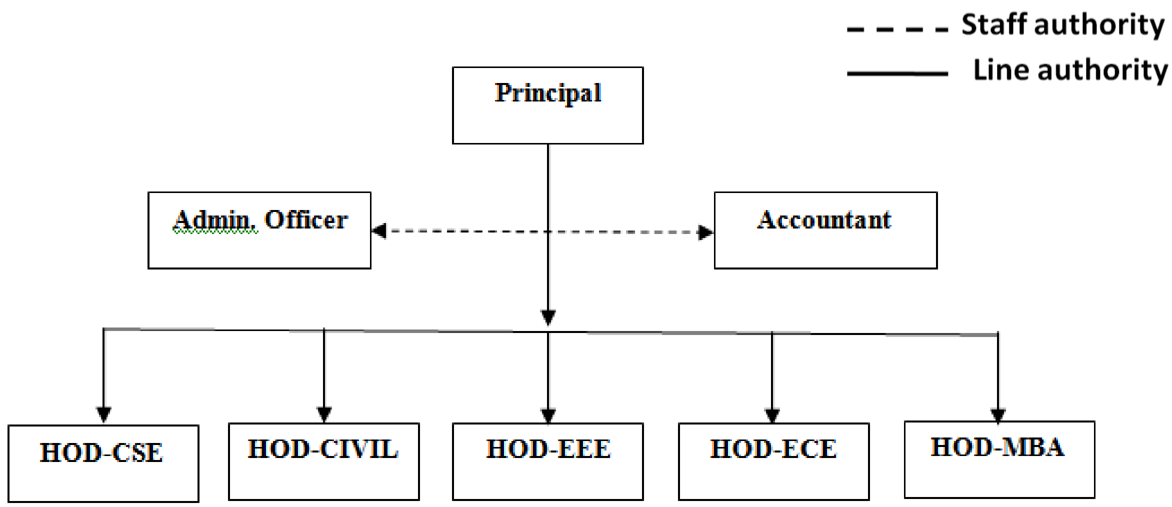
is called military organization. Under this type of organization, the line of authority flows from the top to bottom vertically. So it is called line organization



Merits of line organisation	Demerits of line organisation
1. Simplicity	1. Lack of specification
2. Division of authority and responsibility	2. Over loading
3. Unity of control	3. Lack of initiative
4. Speedy action	4. Scope for favoritism
5. Discipline	5. Dictatorial
6. Economical	6. Limited communication
7. Co-ordination	7. United administration
8. Direct communication	8. Subjective approach
9. Flexibility	9. Instability
	10. Lack of co-ordination

2. **Line and Staff organization:** In this organization, we have both the line managers and the staff managers. The staff managers are specially appointed to advise, suggest, or assist the line managers in their day to day matters. The word 'staff' means a stick for support. The line officers have authority to take decisions and implement them to achieve the objectives of the organization. The line officers may be assisted, advised, suggested in their day to day matters by the staff officers while framing the policies and plans and taking decisions organization. The authority flows from top level to the lower level of the organization through the line officers while the staff officers attached to the various

departments advise the departments. The staff officers are not in a position to compel the line officers to follow the advice by them. Each department is headed by a line officer who exercises full authority regarding the planning.



Merits of line and staff organization	Demerits of line and staff organization
1. It enhances the quality of decisions	1. It may create more friction or conflict between line and staff managers
2. There is great scope for advancement	2. Staff suggestions are seldom implemented
3. It relieves the line managers	3. It is expensive to have both staff and line managers
4. It is mostly beneficial where there is a line of command within staff departments, as in the case of Armed forces	

3. **Functional organization:** Under line organization, a single person is in charge of all the activities of the concerned department. The person in charge finds it difficult to supervise all the activities efficiently. Taylor observed that one single foreman was overburdened with all the operations such as task setting, time recording, quality inspection,

disciplinary jobs and so on. He divided this job into eight functional foremen-four dealing with the planning task and four dealing with the implementation task.

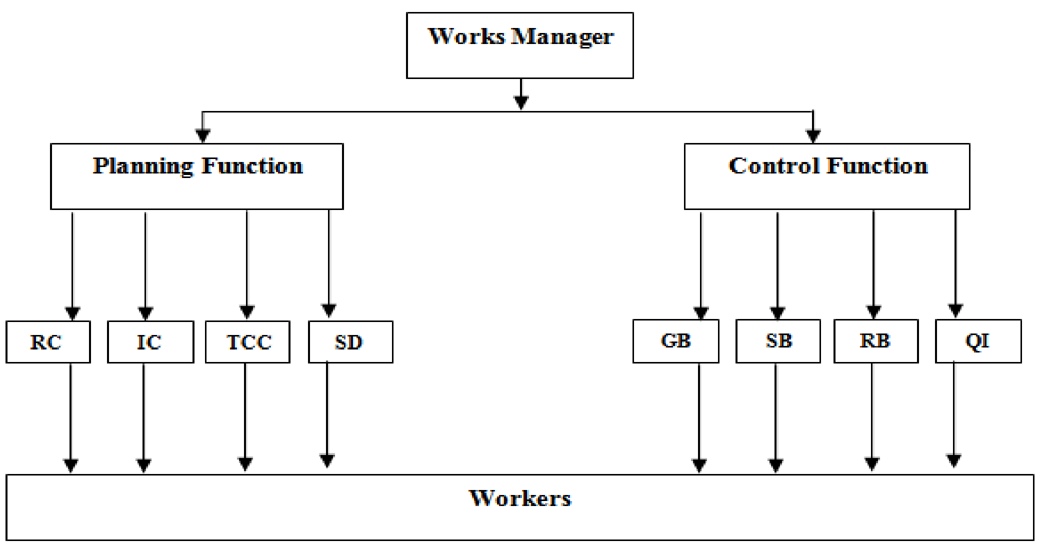
The foremen involved in the planning task are:

- Route clerk (identify the route for materials to pass on)
- Instruction clerk
- Time and cost clerk
- Shop disciplinarian

The foremen involved in the implementation task are:

- Gang Boss (Assembles the machinery needed for work)
- Speed Boss
- Repair Boss
- Quality inspector

Under functional organization, various specialists are for various functions performed in an organization. These specialists will attend to the work which is common to different functions of various departments. Workers, under functional organization, receive instructions from various specialists. From this, it can be noted that the functional type of organization violates the principle of one employee, one superior.



Merits of functional organization	Demerits of functional organization
1. Planned specialization	1. Ineffective control as workers have more than one boss
2. Separates activities related to planning and control	2. Very costly
3. Facilitates large scale production through standardization	3. Calls for more coordination
4. The disciplinary controls are well defined	4. Less appropriate when an organization diversifies
5. Appropriate when there is a single product or service	5. No clear line of authority
6. Offers clear career paths for functional specialists	

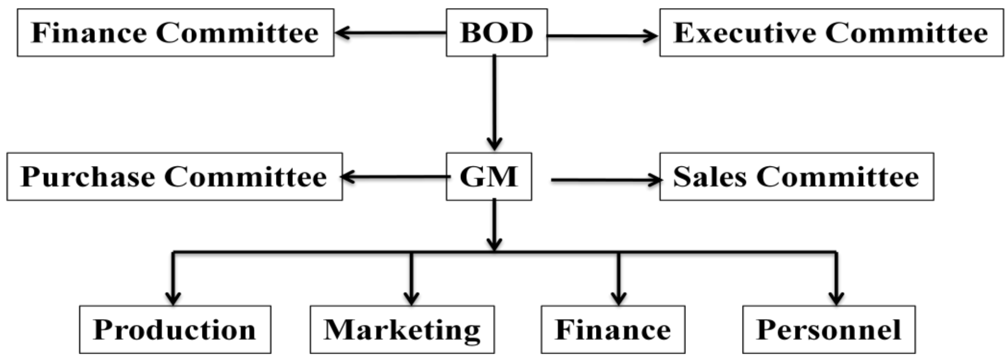
4. **Committee organization:** A committee may be defined as a group of people performing some aspects of Managerial functions.

Definitions:

"A committee consists of a group of people specifically designated to perform some administrative work" - **W.H. Newman**

" A committee is a body of persons appointed or elected to meet on an organized basis for the consideration of matters brought before it". - **Allen**

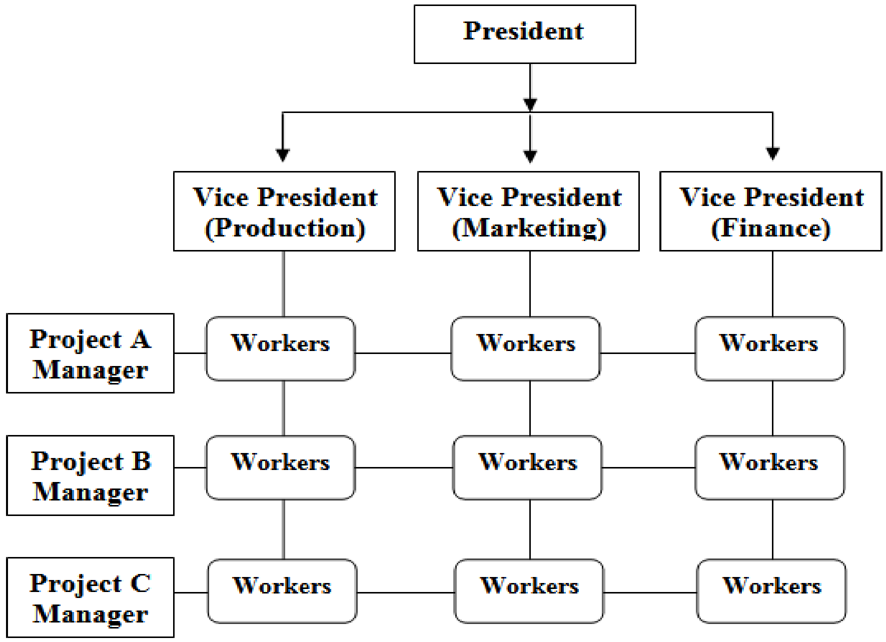
A committee is formed when two or more persons are appointed to work as a team to arrive at a decision on the matters referred to it. It is intended to utilize the knowledge, skills, and experiences of all the concerned parties. Particularly, in large organizations, problems are too high to be handled by one single expert. The committee studies the nature of the problem by carefully scrutinizing the office records, rule position, analysis of precedence (how such cases have been dealt with in the past), and so on.



MERITS	DEMERITS
1. Pooling of Knowledge 2. Effective co-ordination is available 3. Effective Communication 4. Motivation through participation of employees	1. Slow decisions 2. Most Expensive 3. Difficult to maintain secrecy 4. Compromise

5. **Matrix organization:** This is also called as project organization. Matrix organization structure is essentially a violation of unity of command A matrix organization is defined as an organization where people have to report to more than one boss. The first boss will be their functional manager and the other can be a project manager. Personnel are drawn from their respective functional departments. Each functional staff has two bosses his administrative head and his project manager.

   The main objective of matrix organization is to secure higher degree of coordination than what is possible from the conventional organization structures such as the line and staff. In matrix organization there are two chain of command one along functional lines (vertically) and the other along the project line (horizontally). The figure shows that the president has three vice presidents for various departments and two project managers for two locations A and B. The figure reveals that both functional manager and project manager exercise authority over the workers.



MERITS	DEMERITS
1. It offers operational freedom & flexibility.	1. It calls for greater degree of coordination.
2. It focuses on end results.	2. It violates unity of command.
3. It maintenance professional Identity.	3. Difficult to define authority & responsibility.
4. It holds an employee responsible for management of resources.	4. Employee may be de motivated.

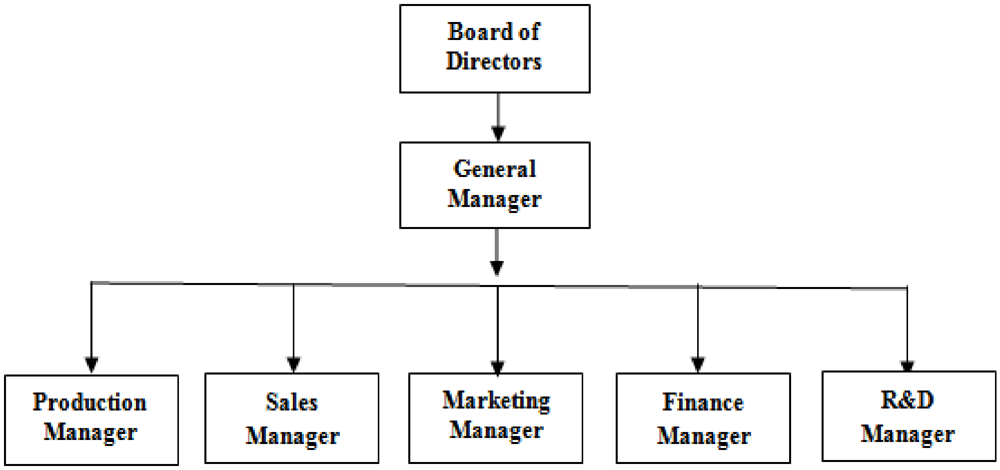
6. **Virtual organization**: Virtual organizations facilitate competitiveness particularly when these organizations are part of the global economy. Here, there can be alliances and partnerships with other organizations almost all over world. It is a flexible Organization structure that removes the traditional boundaries. It allows easy reassignment and reallocation of resources to take quick advantage of shifting opportunities in global markets. The virtual Organization is a temporary network of companies that come together quickly to exploit fast changing opportunities. Virtual Organizations appear to be bigger than traditional organizations. As virtual organizing requires a strong

information technology (IT) platform. The boundaries that traditionally separate a firm from its suppliers, customers and even competitors are largely eliminated, temporarily and in respect to a given transaction or business purpose. Virtual Organizations come into being 'as needed' when alliances are called into action to meet specific operating needs and objectives. When the task is complete, the alliance rests until next called into action. Each partner in the alliance contributes to the virtual Organization what it is best at-its core competence

7. **Cellular Organization**: Organization structured around the units/cells that complete the entire assembly processes are called cellular organizations. In the modem organizations, cellular Organizations have been replacing the continuous line or linear production process systems. In cellular organizations, workers manufacture total product or subassemblies in teams (cells). Every team (cell) of workers has the responsibility to improve or maintain the quality and quantity of its products. Each team is free to reorganize itself to improve performance and product quality. These cells comprise self-managed teams. They monitor themselves and also correct where necessary on their own. Cellular Organizations are characterized by much smaller staff all over the Organization with middle management positions reduced and lean management members at the top. It is both a lean and flat structure.

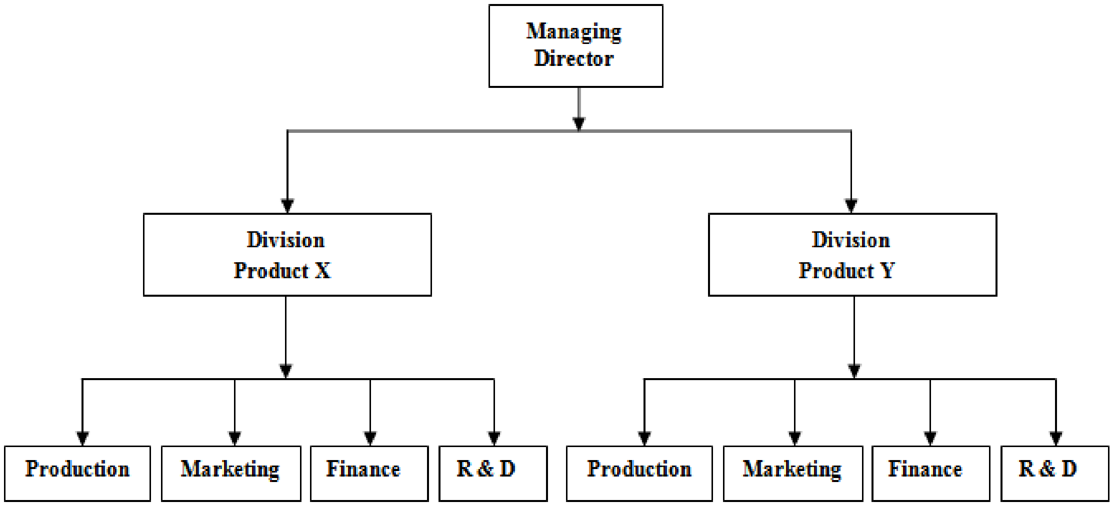
II. Organization structures based on its departments

1. **Functional departmentation:** The process of classifying the organization on the basis of departments or similar activities in it is called *departmentation.* This is similar to the modern view of functional structure of organizations. Marketing, Production, Finance, Sales etc. are the basic functions of manufacturing organization. It follows the specialization principle. Every department is viewed as a separate entity by itself.



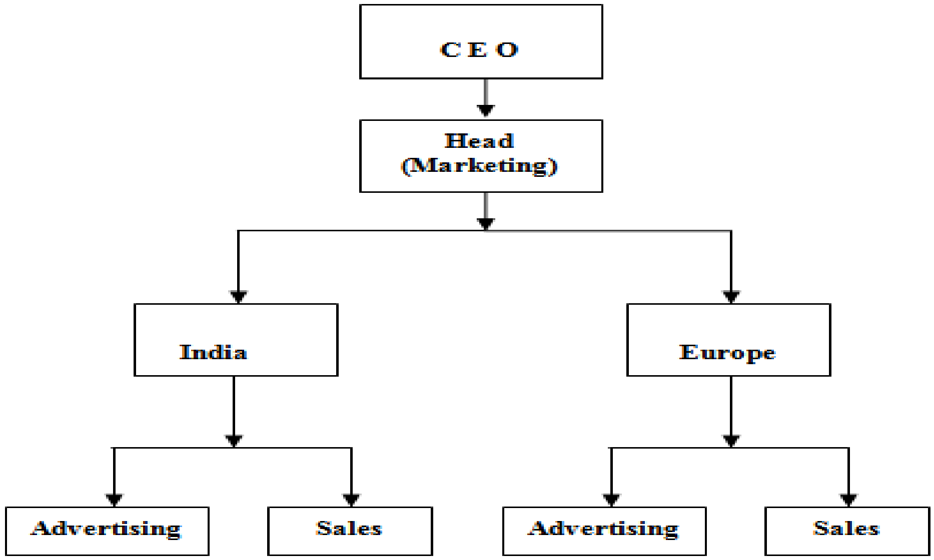
MERITS	DEMERITS
1. It follows specialization 2. Specialization enhances quality 3. Reduces load on seniors 4. It offers better control 5. Training needs can be well identified 6. It is suitable for medium and large organizations	1. It delays decisions 2. Lack of coordination 3. It is expensive 4. Not suitable for small organizations 5. Department objectives are more focused than the corporate goals.

2. **Product organization:** The process of classifying the organization on the basis of products is called product organization. The grouping of the production and sales efforts of a business according to a particular line of goods or services. The departments are based on the products manufactured or services rendered. The product - based organization offers scope to strengthen the manufacturing facilities, skills and knowledge for every product or service. It can be used for growth and diversification.



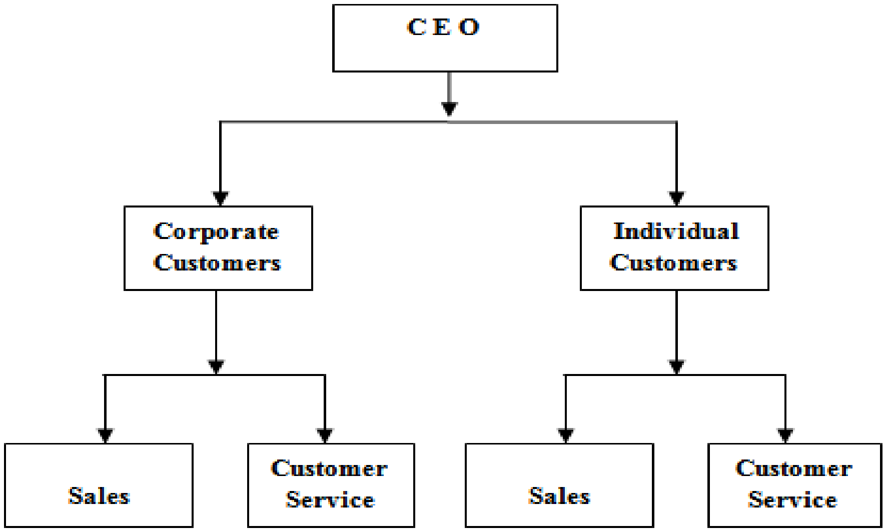
MERITS	DEMERITS
1. It strengthen the manufacturing facilities product-wise or process-wise 2. It provides for growth and diversification 3. It ensures better customer care 4. All facilities are available under one roof 5. Responsibility can be fixed	1. Adequate number of qualified managers may not be available 2. Cost increases 3. Controlling problem for top management 4. Proper coordination may not exist

3. **Regional or Geographical organization:** The process of classifying the organization on the basis of regions is called geographical organization. Organization is divided into territories or regions commonly used for the decentralization of responsibility over certain areas. This method is popularly used in sales and production function. This type of structure allows an organization's offices to operate individually while adhering to company policies and values. Office locations can be local, national or international. Geographic organizational structure allows for each business unit or office to operate as its own entity based on where it's located.



MERITS	DEMERITS
1. Responsibility is fixed at the territory level 2. Local resources can be used 3. It enhances the competitive edge in terms of lower delivery times and lower labour costs 4. It creates jobs for local community 5. It reduces transportation costs	1. It is difficult to top management to control territorial operations 2. It may involve duplication of costs 3. If qualified managers are not available the territorial activities may hinder

4. **Customer organization:** The process of classifying the organization on the basis of customer profile is called customer organization. All the activities of the enterprise are grouped on the basis of the profile of its customers. Each group is managed by one department head. This type of organization is designed to cater to the requirements of clearly defined customer groups.



MERITS	DEMERITS
1. It focuses on the specific needs of individual customers	1. It calls for focused training programms to cater to the specific customer needs
2. It ensures better customer care	2. It may be very costly
3. It develops a competitive advantage through core-competence	3. If customer group is small, it is not useful
4. It is based on growing and diversified needs of customer	4. The customer requirements keep changing

MODERN TRENDS IN ORGANIZATIONAL STRUCTURES DESIGNS

VIRTUAL ORGANIZATION STRUCTURE

This new form of organization, i.e., ‘virtual organization’ emerged in 1990 and is also known as digital organization, network organization or modular organization. Simply speaking, a virtual organization is a network of cooperation made possible by, what is called ICT, i.e. Information and Communication Technology, which is flexible and comes to meet the dynamics of the market. Virtual Organization: A virtual organization is one whose employees are spread geographically and communicate via phone, email, and the internet. The concept explores technologies and issues surrounding virtual organizations from a knowledge management perspective. Virtual organizations facilitate competitiveness particularly when these organizations are part of the global economy. Virtual organization structure does not physically exist, but its effect is felt.

Virtual organization is one that it

(1) does not have a physical (bricks and mortar) presence but exists electronically (virtually) on the internet.

(2) is not constrained by the legal definition of a company, or

(3) is formed in an informal manner as an alliance of independent legal entities.

CELLULAR ORGANIZATION STRUCTURE

Organizations structured around the units/cells that complete the entire assembly process are called cellular organizations. In cellular organizations, workers manufacture total product or sub-assemblies in teams (cells). Every team (cell) of workers has the responsibility to improve or maintain the quality and quantity of its products. These cells comprise self-managed teams. They monitor themselves and also correct where necessary on their own.

Example: A system of hyper market such as BIGBAZAR is composed of many diversified sub-systems, say, electronic goods, good court, grocery etc. all these will be located and operated under one roof under the control of one coordinator, while each subsystem will report to its mother concern also. For example, an electronic goods (say a PHILIPS TV) seller has to abide by the regulations of Big Bazaar for selling function and reports to his company (Philips India) for other aspects.

BOUNDARYLES ORGANIZATION STRUCTURE

An organization has external boundaries that separate it from its suppliers and customers, and internal boundaries that provide demarcation to departments. This rigidity is removed in boundary less organizations, where the goal is to develop greater flexibility and responsiveness to change and to facilitate the free exchange of information and ideas. It is made up of self-managing and cross-functional teams that are organized around core business processes. The teams include employees from different functional areas as well as customers and suppliers.

TEAM ORGANIZATION STRUCTURE

A structure in which the entire organization is made up of work groups or teams is known as team structure. Team structures are both permanent and temporary in nature as situation demands. ‘We report to each other’ is the main feature of teamλ structure. A cross functional team comprises members from different functional departments such as marketing, finance, HR, production etc. Project teams are convened for a particular task or project and these get dissolved once task is completed.

DEPARTMENTATION

The first task in designing an organization structure is the identification of activities and to group them properly. The process of grouping the activities is known as Departmentation. The process of grouping of activities into units for the purpose of administration is called departmentation. It can be defined "as the process by which activities or functions of enterprise are grouped homogeneously into different groups." The administrative units are called divisions, units or departments.

The followings are the basis of departmentation:

a) When departmentation is done on the back of functions the departments created are Production, marketing, accounting, and finance and personnel departments.
b) When departmentation is done on the basis of geographical area, the departments are known as eastern department, western department, northern and southern department.
c) Departmentation can be done on the basis of customers.
d) Departmentation can be done on the basis of product handled.

DELEGATION OF AUTHORITY

The process of transferring authority form the top to the lower levels in the organization is called **delegation**. Although a task maybe delegated or passed down the chain of command form a manager to a subordinate, the manager continues to be responsible for making sure that his/her instructions are carried out. The organization is said to be **centralized** when the authority to take decisions is held by the corporate office. If the authority is delegated to the regional offices, then the organization is said to be **decentralized**.

EMPOWERMENT

Empowerment means authority or power given to someone to do something. A management practice of sharing information, rewards, and power with employees so that they can take initiative and make decisions to solve problems and improve service and performance.
Empowerment is based on the idea that giving employees skills, resources, authority, opportunity, motivation, as well holding them responsible and accountable for outcomes of their actions, will contribute to their competence and satisfaction.

Strategies to empower:

1. Foster open communication: bottom-up open communication is much powerful when compared to top-down communication. In open communication, employees can present their thoughts, feelings and observations known easily and regularly. Use the feedback effectively and constructively. Never thing of antagonizing employees for their criticism. Appreciate and reward the new ideas. Focus on creativity and innovation so that the organization becomes a buoyant one with higher degree of new thinking and different perspectives.

2. Reward self-improvement: To overcome complacency and stagnation among the employees, encourage and reward them for self-improvement, have budget and time in place for personal development and training. Motivate employees to set a plan for growth and reward them as they advance. This is one sure way of creating leadership opportunities.

3. Let the employees experiment ion on a continuous basis. Even if they fail, keep on encouraging them to move forward. They should not feel that failure will cost their future. This makes them more risk averse. Promote an environment where they can try new things while protecting the interests of the organization. Develop laboratory environment to test new ideas and learn from the failures, if any. Unless the employees will gain understanding and feel comfortable, they cannot focus on testing their new ideas on the field and bring innovation in the organizational perspectives. Exhibit high degree of trust and support in the employees' ability to accomplish a work assignment.

4. Provide sufficient authority: Delegate adequate authority so that the employees can develop the feeling of " I can do my job" and then address every problem in their work front. Further, give them ideas to experiment. Give them every opportunity to clearly understand the core values, purpose and direction of the company so that they can easily make consistent decisions and take appropriate action at any junction. Promote share vision to develop leadership across cadres.

5. Encourage to work beyond the given role: the vision of each job needs to be articulated. The employees need to think beyond their job roles and description within their functional areas so that they bring dynamism into their own well defined roles. Also support their independence in the job roles by providing necessary skills and resources.

6. Fix accountability for results: To understand the consequences of failures and need for making an extra effort, every employee need to be held accountable for results. Also keep appreciating and reward their efforts through consistent and diligent measurement of performance for their high morale.

CENTRALIZATION

Centralization is the degree to which decision-making is concentrated at upper levels of the organization. Centralization is a process where the concentration of decision making is in a few hands; All the important decisions and actions at the lower level, are subject to the approval of top management.

Benefits:

1. Centralization offers a simple, easier-to-manage system.

2. It improves efficiency by taking advantage of potential economies of scale.
3. It brings groups together to create order and enforce uniformity in the policies, practices, procedures and process.
4. It avoids the waste of money on duplicate systems, extra work, and manual processes.
5. Direct and close control on operations.

DECENTRALIZATION

Decentralization is the degree to which lower-level employees are given authority to make decisions except that which can only be exercised at central points. Decentralization is simply a matter of dividing up the managerial work and assigning specific duties to the various executive skills. Decentralization is a systematic delegation of authority at all levels of management and throughout the organization. Authority is retained by the top management for taking major decisions and framing policies concerning the whole concern. “Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”.

Benefits:

1. It promotes efficiency as a result of faster decision making. The branches are empowered to take decisions within the given framework.
2. It improves speed and flexibility by reorganizing to increase local control and execution of a service.
3. It breaks away from frustrating bureaucratic ways of traditional systems.
4. In case of adversity or crisis, the damage can be confined to a given zone. The operations of other zones are not affected.
5. Improves scope for customization.

RECENTRALIZATION

Recentralization is the process of taking back the authority from the divisions or departments where the purpose of decentralization is not achieved. If the situation so demands, the top management may hold back the power or authority from the lower level managers which were earlier decentralized. Since business conditions are volatile and uncertain, the process of decentralization may not yield the expected results. In cases where there are many complaints from the customers or vendors, the head office may roll back the authority delegated to the branch offices. Where decentralization has failed, the head office institutes a detailed enquiry, call for al the reasons of failure, analyze how it can be corrected and identify who has to be trained further to improve the service quality. Once the corporate office feels that situation is under control and the divisional office is fully geared up to handle the situation competently, then the authority can be delegated back.

Benefits:

1. It offers scope for the mangers to correct the situation instantly.
2. It improves the confidence level of the stakeholders.
3. The head office can take stock of the situation and decide the next best course of action.
4. It is quick response tool to uphold service quality by improving leadership competence, staff motivation, improve service delivery by addressing the delays and increased bureaucracy.

ORGANIZATIONAL CULTURE

To understand the meaning of organizational culture, we must first understand the meaning of culture. “Culture is the set of important understandings that members of a community share in common”. It consist of a basic set of values, ideas, perceptions, preferences, concept of morality, code of conduct etc, which create a distinctiveness among human groups. In simple words, we can say that “culture is a combination of factors that are learned through our interaction with the environment during our developmental and growth years”.

Organizational culture is the set of assumptions, beliefs, values, customs, traditions and norms that are shared by the members of an organization. It may be consciously created by its key members, or it may have simply evolved over time. It represents a key element of the work environment in which employees perform their jobs. A culture may exist across an entire organization, or it may refer to the environment within a single division, branch, plant, or department. The idea of organizational culture is somewhat intangible, for we cannot see it or touch it, but it is present and pervasive. Like the air in a room, it surrounds and affects everything that happens in an organization. Because it is a dynamic systems concept, culture is also affected by almost everything that occurs within an organization. They give an organizational identity to employees – a defining vision of what the organization represents. They are also an important source of stability and continuity to the organization which provides a sense of security to its members. Also called corporate culture, it's shown in:

1) The ways the organization conducts its business, treats its employees, customers, and the wider community,
2) The extent to which freedom is allowed in decision making, developing new ideas, and personal expression,
3) How power and information flow through its hierarchy, and
4) How committed employees are towards collective objectives.

It affects the organization's productivity and performance, and provides guidelines on customer care and service, product quality and safety, attendance and punctuality, and concern for the environment.

Characteristics of Organizational Culture

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

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

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

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

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

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

7. Risk Tolerance: The degree to which, employees are encouraged to be innovative, aggressive and risk taking.

8. Communication Patterns: The degree to which, organisational communications are restricted to the formal hierarchy of authority.

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

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

ORGANIZATIONAL CLIMATE

Before understanding the meaning of organizational climate, we must first understand the concept of climate. Climate in natural sense is referred to as the condition of the weather at a place in a particular period of time and it consists of temperature, wind, velocity and precipitation".

The concept of organisational climate was formally introduced by the human relationists in the late 1940s. Some persons have used organisational culture and organisational climate interchangeably. But there are some basic differences between these two terms. According to Bowditch and Buono, "Organisational culture is connected with the nature of beliefs and expectations about organisational life, while climate is an indicator of whether these beliefs and expectations are being fulfilled." Climate of an organisation is somewhat like the personality of a person. Just as every individual has a personality that makes him unique and different from other persons. Each organisation has an organisational climate that clearly distinguishes it from other organisations.

Basically, the organisational climate reflects a person's perception of the organisation to which he belongs. It is a set of unique characteristics and features that are perceived by the employees about their organisations which serves as a major force in influencing their behaviour.

The term, 'Organisational climate' is defined as a relatively enduring quality of the internal environment of an organisation as perceived and experienced by its members, which can be described in terms of specific dimensions or characteristics and which influences the patterns of behavior and work performance of members. Organisation climate evolves over a fairly long period of time and is relatively stable. Since the dimensions of climate are internal, they can be measured, controlled and changed by the organisation, if it so decides. Organisational climate is the major frame of reference for the member's interpretation of organisational decisions and actions as also their own attitudes, behaviour and performance.

According to Forehand and Gilmer, "Climate consists of a set of characteristics that describe an organisation, distinguish it from other organisations are relatively enduring over time and influence the behaviour of people in it."

Characteristics

a) Organisational values, goals and priorities which are pursued in practice as against those which are professed.
b) Managerial value systems and life styles.
c) Competence, character, commitment and dynamism of management.
d) The complexion of organisational policies and practices and the consistency.
e) The power structure - The extent of concentration or dispersal of authority.
f) General organisational structure-hierarchy, rigidity vs. flexibility, clarity of the structure, communication and control systems, superior-subordinate relations, informal social relationships, etc.
g) Nature of jobs – degree of skill required, relation between effort and productivity, variety in the tasks, perceived importance of the job, rewards associated with the job, relation with other jobs, security and so on.
h) Degree of freedom and control – requirements of conformity and compliance to organisational norms and the extent to which behaviour of employees is structured.

i) Supervisory style – attitudes and behaviour of supervisors and managers towards their subordinates and towards performance requirements.

j) Reward structure – reward levels and interrelations, equity in reward structures, monetary and non-monetary rewards.

k) Organisational approach to conflict and dissent, amicable resolution or suppression of conflict.

l) The physical working conditions in the organisation.

Factors Affecting Organisational Climate

Factors affecting organizational climate differ from organization to organization. In some organizations certain factors like structure, or process plays a major role and in some other organizations, technology might be the major factor influencing the climate. However the major factors, according to Lawrence James and Allan Jones affecting the organizational climate can be grouped under the following heads:

1. Organizational content: The reactions of the employees and the degree to which they welcome and accept the managerial philosophy is very crucial to the development of sound and favorable organizational climate.

2. Structure: Structure is the framework that establishes formal relationship and delineates authority and functional responsibility. It is generally believed that decentralized structure results in sound climate.

3. Process: In every organization certain processes are vital so that it functions. Communication, decision making, motivation and leadership are some of the important processes through which management achieves the tasks. For instance, if we consider leader-follower relationship, leadership process, it is leader's choice whether to allow subordinates in decision-making, give assignments, etc. A leader has to be aware of the possible influence of his actions on the climate while deciding about the most appropriate supervisory technique for a given situation.

4. Physical Environment: the external conditions of environment, the size, location of the work place etc., will also affect organizational climate. An employee performing his job in relatively clean, quiet, safe environment will undoubtedly have a favorable perception of the organizational climate.

5. System Values and Norms: Every organization has discernible and fairly formal value system where certain kinds of behaviors are rewarded and encouraged and certain kinds of behavior forces an individual to formal sanctions. The formal value system is communicated to employees through rules, regulations and policies. But informal value system is very difficult to ascertain. But both exert influence on organizational climate.

ORGANIZATIONAL CHANGE

Changes are taking place all around without exception. It is but natural that everything changes over time. What remains constant is change itself? Therefore, it's the responsibility of the manager to appreciate the change, assess its impact on the organization and prepare to adopt it, if necessary. Depending on the magnitude of change, it may impact an individual, a group, structure, process and subsystems. By scanning the environment and deciphering how changes in the environment are likely to widen the gap between desired and actual state of affairs of organization such as productivity, customer and employer satisfactions ,the degree and impact of change could be gauged. Manager can be a change agent by introducing planned changes in the organization.

Meaning

The term change in the organization context refers to any alteration that occurs in the work environment. Planned changes mean those changes which are effected in a planned manner after assessing the need for change and working out the details as to when and how they will be carried out. A planned change is also called *proactive change.* In contrast, reactive change is the one which takes place in random fashion as a crisis situation develops. For proactive or planned change to be initiated, manager shall be sensitive to the environmental changes affecting the organization so that organizational crisis situations can be averted.

Organizational change is the process by which organization move from their present state to some desired future state to increase effectiveness. When an organization system is disturbed by some internal or external forces, change frequently occur or any alteration which occur in the overall work environment of an organization.

Organizational change is both the process in which an organization changes its structure, strategies, operational methods, technologies, or organizational culture to affect change within the organization and the effects of these changes on the organization. Organizational change can be continuous or occur for distinct periods of time.

Characteristics

a) Change happen for the pressure or both internal and external forces in the organization.
b) Change in any part of the organization affect the whole organization.
c) Change may affect people, structure, technology and other elements of the organization.
d) Change also affects the rate of speed and degree of effectiveness of the organization.
e) Change may be reactive or proactive.

Steps to Organizational Change management

1) **Clearly define the change and align it to business goals**: It is one thing to articulate the change required and entirely another to conduct a critical review against organizational objectives and performance goals to ensure the change will carry your business in the right direction strategically, financially, and ethically. Here key questions are: What do we need to change?. Why is this change required?.
2) **Determine impacts and those affected**: Once you know exactly what you wish to achieve and why, you should then determine the impacts of the change at various levels. Review the effect of change on each business unit and how it cascades through the organizational structure to the individual. Here key questions are: What are the impacts of the change?. Who will the change affect most?. How will the change be received?.
3) **Develop a communication strategy:** Determine the most effective means of communication for the group or individual that will bring them on board. The communication strategy should include a timeline for how the change will be incrementally communicated, key messages, and the communication channels and mediums you to use. Here key questions are: How will

the change be communicated?. How will feedback be managed?. Who are to be most communicated?. What is the communication process?.

4) **Provide effective training:** With change message out in the open, it is important to provide training to the employees regarding the changes made in the organization. Training may be for skills and behavior. Here key questions are: What behaviors and skills are required to achieve business results?. What training delivery methods will be most effective?.
5) **Implement a support structure:** Providing a support structure is essential to assist employees to emotionally and practically adjust to the change and to build proficiency of behaviors and technical skills needed to achieve desired business results. Here key questions are: Where is support most required?. What types of support will be most effective?.
6) **Measure the change process:** Throughout the change management process, a structure should be put in place to measure the business impact of the changes and ensure that continued reinforcement opportunities exist to build proficiencies. Here key questions are: Did the change assist in achieving business goals?. Was the change management process successful? What could have been done differently?.

Pressures for Change

The need for change exists when the manager finds that the goals are not being achieved. Thus, tension points in the organization are identified when the gap between the desired and the actual results is noticed. Such gaps could occur due to certain changes. In other words, these changes are precursors for organizational change, which are explained in below.

1. Labor market Environment: The work force composition is fast changing with increasing proportion of the woman, minorities, physically challenged. For instance, in India the work force diversity, of late is something unseen before. Human resource management policies will have to change to attract, maintain a diverse work force. Increasing participation of woman means dual-career couples. So organizations have to change their transfer and promotional policies as well as provide child and elder care facilities.

2. Technological developments: Changes in technology bring in their wake corresponding changes in the nature of the work. Computers, telecommunication systems, robotics, and flexible manufacturing systems are some of the 21st century changes that have brought unimaginable changes at work place with respect to the time, comfort required for the execution of tasks. With changing technologies employees skills become obsolete.

3. Economic conditions: This is an age of discontinuity. To mention a few, oil shocks, accelerated inflation and interest rates, the stock market crashes, currency devaluation, etc., hit some industries and firms much harder than others. Globalization of markets is yet another significant change. The problem with these shocks is that it is impossible to predict what the future shocks will be and from where they come from.

5. Work place diversity: Emergence of global markets, mobility of factors of production across the globe, integration of economic systems imposes certain demands on employees who have to interact with people in other countries and work with persons brought up in different cultures. Business organizations, therefore, have to prepare the work force which could perform and feel at home regardless of the place of work and the composition of work teams.

6. Competition: Competition is intensifying by the day in every product category. Businesses also in line with the changed realities and compulsions need to address themselves to the global context.

HUMAN RESOURCE MANAGEMENT

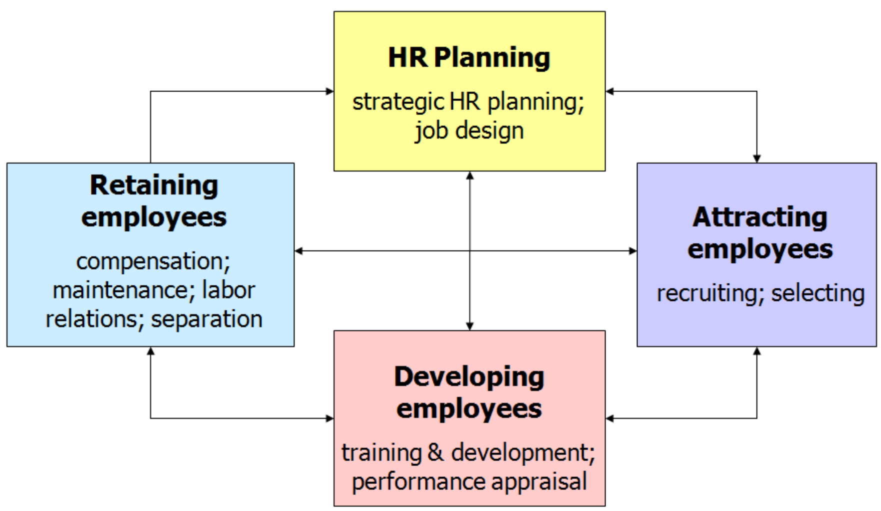
Human resources are the people who work for the organization. It is an asset to the organization like factory, machinery and cash. HRM is concerned with management of people from recruitment to retirement. Human Resource management is the body of knowledge and a set of practices that define the nature of work and regulate the employment relationship. HRM is the function within an organization that focuses on recruitment, management and providing direction for the people who work in the Organization.

HRM refers to the process of acquiring, training, appraising and compensating employees and of attending to their labour relations, health and safety and faireness concerns. The HRM process consists of planning, attracting, developing, and retaining the human resources (employees) of an organization.

According to Flippo — "Personnel management is the planning, organizing, compensation, integration and maintainance of people for the purpose of contributing to organizational, individual and societal goals."

Objectives:

1) To help the organisation to attain its goals effectively and efficiently by providing competent and motivated employees.
2) To utilize the available human resources effectively.
3) To increase to the fullest the employee's job satisfaction and selfactualization.
4) To develop and maintain the quality of work life (QWL) which makes employment in the organization a desirable personal and social situation.
5) To help maintain ethical policies and behavior inside and outside the organization.
6) To establish and maintain cordial relations between employees and management.
7) To reconcile individual/group goals with organizational goals.



HUMAN RESOURCE MANAGEMENT

TALENT MANAGEMENT

What is talent?: According to Mckinsey, talent is the sum of person's ability, intrinsic gifts, skills, knowledge, experience, intelligence, judgment, attitude, character, ability to learn and grow.

Talent Management, as the name itself suggests is managing the ability, competency and power of employees within an organization. The concept is not restricted to recruiting the right candidate at the right time but it extends to exploring the hidden and unusual qualities of your employees and developing and nurturing them to get the desired results. Hiring the best talent from the industry may be a big concern for the organizations today but retaining them and most importantly, transitioning them according to the culture of the organization and getting the best out of them is a much bigger concern.

Talent Management in organizations is not just limited to attracting the best people from the industry but it is a continuous process that involves sourcing, hiring, developing, retaining and promoting them while meeting the organization's requirements simultaneously. For instance, if an organization wants the best talent of its competitor to work with it, it needs to attract that person and offer him something that is far beyond his imagination to come and join and then stick to the organization. Only hiring him does not solve the purpose but getting the things done from him is the main task. Therefore, it can be said that talent management is a full-fledged process that not only controls the entry of an employee but also his or her exit.

We all know that it's people who take the organization to the next level. To achieve success in business, the most important thing is to recognize the talent that can accompany you in achieving your goal. Attracting them to work for you and strategically fitting them at a right place in your organization is the next step. It is to be remembered that placing a candidate at a wrong place can multiply your problems regardless of the qualifications, skills, abilities and competency of that person. How brilliant he or she may be, but placing them at a wrong place defeats your sole purpose. The process of talent management is incomplete if you're unable to fit the best talent of the industry at the place where he or she should be.

The concept, Talent Management (TM) refers to the forecasting and planning of required human capital for an organization. The term was coined by McKinsey & Company. TM is an organization's ability to recruit, retain, and produce the most talented employees available in the job market. Talent consistently uncovers benefits in the critical areas such as revenue, customer satisfaction, quality, productivity, cost, cycle time, and market capitalization.

Talent Management is the process of creating a high quality, highly engaged workforce by hiring, retaining, deploying, and engaging talent at all cadres and it has been the source of generating inimitable competitive advantage for the organization. Since the talent is a scarce resource, it must be managed effectively and efficiently.

According to Bersin, TM is defined as the implementation of integrated strategies or systems designed to improve processes for recruiting, developing, and retaining people with the required skills and aptitude to meet current and future organizational needs.

Merits of Talent Management

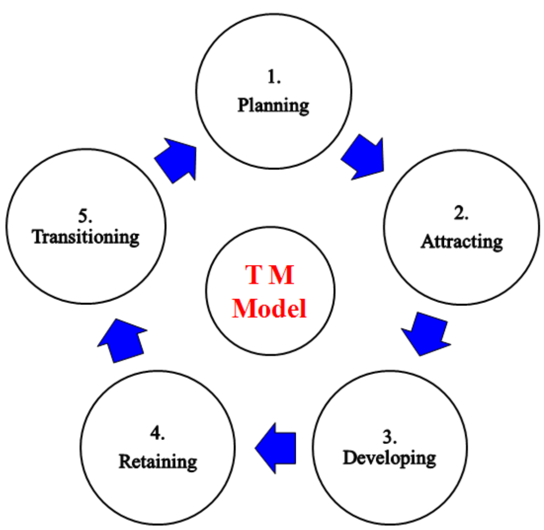
1) **Employee Motivation:** A survey conducted by Chandler and Macleod revealed that about 90% of employees wanted more than just money to feel engaged and motivated. And TM can motivate such people as it recognized the talent.
2) **Higher level business performance as it attracts top talent:** The very reason of existence of TM is attracting the top talent. So it is obvious to result in higher level of business performance.
3) **No problem in critical roles:** An organization will have a continuous flow of employees to fill critical roles if TM is adapted. This ensures smooth running of operations and clients and stakeholders are satisfied.
4) **No burden to employees**: Since the roles are fixed, the employees are not overburdened, which eventually lead to happy employment.
5) **Increased employee performance**: Identified 'good fit' employees, exhibition of talents are embedded in organizational strategy. This reduces performance management issues and grievances.
6) **Less employee turnover:** As long as talent is recognized, the top talent within the organization tends to stay longer. Thence, it will ensure less employee turnover.

7) **Engaged employees:** As there is fair process for development, employees feel more engaged which in turn increases retention rates and there will not be any fear of employee retrenchments.
8) **Reduced cost of recruitment:** The employee retention leads to reduced requirements so, an organization saves on recruitment and performance management costs in the long run.
9) **Higher client satisfaction**: When systems are more integrated, client satisfaction rates are usually higher, since they are dealing with less people and their needs are met faster.
10) **Strong and trusted organization culture:** The successful organizations like Apple, Google have a strong organization cultures whose employees do not just work for a pay-cheque, but for sharing and caring of their talents.

TALENT MANAGEMENT MODEL

Talent management can include; talent acquisition (and recruitment), learning and development, organizational values and vision, performance management, career pathways and succession planning.

While there are many talent management models, the elements of talent management can generally be categorized into five areas; planning, attracting, developing, retaining and transitioning.



1. **Planning**: Prior to developing the workforce plan, an evaluation of previous initiatives, an assessment of the workforce profile and talent performance and the behaviors to date, are carried out. A workforce plan is then developed based on the current workforce situation and the future desired state. The workforce plan ensures that the right people, at the right time and with the right skills are employed and working towards the strategy. In other words, the workforce plan translates business strategy into organisational talent needs. The planning stage of talent management is comprised of 3 key areas.

1. Understanding the organisational/business strategy
2. Evaluation and measurement/analytics
3. Developing a Workforce Plan

2. **Attracting**: Organizations that understand what their value is to potential employees, will often develop an Employee Value Proposition (EVP). The EVP articulates to employees a realistic, yet aspirational statement of the value the organisation can offer to an employee. An example EVP from Hubspot is:

"We're building a company people love. A company that will stand the test of time. So we invest in our people, and optimize for your long term happiness". Attracting Involves:

1. Employee Value Proposition
2. Marketing
3. Talent acquisition
4. Consultants/Freelancers

3. **Developing**: Development of talent can include; leadership development, emerging leaders, technical development, team building or team development days, project work and on the job development. Developing Involves:

1. On-boarding
2. Performance Appraisals/Management
3. Learning and Development
4. Capability frameworks

5. Career pathways

4. **Retaining**: Culture is a continuous commitment and can be changed over time. This then ties into how attractive an organisation is to potential candidates, and retention rates of current employees as well as to how well the organization's clients are dealt with and therefore business performance overall.

Based on the workforce plan, an organisation can identify what their remuneration strategy must be, in order to attract and retain the talent they require to achieve business goals. Talent management involves the strategic use of recognition and rewards and is usually tied to identification of high performers and high potentials, as well as critical and highly specialized roles.

The importance of retaining top talent is critical because it can save on additional recruitment costs associated with hiring new employees, it can also save on the time it takes for a new employee to learn the job and start performing. Retaining Involves:

1. Culture
2. Remuneration strategy

5. **Transitioning**: Succession planning is part of the workforce plan, and can take place prior to talent acquisition, however it can also be done when there have been unexpected changes in the workforce. Succession planning is a proactive measure and takes into account the amount of time required to develop talent for a particular role, or to bring someone in externally. It will usually involve the assumption that a particular role will become vacant within the next few years, either because of retirement, the nature of the role having high turnover, or it being a stepping stone type of role.

During the analysis of the workforce profile, if an ageing workforce is identified, appropriate measures would be put in place to plan ahead for retirement of such talent. This could be in the form of transition contracts, such as working part-time for several years, or taking on different responsibilities for health reasons (if required). Again, having this knowledge in advance to talent retiring, means that as an employer, an organisation can be proactive and plan ahead for gaps in critical roles that will become available and can also support their employees in planning ahead for their future. Transitioning Involves:

1. Succession planning
2. Internal mobility
3. Retirement
4. Knowledge management
5. Exit interviews

STRATEGIC HUMAN RESOURCE PLANNING

In order to improve the strategic alignment of staff and other resources, it's essential to understand how a strategic HR planning process works. At its most basic level, strategic human resources planning ensures adequate staffing to meet your organization's operational goals, matching the right people with the right skills at the right time.

It's important to ask where your organization stands currently and where it is going in order to remain flexible. Each company's plan will look slightly different depending on its current and future needs, but there is a basic structure that you can follow to ensure you're on the right track.

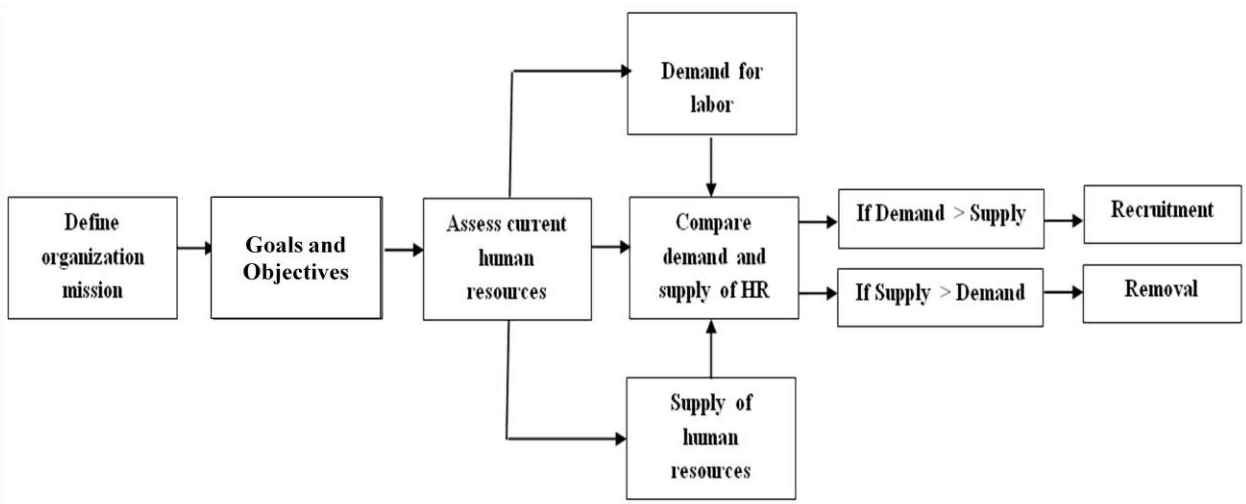


Fig: Strategic Human Resource Planning

1. **Mission:** A mission statement defines what business the organization is in, including why it exists and who its customers are.
2. **Strategic goals/objectives:** Set by senior management to establish targets for the organization to achieve. Generally defined for the next 5-20 years.
3. **Assess current HR:** Gap or SWOT (Strengths-Weaknesses-Opportunities-Threats) analysis determines what is needed to meet objectives. HRM determines what knowledge, skills and abilities are needed by the organization's human resources.
4. **Determining the Demand for Labor:** A human resource inventory can be developed to project year-by-year estimates of future HRM needs for every significant job level and type. Forecasts must be made of the need for specific knowledge, skills and abilities.
5. **Predicting the Future Labor Supply:** A unit's supply of human resources comes from new hires - contingent workers transfers - individuals returning from leaves.
6. **Matching Labor Demand and Supply:** For employment planning, compare forecasts for demand and supply of workers.
7. **Recruitment or Removal:** if demand exceeds supply, recruit the employees. If supply exceeds demand, remove the employees.

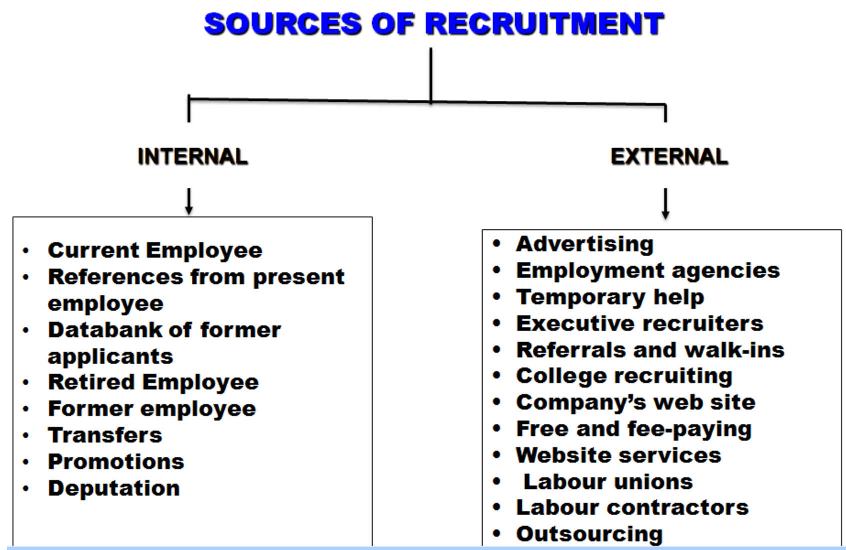
RECRUITMENT

It is the process of finding and attracting capable applicants for employment. The process begins when new recruits are sought and ends when their applications are submitted. The result is pool of applicants from which new employees are selected.

Prior to initiating a recruitment procedure, the following matters should be considered:

1. Clarification of the scope and skill sets required to successfully perform the duties of the position
2. Review of the Job Fact Sheet or Position Description to ensure that the skills and abilities required coincide with the current expectations of the position. If they do not, then a position evaluation should be undertaken.
3. Review of the compensation available to the position (i.e. salary and benefit plans, etc.)

4. Analysis of the impact that the hiring will have on the budget.



SELECTION

The process of identifying the most suitable persons for the organization is called selection. The main purpose of selection is to choose the right person for the right job. The job analysis, job description, and job specifications are carried out before the position is advertised. These provide adequate insight about nature of the job, its description, and its specifications, and further focus on what type of person is to be selected for a given position.The selection of a candidate with the right combination of education, work experience, attitude, and creativity will not only increase the quality and stability of the workforce, it will also play a large role in bringing management strategies and planning to fruition.

Selection process involves the following stages:

1. Initial screening/Short listing
2. Comprehensive application/bio data screening
3. Aptitude or written rests
4. Group discussion
5. Personal interviews
6. Medical examination
7. Employment offer letter

TRAINING AND DEVELOPMENT

Meaning of Training: Training is short-term process of utilizing systematic and organized procedure by which the staff acquires specific technical knowledge and functional skills for a definite purpose. The focus of training is the job or task. Training means organized activity aimed at imparting information/instructions to improve the recipients' performance.

Methods of Training:

A) On-the job training methods: It is learning by physically doing the work. The focus here is to provide specific skills in a real situation. These methods include:

1) Job instruction training: This is a method used for such jobs which can be performed with relatively low skill. Here, the trainees systematically acquire skills by following routine instructions in key processes from a qualified instructor.

2) Experiential learning (Learning By Doing): This is a modern approach to the learning process. This method is more used for training the senior executives. It is a technique, which empowers the manager-trainee with the freedom of choice to act upon and the capacity to initiate, rather than simply respond, to circumstances.

3) Demonstration: Here, the work procedures are demonstrated to the trainees. Each of the trainees is asked to carry out the work, on a sample basis, based on his/her observation and understanding of the demonstration.

4) Apprentice training: It is a combination of on the job and class-room training wherein the workers get the knowledge about job in the class-room and then they are required to perform the same in the work place for a brief period ranging from three months to one year, depending upon the complexity of the training.

B) Off-the job training methods: provide a relatively broad idea relating to a given job or task. These are meant for developing an understanding of general principles, providing background knowledge, or generating an awareness of comparative ideas and practice. These methods include:

1) Lectures/talks and class room instructions: These techniques are designed to communicate specific interpersonal, technical, or problem-solving skills. Here, the trainer can maintain a tight control over learning. However, this method restricts the trainee's freedom to develop his/her own approaches to learning.

2) Conferences: Conferences refer to get-together of the experts from different areas of a given topic. These experts present their views based on their work experience and research results. When employees participate in such events they get a feel of the real world.

3) Seminars: Seminars are held periodically by the professional organisations for the benefit of all the practicing managers by taking into consideration the recent advances in a specialized area.

4) Team discussions: This technique develops team spirit among the executives from different departments. It also enables them to understand and appreciate each other's problems.

5) Case study: This technique helps to provide an understanding of what has gone wrong in a particular case, such as Kingfisher Airlines(Vijay Malya) case. Similarly, what are the factors responsible for the success of organizations such as Reliance or Hindustan Lever. Case study technique is a very good method of learning the principles and concepts.

6) Role-playing: The participants are assigned roles and are asked to react to one another, as they would do in their managerial jobs. These roles are eventually exchanged.

7) Programmed instruction: It is a system of instruction within which pre-established subject matter is broken into small, discrete steps and carefully organized into logical sequence in which, it can be learned by the trainee. Each step is built upon the previous one. The programmed instruction techniques can be in the form of programmed tests and manuals, or video displays.

For instance, withdrawal of money through automatic teller machines (ATMs) involves responding to programmed instructions; working on a personal computer or internet involves responding to a series of programmed instructions.

8) Simulation exercises: Simulate means to do or make something that looks real but is not real. Simulation is the process of designing a model of a real system and conducting a series of repeated trial and error experiments with this model for the purpose of understanding the system. These exercises include interactive exercises in which trainees practice their skills on working models or in mock situations based on real-life situations.

9) Group decision-making: Group decision-making refers to the process of making decisions based on the opinions expressed by all the concerned — may be subordinates, peers, or outside consultants.

Meaning of Development: Lot of time, training is confused with development; both are different in certain respects yet components of the same system. Development implies opportunities created to help employees grow. It is more of long term or futuristic in nature as opposed to training, which focus on the current job. It also is not limited to the job avenues in the current organisation but may focus on other development aspects also. Many organisations choose certain employees preferentially for programs to develop them for future positions. This is done on the basis of existing attitude, skills and abilities, knowledge and performance of the employee. Most of the leadership programs tend to be of this nature with a vision of creating and nurturing leaders for tomorrow.

The major difference between training and development therefore is that while training focuses often on the current employee needs or competency gaps, development concerns itself with preparing people for future assignments and responsibilities.

PERFORMANCE APPRAISAL

Performance appraisal is the process of measuring and evaluating the performance or accomplishments."Performance appraisal is the systematic description of an employee's job relevant strengths and weaknesses.“

In a Performance appraisal, the employee's merits such as initiative, regularity, loyalty, personality, etc., are compared with others. Then each employee is rated or ranked. That is, he is given a particular rank such as First Rank, Second Rank, etc. So if an employee has the best attendance then he is given First Rank in attendance and so on.

Why should we appraise the performance?.-

1. To assess the employee's present level of performance

2. To identify the strengths or weaknesses of individual employee

3. To provide feedback to the employee so that he can improve his/her performance

4. To provide an objective basis for rewarding the employees for their performance

5. To motivate those employees who perform

6. To check and punish those employees who fail to perform

7. To identify the gaps in performance, and thus, assess training and development needs

8. To provide a basis for many other decisions such as fixation of incentives or increment, regularization or confirmation of the services of the employee, promotion, transfer or demotion.

Methods of Performance Appraisal

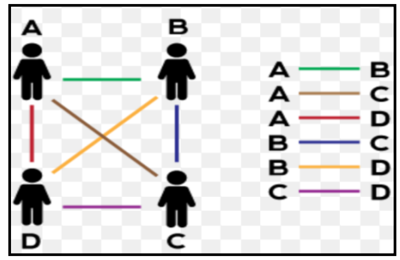
1. Ranking method: Ranking Method is simplest, oldest and most conventional method of merit rating. In this method, a list is prepared for ranking the workers in order of their performance so that an excellent employee is at the top and the worst at the bottom. This technique is used in enterprises where there are few workers.

Example: If there are ten workers in the working group, the most efficient worker is ranked as number one and the least efficient worker is ranked as number ten.

2. Paired comparison method: Here, every employee is compared with all others in a particular cadre in the department. By comparing each pair of employees, the rater can decide which of the employees is more valuable/better to the organization. The maximum number of pairs is obtained by the below formula:

Where N = Total No. of employees to be evaluated.

For example, if there are 4 employees, the total number of pairs will be 4(4-1)/2 = 6.



Example: If there are 4 employees to be compared, A's performance is first compared with B to determine who has better performance, then, A is compared with C and D and performance is recorded. Later, B is compared to C and D since he has been already compared with A. Afterwards, C is compared with D. These comparison results are tabled and rank is assigned to each employee. There are 6 comparisons (or pairs) among A,B,C,D employees.

$$\textbf{No. of relationships/pairs} = \frac{\mathbf{N(N-1)}}{\mathbf{2}}$$

3. Rating scale: A rating scale is a set of factors designed to elicit information about a quantitative or a qualitative attribute. Under rating scale, certain features like analytical ability, cooperativeness, dependability, job knowledge etc are selected for evaluation. The employees are given grades according to the judgment of the rater. The grades may be such as A-Outstanding, B-Very good, C- Good, D-Average etc. The actual performance of every employee is rated with various grades in the mind of the rater.

4. Forced distribution method: Some evaluators suffer from a constant error i.e., either they rate all workers as good, average are poor. They don't evaluate the employees properly. This system minimises rater's bias so that all employees are not equally rated. This system is based on the presumption that all employees can be divided into 5 categories i.e., Poor, Below average, Average, Good and Excellent. The main aim in this system is to spread ratings in a number of grades. It is useful only when the group of employees is large. The rater may be asked to rate all the employees as follows:

Poor 10%, Below average 20%, Average 40%, Good 20%, Excellent 10%.

5. Narrative or essay method: In this method, the supervisor writes a detailed description about the employee's performance, output, behaviours and traits etc. according to his perception. He may include in his report the strengths, weaknesses, and potential of the employee.

6. Management by objectives (MBO): Management by objectives (MBO) is a tool for performance management. The MBO technique requires the supervisor and the employee to develop and agree on realistic, achievable and measurable objectives; to determine how those objectives will be met; and to agree on how results will be measured. In a true MBO plan, strategic objectives are established for the organization and are then broken into divisional and departmental objectives, and finally into individual objectives. In this method, actual performance is evaluated.

JOB EVALUATION

Job evaluation is an assessment of the value of various jobs on the basis of qualifications and skills required. It is the process of establishing the value/worth of jobs in a job hierarchy. The objective of job evaluation is to determine which jobs should get more pay than others. Job evaluation begins with job analysis and ends at that point where the worth of a job is ascertained for achieving pay equity between jobs.

The process of job evaluation may be divided into the following stages:

1. Job Analysis: **What is a job?:-** A job is described as a collection of tasks assigned to a position in an organization structure.

What is Job Analysis?:- Job Analysis is the process of studying and collecting information relating to the operations and responsibilities of a specific job. The immediate products of this analysis are job description and job specification.

Job analysis is the systematic study of jobs to determine what activities and responsibilities they include, their relative importance in comparison with other jobs. The personal qualifications necessary for performance of the jobs and the conditions under which the work is performed.

2. Job Description: Job Description is a list of job’s duties, responsibilities, reporting relationship, working conditions, and supervisory responsibilities.

Job Description contents:

- Job Title
- Location
- Job summary
- Duties
- Machine tools etc
- Material etc
- Supervision
- Working condition
- Hazards

3. What is Job Specification: Job specification is a list of job's "human requirements" that is, the requisite education, skills, personality and so on.

Job Specification contents:

- Education
- Experience
- Training
- Initiative
- Physical effort
- Responsibilities
- Communication skills
- Emotional characteristics
- Attitude

LABOUR TURNOVER

What is Labour Turnover?:- It refers to the number of employees leaving the organization as against the total number of employees on the pay roll per year. It is measured in terms of percentage as follows:

$$\text{Labour Turnover Rate} = \frac{\text{Number of employees leaving per year}}{\text{T0tal number of employees on pay roll per year}} \times 100$$

INDUCTION (ORIENTATION)

The main idea of this function is to share the information about the facts of the company with the new employee so that they feel proud of their association with the company. At the time of getting inducted into the organization, the personnel manager provides orientation to the new employees about the profile of the organization, its business, its departments, and their job. This process is also called orientation or indoctrination because the new recruits are taught a particular belief or attitude with the aim that they would only accept that belief or attitude exclusively.

PLACEMENT

What is Placement?:- After training, the employee is placed in his/her position under the charge of a manager. Placement is a process of assigning a specific job to each of the selected candidates. It involves assigning a specific rank and responsibility to an individual. It implies matching the requirements of a job with the qualifications of the candidate.

The personnel manager is to administer promotion/demotion or transfer among the workforce as per the needs of the organization.

LEADERSHIP

Leadership is a process of influencing, encouraging, motivating and helping an individual or a group towards organizational goals. Effective leadership is necessary for inspiring the people to work for the accomplishment of objectives. It provides a cohesive force which holds the group intact and develops a spirit of cooperation. **Chester Bernard** viewed leadership as the quality of behavior of individuals whereby they guide people and their activities. A leader interprets the objectives of the people working under him and guides them towards achievement of those objectives. He also creates and sustains enthusiasm among them for superior performance. Leadership is a group phenomenon which means an interaction between two or more people.

In the words of **Louis A. Allen**, "A leader is one who guides and directs other people. He gives the efforts of his followers a direction and purpose by influencing their behavior".

John C.Maxwell defines " a leader is one who knows the way, goes the way, and shows the way".

Leadership is the process of influencing the subordinates so that they cooperate enthusiastically in the achievement of group goals. In other words, leadership is the process by which an executive imaginatively directs, guides, and influences the work of others in choosing and attaining specified goals by mediating between the individuals and the organization in such a manner that both will obtain maximum satisfaction.

Characteristics of Leadership

An analysis of the above definitions reveals that leadership as a managerial process has the following characteristics:

1. **Leadership is a process of influence:** Leadership is a process whose important ingredient is the influence exercised by the leader on the group members. A person is said to have an influence over others when they are willing to carry out his wishes and accept his advice, guidance and direction. Successful leaders are able to influence the behavior, attitudes and beliefs of their followers.

2. **Leadership is related to a situation:** When we talk to leadership, it is always related to a particular situation at a given point of time and under a specific set of circumstances. That means leadership styles will be different under different circumstances.

3. **Leadership is the function of stimulation:** Leadership is the function of motivating people to strive willingly to attain organizational objectives.

LEADERSHIP STYLES

Leaders can be differentiated into good or bad based on the styles they adopt or how they choose to influence their followers. A leader is not only to plan, organize, lead and control but also consider human element in the followers. A good leader has to adopt such a style of working that takes care of people around him. There are also some leaders who do not care for people and who care more for the task completion. Based on use of authority the leadership styles can be classified as follows:

1. **Autocratic or Authoritarian Leadership Style:** Under the autocratic leadership style, all decision-making powers are centralized in the leader, as with dictator leaders. They do not entertain any suggestions or initiatives from subordinates and almost top-down approach is seen.

    - Leaders are more dogmatic and positive.
    - They don't allow any participation.
    - They are authoritarian in their approach.
    - They are concerned with the task and tell followers what to do and how to do it.
    - High degree of dependency on the leader.
    - There is one way communication.
    - May be valuable in some types of business where decisions need to be made quickly and decisively.

Advantages	Disadvantages
1. It provides strong motivation and reward to manager.	1. People in the organization dislike it especially when it is strict and the motivational style is negative.
2. It permits very quick decisions.	2. Employees lack motivation frustration, low morale and conflict develops in the organization.
3. Less competent subordinates also have scope to work in the organization.	3. There is more dependence and less individuality in the organization.

2. **Democratic or Participative Leadership Style:** It is also called as democratic, consultative or idiographic leadership style. In this style the manager decentralizes his decision-making process. Instead of taking unilateral decision he emphasizes consultation and participation of his subordinates. He can win the cooperation of his group and can motivate them effectively and positively.

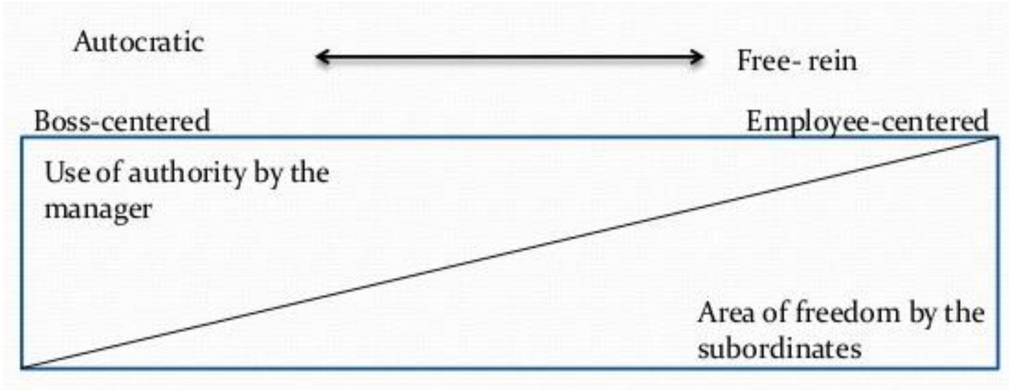
- Leaders consult subordinates and involve them in decision making.
- They encourage discussion with group.
- They believe in two-way communication.
- They listen to followers
- Followers are involved in the process of planning and execution of the work.

Advantages	Disadvantages
1. Employees are highly motivated.	1. Complex nature of organization requires as through understanding of its problems which lower-level employees may not be able to do.
2. The productivity of employees is very high.	2. Some people in the organization want minimum interaction with their
3. Subordinates share the responsibility with the superior and try to	3. Some leaders may use this style as a way of avoiding responsibility.

3. **Free-rein Leadership:** A free-rein leader does not lead, but leaves the group entirely to itself as shown in the following figure. In this style, manager once determines policy, programmes, and limitations for action and the entire process is left to subordinates group members perform everything and the manager usually maintains contacts with outside persons to bring the information and materials which the group needs.

The following figure shows the spectrum of a wide variety of leadership styles moving from a very authoritarian style at one end to a very democratic style at the other end, as suggested by Tannenbaum and warren H.schmidt.

- Also called Laissez-Fair leadership style.
- These leaders exercise little authority and give maximum freedom to subordinates while making decisions.
- It is bottom-up approach.
- They give high freedom of independence to the subordinates in their operations.
- Suggestions from the followers are encouraged and rewarded.
- Here, the role of the leader is to aid the operations of the followers.



THEORIES OF LEADERSHIP

Trait Leadership

According to this theory, people are either born or are made with certain qualities that make them excel in leadership roles. Traits such as vision, confidence, resilience, agility, hard work, physical and mental endurance, empathy, creativity, intelligence, accountability, sense of responsibility, values, flexibility and adjustment, extraversion, conscientiousness, openness to experience, self-efficacy (confidence to excel) etc, determine who is a leader. Since personality trait measurement was not reliable across studies, there was always search for better and measureable approach to leadership. This gave rise to behavioral theory of leadership.

Bevioural Leadership

The study of the actions, or behaviors, that define a leader is known as behavioral leadership. First developed by Robert Blake and Jane Mouton in 1964, this theoretical approach to understanding leaders creates categories of styles, which are aligned with the actions the leader may take, or the methods they use to reach their goals.

In this approach, the emphasis is on the actual behaviour and action of the leaders and not on their traits or characteristics. In other words, this approach emphasises that strong leadership is the result of effective role behaviour.

This approach states that the leader uses three skills to lead his followers. These skills are: technical (refers to a person's knowledge of the process of technique), human (refers to ability to interact with people and conceptual (refers to manager's ideas which enable a manager to set up models and design plans).

This approach assumes that a particular behaviour of a manager will make him a good leader while its opposite would discard him as a leader. Determining goals, motivating employees for achieving the goals, effective communication ability to interact effectively, building team spirit, etc. are the functional behaviour of a successful leader.

This theory emphasises the point that the favourable behaviour of a leader provides greater satisfaction to the followers and they recognise him as their leader. However, one limitations of this approach is that a particular behaviour and action of a leader may be relevant and effective at a particular point of time while at another, it may be irrelevant and ineffective. Thus, in this approach, the 'time' factor which is a vital element has not been considered.

Several attempts have been made to identify the dimensions of leader behavior. The most systematic and comprehensive studies in this direction were conducted in USA at Ohio State University and University of Michigan during 1945-47.

Ohio State Studies: In 1945 the Bureau of Business Research at Ohio State University initiated a series of studies on leadership. The main objective of the studies was to identify the major dimensions of leadership and to investigate the effect of leader’s behavior on employee behavior and satisfaction.

Michigan Studies: These empirical studies were conducted slightly after WORLD WAR II by the institute of Social Research at the university of Michigan. The purpose of these studies was to identify styles of leadership behavior that results in higher performance and satisfaction of a group.

Situational Leadership

According to this theory, leadership is affected by a situation from which a leader emerges and in which he works. In other words, the situation — the group, the problem and its environment — will affect the type of leadership. An important aspect of this theory is the interaction between the group and its leader and the people tend to follow the person who is capable of fulfilling their desires.

The leader recognizes his followers' desires and follows such methods (depending on the situation) which satisfy them. The main trust of the situational theory is that the leadership style may be effective under one situation and ineffective under the other. In other words, situational theory emphasizes that there is no one best style of leadership universally applicable to all situations and that the leader has to change his style of leadership from situation to situation. If the leader adopts the same style under all situations, he may not be successful. For example, Winston Churchill was the most effective and successful Prime Minister of Britain during the period of the Second World War, but he was a flop afterwards when the situation changed.

Though this theory states leadership ability of an individual in a given situation and measures his leadership potentialities, it is silent on the point whether this individual will fit in another situation.

LEADERSHIP SKILLS

1. Communication: As a leader, you need to be able to clearly and succinctly explain to your employees everything from organizational goals to specific tasks. Leaders must master all forms of communication, including one-on-one, departmental, and full-staff conversations, as well as communication via the phone, email, and social media.

2. Motivation: Leaders need to inspire their workers to go the extra mile for their organization; just paying a fair salary to employees is typically not enough inspiration (although it is important too). There are a number of ways to motivate your workers: you may build employee self-esteem through recognition and rewards, or by giving employees new responsibilities to increase their investment in the company.

3. Delegating: Leaders who try to take on too many tasks by themselves will struggle to get anything done. These leaders often fear that delegating tasks is a sign of weakness, when in fact it is a sign of a strong leader. Therefore, you need to identify the skills of each of your employees, and assign duties to each employee based on his or her skill set. By delegating tasks to staff members, he can focus on other important tasks.

4. Positivity: A positive attitude can go a long way in an office. You should be able to laugh at yourself when something doesn't go quite as planned; this helps create a happy and healthy work environment, even during busy, stressful periods. Simple acts like asking employees about their vacation plans will develop a positive atmosphere in the office, and raise morale among staff members. If employees feel that they work in a positive environment, they will be more likely to want to be at work, and will therefore be more willing to put in the long hours when needed.

5. Trustworthiness: Employees need to be able to feel comfortable coming to their manager or leader with questions and concerns. It is important for you to demonstrate your integrity — employees will only trust leaders they respect. By being open and honest, you will encourage the same sort of honesty in your employees.

6. Creativity: As a leader, you have to make a number of decisions that do not have a clear answer; you therefore need to be able to think outside of the box.

Learning to try nontraditional solutions, or approaching problems in nontraditional ways, will help you to solve an otherwise unsolvable problem. Most employees will also be impressed and inspired by a leader who doesn't always choose the safe, conventional path.

7. Feedback: Leaders should constantly look for opportunities to deliver useful information to team members about their performance. However, there is a fine line between offering employees advice and assistance, and micromanaging. By teaching employees how to improve their work and make their own decisions, you will feel more confident delegating tasks to your staff.

8. Responsibility: A leader is responsible for both the successes and failures of his or her team. Therefore, you need to be willing to accept blame when something does not go correctly. If your employees see their leader pointing fingers and blaming others, they will lose respect for you. Accept mistakes and failures, and then devise clear solutions for improvement.

9. Commitment: It is important for leaders to follow through with what they agree to do. You should be willing to put in the extra hours to complete an assignment; employees will see this commitment and follow your example. Similarly, when you promise your staff a reward, such as an office party, you should always follow through. A leader cannot expect employees to commit to their job and their tasks if he or she cannot do the same.

10. Flexibility: Mishaps and last-minute changes always occur at work. Leaders need to be flexible, accepting whatever changes come their way. Employees will appreciate your ability to accept changes in stride and creatively problem-solve.

LEADER AS A MENTOR AND COACH

Mentoring is most often defined as a professional relationship in which an experienced person (the mentor) assists another (the mentee) in developing specific skills and knowledge that will enhance the less-experienced person's professional and personal growth.

Coaching is a form of development in which a person called a coach supports a learner in achieving a specific personal or professional goal by providing training and guidance. The learner is sometimes called a coachee.

In today's fast-changing world a command and control leadership style will not sustain the adaptable, fast-developing and creative workforce needed for success. Instead, the leader who mentors and coaches, both on-the-job and formally, empowers, develops and supports others to succeed. Everyone deserves a great leader. And great leaders are great mentors and coaches. Without great leader (mentor & coaches), employee performance and therefore organizational performance fails. It's true on any scale, from individual employees, to high-performance teams, to business units or functions, even entire organizations. All rely on mentoring and coaching to optimize performance. Leaders have a vastly influential role to play in optimizing employees' performance. To a very large extent, leaders' mentoring and coaching skills can help employees' performance flourish or erode.

A leader's role as a mentor and a coach is as below:

1. Mentor helps protégé through tutoring, coaching, guidance, emotional support.
2. Coaching helps improve performance.
3. Many people can play role of mentor.

4. Mentor can be informal relationship or with mentor assigned by the company.
5. Shadowing (following around) can be good for mentoring.
6. A Mentor will openly share personal experiences that contributed to their growth and development.
7. Invest the time to listen to the plans of the Mentee.
8. Develop a plan to work together during a set period of time.
9. Mentor often assumes the role of Advocate for the Mentee as Mentoring can help improve career development.
10. Coaching helps employees make the most of their potential and performance capabilities by developing skills competence

LEADERSHIP DURING ADVERSITY AND CRISIS

An important role of the leader is to help the group deal with adversity and crisis. Adversity and crises may take such forms as a downturn in business, a sudden surge in workload that workers perceive as overwhelming, hurricanes, fire damage, a massive product recall, and workplace violence.

The accompanying management in action gives an example of leading during crisis created by a natural disaster. Almost all the principles and techniques of leadership would be helpful during difficult times, but here I am pinpointing ten behaviors and actions that are particularly relevant for a leader dealing with adversity and crisis.

1. **Make tough decisions quickly:** the best accepted principle of crisis leaderships that the leaders should take decisive actions to remedy the situation. Ran Sargent became CEO of office supplies retailer Staples one week before the September 11, 2001, terrorist attacks and in the midst of a recession.

2. **Serve as a model by being resilient:** Effective managerial leaders are resilient. They bounce back quickly from setbacks such as budget cuts, demotions, and terminations. Leadership resiliency serves as a positive model for employees at all levels when the organization confronts difficult times. During such times, effective leaders sprinkle their speech with clichés such as “Tough times don’t last, but tough people do” or “when times get tough, the

tough get going". Delivered with sincerity, such messages are inspirational to many employees and may help stabilize morale.

3. **Present a plan for dealing with adversity or crisis:** a key part of managing a crisis well is to present a plan for dealing with the crisis while at the same time behaving in a calm and reassuring manner.

4. **Appear confident and trustworthy:** Group members must trust that the leader or leaders can deal with the crisis. Trust can be attained by communicating openly, honestly, and often about the crisis. In dealing with a crisis, it is helpful for the leader to project confident body language, such as appearing relaxed while delivering the crisis plan.

5. **Focus on the future:** Part of being visionary is focusing on the future when the present is filled with difficulty. The leader of a software company might tell the group that technology investment has dipped for the present but that companies will soon recognize that they cannot compete well in the long run if they don't upgrade their information technology soon. A bold move to focus on the future is to get into the scavenger mode.

6. **Communicate widely about the problem:** when tough times hit, it pays to increase communication about the problems facing the company or unit and discuss what might be done to improve the situation. Communicating with workers throughout the organization gives them an opportunity to provide leadership. In one company, a technician suggested focusing more on servicing existing equipment than on attempting to sell news equipment during the recession. Communicating with customers and their customers can bring forth useful information about how long the tough times will remain. The business can be reconfigured to meet the new reality, such as finding the least painful ways to cut costs.

7. **Change to meet changing circumstances:** A bold leadership move is to change the thrust of a company's activities to adapt to changing circumstances.

8. **Stick with constructive core values:** leaders who keep their company or division focused on core values are likely to endure difficult times. Neglecting core values to help overcome adversity can create permanent damage. For example, A well known underwear company decided to cope with lower sales volume by cutting costs on the manufacturing of men's

briefs. The lower cost briefs looked fine but they tore apart at the waistband after several washings. Word spread quickly about the defective briefs, and company lost accountable with several major retail chains. The core value compromised here was offering only high quality goods to the public.

9. **Divide major problem into smaller chunks:** Giver workers bits of the major problem to work on so they feel less overwhelmed by the adversity facing them and the company. For example, if the company is hurting for cash, one group of employees might search for items in the office or factory that could be sold on an auction website. Another group of workers might search for ways to reduce shipping costs by 10%. Other groups would be assigned different adversity-fighting tasks.

10. **Lead with compassion:** crises can take a heavy emotional toll on workers. Compassionate leadership encompasses two related sets of actions. The first is to create an environment in which affected workers can freely discuss how they feel, such as group meeting to talk about the adversity, crisis, or disaster. The second is to create an environment in which the workers who experience or witness pain can find a method to alleviate their own suffering or that of others.

TEAM LEADERSHIP

A team is a small number of people with complementary skills who are committed to a common purpose, performance goals, and approach for which they are mutually accountable.

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal.

A **team leader** is someone who provides guidance, instruction, direction and leadership to a group of individuals (the team) for the purpose of achieving a key result or group of aligned results. The team leader reports to a manager (overseeing several teams). The team leader monitors the quantitative and qualitative result that is to be achieved. The leader often works within the team, as a member, carrying out the same roles but with the additional 'leader' responsibilities - as opposed to higher level management who often have a separate job role altogether. In order for a team to function successfully, the team leader must also motivate the team to "use their knowledge and skills to achieve the shared goals.". When a team leader motivates a team, group members can function in a goal oriented manner.[1] A "team leader" is also someone who has the capability to drive performance within a group of people. Team leaders utilize their expertise, their peers, influence, and/or creativeness to formulate an effective team.

Skills for Team Leader

1. **Ability to lead:** The leaders should be trained on understanding salient issues related to organizational vision, how to share it with this team members, inspire them to work in that direction and there by achieve the same. They should be also be trained on how to motivate their workforce so as to achieve the given targets. Since employees contribute better if they are aware of their job responsibilities, instilling these insights among the employees is the primary responsibility of the team leader.

2. **Effective communication**: Leaders need to be very strong and effective at communication. They need to learn how to put their points across, share the company vision to their employees, ensure that the daily targets are completed, see that office related issues are duly focused, conduct meetings as per schedule.

3. **Create and foster networking and interpersonal relationships**: Today, the network is often viewed as real strength of a team leader. Building and maintaining good relationships with employees and other stakeholders including clients, investing time, emotion and effort to maintain everlasting relationships is important.

4. **Industry expertise**: The team leaders trained to be a voice of authority that every stakeholder expects. This expertise drives all key decisions. The team leaders should be good at evaluating the given alternatives and analyze the feasibility and which alternative is a better solution.

5. **Understanding the team needs**: The team leader should be clear about the vital skills which the team members need to perform at their best. Empower them to depute for training on these skills. If necessary, the leaders should undergo training and certifications as required and also encourage every member of the team to learn on a continuing basis.

6. **Trustworthiness:** The team leaders should be trained to display integrity, honesty and fairness. This is the only way of gaining the trust and respect from every stakeholder of the organization. In turn, every member of the team should be very serious and display high degree of commitment.

7. **Adherence to schedules**: The team leaders need to adhere to time schedules and this is one of the parameters to judge the efficiency of the team leaders. The team leaders should know their how and where they are spending time, and to eliminate wasting time. They also need to guide their team members where to invest the time and resources and contribute to profitability.

8. **Commitment**: Team leaders with high sense of commitment to business philosophy, organizational vision can inspire their team members to perform better and demonstrate high degree of commitment to customer service. Empathy and patience are two milestones to show whether the team members and team leaders are committed or not. Successful team leaders are those who often interact with their stakeholders, listen to customers, note their complaints and suggestions and contribute to innovation and higher levels of customer satisfaction.

9. **Confidence and trust**: Confidence begets trust and helps team leaders present themselves and their company well. The team leaders should be trained to be decisive and confidence on the task they take up particularly when there is high degree of uncertainty. If not, experimentation at every stage may pull down the confidence levels among the team leaders.

10. **Problem solving:** The team leader must know how to solve problems for their team and organization. The team leaders should focus more of their time to solve the problems and inspire their members to involve themselves in handling issues of higher complexity and quality.

POWER

Power

There is no universally accepted meaning of power. Power has more diverse meanings than any other concept in organizational behavior. In general, it refers to a capacity that one has to influence the behavior of another so that the other person does something which would not be done otherwise. Power is social trait that impacts everyone in an organization or society. Power is a special kind of ability to make others to do what one wants them to do. Power enables one to do something which one otherwise cannot do.

Max Weber, the famous Sociologist, defines power as “the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance”.

Sources of Powers

1. **Legitimate Power :** Legitimate power comes from position in an organizational hierarchy. Legitimate power empowers the managers to reward or punish. The managers direct employees as to what tasks they should perform, whom to work with, what resources can be made use of, etc. like managers, the employees also have a legitimate power over their boss and co-workers through legal and administrative rights. The employee may say no to hs boss if he perceives that the work given is outside of the official responsibilities.
2. **Reward Power :** Senior managers have power to dispense organizational rewards such as pay, promotion, time off, vacation, schedules, work assignments or benefits to those who achieve targets and comply with organizational rules and regulations.
3. **Coercive Power :** This comes from ability to punish others who fail to reach targets, who fail to comply with organizational rules and regulations. The managers at higher levels have power to punish those who violate organizational norms. At times, this punishment may even extend to dismissal. The poor performers will be weeded out.
4. **Referent Power :** Role model possesses this type of power. It is based on the charishma, virtues, values, ethics and interpersonal skills of the power holder. They can influence the people. **Example**: Soldiers fight in wars to defend the honour of the country; cinema stars, politicians, etc.

5. **Expert Power :** Because of the expertise one possesses, one can exercise expert power. One can suggest solutions to the given problems. This type of power comes from knowledge, skills, experience and information one possesses and accumulate over a long period of time. **For example** a doctor has expert power on his patients.

HANDLING EMPLOYEE COMPLAINTS

When a complaint is made, a manager should follow these five steps:

1. **Ask the employee to detail the complaint:** Listen to the complaint carefully and objectively. Get as much specific detail as possible. For example, if the employee is complaining about sexual harassment, you would need to know exactly what happened, who was involved, the date and time of the occurrence, where it occurred, under what circumstances, and if were there any witnesses. If the employee is very vague, the problem may be different from what is initially stated. Active listening and probing will often get at the real concerns.

2. **Get agreement on the substance of the complaint:** An employee's complaints may contain both facts and opinions. Try to separate the facts (what actually occurred) from opinions (the person's belief about what happened). For example, John may complain that he is unfairly being assigned a disagreeable task; that's his opinion. To determine the facts, you will have to review the work assignments to find out how many times John was given that assignment and how many times others were. Make as clear and simple a statement of the problem as possible and have the employee agree that you understand his concern.

3. **Ask the employee for suggested solutions:** When it is clear exactly what the problem really is, ask the employee how he or she thinks the problem could be resolved. The remedy suggested may not be realistic or appropriate, but you need to be clear about what the employee wants.

4. **Agree on a solution, or set up a schedule for further investigation:** Sometimes a solution will be obvious. In other cases, you will need to check on the facts and on your company policies. You may need to check on company records, schedules, union contracts, personnel rules and policies, previous decisions, and conduct further fact-finding conversations.

5. **Schedule a follow-up meeting:** Agree to meet after a suitable interval to check on the employee's satisfaction with the solution. Once an agreement has been made, follow through on corrective action promptly and see that the employee carries out his or her part of the bargain, too. If you delay in taking action, you may lose all the goodwill you've built in settling the complaint or grievance.

HANDLING CUSTOMER COMPLAINTS

Complaints happen every day. When a customer complains, it is usually for a good reason or genuine concern. They usually have made a purchase that did not meet their expectation—a product, service, or maybe a combination of the two. In the customer service industry, we cannot avoid complaints. We must take care of the customer by listening to the complaint, and resolving it, to ensure a happy customer.

Here are few strategies that will help you handle a customer complaint in a smooth and professional manner:

1. **Listen to the customer:** The customer complaints must be properly listened in order to understand what makes the customer upset. The policies of the company with which the customer is not comfortable should be analyzed. Listening should be done to understand the problem before exploring how to sort out the problem.

2. **Understand from the customer perspective:** See from the customer point of view and look into the problem with empathy.

3. **Involve the senior manager:** At times, the complaint could be that the frontline sales executive has not responded correctly. In such a case, the senior managers need to interfere and examine how the complaint can be sorted out.

4. **Never fight with customer:** Fighting with the customer may worsen the issue. So, discuss with the customer in a calm and friendly manner and conduct an open discussion regarding the issues complained of an d how they will be responded to. Defend your policies calmly and see that never allow the conversation erode into an argument.

5. **Reach a solution:** Some suggestions can be offered to solve the problem such as refund or partial refund, discount coupons or offering an amicable solution so that the customer is fully happy with the outcome. Most of the complaining customers will be loyal customers and hence deal with the problem and offer them some compensation for their trouble.

6. **Improve the service quality**: Ensure that the complaints become a source of learning to improve the service quality. Draft the terms and conditions more professionally and train the employees to comply with all these provisions. Keep track of customer complaints and how these are resolved over a period of time. If the complaints are less, it is an indication that the quality of goods and services is satisfactory.

7. **Thank the customer for complaining**: Customers with complaints are always seen as trouble makers and in reality this is not so. In fact, organizations should thank such customers for giving you valuable insight into how to better serve all customers in the future.

8. **Institute complaint handling teams**: Keep complaint handling teams in place, discuss the details of complaints in team meetings and make changes or adjustments in company policies or customer service where needed. Institute a formal mechanism such as complaint handling teams so that employees learn from the experience and further improve the service quality.

MOTIVATION

The word ‘motivation’ has been derived from the word ‘motive’ which means any idea, need or emotion that prompts a man into action. Whatever may be the behavior of a man, there is some stimulus behind it. Stimulus is dependent upon the motive of the person concerned. Motive can be known by studying his needs and desires. Generally, different motives operate at different times among different people and influence their behavior. The management should try to understand the motives of individuals which cause different types of behavior.

Motivation is an effective instrument in the hands of a manager for inspiring the workforce and creating a confidence in doing things effectively. By motivating the workforce, management creates *‘will to work’* which is necessary for the achievement of organizational goals. Motivation involves getting the members of the group to perform effectively, to give their loyalty to the group and to carry out properly the purpose of the organization.

The following results may be expected if the employees are properly motivated:

1) The employees will cooperate voluntarily with the management and will contribute their maximum towards the goals of the enterprise.
2) They will improve the skills and knowledge so that they are able to contribute to the growth of the organisation. This will also result in increased productivity.
3) The rates of labor turnover and absenteeism among the workers will be low.
4) There will be good human relations in the organisation as friction among the workers and the management will decrease.
5) The number of complaints and grievances will come down. Accident rate will also be low.
6) Contributes for the improvements in quality of products.

Definitions

McFarland has defined motivation as, "Motivation refers to the way in which urges, drives, aspirations, strivings or needs will direct, control or explain the behaviour of human beings".

Dubin has defined motivation as "the complex of forces starting and keeping a person at work in an organisation. Motivation is something that moves the person to action, and continues him in the course of action already initiated".

TYPES OF MOTIVATION

1. Achievement Motivation: This motivation is driven by a desire to attain certain goals. An individual with achievement motivation wishes to achieve objectives and advance up on the ladder of success. Here, accomplishment is important for its own sake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management. This motivation is more important for professionals.

2. Affiliation Motivation: It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are appreciated and complimented for their favorable attitudes and co-operation. This motivation is of greater use where money cannot be used to motivate, especially minimum-wage employees and contingent professionals.

3. Competence Motivation: It is the drive to be good at something, allowing the individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience. Specialists, like heart surgeons would feel motivated if they get chances to operate upon unique cases.

4. Power Motivation: Some people are motivated by power**.** It is the drive to influence people and change situations. Power motivated people create an impact on their organization and are willing to take risk to do so. Oxygen may not keep them alive, but power can.

5. Attitude Motivation: Attitude motivation is how people think and feel. It is their self-confidence, their belief in themselves, and their attitude to life. It is how they feel about the future and how they react to the past. Good words and appreciation may motivate positive attitude people but these may not motivate negative attitude people.

6. Incentive Motivation: It is where a person or a team reaps a reward from an activity. It is "you do this and you get that", attitude. It is the type of rewards and prizes that drive people to work a little harder. Most of the unorganized job workers get motivated when they are offered more money. **Ex**: A father sys to his son, "If you get first rank, I will buy a bike for you". A manager says to his workmen, "If you achieve your target, you would be rewarded with an incentive".

7. Fear Motivation: This motivation is driven by fear**.** Fear motivation coercions a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run. Managers following Theory x come into this category. In Indian army, this kind of motivation is very popular.

RELATIONSHIP BETWEEN MOTIVATION AND PERFORMANCE

Motivated employees are the need of any organization for our changing work place. Motivated employees are more productive so they always help organization to survive in every field. For a effective managers it must to understand what type of motivates employees within the context the perform in role. Motivating employees is most complex for example research suggested that as employees' income increases money becomes less of a motivate also as employees get older exciting work become more of a motivator.

Most of the organization believes to motivate their employees because it influences the employee's performance by following way:-

1. Higher Productivity Levels
2. Lower Labour Turnover
3. Lower Absenteeism
4. Improve Quality with lees wastage
5. Greater Willingness to accept rather than resist change
6. Greater Willingness to contribute idea and take on responsibility
7. Employees Loyalty

It is seen that a employees performance has an impact on the organization's objective. And it is thus imperative that every employee's performance should be managed. This process of performance management includes group assessments and peer reviews. In recent time performance management systems have become more essential because managers are under constant pressure to get better progress and performance of their organization by motivating their employee.

Despite the motivation, it is necessary to briefly highlight the barriers that might affect the performance of employee. These barriers may be improper estimation of competencies, inappropriate performance goals, or lack of feedback about performance. There are some factors which affect overall employees' performance.

1. Internal Factors:- Those factors which are controlled and influenced by any organization are called internal factors like job description and selection.

2. External Factors:-In external factors, an organization has little control or no control such as demand for job or grading systems.

RELATIONSHIP BETWEEN MOTIVATION AND ENGAGEMENT

In general, motivation describes the force that compels people to act, or decide to take a specific course of action. Motivation is an internal state that instigates, describes and maintains behaviour. However, according to a University of Rochester study published in American Psychologist, not all motivation is the same. For example, when employees are intrinsically motivated, they're passionate about their work because they either really enjoy doing it , or they enjoy the pride and satisfaction that comes from a job well done.

On the other hand, when employees are extrinsically motivated (Intrinsic motivation is the motive that keeps individuals at tasks through its own inherent qualities), they're spurred to action by external forces, which can be either positive or negative in nature. These employees typically act in order to gain certain rewards (like time off or a bonus) or to avoid unpleasant circumstances (like an angry boss or being terminated).

An "engaged employee" is one who is fully absorbed by and enthusiastic about their work and so takes positive action to further the organization's reputation and interests.

Employee engagement is actually the level of enthusiasm and dedication an employee feels toward his or her job. To these engaged employees, it is far more than a pay cheque – it is the eagerness towards their task that makes them passionate in their work, and this passion is often reflected in their individual outcomes.

An engaged employee cares about their work and about the performance of the company, and they want to feel that their efforts could make a difference. It is generally seen as an internal state of mind; physically, mentally and emotionally that binds together the work effort, commitment and satisfaction in an employee.

Typically, engaged employees are intrinsically motivated (Extrinsic motivation is created by external factors such as rewards and punishment, etc). They love what they do, strive to master new skills and are enthusiastic about applying their talents. And there is a lot to be said for how an engaged workforce can boost any company's bottom line.

Conversely, if your employees are extrinsically motivated, they more than likely need constant prodding in order to produce. This approach may work for a short time, but it's unsustainable in the long run. Not every task or project can be rewarded with cash or perks. In addition, if employees' sole source of motivation is fear-based – like fear of displeasing their manager or losing their jobs – they can burn out quickly. In that case, what's left is a group of disillusioned, disengaged employees who can impact the bottom line, too, but negatively.

THEORIES OF MOTIVATION

1. Elton Mayo's Human Relations Theory

The behavioural scientists did not view the employees mechanically in work situation, but tried to show that the employees not only have economic needs but also social and psychological needs like need for recognition, achievement, social contact, freedom, and respect. Human relations school regards business organization as a psycho-social system.

Professor George Elton Mayo (1880-1949) and his associates conducted a famous study on human behaviour at the Hawthorne plant of the Western Electric Company from 1924 to 1932 and this study formed the foundation of this school of management thoughts.

Hawthorne Experiments:

1. **Lighting Experiments:** These experiments were performed to find out the effect of different levels of lighting on productivity of labour. The brightness of the light was increased and decreased to find out the effect on the productivity of the test group. Surprisingly, the productivity increased even when the level of lighting was decreased. It was concluded that factors other than light were also important.
2. **Relay Assembly Test Room Study:** Under this test, two small groups of six female telephone relay assemblers were selected. Each group was kept in separate rooms. From time to time, changes were made in working hours, rest periods, lunch breaks, etc. They

were allowed to choose their own rest periods and to give suggestions. Output increased in both the control rooms. It was concluded that social relationship among workers, participation in decision-making, etc. had a greater effect on productivity than working conditions.

3. **Mass Interviewing Program**: 21,000 employees were interviewed over a period of three years to find out reasons for increased productivity. It was concluded that productivity can be increased if workers are allowed to talk freely about matters that are important to them.

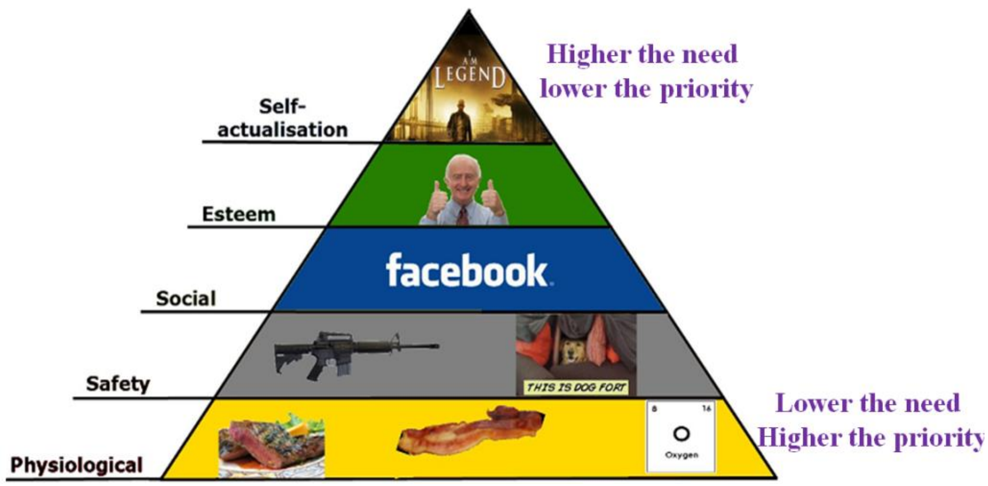
The basic hypotheses of this study as well as the basic propositions of the Human Relation Approach are the following:

1. The social and psychological factors are responsible for workers' productivity and job satisfaction. Only good physical working conditions are not enough to increase productivity.
2. The informal relations among workers influence the workers' behaviour and performance more than the formal relations in the organisation.
3. Employees will perform better if they are allowed to participate in decision-making affecting their interests.
4. Employees will also work more efficiently, when they believe that the management is interested in their welfare.
5. When employees are treated with respect and dignity, their performance will improve.
6. Financial incentives alone cannot increase the performance. Social and Psychological needs must also be satisfied in order to increase productivity.
7. Good communication between the superiors and subordinates can improve the relations and the productivity of the subordinates.
8. Special attention and freedom to express their views will improve the performance of the workers.

The human relations approach is concerned with recognition of the importance of human element in organizations. It revealed the importance of social and psychological factors in determining worker’s productivity and satisfaction. It is instrumental in creating a new image of man and the work place. However, this approach also did not go without criticism. It was criticized that the approach laid heavy emphasis on the human side as against the organizational needs. However, the contribution of this approach lies in the fact that it advises managers to attach importance to the human side of an organization.

2. Needs Hierarchy Theory

This is the most widely known theory of motivation and was proposed by American psychologist Abraham Maslow in his 1943 paper "A Theory of Human Motivation" and his subsequent book "Motivation and Personality". Maslow put forward the idea that there existed a hierarchy of needs consisting of five levels in the hierarchy. These needs progressed from lower order needs through to higher level needs. People will try to satisfy their most important needs first. When a person succeeds in satisfying an important need, he will then try to satisfy the next important need. Human behavior is motivated in order to achieve certain needs.



A. **Physiological Needs:** Physiological needs are those required to sustain life, such as: Air, Water, Food, Sleep, Clothing, Fire, etc.
   According to Maslow's theory, if these fundamental needs are not satisfied then one will surely be motivated to satisfy them. Higher needs such as social needs and esteem are not recognized until one satisfies the needs basic to existence.

B. **Safety Needs:** Once physiological needs are satisfied, one's attention turns to safety and security in order to be free from the threat of physical and emotional harm. Such needs might be fulfilled by:
   - Living in a safe area
   - Medical insurance
   - Job security
   - Personal security
   - Financial reserves

According to the Maslow hierarchy, if a person feels threatened, needs further up the pyramid will not receive attention until that need has been resolved.

C. **Social Needs:** These are also known as affiliation needs. Once a person has met the lower level physiological and safety needs, higher level needs awaken. The first level of higher level needs are social needs. Social needs are those related to interaction with others and may include:

- Friendship
- Affection
- Family
- Intimacy
- Belongingness
- Belonging to a group
- Giving and receiving love

D. **Esteem Needs:** Once a person feels a sense of "belonging", the need to feel important arises. Esteem needs may be classified as internal or external. Internal esteem needs are those related to self-esteem such as self respect and achievement. External esteem needs are those such as social status and recognition. Some esteem needs are:

- Self-respect
- Respect from others
- Achievement
- Attention
- Recognition
- Reputation
- Independence
- Status
- Dominance
- prestige

E. **Self-actualization Needs:** Self-actualization is the summit of Maslow's hierarchy of needs. These needs indicate strong desire to achieve something. Suppose your desire is to become an engineer in Google Company. This desire works as motivator to achieve your goal. It is the quest of reaching one's full potential as a person. Unlike lower level needs, this need is never fully satisfied; as one grows psychologically there are always new opportunities to continue to grow. Self-actualized people tend to have needs such as:

- Self-fulfillment
- Peak experiences
- Reaching full potential
- Seeking personal growth

3. Two - Factor Theory

Frederick Herzberg was a psychologist interested in the correlation between employee attitude and workplace motivation. He wanted to find out what made people feel satisfied and unsatisfied when it came to the workplace. After spending countless hours interviewing employees about what made them feel both good and bad about their jobs, Herzberg developed a theory of workplace motivation called the two-factor theory. The two-factor theory is based on the assumption that there are two sets of factors that influence motivation in the workplace by either enhancing employee satisfaction or hindering it. He identified two factors. Such as 1) Hygiene Factors 2) Motivators.

1) **Hygiene Factors (Dissatisfiers):-** No, I am not talking about the personal hygiene of your co-workers, though that can certainly be questionable at times. Rather, Herzberg used the term 'hygiene' to describe factors that cause dissatisfaction in the workplace, are extrinsic (or independent of the work itself), and are linked to things such as

   - Compensation/Salary – should be reasonable
   - Job security
   - Organizational/company policies – should be flexible
   - Working conditions(breaks, hours, vacation)
   - Quality of leadership
   - Relationships between supervisors subordinates and peers (no conflict, no humiliation)
   - Fringe benefits (medical reimbursement etc.)

   According to Herzberg, these factors do not motivate employees. However, when they are missing or inadequate, hygiene factors can cause serious dissatisfaction. Just think about how unhappy you would be in a job where you were underpaid, were in fear of losing your job, dealt constantly with gossip, lacked effective leadership, and were surrounded by co-workers whom you despised. Hygiene factors are all about making an employee feel comfortable, secure, and happy. When hygiene factors are not fulfilled, it feels like something is missing or not quite right, kind of how you would feel if you couldn't shower, brush your teeth, or wash your hands after using the bathroom.

2) **Motivators (Satisfiers):-** These are linked to employee motivation and arise from intrinsic, or dependent, conditions of the job itself. Factors for satisfaction include

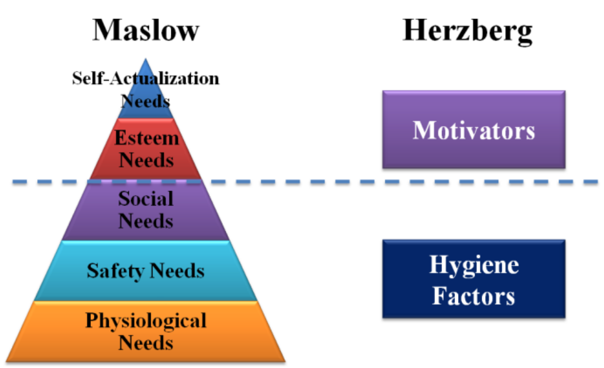
- Responsibility of work
- Job satisfaction
- Recognition
- Achievement
- Opportunities for growth
- Advancement/Improvement
- Awards and Rewards

HYGIENE FACTORS	MOTIVATORS
Factors that can de-motivate the employees if they are not present but don't motivate employees to work harder even they are present.	**Factors that directly motivate to work harder**

Look at this scenario.

Imagine that you are working in an organization where you are provided poor working conditions like a computer is not working properly, no ventilation, no AC, roof is leaking constantly etc. when the working conditions are like this, you never seem to be able to catch up on your work because of these conditions. You may feel dissatisfied with these conditions. These conditions will de-motivate you towards work. Meanwhile, you are informed that you have been selected for an award for your best performance which you will be receiving in the annual day meeting. However, you might be happy for a short a moment with this award which is a satisfier but when you return to your office, these working conditions will demotivate you and you are unhappy. According to Herzberg, hygiene factors are important to employees.

A manager must be sure to provide sufficient hygiene factors while at the same time building satisfiers or motivators into employee jobs. In essence, hygiene factors are necessary to be sure a subordinate is not dissatisfied, and satisfiers are needed to motivate an employee to work towards higher level of performance.



4. Theory X and Theory Y

Theory X and Theory Y were first explained by McGregor in his book, 'The Human Side of Enterprise,' and they refer to two styles of management – authoritarian (Theory X) and participative (Theory Y).

If you believe that your team members dislike their work and have little motivation, then, according to McGregor, you'll likely use an authoritarian style of management. This approach is very "hands-on" and usually involves micromanaging people's work to ensure that it gets done properly. McGregor called this Theory X.

On the other hand, if you believe that your people take pride in their work and see it as a challenge , then you'll more likely adopt a participative management style. Managers who use this approach trust their people to take ownership of their work and do it effectively by themselves. McGregor called this Theory Y.

The approach that you take will have a significant impact on your ability to motivate your team members. So, it's important to understand how your perceptions of what motivates them can shape your management style.

Douglas McGregor classified employees into two types.

1. X type of employees
2. Y type of employees

Theory X

Theory X (Labeled as Negative Theory) assumes that employees are naturally unmotivated and dislike working, and this encourages an authoritarian style of management. According to this view, management must actively intervene to get things done. This style of management assumes that workers:

- Employees are inherently lazy. Dislike working.
- Avoid responsibility and need to be directed.
- Have to be controlled, coerced, forced, and threatened to deliver what's needed.
- Need to be supervised at every step, with controls put in place.
- Need to be enticed to produce results; otherwise they have no ambition or motivation to work.
- prefer to be led
- Are self centered and does not care about organizational goals.

Theory Y

Theory Y (Labeled as Positive Theory) shows a participation style of management that is de-centralized. It assumes that employees are happy to work, are self-motivated and creative, and enjoy working with greater responsibility. It assumes that workers:

- People are willing to work; work can be as natural as play and rest
- Take responsibility and are motivated to fulfill the goals they are given.
- Seek and accept responsibility and do not need much direction.

- Are capable of self-direction and creativity
- Are committed to the objectives of the organization
- Consider work as a natural part of life and solve work problems imaginatively.

5. Vroom's Expectancy Theory

Victor Vroom developed the expectancy theory of motivation. This has been an alternative approach to the above needs theory disapproves the need-based behaviour of individuals. On the other hand, it suggests that individuals are motivated to act in a certain way because they strongly expect that particular action will lead to a desirable result. According to this theory,

Motivation = Valence x Expectancy

Where,

Valence is strength of an individual's desire for a particular outcome. Valence may vary from -1 to +1. Valence is negative if the individual has no strong preference to the outcome. Valence is positive, if the individual has the strong preference to the outcome. Valence is zero, if the individual is indifferent to the outcome. The valence of the individual must be positive, if motivation were to take place.

Expectancy is the probability that a particular action will lead to a desired result. Expectancy refers to the belief that an effort will lead to completion of a task. The value of expectancy varies between 0 to 1. If an employee sees no chance that effort will lead to the desired performance, the expectancy is zero. On the other hand, if the employee is confident that the task will be completed, the expectancy has a value of 1.

6. Alderfer's ERG Theory

Clayton Alderfer proposed an extension of Maslow's theory of hierarchical needs called the ERG theory. The five types of needs given by Maslow are merged into three groups of core needs whose first letters are abbreviated to form an acronym ERG. The three types of core need are:

a) **Existence Needs**: Existence needs are concerned with basic material existence requirements. The physical and safety needs of Maslow's theory are grouped up and considered as existence needs. These needs are most essential that every human being requires. Alderfer considers both the fundamental needs such as food water, shelter and the safety needs such s safety of assets, personal safety, job security etc. Are essential needs for existence.

a) **Relation Needs**: Relation needs, the second group of need are concerned with behavioural needs such as the desires, relationships, friendships and affiliations etc. The social and status (ego) needs of Maslow's theory are considered as relational needs. People need to interact with others if they are to be satisfied. According to Alderfer, these have alignment with Maslow's theory with internal component of social needs and external component esteem needs.

b) **Growth Needs**: Alderfer considers growth needs as an intrinsic desire and are directed to personal development. To describe these needs he broke down Maslow's need into different parts and generated lot of needs. These need include the intrinsic component from Maslow's esteem needs and the self-actualization needs.

According to Alderfer, as a person grows, the existence, relatedness, and growth for all desires also continue to grow. All these needs should be fulfilled to greater wholeness as a human being.

FINANCIAL AND NON-FINANCIAL INCENTIVES

The personal manager has to formulate rewards or incentives which adequately satisfy the employees, these rewards can be of two types:

Financial Incentives

1) **Compensation based on performance**: When the performance exceeds the given standard, the employee is said to be better in terms of piece rate, sharing profits, or bonus. The incentives the individual employee receives from time to time reflect some performance measures such as individual productivity, team or group productivity or overall organization profit for given period.

2) **Compensation based on competency**: Under this method, the pay and rewards are designed based on the competency of the employees. Competency is judged based on one's leadership skills, trouble-shooting strategies etc.
3) **Stock options**: Under this method, employees are given shares in the company in which they work. The potential growth in the market price of the share is the incentive to keep employees working in the company. This practice is perceived to develop, among the employees, a sense of loyalty to their organization.
4) **Rewards**: Rewards are individual incentives intended to reward individual performance. These include merit pay, time saving bonus, and commission.
5) **Group bonus**: Where the employees tasks are interdependent and thus require cooperation, group incentives such as group bonus make a lot of difference.

Non - Financial Incentives

1) **Consultation**: Today, most of the successful companies are those which invite participation from their employees on strategic issues such as working environment, introduction of changes, and so on. When management consults the employees for their opinions, the employees feel motivated.
2) **Team work**: Here the work force is organized into small groups or teams who work together. A line manager may have one or more such groups and brief them regularly. There is a spirit of competition among the groups. Each group tries to outperform the other. In the process, the employees feel highly motivated.
3) **Quality circles**: Quality circle is a body of employees who meet from time to time under the guidance of a supervisor to discuss way and means to improve the quality of the product and services of the organization.
4) **Job security**: When the employee is assured of the security of his job, he feels safer and this provides him adequate incentive to perform better.
5) **Job enrichment**: Here, the employees are given grater scope in deciding how the tasks should be performed. In other words, they are allowed to assume increased responsibility for planning and self-evaluation.
6) **Job rotation**: Doing the same job for year together may create boredom for the employee. To overcome this problem, the employee is given a different job, may be in the same department or in a different one.
7) **Flexi-time**: Flex-time is a method of organizing the working hours for the employees in such a way so as to provide greater flexibility in choosing their own working hours.

INTRODUCTION TO CONTROL

Control is any process that guides activity towards some predetermined goals. Thus control can be applied in any field such as price control, distribution control, pollution control, etc. However, control as an element of management process can be defined as the process of analyzing whether actions are being taken place as planned and taking corrective actions to make these to conform to planning. Thus control process tries to find out deviations between planned performance and actual performance and to suggest corrective actions wherever these are needed.

Definitions:

Terry defines control as "Controlling is determining what is being accomplished, that is evaluating the performance and, if necessary, applying corrected measures so that the performance takes place according to plan."

Koontz and O'Donnel define control as "Control is measurement and correction of the performance of activities of subordinates in order to make sure those enterprise objectives and plans devised to attain them are being accomplished".

CHARACTERISTICS OF EFFECTIVE CONTROL SYSTEM

1. Accuracy: Effective controls generate accurate data and information. Accurate information is essential for effective managerial decisions. Inaccurate controls would divert management efforts and energies on problems that do not exist or have a low priority and would fail to alert managers to serious problems that do require attention.

2. Timeliness: There are many problems that require immediate attention. If information about such problems does not reach management in a timely manner, then such information may become useless and damage may occur. Accordingly controls must ensure that information reaches the decision makers when they need it so that a meaningful response can follow.

3. Flexibility: The business and economic environment is highly dynamic in nature. Technological changes occur very fast. A rigid control system would not be suitable for a changing environment. These changes highlight the need for flexibility in planning as well as in control. Strategic planning must allow for adjustments for unanticipated threats and opportunities. Similarly, managers must make modifications in controlling methods, techniques and systems as they become necessary. An effective control system is one that can be updated quickly as the need arises.

4. Acceptability: Controls should be such that all people who are affected by it are able to understand them fully and accept them. A control system that is difficult to understand can cause unnecessary mistakes and frustration and may be resented by workers. Accordingly, employees must agree that such controls are necessary and appropriate and will not have any negative effects on their efforts to achieve their personal as well as organizational goals.

5. Ease of understanding: Guidelines, standards and information systems must be simple to comprehend so that they are easily understood by one and all. This ease of understanding helps the concerned employees to follow guidelines and standards without difficulty and ambiguity.

6. Economic feasibility: The cost of a control system must be balanced against its benefits. The system must be economically feasible and reasonable to operate. For example, a high security system to safeguard nuclear secrets may be justified but the same system to safeguard office supplies in a store would not be economically justified. Accordingly the benefits received must outweigh the cost of implementing a control system.

7. Strategic placement: Effective controls should be placed and emphasized at such critical and strategic control points where failures cannot be tolerated and where time and money costs of failures are greatest. The objective is to apply controls to the essential aspect of a business where a deviation from the expected standards will do the greatest harm. These control areas include production, sales, finance and customer service.

8. Corrective action: An effective control system not only checks for and identifies deviation but also is programmed to suggest solutions to correct such a deviation. For example, a computer keeping a record of inventories can be programmed to establish ―if-then guidelines. For example, if inventory of a particular item drops below five percent of maximum inventory at hand, then the computer will signal for replenishment for such items.

9. Emphasis on exception: A good system of control should work on the exception principle, so that only important deviations are brought to the attention of management, In other words, management does not have to bother with activities that are running smoothly. This will ensure that managerial attention is directed towards error and not towards conformity. This would eliminate unnecessary and uneconomic supervision, marginally beneficial reporting and a waste of managerial time.

10. Forward looking: Control system should provide early information regarding the future changes and should forecast what would happen in the coming month or year.

TYPES AND STRATEGIES FOR CONTROL

1. Feed Forward Controls: Feed forward controls, sometimes called preliminary or preventive controls, attempt to identify and prevent deviations in the standards before they occur.

- Feed forward controls focus on human, material, and financial resources within the organization.
- These controls are evident in the selection and hiring of new employees. For example, organizations attempt to improve the likelihood that employees will perform up to standards by identifying the necessary job skills and by using tests and other screening devices to hire people with those skills.

2. Concurrent Controls: Concurrent controls monitor ongoing employee activity to ensure consistency with quality standards. These controls rely on performance standards, rules, and regulations for guiding employee tasks and behaviors. Their purpose is to ensure that work activities produce the desired results.

- As an example, many manufacturing operations include devices that measure whether the items being produced meet quality standards. Employees monitor the measurements; if they see that standards are not being met in some area, they make a correction themselves or let a manager know that a problem is occurring.

3. Feedback Controls: Feedback controls involve reviewing information to determine whether performance meets established standards.

- For example, suppose that an organization establishes a goal of increasing its profit by 12 percent next year. To ensure that this goal is reached, the organization must monitor its profit on a monthly basis. After three months, if profit has increased by 3 percent, management might assume that plans are going according to schedule.

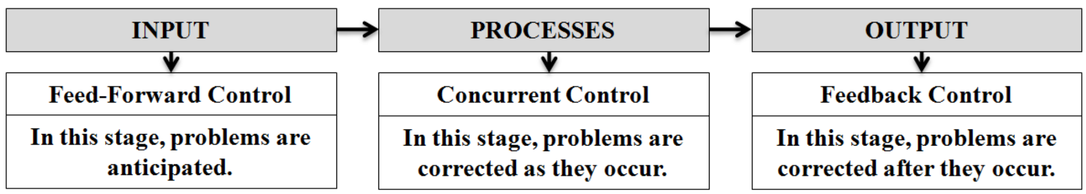


Fig: Types of control

STEPS IN CONTROL PROCESS

Control is a continuous process. It is not applied when be everything else is done. There may be some in-built controls in the exercise of managerial techniques. In spite of this, there may be a difference in standards to be achieved and actual performance. This may be due to human limitations. Some control methods may have to be applied to improve performance.

There are four steps in control process:

1. Setting of Control Standards: Every enterprise plans its activities in advance. On the basis of plans, the objectives and goals of every department, branch, etc. are fixed. These, goals are converted into quantity, value, man hour etc. These are to be/achieved in future. There may also be qualitative goals. The achievement of various targets is made the responsibility of specific persons. The levels of achievement are also decided in advance. Whether a particular result is to be taken as satisfactory, average or poor should be pre determined so that the persons responsible for that work should be able to assess their performance.

2. Measurement of Performance: The second step in controlling process is the measurement of performance. The actual performance is measured against the standards set. This will enable management to determine whether the work is being done according to plans or not. The measurement of quantitative objectives is easy since figures of work done will be available. The qualitative performance such as human relations, employee morale, etc. can only be measured through psychological tests and surveys. If measurement is such that deviation is detected at the earliest then it will enable appropriate action well in time. If that is not possible then deviations should be detected as early as possible.

3. Comparing Actual and Standard Performance: The next step in control process is the comparison of actual performance with the standards set.

The purpose of this comparison is:

(a) To find out deviations if any, and

(b) To determine the reasons for such deviation.

While comparing actual performance with the standard, some permissible limits are also fixed. When the deviations are within the prescribed limits then there is no cause for worry. But if the deviations are more than the allowable limits then it calls for urgent action. This is also known as 'management by exception.' When things are going as per plans or within the allowable limits then top management is not required to take any note of it. But on the other hand if performance is not up to the level then it is brought to the notice of top management for taking corrective action. If the manager gives attention to every deviation then he will not be able to give enough time for important things.

When the actual performance is not up to the level then causes for it should be pin-pointed. Necessary steps are taken so that performance is not adversely affected once again. If no efforts are made to rectify the weak areas then the whole control process will be futile. Whenever the performance is low than the standards, the reasons for it should immediately be found.

4. Taking Corrective Action: The last but most important step in controlling process is of taking corrective action. Whenever the performance is less than the standards, efforts should be made to rectify it. Whatever the reasons for low performance, efforts are made to achieve organizational goals. No control process can automatically rectify the mistakes in a system. It is the action which is required to set the things right, sometimes the targets are not achievable even with more efforts then these will have to be revised. The control action may involve review of plans and goals, change in the methods of work, change in the assignment of task, change in existing techniques of direction and change in organization structure. The corrective action generally involves top management.

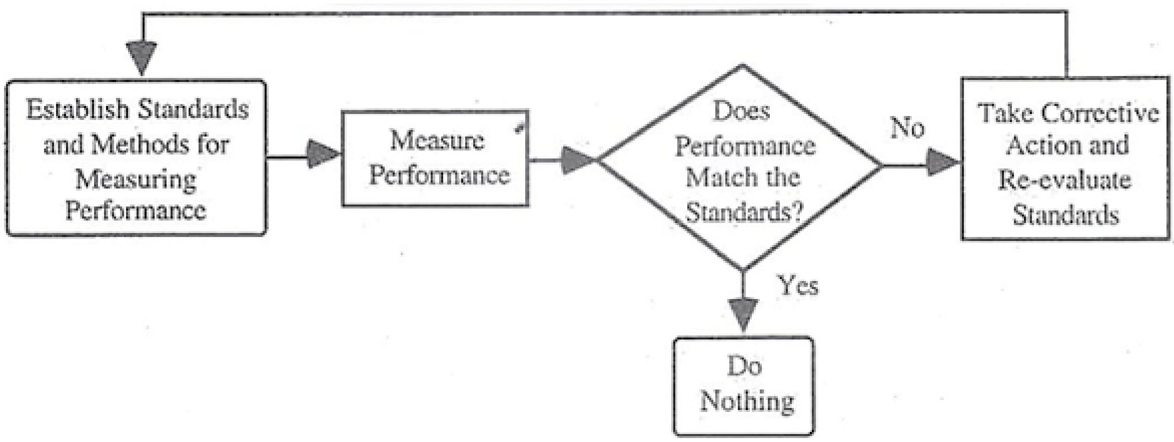


Fig: Steps in control process

BUDGETARY AND NON-BUDGETARY CONTROLS

Budget

A budget is a plan expressed in quantitative and money terms. Budgets need to be prepared and approved in advance of the period in which they are to be used. Budgets can include some or all of income, expenditure, and the capital to be employed. Moreover, a budget can be drawn up for an entire organization, any segment of the organization such as a department or sales territory or division, or for a significant activity such as the production and sale of a specific product. In most cases budgets are prepared for the forthcoming financial year and further for the convenience these are usually divided into shorter intervals (mostly in months). This facilitates to check the actual results with the prepared budget, and any deviations between the two can be evaluated and corrected.

BUDGETARY CONTROL

Budgeting is the process of preparing budgets and '**budgetary control**' is the technique of managerial control through budgets. Budgetary control is the process of determining various actual results with budgeted figures for the enterprise for the future period and standards set then comparing the budgeted figures with the actual performance for calculating variances, if any. First of all, budgets are prepared and then actual results are recorded.

The comparison of budgeted and actual figures will enable the management to find out discrepancies and take remedial measures at a proper time. The budgetary control is a continuous process which helps in planning and co-ordination. It provides a method of control too. A budget is a means and budgetary control is the end-result.

Budgetary control involves the follows:

(a) The objectives are set by preparing budgets.

(b) The business is divided into various responsibility centers for preparing various budgets.

(c) The actual figures are recorded.

(d) The budgeted and actual figures are compared for studying the performance of different cost centers.

(e) If actual performance is less than the budgeted norms, a remedial action is taken immediately.

Types of Budgets

There are many types of budgets. Budgets are formulated based on the purpose and what we want to plan and control. Here are the types of budgets.

1) **Production Budget:** This budget explains how much volume of each type of product is produced for the given period. This becomes the base for the production manager to plan his operations.

2) **Sales Budget:** The organization may have sales mix of different products and how much will be the sales for each product or service is outlined here.

3) **Advertisement Budget:** This budget speaks about the funds allotted for print media, electronic media, sales promotions through hoardings, direct sales, etc. The marketing manager has to plan his sales promotion activities within the framework set by this budget.

4) **Labour Hours Budget:** How may labour hours are required for a product to be finished?. How may hours are required from skilled labour, unskilled labour and semi-skilled labour?. This budget is a bible for the production manager and he plans his production schedules accordingly.

5) **Machine Hours Budget:** Different machines may be required to be coordinated to produce a finished product. This budget specifies the number of hours required to be utilized from each machine. This budget is a bible for the production manager and he plans his production schedules accordingly.

6) **Overhead Budget:** Fixed overheads and variable overheads are planned for different departments here.

7) **Space Budget:** The space is a costly issue and it is necessary to use the limited space in an optimum way. Which department requires what space, which facility requires what area are outlined here.

8) **Materials Budget:** There could be different types of materials used in the factory. This budget specifies the requirements of different materials and it is purchase manager's responsibility to provide for the quantities as outlined in this budget.

9) **Cash Budget:** This is a statement of receipts and payments for a given future period. It shows clearly during what period there is deficit or surplus. Accordingly, the manager can plan for investing the surplus funds or borrowing from bank when there is a deficit.

10) **Capital Expenditure Budget:** This shows how much funds are allocated for acquiring different long term investment proposals such as purchase of plant and machinery, land and buildings etc.

11) **Master Budget:** This is an overall budget which summarizes and integrates different individual budgets within the organization.

12) **Flexible Budget:** For different levels of capacity of production, the flexible budget shows what expenses change in proportion to the volume of production and what expenses remain fixed throughout. This budget is also called variable budget.

13) **Zero Based Budgeting:** Budgets are more or less a marginally to moderately to significantly revised version of the last year budgets and more often there is tendency to take forward the previous years' assumptions and presumptions. In zero based budgeting, the current year's requirements are seen from the fresh perspective. If they are important, they will be considered or otherwise, they are dropped. In other words, the budget for each item starts from zero, costs are calculated afresh based on the requirements for the budget period. It avoids the tendency of taking the previous data as base to work for the future. If there is requirement, then only provisions are made otherwise, they are not considered. This makes the managers to plan each program package afresh. The mistakes, if any, in the previous budgets are not brought forward here.

NON-BUDGETARY CONTROL

Non-budgetary control devices support the successful functioning of the budgetary control system. These include the following:

1) **Statistical data:** Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.
2) **Special reports and analysis:** Analytical reports and industry trends and patterns need to be prepared in advance to provide a direction and guidance with the help of industry experts and specialists engaged for the specific task.
3) **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.
4) **Internal 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.
5) **Network analysis:** The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a is a method to analyze the involved tasks in completing a given

project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

6) **Standard costing and variance analysis:** Standard costing is process of formulating material standards, labour standards and overheads standards and verifying whether the actual expenses are within the given standard are not. Where there is difference between the actual and standard expenses, it is called variance. The manager's job is to ensure that the variances are reduced to minimum.
7) **Ratio analysis:** Ration analysis shows the relationship between two factors. Ratio analysis is a financial analysis tool used to examine whether the liquidity, solvency or profitability of the enterprise are within the acceptable standards or not.
8) **Personal observation:** Managers need to spend time by going around the department, speaking to the employees so that they can get first-hand information about what is happening around. By going around the departments, senior managers may come across many issues which cannot be put on paper but critical in nature can be sorted out on time.

ESTABLISHING CONTROL SYSTEMS

The purpose of control systems is to achieve the goals and objectives of an organization with ease and at least cost. The ultimate purpose of any system is that it should be 'in control' instead of controlling people. It also aims at assisting management in the coordination of the parts of an organization and the steering of those parts toward the achievement of its overall purposes, goals and objectives.

1. Well-defined Objectives and Goals: The objectives and goals of the organisation should be crystal clear and well-defined in the process of control. The organisational goals should be split into sub-goals at departmental level. The operation of the various functions and their coordination should be vested in the hands of the executives who are armed with sufficient authority or power to fulfill their responsibility. The planned goals of the enterprise or of a particular department serve as a standard for performance measurement.

2. Determination of Strategic Point of Control: The responsibility centers and strategic points of control should be selected and fixed. To make the control process effective, the management should concentrate upon strategic points only.

3. Establishment of Control Standards: These standards are established criteria against which actual performance can be compared and measured in terms of money, time, physical units or some other index. The object of predetermined standards is that comparison between actual performance and targets performance is made possible.

4. Determination of Controllable Costs and Control Period: Optimum control does not mean excessive control. Sometimes good results are achieved only if critical points are identified. Secret of good control is to establish strategic points where corrective actions will be the cheapest and most effective.

5. Strengthening the Organisation: The complete framework of control is aimed at strengthening the organisation. Planning is a prerequisite. Control should be tailored to fit the organisation. There should be a system of checks on the managerial activity of subordinates. The organisation should be strengthened first to overcome the weaknesses of deviations. Controls should incorporate sufficient flexibility in them so as to remain effective despite the failure of plan.

6. Measurement of Performance: The evaluation of performance is very necessary. It involves the measurement of performance in respect of work and in terms of control standards. In the opinion of Peter F. Drucker, the measurement of performance must be clear, simple, rational, relevant and reliable. The effectiveness of a control system depends upon the prompt reporting of past results to the persons who have power to produce changes. The next step is to compare the performance with the planned standards. It is important to determine the limits within which the variations can be held and still to be regarded within control when performance is measured accurately. To assess whether actual performance is in accordance with the target comparison with the standard has to be made and the variation is properly analysed to understand the reason for the variation. The comparison should be done at frequent intervals so that immediate corrective action could be taken.

7. Control Period: The proper control period is the shortest period of time in which management can usefully intervene and in which significant changes in performance are likely. The period is different for different responsibility centres and for different items within responsibility centres. Spoilage rates in a production operation may be measured hourly or often.

The key cost element of the centre may be measured daily. Reports on overall performance, particularly those going to the levels of management are often on a monthly basis and sometimes for quarterly or longer intervals, since top management does not have either the time or the inclination to explore the local temporary problems.

CONTROL FREQUENCY AND METHODS

It is understood that the organizational objectives are accomplished with the help of controls. But, now the question is:

How frequently, these controls are to be employed?.

To answer this question, the manager should understand the controlling frequency and various techniques based the frequency. With reference to control frequency, the control methods may be classified into three categories as constant, periodic and sporadic control, which can be further divided as shown in the following figure.

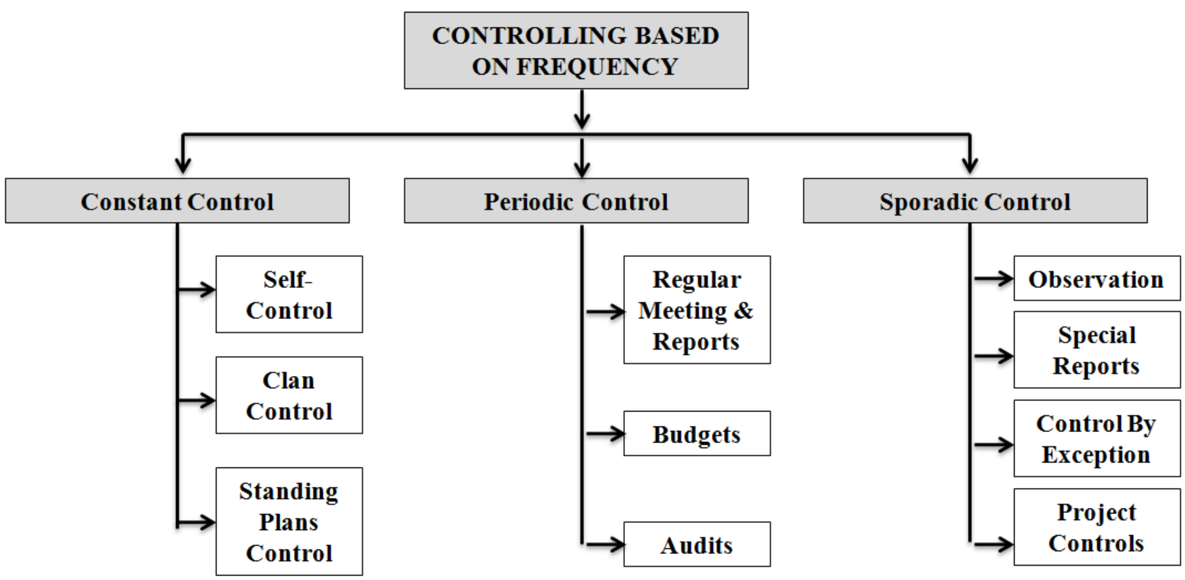


Fig: Classification of control methods based on frequency

I. Constant Controls

Constant controls are continuous controls which are found to be three ways as follows:

1) **Self-control**: Employees take the advantage if the management is not observing and monitoring the performance. So, there is chance that employee may not perform their

job to the desired level. But, if a culture of self-control is established, then the controller's job becomes a cakewalk. The management controlling techniques such as CC cameras, programmed instructions, and strict imposition of the rules and regulations or fines/penalties/disciplinary action, etc. may inculcate the self-control in the employees.

2) **Clan control**: Clan control also referred to as group control is a form of human resources control in which firms will depend largely on their norms and culture to ensure specific hehaviour. Organizations that have teams depend on clan control.
3) **Standing plans**: Under this control, the organizations will develop and frame, rules, procedures and policies in order to influence the employee behavior continual and predictable situations. Standards are similar to standing plans that are in constant use.

II. Periodic Control

Periodic controls are used on a regular schedule basis such as once in a day, week or every fortnight or at the end of the month or a quarter or year. Periodic control includes regular meetings and reports, budgets and audits.

1) **Regular meeting and reports:** These can be in the form of written or oral. All organizations will have regularly scheduled meetings with one or more workers in the organization to address and discuss various issues like problems and progress. The frequency of these meetings may be daily, weekly, or monthly.
2) **Budgets**: At the end of the every year, it is reworked for the next year. If any changes occur such as overspending due to an increase in final cost, then a budget may require damage control.
3) **Audits**: There are two major types of audits: accounting auditing and management auditing. The accounts department is supposed to maintain records of the organization's transactions and assets. Internal auditors will check the accounting records periodically. The management audit examines the organization's planning, organizing, leading and controlling functions for improvement.

III. Sporadic Control

Sporadic control means occasional control. Occasional controls are used on intermittent basis wherever required.

1) **Observation**: In this control, mangers personally observe and interact with the employees as they perform their jobs. Management by walking around is a proven method of personal observation to improve performance.
2) **Control by exception**: In this principle, the control is left to the employees. If the employees found any problems, they approach the manager for help. In order to reach the performance as per the schedule, corrective actions are taken.
3) **Special reports**: If any problems are identified, then special reports are compiled by a committee within the department/organization, or outside consultants who are specialized in that area. Such reports are designed to identify the cause of a problem as well as solution.
4) **Project controls**: These controls are applied to unique and non-recurring projects. in this controlling method, the manager develops a control system in order to make sure that the project is completed on time. The planning tools such as PERT and Gantt Charts can be used as project control method.