UNIT – V

CONTROLLING STRATEGIES

INTRODUCTION

Control is one of the managerial functions. These functions start with planning and end at controlling. The other functions like organizing, staffing, directing act as the connecting like between planning and controlling. Planning will be successful only if the progress planning and controlled, Planning involves setting up of goals and objectives while controlling seeks to ensure.

<u>Definitions:</u>

<u>Knootz and O'Donnel: -</u>

“The measurement and correction of the performance of activities of subordinates in order to make sure that enterprise objectives and plan devised to attain them are being accomplished." The accomplishment of organizational goals is the main aim of every management. The performance of subordinates should be constantly watched to ensure proper implementation of plans. Co-ordination is the channel through which goals can be achieved and necessary.

<u>Henry Fayol:</u>

"In an undertaking, control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established". It has to point out weakness and errors in order to rectify them and prevent recurrence. It operates on everything.

Two Levels of Control: Strategic and Operational

Strategic control focuses on monitoring and evaluating the strategic management process to ensure that it functions in the right direction. The strategic control aims at achieving the results planned at the time of strategy formulation. Strategic control is a special type of organisational control.

Strategic control is concerned with tracking the strategy as it is being implemented, detecting any problem areas or potential problem areas suggesting that the strategy is incorrect, and making any necessary adjustments.

Strategic controls allow stepping back and looking at the big picture and make sure all the pieces of the picture are correctly aligned.

Ordinarily, a significant time span occurs between initial implementation of a strategy and achievement of its intended results.

Operational control, in contrast to strategic control, is concerned with executing the strategy. Where operational controls are imposed, they function within the framework established by the strategy. Normally these goals, objectives, and standards are established for major subsystems within the organization, such as business units, projects, products, functions, and responsibility centres.

Typical operational control measures include return on investment, net profit, cost, and product quality.

These control measures are essentially summations of finer-grained control measures.

Corrective action based on operating controls may have implications for strategic controls when they involve changes in the strategy.

Types of Control

It is also valuable to understand that, within the strategic and operational levels of control, there are several types of control. The first two types can be mapped across two dimensions: level of pro-activity and outcome versus behavioural. The following table summarizes these along with examples of what such controls might look like.

Pro-activity

Pro-activity can be defined as the monitoring of problems in a way that provides their timely prevention, rather than after the fact reaction. In management, this is known as feed forward control; it addresses what we can do ahead of time to help our plan succeed. The essence of feed forward control is to see the problems coming in time to do something about them. For instance, feed forward controls include preventive maintenance on machinery and equipment and due diligence on investments.

Types and Examples of Control

Control Pro-activity	Behavioural control	Outcome control
Feed forward control	Organizational culture	Market demand or economic forecasts
Concurrent control	Hands-on management supervision during a project	The real-time speed of a production line
Feedback control	Qualitative measures of customer satisfaction	Financial measures such as profitability, sales growth

Concurrent Controls

The process of monitoring and adjusting ongoing activities and processes is known as concurrent control. Such controls are not necessarily proactive, but they can prevent problems from becoming worse. For this reason, we often describe concurrent control as real-time control because it deals with the present. An example of concurrent control might be adjusting the water temperature of the water while taking a shower.

Feedback Controls

Finally, feedback controls involve gathering information about a completed activity, evaluating that information, and taking steps to improve the similar activities in the future. This is the least proactive of controls and is generally a basis for reactions.

Feedback controls permit managers to use information on past performance to bring future performance in line with planned objectives.

Control as a Feedback Loop

In this latter sense, all these types of control function as a feedback mechanism to help leaders and managers make adjustments in the strategy, as perhaps is reflected by changes in the planning, organizing, and leading components. This feedback loop is characterized in the following figure.

Outcome and Behavioural Controls

Controls also differ depending on what is monitored, outcomes or behaviours. Outcome controls are generally preferable when just one or two performance measures (say, return on investment or return on assets) are good gauges of a business's health. Outcome controls are effective when there's little external interference between managerial decision making on the one hand and business performance on the other. It also helps if little or no coordination with other business units exists.

Behavioural controls involve the direct evaluation of managerial and employee decision making, not of the results of managerial decisions. Behavioural controls tie rewards to a broader range of criteria, such as those identified in the

Balanced Scorecard. Behavioural controls and commensurate rewards are typically more appropriate when there are many external and internal factors that can affect the relationship between a manager's decisions and organizational performance. They're also appropriate when managers must coordinate resources and capabilities across different business units.

Financial and Nonfinancial Controls

Finally, across the different types of controls in terms of level of pro-activity and outcome versus behavioural, it is important to recognize that controls can take on one of two predominant forms: financial and nonfinancial controls. Financial control involves the management of a firm's costs and expenses to control them in relation to budgeted amounts. Thus, management determines which aspects of its financial condition, such as assets, sales, or profitability, are most important, tries to forecast them through budgets, and then compares actual performance to budgeted performance. At a strategic level, total sales and indicators of profitability would be relevant strategic controls.

Increasing numbers of organizations have been measuring customer loyalty, referrals, employee satisfaction, and other such performance areas that are not financial. In contrast to financial controls, nonfinancial controls track aspects of the organization that aren't immediately financial in nature but are expected to lead to positive performance outcomes. The theory behind such nonfinancial controls is that they should provide managers with a glimpse of the organization's progress well before financial outcomes can be measured. And this theory does have some practical support.

SYSTEM AND PROCESS OF CONTROLLING, REQUIREMENTS FOR EFFECTIVE CONTROL

- Control is the process through which managers assure that actual activities conform to planned activities.
- In the words of Koontz and O'Donnell - "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

Nature & Purpose of Control

- Control is an essential function of management
- Control is an ongoing process
- Control is forward – working because pas cannot be controlled
- Control involves measurement
- The essence of control is action
- Control is an integrated system

Characteristics of Control

1. Managerial Function
2. Forward Looking
3. Continuous Activity
4. Control is related to planning
5. Essence of Control is Action

Techniques of Control or Methods of Establishing Control

A number of techniques or tools are used for the purpose of managerial control. Some of the techniques are used for the control of the overall performance of the organisation, and some are used for controlling specific areas or aspects like costs, sales, etc.

1. Budgetary control technique
2. Non-budgetary control techniques

1. Budgetary control technique

The technique of budgetary control refers to the use of budgets as the means for controlling the activities of a business.

2. Non-budgetary control techniques

Non-budgetary control techniques refer to all techniques of control other than the technique of budgetary control. Non-budgetary control techniques include techniques such as:

a. Standard Costing
b. Break-even analysis
c. Inventory Control
d. Internal Audit
e. Statistical data analysis
f. Personal observation
g. Production planning and control
h. Financial statement analysis
i. Return on investment control
j. Management information system
k. Management audit
l. PERT & CPM
m. Human resources accounting
n. Responsibility accounting

Techniques of Control are:

1. Traditional or Conventional Techniques &
2. Modern or Contemporary Techniques

Classification of Control Technique into Traditional and Modern Techniques:

As stated above, the various techniques of control can be classified into categories, viz., (1) Traditional or Conventional techniques and (2) Modern or Contemporary techniques.

The important Traditional or Conventional techniques are:

1. Budgetary Control
2. Standard Costing
3. Break-even Analysis

4. Inventory Control
5. Internal Audit
6. Statistical Data Analysis
7. Personal Observation
8. Production Planning and Control

The Important Modern or Contemporary techniques are:
1. Financial Statement Analysis
2. Return on Investment Control
3. Management Information System
4. Management Audit
5. Zero-base Budgeting
6. Pert & CPM
7. Human Resources Accounting
8. Responsibility Accounting.

TRADITIONAL TECHNIQUES

1. <u>Budgetary Control:</u> According to J.A. Scott, "Budgetary control is the system of management control and accounting in which all operations are forecasted and so far as possible planned ahead, and the actual results compared with the forecasted and planned ones".
2. <u>Standard Costing:</u> According to the ICMA, England, "Standard cost is a pre-determined cost which is calculated from management's standards of efficient operation and the relevant necessary expenditure".
3. <u>Break-even Analysis or Cost-Volume-Profit Analysis:</u> Cost-Volume-Profit Analysis or Break-even Analysis is the study of the interrelationship between the cost (i.e., cost of production), volume (i.e., the volume of production and sales), the prices and the sales value, and the profits. In other words, it is the study of the inter-relationship between the cost (i.e., cost of production), volume (i.e., volume of production and sales), prices (i.e., selling prices) and profits.
4. <u>Inventory Control:</u> Inventory is the stock of raw materials, work-in-progress, finished goods, consumable stores and spare parts and components at any given point to time. So, inventory control means control over different items of inventory or stock. "It is defined as physical control of stock items and implementing the principles and policies relating thereto".

5. Internal Audit: Internal audit is a continuous and systematic review of the accounting, financial and other operations of a concern by the staff specially appointed by the management for the purpose. In other words, it is the auditing for the management conducted by the staff specially appointed for the purpose to ensure that the work of the concern is going on smoothly, efficiently and economically.
6. Statistical Data Analysis: It is a technique under which statistical data of the past and the present relating to the important aspects of the business are used for managerial control. The statistical data are collected from books and registers of the concern and presented to the management in a systematic manner in the form of tables, charts, graphs, etc.,
7. Personal Observation: Under the technique of personal observation, the managers keep a close personal observation of the employees. In other words, the manager observes whether the workers are doing what they are expected to do.
8. Production Planning and Control: According to S. Elon, "Production planning and control may be defined as the direction and co-ordination of the firm's material and physical facilities towards the attainment of pre-specified production goals in the most efficient and valuable way".

MODERN TECHNIQUES

1. Financial Statement Analysis: Financial statements are a means of managerial control. They can be used by the management for measuring and controlling the profitability, liquidity and the financial position of the business. By comparing the financial statement of the current year with those of the previous years and also by comparing the financial statement of their concern with those of other concerns engaged in the same industry.
2. Return on Investment Control: Profits are the measure of overall efficiency of business. Profit earned in relation to the capital employed in a business is an important control device. ROI is used to measure the overall efficiency of a concern. It reveals how well the resources of a concern are used, higher the return better are the results.
3. Management Information System (MIS): Management Information System (MIS) is an approach of providing timely, adequate and accurate information to the right person in the organisation which helps in taking right decisions.

4. Management Audit: Management audit is an investigation by an independent organisation to find out whether the management is carried out most effectively or not. In case there are drawbacks at any level then recommendations should be given to improve managerial efficiency.
5. Zero-Base Budgeting (ZBB): In the words of Peter A Pyher, "Zero-base budgeting is a planning and budgeting process which requires each manager to justify his entire budget request in detail from scratch and shifts the burden of proof to each manager to justify why he should spend money at all. The approach requires that all activities be analysed in 'decision packages' which are evaluated by systematic analysis and ranked in order of importance".

From his definition, it is clear that Zero-base budgeting is a technique of preparing the budget in which the previous year is not taken as the base, and every year is taken as a new year for preparing the current year's budget.

6. Programme Evaluation and Review Technique (PERT) & Critical Path Method (CPM):

PERT: It is useful at several stages & project management starting from early planning stages when various alternative programmes have been considered to the schedule place, when time and resources schedules are laid to final stage in operation, when used as control device to measure actual against plant programmes. It is useful completing a project on schedule (time) by co-ordinating different jobs involved in its completion.

Feed Back – Control:

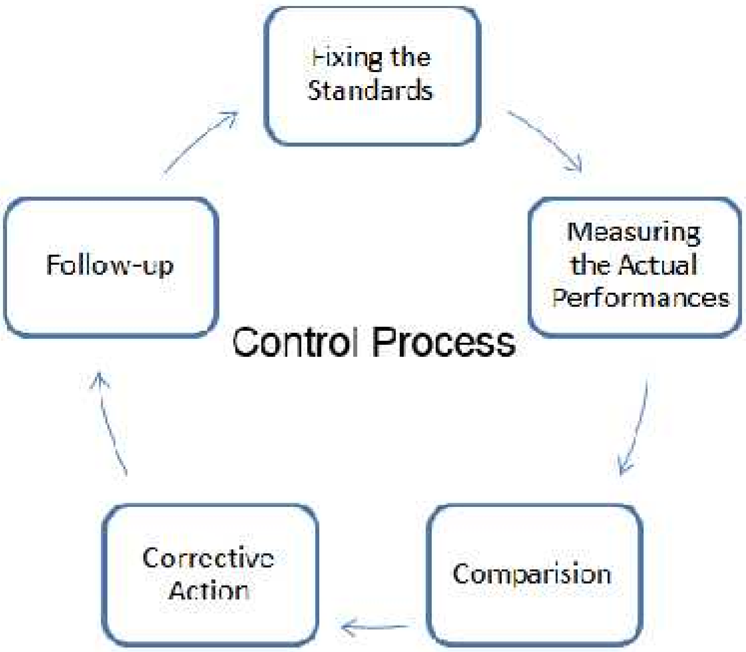
It is a system & controlling which tries to rectify the deviations after they have occurred. It is like a post-mortem analysis which aims at identifying the point & cause of deviation.

Feed Forward – Control

It tries to prevent the deviations rather than correcting them, critical areas are identified at the planning stage itself where deviations may occur and special care is taken to avoid such deviations. The approach is diagnostic rather than post-mortem.

7. Human Resources Accounting: The American Accounting Association has defined human resources accounting as "the process of identifying and measuring data about human resources and communicating this information to interested parties".
8. Responsibility Accounting: Responsibility Accounting is defined as "a system designed to accumulate and report costs by individual levels of responsibility. Each supervisory area is charged only with the cost for which it is responsible and over which it has control."

Steps in Controlling Process



1. Setting of Control Standards
2. Measurement of Performance
3. Comparing Actual and Standard Performance
4. Taking Corrective Action.

Controlling Process consists of following systematic steps:

1. Setting Performance Standards:
The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance.

Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.

Examples of Quantitative Standards:

(a) Revenue to be earned.

(b) Units to be produced and sold.

(c) Cost to be incurred.

(d) Time to be spent in performing a task.

(e) Amount of inventories to be maintained etc.

Examples of Qualitative Standards:

(a) Improving motivation level of employees.

(b) Improving labour relations.

(c) Improving quality of products.

(d) Improving goodwill etc.

In order to facilitate easy comparison of actual performance with the standards, a manager should try to set these standards in quantitative terms as far as possible. However, in case of qualitative standards, effort should be made to define these standards in such a way that comparison becomes easily understandable.

For example, for improving customer satisfaction in a restaurant having self service, standard can be set in terms of time taken to get a table, place the order and collect the order. Moreover, the standards set should be flexible enough so that necessary changes can be made according to varying situations.

2. Measurement of Actual Performance:
Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

Following are some of the ways for measuring performance:

(a) Superior prepares a report regarding the performance of an employee.

(b) Various ratios like gross profit ratio, debtor turnover ratio, return on investment, current ratio etc. is calculated at periodic intervals to Measure Company's performance.

(c) Progress made in areas like marketing can be measured by considering the number of units, increase in market share etc.

(d) In small organisations, each unit produced can be checked personally to ensure the quality standards.

(e) In large organisation, the technique of sample checking is used. Under this technique, some pieces are checked at random for quality specifications.

3. Comparing Actual Performance with Standards:
This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.

4. Analysing Deviations:
Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas. Management should use critical point control and management by exception in such areas.

(a) Critical Point Control:
Since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on Key Result Areas (KRAs) which act as the critical points. The KRAs are very essential for the success of an organisation. Therefore, the entire organisation has to suffer if anything goes wrong at these points. For example, in a manufacturing organisation, an increase of 7% in labour cost is more troublesome than an 18% increase in stationary expenses.

(b) Management by Exception:
Management by exception or control by exception is an important principle of management control. According to this principle, an attempt to control everything results in controlling nothing. Thus only the important deviations which exceed the prescribed limit should be brought to the notice of management. Thus, if plans provide for 3% increase in labour cost, deviations beyond 3% alone should be brought to the notice of the management.

Advantages of Critical Point Control and Management by Exception are as follows:
(i) Since managers deal only with important deviations, it results in saving time and efforts.

(ii) It helps in identifying important deviations which need timely action to keep the organisation at the correct path.

(iii) By handing over the routine problems to the subordinates, management by exception facilitates delegation of authority and helps in increasing morale of employees.

(iv) It ensures better utilization of managerial expertise by focusing managerial attention only on important areas.

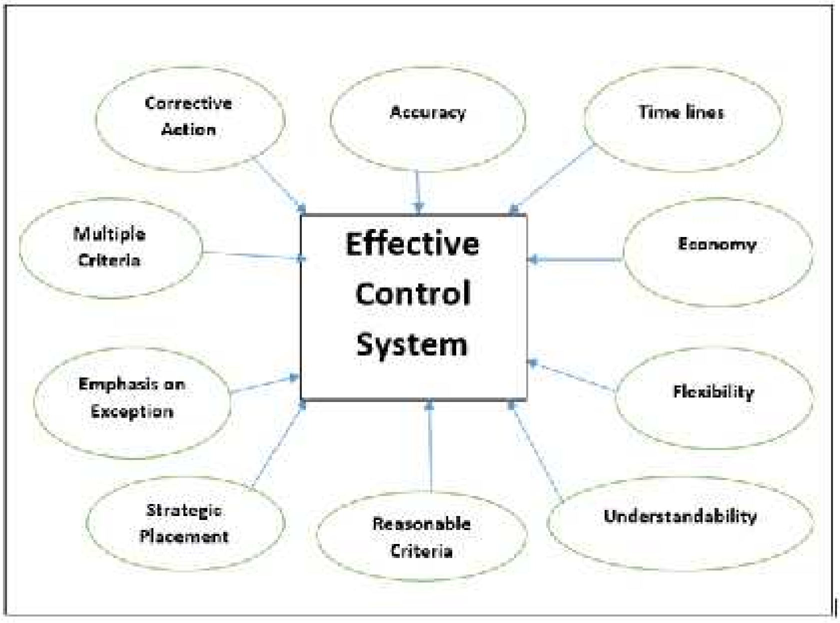
After identifying the deviations, various causes for these deviations are analyzed. The main causes can be structural drawbacks, shortage of resources, environmental factors beyond organisational control, unrealistic standards, defective process etc. Exact cause or causes of deviation must be identified correctly in order to take effective corrective measures.

5. Taking Corrective Action:
The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

Following are some of the examples of corrective action:

Causes of Deviation	**Corrective action to be taken**
(i) Obsolete Machinery	Technological Up gradation of machinery
(ii) Defective Process manufacturing process.	Change the specification standards for the
(iii) Defective Material used.	Change the quality standards for material
(iv) Defective physical conditions of work.	Improvement in physical conditions of work.
(v) Defective machinery.	Repair the existing machine or purchase new machine if it cannot be repaired.

REQUIREMENTS OF EFFECTIVE CONTROL



(1) Objectives:

A system of control can work more effectively when it is based on the main objectives or goals of the organisation. It should be related to the persons. It becomes essential that the standards, which are set by the management, should not be too high or too low. These should be told to the workers in time so that the standards can be judged with the actual performance.

(2) Suitability:

A business organisation should adopt such a system of control which suits its requirement.-There is no hard and fast rule and readymade system of control which give the correct and most favourable, results in all type of organisations and in all circumstances.

Suitability of a system of control differs from organisation to organisation and to make it favourable, it is necessary to know the nature of the business, needs of the workers a circumstances prevailing inside the organisation.

(3) Forward looking:

The system of control should be forward looking which enables the managers to keep a control on operations in advance. Each and every deviation from the standards should be noted in time to take corrective action before the task is completed. This will avoid or minimise the deviation in future.

(4) Feedback:

The success of a business depends on a system of control and for a systematic control advance planning is needed. This advance planning should be based on actual accurate post information collected through investigation.

The control system should be such that it is based on past information and. which would also adjust if necessary to future actions.

(5) Quick action:

Management gets the information from various line managers or supervisors about the deviation in standards and these should be suggested to the planner to take a correct and quick action to avoid future wastage. Actually speaking, the success of control depends entirely on quick action and its implementation.

(6) Directness:

In order to make the system of control more effective, it is necessary that the relation between the workers and management should be direct. It is quite obvious that if the number of line supervisors is less in the organisation then workers would work effectively and objectives may be achieved in time because they will not take much time in getting the correct information.

(7) Flexibility:

The system of control should be such that it accommodates all changes or failures in plans. If plans are to be revised due to change in its objectives, the system of control should also be adjusted to suit the changed circumstances.

(8) Economy:

The system of control must be economical. In simple words, cost of the control system should not exceed its benefits. A system of control to be adopted by the organisation should be cheaper in terms of expenses.

(9) Regular revision:

The system of control should be based art objective results, after proper technical and analytical studies. They must be revised regularly and kept to meet the objectives of the organisation.

(10) Active Participation:

All members in the organisation should participate in the effective implementation of the control system. This is only possible when each and every worker in the organisation is asked to take active part in the discussions and exchange views while selecting the system of control.

(11) Suggestive:

The control system should also be suggestive. A system which detects deviations only should not be held good, but should also tell the accurate and correct alternative.

(12) Competent and talented staff:

Controlling A system of control can work more effectively if it has talented and competent people to work in the organisation.

THE BUDGET AS CONTROL TECHNIQUE

The various types of budgets are as follows

i) Revenue and Expense Budgets:

The most common budgets spell out plans for revenues and operating expenses in rupee terms. The most basic of revenue budget is the sales budget which is a formal and detailed expression of the sales forecast. The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

ii) Time, Space, Material and Product Budgets:

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labour-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended.

iii) Capital Expenditure Budgets:

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise. Since a business takes a long time to recover its investment in plant and equipment, (Payback period or gestation period) capital expenditure budgets should usually be tied in with fairly long-range planning.

iv) Cash Budgets:

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets.

v) Variable Budget:

The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable. The task of variable budgeting involves selecting some unit of measure that reflects volume; inspecting the various categories of costs (usually by reference to the chart of accounts); and, by statistical studies, methods of engineering analyses, and other means, determining how these costs should vary with volume of output.

vi) Zero Based Budget:

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

Advantages

There are a number of advantages of budgetary control:

• Compels management to think about the future, which is probably the most important feature of a budgetary planning and control system. Forces management to look ahead, to set out detailed plans for achieving the targets for each department, operation and (ideally) each manager, to anticipate and give the organization purpose and direction.

• Promotes coordination and communication.

• Clearly defines areas of responsibility. Requires managers of budget centre's to be made responsible for the achievement of budget targets for the operations under their personal control.

• Provides a basis for performance appraisal (variance analysis). A budget is basically a yardstick against which actual performance is measured and assessed. Control is provided by comparisons of actual results against budget plan. Departures from budget can then be investigated and the reasons for the differences can be divided into controllable and non-controllable factors.

• Enables remedial action to be taken as variances emerge.

• Motivates employees by participating in the setting of budgets.

• Improves the allocation of scarce resources.
• Economises management time by using the management by exception principle.

Problems in budgeting

• Whilst budgets may be an essential part of any marketing activity they do have a number of disadvantages, particularly in perception terms.
• Budgets can be seen as pressure devices imposed by management, thus resulting in:
a) Bad labour relations
b) Inaccurate record-keeping.
• Departmental conflict arises due to:
a) Disputes over resource allocation
b) Departments blaming each other if targets are not attained.
• It is difficult to reconcile personal/individual and corporate goals.
• Waste may arise as managers adopt the view, "we had better spend it or we will lose it".
This is often coupled with "empire building" in order to enhance the prestige of a department.
• Responsibility versus controlling, i.e. some costs are under the influence of more than one person, e.g. power costs.
• Managers may overestimate costs so that they will not be blamed in the future should they overspend.

NON-BUDGETARY CONTROL TECHNIQUES

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

i) 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.

ii) Break- even point analysis:

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

iii) Operational audit:

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

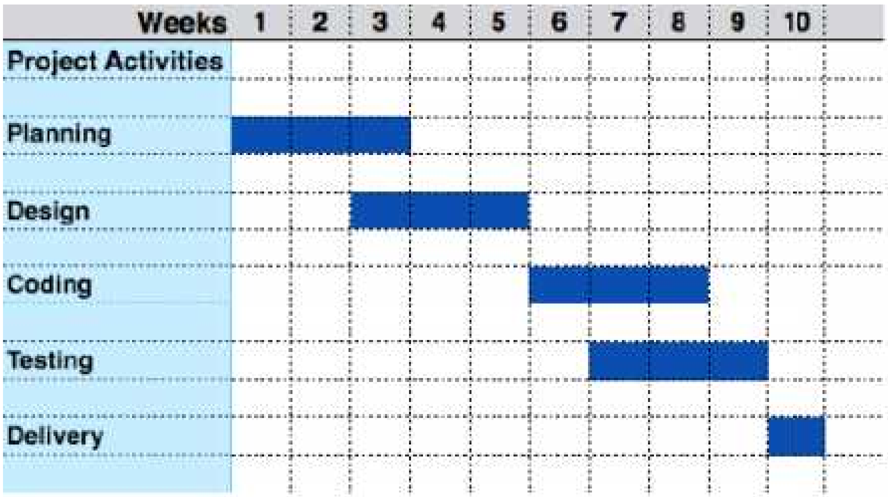
iv) Personal observation:

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

v) PERT:

The Program (or Project) Evaluation and Review Technique, 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.

vi) GANTT CHART:



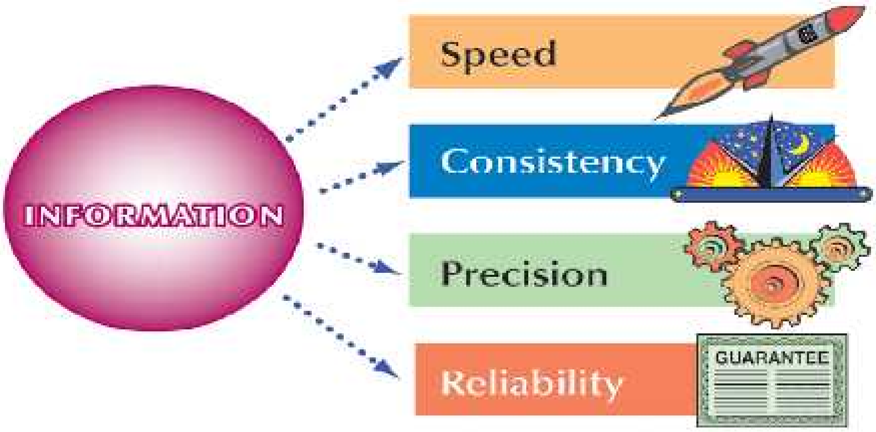
A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e., precedence network) relationships between activities.

INFORMATION TECHNOLOGY, COMPUTERS IN HANDLING THE INFORMATION

Information Technology (IT) involves a combination computer techniques, telecommunication techniques and electronics that are used in the production, distribution, storing and retrieval of information. The main features of the developments within the field of information technology are:

- Increased computer power - resulting in quicker and cheaper computer handling
- Cheaper storage media, for example, optical media such as CD-ROM (Compact Disc-Read Only Memory)
- The digitalisation of information - text, pictures, speech, sound and video - facilitating the integration of different types of information
- Increased use of networks - local, national and international - for data transmission and greater network capacity
- Smaller apparatus
- Increased dependability of hardware and software
- Facilitate information handling, while at the same time increasing the number of choices and thereby making searching more complex.

Figure 1.11 The Benefits of Information Technology



The following are the current concepts and practices are changing the way managers do their jobs today.

Globalization: Organizational operations are no longer limited by national borders.Managers throughout the world must deal with new opportunities and challenges inherent in the globalization of business.

Ethics: Cases of corporate lying, misrepresentations, and financial manipulations have been widespread in recent years. Managers of firms such as Enron, ImClone, Global Crossing, and Tyco International have placed their own self-interest ahead of other stakeholders' welfare. While most managers continue to behave in a highly ethical manner, abuses suggest a need to "upgrade" ethical standards. Ethics education is increasingly emphasized in college curricula today. Organizations are taking a more active role in creating and using codes of ethics, ethics training programs, and ethical hiring procedures.

Workforce diversity: It refers to a workforce that is heterogeneous in terms of gender,race, ethnicity, age, and other characteristics that reflect differences. Accommodating diverse groups of people by addressing different lifestyles, family needs, and work styles is a major challenge for today's managers.

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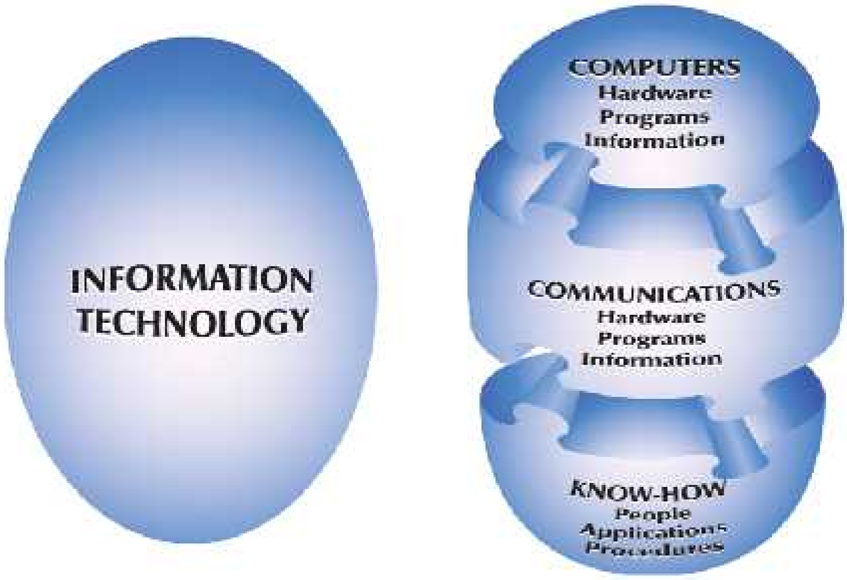
Entrepreneurship: It is the process whereby an individual or group of individuals use organized efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has three important themes stand out in this definition:

a. The pursuit of opportunities

b. Innovation
c. Growth
Entrepreneurship will continue to be important to societies around the world.

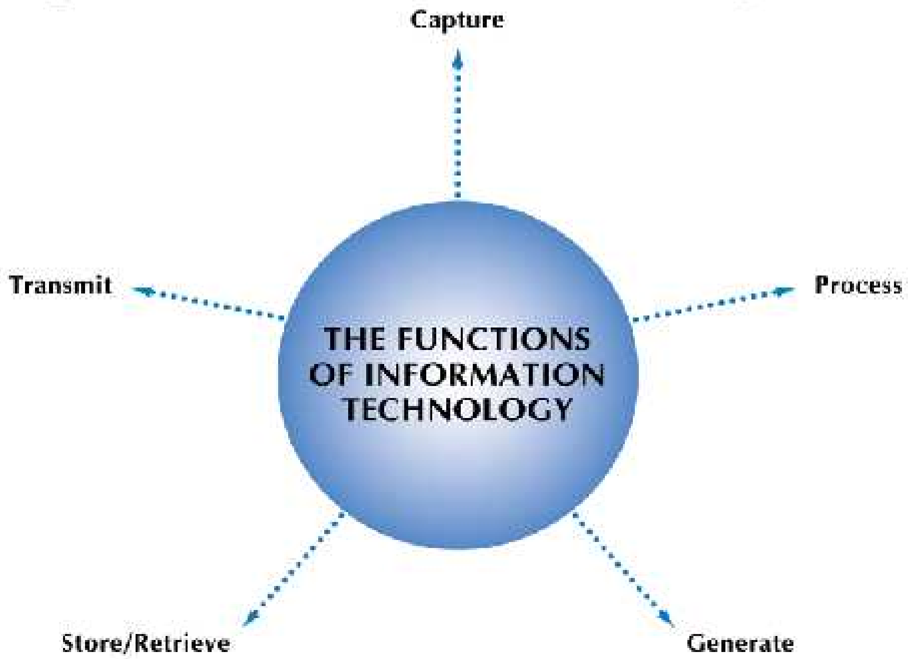
Managing in an E-Business World: E-business (electronic business) is a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with its key constituencies in order to efficiently and effectively achieve its goals.
Knowledge Management and Learning Organizations: Change is occurring at an
unprecedented rate. To be successful, today's organization must become a learning organization—one that has developed the capacity to continuously learn, adapt, and change. Knowledge management involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance.
Quality Management: Quality management is a philosophy of management that is driven by continual improvement and response to customer needs and expectations. The objective of quality management is to create an organization committed to continuous improvement in work



New Directions in Organizational Strategies
E-Business Strategies: Using the Internet, companies have created knowledge bases that employees can tap into anytime, anywhere. E-business as a strategy can be used to develop a sustainable competitive advantage; it can also be used to establish a basis for differentiation or focus.

Customer Service Strategies: These strategies give customers what they want, communicate effectively with them, and provide employees with customer service training.

Innovation Strategies: These strategies focus on breakthrough products and can include the application of existing technology to new uses.



PRODUCTIVITY PROBLEMS IN MANAGEMENT

Productivity refers to the ratio between the output from production processes to its input.Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized.

Typical Productivity Calculations

Measures of size and resources may be combined in many different ways. The three common approaches to defining productivity based on the model of Figure 2 are referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery.

a) Physical Productivity

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

b) Functional Productivity

This is a ratio of the amount of the functionality delivered to the resources consumed (usually effort). Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method).

Typically, effort is measured in terms of staff hours, days, or months. Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

c) Economic Productivity

This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization.

Economic productivity usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates, and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity. However, understanding economic productivity is essential to making good decisions about outsourcing and subcontracting. The basic calculation of economic productivity is as follows: Economic Productivity = Value/Cost

PROBLEMS IN MEASUREMENT OF PRODUCTIVITY OF KNOWLEDGE WORKERS

Productivity implies measurement, which in turn, is an essential step in the control process. Although there is a general agreement about the need for improving productivity, there
is little consensus about the fundamental causes of the problem and what to do about them.

The blame has been assigned to various factors. Some people place it on the greater proportion of less skilled workers with respect to the total labor force, but others disagree. There are those who see cutback in research and the emphasis on immediate results as the main culprit.

Another reason given for the productivity dilemma is the growing affluence of people, which makes them less ambitious. Still others cite the breakdown in family structure, the workers' attitudes, and government policies and regulations. Another problem is that the measurement of skills work is relatively easy, but it becomes more difficult for knowledge work. The difference
between the two kinds is the relative use of knowledge and skills.

COST CONTROL

Cost control is the measure taken by management to assure that the cost objectives set down in the planning stage are attained and to assure that all segments of the organization function in a manner consistent with its policies.

Steps involved in designing process of cost control system:

- **Establishing norms:** To exercise cost control it is essential to establish norms, targets or parameters which may serve as yardsticks to achieve the ultimate objective. These standards, norms or targets may be set on the basis of research, study or past actual.
- **Appraisal:** The actual results are compared with the set norms to ascertain the degree of utilization of men, machines and materials. The deviations are analyzed so as to arrive at the causes which are controllable and uncontrollable.
- **Corrective measures:** The variances are reviewed and remedial measures or revision of targets, norms, standards etc., as required are taken.

Advantages of cost control

- Better utilization of resources
- To prepare for meeting a future competitive position.
- Reasonable price for the customers
- Firm standing in domestic and export markets.
- Improved methods of production and use of latest manufacturing techniques which have
the effect of rising productivity and minimizing cost.
- By a continuous search for improvement creates proper climate for the increase
efficiency.

• Improves the image of company for long-term benefits.

• Improve the rate of return on investment.

PURCHASE CONTROL

Purchase control is an element of material control. Material procurement is known as the purchase function. The functional responsibility of purchasing is that of the purchase manager

or the purchaser. Purchasing is an important function of materials management because in purchase of materials, a substantial portion of the company's finance is committed which affects cash flow position of the company. Success of a business is to a large extent influenced by the efficiency of its purchase organization. The advantages derived from a good and adequate system of the purchase control are as follows:

a) Continuous availability of materials: It ensures the continuous flow of materials. So production work may not be held up for want of materials. A manufacturer can complete schedule of production in time.

b) Purchasing of right quantity: Purchase of right quantity of materials avoids locking up of working capital. It minimizes risk of surplus and obsolete stores. It means there should not be possibility of overstocking and understocking.

c) Purchasing of right quality: Purchase of materials of proper quality and specification avoids waste of materials and loss in production. Effective purchase control prevents wastes and losses of materials right from the purchase till their consumptions. It enables the management to reduce cost of production.

d) Economy in purchasing: The purchasing of materials is a highly specialized function. By purchasing materials at reasonable prices, the efficient purchaser is able to make a valuable contribution to the success of a business.

e) Works as information centre: It serves as a function centre on the materials knowledge relating to prices, sources of supply, specifications, mode of delivery, etc. By providing continuous information to the management it is possible to prepare planning for production.

f) Development of business relationship: Purchasing of materials from the best market and from reliable suppliers develops business relationships. The result is that there may be smooth supply of materials in time and so it avoid disputes and financial losses.

g) Finding of alternative source of supply: If a particular supplier fails to supply the materials in time, it is possible to develop alternate sources of supply. the effect of this is that the production work is not disturbed.

h) Fixing responsibilities: Effective purchase control fix the responsibilities of operating units and individuals connected with the purchase, storage and handling of materials.

In short, the basic objective of the effective purchase control is to ensure continuity of supply of requisite quantity of material, to avoid held up of production and loss in production and at the same time reduces the ultimate cost of the finished products.

MAINTENANCE CONTROL

Maintenance department has to excercise effective cost control, to carry out the maintenance functions in a pre-specified budget, which is possible only through the following measures:

First line supervisors must be apprised of the cost information of the various materials so that the objective of the management can be met without extra expenditure on maintenance functions

A monthly review of the budget provisions and expenditures actually incurred in respect of each center/shop will provide guidlines to the departmental head to exercise better cost control.

The total expenditure to be incurred can be uniformly spread over the year for better budgetary control. however, the same may not be true in all cases particularly where overhauling of equipment has to be carried out due to unforseen breakdowns. some budgetary provisions must be set aside, to meet out unforeseen exigencies.

The controllable elements of cost such as manpower cost and material cost can be discussed with the concerned personnel, which may help in reducing the total cost of maintenance.

Emphasis should be given to reduce the overhead expenditures, as other expenditures cannot be compromised.

It is observed through studies that the manpower cost is normally fixed, but the same way increase due to overtime cost. however, the material cost, which is the prime factor in maintenance cost, can be reduced by timely inspections designed, to detect failures. If the inspection is carried out as per schedule, the total failure of parts may be avoided, which otherwise would increase the maintenance cost. the proper handling of the equipment by the operators also reduces the frequency of repair and material requirements. Operators, who check their equipment regularly and use it within the operating limits, can help avoid many unwanted repairs. In the same way a good record of equipment failures/ maintenance would indicate the nature of failures, which can then be corrected even permanently.

QUALITY CONTROL

Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements

The steps involved in quality control process are

1) Determine what parameter is to be controlled.

2) Establish its criticality and whether you need to control before, during or after results are produced.

3) Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.

4) Produce plans for control which specify the means by which the characteristics will be achieved and variation detected and removed.

5) Organize resources to implement the plans for quality control.

6) Install a sensor at an appropriate point in the process to sense variance from specification.

7) Collect and transmit data to a place for analysis.

8) Verify the results and diagnose the cause of variance.

9) Propose remedies and decide on the action needed to restore the status quo.

10) Take the agreed action and check that the variance has been corrected.

Advantages and disadvantages

Ø Advantages include better products and services ultimately establishing a good reputation for a company and higher revenue from having more satisfied customers.

Ø Disadvantages include needing more man power/operations to maintain quality control and adding more time to the initial process.

CONTROL OF OVERALL PERFORMANCE -DIRECT AND PREVENTIVE CONTROL, REPORTING

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

Objectives of Management Reporting

(1) To obtain the required information relating to the business to discharge its managerial functions of planning. organizing, controlling. directing, and decision making etc. efficiently and effectively.

(2) To ensure the operational efficiency of the concern.

(3) To facilitate the maximum utilization of resources.

(4) To secure industrial understanding among people who are engaged in various aspects of work of enterprise.

(5) To enable to motivating improving discipline and morale.

(6) To help the management for effective decision making.

Essentials of Good Reporting System

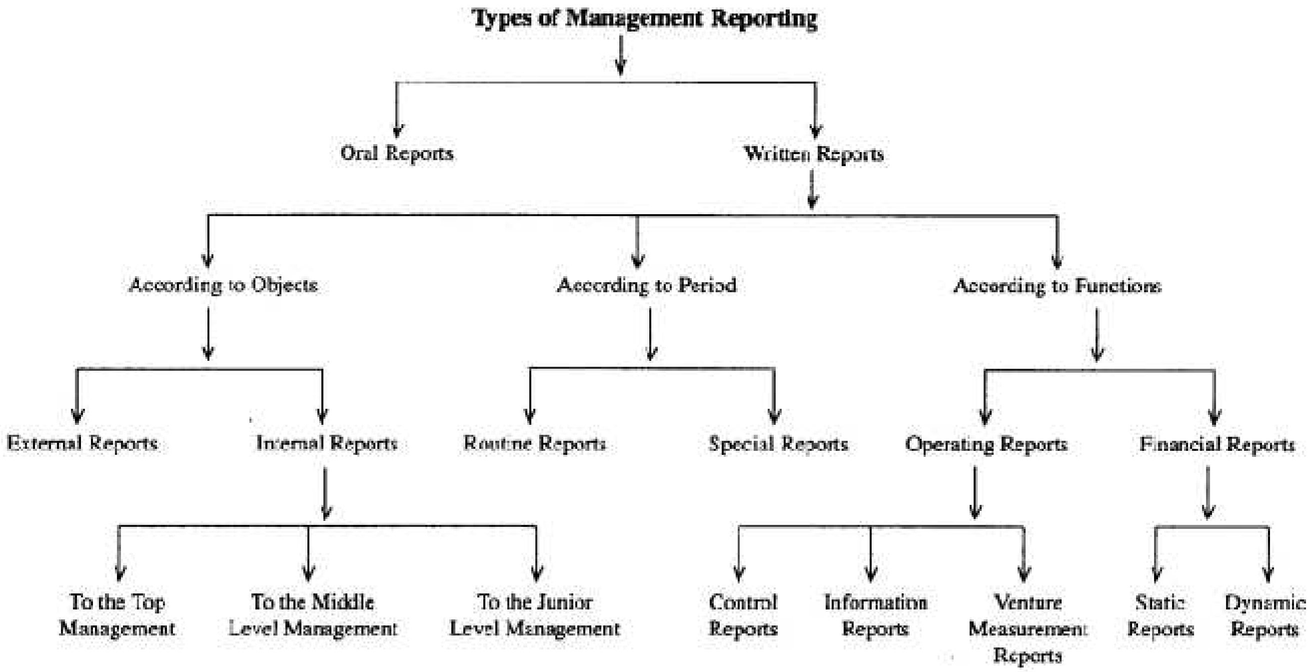
The following are the essentials of a good management reporting system :

(1) Proper Form: A good report should have a comprehensive form with suggestive title, heading, sub heading and number of paragraphs as and where necessary for easy and quick reference.

(2) Contents : Simplicity is one of the requisites of reporting in relation to the contents of a report. Further the contents should follow a logical sequence. Wherever necessary the contents should be represented in the form of visual aids such as charts and diagrams etc.

(3) Promptness : It means that the system should ensure the preparation and submission of report at the proper time. It facilitates business executives to make suitable decisions based on quick reports without delay.
(4) Accuracy: Information conveyed should be accurate. This means that the person responsible for reporting should have sufficient care in preparing the report as correctly as possible within the parameters of possible accuracy in this regard.
(5) Comparability : In order to ensure that the furnished information is useful, it is essential that reports are also meant for comparison. The report should provide information about both the actual and the budgeted performance of the budget period. So that meaningful comparison can be made to find out the deviations and to initiate appropriate action.
(6) Consistency : In order to make a meaningful and useful comparison, uniform accounting principles and procedures should be followed on consistent basis over a period of time for collection, classification and presentation of accounting information.
(7) Relevancy : The report should be presented with relevant data to disclose the fact in unambiguous terms. Because, inclusion of both the relevant and the irrelevant data in the management reports may result in faulty decisions. Therefore, the contents expressed therein should reveal the reporter's greater consciousness of expression with reference to length and time in particular.
(8) Simplicity : The report should be as far as possible in simple form. In other words, the report should avoid technical jargons, duplication of work and presented in a simple style.
(9) Flexibility: The system should be capable of being adjusted according to the requirement of the users.
(10) Cost-Benefit Analysis: Cost-Benefit Analysis should be made and the cost of reporting should commensurate with the expenditure involved.
(11) Principle of Exception : Since the time and effort of managerial personel are precious, the principle of management by exception has become the rule of the day instead of exception. It is necessary therefore to draw the attention of management, through reports, only towards exceptional matters.
(12) Controllability : It is necessary that every report should be addressed to a responsibility centre and analysed the factors into controllable and uncontrollable separately. So that the head of the responsibility centre can be held responsible only for controllable variance but not for variances which are beyond his control.

Classification of Management Reporting
Basically, there are two ways to report to the management. They are
(1) Oral Report and (
2) Written Report.
The Written Reports may be classified into number of ways.
The following are the important types:
I. According to Objects:
(A) External Reports
(B) Internal Reports
(1) Reports Meant for Top Management
(2) Reports Meant for Middle Level Management
(3) Reports Meant for Junior Level Management
II. According to Period:
(1) Routine Reports
(2) Special Reports
III. According to Functions:
(A) Operating Reports
(1) Control Reports
(2) Information Reports
(3) Venture Measurement Reports
(B) Financial Reports
(1) Static Reports
(2) Dynamic Reports



GLOBAL ENVIRONMENT

Managers in all types and sizes of organizations must constantly monitor changes and consider the particular characteristics of their own location as they plan, organize, lead, and control in this dynamic environment.

Managers might have one of three perspectives or attitudes toward international business

1. An **ethnocentric attitude** is the parochialistic belief that the best work approaches and practices are those of the home country (the country in which the company's headquarters are located).
2. A **polycentric attitude** is the view that the managers in the host country (the foreign country where the organization is doing business) know the best work approaches and practices for running their business.
3. A **geocentric attitude** is a world-oriented view that focuses on using the best approaches and people from around the globe. To be a successful global manager, an individual needs to be sensitive to differences in national customs and practices. Several significant forces are reshaping today's global environment. Important features of the global environment include regional trading alliances and different types of global organizations.

A. Regional Trading Alliances

Regional trading alliances are reshaping global competition. Competition is no longer limited to country versus country, but region versus region.

1. The **European Union (EU)** is a union of 25 European nations created as a unified economic and trade entity.

a. The primary motivation for the creation of the EU in February 1992 was to allow member nations to reassert their position against the industrial strength of the United States and Japan.
b. All member states of the EU participate in the EMU (Economic and Monetary Union). The EMU consists of three stages for coordinating economic policy. Twelve member states of the European Union have entered the third stage of the EMU, in which participating countries share a single currency, the **euro**.
c. In 2004 the EU added 10 new members (Cyprus, Malta, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia. Two additional counties may join the EU by the year 2007.
2. The **North American Free Trade Agreement (NAFTA)** is an agreement among the Mexican, Canadian, and U.S. governments in which barriers to trade have been eliminated.
a. NAFTA went into effect on January 1, 1994.
b. The signing of NAFTA was both criticized and supported. c. Eliminating barriers to free trade (tariffs, import licensing requirements, customs user fees) has resulted in a strengthening of the economic power of all three countries.
d. Colombia, Mexico, and Venezuela signed an economic pact eliminating import duties and tariffs in 1994.
e. Thirty-four countries in the Western Hemisphere continue to negotiate a Free Trade Area of the Americas (FTAA) agreement. FTAA was to have been in effect no later than 2005, but has not yet become operational; its future is still undetermined.
3. The **Association of Southeast Asian Nations (ASEAN)** is a trading alliance of 10 Asian nations.
a. In the future, the Southeast Asian region promises to be one of the fastest-growing and increasingly influential economic regions of the world.
b. The future economic impact of the Southeast Asian region could rival that of both NAFTA and the EU.
4. Other Trade Alliances
The 53-nation African Union came into existence in July 2002. Members plan to achieve greater economic development and unity among Africa’s nations.
B. **The World Trade Organization (WTO)**
Formed in 1995 and evolving from GATT, the WTO is the only global organization dealing with the rules of trade among nations.

1. Membership consists of 149 countries and 32 observer governments as of January 2006.
2. The WTO appears to play an important role even though critics are vocal and highly visible.

Different Types of Global Organizations

Business has been conducted internationally for many years Multinational corporations did not become popular until the mid-1960s. Global organizations can be classified in the following categories:

1. The term **multinational corporation (MNC)** is a broad term that refers to any and all types of international companies that maintain operations in multiple countries.
2. A **transnational corporation (TNC),** sometimes called a **borderless organization**, is a type of international company in which artificial geographical barriers are eliminated.

Stages of Internationalization

An organization that goes international typically progresses through three stages.

Companies that go international may begin by using **global sourcing** (also called **global outsourcing**). In this stage of going international, companies purchase materials or labour from around the world, wherever the materials or labour are least expensive. Beyond the stage of global sourcing, each successive stage to become more international involves more investment and risk.

In the next stage, companies may go international by **exporting** (making products domestically and selling them abroad) or **importing** (acquiring products made abroad and selling the products domestically). Both exporting and importing require minimal investment and risk.

In the early stages of going international, managers may also use **licensing** (giving another organization the right to make or sell its products using its technology or product specifications) or **franchising** (giving another organization the right to use its name and operating methods After an organization has done international business for a period of time, managers
may decide to make more of a direct investment in international markets by forming a **strategic alliance**, which is a partnership between an organization and a foreign company partner(s). In a strategic alliance, partners share resources and knowledge in developing new products or building production facilities. A **joint venture** (a specific type of strategic alliance) may be

undertaken to allow partners to form a separate, independent organization for some business purpose.

Managers may decide to make a direct investment in a foreign country by establishing a **foreign subsidiary**, in which a company sets up a separate and independent production facility or office. Establishing a foreign subsidiary involves the greatest commitment of resources and the greatest risk of all of the stages in going international.

Managing in a global environment entails the following challenges.

The Legal-Political Environment: The legal-political environment does not have to be unstable or revolutionary to be a challenge to managers. The fact that a country's political system differs from that of the United States is important to recognize.

The Economic Environment: The economic environment also presents many challenges to foreign-based managers, including fluctuations in currency rates, inflation and diverse tax policies. In a **market economy**, resources are primarily owned by the private sector. In a **command economy,** all economic decisions are planned by a central government.

The Cultural Environment: Countries have different cultures, just as organizations do.

National culture is the values and attitudes shared by individuals from a specific country that shape their behaviour and their beliefs about what is important. A framework developed by Geert Hofstede serves as a valuable framework for understanding differences between national cultures.

1. Hofstede studied **individualism** versus **collectivism**. Individualism is the degree to which people in a country prefer to act as individuals rather than as members of groups. Collectivism is characterized by a social framework in which people prefer to act as members of groups and expect others in groups of which they are a part (such as a family or an organization) to look after them and to protect them.
2. Another cultural dimension is **power distance,** which describes the extent to which a society accepts the fact that power in institutions and organizations is distributed unequally.
3. **Uncertainty avoidance** describes a cultural measure of the degree to which people tolerate risk and unconventional behaviour.
4. Hofstede identified the dimension of **achievement** versus **nurturing**. Achievement is the degree to which values such as assertiveness, the acquisition

of money and material goods, and competition prevail. Nurturing emphasizes sensitivity in relationships and concern for the welfare of others.

5. **Long-term and short-term orientation**. People in countries having long-term orientation cultures look to the future and value thrift and persistence. Short-term orientation values the past and present and emphasizes a respect for tradition and social obligations.

6. Countries have different rankings on Hofstede's cultural dimensions, and managers should be aware of the cultural differences present in countries in which they do business The Global Leadership and Organizational Behavior Effectiveness (GLOBE) research program is an assessment that updates Hofstede's studies. GLOBE began in 1993 and identified nine dimensions on which national cultures differ: Assertiveness, future orientation, gender differentiation, uncertainty avoidance, power distance, individualism/collectivism, in-group collectivism, performance orientation, and humane orientation.

In today's world the openness that is necessary to conduct business successfully in a global environment poses great challenges. The increased threat of terrorism, economic interdependence of trading countries, and significant cultural create a complicated environment in which to manage. Successful global managers need to have great sensitivity and understanding. Managers must adjust leadership styles and management approaches to accommodate culturally diverse views.

GLOBALISATION

1. Globalisation means the internationalization of trade. Particularly product transaction and the integrating of economic and capital markets throughout the world.

2. The integration takes place when trade exists freely among the different countries, thus the world economy becomes a single market or single economy.

3. In globalization there is no restriction of quota, license, tariff and other administrative barrier for trade.

Benefits of Globalisation

1. Improves efficiency

2. Improves factor Income

3. Improves finance

4. Gains from Migrations

Drawbacks of Globalisation

1. Globalisation increases the problems of unemployment

2. Domestic Industries finds difficulty in survival

Only group of people who participate in the process of Globalisation will be benifitted, this creates income inequality within the country

3. Control on domestic economy becomes more difficult

4. Developing country suffers from the problem of brain-drain

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INTERNATIONAL MANAGEMENT AND GLOBAL THEORY OF MANAGEMENT

International and Global Management deals with the practices and techniques involved in controlling and directing international organizations. Therefore, it covers all issues that arise including those caused by international and global strategies.

Practically, management and strategy at the senior level of a company are inter-related. This is why we have a section in this article dedicated to this topic.

For example, Ford Motors which is US Car Company has a joint venture in Chang'An which is a Chinese company in the People's Republic of China. In order to make the local joint venture run effectively, there should be careful management at the senior levels of both the Chinese and US Company.

International and Global Management can be considered from the perspective of the different functions of the organization including operations, marketing often known as production, finance, human resources, and other supported activities like development, research, and legal issues.

From an international perspective, each of the functional areas will mostly have more complex issues that those that arise in any one country. This section is meant to identify some of these additional issues.

Apart from the functional perspectives, international and global management has an additional dimension. Senior managers should have discussions several times with the country which they are operating in and occasionally with other international bodies like the United Nations or the World Bank.

Other world institutions like the International Monetary Fund located in Washington DC, USA act primarily at the country level. The IMF as is mostly known governs international currency and other intergovernmental financial arrangements.

It is very important for global managers to understand these and many other world institutions since they have a huge impact on their decision making. This may either be directly through negotiation or indirectly through decisions made by the world bodies.

The impact of individual country governments or world institutions may be more direct to some managers. It may be necessary to negotiate directly with either an individual governmental organization may be over a tax issue or over a proposed acquisition. Bargaining between countries and companies may then become a major issue.

Because of these reasons, this section gives you a number of themes:

-How do we manage international and global companies? Why do companies decide to go outside their home countries? -How does world trade have an impact on smaller companies and multinationals? What is the economic and political background to world trade? -What are the institutions that control the world trade? What are the underpinning economic theories? -Global management: the operations perspective -Cross-functional issues and resource issues in international companies including financial issues, human resources, and some legal matters. -The internal organization structure and external relationships of small and large international companies. -Global management including technology, knowledge, and innovation issues. -International companies and the nation state that is the balance of power. -International companies and that nation state that is the risks involved and the methods of handling them.

Some strategists have said that only a few companies have a global strategy in that they are equally present in all the markets in the world.

Facts have shown that most of the companies including most of the leading multinationals, have a certain distinctive presence in some parts of this world and are usually under-represented in other places. Knowing about global management is very important.

Comparison chart showing international styles of management

AMERICAN STYLE OF MANAGEMENT	JAPANESE STYLE OF MANAGEMENT	INDIAN STYLE OF MANAGEMENT
SHORT TERM ORIENTED	LONG TERM ORIENTED	BOTH SHORT TERM AND LONG TERM
DECISION FLOWS FROM TOP TO DOWN	DECISION FLOW FROM TOP TO BOTTOM AND SOMETIMES	HIGHEST RANKING OFFICIALS MAKE DECISION
DECISION MAKING SWIFT BUT IMPLEMENTATION SLOW	DECISION MAKING SLOW BUT IMPLEMENTATION FAST	AUTOCRATIVE OR CONSULTATIVE
FORMALBUREACRATIC ORGANISATIONSAL STRUCTURE	INFORMAL ORGANISATIONAL STRUCTURE	MIGHT BE FORMAL OR INFORMAL
JOB NOT SECURED	LIFETIME EMPLOYEMENT	LIFETIME EMPLOYMENT IN GOVERNMENT SECTOR AND HIRE
LEADER ACT AS DECISION MAKER AND HEAD OF GROUP	LEADER ACT AS A GROUP MEMBER	CHARISMATIC LEADER
FOCUS ON INDIVISUAL PERFORMANCE	FOCUS ON GROUP PERFORMANCE	MIGHT BE GROUP PERFORMANCE OR INDIVISUAL PERFORMANCE

GLOBAL THEORY OF MANAGEMENT

The unification or convergence of the management thoughts, now being adopted globally, is called as the "Global Theory of Management."

1. The empirical approach

Now-a-days most writers purify the basics. That is, they make the basic concepts of management very simple and clear. So, the trainee managers can understand the basics very easily. Secondly, whenever there is a problem, most experts' first try to find out the root cause of the problem.

2. System thinking

Most experts agree that the organisation is a unified, purposeful system which consists of many different parts. The organisation is a part of the total environment.

3. Situational and contingency approach

Most experts believe that we cannot have universal styles of management, which can be used in all situations.

A manager must first study the situation very carefully then he must use a style of management, which is suitable for that situation.

4. Motivation and leadership theory

Most experts feel that the theories of motivation and leadership must be combined. They support the **Follower Theory** of leadership.

According to the follower theory, people will follow those leaders who will help them to satisfy their wants. So, a leader will be successful only if he can satisfy the wants of his followers. Now-a-days leaders must combine both financial and non-financial motivation plans.

5. Impact of technology

All experts agree that technology has a big influence on management. Management has to change according to the changes in technology. Technology has a direct effect on the organisational structure, plant location, plant layout, production design and role of manpower. As the technology changes, these factors will also change.

6. Merger of theory and practice

Most experts agree that the best way to teach management is to combine theory (fundamentals) and practice (case studies). Management trainees all over the world read the same management books. They also read the same case studies. They are given the same type of training. They also talk to other managers all over the world using advanced communication technology. Today, all multi-national corporations (MNCs) use the same management techniques. This justifies the emergence of Global Theory of Management.

7. Unified development and behaviour

Most experts feel that **Organisation Development** and **Organisation Behaviour** are both moving towards the same direction. So, the experts are making uniform (same) theories for organisation development and behaviour. These theories are used for managing MNCs all over the world.

8. Research supports the management process

Research all over the world, found that the management process (planning, organising, directing, controlling) is the best way to manage an organisation. So, organisations all over the world are using the management process.