

# MODULE – 01

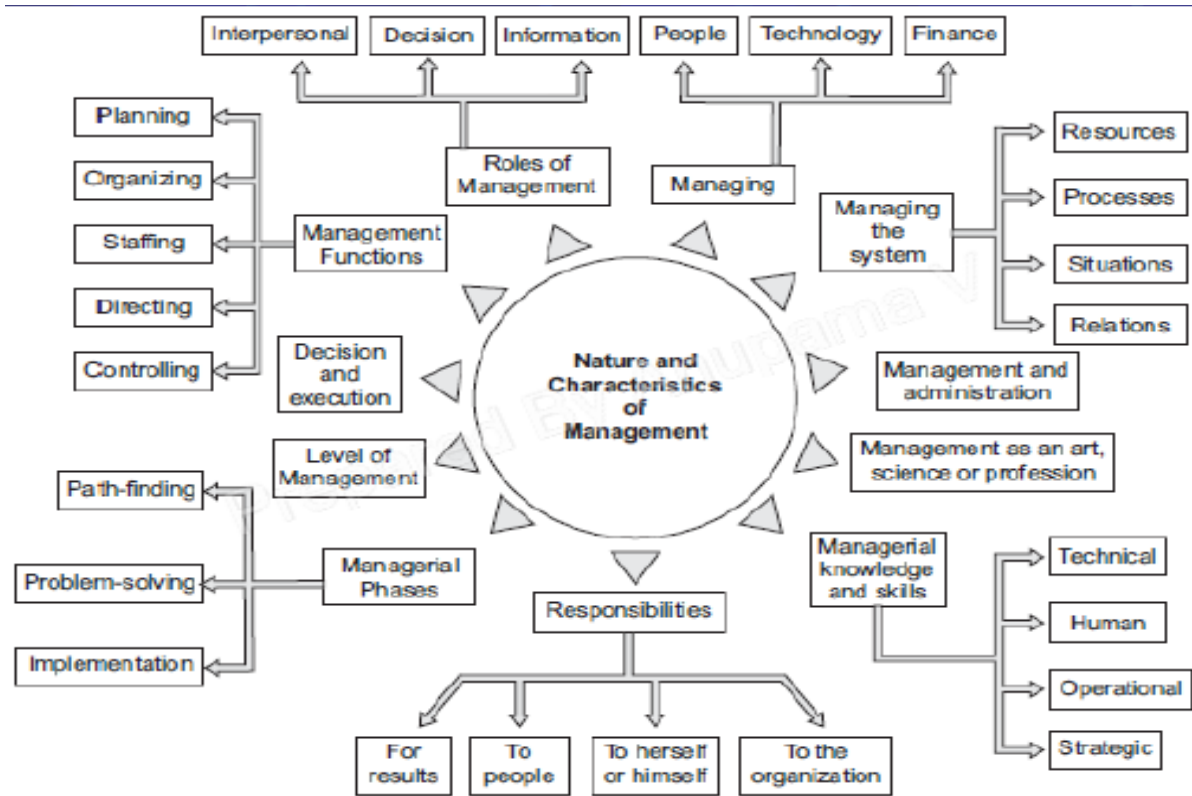
## MANAGEMENT

### 1. MEANING OF MANAGEMENT

- ‘Management is a multipurpose organ that manages a business, manages a manager and manages workers and work.’ – Peter Drucker
- ‘Management is to forecast and to plan, to organize, to command, to coordinate and to control.’ – Henry Fayol
- ‘Management is knowing exactly what you want men to do and then seeing that they do it the best and cheapest ways.’ - F W Taylor
- **“Management is getting things done through people for the benefit of the customer or the client”.**

### 2. NATURE AND CHARACTERISTICS OF MANAGEMENT

- Management as a science, art or profession
- Managerial skills and knowledge
- Levels of management
- Management and administration
- Decision and execution
- Managing people, technology and finance
- Managing the system
- Management functions
- Roles of management
- Managerial phases
- Responsibilities of a manager



### MANAGEMENT AS A SCIENCE, ART, OR PROFESSION

- **Management** is the only subject in academics which enjoys the difference of being **science, art as well as profession**.
- The contributions in the evolution of this subject come from all the directions like artists, economists, engineers, administrators, and practicing managers.
- Management is an **art** because it requires creativity and subjective skills of manager like communication skills, negotiation skills, motivation skills etc.,
- Every individual manager has his own personal qualities such as attitude, ethics, values and style which constitute an art form.
- Management is also **science** because it requires systematic study based upon scientific methods to analyze business problems and to find optimal solutions.
- We would come across the contributions of various scientists, engineers and mathematicians who used scientific tools and techniques in laying the management as a discipline.
- Management is also a **profession** undoubtedly. It is evident from the immense achievements of successful managers in the creation of new enterprises, growing existing enterprises and the pay packages offered by organizations worldwide to its managers.

## MANAGERIAL KNOWLEDGE AND SKILLS

- **Katz** proposed three areas of managerial knowledge and skills required by managers namely **technical, human and conceptual**.
- Later Shenhar further expanded the areas as **technical, human, operational and strategic**.
- **Knowledge** symbolizes “science” part of management which means what managers are supposed to “know”, whereas **skills** represent the “art” form which represents how managers should “do” or “apply the knowledge”.

<b>Technical knowledge</b>	<ul style="list-style-type: none"> <li>• It is constituted by scientific methods, tools, techniques and concepts in which managers should know for taking informed decisions in various situations.</li> <li>• <b>Technical skills</b> are required to apply how to solve technical problems and they are necessary to evaluate work done by others.</li> </ul>
<b>Human knowledge</b>	<ul style="list-style-type: none"> <li>• It comprises of human and behavioural theories developed by social scientists who proposed various models on leadership, motivation, negotiation, communication etc.,</li> <li>• <b>Human skills</b> are needed to practically get the work done through the people i.e., to lead, motivate, communicate negotiate with them in such a manner so that they contribute to work with their heart and soul.</li> </ul>
<b>Operational knowledge</b>	<ul style="list-style-type: none"> <li>• It relates to day to day running of an enterprise.</li> <li>• It involves designing, implementing and maintaining a transformation process which converts various inputs to output of desired products and services.</li> <li>• The inputs include capital, buildings, equipment, workers etc.,</li> <li>• Operational skills involve proper resources allocation to various activities in the transformation process, sequencing of activities according to precedence requirements, routing the material to factory premises, preparing production plans.</li> </ul>

<b>Strategic knowledge</b>	<ul style="list-style-type: none"> <li>• It deals with long term planning for the organization as a whole.</li> <li>• This includes scanning the environment threats and opportunities and analyzing the strengths and weakness of the organization.</li> <li>• It provides an overall direction to the whole organization keeping in view the industry dynamics and market forces.</li> <li>• Strategic skills are required in the implementation of the strategic plans like communicating the plans to concerned, allocation of budgets and human resources keeping track of the progress of implementation of plans.</li> </ul>
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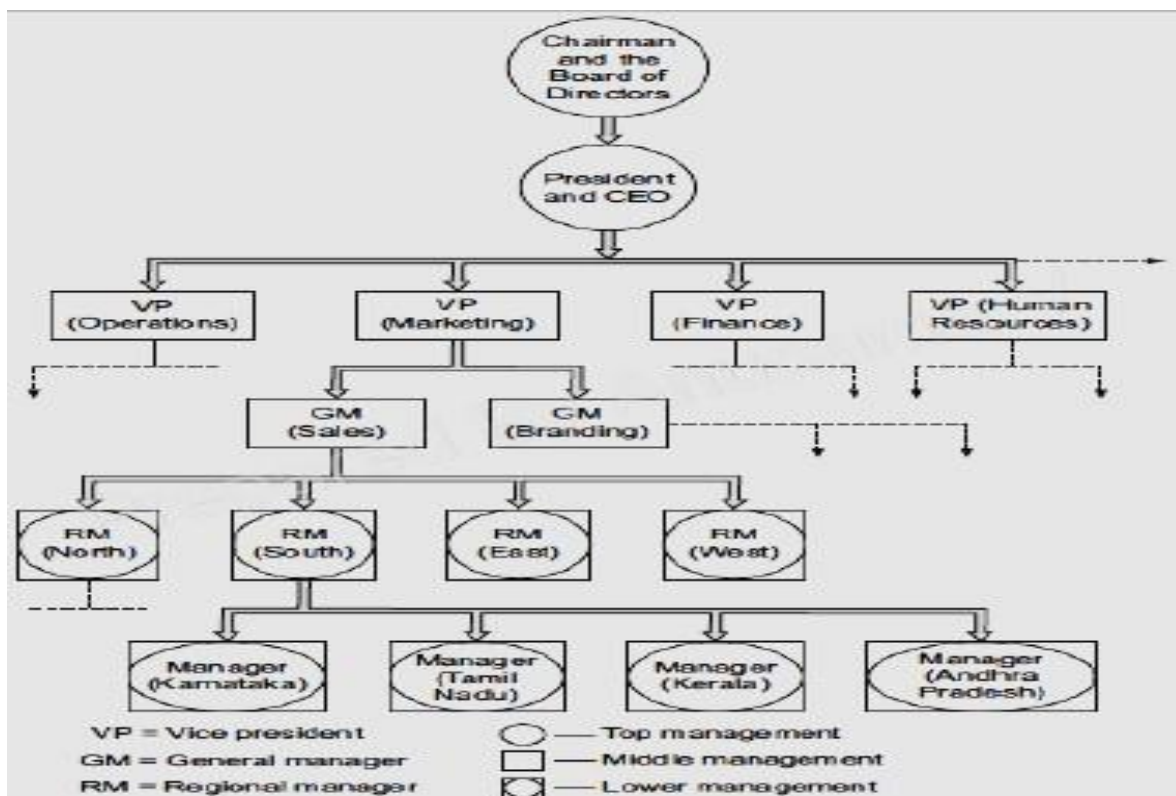
### LEVELS OF MANAGEMENT

- Levels of management refer to a line of separation that is drawn between different positions to differentiate each other with respect to their duties, responsibilities, rights and authorities.
- The three levels of management that can be seen commonly in an organization are:
  - Top management
  - Middle management
  - Lowest or supervisory management
- In larger organizations, the middle management could be expanded to Upper middle management and Lower middle management.

LEVELS	FUNCTIONS
<b>TOP MANAGEMENT</b>	<ul style="list-style-type: none"> <li>• Top management of the organization consists of chairman, board of directors, the president, the chief executive officer (CEO).</li> <li>• The knowledge about strategy and skills are most useful for this level of managers.</li> <li>• Their primary roles are to set vision, mission and long-term direction of the organization.</li> <li>• They also create strategic objectives for the firm.</li> </ul>

<p><b>MIDDLE MANAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• According to Drucker, the middle management concentrates on functionality.</li> <li>• This level consists of managers taking care of functional areas like operations, finance, marketing, human resources, strategy and management information systems which may be further separated into specialized sub-functions.</li> <li>• The middle managers require functional knowledge and skills to convert strategic plans set by the top management into operating policies and targets.</li> <li>• Middle managers use control mechanisms to measure up to what level the lower level management is successful in implementing these policies and also achieving these targets.</li> </ul>
<p><b>LOWER MANAGEMENT</b></p>	<ul style="list-style-type: none"> <li>• Lower-level management is formed by the managers who are entrusted with the job of implementing the operating policies and targets given by the middle management.</li> <li>• Lower management requires technical knowledge and skills.</li> <li>• It should be noted that human knowledge and skills are greatly utilized at all levels of management.</li> </ul>

- The board of directors has to deal with shareholders, lower management has to deal with customers, vendors etc., whereas middle management people have to take care of convincing demands of both top as well as middle managers while dealing with external people such as government agencies, financial institutions etc.

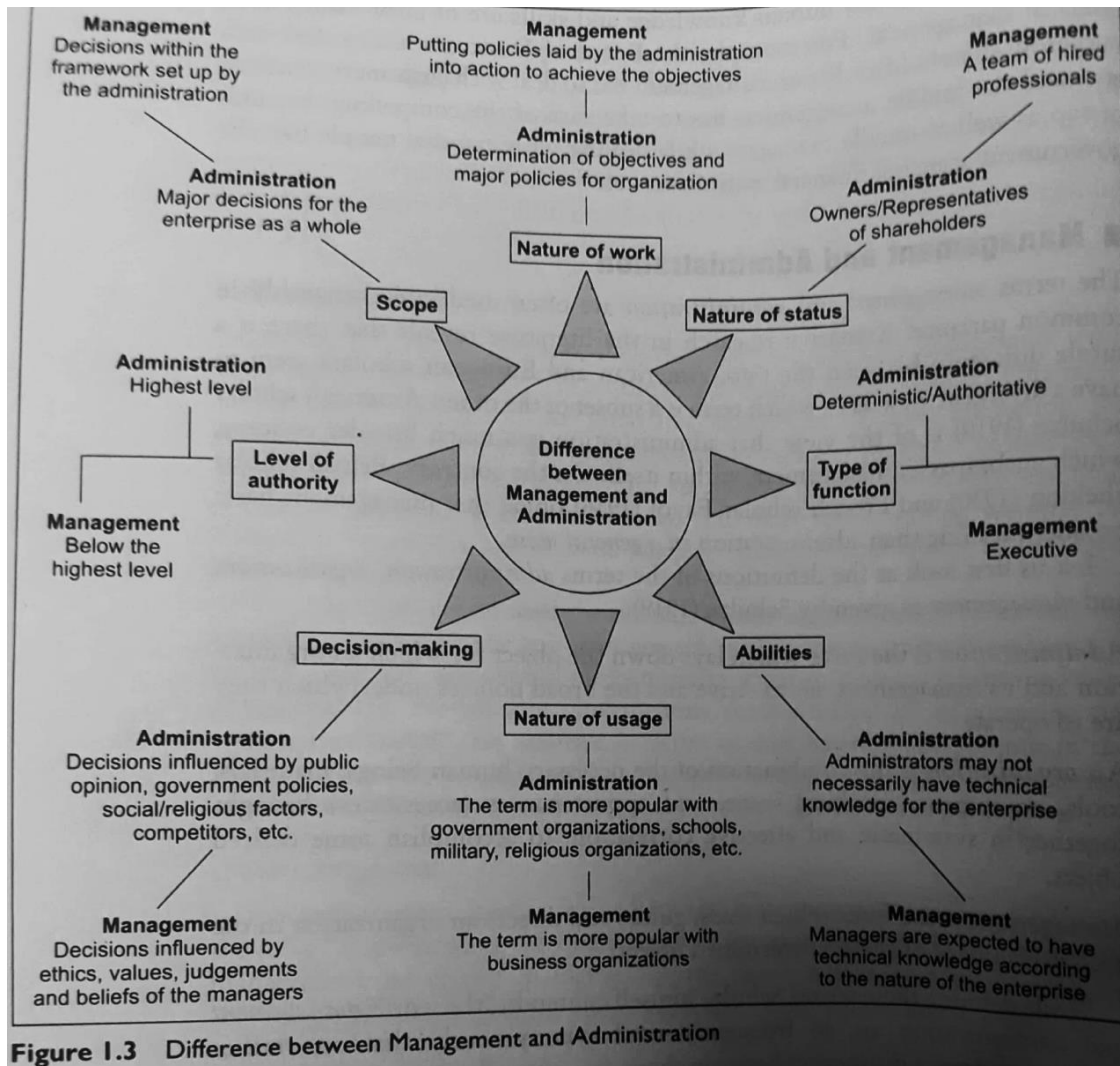


**MANAGEMENT AND ADMINISTRATION**

- The terms **management and administration** are often used interchangeably in common jargons. Extensive research reveals that there is a subtle difference between these two.
- According to **Schulze-an American scholar**, administration is a much broader concept, which encloses management within itself.
- Contrarily, **Sheldon-a British scholar and Fayol-a French scholar** had the opinion that **management** has a **broadier meaning** than administration in a general sense.
- According to Schulze, the definitions of administration, organization and management are as follows.

<b>Administration</b>	It is the force that lies down in which an organization and its management should try and the broad policies under which they are to operate.
<b>Organization</b>	It is the combination of necessary human beings, materials, tools, equipment, working spaces; accessories are brought together in systematic and effective correlation to achieve some desired objectives.
<b>Management</b>	It is the force which leads, guides and directs an organization in the accomplishment of predetermined goals.

- Schulze contends that, “the words management and administration are frequently used synonymously that everyone hesitates to draw distinction between them, for, after all, usage gives a word its meaning”.
- He justifies his explicit difference between the two terms by showing American model of government, in which President typifies the administrative force, while different governmental heads of the departments typify the management force.



## DECISION AND EXECUTION

- The characteristics of decision and execution requires the manager to decide and execute.
- Decision making is an attribute which is of great importance for a manager. A manager has to take decisions all the time some of them have short term impact and others have long term impact.
- Management has various tools and techniques to help decision making.
- A well thought decision does not yield results unless it is implemented. Hence decision and execution should go hand in hand.



**MANAGING PEOPLE, TECHNOLOGY AND FINANCE**

- The key ingredients which decide the sustainability of an organization are its competent workforce, sound technology, and sensible financial judgements.
- Managing these resources (people, technology, finance) is the important role for any organization.
  - Managing the people
  - Managing the technology
  - Managing the finances

**MANAGING THE PEOPLE**

- It is the most important and challenging task for managers. Getting things done through people is not so easy. People need to be motivated, trained and directed to make them do the work wholeheartedly.
- **People** may not be the **subordinates or superiors** within the organization, but also the **vendors, customers, stakeholders and shareholders**. There is a difference between **shareholders and stakeholders**.
- **Shareholders** are the people or organizations holding an equity stake in the enterprise. They share profit and bear the losses depending on the performance of the enterprise.
- **Stakeholders** are the people affected by the operations of the enterprise like employees, shareholders, government, suppliers, customers or local people.
- It is very important for the manager to develop the art and skills of dealing with such vast variety of people.

**MANAGING THE TECHNOLOGY**

- Technology is becoming very important for the success of an enterprise irrespective of industry.
- The kind of transformation, organization have witnessed rapid achievements in technology over a past few years is vivid.
- Management of technology is therefore an integral part of manager's responsibilities.
- The processes used in transforming the resource into output of desired goods and services also depend upon the technology used, thus adding to its importance.

**MANAGING THE FINANCES**

- Managing the monetary part of an enterprise is necessary for a manager.



- It starts with preparation of budgets for various activities of the organization, keeping a track of the money invested, ensuring a return on invest, finally the profits made.
- In addition, the manager has to pay attention to the market price of the equity shares of the company in which the primary objective of an objective is to maximize the wealth of the shareholders.

### MANAGING THE SYSTEM

- The systems approach to management tells us that managers should be skilled in managing the complex system comprising the following.
  - Resources
  - Processes
  - Situations
  - Relations

<b>Resources</b>	<ul style="list-style-type: none"> <li>• Resources include machines, materials, tools, equipment, capital, buildings, facilities etc.,</li> <li>• Resources are not unlimited for an organization which makes it important for a manager to deploy and use various resources in achieving the end objective of favorable resources.</li> <li>• There may be close interrelationship between some of these resources which has to be understood by the manager.</li> </ul>
<b>Processes</b>	<ul style="list-style-type: none"> <li>• Processes are the predetermined steps followed by an organization to convert various inputs (resources) into desired output of products and services.</li> <li>• Impractical processes may lead to wastage of resources, efforts and low-quality products and services.</li> <li>• Manager must carefully design and deploy suitable processes, which eliminates waste and optimally utilize the resources for best results.</li> <li>• There are various management methods such as <b>method analysis</b> which helps managers in this effort.</li> </ul>
<b>Situations</b>	<ul style="list-style-type: none"> <li>• Situations from various categories demand prompt actions or decisions from a manager.</li> <li>• Some of the situations may be unprecedented and abrupt with very less reaction time on part of the manager.</li> <li>• A positive attitude, will and patience to handle such situations are expected from a manager.</li> </ul>

<b>Relations</b>	<ul style="list-style-type: none"> <li>• Relations developed by a manager with customers, subordinates, superiors, suppliers, government officials, media etc., play a vital role in growth or survival of an organization.</li> <li>• It requires conscious effort on part of a manager to continually communicate with people, exchange views with them or send them greetings or gifts on festivals etc.,</li> </ul>
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## MANAGEMENT FUNCTIONS

- Management functions are often confused with two important related concepts
  - Functional areas of management
  - Scope of management



## FUNCTIONS OF MANAGEMENT (MANAGEMENT FUNCTIONS)

- Fayol's original management functions were **planning, organizing, command, coordination and control**.
- Gulick adapted the acronym **POSDCORB** from Fayol with initials representing **planning, organizing, staffing, directing, coordination, reporting and budgeting**.

- However most follow the acronym **POSDC** and have confined the management functions to **planning, organizing, staffing, directing and controlling**.
- Shenhar and Renier have concisely captured the flavour of each of the management functions.

<b>Planning</b>	Selecting the objectives and means for achieving those objectives.
<b>Organizing</b>	Designing a structure of roles for people to fill.
<b>Staffing</b>	Selecting and developing people to fill organizational roles effectively.
<b>Directing</b>	Taking actions to motivate people and help them see that contributing to group objectives is in their own interest.
<b>Controlling</b>	Measuring and correcting the activities of people to ensure that plans are being realized.

## FUNCTIONAL AREAS OF MANAGEMENT

- As shown in figure (in slide 25), the management functions are applicable well to the organization functions or organizational areas.
- The organizational functions are operations, marketing, finance, strategy, human resources and management information systems (MIS).
- **Operations** are constituted by the transformation process which converts various types of inputs into desired products and services.
- **Marketing** is a set of processes for creating, communicating and delivering value to customers and for marketing customer relationship for benefit of organization. Marketing includes tasks like advertising, branding, selling, distributions.
- Finance is about time, money, risk and interrelationship.
- The term **strategy** in layman terms refers to long-term planning to achieve the long- term goals of the organizations.
- **Human resources** is the organizational function which deals with selection and recruitment of employees, performance appraisal, compensation, rewards, recognition, training and development.
- **Management information system (MIS)** focuses on providing needed information to the managers in a useful format and at a proper time using present-day information technologies.

## SCOPE OF MANAGEMENT

- It encompasses both profit and non-profit organizations, government and non-government organizations, service as well as non-service organizations.
- It has become difficult to search for any area of activity where management is not applicable.
- For **profit organizations** such as business enterprises, need management for maximizing the wealth of their stakeholders. Non-profit organizations such as educational institutions, health care organizations etc., need management for keeping operations at optimal levels.
- **Government organizations** such as municipal corporations, water supply boards, electricity boards etc., use management for effective use of taxpayer's money for providing best services to the service.
- **Non-governmental organizations** such as environmental agencies have benefited from management in achieving their societal objectives in a cost-effective manner.
- **Manufacturing organizations** extensively use management to increase productivity, to enhance quality of the products manufactured and also in innovating new products.
- **Service organizations** get benefit from management in providing standard facilities to the customers.

## ROLES OF MANAGEMENT

- Managers perform numerous roles in discharging their duties.
- Mintzberg classified roles into three broad categories. They are
  - Information role
  - Decision making role
  - Interpersonal role

### INFORMATION ROLE

- In the information role, managers are expected to use communication channels to extract the latest information and use it for the advantage of the organization.

- A manager must use formal and informal channels of communication to know about competitor's actions and prepare plans to offset their moves in order to retain and grow the market share.
- In this role, manager need to **monitor** the latest happenings in and outside the organization, **disseminate** relevant information to the subordinates and need to act as **spokesperson** of the organization to interact with the people and media at large.

### DECISION MAKING ROLE

- In this role, managers have to take four kinds of decisions according to Mintzberg.
- The first and foremost is to act as an **entrepreneur** within the organization and need to set new goals and objectives for it. In management jargon, they need to be **intrapreneurs** to identify new opportunities of growth and make the organization exploit such opportunities.
- The next role is **disturbance handler** in which manager should take appropriate decisions in crisis situations like strikes, lock outs to resolve conflicts between two or more people and take care of unexpected situations which requires immediate attention and action.
- Managers have to act as **resource allocators**. Resources are limited for any organizations and optimal utilization of resources helps in minimizing the costs and also in increasing the competitiveness of the firm in the market.
- Another important decision making role of a manager is to act as a fierce **negotiator**. Negotiating prices of supplies with vendors, negotiating selling prices of products with clients.

### INTERPERSONAL ROLE

- The interpersonal role puts managers in three respects.
- Firstly they act as a **figurehead**, to perform ceremonial and social duties like presenting the progress report before Board of directors in board meetings to preside over major events like launch of a new product.
- Secondly managers have to act as **leaders** in directing and motivating people.
- Finally, they have to perform the role of acting as a **liaison (link)** or interface with other departments outside their purview to achieve coordination and to create cooperation.

### MANAGERIAL PHASES

- Leavitt proposed three phases of management. They include
  - Path-finding
  - Problem-solving

## ➤ Implementing

- According to him, all three phases are important in the “**management mix**” and it should be balanced by the manager to achieve success.

<b>Path finding phase</b>	<ul style="list-style-type: none"> <li>• In this phase, managers should think as an entrepreneur and strategist in setting mission, vision and directions for the organization.</li> <li>• In this phase, manager should come up with new ideas, innovations and thorough transformations for the organization.</li> <li>• In this phase, manager need not focus on planning, but on enthusing the whole organization with fresh thinking and ideas for the betterment of the organization.</li> </ul>
<b>Problem solving phase</b>	<ul style="list-style-type: none"> <li>• In this phase, manager is expected to go with rationale and critical thinking for analysis of various aspects of ideas that originated during path finding phase.</li> <li>• It requires allocation of resources, setting priorities and ensuring that no problems to be come across later.</li> <li>• Here the scope of spontaneous judgments based upon past experiences along with informed planning and organizing.</li> </ul>
<b>Implementation phase</b>	<ul style="list-style-type: none"> <li>• The third phase is the implementation phase is very important.</li> <li>• It is an art to motivate, persuade, force people to get the work done during this phase.</li> <li>• People should do work of implementation with their heart and soul rather than just fulfilling orders from manager.</li> </ul>

**RESPONSIBILITIES OF A MANAGER**

Shenhar and Renier present four responsibilities of a manager. They include

Responsibility for result

Responsibility to the people

Responsibility to the organization

## Responsibility towards self

<b>Responsibility for result</b>	<ul style="list-style-type: none"> <li>Responsibility for result is the most important demand on the manager. The manager has to demonstrate achievement of results for the departments he is in charge of.</li> </ul>
<b>Responsibility to the people</b>	<ul style="list-style-type: none"> <li>A manager has responsibility to the people who work under him. They look up to him for motivation, rewards, incentives, promotions, bonus, recognition for the hard work put in by them.</li> <li>The manager has to take care of their growth and development of the organization has to become mentor to some of them in distress.</li> </ul>
<b>Responsibility to the organization</b>	<ul style="list-style-type: none"> <li>Manager has responsibility towards organization for its wellbeing and for projecting its positive image to the outside world. It requires sense of belongingness, empathy. It is the duty of the manager to safeguard his organization from any risk of bankruptcy under the circumstances of an acute recession.</li> </ul>
<b>Responsibility towards self</b>	<ul style="list-style-type: none"> <li>A manager also the responsibility towards self so that he should take care of his own career development rather than depending upon the organization.</li> <li>It is their own responsibility to find time for proper relaxation at regular intervals.</li> <li>It requires efficient time management on their part to discharge duties finding suitable amount of time for rest, relaxation and transformation.</li> </ul>

**SLT - DEVELOPMENT OF MANAGEMENT THOUGHT**

- Management has existed in one or the other form in every corner of the world since the advent of mankind.
- Management is said to be operative wherever people lived and worked in groups.
- Management thought seems to have its roots grounded in ancient and medieval times, when scholars, priests, kings and courtesans were trying to develop their administrative skills.
- Management started development in a full fledged fashion during the **industrial**



**revolution** in Europe when **classical management movement** started gaining its pace.

- The time frame usually assigned to this movement is 1885 to 1940, though initial references to its evolution can be tracked to 1976.
- The next stage of the development of management thought is popularly known as **behavioral management movement** with its starting time around 1930.
- The **modern management movement** was debated by **Peter Drucker** with his seminar work “**The Practice of Management**” in which he explained various gaps in the American management systems by giving variety of pragmatic examples, case studies and proposing solutions to them.
- It started from a period from 1955 to present times. This is the most fascinating period in the history of management, particularly because of the ventures of Japanese style of management in the main stream management thought.

## EARLY MANAGEMENT APPROACHES

- The early management approaches include
  - Ancient and medieval roots of management thought
  - Classical management movement
  - Behavioural management movement

### Ancient And Medieval Roots Of Management Thought

- This can be understood by knowing what has happened on different parts of the world, centuries ago.

<b>EGYPT</b>	a. Egyptians planned , organized and managed thousands of workers for <b>constructing pyramids</b> more than 3000 years ago
<b>CHINA</b>	a. <b>Sun Tzu</b> , a Chinese philosopher has given early management thought in his book “The art of war” b. <b>Confucius</b> gave practical suggestions for public administration in early 6 <sup>th</sup> BC c. “ <b>The great wall of China</b> ” which is 64000 km total, built in 2 <sup>nd</sup> century BC provides a proof of their organization skills
<b>GREECE</b>	a. Greek Philosopher Socrates (5th century BC) defined management is a skill separate from technical knowledge and experience b. Documentation is provided on management principles, employee selection, delegation of authority

<b>ROME</b>	<ul style="list-style-type: none"> <li>a. It was in Rome where organized working in crafts and trades first started in various areas like armour-making, dress making, metal making, suit-making etc.,</li> <li>b. The first managers evolved were in Rome where people were hand picked and by the government of Rome to achieve much of its work.</li> </ul>
<b>INDIA</b>	<ul style="list-style-type: none"> <li>a. In Ramayana and Mahabharatha (if they are true), they contain many activities about practices of management.</li> <li>b. 'Artha Shastra' written by Kautilya in 3rd BC deals with topics like trade and commerce, law and order, taxation and revenue, war and military strategies</li> </ul>

- The oldest references to the roots of management thought are found to be tracked to about 5000BC.
- It was found that **Sumerian priests** kept written records of business transactions in the city of Ur (Iraq).
- The transcriptions on **Egyptian Papyri** reveal that **Egyptians** were aware of importance of planning, organizing and controlling.
- **Greek philosopher, Socrates** proposed **universality of management** in 400 BC and another **Greek scholar Xenophon** recognized management as a separate art.
- **Plato- another Greek philosopher** and disciple of Socrates described the principles of specialization.
- **Alexander the Great**, used staff organization system during military campaigns from 336 BC to 323 BC.

### Classical Management Movement

<b>SCIENTIFIC MANAGEMENT</b>	<ul style="list-style-type: none"> <li>a) These methods are called for optimizing the way that tasks were performed and simplifying the tasks enough so that workers could be trained to perform their tasks in one "best" way.</li> <li>b) This approach got importance during the industrial revolution in Europe in late 19<sup>th</sup> century.</li> <li>c) The objective of scientific management was to find better ways of improving the productivity in the factories as there was a transition from small scale handicraft industry to large-scale mass production activities.</li> </ul>
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<b>GENERAL ADMINISTRATIVE MANAGEMENT</b>	<ul style="list-style-type: none"><li>a) Scientific management focused on workers, tasks performed by them, increasing worker productivity.</li><li>b) General administrative management focuses on organization as a whole.</li><li>c) It also deemed as a harbinger of modern organizational theory.</li></ul>
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- The pioneers of scientific management approach are
  - James Watt
  - Charles Babbage
  - Robert Owen
  - Fredrick Winslow Taylor
  - Henry Laurence Gantt
  - Lillian Miller Gilberth and Frank Bunker Gilberth
- The pioneers of general administrative management approach are
  - Henry Fayol
  - Max Weber
  - Chester Barnard
  - Luther Gulick

### **Behavioural Management Movement**

- The behavioural management movement started gaining importance with two thrust areas
  - Human Relations (1930-1950)
  - Organizational behavior (1950 onwards)
- The major contributions of behavioural management are,
  - Producing understanding concerning motivation
  - Group dynamics
  - Leadership
  - Interpersonal processes in organizations

- The pioneers of behavioural management approach are
  - Fredrick Herzberg
  - Herbert Alexander Simon
  - Douglas McGregor
  - David McClelland

<b>HUMAN RELATIONS</b>	It involves understanding of human needs, human behaviour, human conflicts, and informal human relationships.
<b>ORGANIZATIONAL BEHAVIOUR</b>	It is the systematic study and careful application of knowledge about how people as individual and as groups act within an organization.

## MODERN MANAGEMENT APPROACH

- The modern management approach builds on the classical and behavioural movements by integrating the fundamental theories of management with contemporary approaches like
  - Quantitative approach
  - Process approach
  - Systems approach
  - Contingency approach
  - Japanese-style management approach

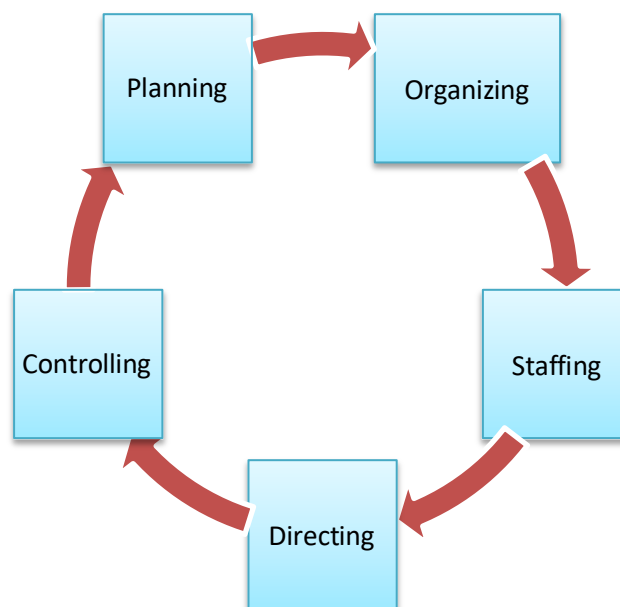
### Quantitative Approach

- It has its history in the development of mathematical and statistical techniques to solve military problems during world war-II.
- It has evolved into three major areas
  - **Management science:** In this, mathematical models are developed specifically to help in decision making and problem solving.
  - **Operations management:** This focuses on the application of management science to organizations.

- **Management information systems:** They are the communication systems designed to provide relevant information to the managers as and when they are required.
- **Quantitative approach to management:** It involves linear programming for optimal allocation of resources, simulation models, inventory optimization models, scheduling theories and game theory.
- **Strategic approach to management:** It involves game theory, in which various actions of competitor firms and the payoffs related to different outcome combinations are analyzed to find the optimal strategy with highest expected payoff.

### Process Approach

- Koontz proposed that management is a process and can be dissected intellectually by analyzing the functions of managers as stated by Fayol.
- According to him, management is a universal process, regardless of the type of enterprise or the level in a given enterprise, although the environment of management widely differs between enterprises and levels.
- Furthermore, management is a continuous process in the form of circular loop in which last function in the process “**controlling**” leading back to first function “**planning**”.



**Figure: The process approach to management**

### Systems Approach

- Von Bertalanffy describes a “**system**” as connected parts joined to form a whole in which coordinated and combined effect of subsystem creates synergy.
- There are two types of systems: **closed and open**.
- **Closed systems** do not interact with external environment, while **open systems** do interact.
- Examples of closed system model are: Taylor’s scientific management, Weber’s bureaucratic theory and Gulick’s administrative principles.
- Human relations and behavioural theories are examples of open system model.
- In the system’s theory, an organization is one of the elements in the business environments which takes inputs from various types of resources from the environment and process them, it returns output in the form of finished products and services.

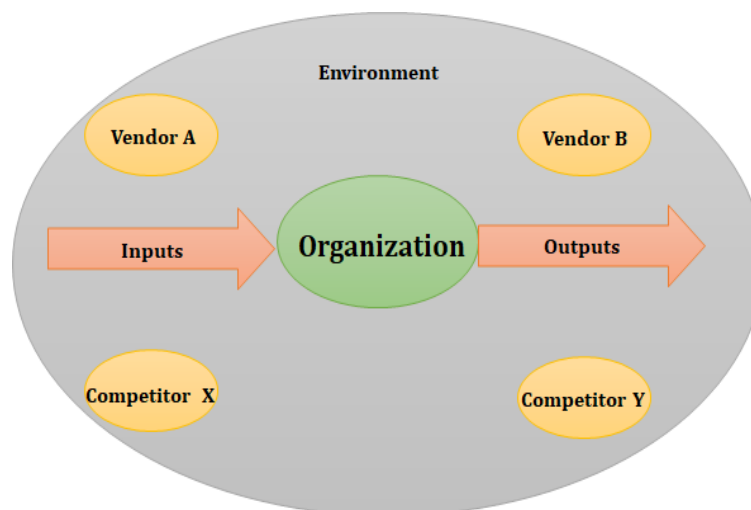


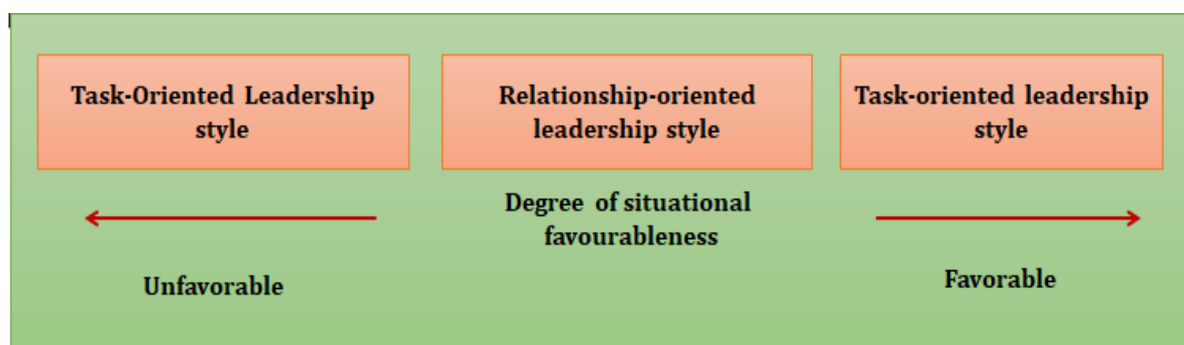
Figure: The systems approach to management

### Contingency Approach

- It is also called as **situational management**.
- It suggests that, there are many situational factors which makes a business problem different from the other and hence, a unique approach to problem solving or decision making by the managers is required rather than a generic approach.
- These situation factors can be external environment (competitors, vendors, government), technology, organizational characteristics, characteristics of the manager, characteristics of the subordinates.

- Fred Fiedler's model of contingency theory requires leaders or managers to rate their least preferred coworker (LPC) on a bipolar scale of 1 to 8 (1 → unfriendly and 8 → friendly).
- A high LPC score suggests that manager or leader has a **human relation orientation** and low LPC score indicates **task orientation**.
- Contingency theory allows for predicting the characteristics of the appropriate situations for effectiveness.
- Three situational components determine the favorableness or situational control
  - Leader-member relations
  - Task structure
  - Leader position power

<b>Leader member relations</b>	Degree of mutual trust, respect and confidence between leader and subordinates
<b>Task structure</b>	Extent to which group tasks are clear and structured
<b>Leader position power</b>	Power inherited in the leader's position itself



**Figure: Indication of appropriate leadership style**

- When there is a good leader-member relation, a highly structured task, a high leader position power – the situation is said to be **favorable situation**.
- Fiedler found that low-LPC leaders are more effective in extremely favorable or unfavorable situations, whereas high-LPC leaders perform best in situations with intermediate favorability.



### **Japanese-Style Management Approach**

- ***William Edwards Deming*** is the most influential quality management person, not only for Japanese but also for rest of the world.
- Japanese managers and engineers realized that they required new methods to build their devastated country and economy fast. They invited Deming for his lectures on **statistical quality control**.
- The Japanese concepts of management include
  - just-in-time (JIT),
  - single-sourcing,
  - the keiretsu system,
  - kaizen, poka-yoke,
  - hoshin-kanri,
  - quality circles
  - quality function development (QFD)

<b>Just-in-time (JIT),</b>	Schonberger defined JIT as “produce and deliver finished goods just in time to be sold, sub-assemblies just-in-time to be assembled into finished goods and purchased materials just-in-time to be transformed into fabricated parts”
<b>Single-sourcing</b>	It is concept whereby Japanese companies try to forge long term relationship with a single supplier, who is given the order for supplying a component for all the volumes required.
<b>The keiretsu system</b>	They are vertically integrated groups with a dominant manufacturing firm and a network of major suppliers and subcontractors.
<b>Kaizen</b>	In Japanese, kaizen means continuous improvement in every sphere of activity. It is a subsystem of JIT.
<b>Poka-yoke</b>	They are the simple and inexpensive devices used in order to ensure that zero defects are produced by the organization.

<b>Hoshin-kanri</b>	It is a methodology for setting strategic direction.
<b>Quality circles</b>	They are the voluntarily formed informal groups of workers with an objective to solve problem and propose solutions.
<b>Quality function development (QFD)</b>	Hin shitsu, ki nou, ten kai in Japanese means quality function development.

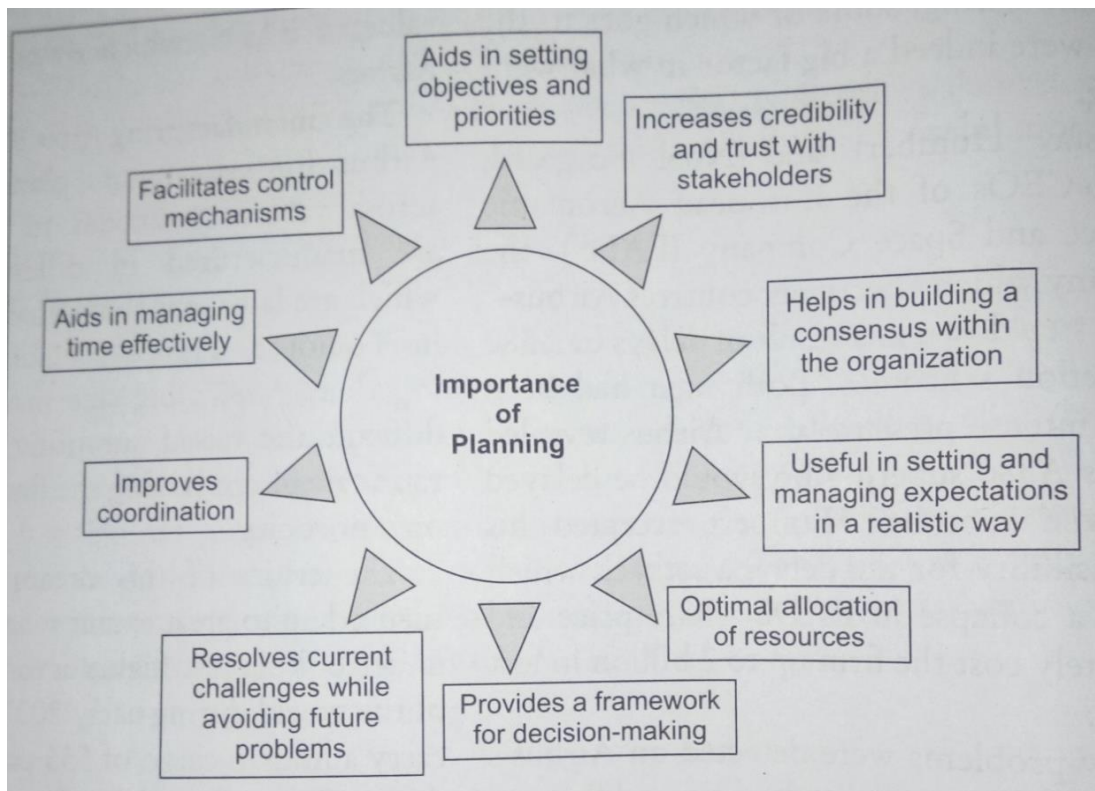
## Chapter 2- PLANNING

- The words **plan** and **planning** are used commonly in several contexts.
- It can be an architectural plan to create a building, a business plan for creating a new entrepreneurial venture or a plan to capture an enemy post during a war.
- According to **Oxford dictionary** for the business world, a plan is a method or procedure for doing something, a design, a scheme, or an intention.
- According to **Webster's dictionary**, plan is a general word for proposed method or procedure.
- **“A plan is a set of actionable decisions which has been selected from among a number of alternatives sets”.**

### DEFINITION OF PLANNING

- “Planning is deciding in advance what has to be done. It involves selection of objectives, policies, procedures and programs in alternatives”- **M.E. Harley**
- “Planning is decision-making in anticipation”- **R I Ackoff**
- “Planning is a trap laid down to capture the future!” – **Allen**
- “Planning is informed anticipation of the future” – **Haimann**
- Planning implies development of a program for achieving the organization's desired objectives and goals.
- Planning is choosing course of action and deciding in advance, what is to be done, in what sequence, when and how.

## IMPORTANCE OF PLANNING

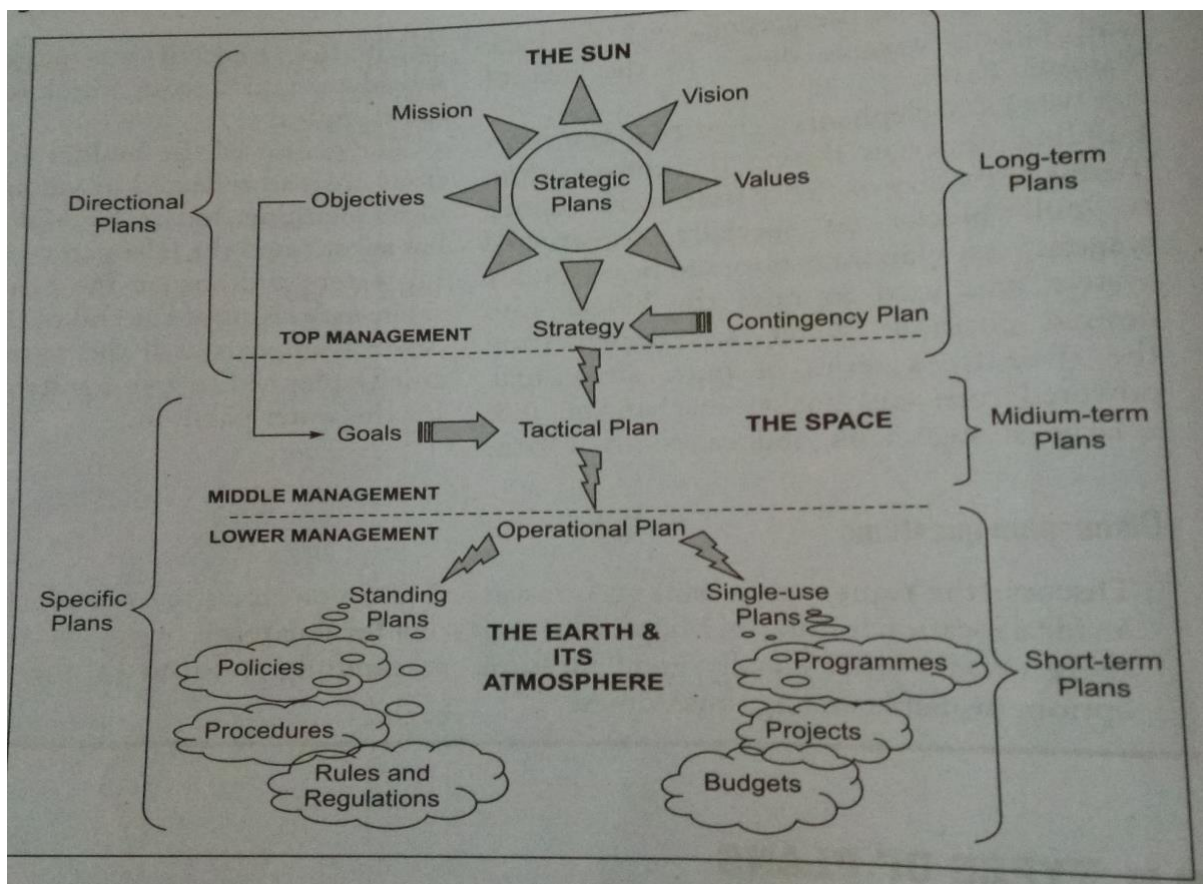
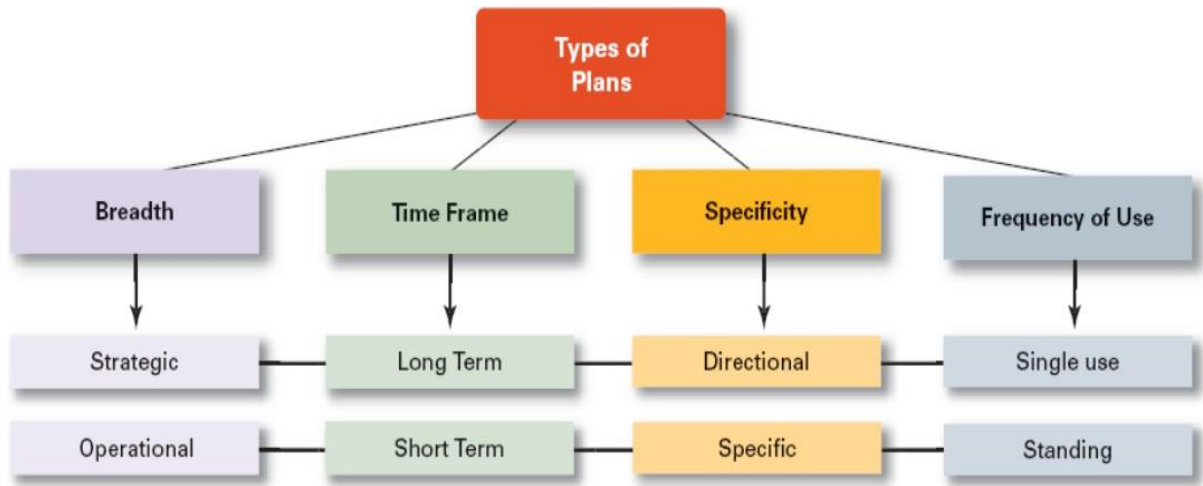


<b>Setting objectives and priorities</b>	Planning aids in setting objectives and priorities for the managers. Strategic plans results in setting strategic objectives, which gives raise to tactical goals and further leading to operational planning.
<b>Credibility and trust of stakeholders</b>	Planning increases credibility and trust with the stakeholders of an organization.
<b>Building consensus</b>	Planning helps in building consensus within the organization by providing a common platform for setting objectives for all managers. Planning serves a single thread binding the whole organization.
<b>Setting and managing expectations</b>	Planning is also useful in setting and managing expectations in a realistic way.
<b>Allocation of resources</b>	Planning results in optimal allocation of resources. Planning helps allocate limited resources like staff, materials and time in an orderly and systematic manner into various types of activities.

<b>Framework for decision making</b>	Planning provides a framework for decision-making. In the performance of various activities, managers have to often take decisions. Those decisions are much easier to take and are less prone to errors if backed by good planning done earlier.
<b>Current challenges and future problems</b>	Planning requires a manager to think critically about the activities being planned so as to resolve current challenges while avoiding future problems.
<b>coordination</b>	Planning improves coordination in a big way. Planning process which starts from setting the objectives improves companionship and a sense of teamwork.
<b>Time management</b>	Planning aids in managing time effectively on part of managers. Proper utilization of time by managers into value-adding activities would of course be most desired.
<b>Control mechanisms</b>	Planning facilitates control mechanisms. Planning helps a manager exercise more control in a situation, establish goals proactively and consider contingencies.

## **TYPES OF PLANS**

- Plans are of different types.
  - Strategic plans – mission, objectives, strategies
  - Contingency plans
  - Tactical plans
  - Operational plans – procedure, policies, rules and regulations
  - Directional plans v/s Specific plans
  - Hierarchy of Plans



## STRATEGIC PLANS

- These are the long-term plans spanning a planning horizon of about 3 to 10 years.
- They set out the overall direction for the firm keeping in view the long-term objectives to be achieved.
- In strategic planning, top management tries to answer questions like :
  - What is the environment we are operating?
  - Where are we heading?

- How do we take organization from the current state to higher state of success?
- The various types of strategic plans are mission (vision and values), objectives and strategies.

<b>Vision</b>	A desired future state of the organization with imagination and inspiration as the components. It can be viewed as the ultimate goal of the organization, one that may take 5 or 10 years to achieve.
<b>Mission</b>	The purpose or reason for the organization's existence. i.e., what business we are in, what we do, whom we serve.
<b>Values</b>	What the organization stands for and believes in. These are the principles to be observed to meet the vision or principle to be served.
<b>Objectives</b>	These are the desired outcomes in areas like customer service, profitability, social responsibility that the management of an organization hopes to attain.
<b>Strategies</b>	Strategies are the long-term plans which are chosen from a set of possible options after careful analysis of the opportunities and threats offered by external environment as well as strengths and weaknesses of the organization via competitors.
<b>Goals</b>	Goals are the concrete aims of the organization and more specific than objectives.

## CONTINGENCY PLANS

- Business environment in today's scenario has become highly volatile and unpredictable. Organizations have to be prepared for changing their strategies for the drastic changes encountered in the environment.
- It is much more beneficial if organizations follow a proactive approach of developing alternative strategies for various scenarios which may prevail over a period of time. These alternative plans are called contingency plans.
- Contingency plans involves identifying alternative courses of action which can be implemented whenever original plan proves insufficient because of changing circumstances.



## TACTICAL PLANS

- Tactical planning derived from business strategy helps in long term survival and growth of the organization.
- Strategic plans have the focus of providing directions on what the organization would be doing in the future (in the long term).
- Tactical planning is all about deciding how these activities would be accomplished (in the middle term)

## OPERATIONAL PLANS

- They are also called functional plans.
- These plans are specific, focused and short-term in line with tactical plans.
- These are pertaining to various functional departments of an organization such as finance, operations, marketing, HR and IT.
- The time duration covered by these plans can be monthly, weekly or even daily.
- There are two types of operational plans
  - Single-use plans
  - Stand-alone plans

<b>Standing plans</b>	<ul style="list-style-type: none"> <li>• They are also called as continuing or ongoing plans.</li> <li>• They are usually made once and retain their value over a period of year, undergoing periodic revisions and update this time frame.</li> <li>• There are basically three types of standing plans               <ul style="list-style-type: none"> <li>➤ Procedures</li> <li>➤ Policies</li> <li>➤ Rules and regulations</li> </ul> </li> </ul>
<b>Single-use plans</b>	<ul style="list-style-type: none"> <li>• They are the activities which do not repeat.</li> <li>• These plans are required for activities which have one-time occurrence.</li> <li>• Single-use plans can be classified as               <ul style="list-style-type: none"> <li>➤ Budgets</li> <li>➤ Project</li> <li>➤ Programme</li> </ul> </li> </ul>

**Standing plans :**

<b>Procedures</b>	<ul style="list-style-type: none"> <li>• It is a set of step-by-step direction which explains how activities or tasks should be carried out.</li> <li>• By defining steps to be taken and the order in which they are to be done, procedure provide a standardized way of responding to a repetitive problem.</li> </ul>
<b>Policies</b>	<ul style="list-style-type: none"> <li>• Policies are the guidelines to managerial action.</li> <li>• Policies are general statements that explain how manager should attempt to handle routine management responsibilities.</li> <li>• An organization can have policies in a number of areas like quality, environment, safety, human resources.</li> <li>• These policies guide day-to-day decision making</li> </ul>
<b>Rules and regulations</b>	<ul style="list-style-type: none"> <li>• These are the explicit statements which tell employee what he or she can do and cannot do.</li> <li>• These are the “do “ and “don’t” statements put into place to promote the safety of employees and the uniform treatment and behaviour of employees.</li> </ul>

**Single-use plans :**

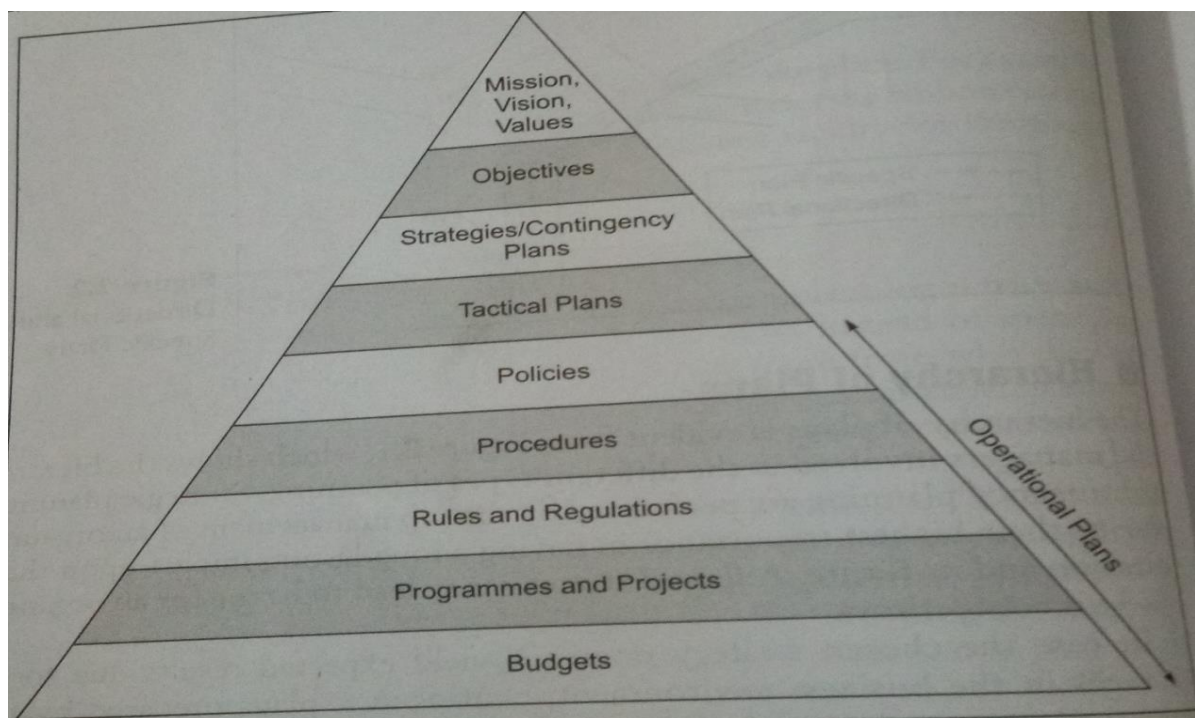
<b>Budgets</b>	These are the financial plans which predict sources and amounts of income and how much they are used for a specific organization.
<b>Project</b>	<p>It is a temporary attempt undertaken to create a unique product or service.</p> <p>Every project is unique and thus qualifies to be categorized under single-use plans.</p>
<b>Programme</b>	It is a schedule or an ordered list of events to take place.

**DIRECTIONAL PLANS VERSUS SPECIFIC PLANS**

- According to McCaskey, instead of specifying concrete measurable goals, planners should work more from who they are and what they like to do. This type of planning is called **planning from thrust or directional planning**.
- Directional planning thus has a lot of flexibility compared to specific planning, however it is much more stressful and cumbersome for planners who are accustomed to planning with specific goals.

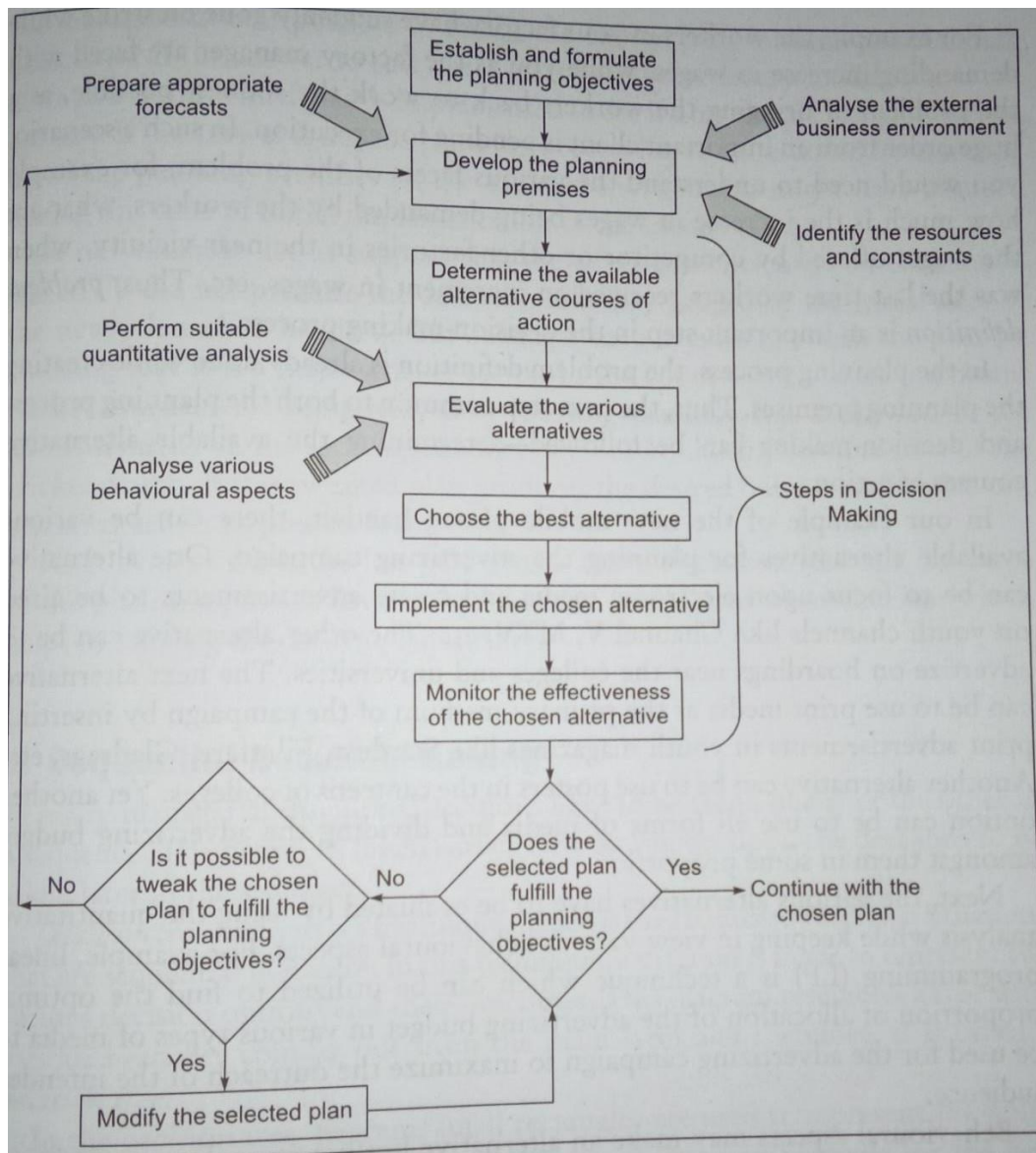
**HIERARCHY OF PLANS**

- Strategic and contingency planning are performed by the top management of an organization due to their highest impact upon the organization and its future.
- The next place in the hierarchy of plans is secured by tactical plans, which are created by middle managers of the organization and have medium term planning horizon.
- The lowest level in the hierarchy of plans is taken by operational plans which take care of the functional areas of the organization and its various divisions. They are created by lower stage of the organization and have short-term.
- In the hierarchy, we also have different types of operational plans namely policies, procedures, rules and regulations, programmes, projects, budgets.



## STEPS IN PLANNING

- Systematic planning is constituted by various steps in the planning process.
- The planning process starts with formulation of planning objectives.
- The next step is developing the **planning premises** which means assumptions about future scenarios in which plans to be created would be implemented keeping in view the business environment.
- While developing planning premises, manager must perform forecasting of the scenario.
- Many of the subsequent steps in the planning process are common to decision-making.



**Decision making**

- It is a process in which a best course of action is selected out of a set of alternatives for achieving a desired outcome.
- The process of **decision making** starts with **understanding and definition of the problem**.
- **Problem definition** is the most important step in the decision-making analysis.
- In the planning process, the problem definition is already done while creating the planning premises. The next step common to both planning process and decision making can be determining the **available alternative course of action**.
- The next step of planning process involves implementation of selected alternatives and effectiveness is monitored.
- The last few steps of planning process invariably terminate into a control mechanism which helps in refining the chosen plan further.

**Sequential Decision making**

- In any managerial situations, decisions have to be taken one after the other in a sequence.
- **Decision tree analysis** is a method used to analyse decision situations that are sequential in nature.
- It involves a diagram which helps in various decision options and their outcomes. A diagram which resembles a tree with various branches coming from the main stem is called **decision tree**.
- In decision tree, small rectangles represent point of decision called **decision node**.
- Small circles are used to represent point of outcomes or events as a result of choosing a decision option. They are called **event or outcome nodes**.
- The decision tree is analysed for the best decision sequence by **roll-back technique**.