ESSENTIALS OF MANAGEMENT

HUM 3022 EOM

COURSE OUTCOMES

At the end of this course the student must be

CO

HUM 3022

EOM

COURSE SYLLABUS

By the end of the semester, we will be

HUM 3022

EOM

COURSE ASSESSMENT

During the semester, we will be

1

2

3

4

ASSIGNMENT **[TERM PROJECT]**

- Each group consists of 5 members
- Each group is assigned a Fortune 500 COMPANY as a Topic
- Each member of the group selects one managerial function to work on the COMPANY ASSIGNED
- Managerial functions to pick – PLANNING, ORGANIZING, STAFFING, LEADING & CONTROLLING

There will be two part of evaluation for this term project

5 MARKS for the REPORT

5 MARKS for the PRESENTATION

[more instructions and guidelines will be shared shortly]

VERY IMPORTANT

As a Department Policy, there won’t be any remedial classes or extra classes engaged at the end of the semester for those falling short of 75% attendance.

It is essential that you MANAGE YOUR ATTENDANCE…

CHAPTER 1

BASIS OF MANAGEMENT THEORY AND PRACTICE

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BASIS OF MANAGEMENT THEORY AND PRACTICE

Introduction to Business
Classification of Industries
Importance of management for an engineer
Manager – Definition & classification
managers and administrators
Systems Approach to Management
Functions of Managers
3 Managerial Skills
14 Principles of Management by Henri Fayol
Mintzberg's 10 roles played by managers

External Environment
Social Responsibility of managers
Ethics in managing – an integrated approach
Trust as the Basis for Change Management
International Business

BUSINESS

A business is an organization that strives for a profit by providing goods and services desired by its customers.

Businesses meet the needs of consumers by providing medical care, autos, and countless other goods and services.

Goods are tangible items manufactured by businesses, such as laptops.

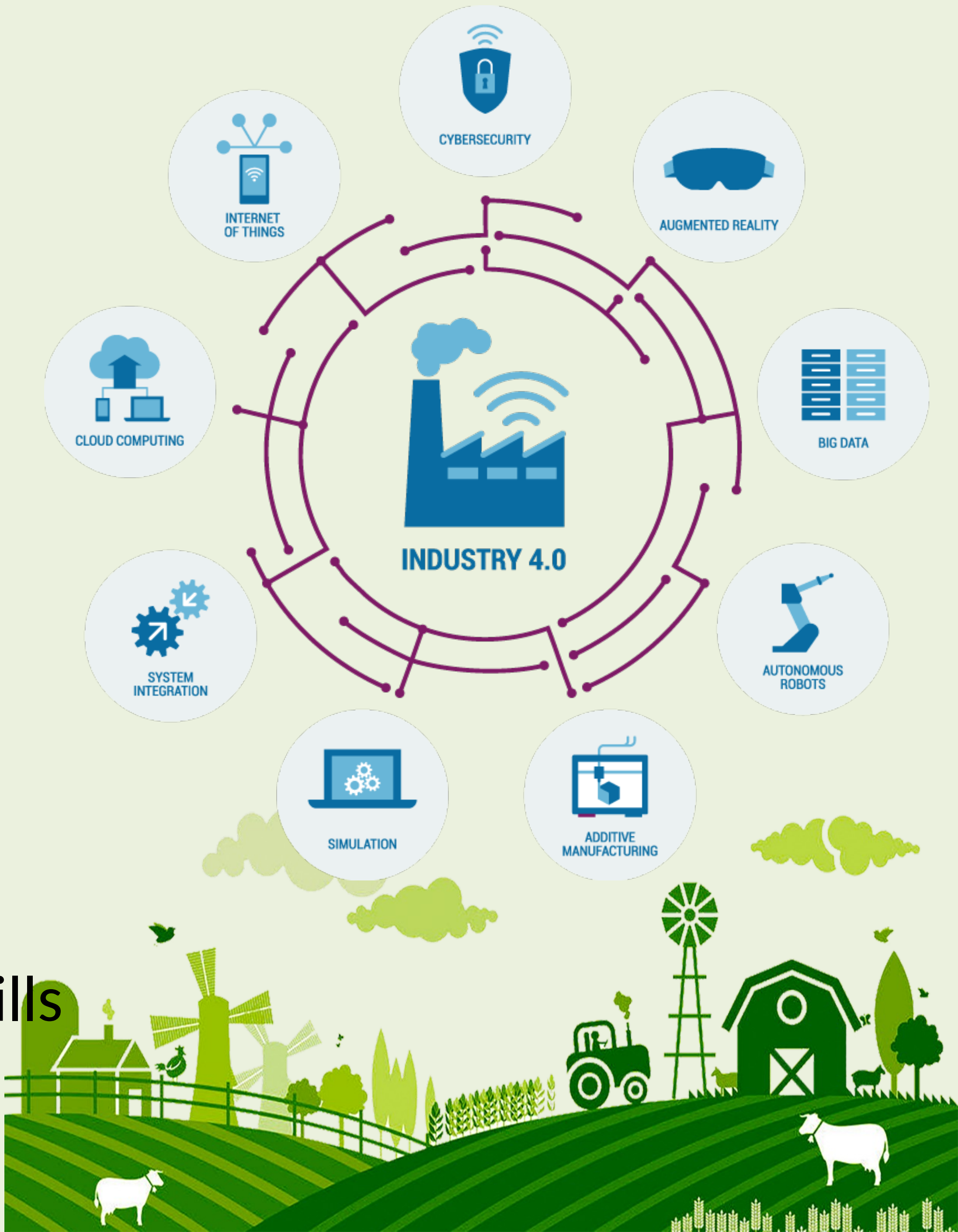
Services are intangible offerings of businesses that can't be held, touched, or stored.

INDUSTRY

Industry refers to economic activities, which relate to conversion of resources into useful goods.

Industry is concerned with the production or processing of goods and materials as well as breeding and raising of animals.

The term industry is also used for activities in which mechanical appliances and technical skills are involved.



INDUSTRY Vs BUSINESS

An **industry** refers to a group of companies or organizations that produce similar goods or services.

It represents a specific sector of the economy. Industries are characterized by the type of products or services they offer, and the activities involved in their production.

Example:
Automotive industry
Technology industry

A **business**, on the other hand, refers to an individual company or organization engaged in commercial activities.

It is an entity that operates within a specific industry and aims to generate profits by offering products or services to customers.

Example:
Tesla
Apple

How can industrial activity be classified?

There are many different types of industry.

We can classify industry into FOUR main categories:

PRIMARY

These industries extract raw materials directly from the earth or sea.

SECONDARY

These industries process and manufacture products from raw materials.

TERTIARY

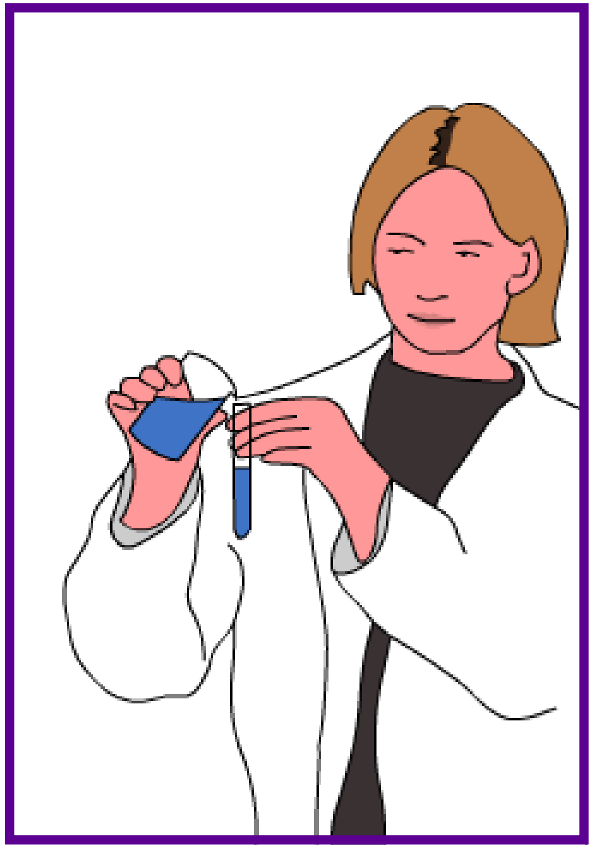
These industries provide a service.

QUATERNARY

INDUSTRIES

?

What is a quaternary industry?



These industries incorporate a high degree of research and technology in their processes and employ highly qualified people.

Biotechnology and computer programming are examples of quaternary industries.

Classification of industry

Are these industries primary, secondary or tertiary?

Industry	Primary	Secondary	Tertiary
Car manufacturing		✓	
Retailing			✓
Coal-mining	✓		
Iron and steel industry	✓		
Teaching			✓
Farming	✓		
Fishing	✓		
Dentistry			✓

Listen to this case and you need to decide on which team will you join? And why?

SNEHA

JOHN

Importance of Management for an Engineer

MANAGERS

Managers are individuals in an organization who direct the activities of others.

So before we can identify who managers are and what they do, we need to define what an organization is:

“a deliberate arrangement of people brought together to accomplish some specific purpose”

MANAGERS

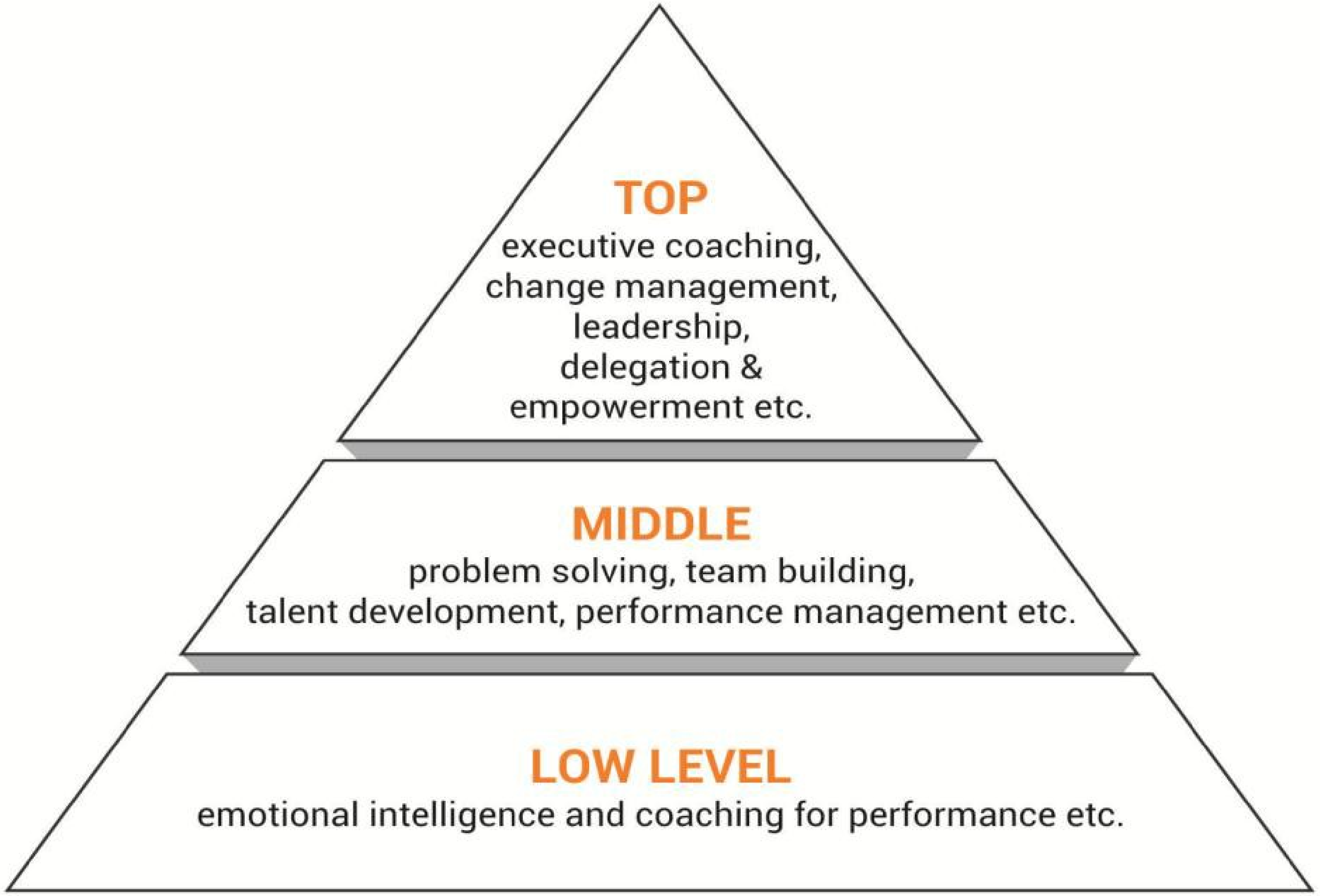
A manager is an individual responsible for planning, organizing, leading, and controlling resources and activities within an organization to achieve specific goals.

Managers play a crucial role in ensuring that their team or department operates efficiently and effectively, aligning with the overall objectives of the organization.

Types of Managers

LEVELS OF MANAGEMENT

The levels of management can be classified in three broad categories:



MANAGERIAL SKILLS

Guess the management Level from the skills shown

Conceptual	Conceptual	Conceptual
Human	Human	Human
Technical	Technical	Technical
BOTTO	TO	MIDD

FUNCTIONS OF MANAGERS

FUNCTIONS OF MANAGERS

Planning

Planning involves selecting missions and objectives as well as the actions to achieve them; it requires decision-making, which is choosing future courses of action from among alternatives.

FUNCTIONS OF MANAGERS

Organize

Organizing is that part of managing which involves establishing an intentional structure of roles for people to fill in an organization.

It is intentional in the sense of making sure that all the tasks necessary to accomplish goals are assigned and, it is assigned to people who can do them best.

FUNCTIONS OF MANAGERS

Staffing

Staffing involves filling and keeping filled the positions in the organization structure.

This is done by identifying workforce requirements; inventorying the people available; and recruiting, selecting, placing, promoting, appraising, compensating, and training so that tasks are accomplished effectively and efficiently.

FUNCTIONS OF MANAGERS

Leading

Leading is influencing people so that they will contribute to organizational and group goals; it has to do predominantly with the interpersonal aspect of managing.

Since leadership implies followership, and people tend to follow those who offer means of satisfying their own needs, wishes, and desires, it is understandable that leading involves motivation, leadership styles and approaches, and communication.

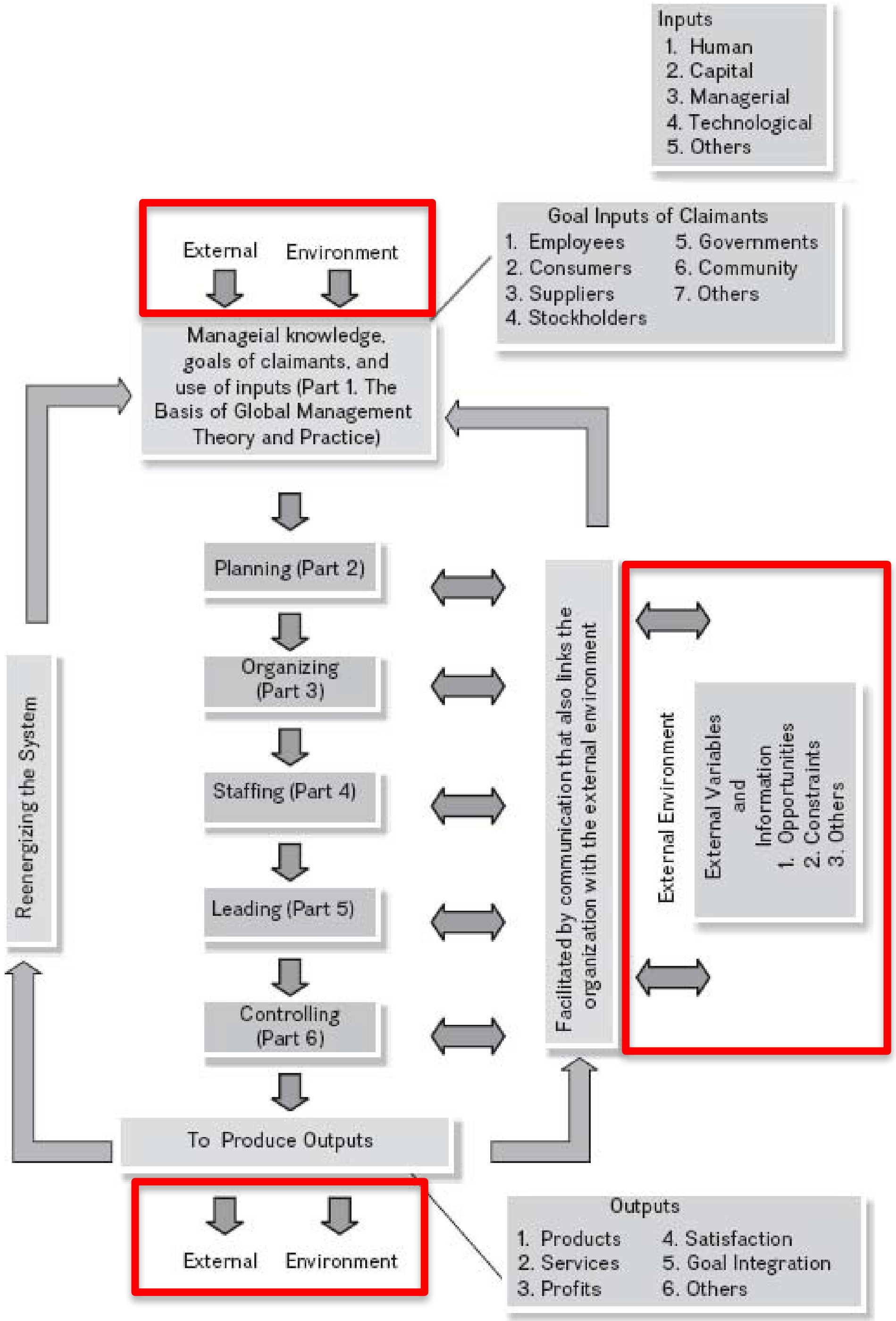
FUNCTIONS OF MANAGERS

Controlling

Controlling is measuring and correcting individual and organizational performance to ensure that events conform to plans. It involves measuring performance against goals and plans, showing where deviations from standards exist, and helping to correct deviations from standards.

In short, controlling facilitates the accomplishment of plans. Although planning must precede controlling, plans are not self-achieving.

SYSTEMS APPROACH TO MANAGEMENT



SYSTEMS APPROACH TO MANAGEMENT

- Organization is an open system
- Dependent on its external environment for inputs
- Various inputs are transformed through the managerial functions
- Communication is essential to all phases
- Some of the outputs become inputs again

YOUR READING

Systems Approach to Management

An organization consists of many sub-systems. All the sub-systems are mutually related to each other. The sub-parts should be studied in their inter-relationships rather than in isolation from each other.

The organization provides a boundary, which separates it from other systems. It determines which parts are internal and which parts are external. The organization is responsive to environmental effects. It is vulnerable to the changes in the environment.

An organization is a system consisting of many interrelated and interdependent parts or sub-systems. These elements are arranged orderly according to some scheme such that this is more than the sum of the parts.

YOUR READING

Systems Approach to Management

As a system an organization draws inputs (energy, information, materials, finance etc.) from its environment, it transforms these inputs and returns the output back into the environment in the form of goods and services.

Every system is a part of a super system.

Organization is an open system and it interacts with its environment. It is also a dynamic system as the equilibrium in it is always changing. Management is expected to regulate and adjust the system to secure better performance. Management is multidisciplinary as it draws and integrates knowledge from various disciplines.

HENRI FAYOL'S 14 PRINCIPLES of management

Henry Fayol, also known as the **Father of Modern Management Theory**, gave a new perception on the concept of management. He introduced a general theory that can be applied to all levels of management and every department.

He envisioned maximizing managerial efficiency. Today, Fayol's theory is practiced by the management to organize and regulate the internal activities

HENRI FAYOL'S 14 PRINCIPLES of Management

A PRINCIPLE REFERS TO A FUNDAMENTAL TRUTH.

It establishes **cause and effect relationship** between two or more variables under given situation. They **serve as a guide** to thought & actions.

Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions.

These principles are derived on the basis of

- observation and analysis i.e. practical experience of managers
- by conducting experimental studies.

HENRI FAYOL’S 14 PRINCIPLES

1. **Division of LABOR**
2. **AUTHORITY & RESPONSIBILITY**

Watch the clip and identify the principles used from HENRY FAYOL’s LIST

14. **Centralization & De-Centralization**

HENRI FAYOL'S 14 PRINCIPLES of Management

1

Division of Labor

– Henry Fayol has stressed on the **specialization of jobs**.
– He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
– **Subdivision of work makes it simpler and results in efficiency**.
– It also helps the individual in **acquiring speed & accuracy in his/her performance.**
– Specialization leads to efficiency & economy in spheres of business.

HENRI FAYOL'S 14 PRINCIPLES of Management

2

Authority & Responsibility

- Authority & responsibility are co-existing.
- If authority is given to a person, he should also be made responsible and vice versa.
- **Authority refers to the right of superiors to get exactness from their sub-ordinates whereas responsibility means obligation for the performance of the job assigned.**
- They must go hand in hand.
- Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.

Compliant means disposed to agree or obey rules, in accordance with rules or standards

HENRI FAYOL'S 14 PRINCIPLES of Management

3

Unity of command (Principle of One Boss)

- A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
- In other words, a sub-ordinate should not receive instructions from more than one person because:
    - It undermines authority
    - Weakens discipline
    - Divides loyalty
    - Creates confusion
    - Delays and chaos
    - Escaping responsibilities
    - Duplication of work
    - Overlapping of efforts
- Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
- Unity of command provides the enterprise a disciplined, stable & orderly existence.
- It creates harmonious relationship between superiors and sub-ordinates.

HENRI FAYOL'S 14 PRINCIPLES of Management

4

Unity of Direction

- Fayol advocates **ONE HEAD-ONE PLAN** which means that there should be one plan for a group of activities having similar objectives.
- Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
- According to this principle, efforts of all the members of the organization should be **directed towards common goal**.
- Without unity of direction, unity of action cannot be achieved.
- In fact, **unity of command is not possible without unity of direction**.

HENRI FAYOL'S 14 PRINCIPLES of Management

4

Basis	UNITY OF COMMAND	UNITY OF DIRECTION
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

HENRI FAYOL'S 14 PRINCIPLES of Management

5

Equity

- Equity means combination of fairness, kindness & justice.
- It implies that managers **SHOULD BE FAIR AND IMPARTIAL** while dealing with the subordinates.
- Equity is **essential to create and maintain cordial relations** between the managers and sub-ordinate.
- But equity does not mean total absence of harshness.
- Fayol was of opinion that, "at times force and harshness might become necessary for the sake of equity".

HENRI FAYOL'S 14 PRINCIPLES of Management

6

Order

- This principle is concerned with **proper & systematic arrangement of things and people**.
- Arrangement of things is called **MATERIAL ORDER** and placement of people is called **SOCIAL ORDER**.

Social order - Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.

Material order - There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.

5S

5S is a workplace organization method that uses a list of five Japanese words

6

Japanese 5S's	English Translation	American 5S Standard
Seiri (整理)	Put Things in Order	Sort
Seiton (整頓)	Proper Arrangement	Straighten, Set in Order, Simplify
Seiso (清掃)	Clean	Shine, Scrub, Sweep
Seiketsu (清潔)	Purity	Standardize
Shitsuke (躾)	Commitment	Sustain, Discipline

HENRI FAYOL'S 14 PRINCIPLES of Management

7

Discipline

- "Discipline means **sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise**".
- This principle applies that subordinate should respect their superiors and obey their order.
- Discipline is not only required on the part of subordinates but also on the part of management.
- Discipline can be enforced if
  - There are good superiors at all levels.
  - There are clear & fair agreements with workers.
  - Sanctions (punishments) are judiciously applied.

HENRI FAYOL'S 14 PRINCIPLES of Management

8

Initiative

- Workers should be encouraged to take initiative in the work assigned to them. It means **eagerness to initiate actions without being asked to do so**.
- Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
- It helps in developing **an atmosphere of trust and understanding** as people then enjoy working in the organization because it adds to their zeal and energy.
- They can be encouraged with the help of monetary & non-monetary incentives.

HENRI FAYOL'S 14 PRINCIPLES of Management

9

Fair Remuneration

- The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
- As far as possible it should accord satisfaction to both employer and the employees.
- Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
- Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.

HENRI FAYOL'S 14 PRINCIPLES of Management

10

Stability of Tenure

- Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
- According to Fayol "Time is required for an employee to get used to a new work & succeed in doing it well but if he is removed before that he will not be able to render worthwhile services". As a result, the time, effort and money spent on training the worker will go waste.

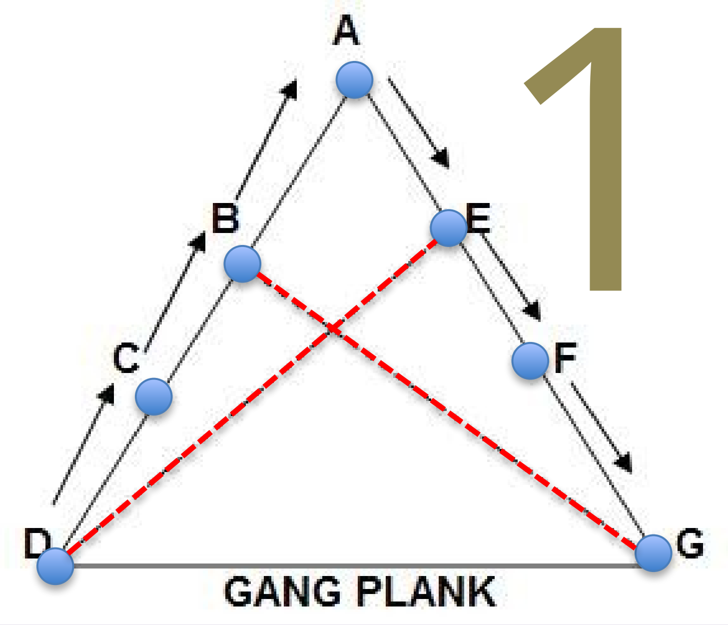
Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

HENRI FAYOL'S 14 PRINCIPLES of Management

11

Scalar Chain

- Fayol defines scalar chain as ''The chain of superiors ranging from the ultimate authority to the lowest".
- Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
- But, for the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
- A **Gang Plank** is a temporary arrangement between two different points to facilitate quick & easy communication.



Gang Plank clarifies that management principles are not rigid rather they are very flexible. They can be molded and modified as per the requirements of situations

HENRI FAYOL'S 14 PRINCIPLES of Management

12

Sub-Ordination of Individual Interest to General Interest

- An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
- As far as possible, reconciliation should be achieved between individual and group interests.
- But in case of conflict, individual must sacrifice for bigger interests.
- In order to achieve this attitude, it is essential that
  - Employees should be honest & sincere.
  - Proper & regular supervision of work.
  - Reconciliation of mutual differences and clashes by mutual agreement.

Reconciliation means settlement, understanding, resolution or even sometimes compromise

HENRI FAYOL’S 14 PRINCIPLES of Management

1

Esprit De’ Corps **(can be achieved through unity of command)**

esprit de corps

/ɛˌspriː də ˈkɔː/

noun

a feeling of pride and mutual loyalty shared by the members of a group.

"they developed some esprit de corps through athletics competitions"

HENRI FAYOL'S 14 PRINCIPLES of Management

- To inculcate Esprit De' Corps following steps should be undertaken -
  - There should be **proper co-ordination of work** at all levels
  - Subordinates should be **encouraged to develop informal relations** among themselves.
  - Efforts should be made to **create enthusiasm and keenness among subordinates** so that they can work to the maximum ability.
  - Efficient employees **should be rewarded** and those who are not up to the mark should be given a chance to improve their performance.
  - Subordinates should be made conscious of that **whatever they are doing is of great importance** to the business & society.
- He also cautioned against the excessive use of **Britain communication** with the subordinates rather he suggests a more face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization.

HENRI FAYOL'S 14 PRINCIPLES of Management

14

Centralization & De-Centralization

- Centralization means concentration of authority at the top level. In other words, centralization is a situation in which **top management retains most of the decision making authority**.

- Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.

HENRI FAYOL'S 14 PRINCIPLES of Management

14

Centralization & De-Centralization

- According to Fayol, "Degree of centralization or decentralization depends on number of factors like size of business, experience of superiors, dependability & ability of subordinates etc.

- ***Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.***

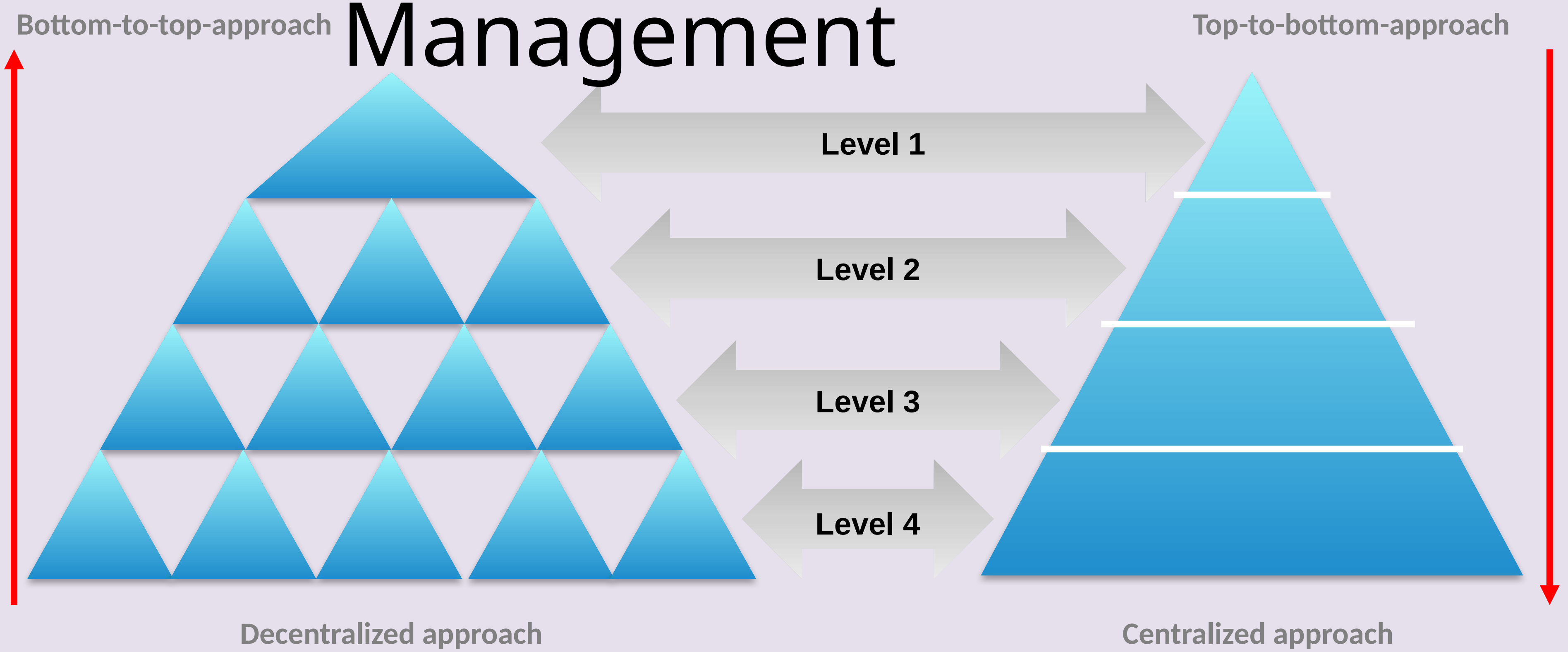
- Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike to achieve a lot between the two.

HENRI FAYOL'S 14 PRINCIPLES

of

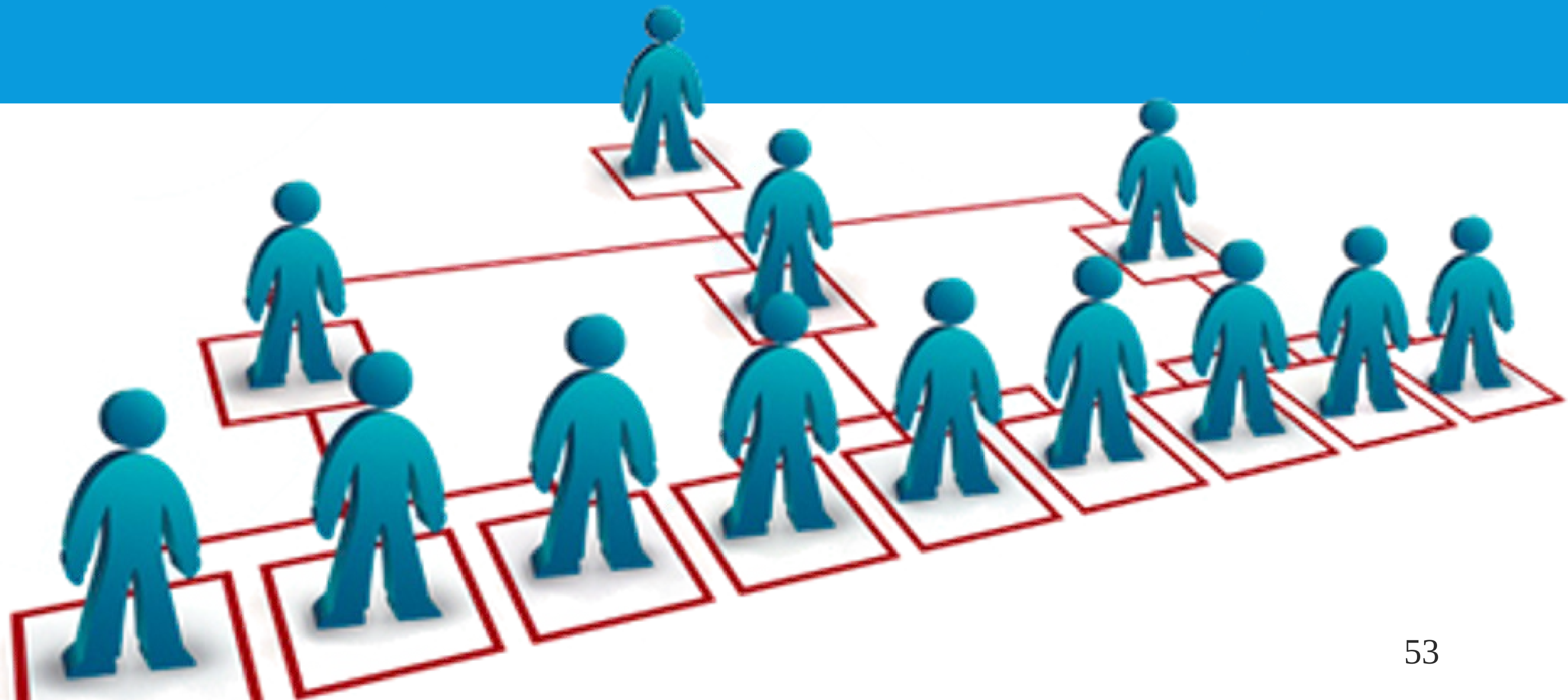
Management

14



One widely discussed approach to management theory is the managerial roles approach, popularized by Henry Mintzberg of McGill University.

MANAGERIAL ROLES



MANAGERIAL ROLES

In this **Henry Mintzberg's** model, managers play ten different roles (organized sets of behaviors identified with a position) that fall into three basic categories:

A

Interpersonal roles:

1. Figurehead role
2. Leader role
3. Liaison role

B

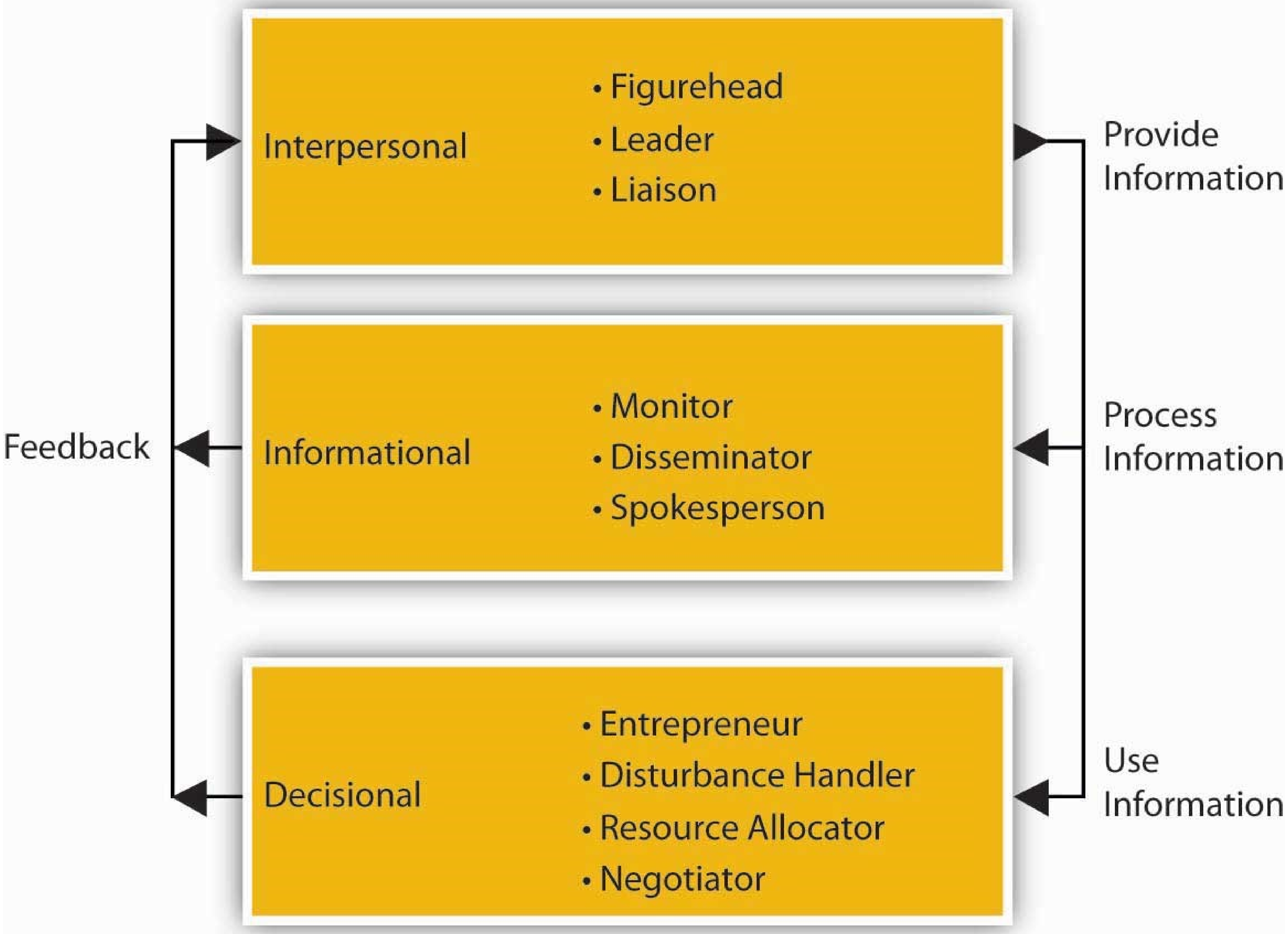
Informational roles:

4. Monitor role
5. Disseminator role
6. Spokesman role

C

Decisional roles:

7. Entrepreneurial role
8. Disturbance handler role
9. Resource allocator role
10. Negotiator role

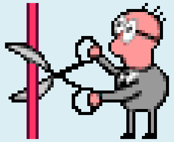

Interpersonal
• Figurehead
• Leader
• Liaison
Informational
• Monitor
• Disseminator
• Spokesperson
Decisional
• Entrepreneur
• Disturbance Handler
• Resource Allocator
• Negotiator
Feedback
Provide Information
Process Information
Use Information

MANAGERIAL ROLES

A. Interpersonal roles:

1. Figurehead role
2. Leader role
3. Liaison role

MANAGERIAL ROLES A. Interpersonal roles:

1. Figurehead role 

By virtue of his position as head of an organizational unit, every manager must perform some duties of ceremonial nature.

a. The president greets the touring dignitaries (attends ribbon cutting ceremonies),

b. the foreman attends the wedding of a lathe operator, and

c. the sales manager takes an important customer to lunch.

Duties that involve interpersonal roles may sometimes be routine, involving little serious communication and no important decision-making.

Nevertheless, they are important to the smooth functioning of an organization and cannot be ignored by the manager.

2. Leader role

Because he is in charge of an organizational unit, the manager is responsible for the work of the people of that unit. His actions in this regard constitute the leader role.

Some of these actions involve leadership directly – for example,

a. in most organizations the manager is normally responsible for hiring and training his staff.

In addition, there is the indirect exercise of the leader role.

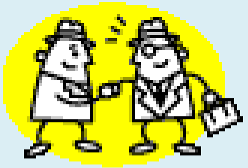
b. Every manager must motivate and encourage his employees, somehow reconciling their individual needs with the goals of the organization.

The influence of the manager is most clearly seen in the leader role.

Formal authority vests him with great potential power; leadership determines in large part how much of it he will realize.

MANAGERIAL ROLES A. Interpersonal roles:

3. Liaison role



In the liaison role the manager **makes contacts outside his vertical chain of command**. Managers spend as much time with peers and other people outside their units as they do with their own subordinates, and surprisingly little time with their own superiors.

The manager cultivates such contacts largely to find information.

In effect, the liaison role is devoted to **building up the manager's own external information system** – informal, private, verbal, but nevertheless effective.

MANAGERIAL ROLES

B. Informational roles:

4. Monitor role
5. Disseminator role
6. Spokesman role

4. Monitor role

As monitor, the manager continuously scans his environment for information, interrogates his liaison contacts and his subordinates, and receives unsolicited information, much of it as a result of the network of personal contacts he has developed.

A good part of the information the manager collects in his monitor role arrives in *verbal form, often as gossip, hearsay, and speculation*. By virtue of his contacts, the manager has a natural advantage in collecting this soft information for his organization.

MANAGERIAL ROLES B. Informational roles:

5. Disseminator role

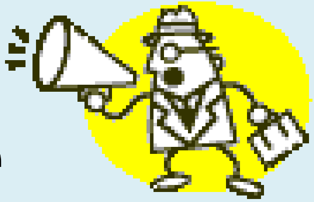
The manager must share and distribute much of information.

Information he gathers from outside personal contacts may be needed within his organization.

In his disseminator role, the manager passes some of his privileged information directly to his subordinates, who would otherwise have no access to it.

When his subordinates lack easy contact with one another, the manager will sometimes pass information from one to another.

6. Spokesman role



In his spokesman role, the manager sends some of his information to people outside his unit.

In addition, as part of his spokesman role, every manager must inform and satisfy the influential people who control his organizational unit.

The president of a large corporation may spend a great deal of his time dealing with a host of influences.

- Directors and Shareholders must be advised about **financial performance**;
- Consumer Groups must be assured that the organization is fulfilling its **social responsibility**; and
- Government Officials must be satisfied that the organization is **abiding by the law**.

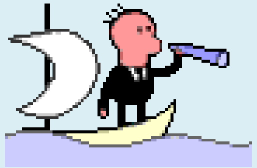
MANAGERIAL ROLES

C. Decisional roles:

7. Entrepreneurial role
8. Disturbance handler role
9. Resource allocator role
10. Negotiator role

MANAGERIAL ROLES C. Decisional roles:

7. Entrepreneurial role



The entrepreneurial role describes the manager as the voluntary initiator of change.

As entrepreneur, the manager seeks to improve his unit and to adopt it to changing conditions in the environment.

In his monitor role, the president is constantly on the lookout for new ideas. When a good one appears, he initiates a development project. The chief executive appears to maintain a kind of inventory of the development projects that he himself supervises.

Like a juggler, he keeps a number of projects in the air: periodically one comes down, is given a new burst of energy, and is sent back into orbit. At various intervals, he puts new projects on-stream and discards old ones.

8. Disturbance handler role

While the entrepreneurial role describes the manager as the voluntary initiator of change, the *disturbance handler role depicts the manager involuntarily responding to pressures*.

Here ***change is beyond the manager's control***.

He must act because the pressures of the situation are too severe to be ignored:

a strike looms, a major customer has gone bankrupt, road accident delays the raw materials etc.

Every manager must spend a good part of his time responding to high-pressure disturbances.

Disturbances arise not only because poor managers ignore situations until they reach crisis proportions, but also because good managers cannot possibly anticipate all the consequences of the actions they take.

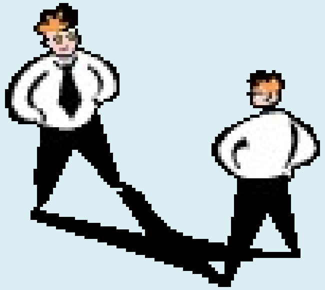
9. Resource allocator role

Managers have the responsibility of deciding who will receive what in his organizational unit.

Perhaps the most important resource the manager allocates is his own time.

Access to the manager constitutes exposure to the unit's nerve center and decision-center. The manager is also charged with designing his unit's structure, that pattern of formal relationships that determines how work is to be divided and coordinated.

Also in his role as resource allocator the manager authorizes the important decisions before they are implemented.

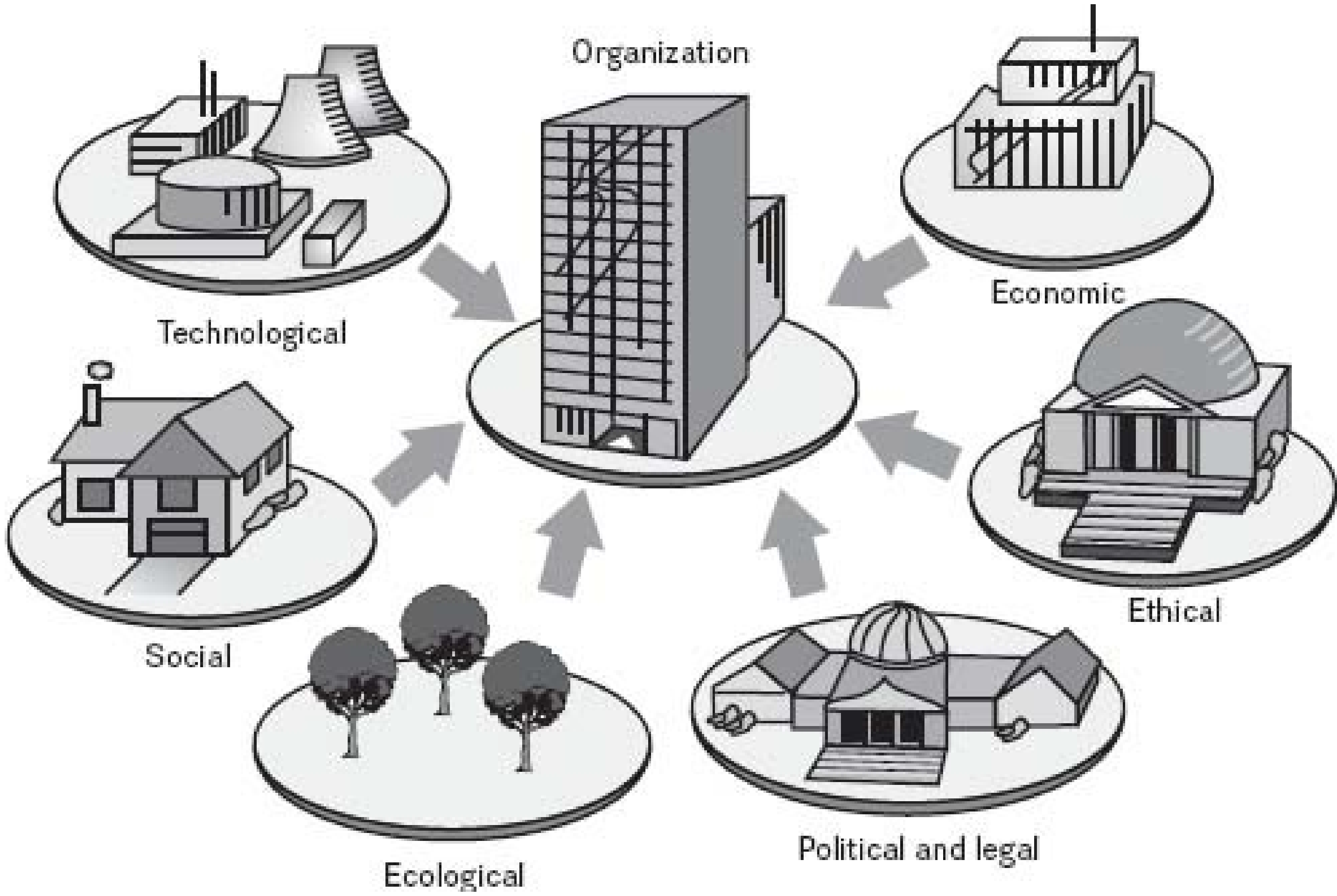


10. Negotiator role

Studies of managerial work at all levels indicate that managers spend considerable time in negotiations. Negotiations are duties of the manager's job; perhaps routine, they are not to be shirked.

Shirked means avoided, dodged, evaded

External Environment



Social Responsibility of Managers

Society expects organizations and managers to be responsible and ethical.

But there are examples of notorious financial scandals, scams with quality of materials utilized, and most of the time simple negligence, which proves that managers don’t always act responsibly or ethically.

Social Responsibility of Managers

On one side is the classical or purely economic view that management's only social responsibility is to **MAXIMIZE PROFITS**.

On the other side is the socioeconomic position, which holds that management's responsibility goes beyond making profits to include **PROTECTING AND IMPROVING SOCIETY'S WELFARE**.

Social Responsibility of Managers

When we talk about social responsibility (also known as corporate social responsibility, or CSR), we mean a business firm's intention, beyond its legal and economic obligations, **to do the right things and act in ways that are good for society**.

Note that this definition assumes that a business obeys the law and pursues economic interests. But also note that this definition views a business as a moral agent. In its effort to do good for society, it must differentiate between right and wrong.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporate social responsibility
comes from integration of three words:
‘corporate,' 'social,' and 'responsibility.’

Corporate: Organized business
Social: Everything dealing with the people
Responsibility: Accountability between the two

CSR DEFINED

CSR is the Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.

The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.

Corporate social responsibility may also be referred to as "corporate citizenship" and can involve incurring short-term costs that do not provide an immediate financial benefit, but instead promote positive social and environmental change.

DRIVERS OF CSR

1. Employees and shareholders
2. Brand equity
3. Ethical marketing practices and social awareness
4. The environment consciousness
5. Energy conservation and global warming
6. Responsibility towards the government

Brand equity is the value of a brand, determined by the consumer's perception of its quality and desirability.

- Increased employee satisfaction **leads to employee competence** which results in superior service delivery and customer satisfaction.

- It takes decades for business organizations to **build goodwill and trust** in the minds of customers and shareholders.

- Building an ethically responsible culture can **reduce the chances of employees indulging in unfair practices** within the organization by emphasizing on professionalism and transparency.

- Socially responsible investments, effective communication, employee participation, fairness, and promotions, adequate compensation and personal development.

ETHICS IN MANAGING
– An Integrated Approach

ETHICS IN MANAGING – an integrated approach

Ethics is defined as “the discipline dealing with what is good and bad and with moral duty and obligation.”

Business Ethics is concerned with a systematic study of morals.

It strives to provide methods to distinguish between actions and attitudes that are detrimental for business and those that are ethically sound and inspire businesses.

ETHICS IN MANAGING – an integrated approach

Ethical concepts have quite often been dismissed in management theory as “soft” factors and often as useless chatter.

The fundamental problem stems from the fact that ethics has usually in theory and teaching not consistently been related to other management disciplines such as economics and finance.

Ethical considerations have quite often been rejected right away as related to values and religion.

ETHICS IN MANAGING – an integrated approach

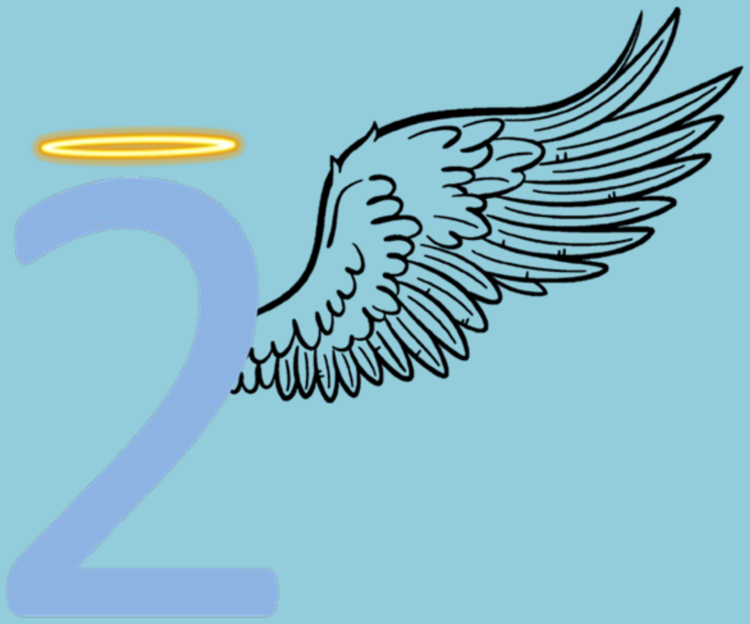
ETHICS IN MANAGING – an integrated approach

Three basic types of moral theories in the field of normative ethics have been developed.

First, the **UTILITARIAN THEORY** suggests that plans and actions should be evaluated by their consequences. The underlying idea is that plans or actions should produce the greatest good for the greatest number of people.

ETHICS IN MANAGING – an integrated approach

Three basic types of moral theories in the field of normative ethics have been developed.



Second, the theory **BASED ON RIGHTS** holds that all people have basic rights.

Examples are the rights to freedom of conscience, free speech, and due process.

ETHICS IN MANAGING – an integrated approach

Three basic types of moral theories in the field of normative ethics have been developed.

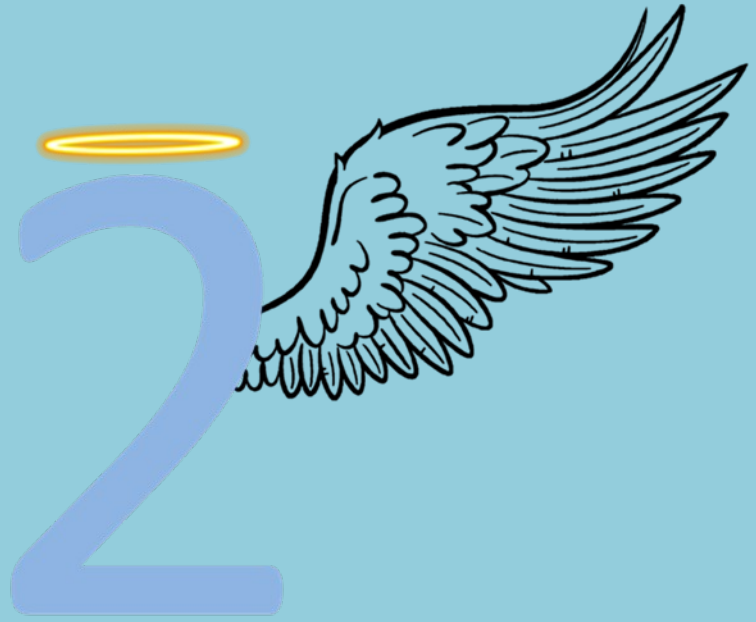
Third, the **THEORY OF JUSTICE** demands that decision makers be guided by fairness and equity as well as impartiality.

examples guess the ethical concept used ?

A tech company ensures user data privacy by refusing to sell personal information.

A media company protects journalists' right to publish unbiased reports without censorship.

A firm provides employees with paid leave for voting to support their civic rights.



THESE EXAMPLES ARE

BASED ON RIGHTS

examples | guess the ethical concept used ?

A corporation ensures equal pay for employees performing the same work, regardless of gender or background.

A retailer adopts a fair pricing policy to ensure small vendors are treated equitably.

A school provides scholarships to economically disadvantaged students to promote fairness.

THESE EXAMPLES ARE FOR

THEORY OF JUSTICE

examples

guess the ethical concept used ?

A company decides to implement a recycling program that benefits the environment and reduces waste for the entire community.

A pharmaceutical firm prices a life-saving drug affordably to maximize accessibility for more people.

A manufacturer shuts down a high-polluting unit to ensure long-term health for surrounding communities.

THESE EXAMPLES ARE FOR

UTILITARIAN THEORY

ETHICS IN MANAGING – an integrated approach

Managers, especially top managers, do have a responsibility to create an organizational environment that fosters ethical decision-making by institutionalizing ethics.

This means applying and integrating ethical concepts with daily actions. this can be accomplished in three ways:

(1) by establishing an appropriate company policy or a code of ethics,

(2) by using a formally appointed ethics committee, and

(3) by teaching ethics in management development programs

TRUST

as the basis for CHANGE MANAGEMENT

Trust as the Basis for Change Management

Change management is a systematic approach to dealing with the transition or transformation of an organization's goals, processes and technologies.

The purpose of change management is to implement strategies for effecting and controlling change and helping people to adapt to change.

Trust as the Basis for Change Management

Managers are bombarded with new managerial concepts and old ones often are disguised by new terminology-all designed for coping with managerial change demanded by global competition, customer expectations, and the need to respond quickly to environmental changes.

Although various approaches to managing change in the New Age are available, but the one often overlooked concept is trust.

Trust is at the center of communication, collaboration, and the willingness to change.

Trust as the Basis for Change Management

Traditionally, the concept of trust is equated with integrity, loyalty, caring, and keeping promises in the relationships between and among individuals.

But trust should go beyond individual relationships and extend to the organization through the creation of a culture of trust that transcends individual leadership. Leaders come and go; the organization continues.

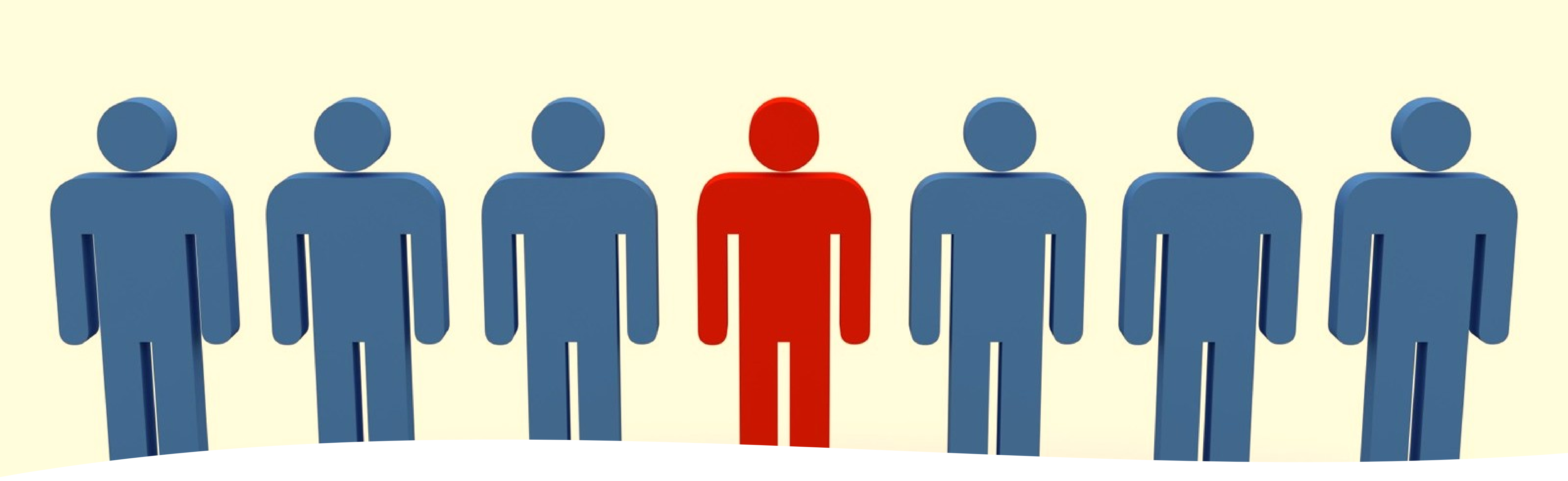
INTERNATIONAL BUSINESS

INTERNATIONAL BUSINESS

Country’s culture impacts on the behaviour of employees and subsequently on the management practices.

The behaviours can be categorized into five dimensions.

(1) **individualism vs collectivism**

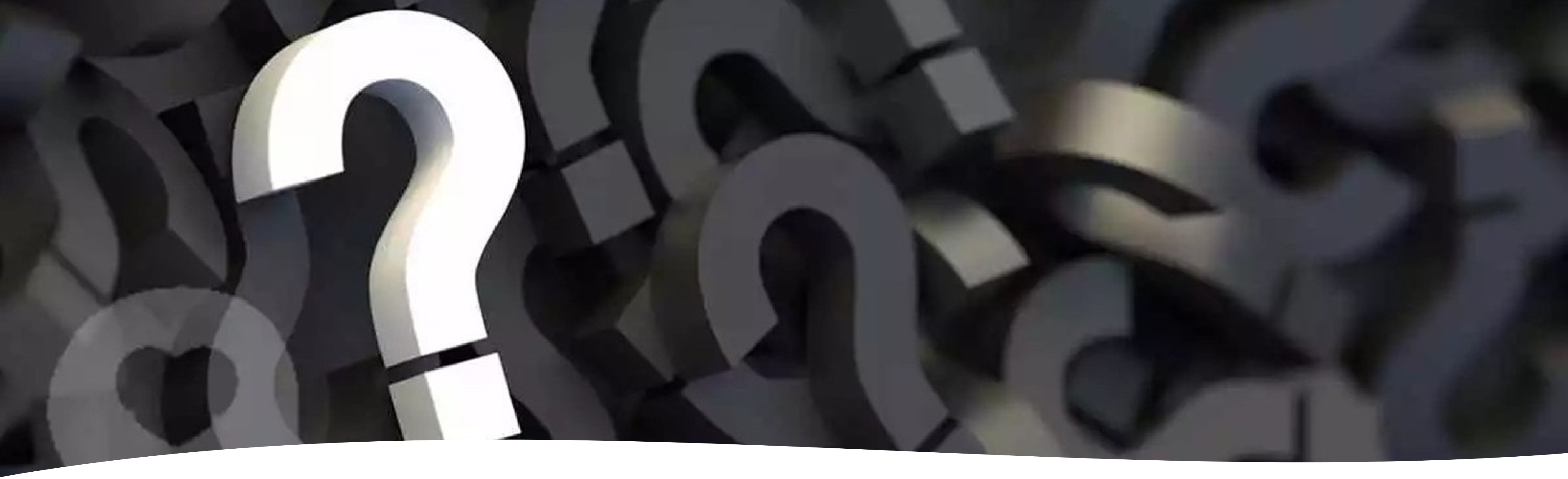


INTERNATIONAL BUSINESS

Country's culture impacts on the behaviour of employees and subsequently on the management practices.

The behaviours can be categorized into five dimensions.

(2) **large power distance vs small power distance**



INTERNATIONAL BUSINESS

Country’s culture impacts on the behaviour of employees and subsequently on the management practices.

The behaviours can be categorized into five dimensions.

(3) **uncertainty tolerance vs avoidance**

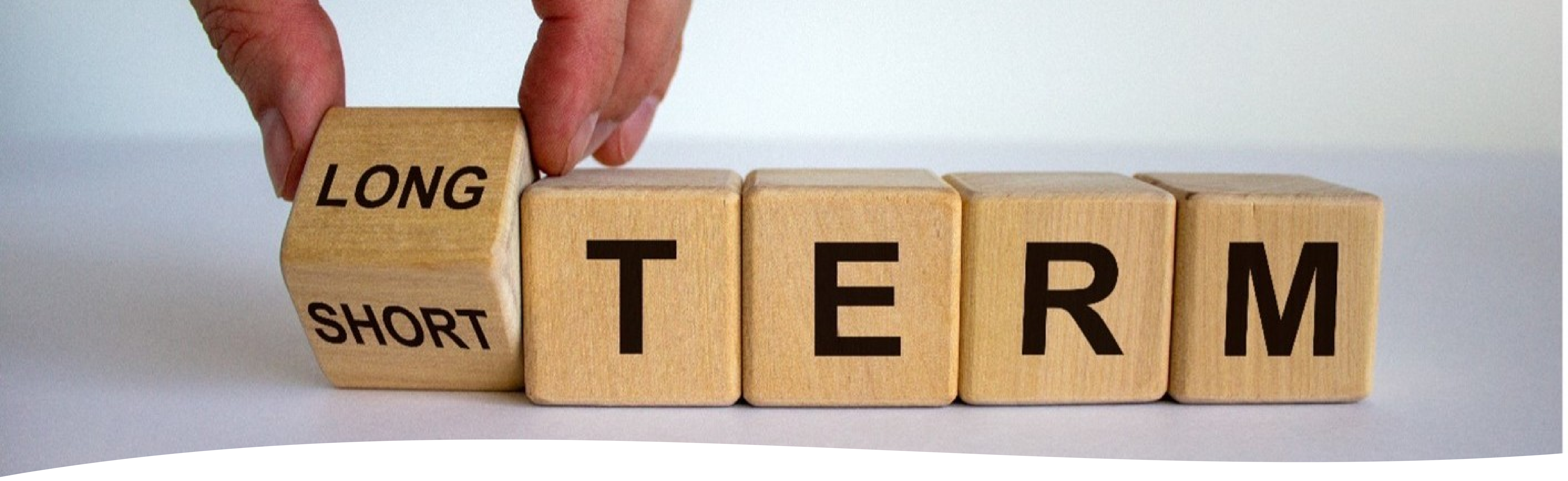
INTERNATIONAL BUSINESS

Country's culture impacts on the behaviour of employees and subsequently on the management practices.

The behaviours can be categorized into five dimensions.

(4) **masculinity vs femininity**

(aggressive vs passive goal behaviour)



INTERNATIONAL BUSINESS

Country’s culture impacts on the behaviour of employees and subsequently on the management practices.

The behaviours can be categorized into five dimensions.

(5) **short-term vs long-term orientation**

INTERNATIONAL BUSINESS

This suggest that managers need to understand the cultural environments and their implications to be successful in the country in which they do business.

International Business

German Management

In the past and to a lesser extent today, the German cultural environment favored reliance on authority in directing the workforce, although it was often benevolent authoritarianism (managerial function of leading). Even today, while managers may show concern for subordinates, they also expect obedience.

International Business

Austrian management

Management in Austria (and Germany) is characterized by self-realization and leadership. Independence and competitiveness are valued. Tolerance for risk taking is rather low.

Australian Management

Managing in Australia is influenced by the country's moralistic stance and its emphasis on political and social values, achievement, and risk taking.

International Business

Italian Management

Italian managers operate in an environment of low tolerance for risks. Italians are very competitive, but at the same time they like group decision-making.

England Management

In Britain, job security is important and so are resourcefulness, adaptability, and logic. Individualism is also highly valued.

International Business

Aspect	KOREAN Management Style	JAPANESE Management Style	AMERICAN Management Style
Decision-Making	Top-down, hierarchical	Consensus-driven, participative	Top-down, fast, individual decision-making
Employment Practices	Focus on loyalty and seniority	Lifetime employment, loyalty	Performance-based, high employee mobility
Communication	Indirect, high-context	Indirect, high-context	Direct, low-context
Workplace Relationships	Emphasis on hierarchy and respect for elders	Emphasis on group harmony and team cohesion	Emphasis on individualism and personal achievement
Leadership Style	Authoritative, paternalistic	Facilitative, consensus-oriented	Authoritative, results-oriented
Motivation	Loyalty to company, respect for authority	Group harmony, job security	Individual achievement, rewards
Conflict Resolution	Avoidance, maintaining face	Avoidance, maintaining harmony	Confrontational, seeking quick resolution

International Business

Aspect	KOREAN Management Style	JAPANESE Management Style	AMERICAN Management Style
Training and Development	Emphasis on in-house training, seniority-based	Extensive in-house training, long-term orientation	Formal education, continuous professional development
Innovation and Change	Slow to adopt, cautious	Incremental improvements, cautious	Rapid adoption, proactive
Work-Life Balance	Long working hours, high dedication	Long working hours, strong commitment	Emphasis on work-life balance, flexible working hours
Performance Evaluation	Based on seniority and loyalty	Group performance and seniority	Individual performance, results-oriented
Corporate Social Responsibility (CSR)	Emerging importance	High importance, integrated into business practices	High importance, driven by stakeholders and regulations

THEORY Z


SUNRISE COUNTRY, TERRITORY BY THE FOUR LARGEST ISLAND OF HOKKAIDO, HONSHU, SHIKOKU, AND KYUSHU AND MORE THAN 7200 ISLANDS
日本
JAPAN
印象

JAPANESE TYPE ORGANIZATION

1. Lifetime employment
2. Collective decision making
3. Collective responsibility
4. Slow evaluation and promotion
5. Implicit (understood, implied) control mechanisms
6. Non-specialized career path
7. Holistic concern for employee as a person

AMERICAN TYPE ORGANIZATION

1. Short-term employment
2. Individual decision–making
3. Individual responsibility
4. Rapid evaluation and promotion
5. Explicit (clear, precise, unambiguous) control mechanisms
6. Specialized career path
7. Segmented concern for employee as an employee

THEORY Z

William Ouchi, a management researcher developed this new theory of management in the 1980s. Theory Z is **a business management theory** that integrates Japanese and American business practices. The Japanese business emphasis is on collective decision making, whereas the American emphasis is on individual responsibility.

Theory Z focuses on increasing employee loyalty to the company by providing a job for life with a strong focus on the well-being of the employee, both on and off the job.

According to Ouchi, **Theory Z management** tends to promote stable employment, high productivity, and high employee morale and satisfaction.

THEORY Z TYPE ORGANIZATION

1. Long-term employment
2. Consensual, participative decision-making
3. Individual responsibility
4. Slow evaluation and promotion
5. Implicit, informal control with explicit, formalized measures
6. Moderately specialized career path
7. Holistic concern, including family

ESSENTIALS OF MANAGEMENT

CHAPTER 2

ESSENTIALS OF PLANNING

CHAPTER 2
ESSENTIALS OF PLANNING

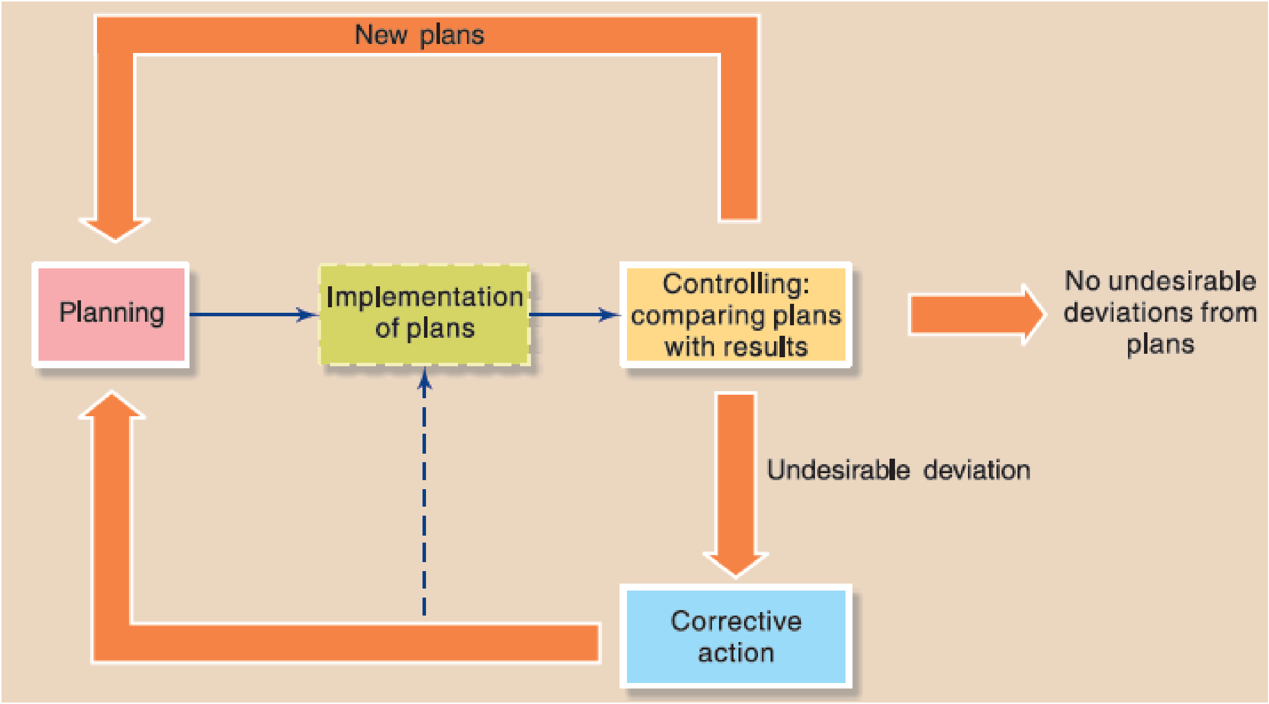
Types of Plans
Steps in Planning
Objectives
Nature and Purpose of Strategies and Policies
Evolving Concepts in Management by Objectives

Strategic Planning Process

- Critical Question Analysis
- SWOT & TOWS Matrix: A Modern Tool for Analysis of the Situation
- Blue Ocean Strategy: In Pursuit of Opportunities in Uncontested
- The Portfolio Matrix: A Tool for Allocating Resources
- Porter’s Industry Analysis and Generic Competitive Strategies

What is Planning?

A plan is a blueprint for goal achievement, a blueprint that specifies the necessary resource allocations, schedules, tasks, and other actions to achieve the purpose.



Importance of Planning

Planning bridges the gap between where we are & where we want to be.

Reduces Uncertainties

Provides Direction

Resource Allocation

Minimizes impulsive & arbitrary decisions

PLANNING ANSWERS SIX BASIC QUESTIONS

in regard to any activity:

WHAT NEEDS TO BE ACCOMPLISHED? WHAT ARE THE ALTERNATIVE ROUTES TO IT?

WHEN IS THE DEADLINE?

WHERE WILL THIS BE DONE?

WHO WILL BE RESPONSIBLE FOR IT?

HOW WILL IT GET DONE?

HOW MUCH TIME, ENERGY, AND RESOURCES ARE REQUIRED TO ACCOMPLISH THIS GOAL?

Planning is important for the following reasons

It helps the management to **clarify, focus, and research** their businesses or project's development and prospects.

It provides a **considered and logical framework** within which a business can develop and pursue business.

It **offers a benchmark** against which the actual performance can be measured and reviewed.

It plays a vital role in **helping to avoid mistakes** or **recognize hidden opportunities**.

In the business context, it guides the **development** of products, management, finances, and most importantly, markets and competition.

It helps in **forecasting** the future and makes the future visible to some extent.

It **bridges** between where we are and where we want to go.

TYPES OF PLANS

All managers across all levels participate in planning.

However, the plans made by the top level manager will differ from the ones that lower managers make.

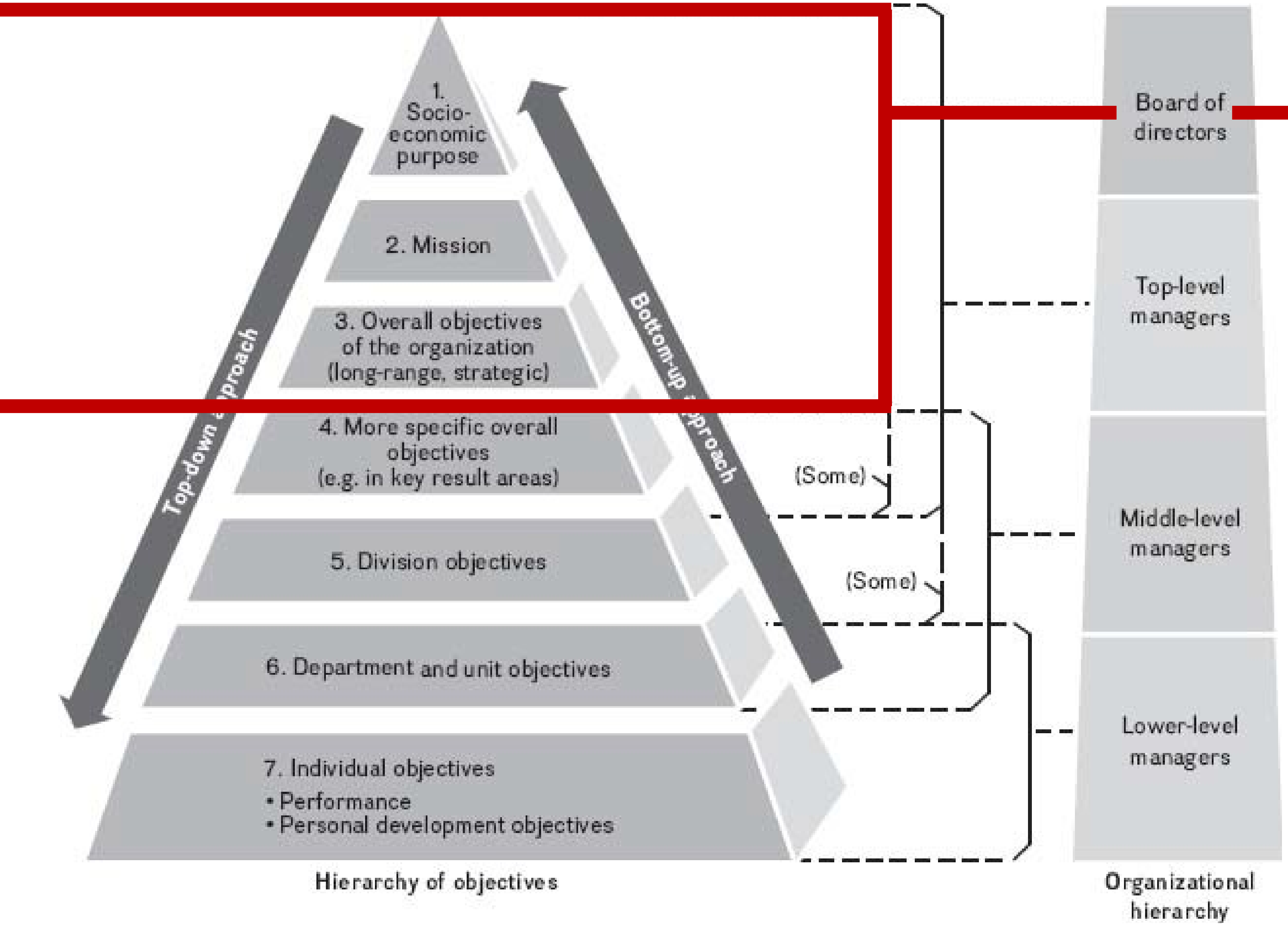
Plans also differ from what they seek to achieve and what methods will be used to achieve them.

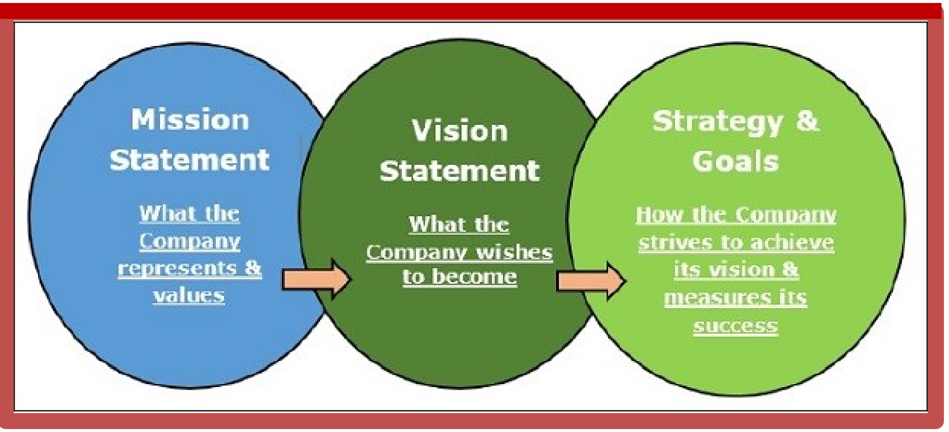
So let us look at the types of plans that managers deal with.

1. **PURPOSE / MISSION / VISION**
2. **GOAL / OBJECTIVE**
3. **STRATEGY**
4. **POLICY**
5. **PROCEDURE**
6. **RULES**
7. **PROGRAMS**
8. **BUDGETS**

PURPOSE / MISSION / VISION 1

PURPOSE / MISSION / VISION 1





GOAL / OBJECTIVE

Objectives are defined as the important ends towards which organizational and individual activities are directed.

VERIFIABLE OBJECTIVES - facilitate measurement of the surplus as well as the effectiveness and efficiency of managerial actions.

STRATEGY

A strategy is a complete and all-inclusive plan for achieving said objectives.

A strategy is a plan that has three specific dimensions

1. Establishing long-term objectives
2. Selecting a specific course of action
3. allocating the necessary resources needed for the plan

Forming strategy is generally reserved for the top level of management.

POLICY

4

Policies are also the plans in that they are general statements or understanding which guide or channel thinking in decision making.

Not all policies are statement, they are often merely implied from the actions of managers.

For example – the practice of promoting from within.

Polices define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to the objective.

They help decide issues before they become problems.

POLICY

EXAMPLES ARE

- POLICIES OF HIRING UNIVERSITY TRAINED ENGINEERS
- ENCOURAGE EMPLOYEE SUGGESTION
- PROMOTING FROM WITH IN
- SETTING COMPETITIVE PRICES

POLICIES HELP IN DECISION MAKING –

POLICES OF BUYING FROM THE LOWEST OF THREE QUALIFIED BIDDERS

PROCEDURES 5

They are a stepwise guide for the routine to carry out the activities. These stepwise sequences are to be followed by all the employees so the activities can be fulfilled in an organized manner. THE PROCEDURES ARE DESCRIBED IN A CHRONOLOGICAL ORDER.

Take for example the procedure of admission of a student in a college. The procedure starts with filling out an application form. It will be followed by a collection of documents and sorting the applications accordingly.

As another example consider company policies that may grant vacation to employees; procedures to implement this policy will provide for scheduling vacation to avoid any disruption of work.

RULES 6

Rules are very specific statements that define an action or non-action. Also, rules allow for no flexibility at all, they are final. All employees of the organization must compulsorily follow and implement the rules.

Not following rules can have severe consequences.

THEY ARE SIMPLEST TYPE OF PLAN.

They guide actions without specifying time sequence.

MAY OR MAY NOT BE PART OF PROCEDURE.

For Example — No smoking zone, quite unrelated to any procedure…
No phone zone…

PROGRAMS

Programs are a complex of: goals, polices, procedures, rules, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets.

BUDGETS

8

Budgets are the statement of ***expected results expressed in numerical terms***, referred as numberized programs.

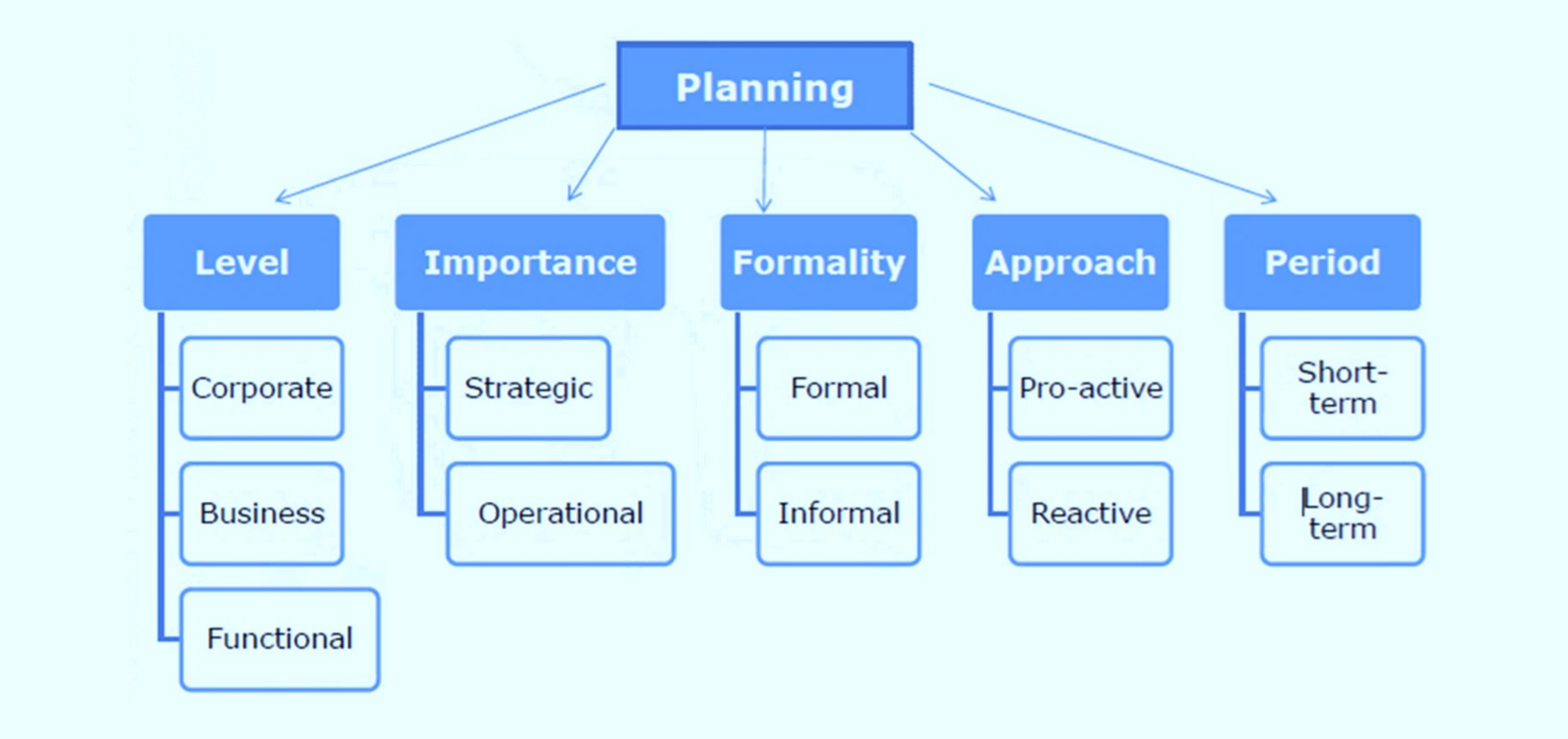
Can be in terms of number of labour hours, units of production, financial terms, machine-hours etc.

Budgets usually implements a program; it may in itself be a program.

- **VARIABLE OR FLEXIBLE BUDGETS :** depends on level of output
- **PROGRAM BUDGETS :** the agencies and each dept. within the agencies identifies the goals
- **ZERO BASED BUDGETS :** combination of variable and program budgets

Planning can be classified from different perspectives

The figure below depicts the perspectives of planning.



The most popular ways to describe plans are in terms of their

CONTENT (Strategic, Tactical, and Operational)
BREADTH (strategic versus tactical),
TIME FRAME (long term versus short term),
SPECIFICITY (directional versus specific),
and
FREQUENCY OF USE (single use versus standing).

NOT MUTUALLY EXCLUSIVE means that two instances or outcomes can occur simultaneously, and one outcome does not limit the other from being possible.

CONTENT (Strategic, Tactical, and Operational)

Upper-level managers develop ***STRATEGIC PLANS*** that apply to the entire organization, establish overall objectives, and position the organization within its environment.

Lower-level managers focus on ***TACTICAL PLANS*** that specify how the overall objectives will be achieved. These plans differ in time frame and scope.

OPERATIONAL PLANS are limited in scope and are measured daily, weekly, or monthly; strategic plans are broader, less specific and encompass five or more years.

BREADTH (strategic versus tactical)

❑ Strategic plans

- Apply broadly to the entire organization.
- Establish the organization’s overall objectives.
- Seek to position the organization in terms of its environment.
- Provide direction to drive an organization’s efforts to achieve its goals.
- Serve as the basis for the tactical plans.
- Cover extended periods of time.
- Are less specific in their details.

❑ Tactical plans (operational plans)

- Apply to specific parts of the organization.
- Are derived from strategic objectives.
- Specify the details of how the overall objectives are to be achieved.
- Cover shorter periods of time.
- Must be updated continuously to meet current challenges.






TIME FRAME (long term versus short term)

❑ Long term

- Time frame beyond five years.
- It specifies what the organization wants to become in long run.
- It involves great deal of uncertainty.
- Higher management levels focus on longer time horizons.
- May include a variety of different types of training

Some examples Long term Plans:
• Sales • Brand awareness of your product
• Public reputation • Government Plans

❑ Short term

- Time frame Upto one year
- It provide basis for day to day operations.
- Meet a particular objective in the near future
- Cover a limited area of training
- Answer the question: Are we doing things right?
- Should fit well within and contribute to long-range plans.

Some examples:
• Communication • Ability to network
• Attention to detail • Daily routines
• Plans for training staff members

SPECIFICITY (directional versus specific)

Directional plans

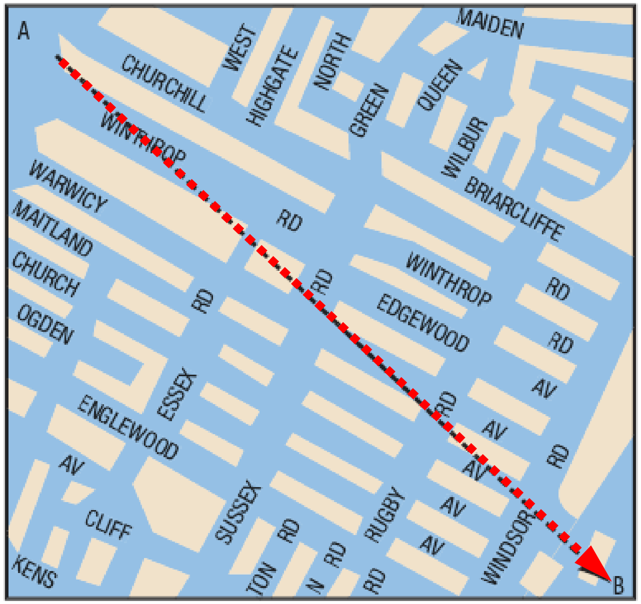
- Flexible plans that set out general guidelines.

Example "Go from here to there" (outcome-focus)

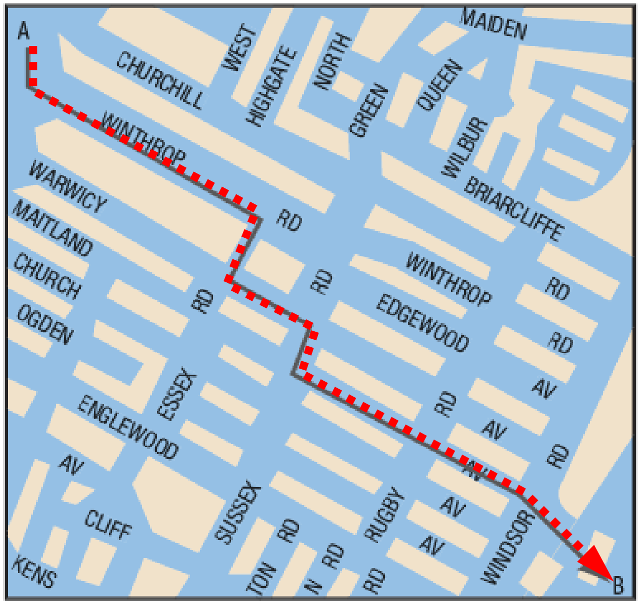
Specific plans

- Plans that have clearly defined objectives and leave no room for misinterpretation.
- "What, when, where, how much, and by whom" (process-focus)

Example Lesson Plan



Directional plan



Specific plan

FREQUENCY OF USE (single use versus standing)

❑Single-use plans

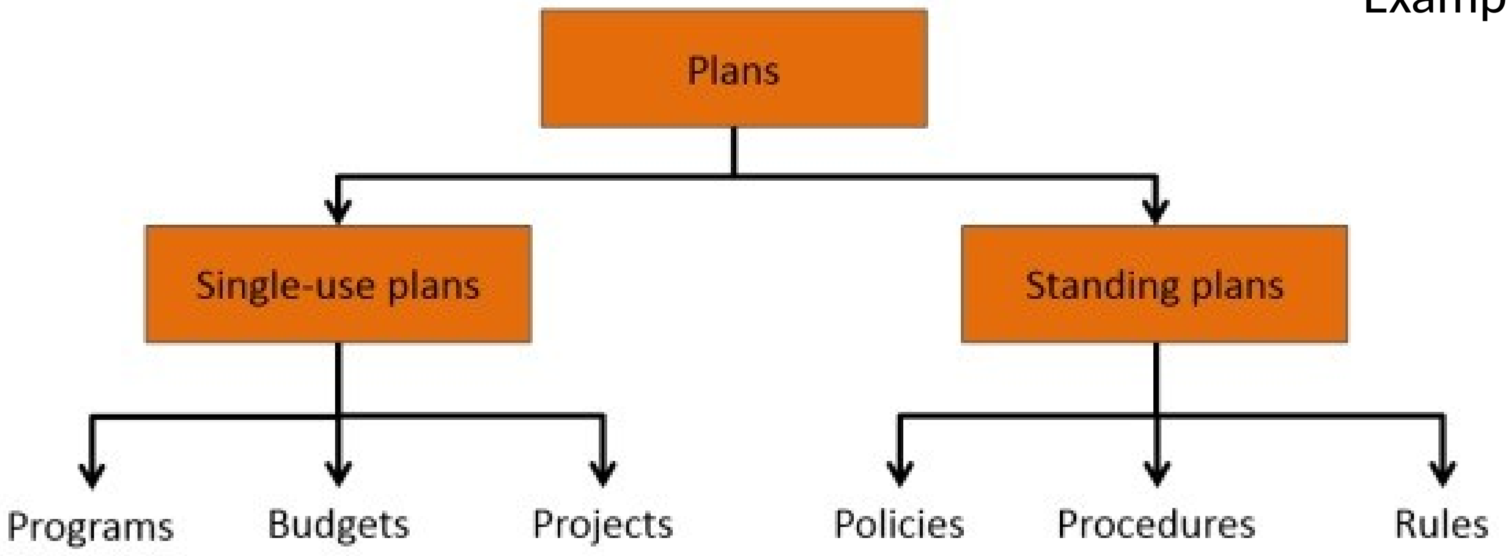
A plan that is used to meet the needs of a particular or unique situation

Example: Single-day sales advertisement

❑Standing plan

A plan that is ongoing and provides guidance for repeatedly performed actions in an organization

Example: Customer satisfaction policy



STEPS IN PLANNING

BEING AWARE OF OPPORTUNITIES

In light of:
The market
Competition
What customers need/want
Our Strengths
Our Weakness

SETTING OBJECTIVES/GOALS

Where we want to be
and
what we want to accomplish
and
when

CONSIDERING PLANNING PREMISES

In what environment
(internal or external)
will the plans operate?

IDENTIFYING ALTERNATIVES

What are the most promising alternatives to accomplishing our objectives?

COMPARING THE ALTERNATIVES

IN THE LIGHT OF THE GOALS SOUGHT

Which alternative will give us the best chance of meeting our goals at the lowest cost and highest profit?

CHOOSING AN ALTERNATIVE

Selecting the course of action we will pursue

FORMULATING THE SUPPORTING PLANS

Such as plans to:
Buy equipment
Buy materials
Hire and Train workforce
Develop a new product

NUMBERIZING THE PLANS BY MAKING BUDGETS

Develop such budgets as:
Volume & Price of Sales
Operating Expenses necessary for plans
Expenditures for capital equipment

OBJECTIVES

The Nature of Objectives

Hierarchy of Objectives

Setting Objectives and the Organizational Hierarchy

Multiplicity of Objectives

How to Set Objectives

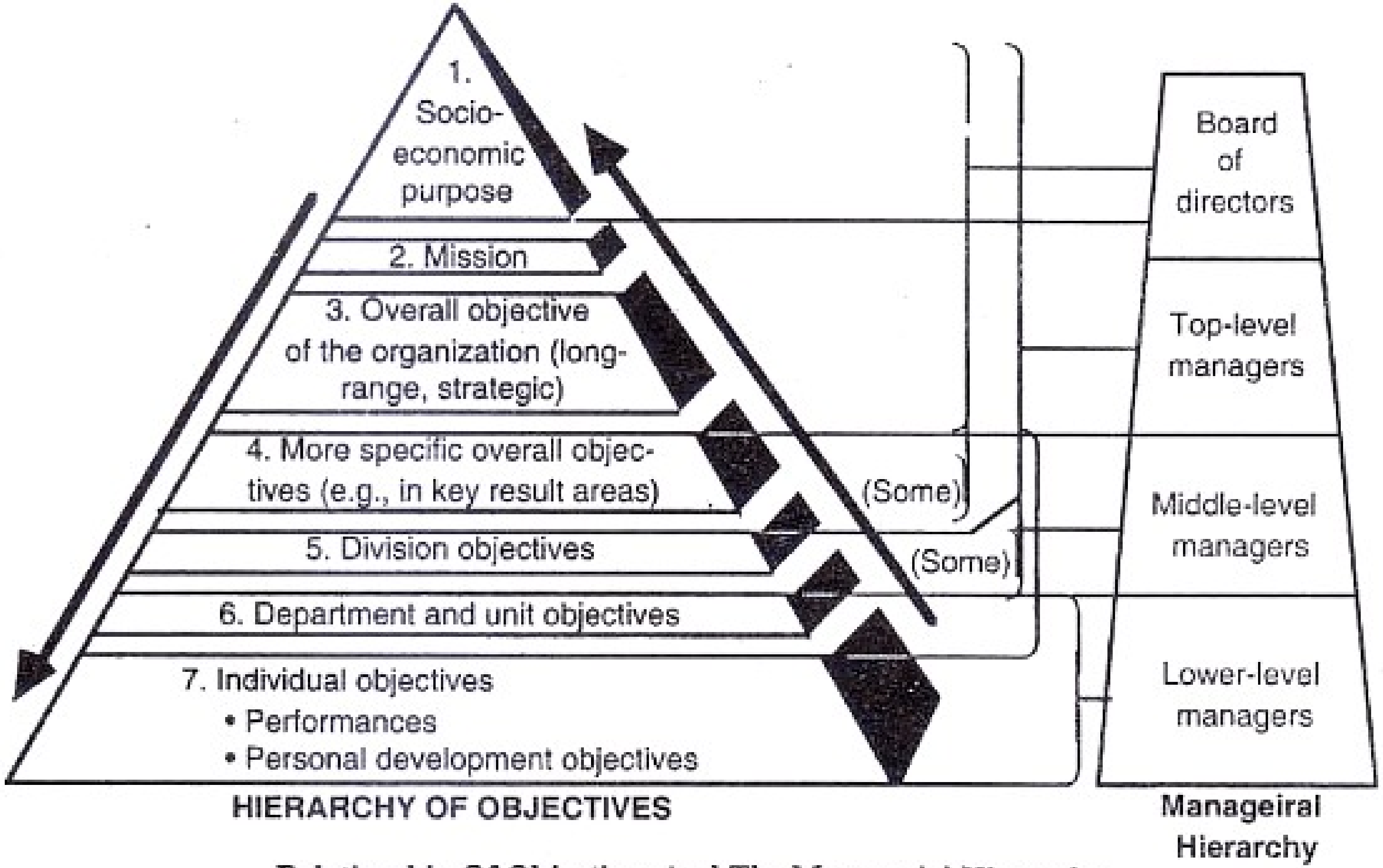
Quantitative and Qualitative Objectives

Guidelines for Setting Objectives

Relationship of Objectives and the Organizational Hierarchy

TOP DOWN APPROACH – upper level managers determine the objectives for subordinates

BOTTOM UP APPROACH –



Relationship Of Objectives And The Managerial Hierarchy

Source: Essentials of Management by Harold Koontz, Heinz Weihrich, Mark V. Cannice, McGraw Hill Education(India) Private Limited

The Nature and Purpose of STRATEGIES and POLICIES

Strategy

Determination of the mission or purpose and the basic long-term objectives of an enterprise, followed by the adoption of courses of action and allocation of resources necessary to achieve these aims.

Policies

General statements or understandings that guide managers' thinking in decision making.

MULTIPLICITY OF OBJECTIVES

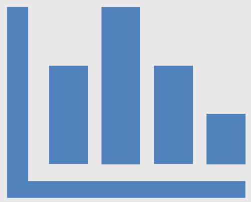
At every level in the hierarchy of objectives, goals are like to be multiple.

That is, the business does not have just one objective. It has several objectives.

This is because a business must satisfy a variety of stakeholders, including owners, employees, consumers, creditors, vendors, society, and so on.

The company must establish separate objectives for each group.

QUANTITATIVE OBJECTIVES



Quantitative objectives are straightforward to measure and are represented numerically. These objectives are concrete, observable, and quantifiable.

Examples include:
Increasing annual revenue by 10%
Reducing production costs by 15%

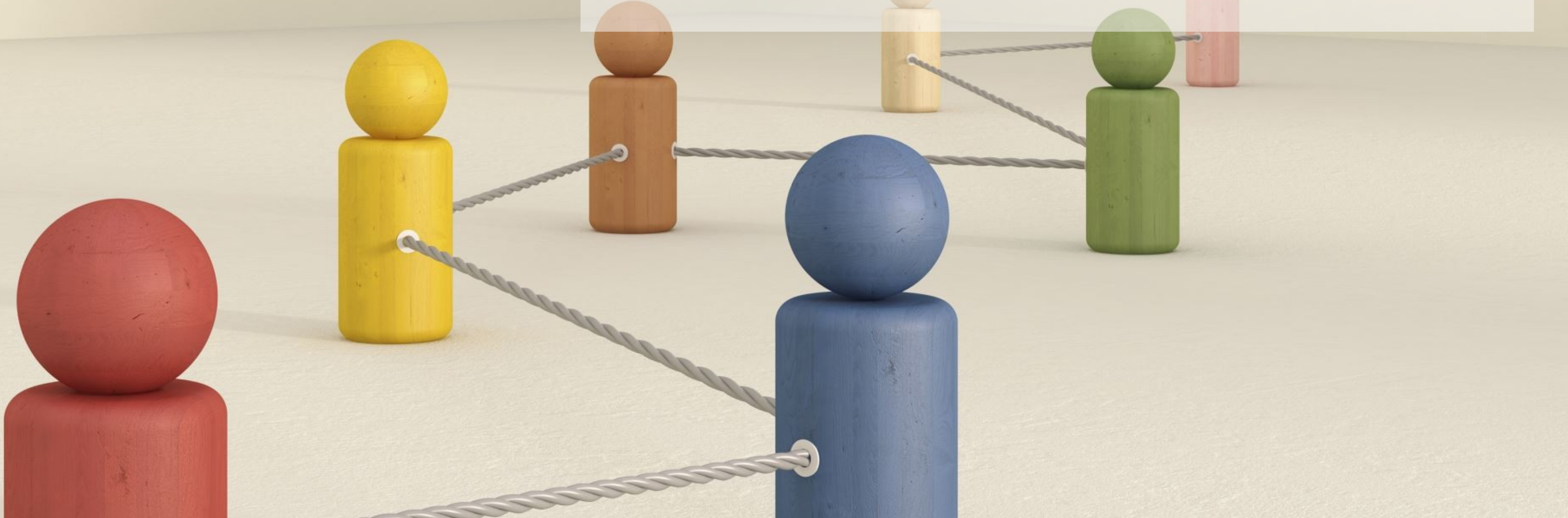
QUALITATIVE OBJECTIVES

Qualitative objectives are challenging to measure as they are not represented numerically.

Examples include:
Enhancing customer experience & satisfaction
Improving brand reputation and recognition

Evolving Concepts in MANAGEMENT BY OBJECTIVES

MANAGEMENT BY OBJECTIVES is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and is consciously directed toward the effective and efficient achievement of organizational and individual objectives.



MANAGEMENT BY OBJECTIVES (MBO)

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees.

Management by Objectives, also known as management by planning, was first popularized by Peter Drucker in his 1954 book The Practice of Management.

MANAGEMENT BY OBJECTIVES (MBO)

Following are the common features of the **organizational objectives** :

- Verifiable and quantified objectives
- Hierarchy of objectives
- Network of objectives
- Multiplicity of objectives
- Process of objective setting & organizational hierarchy

MANAGEMENT BY OBJECTIVES (MBO)

comprehensive managerial system that integrates many key activities

directed towards effective and efficient achievement of objectives

managers and employees define objectives for every department, project, and person, and use them to monitor subsequently

performance monitored and achieved

managerial activities arranged in a systematic manner

organizational and individual objectives addressed

MANAGEMENT BY OBJECTIVES (MBO)

MBO emphasizes on the following:

- Performance appraisal
- Short term objectives and motivation
- Long term planning

MANAGEMENT BY OBJECTIVES (MBO)

Process of MBO

- Setting preliminary objectives at the top
- Clarifying organizational roles
- Setting subordinates objectives
- Recycling of objectives

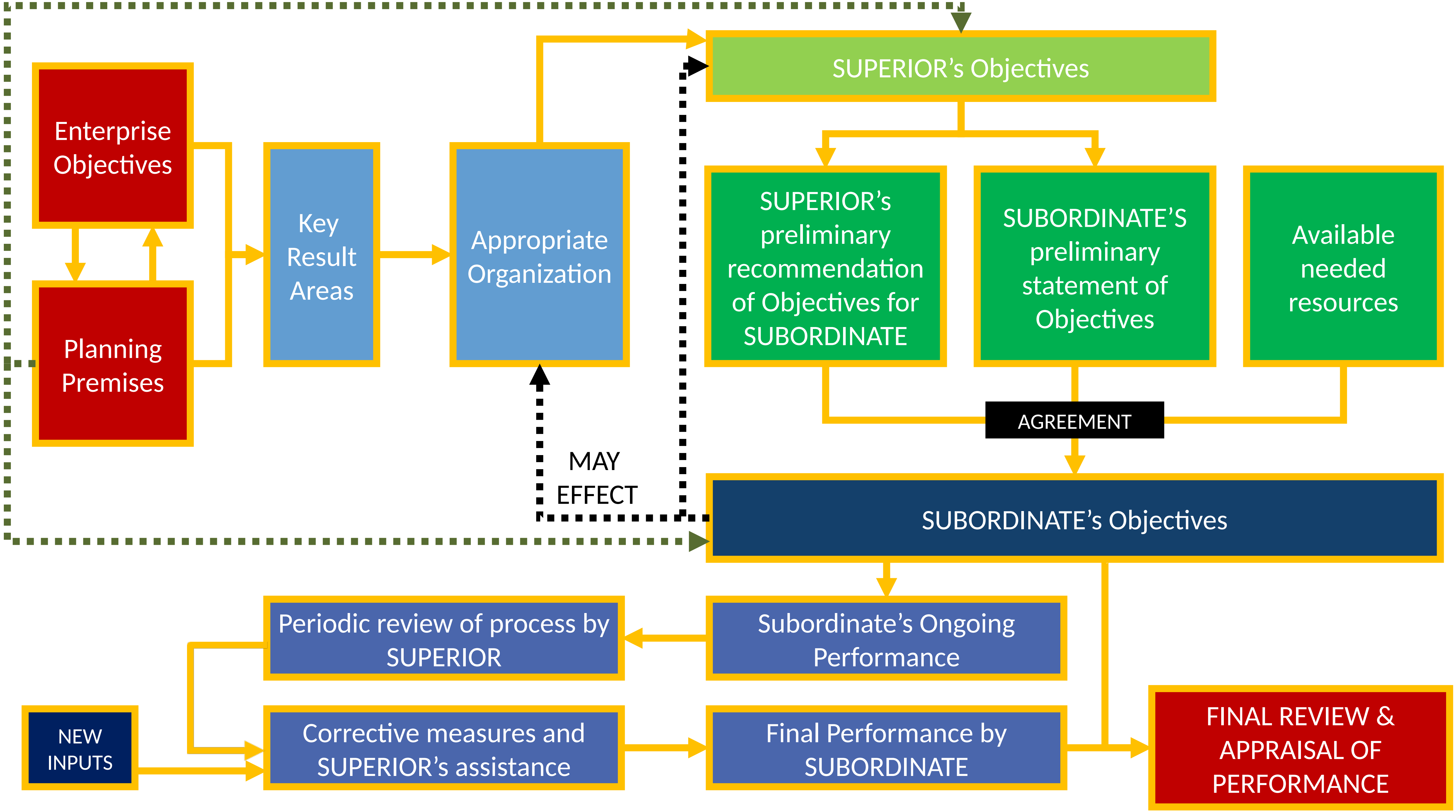
MANAGEMENT BY OBJECTIVES (MBO)

Key Result Areas for Business (Peter Drucker)

What do you mean by

“Key result areas”?

An area in which performance is essential for the success of the enterprise.


SUPERIOR's Objectives
Enterprise Objectives
Planning Premises
Key Result Areas
Appropriate Organization
SUPERIOR's preliminary recommendation of Objectives for SUBORDINATE
SUBORDINATE'S preliminary statement of Objectives
Available needed resources
AGREEMENT
MAY EFFECT
SUBORDINATE's Objectives
Periodic review of process by SUPERIOR
Subordinate's Ongoing Performance
NEW INPUTS
Corrective measures and SUPERIOR's assistance
Final Performance by SUBORDINATE
FINAL REVIEW & APPRAISAL OF PERFORMANCE

Examples of non-verifiable and verifiable Objectives

Non-Verifiable Objectives	Verifiable Objectives
1. To make a reasonable profit	1. To achieve a return on investment of 12% at the end of the current fiscal year
2. To improve communication	2. To issue a two-page monthly newsletter beginning July 1, involving not more than 40 work hours of preparation time (after first issue)
3. To improve productivity	3. To increase production output by 5% by December 31, without additional costs and while maintaining current quality level.
4. To develop better managers	4. To design and conduct a 40-hour in house program on the “Fundamentals of Management” to be conducted this year involving not more than 200 working hours of the management development staff with 90% of the managers passing this exam.
5. To install a computer system	5. To install a computerized control system in the production department by December 31, requiring not more than 500 working hours of system analysis and operating with not more than 10% downtime during the first 3 months of installation.

MANAGEMENT BY OBJECTIVES (MBO)

SETTING EMPLOYEE OBJECTIVES

- Identify an employee’s key job tasks.
- Establish specific and challenging goals for each key task.
- Allow the employee to actively participate.
- Prioritize goals.
- Build in feedback mechanisms to assess goal progress.
- Link rewards to goal attainment.

MANAGEMENT BY OBJECTIVES (MBO)

OBJECTIVES of MBO

- To identify problems and opportunities in business.
- To convert identified opportunities into clear goals.
- To set up a system to convert these goals into achievements.
- To review the organization in the light of the objectives.
- To establish the objectives of each job and unit.
- To clarify the policies and systems to accomplish the objectives.
- To set up a review system.

MANAGEMENT BY OBJECTIVES (MBO)

BENEFITS of MBO

- The need for planning will be recognized.
- It provides for objectives and accountability for performance.
- It encourages participative management.
- It helps in job enrichment.
- It provides for a good feedback system.
- Leader/subordinate efforts are focused on activities that will lead to goal attainment
- Performance improved up and down the chain
- Motivated people

MANAGEMENT BY OBJECTIVES (MBO)

WEAKNESSES OF MBO

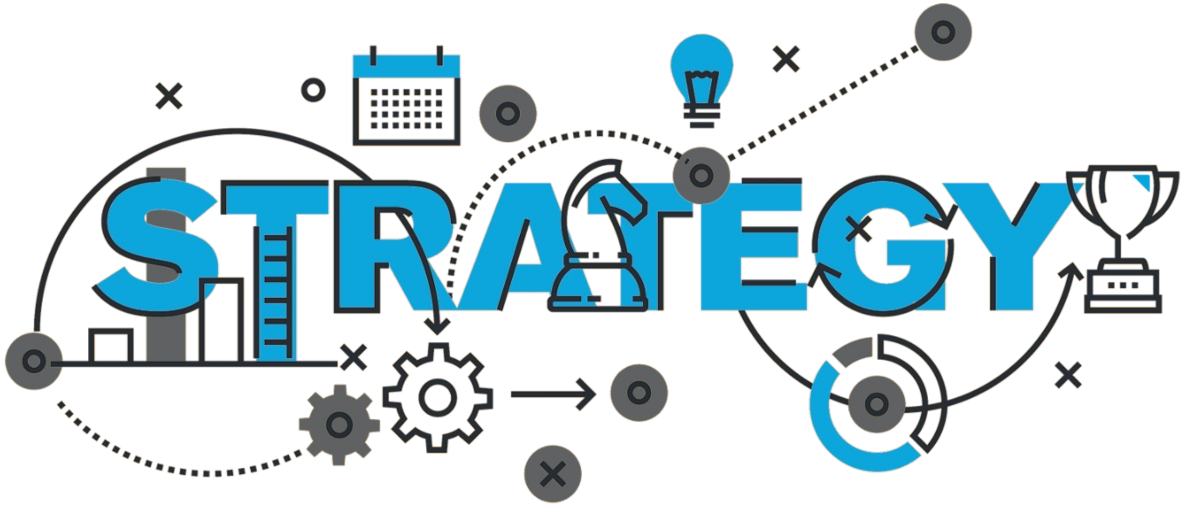
- Failure to teach the philosophy of MBO
- Failure to give guidelines to goal setters
- Difficulty of setting goals
- Emphasis on short run goals
- Danger of inflexibility
- Desire to make goals verifiable people may use quantitative goals and attempt to use numbers in areas where they are not applicable.

MANAGEMENT BY OBJECTIVES (MBO)

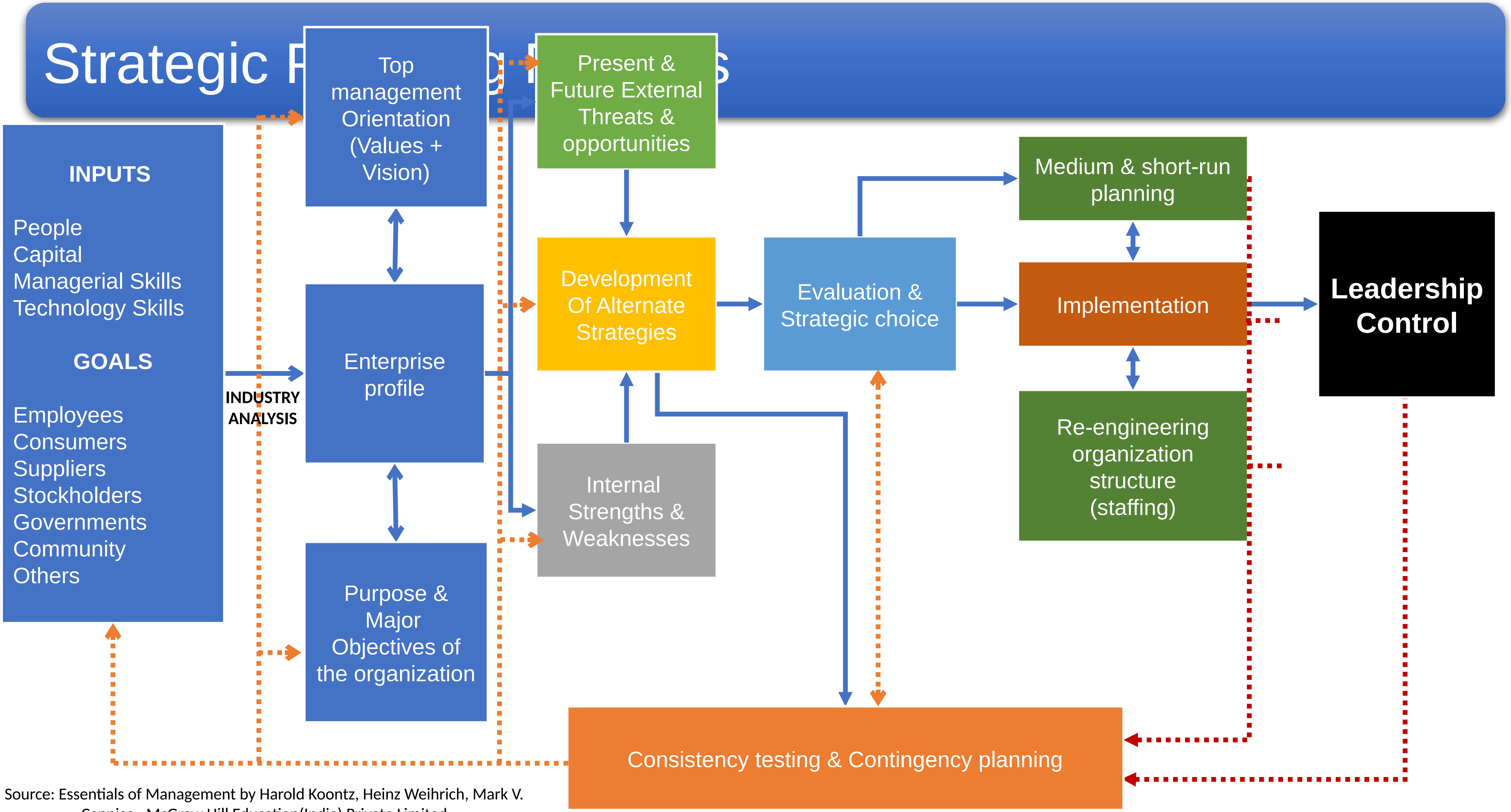
PROBLEMS of MBO

- Change adversely affects planning
- Low morale reduces effectiveness
- Lower level goals take precedence
- Over-centralized authority limits participation
- Paperwork

STRATEGIC PLANNING TOOLS



STRATEGIC PLANNING is the process of developing the strategy or direction and action plan to achieve the goals of an organization.



Source: Essentials of Management by Harold Koontz, Heinz Weihrich, Mark V. Cannice, McGraw Hill Education(India) Private Limited

STRATEGY

3 LEVELS OF STRATEGY

Corporate Level Strategy

What business we are in?

Business Level Strategy or Competitive Strategy

How do we compete?

Functional Level Strategy

How do we support business level strategy?

STRATEGIC PLANNING TOOLS

TOOLS TO DEVELOP STRATEGY

These 5 strategy development tools are related but distinct. Managers can use any of the tool or a combination of tools that seem most appropriate for them and their organizations.

01 CRITICAL QUESTION ANALYSIS

02 BLUE OCEAN STRATEGY

03 SWOT ANALYSIS & TOWS MATRIX

04 BUSINESS PORTFOLIO ANALYSIS

05 PORTER'S GENERIC MODEL

Critical Question Analysis

- What is our business?

  Glass bottle manufacturers misse their opportunities h themselves for too long as glass bottle make liquid container manufacturer while pla containers come to re glass in many cases

- Who are our customers?
- What do our customers want?
- How much will our customers buy and at what price?
- Do we wish to be a product leader?
- Do we wish to develop our own new products?

Critical Question Analysis

An example of critical question analysis:

The key questions that serve as guides for establishing a marketing strategy are:

- Where are our customers and why do they buy?
- How do our customers buy?
- How is it best for us to sell?
- Do we have something to offer that competitors do not?

TOOLS TO DEVELOP STRATEGY

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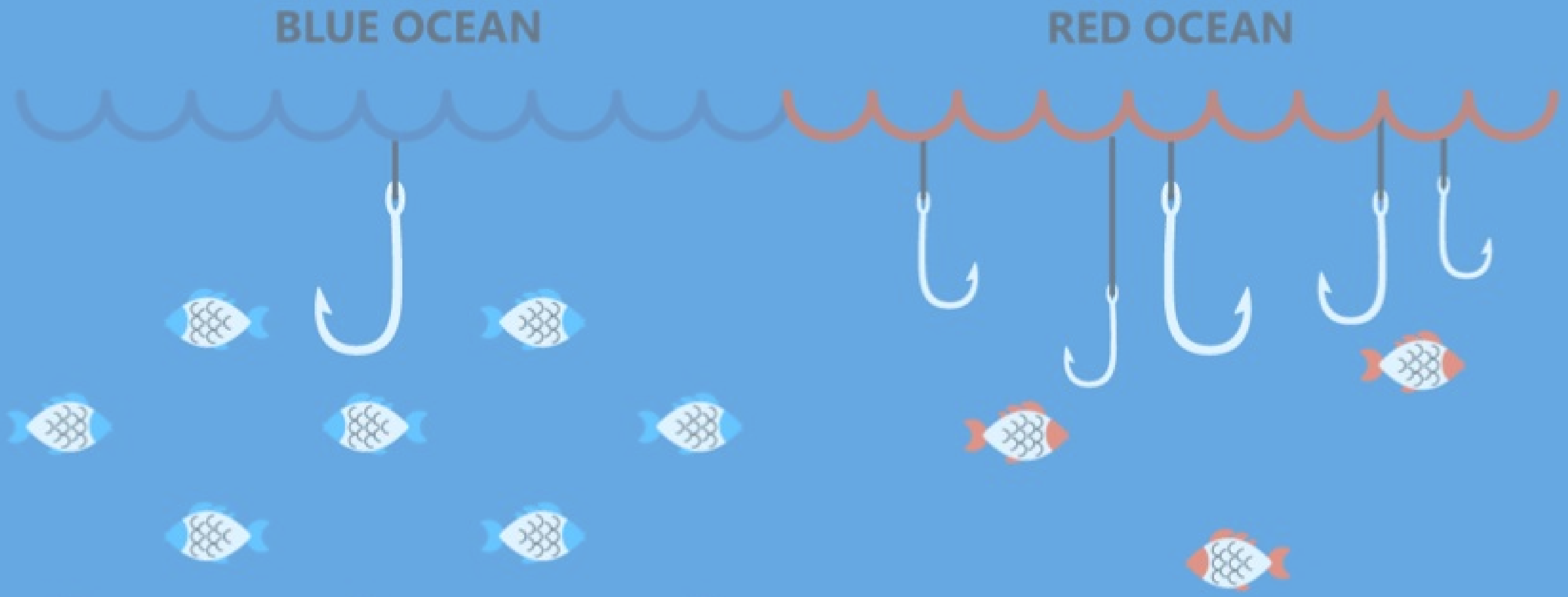
By :W. Chan Kim and Renée Mauborgne.

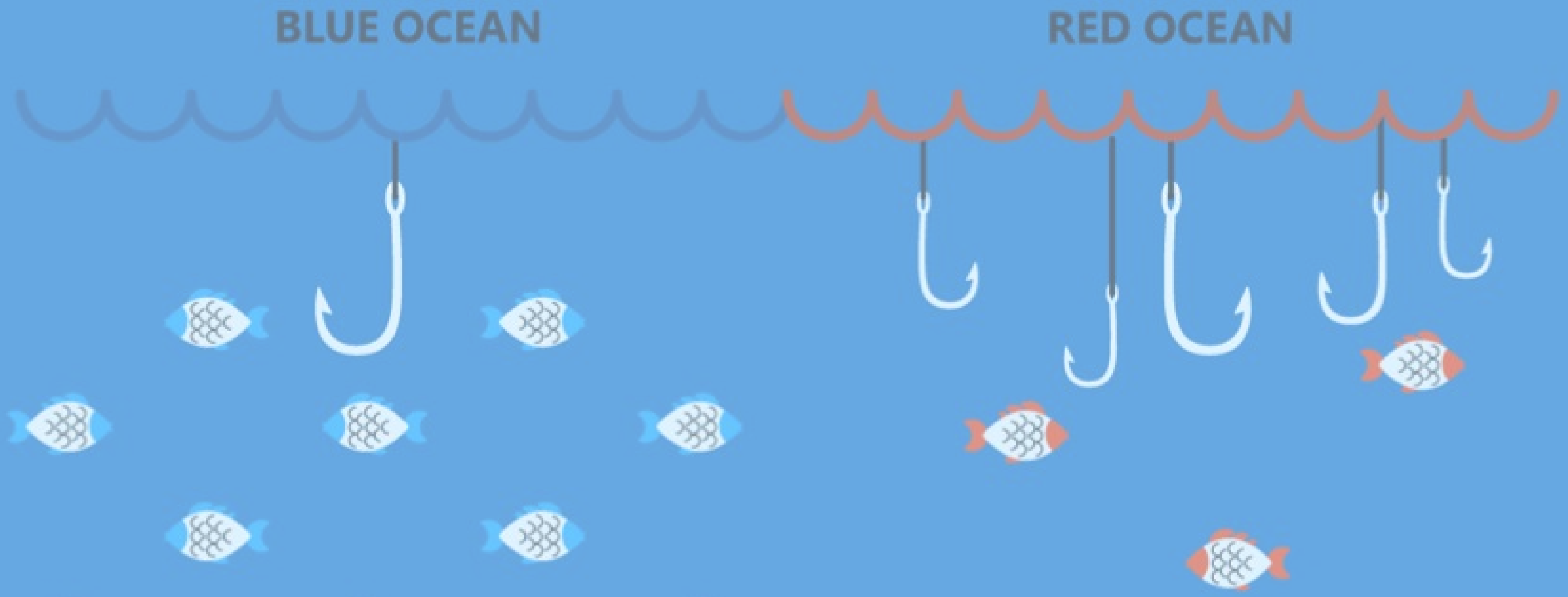
The Blue Ocean Strategy is a unique approach to business

- growth that encourages companies to create new market spaces instead of competing in saturated markets
- success can be found in ‘blue oceans’ – untapped, uncontested market spaces ripe for growth
- emphasizes the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It is about creating and capturing uncontested market space, making the competition irrelevant.



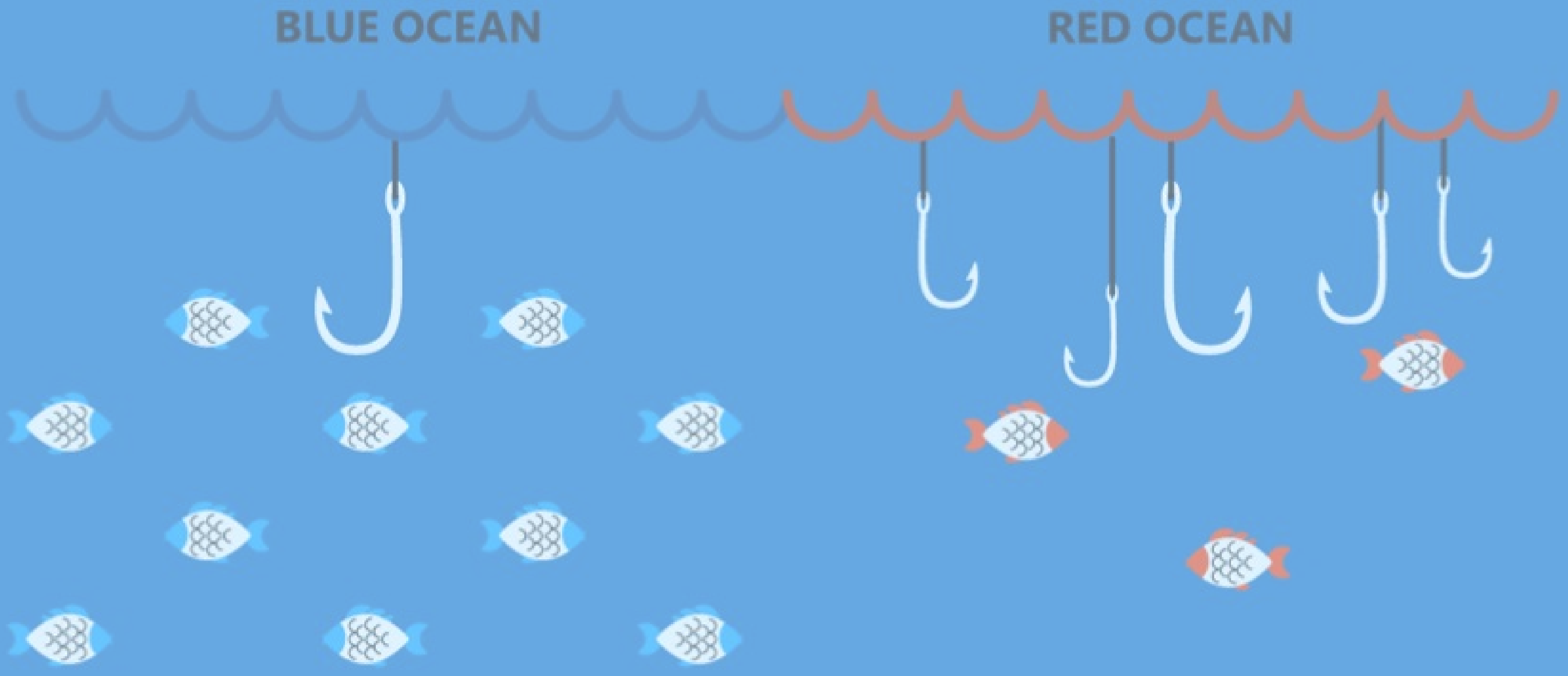
Blue Ocean Strategy pivots on two main principles:

1. **value innovation**
   - **value innovation involves delivering superior value to customers through differentiation and low cost**
   - **beating the competition but making it irrelevant by redefining the industry boundaries**
2. **creation of uncontested market space**



ADVANTAGES

1. Businesses are able to create new demand and tap into new markets
2. Businesses can focus on creating unique value propositions that are appealing to customers
3. Businesses can avoid the cutthroat competition of traditional markets
4. Businesses can achieve sustained profitability



CHALLENGES

1. high risk of failure
2. significant resource investment, and
3. the uncertainty of unexplored markets

RED OCEAN STRATEGY	BLUE OCEAN STRATEGY
Compete in **existing** market space	Create **uncontested** market space
Beat the competition	Make the competition **irrelevant**
Exploit **existing** demand	Create and capture **new** demand
Make the value-cost trade-off	**Break** the value-cost trade-off
Align the whole system of a firm's activities with its **strategic choice of differentiation or low cost**	Align the whole system of a firm's activities in **pursuit of differentiation and low cost**

APPLICATIONS

Hindustan Unilever

In 2001, India's Hindustan Unilever launched Project Shakti, an initiative to provide rural India with basic hygiene and sanitation products. The company used a direct-selling model, which not only increased sales but also helped bring safe drinking water and sanitation products to communities that needed them the most.

Airtel

The launch of Airtel's mobile banking services in 2010 and the expansion of the Flipkart e-commerce platform into grocery delivery in 2015. These examples show that the Blue Ocean strategy can be used to tap into new markets and create value for both businesses and consumers.

APPLICATIONS

Flipkart

When they first started out, they were a small startup competing against much bigger and well-established companies. They used the Blue Ocean strategy to focus on the needs of the Indian consumer and offer a unique shopping experience. This helped them to quickly become one of the leading e-commerce companies in India.

PayTm

It created a new market in India by providing a convenient and accessible way to pay for goods and services via mobile phone. Before PayTm the concept of digital and mobile payments was fairly non-existent or ill-adopted.

Four Actions Framework

BLUE OCEAN STRATEGY

Identify and categorize factors / attributes / features / services etc into the 4 groups mentioned below....

Eliminate the factors on which the company has been competing

Reduce several factors below the company standards

Raise key factors that will assist in making the competition irrelevant above the standards

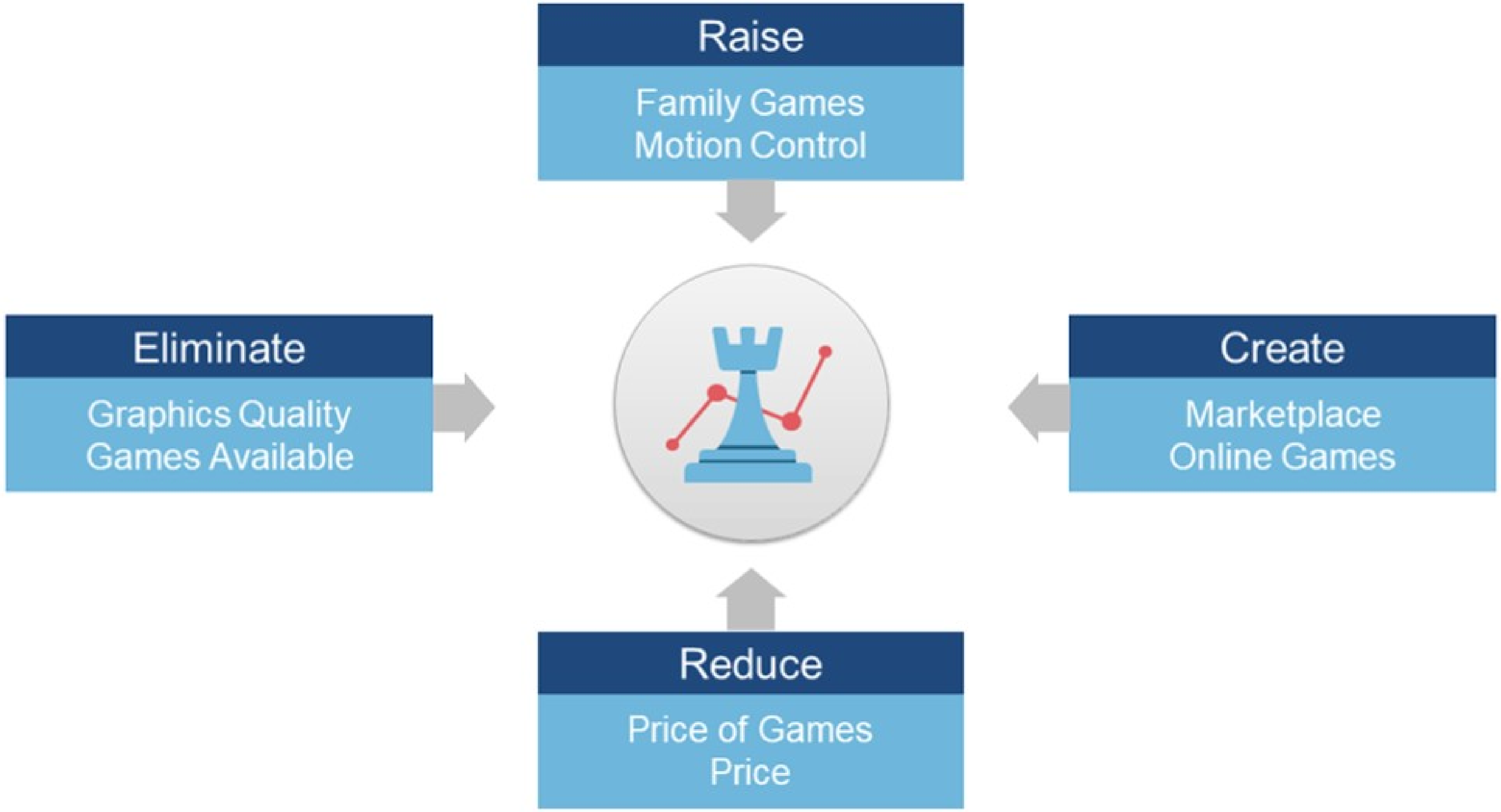
Create some new ideas, factors, and steps that the company needs to achieve its blue ocean goal

Competitive Factor analysis : an example

Competitor Analysis
Gaming Console Platforms 2023

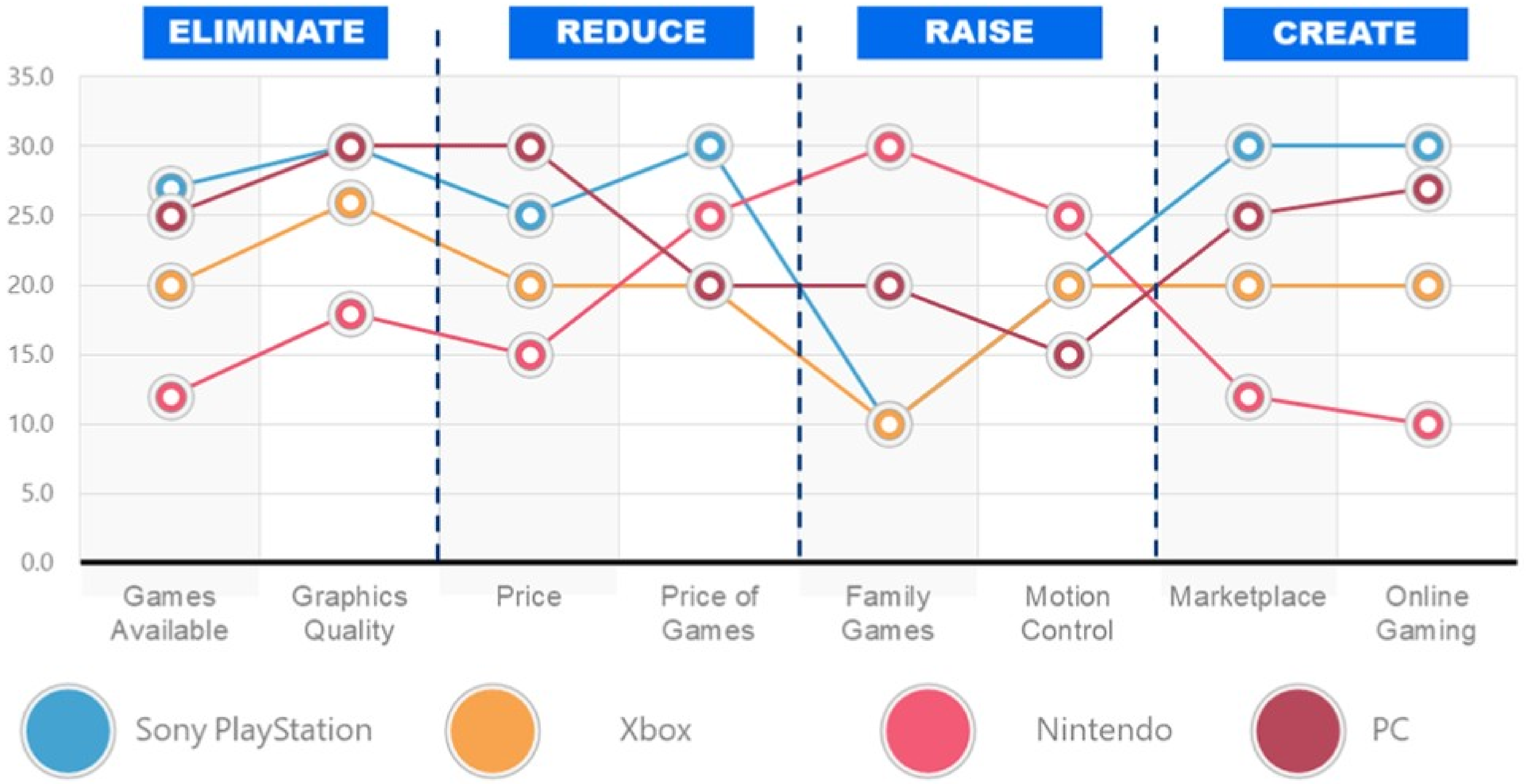
Competitor	Evaluation Factors					
	Current Market Position	Economic Solution	Competence & Product Line	Customer Satisfaction	Market Position	
Sony PlayStation	01	03	01	01	1	Leading market solution
Microsoft Xbox	03	01	03	03	2	Best price-quality ratio
PC	02	02	02	02	3	Multi-purpose platform
Nintendo	04	04	04	04	4	Leading family game option
Steam Deck	05	05	05	05	5	Not well recepted

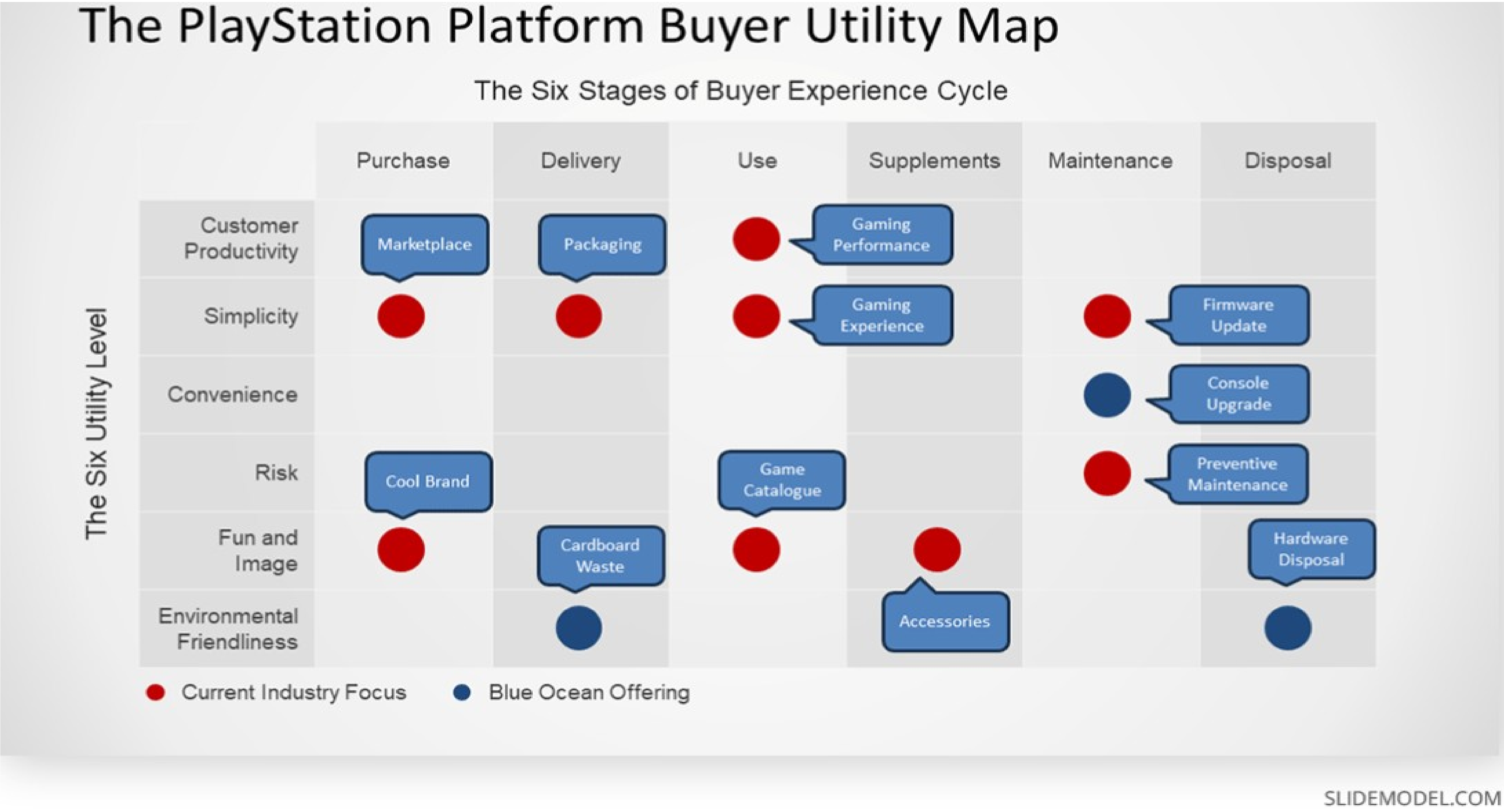
The *Four Actions Framework analysis*



Blue Ocean Strategy Canvas

Comparison of major gaming consoles platforms 2023.





In this example, we can study a potential Buyer Utility Map for the Sony PlayStation.

TOOLS TO DEVELOP STRATEGY

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- Acronym for **Strengths**, **Weaknesses**, **Opportunities**, and **Threats**.
- Technique is credited to **Albert Humphrey** who led a research project at Stanford University in the 1960s and 1970s.
- **Planning tool** used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- Used as **framework for organizing** and using data and information gained from **situation analysis** of internal and external environment.
- Technique that enables a group / individual to move from everyday problems / traditional strategies to a **fresh perspective**.

What is SWOT Analysis?

STRENGTHS

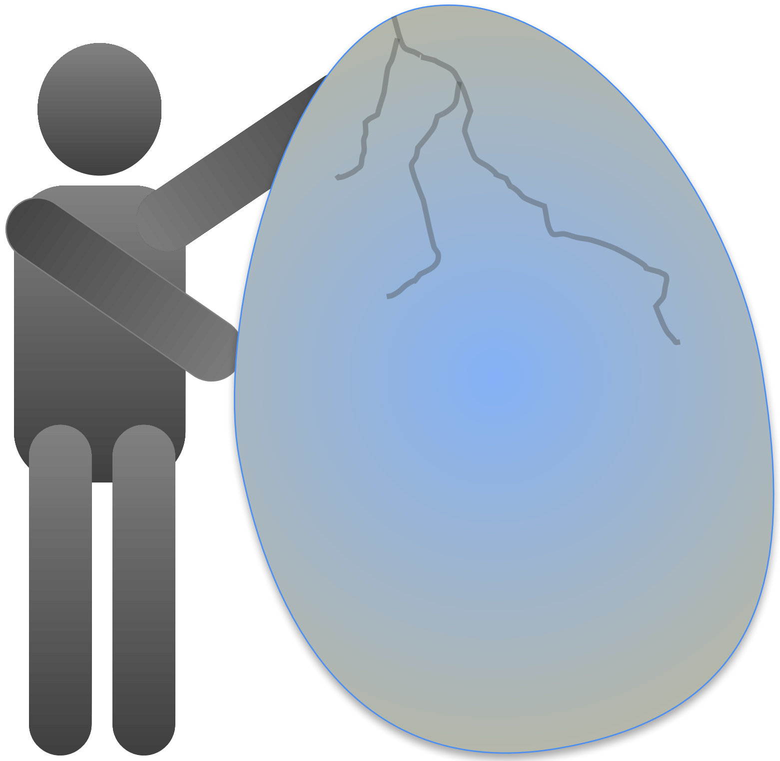
- Characteristics of the business or a team that give it an advantage over others in the industry.
- Positive tangible and intangible attributes, internal to an organization.
- Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.

Examples - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.

What is SWOT Analysis?

WEAKNESSES

- Characteristics that place the firm at a disadvantage relative to others.
- Detract the organization from its ability to attain the core goal and influence its growth.
- Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.



Examples - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.

What is SWOT Analysis?

OPPORTUNITIES

- Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.

Examples - Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product .

What is SWOT Analysis?

THREATS

- External elements in the environment that could cause trouble for the business - External factors, beyond an organization’s control, which could place the organization’s mission or operation at risk.
- Arise when conditions in external environment jeopardize the reliability and profitability of the organization’s business.
- Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.

Examples - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.

EXERCISE

Assume that a car manufacturing company has recently launched its electrical vehicle (EV) products.

Perform a SWOT analysis for the same.

EXERCISE

HELPFUL

INTERNAL

EXTERNAL

STRENGTHS

- Eco-friendly
- Silent engine
- Simpler mechanism
- Low Cost of maintenance and Cheaper to run
- Energy Savings – achieved from regenerative braking system

WEAKNESSES

- High Price
- needs time to recharge
- Batteries change is expensive
- Lack of recharging infrastructure

OPPORTUNITIES

- Huge untapped EV market
- Growing demand of green technologies
- Rising fuel costs
- Lower taxes
- Government subsidy to promote eco-friendly vehicles

THREATS

- Entry of competitors
- Rise in cost of electricity
- Availability of hybrid vehicles adding to competition

HARMFUL

TOWS Matrix

DEFINITION

TOWS Analysis refers to the interlinking of the internal strengths and weaknesses of a company with the threats and opportunities that it faces in its external environment.

It is a categorization of the strategies which are available to a company.

It does this by focusing on aligning internal elements with external factors in an appropriate manner.

TOWS Matrix

It has four alternative strategies

- SO Strategy
- ST Strategy
- WO Strategy
- WT Strategy

Matrix for Strategy Formulation

- SO Strategy
- ST Strategy
- WO Strategy
- WT Strategy

Internal factors / **External factors**	**External Opportunities (O)** (Consider risks also) e.g., current and future economic condition, political and social changes, new products, services and technology	**External threats (T)** e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above
Internal strengths (S) e.g., strengths in management operations, finance, marketing, R&D, engineering	**SO strategy: Maxi-Maxi** Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	**ST strategy: Maxi-Mini** e.g., use of strengths to cope with threats or to avoid threats
Internal weaknesses(W) e.g., weaknesses in areas shown in the box of "strengths"	**WO strategy: Mini-Maxi** e.g., Developmental strategy to overcome weaknesses in order to take advantage of opportunities	**WT strategy: Mini-Mini** e.g., **retrenchment**, liquidation, or joint venture to minimize both weaknesses and threats

TOWS Matrix

WT strategy: Mini-Mini

RETRENCHMENT STRATEGY

A strategy used by corporations to reduce the diversity or the overall size of the operations of the company.

This strategy is often used in order **to cut expenses** with the goal of becoming a **more financial stable business**.

Typically the strategy involves withdrawing from certain markets or the discontinuation of selling certain products or service in order to make a beneficial turnaround.

Story of an apple

TOWS Matrix

Strategies Combining STRENGTHS + OPPORTUNITIES (SO)

Apple has strong brand awareness and loyalty from its customers.
It also has strong capabilities in product design and aesthetics.

- Combining these factors (which are internal **strengths**) with the growing popularity of touchscreen smartphones (a good market **opportunity**) is what led to the launch of the first iPhone.
- This was, of course, an immediate and massive hit, breaking various records for phone sales at the time.

TOWS Matrix

Strategies Combining STRENGTHS + THREATS (ST)

- Some of the core **strengths** of Apple are its product design and strong brand loyalty which it commands from its consumers. It has taken advantage of these strengths to push the use of its proprietary lighting cable connection on iPhones and iPads. This boosts its revenue while most other phone manufacturers have already adopted Type C as a standard connection for their devices.

- However, Apple faces a **threat** in some markets like the European Union where the **local regulators are pushing** for the company **to also adopt Type C** in its devices to reduce unnecessary electronic waste. Adopting the Type-C standard might potentially lead to a partial loss of revenue for the company. However, by properly using its strength in product design and capitalizing on brand loyalty, a sizable portion of its consumers will continue to buy Apple's Type C charger rather than cheaper alternatives.

TOWS Matrix

Strategies Combining WEAKNESSES + OPPORTUNITIES (WO)

Apple typically has a comparatively smaller product portfolio compared to its competitors, and this is one of its few **weaknesses** (although this may be arguable).

- When new opportunities arise in the market in the form of the latest trends, Apple is not always the quickest to capitalize on it. However, the company has still made good use of WO strategies in its ascent to commercial success.
- The wearables sector first started gaining traction in 2010 and this represented a strong market **opportunity**. Competitors like Google, Samsung, Motorola had all launched gadgets in this space in the next few years and were seeing returns. Apple then overcame its weakness and entered this market with its Apple Watch in 2015, which proved to be a success.

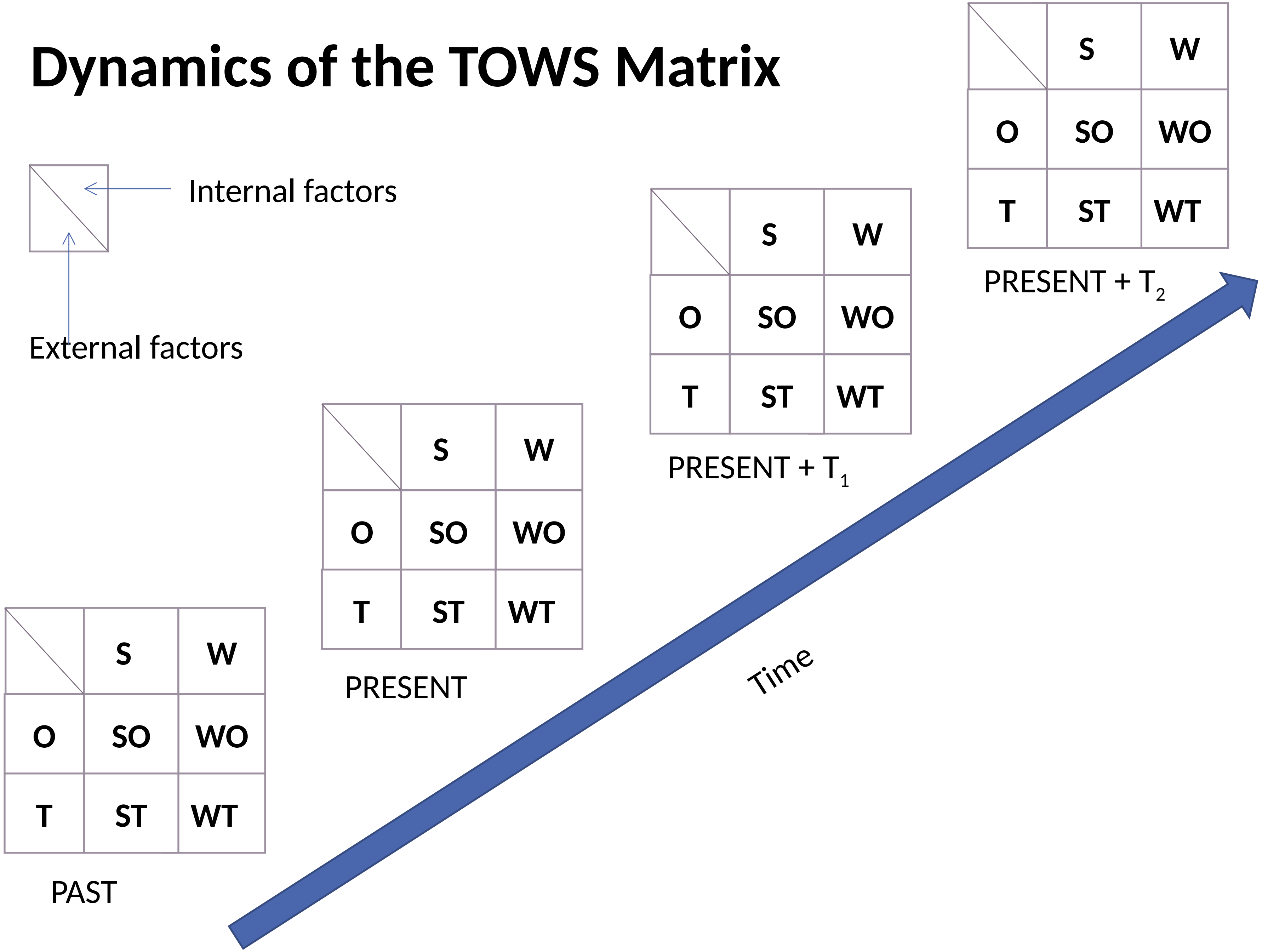
TOWS Matrix

Strategies Combining WEAKNESSES + THREATS (WT)

Apple has been in the digital media sector since the launch of its Apple TV device in 2007.

- However, despite updating this device over the years with several upgraded versions, it was not a commercial success.
- The **weakness** it had in this area was mainly due to limited functionality and interconnectivity compared to competing products like Roku or Fire Stick.
- This was because you needed to already be in the Apple ‘ecosystem’ to make full use of the device.
- At the same time, the **threat** in the digital media space was growing day by day with more and more streaming service launches.
- The introduction and launch of its own streaming service (Apple TV+) is a WT strategy. This is because it helps the company reduce its weakness and overcome the growing threat to a certain extent..

Dynamics of the TOWS Matrix



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Business Portfolio Analysis

The Business Portfolio Matrix or the Growth-Share Matrix was developed by

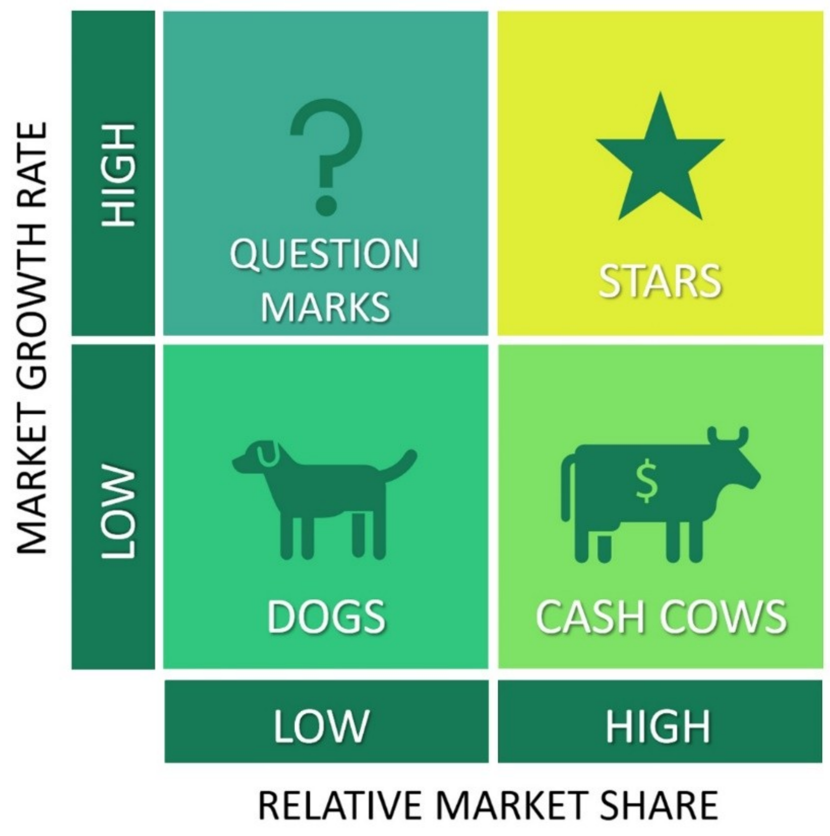
BOSTON CONSULTING GROUP (BCG) in 1970s.

OTHER NAMES

- **BCG MATRIX**
- **GROWTH-SHARE MATRIX**
- **BOSTON BOX**
- **PRODUCT PORTFOLIO MATRIX**

According to this technique,
businesses or products are classified as
low or high performers depending upon
their **MARKET GROWTH RATE** and **RELATIVE MARKET SHARE**.

Business Portfolio Analysis



Boston Consulting Group (BCG) Matrix grid is broken into two quadrants.

It has a four-cell matrix – **question mark, star, cash cow & dogs**

The Boston Consulting Group (BCG) growth/share matrix is among the best known approaches. It is one of the most renowned corporate portfolio analysis tool.

In the BCG approach, each of the firm's Strategic Business Units (SBUs) is plotted on a two-dimensional grid in which the axes are relative market share and industry growth rate.

Business Portfolio Analysis

According to the BCG Matrix, business could be divided into high or low depending upon their industry growth and relative market share.

Relative Market Share = SBU Sales this year / leading competitors sales this year.

Market Growth Rate = Industry sales this year - Industry Sales last year.

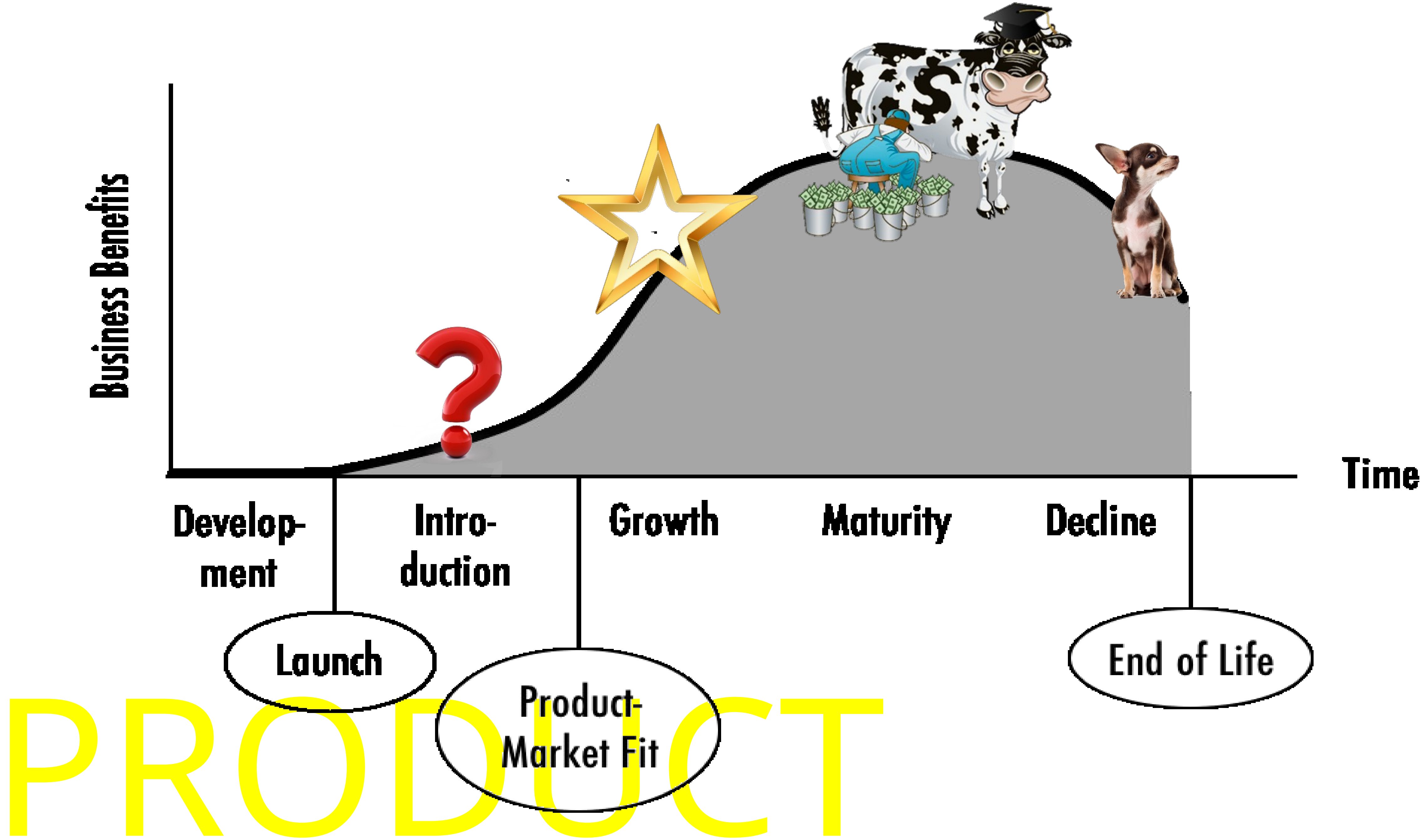
The analysis requires that both measures be calculated for each SBU. The dimension of business strength, relative market share, will measure comparative advantage indicated by market dominance. The key theory underlying this is existence of an experience curve and that market share is achieved due to overall cost leadership.

Business Portfolio Analysis

Why BCG Matrix?

To assess :

- Profiles of products/businesses
- The cash demands of products
- The development cycles of products
- Resource allocation and divestment decisions

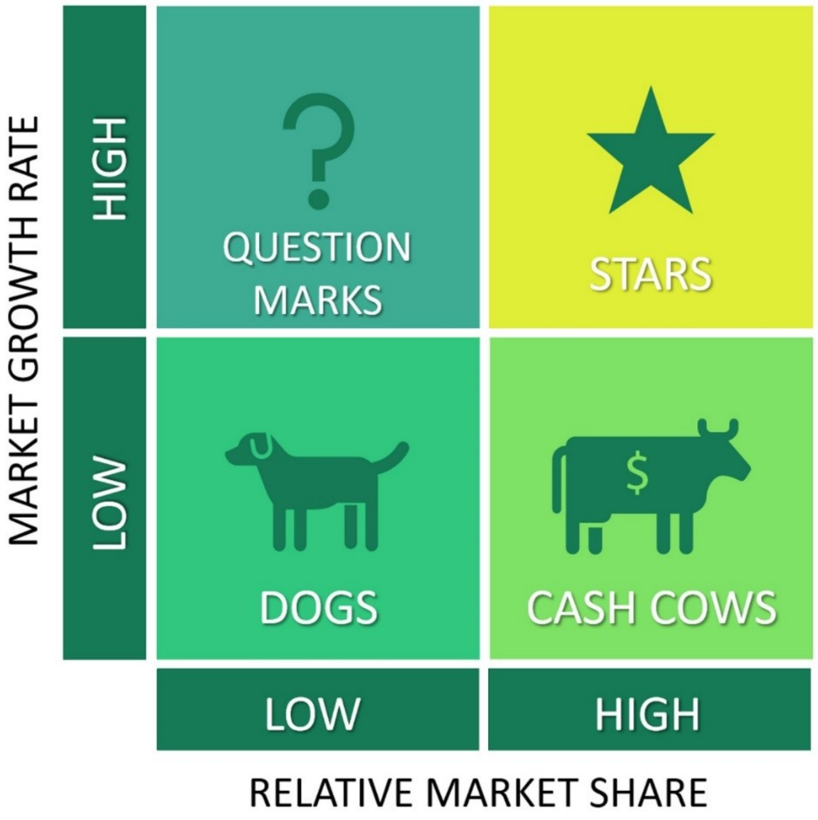

Business Benefits
Time
Develop-
ment
Intro-
duction
Growth
Maturity
Decline
Launch
Product-
Market Fit
End of Life
PRODUCT

Business Portfolio Analysis

Main Steps in BCG

1. Identifying and dividing a company into SBUs.
2. Assessing and comparing the prospects of each SBU according to two criteria :
   - ❑ SBUs relative market share.
   - ❑ Growth rate of SBUs industry.
3. Classifying the SBUs on the basis of BCG matrix.
4. Developing strategic objectives for each SBUs.

Business Portfolio Analysis…



QUESTION MARKS

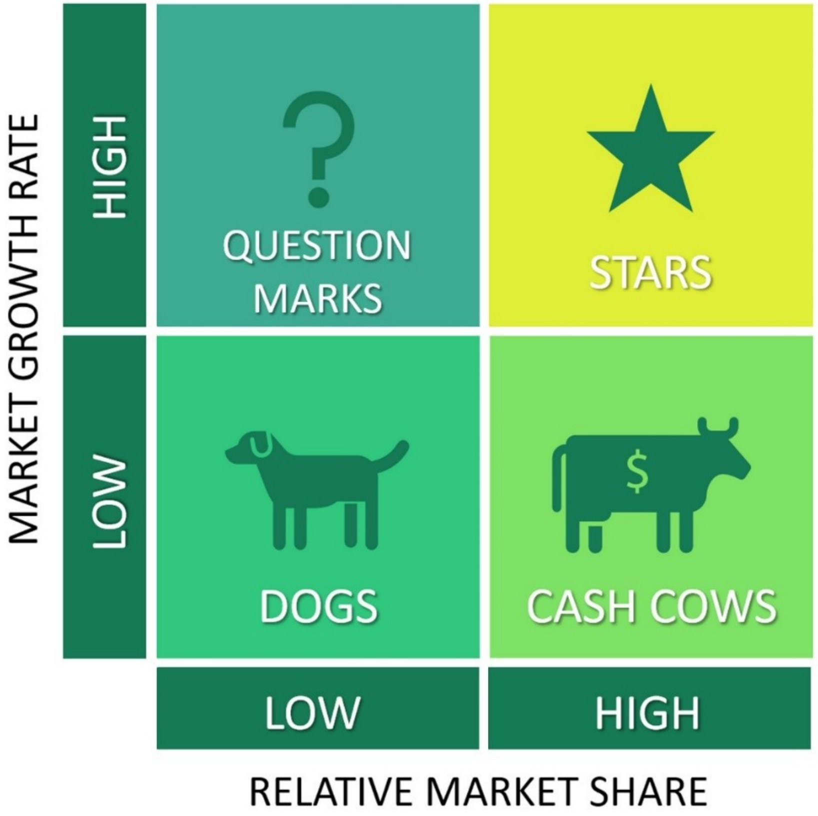
High growth, Low market share

- Most businesses start of as question marks.
- They will absorb great amounts of cash if the market share remains unchanged (i.e. low).

Why question marks?

- Question marks have potential to become star and eventually cash cow but can also become a dog.
- Investments should be high for question marks.

Business Portfolio Analysis…

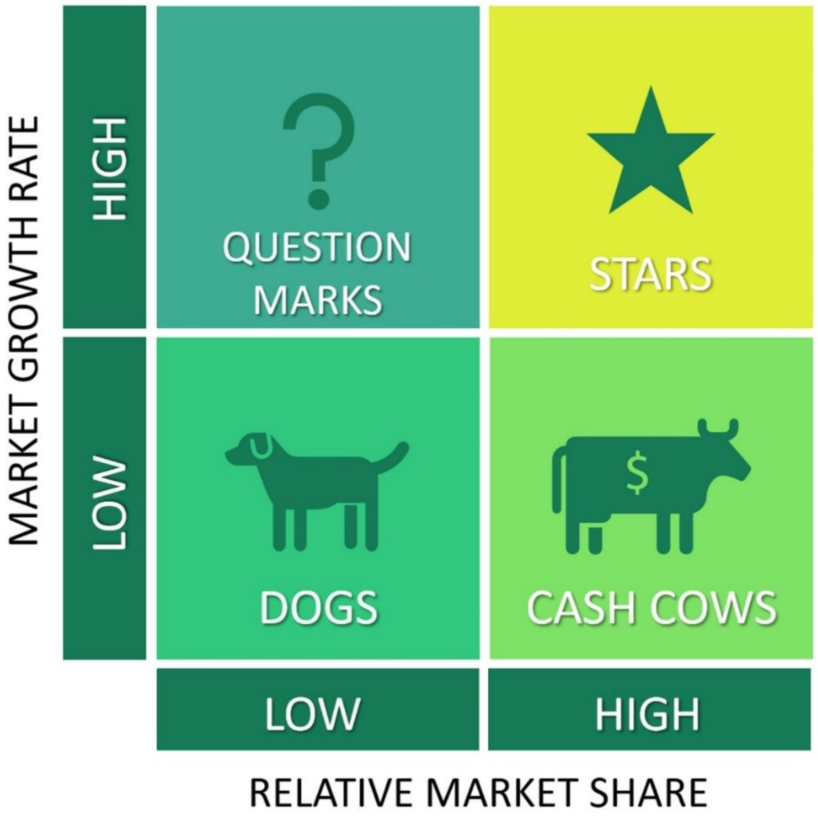


STARS

High Growth, High Market Share

- Stars are leaders in business.
- They also require heavy investment, to maintain its large market share.
- It leads to large amount of cash consumption and cash generation.
- Attempts should be made to hold the market growth otherwise the star will become a CASH COW.

Business Portfolio Analysis…

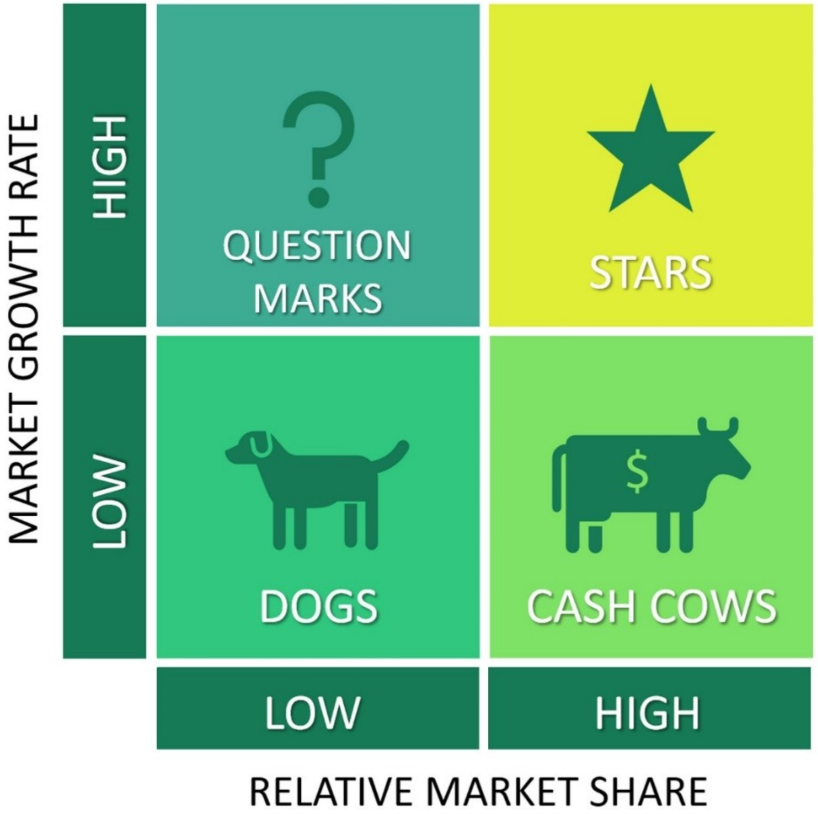


CASH COWS

Low growth , High market share

- They are foundation of the company and often the stars of yesterday.
- They generate more cash than required.
- They extract the profits by investing as little cash as possible
- They are located in an industry that is mature, not growing or declining.

Business Portfolio Analysis…

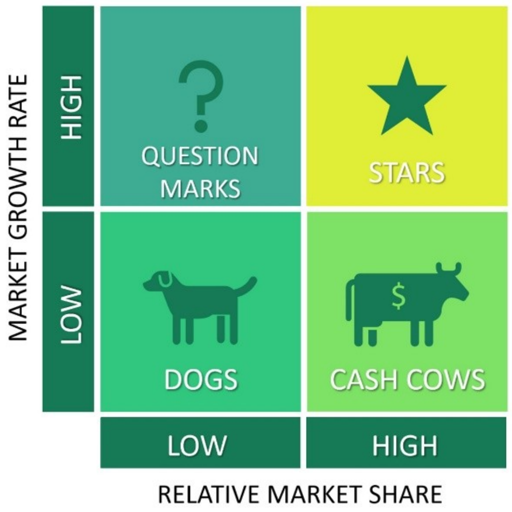


DOGS

Low growth, Low market share

- Dogs are the cash traps.
- Dogs do not have potential to bring in much cash.
- Number of dogs in the company should be minimized.
- Business is situated at a declining stage.

Business Portfolio Analysis…



Each of the four quadrants of the grid has different implication for the SBUs that fall into the category

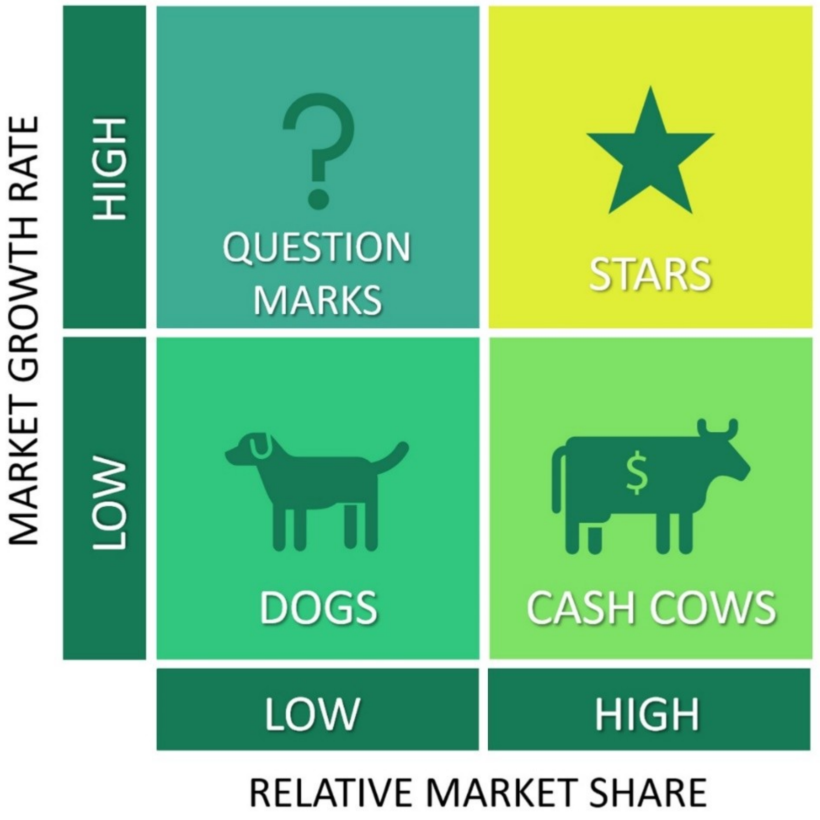
Question marks are SBUs competing in high-growth industries but having relatively weak market shares. Resources should be invested in them to enhance their competitive positions.

Dogs are SBUs with weak market shares in low-growth industries. Because they have weak position and limited potential, most analysts recommend that they be divested.

Stars are SBUs competing in the high-growth industries with relatively high market shares. These firms have long-term growth potential and should continue to receive substantial investment funding.

These are SBUs with high market shares in low-growth industries. These units have limited long-run potential but represent a source of current cash flows to fund investments in “stars” and “question marks”.

APPLICATIONS OF BCG MATRIX



BCG Matrix application

The **BCG Matrix** method can help to understand a frequently made strategy mistake: having a one size fits all strategy approach, such as a generic growth target or a generic return on capital for an entire corporation.

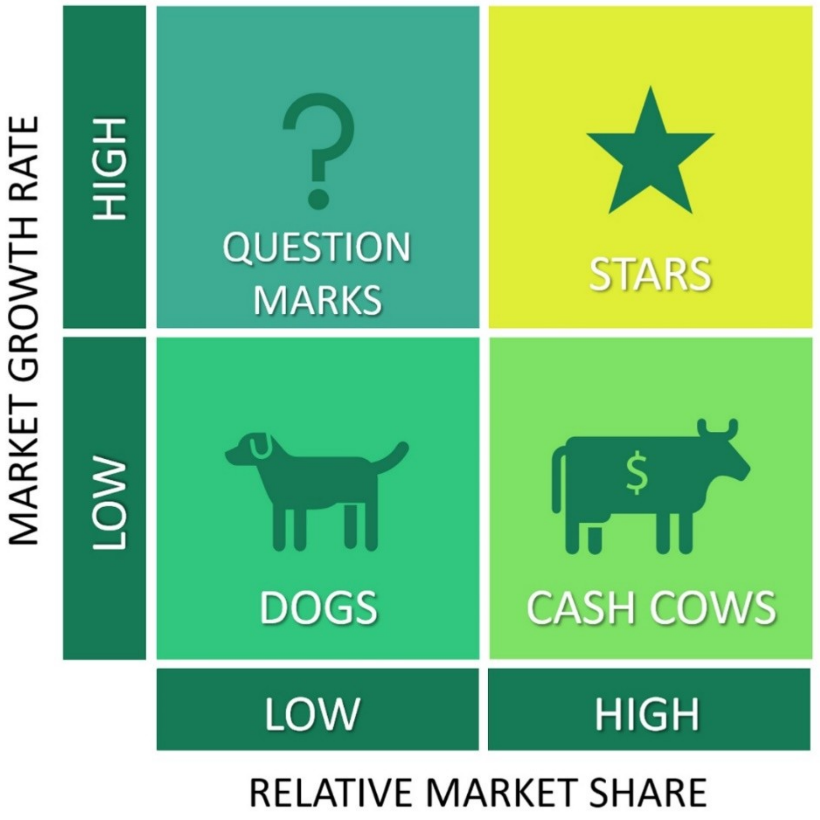
Cash Cows Business Units will reach their profit target easily. Their management have an easy job. Even worse, they are often allowed to reinvest substantial cash amounts in their mature businesses

Dogs Business Units are fighting an impossible battle and, even worse, now and then investments are made. These are hopeless attempts to "turn the business around"

As a result all **Question Marks** and **Stars** receive only mediocre investment funds. In this way they can never become **Cash Cows**. Inadequate invested sums of money are a waste of money

Either these SBUs should receive enough investment funds to enable them to achieve a real market dominance and become **Cash Cows (or Stars)**, or otherwise companies are advised to disinvest. They can then try to get any possible cash from the **Question Marks** that were not selected

BENEFITS
OF BCG MATRIX



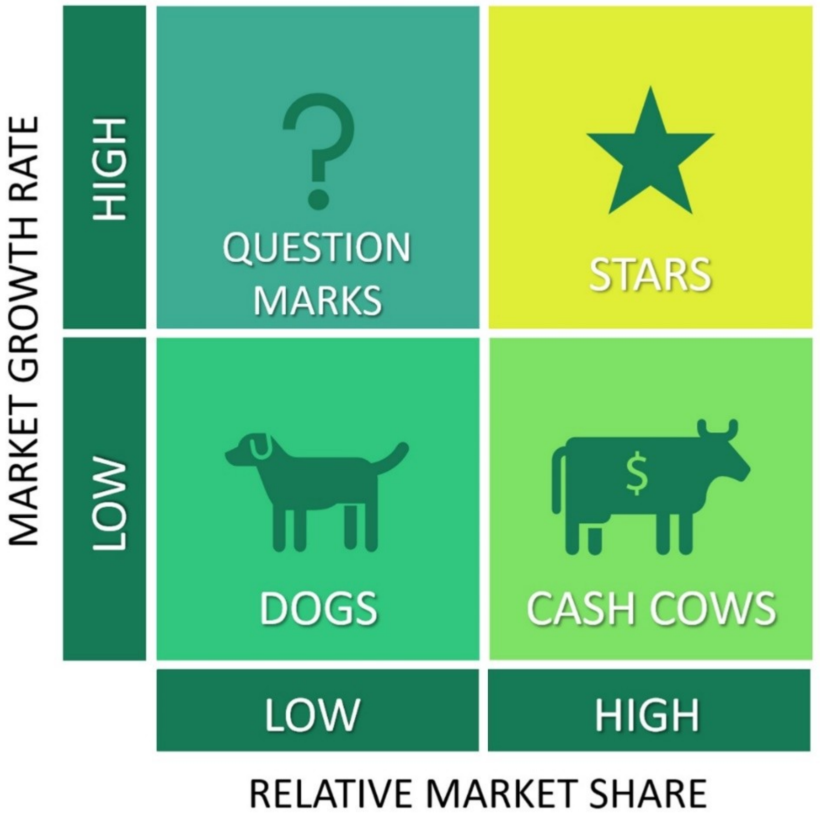
BCG Matrix Benefits

BCG MATRIX is simple and easy to understand.

It helps you to quickly and simply screen the opportunities open to you, and helps you think about how you can make the most of them.

It is used to identify how corporate cash resources can best be used to maximize a company’s future growth and profitability.

LIMITATIONS OF BCG MATRIX

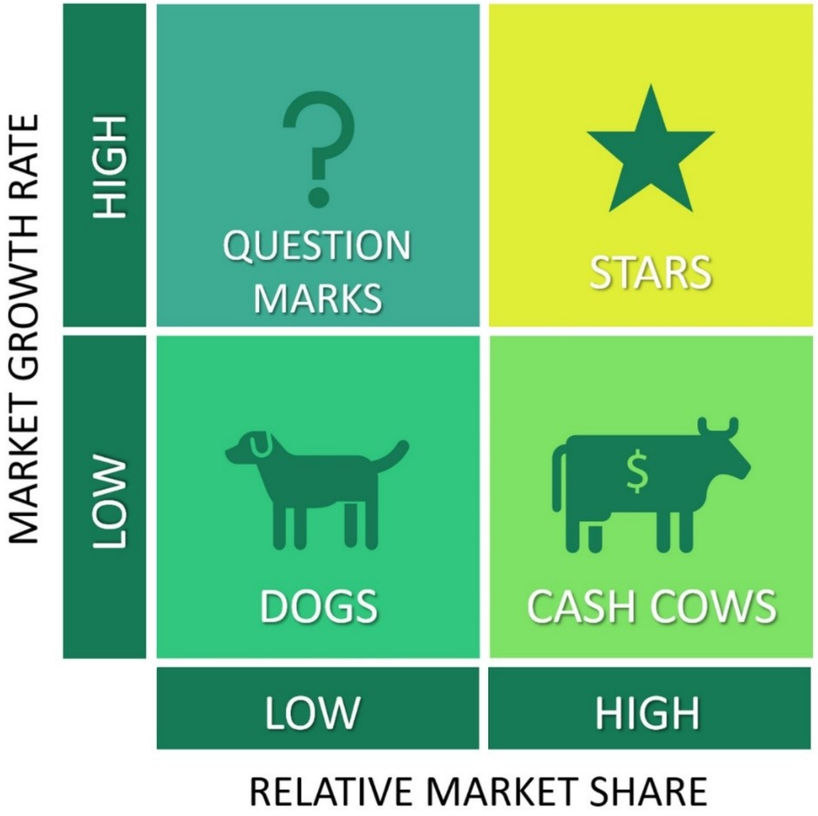


Limitations

- BCG matrix uses only two dimensions: **Relative Market Share** and **Market Growth Rate**
- Problems arise while getting data for market share and market growth
- High market share does not mean profits all the time
- Business with low market share can be profitable too
- It neglects the effects of **synergy** between business units
- Market growth is not the only indicator for attractiveness of a market
- There is no clear definition of what constitutes a “market”
- The model neglects small competitors that have fast growing market shares

STATUS	COMPANIES				
	Hindustan Unilever Limited	ITC Enduring Value	Nestle	Dabur	P&G
Cash-Cow	AXE, Vaseline, Petroleum Jelly	Cigarettes	Cerelac	Chayawanprash, Vatika Amla, Hajmola	Ariel, Vicks, Tide
Star	Lux, Sun-Silk, Fair& Lovely, Ponds, Kissan Ketchup, Surf-Excel, Annapurna Atta	Paperbroards/ Packaging, Agri-Business	Nescafe, Maggi Noodles	Real Fruit Juice, Active Fruit Juice, Dabur Red Toothpaste	Gillette, Pantene, Head & Shoulders, Pamper, Whisper
Question	Rin, Pepsodent, Domex	Automotive, Furniture, Financial, Tobacco, Food	Milo, Kit-Kat, Munch, Maggi Soup, Nestle Butter, Nesvita, Nestle Maggi Ketchup.	Odomos, Sanifresh, Oxylife Facial	Olay
Dog	Wheel	ITC InfoTech	Nestea, Milkybar	Dabur Gulabari, Burst Fruit Juice	

Business Portfolio Analysis…



Four strategies emerged from BCG Matrix:

- Build/Grow
- Hold/Maintain
- Harvest
- Divest

Growth Strategies…

- Direct Expansion
  - Involves increasing a company's size, revenues, operation, or workforce.
- Merger
  - Occurs when two companies, usually of similar size, combine their resources to form a new company.
- Acquisition
  - Occurs when a larger company buys a smaller one and incorporates the acquired company's operations into its own.

TOOLS TO DEVELOP STRATEGY

These 5 strategy development tools are related but distinct. Managers can use any of the tool or a combination of tools that seem most appropriate for them and their organizations.

01 CRITICAL QUESTION ANALYSIS

02 BLUE OCEAN STRATEGY

03 SWOT ANALYSIS & TOWS MATRIX

04 BUSINESS PORTFOLIO ANALYSIS

05 PORTER'S GENERIC MODEL

COMPETITIVE ADVANTAGE

What makes the Company "Strong"?

COSTS | DIFFERENTIATION

MARKET SCOPE

What part of the Market is being targeted?

ENTIRE

COST LEADERSHIP

DIFFERENTIATION LEADERSHIP

A SEGMENT

FOCUS

COST FOCUS

DIFFERENTIATION FOCUS

The two basic types of **COMPETITIVE ADVANTAGE** combined with the **MARKET SCOPE** of a firm, lead to three generic strategies for achieving average performance in an industry:

LONG RUN

is SUSTAINABLE COMPETITIVE ADVANTAGE...

1 COST LEADERSHIP

2 DIFFERENTIATION &

3 FOCUS

- cost focus
- differentiation focus

antage a firm can possess:

TION

पैसा कैसे कमाते रहें?

Overall Cost leadership strategy

- An organization implementing an overall cost leadershi attempts **to gain a competitive advantage by reducing its co costs of competing firms**.
- Such organizations keep a close watch on costs in areas suc and development, sales and services.
- *<u>By keeping costs low, the organization is able to sell its produ prices and still make a profit.</u>*

Example: Timex. For decades, this firm has specialized in manufacturing relatively simple, low cost watches for the mass market.

Differentiation strategy

- An organization that pursues a differentiation strategy seeks to *distinguish from competitors by offering something unique through the quality of products or services.*
- Firms that are successfully able to implement a differentiation strategy are able to charge more than competitors because customers are willing to pay more to obtain the extra value they perceive.

Example: **ROLEX WATCHES** are handmade of gold and stainless steel and are subjected to strenuous tests of quality and reliability. **PORSCHE SPORTS CAR** are indeed special; so is the **CATERPILLAR COMPANY**, which is known for its prompt service and availability of spare parts. The firms reputation enables it to charge thousands of dollars for its products.

Focused Strategy

- A company adopting a focused strategy ***concentrat***
regional market, product line, or group of b
- This strategy may have either a differentiation focus, differentiates its products in the focus market, o leadership focus, whereby the firm manufactures and s low cost in the focus market.

Example: In the watch industry, **LONGINES** follows a focus differentiation strategy by selling highly jeweled watches to wealthy female customers.

FISHER-PRICE uses focus differentiation strategy to sell electronic calculators with large, bright colored buttons to the parents of preschoolers.

Onl

FOR YOUR READING
&
BETTER UNDERSTANDING

A company that tries to engage in each generic strategy but fails to achieve any of them, is considered ‘stuck in the middle’.

STUCK IN THE MIDDLE

Such a company has no competitive advantage regardless of the industry it is in. As a matter of fact, such a company will compete at a disadvantage because the ‘cost leader’, the ‘differentiators’ and the ‘focusers’ in the industry will be better positioned to compete.

It may be the case, however, that a company that is stuck in the middle still earns interesting profits simply because it is operating in a highly attractive industry or because its competitors are stuck in the middle as well.

ESSENTIALS OF MANAGEMENT

CHAPTER 3

NATURE OF ORGANIZING

CHAPTER 3
NATURE OF ORGANIZING

Process
Urwick's Principles of Organizing

Span of Management
Factors Affecting the Span

Various Methods of Departmentation

Line and Staff Concepts
(Line, Staff and Functional Staff authority)

Delegation - Definition
Principles and Steps

What is an Organization?

Organization refers to a collection of people, who are involved in pursuing defined objectives.

The organization encompasses division of work among employees and alignment of tasks towards the ultimate goal of the company.

It can also be referred as the second most important managerial function, that coordinates the work of employees, procures resources and combines the two, in pursuance of company’s goals.

Importance of Organizations

- Bring together resources to achieve desired goals
- Produce goods and services efficiently
- Facilitate innovation
- Use modern manufacturing & information technologies
- Adapt to and influence a changing environment
- Create value for owners, customers and employees
- Accommodate ongoing challenges of diversity, ethics etc
- motivation and coordination of employees

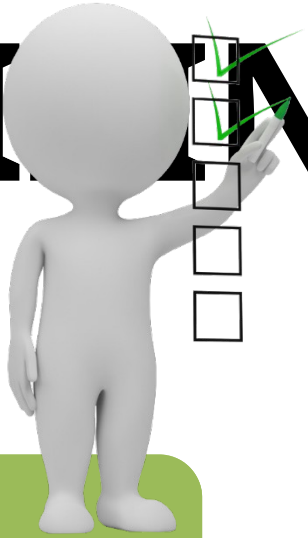
Nature and Purpose of Organizing

- Verifiable objectives.
- A clear idea of the major duties and activities involved.
- An understood area of discretion or authority so that the person filling the role knows what he can do to accomplish goals.

ORGANIZATION IMPLIES

A FORMALIZED, INTENTIONAL INTERNAL STRUCTURE OF ROLES AND POSITIONS

4 STEPS IN ORGANIZING PROCESS

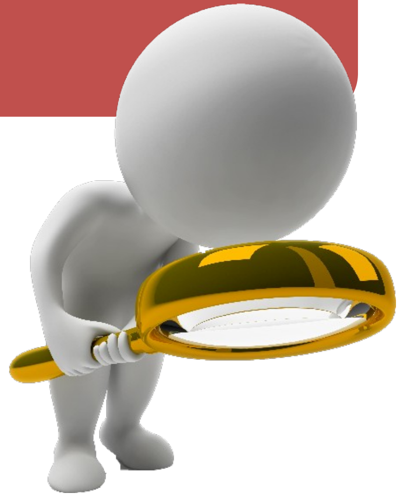


1 IDENTIFICATION OF ACTIVITIES OF THE ORGANIZATION

2 ORGANIZING THE ACTIVITIES

3 CLASSIFICATION OF THE AUTHORITY

4 BUILDING RELATIONSHIP BETWEEN AUTHORITY AND RESPONSIBILITY



FORMAL AND INFORMAL ORGANIZATION

Formal Organization means the intentional structure of roles in a formally organized enterprise.

Informal Organization is a network of personal and social relations not established/required by the formal organization but arising spontaneously as people associate with one another.

FORMAL AND INFORMAL ORGANIZATION

Formal Organization

This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility.

It is a conscious determination by which people accomplish goals by adhering to the norms laid down by the structure.

This kind of organization is an arbitrary set up in which each person is responsible for his performance.

Formal organization has a formal set up to achieve pre-determined goals.

FORMAL AND INFORMAL ORGANIZATION

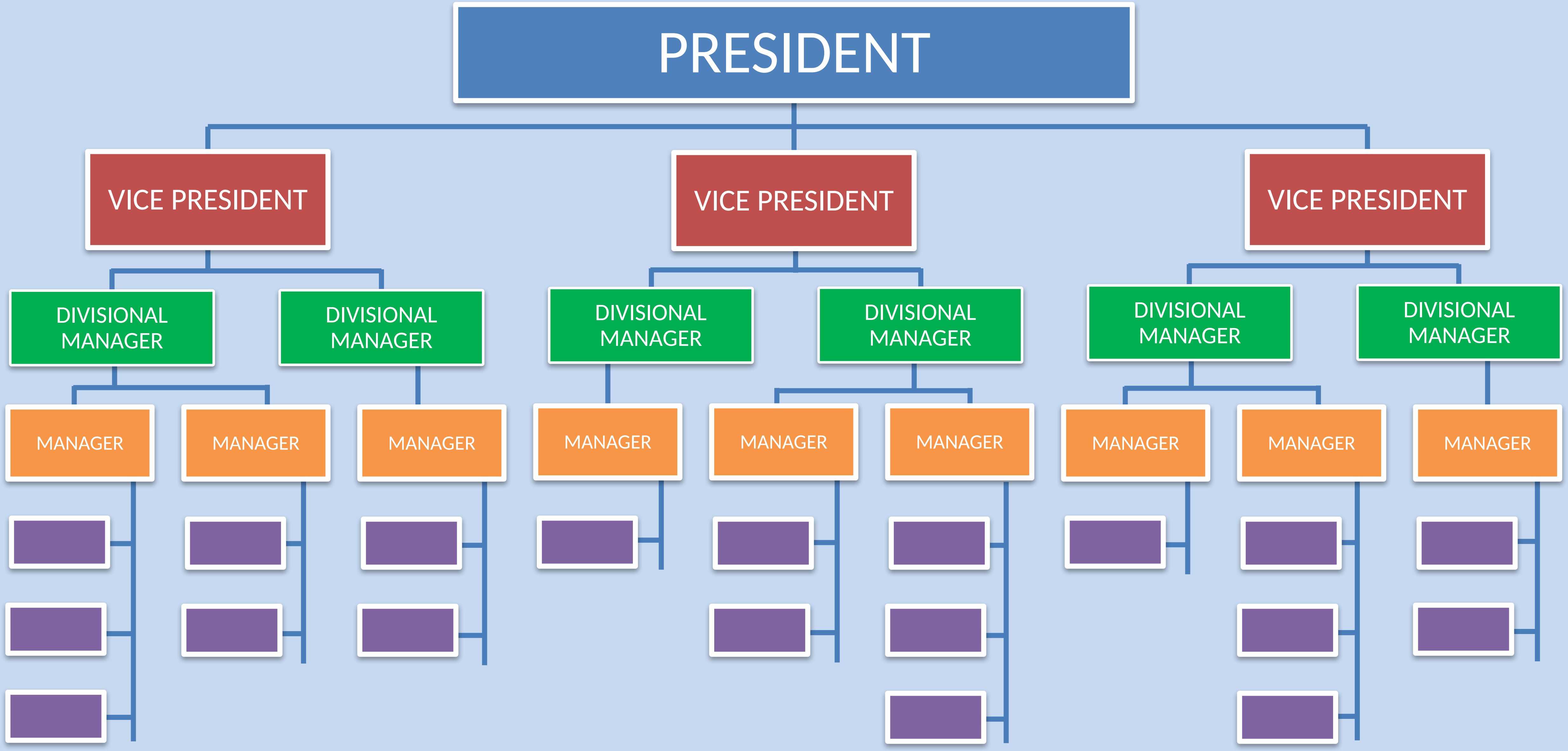
Informal Organization

It refers to a network of personal and social relationships which **spontaneously originates within the formal set up**.

Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations.

There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

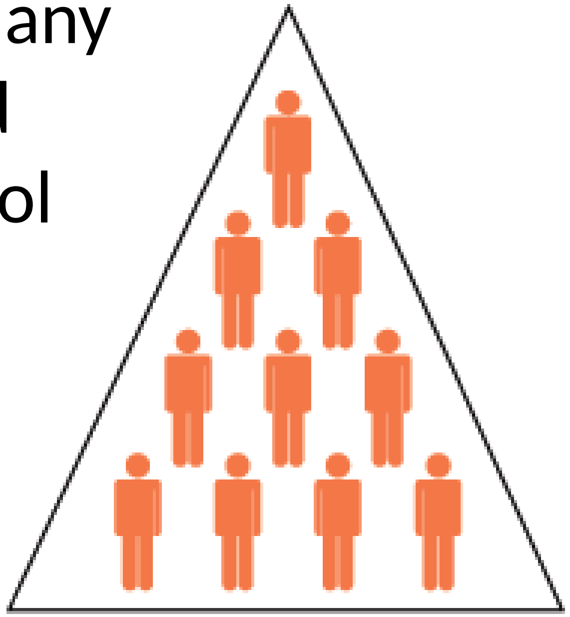
FORMAL ORGANZATION



Formal organization	Informal organization
1. Designed and created by the top management	1. Comes up on its own
2. Planned one	2. Not a planned one, it is created spontaneously
3. Authority and responsibility are fixed and defined	3. Authority is generally based on personal acceptance.
4. Requires an office to function	4. Functions through people.
5. Is rigid, definite, and has a written constitution	5. Is flexible and has no such fixed Rigid, written constitution.

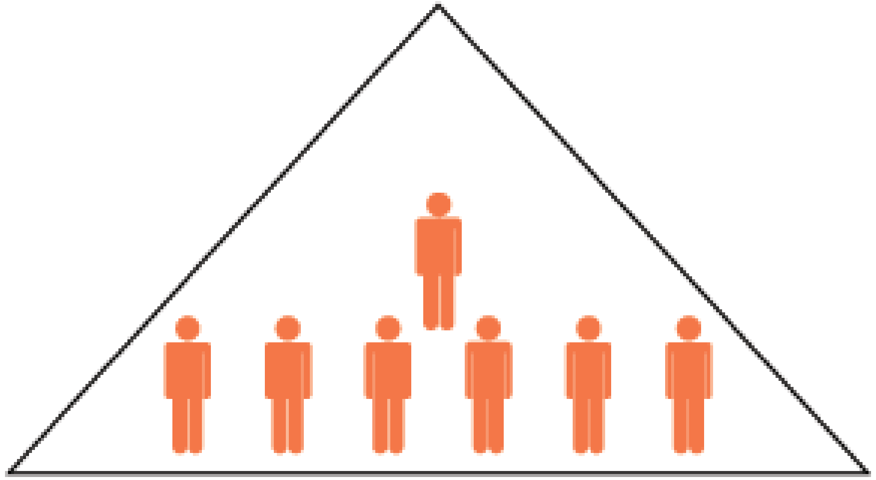
TALL AND FLAT ORGANIZATIONS

Tall structures have many levels of authority and narrow spans of control



Organisation A

Flat structures have fewer levels and wide spans of control



Organisation B

SPAN OF CONTROL

Refers to the number of subordinates who report directly to an executive or supervisor.

The differences in the span of control have direct implications on the shape of the organization.

TO BE EFFECTIVE…

Organizations must find the optimal span of control

- **Narrow** enough to permit managers to **MAINTAIN CONTROL OVER SUBORDINATES**
- **Wide** enough so that the possibility of **MICROMANAGING (INTERFERING) IS MINIMIZED**

FACTORS EFFECTING
SPAN OF CONTROL

The OPTIMAL SPAN OF CONTROL is dependent on the following 8 factors

- SUBORDINATES TRAINING
- DELEGATION OF AUTHORITY
- PLANNING
- RATE OF CHANGE
- COMMUNICATION TECHNIQUES
- KIND OF ACTIVITY
- KIND OF ORGANIZATION
- ORGANIZATION LEVEL

COMPARISION OF WIDE AND NARROW SPAN OF CONTROL

WIDE SPAN OF CONTROL
No. of employees per manager is high.

PROS
- Quick decision making
- Bureaucracy is reduced
- Development of lower level.
- Coordination is easy
- Reduced cost of competition
- Employee do all tasks
- Manager feel motivated

CONS
- Manager under pressure
- Technological Factors becomes hurdle
- Chances of chaos in large team
- More view point in larger team
- Chances of overseeing some issue

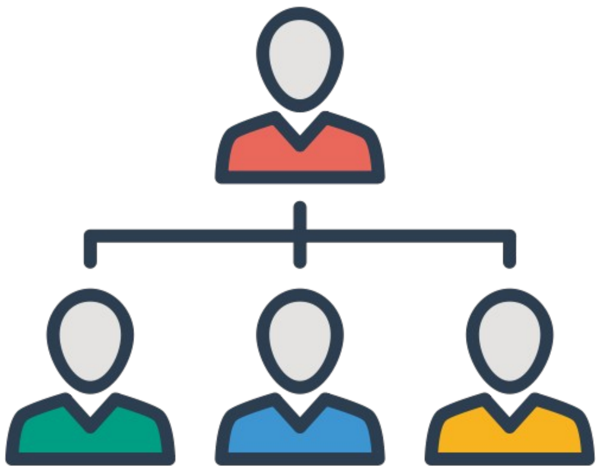
NARROW SPAN OF CONTROL
No. of employees per manager is low.

PROS
- Personal contact to employees
- Petty organized team structure
- Benefit of specialization

CONS
- Salaries of manager are high
- Communication becomes difficult
- More bureaucracy

Proximity of Subordinates
Job Complexity, Employee Ability, Similarity of Suborder job, Managerial Ability, Technology.

TEN PRINCIPLES OF ORGANIZING BY URWICK



Lyndall Urwick

Businessperson

Lyndall Fownes Urwick MC was a British management consultant and business thinker. He is recognized for integrating the ideas of earlier theorists like Henri Fayol into a comprehensive theory of management administration. He wrote an influential book called The Elements of Business Administration, published in 1943.

10 Principles of ORGANIZING (Urwick)

1. Principle of Unity of Objectives
2. Principle of Organizational Efficiency
3. Principle of Specialization
4. Principle of Span of Management
5. Principle of Scalar Chain
6. Principle of Unity of Command
7. Principle of Delegation
8. Principle of Parity of Authority and Responsibility
9. Principle of Flexibility
10. Principle of Functional Definition

10 Principles of ORGANIZING (Urwick)

1. PRINCIPLE OF UNITY OF OBJECTIVES

An organization structure is effective if it enables individuals to contribute to enterprise objectives.

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

10 Principles of ORGANIZING (Urwick)

2. PRINCIPLE OF ORGANIZATIONAL EFFICIENCY

An organization is efficient if it is structured to aid the accomplishment of enterprise objectives with a minimum of unsought consequences or costs.

10 Principles of ORGANIZING (Urwick)

3. PRINCIPLE OF SPECIALIZATION

The whole work should be divided amongst the subordinates on the basis of qualifications, abilities, and skills.

10 Principles of ORGANIZING (Urwick)

4. PRINCIPLE OF SPAN OF MANAGEMENT

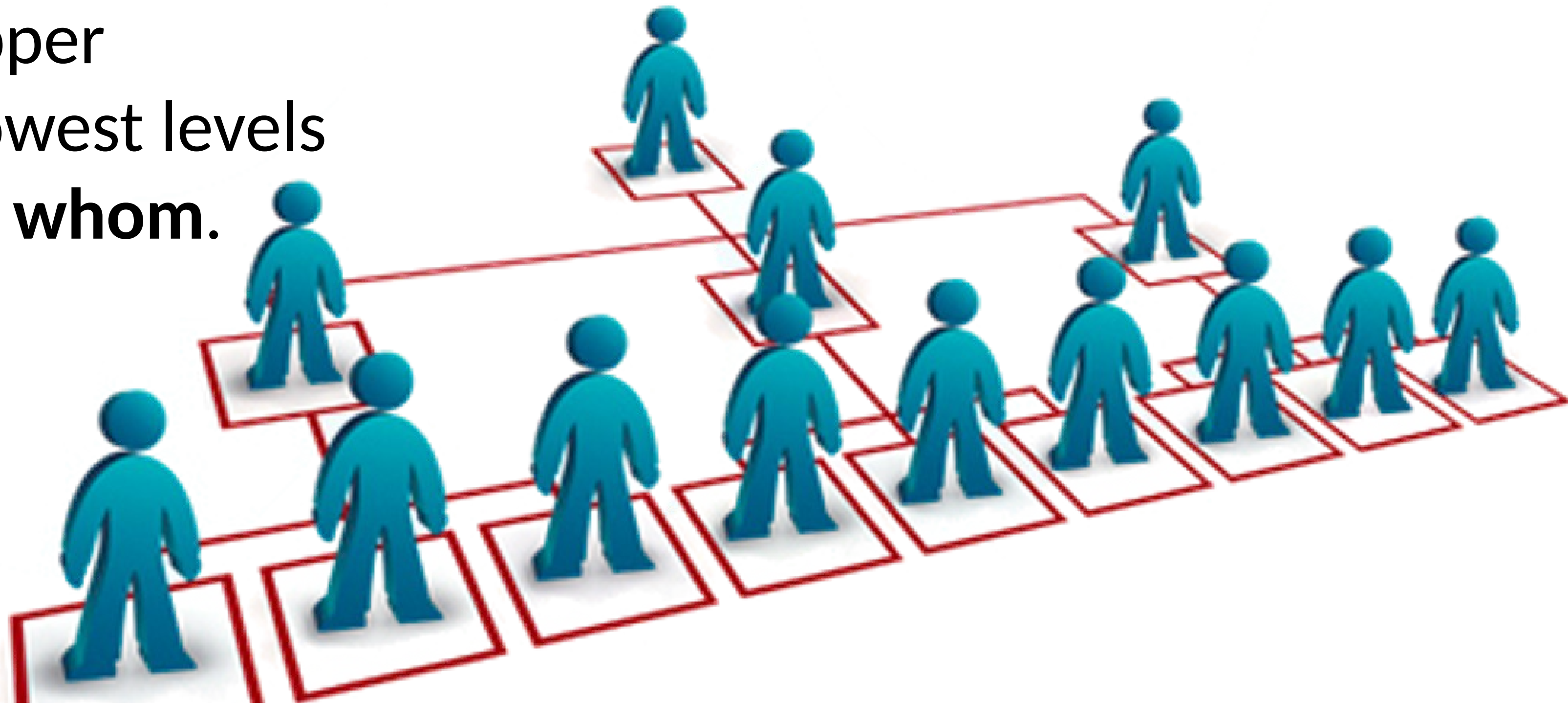
The number of persons an individual can efficiently and effectively manage is referred to as the span of management.

There is a limit to this number. The exact number will depend on the impact of underlying variables.

10 Principles of ORGANIZING (Urwick)

5. PRINCIPLE OF SCALAR CHAIN

A scalar chain is a chain of command or authority that flows from upper organizational level to the lowest levels and **clarifies who reports to whom**.



10 Principles of ORGANIZING (Urwick)

6. PRINCIPLE OF UNITY OF COMMAND

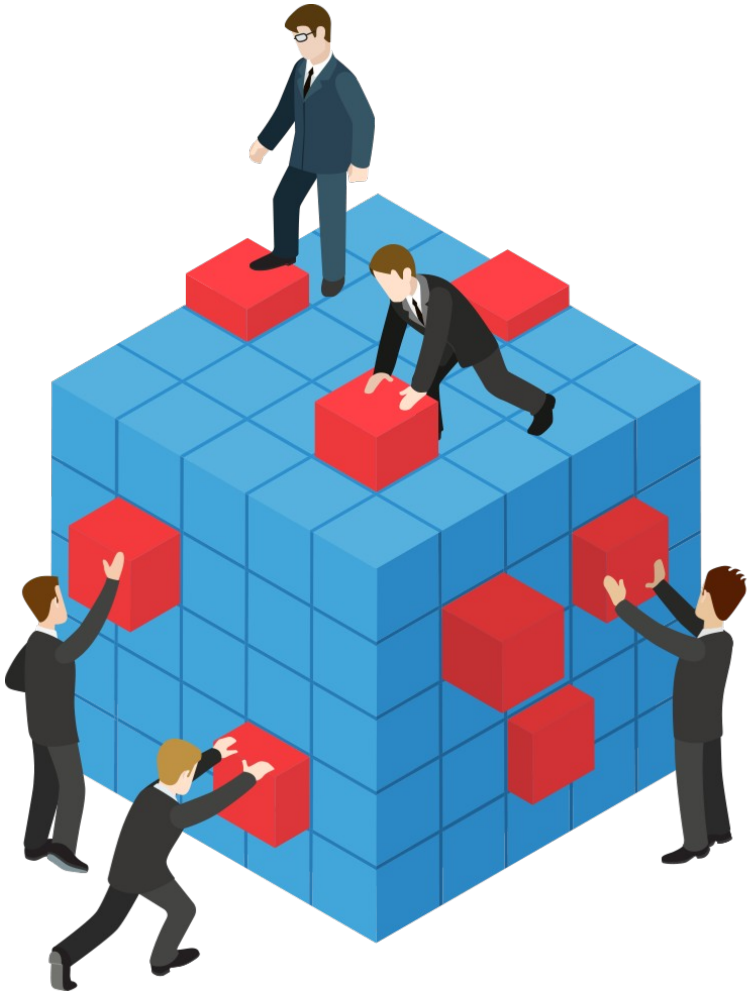
Every subordinate is answerable and accountable to one boss at one time.

10 Principles of ORGANIZING (Urwick)

7. PRINCIPLE OF DELEGATION

The authority must be delegated as far down in the organization as possible.

Adequate authority should be delegated to all individuals so that they accomplish the results expected.



10 Principles of ORGANIZING (Urwick)

8. PRINCIPLE OF PARITY OF AUTHORITY AND RESPONSIBILITY

The responsibility for actions cannot be greater than that implied by the authority delegated, nor should it be less.

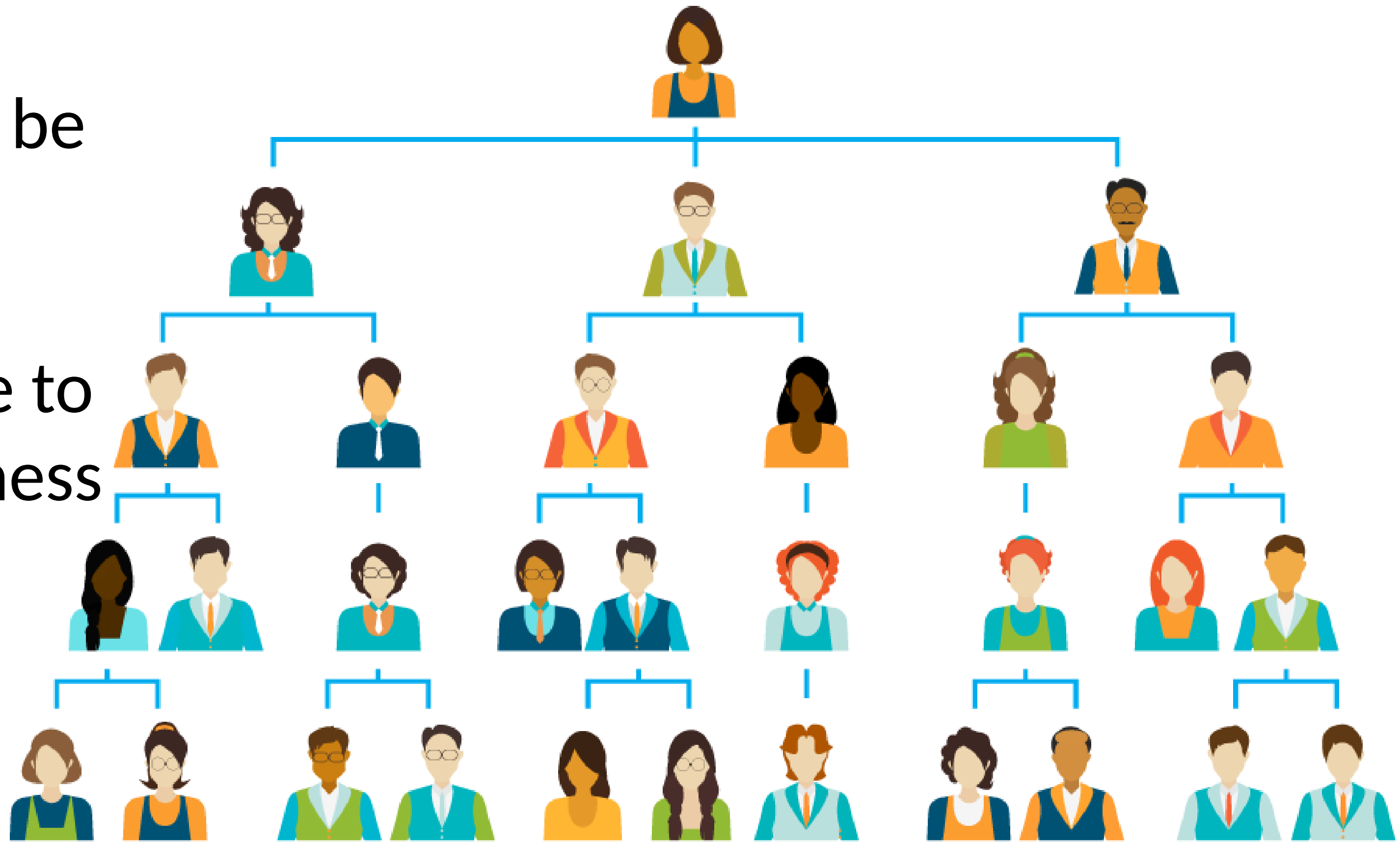
The responsibility of subordinates to their superiors for performance is absolute, and superiors can't escape responsibility for the organizational activities of their subordinates.

10 Principles of ORGANIZING (Urwick)

9. PRINCIPLE OF FLEXIBILITY

The organizational structure must be simple to understand and flexible.

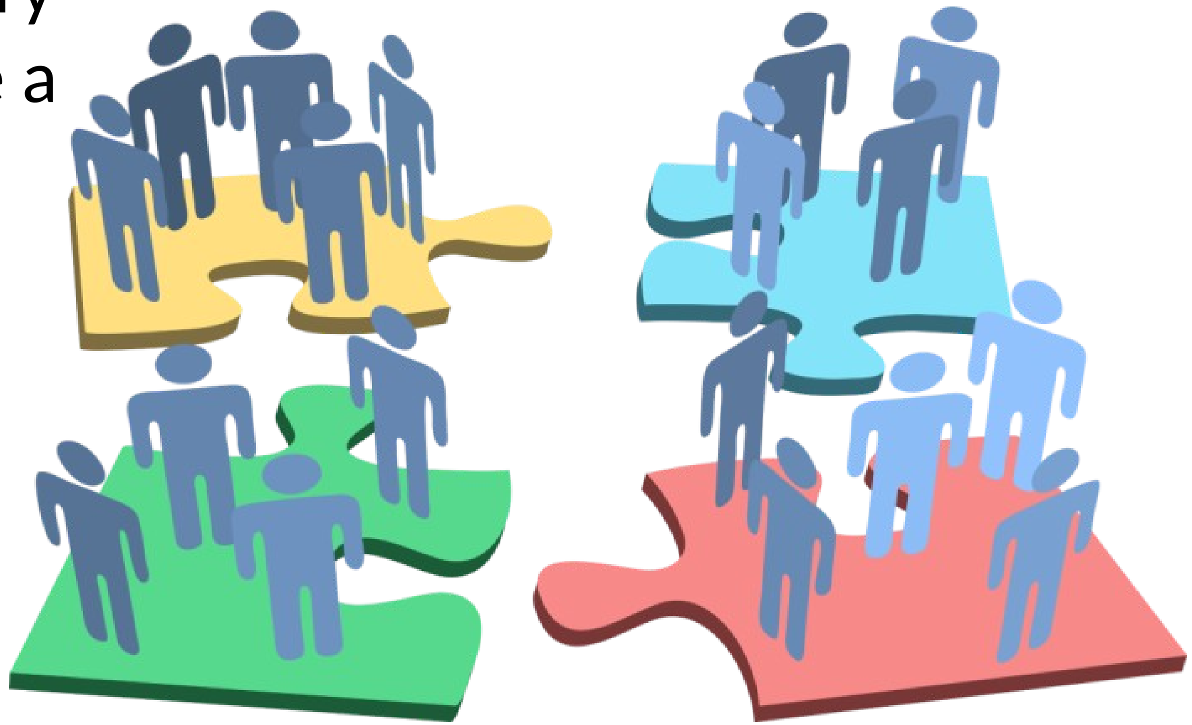
The structure should be adaptable to the changes in the nature of business and technology and procedures.



10 Principles of ORGANIZING (Urwick)

10. PRINCIPLE OF FUNCTIONAL DEFINITION

Every position in an organization and every department in an organization must have a clear definition of the results expected, activities to be undertaken and authority delegated.



DEPARTMENTATION

ORGANIZATION STRUCTURE

THE FIRST STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to divide whole work into
a number of jobs
to ensure that
no important activity
is left out

THE NEXT STEP IN DESIGNING AN ORGANIZATION STRUCTURE

is to bring together
homogeneous jobs
into groups and
to decide their relation
to each other

THIS PROCESS IS KNOWN AS

DEPARTMENTATION

**it involves many decisions,
concerning a logical division of work to be done,
and leads to the establishment of
a number of manageable units.**

PATTERNS OF DEPARTMENTATION

1. Departmentation by Simple numbers
2. Departmentation by Time
3. Departmentation by Enterprise functions
4. Departmentation by Territory/Geography
5. Departmentation by Product
6. Process/Equipment Departmentation
7. Customer Departmentation
8. Matrix Departmentation

BY NUMBERS 1

This is a structural departmentation which include – grouping all persons who are to perform the same duties and functions and putting them together under the supervision of a manager.

Age old method and rapidly falling into disuse.

BY NUMBERS 1

Reasons for the DECLINE:

1. The technology is advancing very fast, demanding more specialized and different skills.
2. Groups composed of specialized personnel are more efficient than merely based on numbers.

It is useful only at the lowest level of the organization structure.

BY TIME 2

Oldest form structuring organization

Suitable for lower level of the organization

Grouping of activities according to basis of time

The use of shifts is common in many enterprise because normal workloads become insufficient and ineffective

E.g.: Hospital, Production facilities

BY TIME 2

ADVANTAGES	LIMITATIONS
• Services offered 24X7 instead of 8 hrs shift • Process need not be interrupted which needs a continuous cycle of operation • Expensive capital equipment can be used more than 8hrs/day • Students attending classes during the day's time can work in night shift to sustain their living.	• Supervising during night shift becomes difficult • There is fatigue factor, since it is difficult for most employees to change their biological clock • Having several shifts may cause problems with coordination and communication • Payment of overtime can increase the cost of production or services rendered.

BY FUNCTION

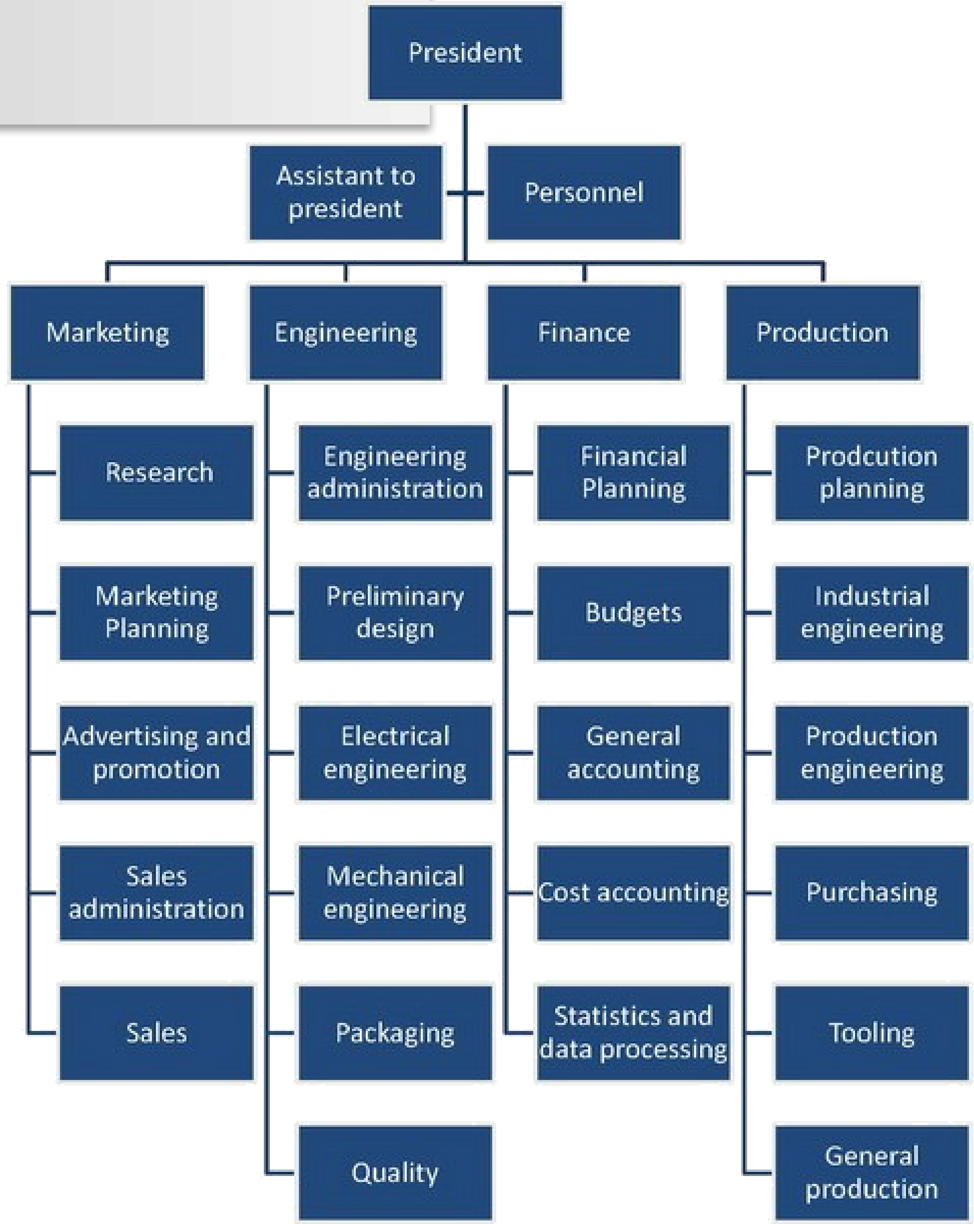
3

Functional departmentation

The most widely used form of departmentation

Groups activities by function—the jobs to be done.

Consistent with the idea of specialization and division of work, activities that are alike or similar are placed together in one department and under a single chain of command.

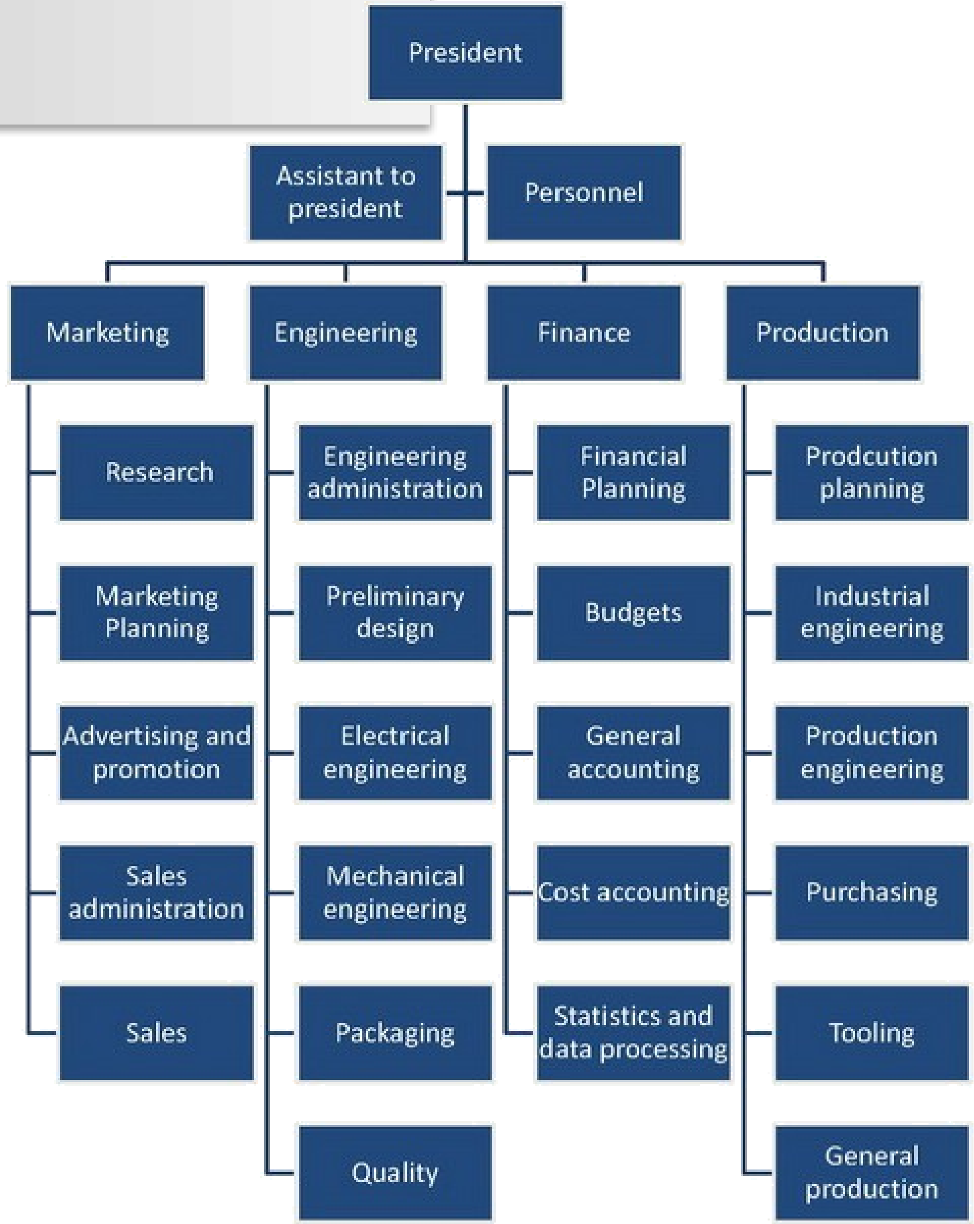


BY FUNCTION

3

Functional departmentation also **facilitates coordination** since a supervisor is in charge of one major area of activity.

It is easier to achieve coordination this way than to have the same functions performed in different departments under different supervisors.



BY FUNCTION

3

STRENGTHS	WEAKNESS
• Allows economies of scale within functional departments • Enables in-depth knowledge and skill development • Enables organization to accomplish functional goals • Is best with only one or a few products	• Slow response time to environmental changes • May cause decisions to pile on top, hierarchy overload • Leads to poor horizontal coordination among departments • Results in less innovation • Involves restricted view of organizational goals

BY TERRITORY / GEOGRAPHY 4

Geographical departmentation

Grouping activities on the basis of territory.

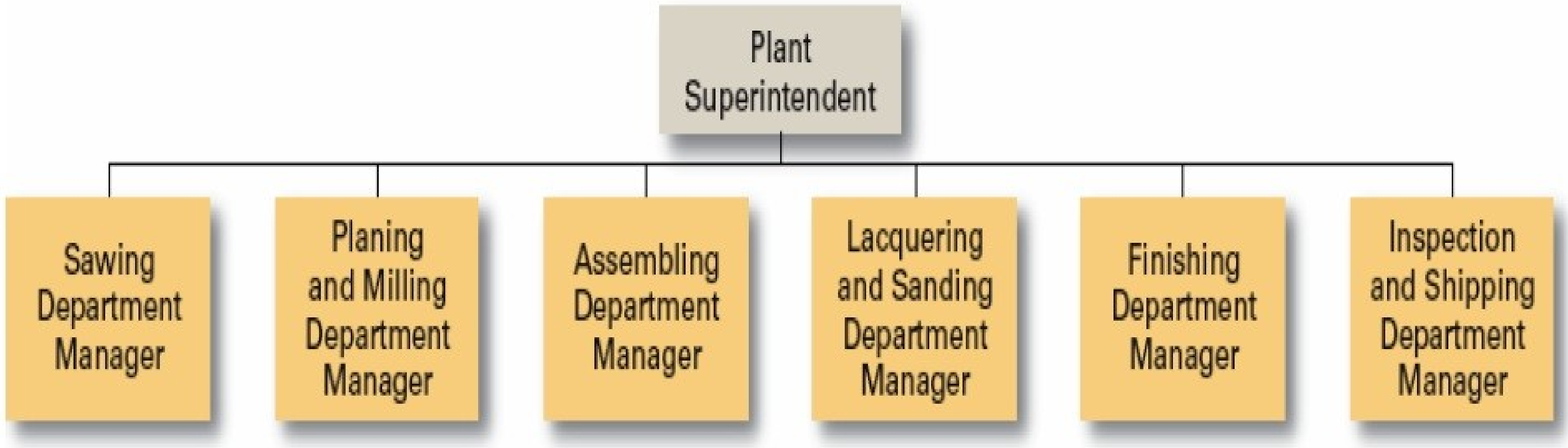
If an organization's customers are geographically dispersed, it can group jobs based on geography.

For example, Coca-Cola has reflected the company’s operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, Europe, Africa and Latin America groups.

BY TERRITORY / GEOGRAPHY 4

ADVANTAGES	LIMITATIONS
• Places responsibility at the lower levels. • Places emphasis on local markets & local problems. • Improves co-ordination in a region. • Takes advantages of economies of local operation. • Better face to face communication with local interests. • Furnishes measurable training ground for general managers.	• Requires more persons with G.M abilities. • Tends to make maintenance of economic central services difficult. • Increases problem of top management control.

BY PROCESS / EQUIPMENT 5



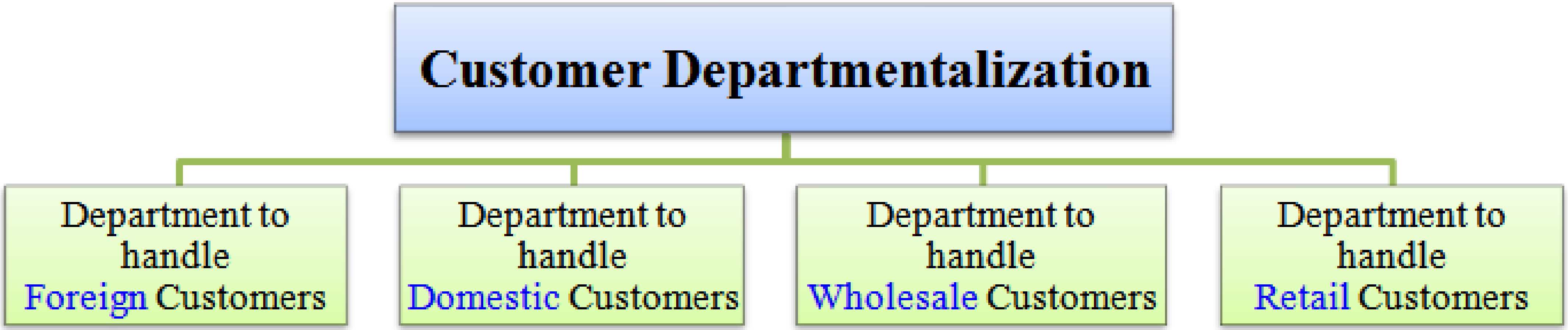
+ More efficient flow of work activities
– Can only be used with certain types of products

BY CUSTOMER

6

Customer departmentalization - Grouping activities on the basis of common customers or types of customers.

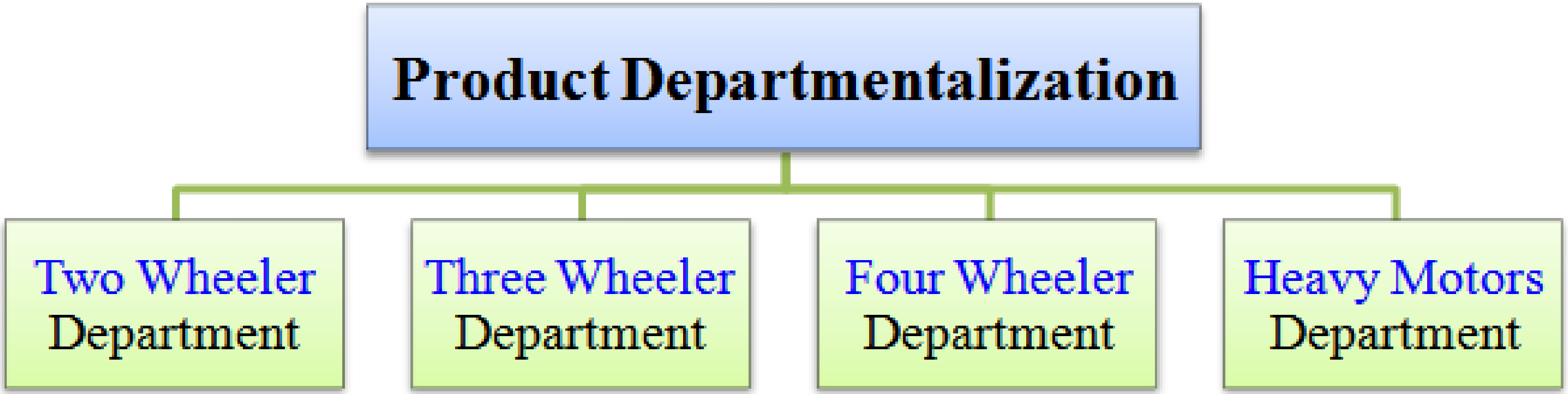
The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.



BY PRODUCT / SERVICE 7

Product departmentation can also be a useful guide for grouping activities in service businesses.

E.g.: A food product company may choose to divide its operations into a frozen food department, a dairy products department, a produce department, and the like.



BY MATRIX STRUCTURE

8

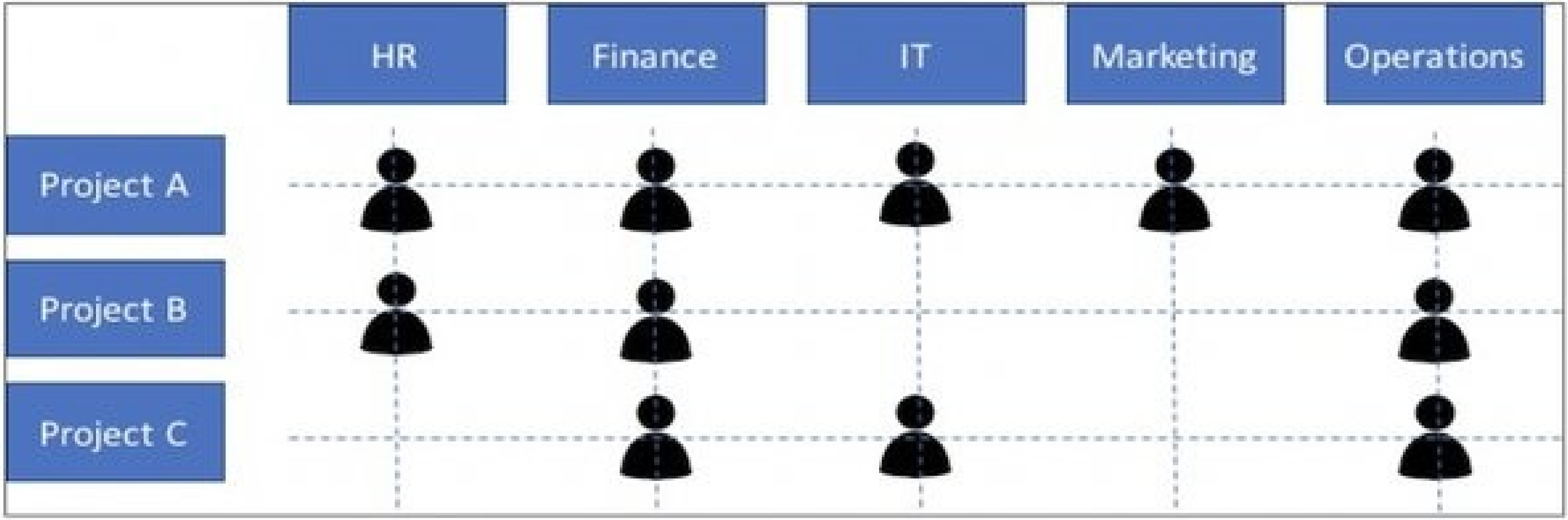
Matrix structure departmentation

A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.

The essence of a matrix organization is the combination of functional and product or project patterns of Departmentation in the same organization structure.

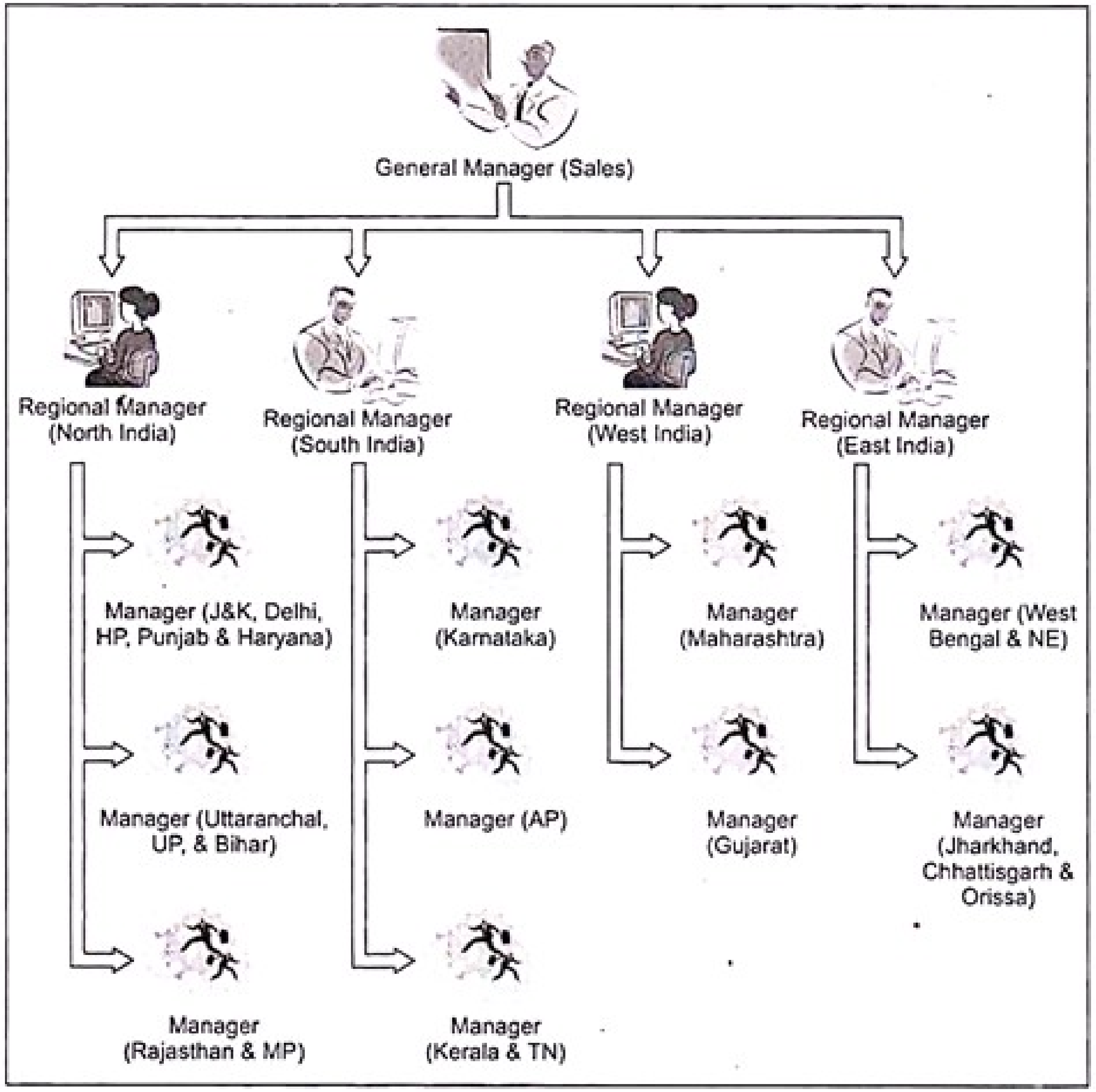
BY MATRIX STRUCTURE

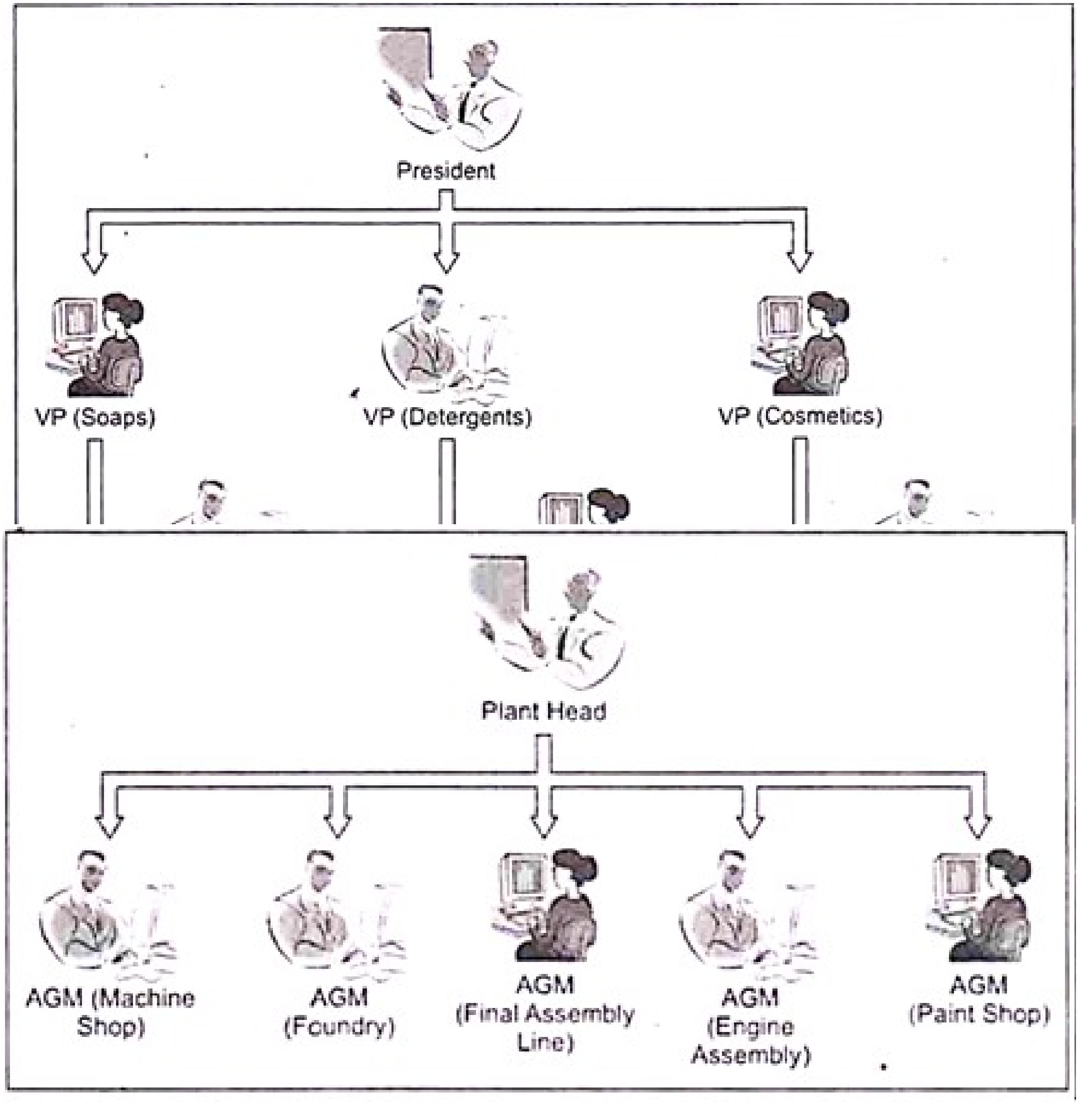
8



A MATRIX ORGANIZATION has a complicated structure in which the reporting relationships are set up as a MATRIX – a grid – instead of the traditional vertical hierarchy.

IDENTIFY THE DEPARTMENTATION

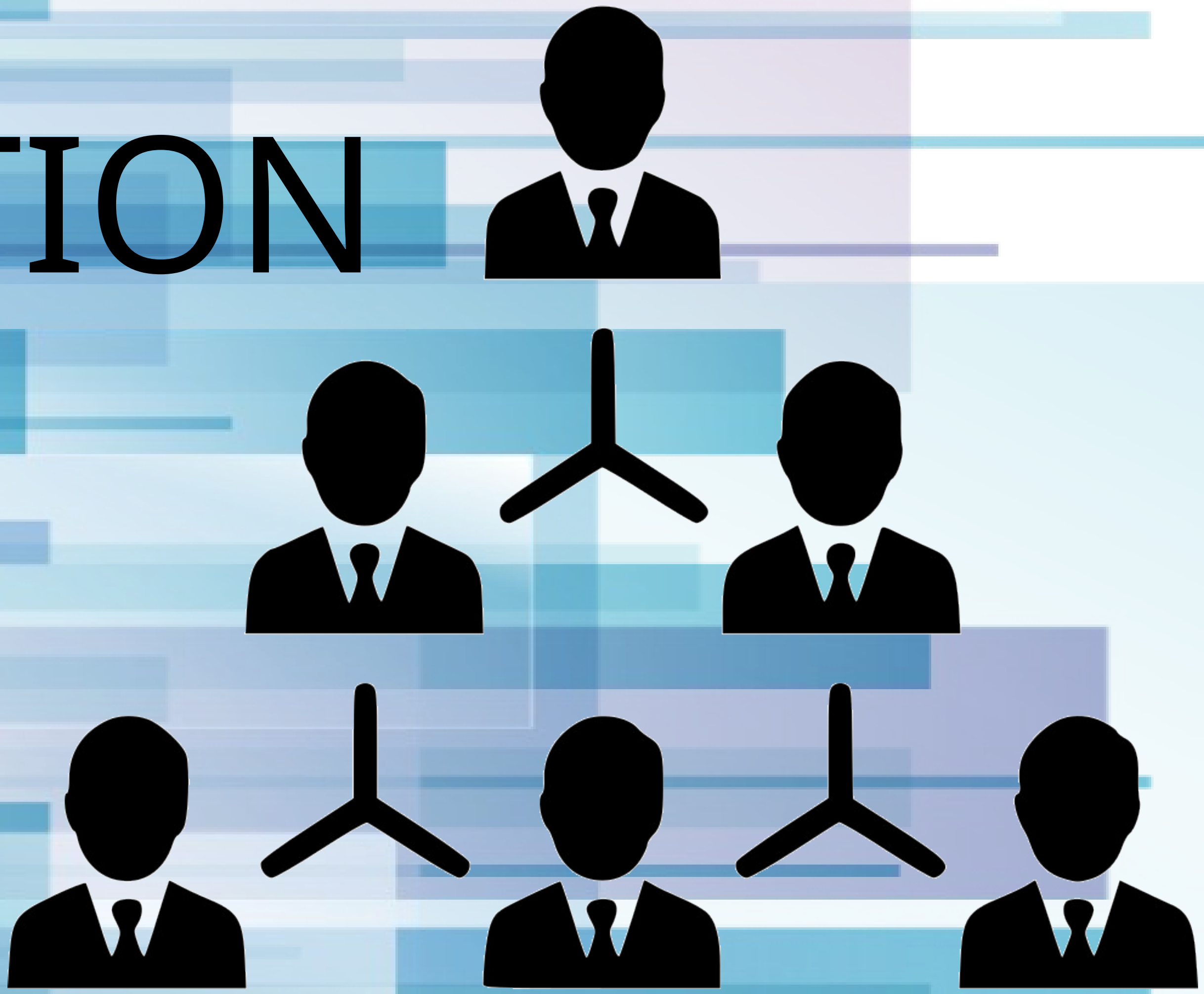




GEOGRAPHICAL DEPARTMENTATION **PROCESS DEPARTMENTATION**

ORGANIZATION

1. LINE ORGANIZATION
2. LINE & STAFF ORGANIZATION



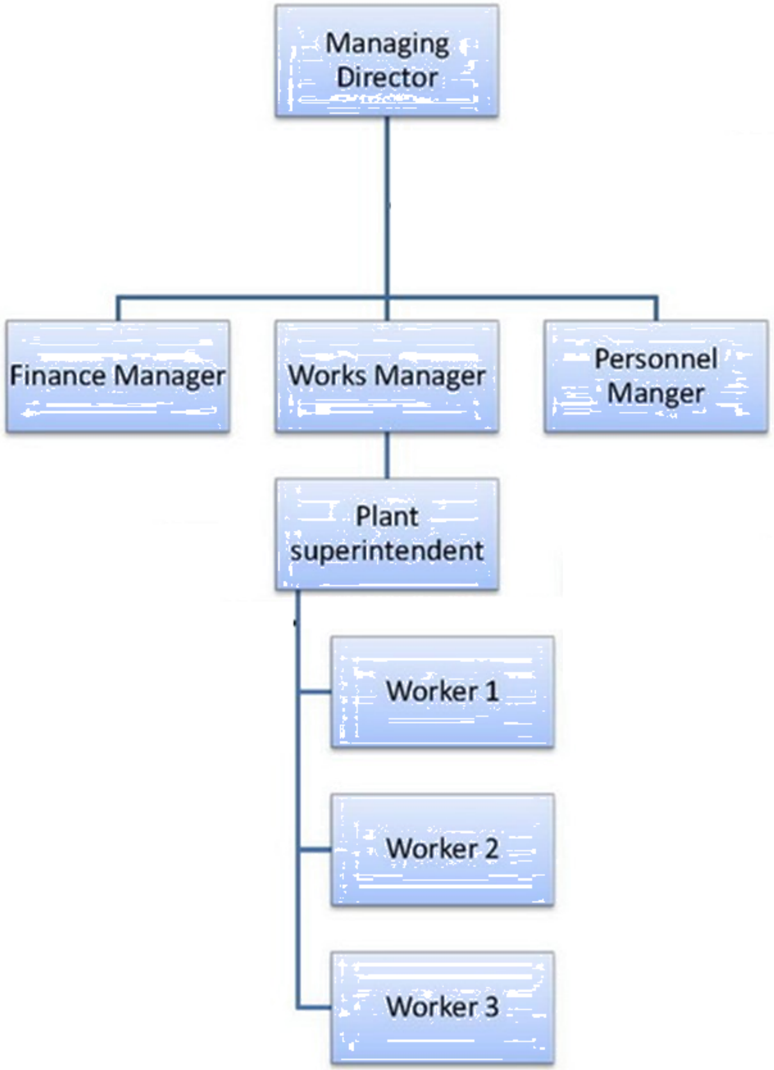
LINE ORGANIZATION

It is the oldest type of organization.

This is known by different names, i.e, military, vertical, scalar departmental organization.

The persons having greater decision-making authority are placed at the top and those having the least decision–making authority are at the bottom.

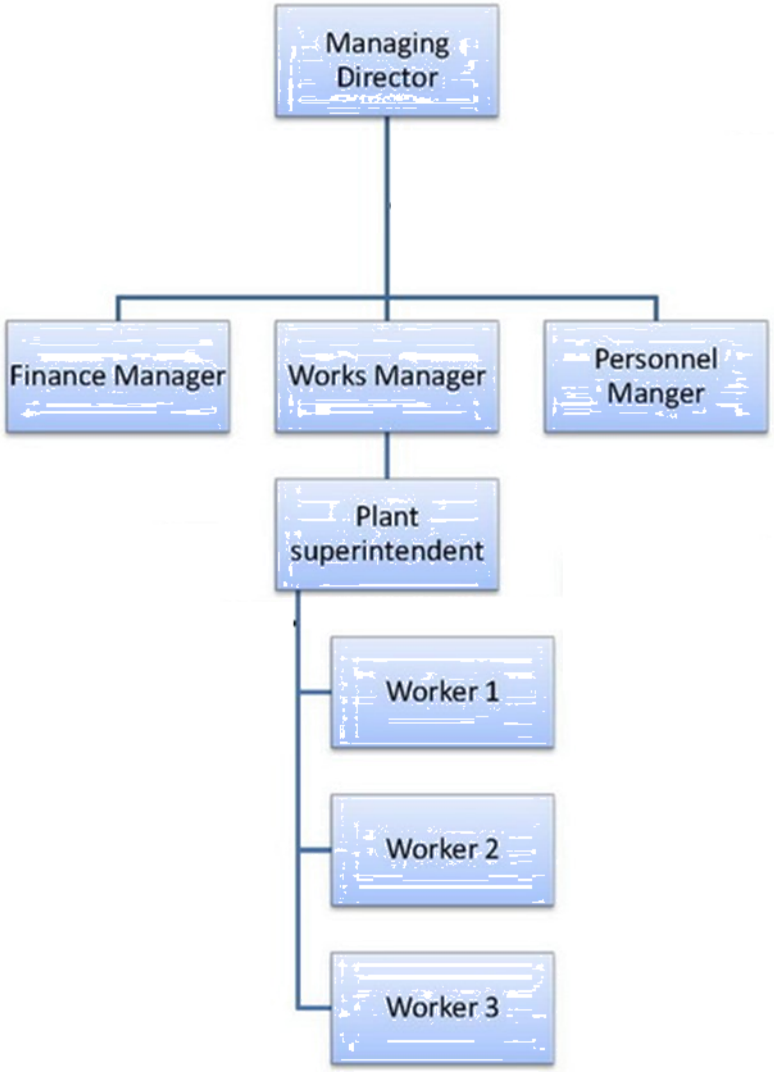
In between there are other levels of management such as intermediate or supervisory.



LINE ORGANIZATION

FEATURES OF LINE ORGANIZATION

- It is the most simplest form of organization.
- Line of authority flows from top to bottom.
- **Specialized and supportive services do not take place in these organization.**
- Unified control by the line officers can be maintained since they can **independently take decisions** in their areas and spheres.
- This kind of organization always **helps in bringing efficiency in communication** and **bringing stability** to a concern.

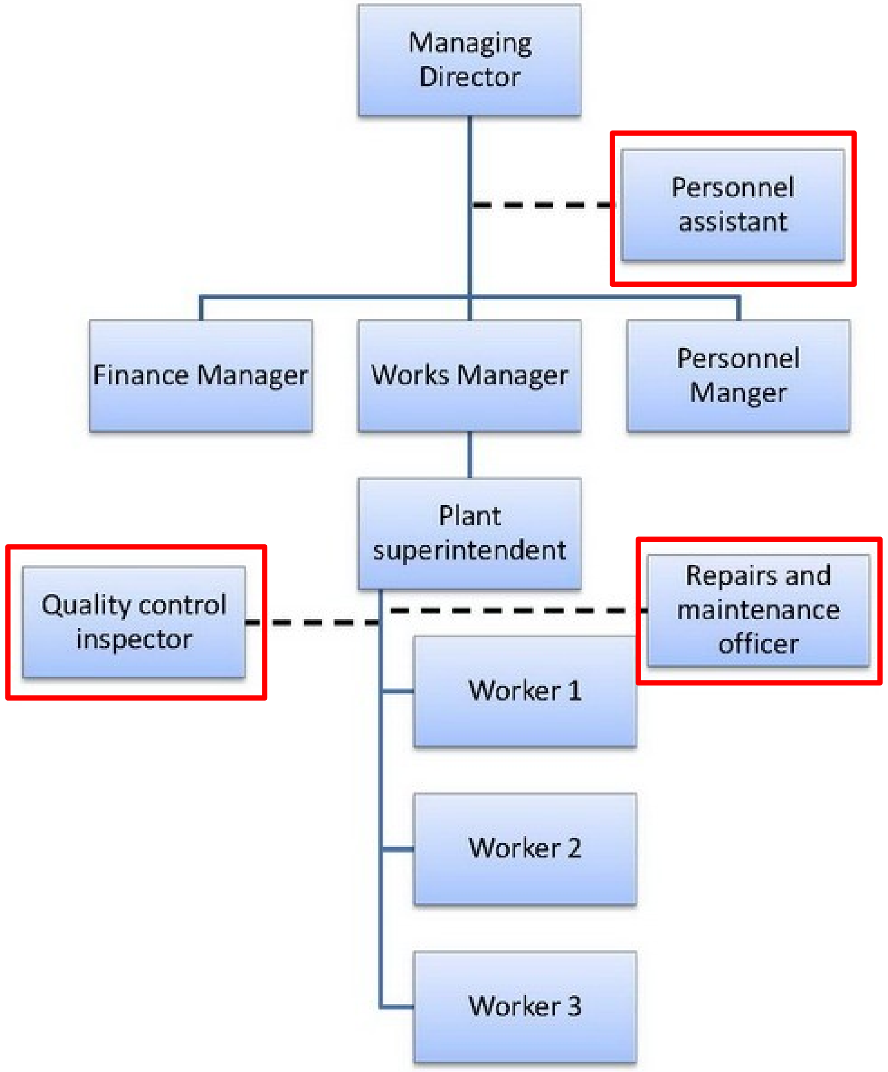


LINE & STAFF ORGANIZATION

A line and staff organization is one where specialist advisers in the form of functional managers, assist the line managers in the performance of their responsibilities.

The power of command always remains with the line executives and staff supervisors guide, advice and council the line executives.

Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.



LINE & STAFF ORGANIZATION

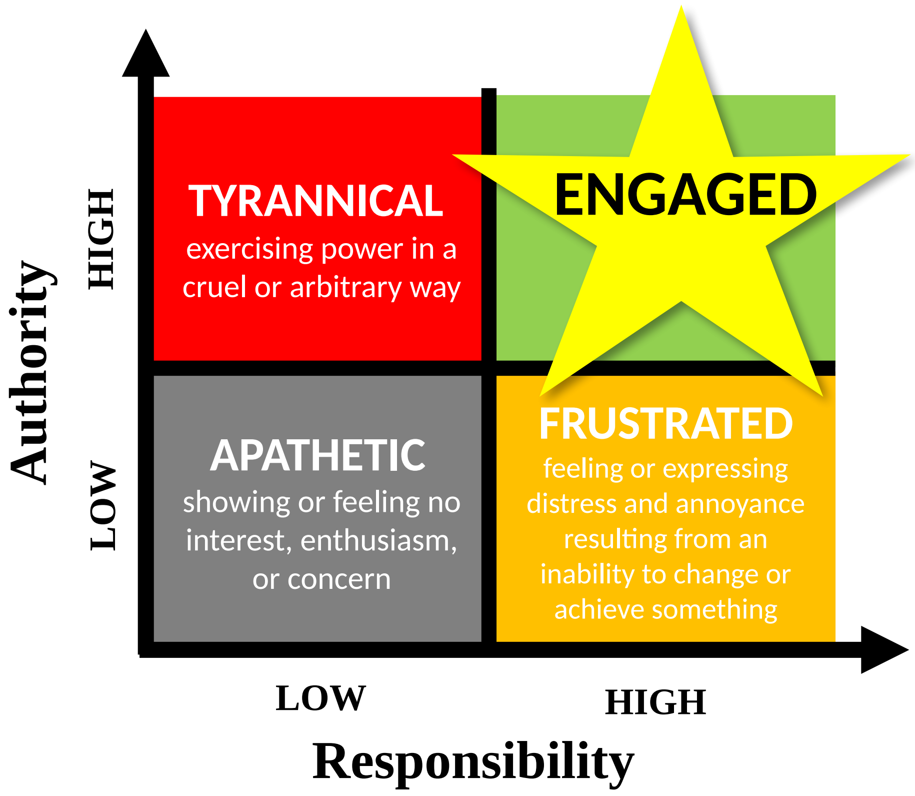
FEATURES OF LINE AND STAFF ORGANIZATION

- Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
- Division of work and specialization takes place in line and staff organization.
- The whole organization is divided into different functional areas to which staff specialists are attached.
- Efficiency can be achieved through the features of specialization.
- Power of command remains with the line executive and staff serves only as counselors.

AUTHORITY

AUTHORITY: RIGHT TO GIVE ORDERS

"**RIGHTFUL LEGAL POWER**
to request subordinates
to do certain thing or to retain from doing so,
and if he doesn't follow these instructions
the manager is in a position, if need be,
to take disciplinary action,
even to discharge the subordinate.



RESPONSIBILITY

Duty or responsibility is used in many senses.

It means OBLIGATION, or LIABILITY, or ACTIVITY or ACCOUNTABILITY.

> **It may be defined as the OBLIGATION of a subordinate, to whom a supervisor has assigned a task, to perform the service required.**

DELEGATION OF AUTHORITY

Delegation:

> **"The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks.**

4 STEPS IN PROCESS OF DELEGATION

1. The determination of results expected from persons in a position
2. The assignment of tasks to persons in a position
3. The delegation of authority for accomplishing these tasks
4. Creating the obligation for the subordinate to perform the duties assigned