

Management and entrepreneurship

Module 1 and 2 notes



DSCE

Computer Science

**Module 1**

**Management and Planning**

**Management:**

**IMPORTANCE OF MANAGEMENT:**

1. Management is a critical element in the economic growth of a country.

2. Management is essential in all organized efforts.

3. Management is the dynamic, life-giving element in every organization.

Difference between manager and other personnel in the organization:

* A manager is one who contributes to the organizational goals indirectly by directing the efforts others by not performing the task by himself
* A person who is not a manager makes his contribution to the organization’s goals directing by performing the task himself.

**DEFINITION OF MANAGEMENT:**

1. According to Mary Parker Follett "M anagement is the art of getting things done through people."

2. According to George Terry "Management as a process consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objective by the use of people and resources."

3. According to F.W.Taylor " Management is knowing exactly what you want, meant to do and see to it so that they do it in the best and cheapest ways."

4. According to Peter Ducker "Management is a multipurpose organ that manages a business, manages a manger, workers and work."

5. According to Claude S. George " Management is the central core of our national as well as personal activities, and the way we manage ourselves and our institutions reflects with alarming clarity what we and our society will become."

**NATURE AND CHARACTERISTICS OF MANGEMENT:**

1. Management is a universal process.

2. Goal oriented.

3. Social process.

4. Co-ordinating process.

5. Intangible (i.e. cannot be measured).

6. Dynamic (i.e. always changes).

7. Multidisciplinary.

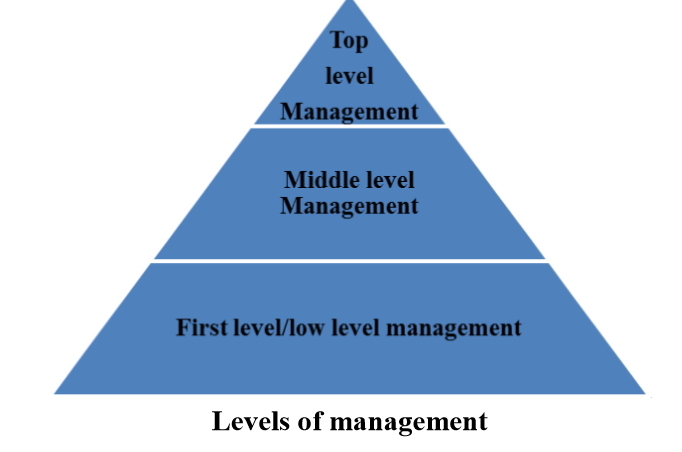
8. Creative activity.

9. Decision making.

10. Profession.

**LEVELS OF MANAGEMENT**

In any organization, there are three levels of management the first-line, middle and top level managers.



**Top level management:**

Examples: Board of directors, Managing director, CEO, General manager etc.,.

**Middle level management:**

Examples: Production, Financial, Personal managers, Department managers etc.,.

**Low level management:**

Examples: Foreman, Supervisor, Superintendent etc.

**ROLES OF MANAGEMENT:**

**Interpersonal roles**:

1. **Figure head:** performs duties of ceremonial nature such as greeting the touring dignitaries, attending the wedding of an employee etc.
2. **Leadership:** every manager must motivate and encourage their employees, try to reconcile their individual needs with the goals of the organization.
3. **Liaison:** in this role, every manager must develop contacts outside the vertical chain of command to collect information useful for the organization.

**Informational roles**:

1. **Monitor:** must perpetually scan his environment for information interrogate his liaison and subordinates to get any solicited information useful for the organization.
2. **Disseminator:** manager passes the privileged information directly to the subordinates who otherwise would not have access to it.
3. **Spokesperson:** may require to spend a part of the time in representing the organization before various outside groups having some stake in the organization such as government officials, labor unions, financial institutions.

**Decisional roles**:

1. **Entrepreneur:** in this role the manager proactively looks out for innovation to improve the organization by means of means creating new ideas, development of new products or services or finding new uses for the old ones.
2. **Disturbance Handler**: must act like a firefighter to seek solutions to various unanticipated problems
3. **Resource Allocator:** must divide work and delegate authority among his subordinates.
4. **Negotiator:** must spend considerable time in negotiations. Example: the foreman negotiating with the workers for the grievance problems

**Managerial skills**

The manager is required to possess three major skills: Conceptual skill which deals with ideas, human relations skill which deals with people and technical skill which deals with things.

* 1. **Conceptual skill:** deals with the ability of manager to take a broad and farsighted view of organization and its future, ability to think in abstract ability to analyze the forces working in a situation.
  2. **Technical skill:** are managers understanding of the nature of the job that people under him have to perform. Refers to the person’s knowledge and proficiency in any type of process or technique.
  3. **Human relations skill:** is the ability to interact effectively with people at all levels and the manager sufficient ability to
     1. to recognize the feelings and sentiments of others.
     2. to judge the possible reactions to and the outcomes of various courses of action he may undertake
     3. to examine his own concepts and values which may enable to more useful attitudes and about himself.

Skill mix of a manager with the change in his level:

1. **Top level:** technical skill becomes less important
2. **Middle management:** human relations skill become more important
3. **Supervisory skill:** technical skill becomes more important.

**SCOPE OF MANAGEMENT:**

* The management is a must for every organization which encompasses for profit as well as nonprofit organizations, government as well as non government organizations, and service as well as manufacturing organizations.
* It is in fact difficult to find an area of activity where management is not applicable.
* Management is not only limited to business enterprises for profits but also to the for non-profit organizations like educational institutions, health care organizations, financial organizations, stores management for keeping their cost of the operation at the optimal levels.
* Government organizations like municipal corporations, water supply departments, electricity boards in providing best possible services to the public.
* Non-government agencies like environmental agencies benefit from management in achieving their social objectives in cost effective manner.
* Manufacturing organizations extensively use management to increase production to enhance the quality of the products manufactured and similarly Service organizations benefit from management in providing an exemplary service experience to the customers
* Production Management
* Financial Management
* Personal Management
* Marketing
* Maintenance
* Materials
* Transport
* Systems
* Rural
* Office

**FUNCTIONS OF MANAGEMENT:**

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

**Planning:**

* Is a function that determines in advance what should be done which is looking ahead and preparing for the future.
* Is a process of determining the objectives and charting out the methods of attaining those objectives.
* Is determination of what, where and how it is to be done and how the results are to be evaluated.
* Is done for the organization as a whole but every division, department or subunit of the organization.
* Is a function which is performed by the managers at all levels-top (which may be as long as five years),middle(shorter may be week) and supervisory.

**Organizing and staffing**

* Is a function which may be divided into two main sections namely the human organization and material organization.
* Once the plans have been developed and the objectives established, they must design and develop a human organization to carry out plans successfully.
* May defined as a structure which results from identifying and grouping work, defining and delegating responsibility and authority and establishing the relationships.
* **Staffing** is also considered an important function in building the human organization
* Involves building the right person for the right job.
* Fixes responsibility for a manager to find the right person for the right job and ensures enough manpower for the various positions needed for the organization which involves selection and training of future managers and suitable system of compensation
* Different objectives require different kinds of organizations

**Directing**

* Is the next step after planning, organizing and staffing Involves three sub-functions namely communication, leadership and motivation.
* **Communication** is the process of passing information from one person to another.
* **Leadership** is the process of guiding and influencing the work of his subordinates by the manager.
* **Motivation** is arousing the desire in the minds of the workers to give their best to their enterprise.
  + To pull out the weight effectively, to be loyal to their enterprise and carry out the task effectively.
  + Has two types of motivation financial and nonfinancial
  + **Financial**: takes the form of salary, bonus, profit-sharing etc.
  + **Nonfinancial**: takes the form of job security, opportunity of advancement recognition praise etc.

**Controlling:**

* Is a function which ensures everything occurs in conformity with plans adopted and involves three elements:
  1. Establishing the standards of performance
  2. Measuring current performance and comparing it against the established standards.
  3. Taking action to correct any performance that does not meet the standards. Management process:

**Administration and Management**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **Basis of difference** | **Administration** | **Management** |
| **1** | Level in organization | Top level | Middle & lower |
| **2** | Major focus | Policy formulation & objective determination | Policy execution for objective  achievement |
| **3** | Nature of functions | Determinative | Executive |
| **4** | Scope of functions | Broad & conceptual | Narrow & operational |
| **5** | Factors affecting decisions | Mostly external | Mostly internal |
| **6** | Employer-employee relation | Entrepreneurs & owners | Employees |
| **7** | Qualities required | Administrative | Technical |

**Management as a science, art or a profession**

**Management as a science:**

A discipline is called science if

1. The methods of the inquiry are systematic and empirical
2. If the information can be ordered and analyzed and
3. Results are cumulative and communicable
   1. Systematic means orderly and unbiased attempt to gain knowledge must be with the personal or other prejudgment Inquiry being empirical means that it is not an armchair speculation or priory approach.
   2. the scientific information so collected as raw data must be finally ordered and analyzed with the statistical tools which makes the results
   3. Communicable and intelligible which also permits repletion of the study and the results in the sense that what is discovered is added to which has been found before which helps us to learn from past mistakes and obtain guides for the future

**To analyze whether management is a science:**

Management is not like the exact or natural science such as physics, chemistry etc. which are called exact sciences, which makes it possible to study any one of many factors affecting a phenomenon individually by making the other factors inoperative for that moment of time

Ex: examining the effects of heat on the density of air by holding other factors constant in the laboratory is possible in science

Whereas in management it is not possible to study one factor keeping other factors constant ex: study of monitory incentives on workers’ productivity, multiple factors like his comfortability at workplace, social causes, environment around him can be affecting him.

Which means that findings are not accurate and dependable as those of physical sciences and therefore, a management can be put in the category of a behavioral science. Management are not culture bound because even though the different cultures may give rise to different management practices, techniques or theory concepts and principles remain the same which lead to the conclusion that management did not differ from country to country which is true even in the field of natural sciences.

**Management as art:**

As the science considers the why phenomena management as an art is concerned with the understanding how a particular task can be accomplished which involves art of getting things done through others in a dynamic and non-repetitive fashion and has to constantly analyze the existing situation, determine the objectives, seek the alternatives, implement, coordinate, control and evaluate information and make decisions.

As the knowledge of management theory and principles is a valuable kit of the manager but it cannot replace his managerial skills and qualities which must be applied and practiced which makes us to consider manager as an art. Like the art of a musician or the art of a painter who uses his own skill and does not copy the skills of others

Thus we may conclude that management involves both the elements those of an art and those of science where in certain aspects of management make it as a science, certain others which involves the application of skill makes it an art.

**To analyze whether Management is a profession**:

**Characteristics of a profession:**

1. existence of organized and systematic knowledge
2. formalized methods of acquiring training and experience.
3. existence of an association with the professionalization as a goal
4. existence of an ethical code to regulate the behavior of the members of the profession
5. Charging of fees based on service.

**Management:**

1. Does not have fixed norms of managerial behavior
2. No uniform of code of conduct or licensing of managers
3. Entry of managerial jobs is not restricted to individuals with a special academic degree only and hence management cannot be called a profession

**Development of management thought:** Evolution of the management can be studies as

1. **Early classical approaches** represented by
   1. scientific management
   2. administrative management and
   3. bureaucracy

* **Scientific management**
* Fredric Winslow Taylor(1856-1915) is considered as the father of Scientific management
* Exerted a great influence on the development of the management through his experiment and writings.
* Conducted as a series of experiments in three companies Midvale steel, Simonds Rolling machine and Bethlehem Steel while serving as a chief engineer of Midvale steel company for a period of 26 years.

Taylor’s contributions under scientific management

1. **Time and motion study:** started time and motion study under which each motion of job was timed out with the help of stop watch of doing job was found and shorter and fewer motions were developed and amongst these the best job was found which replaced the old rule of thumb knowledge of the workman.
2. **Differential payment**: new payment plan called the differential piece work was introduced which was linked incentives with production. under this plan a worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard which would motivate the workers to increase production
3. **Drastic reorganization and supervision:** introduced two new concepts separation of planning and doing and functional foremanship. Taylor suggested that the work should be planned by the foreman and not by the worker and there should be as foreman as there are special functions involved in doing a job and each of these foremen should give orders to the worker on his specialty.
4. **Scientific recruitment and training:** Taylor emphasized the need for scientific selection and development of the worker. He says that management should develop and train every worker to bring out his best facilities and enable him to do a higher, more interesting and more profitable class of work than he has done in past.
5. **Intimate and friendly cooperation between the management and the workers:** Taylor argued that both the management and the workers both should try to increase production rather than quarrel over profits which would increase the profits to such an extent that labor and management would no longer have to compete for them and should sow common interest in increasing productivity

**Contributions and limitations of scientific management:**

**Contributions:**

1. Time and motion studies have made us aware that the tools and physical movements involved in a task can be made more efficient and rationale.
2. Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.
3. The scientific management have to work design encouraged the mangers to do one best way of doing the job.

**Limitations:**

1. Taylors belief that economic incentives are strong enough to motivate workers for increased production proved wrong as there are other needs such as security, social needs, or egoistic needs rather than financial needs
2. Taylors time and motion study is not accepted as entirely scientific as there is no best way of doing the same job by two individuals as they may not have same rhythm, attention and learning speed
3. Separation of planning and doing the greater specialization inherent in the system tends to reduce the need for skill and greater monotony of work.
4. Advances in methods and better tools and machines eliminated some workers who found it difficult to get other jobs and caused resentment among them.

* **Administrative management:**
* Henry Fayol is considered as the father of administrative management (1841-1925)
* Where the focus is on development of broad administrative principles.
* Was a French mining engineer turned a leading industrialist and a successful manager.
* Provided a broad analytical framework of the process of administration.

Fayol’s 14 principles of management as general guides to the management process and management practice.

1. **Division of work:** In the management process produces more and better work with the same effort as the various functions of management like planning, organizing, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors which must be entrusted to specialists in related fields.
2. **Authority and responsibility:** Imply that the manager should have the right to give orders and power to exact obedience and the manager also may exercise formal authority and also personal power. Formal authority is derived from the official position and personal power is the result of Intelligence, experience, moral worth, ability to lead, past service etc. Responsibility is closely related to authority and an individual who is willing to exercise authority must also be prepared to bear responsibility to perforators etc. the work in the manner desired
3. **Discipline:** Absolutely essential for smooth running of the business and discipline means the obedience of authority, observance of rules of rules of service and norms of performance, respect for agreements, sincere efforts of completing the given job, respect for superiors.

Best means of maintaining discipline are

(a) good supervisors at levels (b) clear and fair agreements between the employees and the Employer.

1. **Unity of command:** This principle requires that each employee should receive instructions about a particular work from one superior only if reported to more than one superior would result in confusion and conflict of instructions.
2. **Unity of direction:** Means that there should be complete identity between individual and organizational goals on the one hand and between the departmental goals on the other hand and both should not pull in different directions.
3. **Subordination of individual interest to general interest**: In a business concern, an individual is always interested in maximizing his own satisfaction through more money, recognition, status etc. which is against the general interest which lies in maximizing production and hence there is a need to subordinate the individual interest to the general interest.
4. **Remuneration**: Remuneration paid to the personnel of the firm should be fair and should be based on general business conditions such as cost of living, productivity of the concerned employees and the capacity of the firm to pay and the fair remuneration increases workers efficiency and morale and fosters good relations between them and management.
5. **Centralization:** The degree of centralization or decentralization of authority must be decided on the basis of nature of the circumstances, size of the undertaking, the type of activities and the nature of organizational structure.
6. **Scalar chain:** Scalar chain means the hierarchy of authority from the highest executive to the lowest ones for the purpose of communication and states superior-subordinate relationship and the authority of superiors in relation to subordinates at various levels and the orders or the communications should pass through the proper channels of authority along the scalar chain.
7. **Order:** Putting things in order needs effort and the management should obtain orderliness in work through suitable organization of men and materials and the principle of right place for everything and for every man should be observed by the management which requires the need for scientific selection of competent personnel, correct assignment of duties to personnel and good organization.
8. **Equity:** Means equality of fair treatment which results from a combination of kindness and justice and employees expect management to be equally just to everybody which requires managers to be free from all prejudices, personal likes or dislikes
9. **Stability of tenure of personnel:** Is necessary to motivate workers to do more and better work and they should be assured security of job by management which if not provided they have fear of insecurity of job, their morale will be low and they cannot give more and better work.
10. **Initiative:** Means freedom to think out and execute a plan which when provided to the employees leads to innovation which is the landmark of technological progress. Initiative is one of the keenest satisfactions for an intelligent man to experience and hence mangers are required to give enough scope to show their initiative.
11. **Esprit de corps:** Means team spirit which should be created b y the management among the employees and is possible only when all the employees pull together as a team and there is scope for realizing the objectives of the concern and there should be harmony and unity among the staff which is a great source of strength to the undertaking which could be achieved through avoiding divide and rule motto and use of verbal communication and written communication to remove misunderstandings

**Contributions and limitations of administrative management:**

**Contributions:**

1. Fayol’s principles met with widespread acceptance among writers on management and among managers and managers themselves.
2. Drawing inspiration from Fayol a new school of thought known as the Management Process School came into existence.

**Limitations:**

1. Fayols principle of specialization lead to the following dysfunctional consequences:
2. Leads to the formation of small work groups with norms and goals with each individual carrying out his own assigned part without bothering about the overall purpose of the organization as a whole.
3. Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
4. Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
5. One of the findings in Fayol’s principles is that there is nothing in Fayol’s writings to indicate which is the proper one to apply like for example the principle of unity of command and the principle of unity of specialization or division of labor cannot be followed simultaneously. In this way many of these principles are full of contradictions and dilemmas.
6. Fayol’s principles are based on a few case studies only and have not been tested empirically and whenever tested have fallen like autumn leaves.
7. These principles are often stated as unconditional statements of what should be done in all circumstances when what is needed are conditional principles of management.
8. The principles of Fayol such as the principles specialization, chain of command, unity of direction and span of control result in the mechanistic organizational structures which are insensitive to employees Social and psychological needs.
9. These principles are based on the assumption that the organization are closed systems but in reality, organizations are open systems and hence the rigid structures so created do not work well under stable conditions.

**Bureaucracy**

* German scientist Max Weber is considered to be the father of Bureaucracy.
* Made a study on various business and government organizations and distinguished three types of administration amongst them.
* Leader oriented, tradition oriented and bureaucratic.
  1. **Leader oriented:** Administration is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.
  2. **Tradition oriented**: all managerial positions are handed down from generation to generation and who are you rather than what you can do becomes the primary function.
  3. **Bureaucratic oriented**: is based on the persons demonstrated ability to hold the position and no person can claim particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family and the people earn positions because they are presumed to be best capable of filling them.

**Important features of Bureaucratic Administration:**

1. **Insistence on following standard rules**: There should not governed by the personnel preferences of the employer, but it should be governed by the standard rules which provides equality in the treatment of subordinates and continuity and predictability of action.
2. **Systematic division of work:** increases production by improving efficiency and saving time in changing over from one job to another.
3. **Principle of hierarchy followed:** each lower officer is under the control and supervision of a higher one.
4. **Not necessary for the individual to have knowledge of and training in the application of rules:** These form the basis on which legitimacy is granted to his authority.
5. Administrative acts, decisions and rules are recorded in writing makes the organization independent of people besides making peoples understanding more accurate.
6. **There is rational personnel administration:** people are selected on the basis of their credentials and merit and are paid according to their option in their hierarchy, promotions are made systematically and there is on winning people’s loyalty and commitment.

**Contributions and limitations of bureaucracy:**

**Contributions:**

Bureaucracy can be viewed as the logical extension of management when it becomes impossible for one person to fulfill all managerial functions which has enabled most modern large scale organizations which require functionally specialized staff to train and control the people with heterogeneous backgrounds and to delegate specific responsibilities and functions to them.

**Limitations:**

Has led to important dysfunctional consequences of bureaucracy as follows:

1. **Over conformity of rules:** Employees observe stick to rule policy because they follow stick to the rule policy because they fear of being penalized of the violation of these rules and therefore follow the letter of law without going into its spirit. Example: a doctor in the emergency spends precious time in filling various forms before helping the accident victim
2. **Buck passing**: In situations where there are no rules, employees are afraid of taking decisions independently and may be punished for wrong decisions and therefore either shift decisions to there or postpone them which results in the increase of office work and leads to Parkinson’s disease.
3. **Categorization of queries:** Probable queries coming from outside are generally classified in advance into a few broad categories and answer for each category are prepared in advance. On receiving the query, the employees’ job is to simply determine its category and tick the reply applicable to that category
4. **Displacement of goals**: Very common phenomena in bureaucratic organization and takes place when an organization substitutes for its legitimate goals some other goal which it was not created, for which resources were not allocated to it and which it is not known to serve.

Can occur in several ways:

1. Occurs when the leaders try to devote to preserve the organization itself rather than its initial purpose and when several interest groups try to use the organizational goals to serve their own goals.
2. Occurs when the employees try to internalize the rules and the goals are totally forgotten which is called professional automation. Example: praising the librarian for neat and orderly look of the library and not for increase in the number of book borrowers. Praising the factory worker for his regular attendance and not for the quality of his performance.
3. Secondary goals of an organization subordinating its primary goals so that latter are not served effectively. Example: university initiating certain social or extra-curricular activities to attract students to classes and universities consuming greater time and resources in conducting the same rather than teaching a course.
4. Sectional interests developing among the heads of sub-units of the organization which may lead to forget the organizational goals.
5. **No right of appeal**: The clients the bureaucratic organization feel dissatisfied because they have no right of appeal
6. **Neglect of informal groups:** Forms informal groups which play an important role in the organization which has led to the development of group dynamics which are ignored by the bureaucratic organization.
7. **Rigid structure:** precise description of roles and over conformity of rules make bureaucratic structures rigid which work well in stable environments but do not work well in today’s organizational flexible structures which require constant mentoring, collection of information and changing of job descriptions and roles of the employees.
8. **Inability to satisfy the needs of the mature individuals:** A mature individual wants independence, initiative, self-control, opportunity to use his all skills and information to plan his future which is not provided as the hierarchy and control features work against this organization.

**PLANNING**

* Planning is the beginning of the process management A manager must plan before he can possibly organize, staff, direct or control.
* Because planning sets all other functions into action, it can be seen as the most basic function of management.
* Without planning other functions become mere activity.
* Planning is an intellectual process which requires manager to think before acting.
* It is thinking in advance.
* It is planning that managers of organization decide what is to be done, when it is to be done, how it is to be done, and who has to do it.
* Decision making is an integral part of planning. It is the process of choosing among alternatives. Obviously, decision making will occur at many points in the planning process.
* Planning is a continuous process like a navigator constantly checks where his ship in going in the vast ocean, a manger must constantly watch his plans must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans.

Corollary:

* A plan must be flexible. By flexibility of a plan is mean its ability to change direction to adapt to changing situations without undue cost.
* It needs to possess a built-in flexibility in at least major areas technology, market, finance, personal and organization.
* Flexibility in technology means the mechanical ability of a company to change and vary its product-mix according to changing needs of its customers.
* Flexibility in market means the company’s ability to obtain additional funds on favorable terms whenever there is need for them.
* Flexibility in personnel means the company’s ability to shift individuals from one job to another.
* Flexibility in organization means the company’s ability to shift individuals from one job to another.
* Flexibility in organization means the company’s ability to change the organization structure.
* Flexibility is possible only within the limits. It is almost invariably true that it involves extra cost.
* Sometimes it may be so expensive that it benefits may not be worth the cost. People may develop patterns of the thought that are resistant to change.
* Sometimes people may develop patterns of thoughts that are resistant to change.
* Sometimes already established and procedures may become so deeply ingrained in the organization that changing them may become difficult.
* In most cases irretrievable costs already incurred in fixed assets, training, advertising may block flexibility.
* Planning is all pervasive function. In other words, planning is important to all managers regardless of their level in the organization. There are however some differences in involvement by managers at different levels.
* One major difference concerns the time period covered.
* Top level managers are generally months to five years later, or even after that.
* Lower level managers are more concerned with planning activities for the day, week or month.
* First line supervisors, for example plan the work activities for their people for the day. They are not responsible for predicting sales levels and ordering materials to produce products six months in the future.
* A second major difference concerns the time spent on planning.
* Top managers generally spend more time on planning. They are concerned with establishing objectives and developing plans to meet those objectives.
* Lower level managers are more involved in executing these plans.

**Importance of planning**

**Planning:**

1. **Minimizes risk and uncertainty** 
   1. By providing a more rational, fact-based procedure for making decisions, planning allows managers and organizations to minimize risk and uncertainty.
   2. Planning does not deal with future decisions, but in futurity of present decisions. If a manager does not make any provision for the replacement of plant and machinery, the problems he will have to face after ten years can well be imagined.
   3. The manager has a feeling of being in control if he has anticipated some of the possible consequences and has planned for them.
   4. It is like going out with an umbrella in cloudy weather.
   5. It is through planning that the manger relates the uncertainties and possibilities of tomorrow to the facts of today and yesterday.
2. **Leads to success:** 
   1. Planning does not guarantee success, but studies have shown that, often things being equal, companies which plan not only outperform the non-planners but also their past results.
   2. This may be because when a businessman’s actions are not random arising as mere reaction to the marketplace.
   3. Planning leads to success by doing beyond mere adaption to market fluctuations. With the help of a sound plan, management can act proactively and not simply react.
   4. It involves attempting to shape the environment on the belief that business is not just the creation of environment but its creator as well.
3. **Focus attention on the organization’s goals:** 
   1. Planning helps the manger to focus attention on the organization’s goals and activities.
   2. This makes it easier to apply and coordinate the resources of the organization more economically.
   3. The whole organization is forced to embrace identical goals and collaborate in achieving them.
   4. It enables the manager to chalk out in advance an orderly sequence of steps for the realization of organizations goals and to avoid needless overlapping of activities
4. **Facilitates control:** 
   1. In planning, the manager sets goals and develops plans and to accomplish these goals.
   2. These goals and plans then become standards against which performance can be measured.
   3. The function of control is to ensure that activities conform to the plans. Thus, control can be exercised only if there are plans.
5. **Trains executives:** 
   1. Planning is also an excellent means for training executives.
   2. They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.

**PURPOSE OF PLANNING**

1. To select from many available alternatives so as to achieve the objectives of the enterprise, economically, effectively and efficiently.
2. To direct all other functions of management
3. To set up the goals of an enterprise in perspective, within the environment
4. To help planned goals of an enterprise to break up into more easily handleable additive- segmented goals
5. To form the basis for budget
6. To forecast the future to avoid uncertainty and change
7. To provide effective control
8. To search for alternatives and adopt the best way of accomplishing the work and
9. To focus the vision on the objectives and goals

**Forms of planning**

* Planning can take many forms and styles in practice. Planning can be comprehensive or limited in scope.
* There are organizations that plan to the last detail. Others rest content, simply broad targets for the next financial period.
* Planning may be done by an army of experts using sophisticated forecasting techniques. Or it may be done in a seat of the pants manner, by a number of executives, sharing their judgments over a cup of coffee.
* Planning may begin at the top with top executives deciding on targets and passing them down for implementation or it may begin at the bottom with the lowest sections formulating their targets and sending them up for evaluation and coordination.
* Planning may be done participatively with many members of the organization chipping in with their ideas and judgments or it may done in the elitist manner by a few executives or technocrats.

There are many forms and styles of planning, and planning practices are likely to vary from organization to organization. One useful way of classifying them is to distinguish between strategic planning and tactical planning.

* About Strategic planning involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals and depends on the data collected if the outside the organization such as market analysis, estimates of costs, technological developments and so on and if the data being mostly imprecise make strategic planning less certain.
* Tactical planning involves deciding specifically how the resources of the organization will be used to help the organization achieve these strategic goals. for example, if the organization has prepared a ten-year strategic plan which envisages a profit rate of 25% on capital employed in the tenth year, it also necessary to prepare a more detailed tactical plan for the next year, with a specific target of 10% on the capital employed.

Distinction between strategic planning and tactical planning

|  |  |
| --- | --- |
| **Strategic planning** | **Tactical planning** |
| 1. Decides the major goals and policies of allocation of resources to achieve these goals 2. Done at higher levels of management. Middle managers sometimes not even aware that strategic planning being considered. 3. It is long term 4. Is generally based on long term forecasts about technology, political environment and is more uncertain. 5. Is less detailed because it is not involved with the day to day operations of the organization | 1. decides the detail use of resources for achieving these goals 2. Is done at lower levels of management 3. It is short term 4. Is generally based on the past performance of the organization and is less uncertainly 5. Is more detailed because it is involved with the day-to-day operations of the organization |

**Types of plans:**

Plans are arranged in a hierarchy within the organization as shown in the figure below At the top of this hierarchy stand objectives. Objectives are the broad ends of the organization which are achieved by means of strategies. Strategies in their turn are carried out by means of the two major groups of plans.

**Single use plans and standing plans.**

* Single use plans are developed to achieve a specific end and when the end is reached the plan is dissolved. The two major types of plans are single use plans are programmers and budgets.
* Standing plans on the other hand are designed for situations that recur often to justify the standardized approach. For example, it would be inefficient for a bnak to develop a single use plan for processing a loan application for each new client. instead it uses one standing plan that anticipates in advance whether to approve or turn down the request based on the information furnished, credit rating, etc. the major types of plans are policies, procedures methods and rules.

**STANDING PLANS**

* Policies: A policy is a general guideline for decision making which sets up boundaries around decisions including those that cannot be made and shutting out those that cannot.
  + A policy can be considered as a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which, managerial action takes place
  + Policies suggest how to do the work. They do not dictate terms to subordinates and provide only a framework within which the decisions must be made by the management in different spheres.
  + Example: 1) Recruitment policy of a company is to recruit meritorious people through the employment exchange 2) Distribution policy of a fertilizer company is farmer oriented. Policies and objectives guide thinking and action, but with a difference. Objectives are end points of planning while policies channelize decisions to these ends.
* **Procedures:** Policies are carried out by means of more detailed guidelines called procedures.
  + A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work.
  + The same steps are followed each time that activity is performed.
* **Methods:** A method is a prescribed way of in which one step of a procedure is performed. For example the specified technique to be used in screening the applications or conducting a written test is a method whereas the sequence of steps involved in the recruitment of personnel consists of a procedure.
  + Methods help in increasing the effectiveness and usefulness of the procedure. By improving the methods reduced fatigue better productivity and lower costs can be achieved. Methods can be improved in a number of ways.
  + Manual methods of performing a task can be replaced by the mechanical means, or the existing mechanized process may be improved, and unproductive methods improved by conducting motion study
* **Rules:** Are detailed and recorded instructions that a specific action must or must not be performed a given situation

vision

mission

for repetitive Activities

Standing plans (policies, procedures, methods and rules)

For non-repetitive tasks

Single use plans (programs and budgets)

strategies

objectives

**SINGLE USE PLANS**

* **Programs:**
* Programs are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.
* Programs are drawn in conformity with the objectives and are made up of policies, procedures, budgets etc. The essential ingredients of every program are time phasing and budgeting.
* **Budgets**
  + A budget is a financial and/or quantitative statement prepared prior to a definite period, of the policy perceived during that period, for the purpose of obtaining a given objective.
  + Budgets are plans for a future period containing the statements of the expected results in numerical terms that is rupees, man hours
  + Product units and so forth. The important budgets are sales budget, revenue budgets, cash budget and expense budget.

**Objectives**

* Are the goals of the organization which the management wishes the organization to achieve.
* These are the end points or polestar towards which all business activities like organizing, staffing, directing and controlling are directed.
* Only after having defined these end points the can determine the kind of organization the kind of personnel and their qualifications, the kind of motivation, supervision and direction and the control techniques which he must employ to reach these points.
* Objectives are the specific targets to be reached by an organization. They are the translation of the organization’s mission into concrete terms against which the results can be measured.
* Example:1) university decision to admit a certain number of students or the hospitals decision to admit a certain number of indoor patients.

**Characteristics of the objectives:**

1. **Objectives are multiple in number:** Implies that every business enterprise has a package of objectives set out in various key areas. There are eight key areas in which objectives of performance and results are set which are
   1. market standing
   2. innovation
   3. productivity
   4. physical and financial resources
   5. profitability
   6. Manager performance and development
   7. worker performance
   8. attitude and public responsibility.
2. **Objectives are either tangible or intangible:** for some objectives such as in the areas of market standing, productivity, and physical and financial resources) there are quantifiable values available. Other areas of objectives are not readily quantifiable and are intangible, such as manager’s performance, workers morale, public responsibility etc.
3. **Objectives have priority**: Implies that at one particular given point of time, the accomplishment of one objective is relatively more important than others. Priority of goals also says something about the relative importance of certain goals regardless of time. For example, the survival of organization is necessary condition for the realization of other goals. The establishment of priorities is extremely important in that resources of any organization must be allocated by rational means
4. **Objectives are generally arranged in a hierarchy:** This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives. Objectives at all levels serve as an end and as a means.
5. **Objectives sometimes clash with each other:** The process of breaking down the enterprise into units requires that objectives be assigned to each unit. Each unit is given the responsibility of attaining an assigned objective. The process of allocating objectives among various units creates the problem of potential goal conflict and sub optimization on, where in achieving the goals of one unit may put in risk of achieving the goals of the other

**Requirements of sound objectives:**

1. **Objectives must be clear and acceptable**: The objectives must be clear and understandable amongst people which could be achieved by unambiguous communication, should be compatible with their individual goals.
2. **Objectives must support one another:** Objectives could interlock or interfere with one another which require the need for coordination and balancing the activities of the entire organization, otherwise its members may pursue different paths making it difficult for the manager to achieve the company’s overall objectives.
3. **Objectives must be precise and measurable:** An objective must be spelled out in precise, measurable terms the reasons for which being
   1. The more precise and measurable the goal, the easier it is to decide the way of achieving it.
   2. Precise and measurable goals are better motivators of people than general goals.
   3. Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals.
   4. It is easier for managers to ascertain whether they are succeeding or failing if their goals are precise and measurable.
4. **Objectives should always remain valid:** Means that the manager should constantly review, reassess and adjust them according to the changed conditions.

**Advantages of objectives:** The following are the benefits of objectives

1. They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.
2. They act as motivators for individuals and departments of an enterprise imbuing their activities with a sense of purpose.
3. They eliminate haphazard action which may result in undesirable consequences.
4. Facilitate coordinated behavior of various groups which otherwise may pull in different directions.
5. Function as a basis for managerial control by serving as standards against which actual performance can be measured.
6. They facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.
7. Lessen misunderstanding and other conflict and facilitate communication among people by minimizing jurisdictional disputes.
8. Provide legitimacy to organizations activities.

**Steps in planning:**

The various steps involved in planning are as follows:

1. **Establishing verifiable goals or set of goals to be achieved:** The first step in planning is to determine the enterprise objectives which are often set up by the upper level or top managers, usually after number of possible objectives have been carefully considered. There are many types of objectives managers may select: desired sales volume or growth rate, the development of a new product or service or even a more abstract goal such as becoming more active in the community. The type of goal selected will depend on a number of factors: the basic mission of the organization, the value its mangers hold and the actual and the potential abilities of the organization.
2. **Establishing planning premises:** it is the second step in planning to establish planning premises which is vital to the success of planning as they supply pertinent facts and information relating to the future such as population trends, general economic conditions, production costs and prices, probable competitive behavior, capital and material availability and government control and so on.
3. Planning can be variously classified as under

(a)internal and external premises (b)tangible and intangible premises (c)controllable and non-controllable premises (d) internal and external premises:

Premises may exist within and outside company.

* + Internal premises include sales forecasts, policies and programmes of the organization, capital investment in plant and equipment, competence of management, skill of labour, etc.
  + External premises can be classified into three different groups Business environment, factors which influence the demand for the product, and the factors which affect the resources available to the enterprise.

1. **Tangible and non-tangible premises**: Tangible premises: those which can be quantitatively measured while Intangible premises are those which being qualitative in character and cannot be measured. Tangible examples: population growth, industry demand, capital and resources invested in the organization are all tangible. Intangible: political stability, sociological factors, business and economic environment are all tangible.
2. **Controllable and non-controllable premises:** Some of the planning premises are controllable and some are non-controllable and because of the noncontrollable factors there is need for the organization to revise the plans periodically in accordance with the current development. Examples of uncontrollable factors: strikes, wars, natural calamities, emergency, legislation etc. Examples of controllable factors: company’s advertising agency, competence of management member’s skill of the labor force, availability of resources in terms of capital and labor, attitude and behavior of the owners of the organization.
3. **Deciding the planning period:** It is the next task once the upper level managers have selected the basic long term goals and the planning premises. Business plans are made in some instances once for a year and plans are made for decades based on some logic and future thinking.

The factors which affect the choice of period are:

(a) Lead time in development and commercialization of new product.

(b)The time required to recover capital investments or the pay-back period and

(c) Length of the commitments which are already made.

1. **Finding alternate courses of action:** The fourth step of planning is to find the alternate courses of action. Example: securing the technical knowhow by engaging a foreign technician or by training staff abroad.
2. **Evaluating and selecting the alternate courses of action:** After selecting the alternate courses selection the best course or course of action with the help of quantitative techniques and operations research.
3. **Developing the derivative plans:** Once plan formulated, its broad goals must be translated on day to day operations of organization Middle level managers must draw up the appropriate plans, programs and budgets for their sub-units which are described as derivative plans.
4. **Measuring and controlling the process:** Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

**Limitations of planning**

1. Planning is expensive and time-consuming process. it involves significant amount of money, energy and also risk without any assurance of the fulfillment of the organization’s objectives
2. Sometimes restricts the organization to the most rational and risk free opportunities. Curbs the initiatives of the manager and forces him to operate within the limits set by it and sometimes cause delay in decision making in case of emergency.
3. Scope of planning is limited with rapidly changing situations.
4. Establishment of advance plans tends to make administration inflexible. Example: business changes, change in government policy, may make the original plan lose its value.
5. Another limiting factor in planning is the formulating of the accurate premises.
6. Planning may sometimes face people’s resistance to it.

Decision Making

* Decision Making is an integral part of planning
* It is defined as “ the process of choosing among alternatives”
* Decision making is part of all the functions of the management.
* In planning, through decision making, objectives and goals are prepared.
* In organizing, the managers decide upon the choice of structure, type of organization, work allocation, delegation of authority and responsibility etc.
* In directing, managers decide the course of action, the instructions to be given, providing directions etc.
* In controlling the managers decide on fixing the standards, how to control,what to control etc.

Types of decisions

Decisions are classified as follows:

1. Pragmatic and non-pragmatic decisions

* Pragmatic decisions are decisions taken within the purview of the policies, rules, or procedures. These are also called programmed or routine decisions or structured decisions. These types of decisions are taken frequently and are repetitive nature in nature. Sanctioning an hour’s permission, placing an order etc.. are some examples
* Non-Pragmatic decisions are otherwise called strategic decisions or non-programmed decisions or policy decisions. These decisions involve heavy expenditure and are generally taken by top management

1. Individual and collective decisions
   * Individual decisions are decisions taken by a single person. They are taken when the problems are routine nature and definite
   * Collective decisions are decisions taken by a group of people
2. Minor and major decisions
3. Strategic and routine decisions
4. Simple and complex decisions
5. Temporary ( Adhoc) and Permanent decisions etc.

**Steps in Decision Making**

Recognition of problem

Deciding priorities among problems

Problem diagnosis

Development of alternative solutions

Studying and comparing the affect of alternatives

Implement the decision into action

Study the result

**Note : Please refer the text book for detailed explanations**

**Module 2**

**Organizing and Staffing**

**Definition, Nature and purpose of organization**

**Definition**

An organization can be defined as a social unit or human grouping deliberately structured for the purpose of attaining specific goals. An organization can also be defined as the process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in the accomplishment of their objectives.

**Nature of organization:**

1. An organization basically consists of group of people who form the dynamic human element of the organization
2. Organization helps in identifying the various tasks to be performed which are assigned to the individuals to perform to achieve the common objectives or common purpose of the organization.
3. It ensures to achieve coordination amongst the people working in various departments of the organization And ensures integrated efforts to achieve organizational objectives or goals.
4. It delegates authority to the managers with commensurate responsibility and accountability for the discharge of their duties and also amongst different hierarchical levels in an organization.
5. It also aides in achieving financial, physical material and human resources.
6. Organizations are part of the larger environment and hence they are influenced by the external environment.
7. Organization helps in the realization of the plans made by the managers
8. It helps in nurturing and growing special skills and talents by the virtue of division of labour
9. It facilities seamless communication

**Purpose of an organization**:

* The purpose of any organization is to achieve goals for which it is formed which aims at achieving common objectives through its group member efforts.
* The organizations exist for different purpose and the efforts for organizational members are directed for the achievement of this purpose.

For example:

* For **business organization** the purpose is to develop people and their skills for contributing towards the growth of the enterprise through profits
* For **nonprofit organization** the purpose the objective would be to serve the members of the committee in a productive manner

**Types of organization:**

1. **Business organization:** are those organizations which are formed with the purpose of earning profits the sole purpose being to earn surplus in the form of profits without which they cannot survive and grow Example: Firms engaged in manufacturing, trading, services etc
2. **Non -profit service organizations:** are those organizations who do not have the motive of making profits but to serve the people of the a specific community or a segment of a society. **Example:** Rotary club, Lions club, Orphanages, Charitable hospitals etc.
3. **Formal organizations :**are officially formed with definite structure which describes authority and responsibility, relationship and behavior of organizational members
4. **Informal organization:** do not have any official recognition and they are formed due to the social interaction needs of the people resulting in different types of social networks. Found in all formal organizations where people come together and form social groups for various reasons like common interests, friendship or affiliation, satisfaction of emotional needs

**Principles of organization:**

The principles of organization are as follows

1. **Objectives:** The objectives of the enterprise influence the organization structure and hence the objectives of the enterprise should first be clearly defined. Then every part of the organization should be geared to the achievement of these objectives.
2. **Specialization:** Effective organization must promote specialization. The activities of the enterprise should be divided according to functions and assigned to persons according to their specialization.
3. **Span of control:** As there is a limit to the number of persons that can be supervised effectively by one boss, the span of control should be as far as possible, the minimum. That means, an executive should be asked to supervise a reasonable number of subordinates only.
4. **Exception:** As the executives at the higher levels have limited time, only exceptionally complex problems should be referred, and routine matters should be dealt with by the subordinates at lower levels. This will enable the executives at higher levels to devote time to more important and crucial issues.
5. **Scalar Principle:** This Principle is sometimes known as the “chain of command”. The line of authority from the chief executive at the top to the first-line supervisor at the bottom must be clearly defined.
6. **Unity of command**: Each subordinate should have only one superior whose command he has to obey. Multiple subordination must be avoided for it causes Uneasiness, disorder, indiscipline and undermining of authority.
7. **Delegation:** Proper authority should be delegated at the lower levels oh manager of the organization also. The authority delegated should be equal to responsibility. That is each manager should have enough authority to accomplish the task assigned to him. Inadequate delegation often results into multiplication of staff and service activity.
8. **Responsibility:** The superior should be held responsible for the acts of his subordinates. No superior should be allowed to avoid responsibility by delegating authority to his subordinates
9. **Authority:** The authority is the tool by which a manager is able to accomplish the desired objective. Hence, the authority of each manager must be clearly defined. Further, the authority should be equal to responsibility.
10. **Efficiency:** The organization structure should enable the enterprise to function efficiently and accomplish its objectives with the lowest possible cost.
11. **Simplicity:** The Organization structure should be as simple as possible and the organization levels should as far as possible, be minimum. A large number of levels of organization means difficulty of effective communication and coordination. Too many committees and excessive procedures Also unduly complicate the structure.
12. **Flexibility:** The organization should be adaptable to changing circumstances and permit correction of demonstrated deficiencies in the existing structure without dislocation and disruption of the basic design.
13. **Balance:** There should be a reasonable balance in the size of various departments, between centralization and decentralization, between the principle of span of control and the short chain of command, and among all types of factors such as human, technical and financial.
14. **Unity of direction**: There should be one objective and one plan for a group of activities having the same objective. Unity of direction facilitates unification and coordination of activities at various levels.
15. **Personal Ability:** As people constitute an organization, there is need for proper selection, placement and training of staff. Further the organization structure must ensure optimum use of human resources and encourage management development programs.
16. **Acceptability:** The structure of the organization should be acceptable to the people who constitute it. Two things generally happen if people oppose the structure: it is modified gradually by the people, or it is used ineffectively.

**Typology of Organizations:**

* 1. Organizations benefit their owners – all business.
  2. Benefit their members – unions, co-operatives and clubs.
  3. Benefit their clients – insurance companies, private schools.
  4. Benefit the whole society – governmental depts., armed services, police.

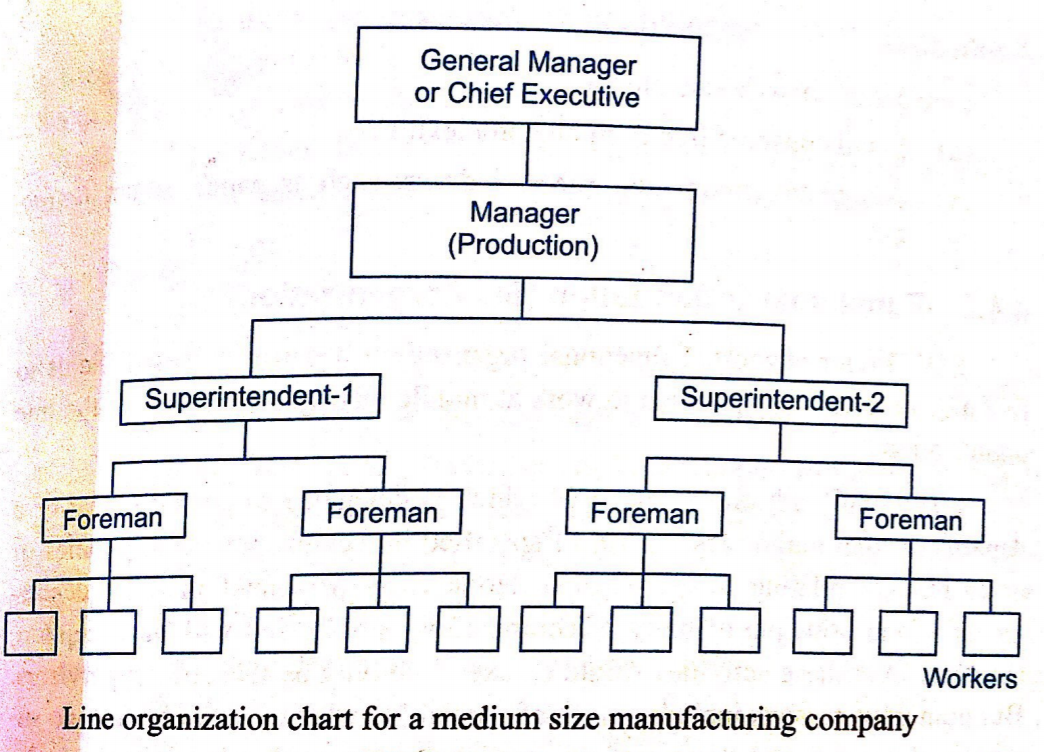
**Types of organization ( based on organization structure)**

**1. Line Organization**

* Also called as military or scalar organization
* Simplest form of organization structure
* Authority flows from man at the top to the lowest man vertically.
* Straight and vertical passage of authority

**Principles**

* Command should be given to subordinate through the immediate superior. There should be no skipping of levels in the chain of command
* There should be only one chain i.e, command should be received from only one immediate superior
* The number of subordinates whose work is directly commanded by the superior should be limited



**Advantages**:

1. Simple and easy to understand
2. Flexible, easy to expand and contract
3. Makes clear division of authority
4. Clear channel of communication with no confusion
5. Encourages speedy action
6. Strong in discipline as it fixes responsibility on an individual
7. Capable of developing the all round executive at the higher levels of authority

**Disadvantages**

1. Neglects specialists
2. Overloads few key executives
3. Limited to very small concerns
4. Encourages dictatorial way of working
5. Due to task of specialization, perhaps there is more wastage of material and man hours

**Functional organization( staff organization)**

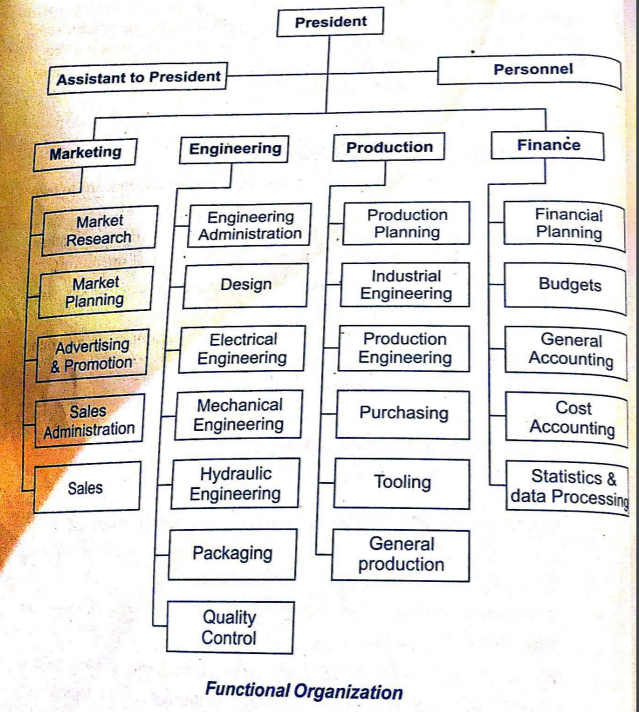
* The work is divided based on the functions involved.
* Care must be taken that the entire work is divided into various departments, so that there is no activity which has not been allotted to one department or the other
* There should be no duplication in the sense that an activity should not be allotted to more than one department
* The work allotted to more that one department should consist of interrelated jobs

**Advantages**

1. Logical reflection of functions
2. Ensures a greater division of labor and enables the concern to take advantages of specialization of functions
3. It makes for a higher degree of efficiency as the workers and othersin the organization have to perfom limited number of operations
4. Quality of work is improved
5. Simplifies training
6. Furnishes means of tight control at top

**Disadvantages**

1. Coordination of the efforts of various functional foreman is difficult
2. Unstable because it weakens the disciplinary controls by making the workers work under several different bosses
3. It makes it difficult for the management to fix responsibility for unsatisfactory results
4. Responsibility for profit is at the top only
5. Limits development of general managers
6. Makes economic growth of company difficult



**Line and staff Organization**

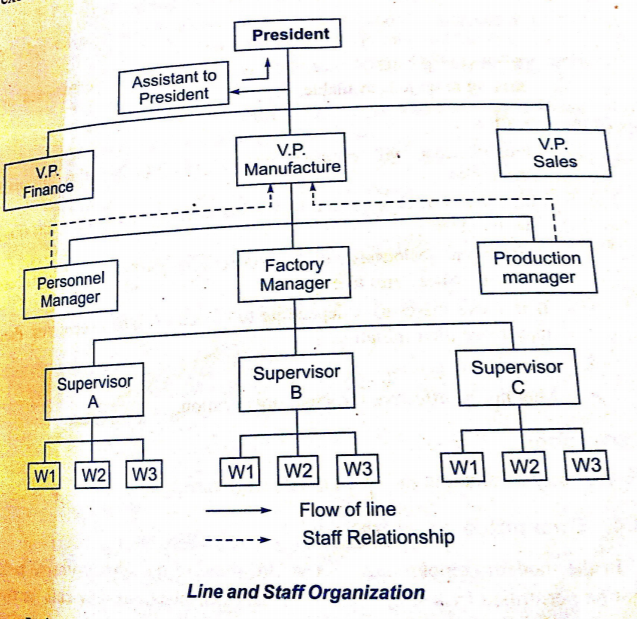
* Employees special executives to assist line executives and they were known as “staff” as they were recruited to perform staff or specialist functions.
* Staff authorities are assigned an ‘authority of ideas’ and line officer an ‘authority of command’

**Advantages:**

1. expert advice
2. relieving line executive
3. well defined authority and responsibility
4. specialization
5. less wastage
6. improved quality
7. no conflicts

**Disadvantages:**

1. expensive
2. misinterpretation
3. friction
4. loss of initiatives
5. accountability.



**Committee Organization**

A committee is a group of people pooled to carry out a defined objective.

Various functions of a committee are

* collect information from different sources and arrange in order
* collected information is critically examined and analysed
* draft a detail report containing the recommendations for the purpose of implementation
* framing the policies of the organization
* selection of personnel, directing and controlling the officers at regular intervals to achieve the goals

**Advantages**

1. Collective wisdom-based decisions.
2. Integration of ideas.
3. Acceptable decisions from all departments are taken (since Committee members belong to various departments).
4. New ideas, motivations and new schemes.
5. Mutual understanding between various dept.

**Disadvantages**

1. Time consuming.
2. No individual held responsible for decision.
3. Decisions may not be fully acceptable sometimes.
4. Aggressive members may influence decision.
5. Costly.

**Matrix organization**

Matrix Product + Functional organizations (Horizontal + Vertical)

For matrix organization following conditions should prevail

1. scalar chain of command is not followed
2. physical, financial, human resources are to be shared by people of different projects in a cooperative way
3. sharing of resources may lead to conflicts if not understood each other properly

**Advantages:** flexible and versatile, result oriented, clearly defined and fixed, cost effective, professional.

**Disadvantages:** chances of conflict, no unity of command, work may get piled up, require extreme planning, professional management skills are required.

**Departmentalization**

Definition: The horizontal differentiation of tasks or activities into discrete segments is called departmentalization. Departmentalization is one important step of building an organization

There are several bases for departmentalization, each of which is suitable for particular corporate sizes, strategies and purposes. Following is a brief description of these bases.

**1) Functions:** the most widely used base for departmentalization is function. Each major function of the enterprise is grouped into a department. Example: finance and marketing departments in a manufacturing company

**Advantages**

1. It is a simple form of grouping activities for small organizations which manufacture only a limited number of Products or render only a limited number of services. Everybody in this form of organization understands and feels highly secure both in his work and in relationships.
2. It promotes excellence is performance because of development of expertise in only a narrow range of skills.
3. It leads to improved planning and control of the key functions.
4. It ensures economy, there is only one department related to one function for the entire function.
5. Manpower and Other resources of the company are effectively utilized by time-sharing then across products or projects

**Drawbacks**

1. It fosters sub-goal loyalties. It is difficult for anyone to understand the task of the whole and to relate his own work to it. Each manager thinks only in terms of his own departmental goals and does not think in terms of the company as a whole.

Example: the manufacturing department may concentrate on meeting cost standards and delivery dates, and neglect quality control

Result: the sales or marketing department may be flooded with complaints lead to inter-departmental conflicts and disagreements, feuds, misunderstandings etc.

1. Does not offer a good training ground for the overall development of manager who gains expertise in handling problems of his particular department only
2. Unsuitable for organizations which are large in size, complexity or innovative scope.
3. In this form the customer needs evoke conflicting interpretations from each department head like the story of twelve blind people and an elephant.
4. In this form the procedures are overly complicated, wasteful and time consuming weakness called organizational arthritis develops where the structure is rigid and resists adaptation.
5. It is difficult to judge whether the activities of a particular department are worth their cost.
6. **Products:**

* Eminently suited for large organization manufacturing a variety of products.
* For each major product a separate semi-autonomous department is created and is put under the charge of a manager who may also be responsible for producing profit of a given magnitude.
* For each department, all the needed manufacturing, engineering, marketing, manpower and other facilities are assembled.
* Product departmentalization is the logical pattern to be followed when each product requires raw materials, manufacturing technology and marketing methods that are markedly different from others from those used by other products in the organization.
* Example: many companies like Hindustan Lever, Richardson Hindustan and Johnson & Johnson have product-based departments.

**Advantages:**

1. This form relieves top management from operating task responsibility and therefore can concentrate on such centralized activities such as finance, R&D and control.
2. Enables top management to compare performances of different products and invest more resources in profitable products and withdraw resources from unprofitable ones.
3. In this form as the responsibility is entrusted on a particular department head, he is stimulated for improving his performance.
4. In this form natural team work develops as each worker sees that his contribution is needed to make the whole product.

**Drawbacks:**

1. This form results in duplication of staff and facilities.
2. Extra expenditure is incurred in maintaining a sales force for each product line.
3. Employment of a large number of managerial power is required.
4. Equipment in each product may not be utilized fully.
5. **Regions or territory**

* When production or marketing units of an organization are geographically dispersed in various locations, it is logical to departmentalize those units on a geographical basis.
* Example: The Indian railways are departmentalized on this basis like north, west, south, eastern, central are departments in this sense.

**Advantages**

1. Motivates each divisional head to show high performance.
2. Provides each regional head an opportunity to adapt to his local situation and customer need with speed and accuracy.
3. Affords valuable top management training and experience to middle-level executives.
4. Enables the organization to take advantage of location factors, such as availability of raw materials, labor, market etc.
5. Enables the organization to compare regional performances and invest more resources in profitable regions and withdraw resources from unprofitable ones

**Drawbacks:**

1. Gives rise to duplication of various activities and many of the routine and service functions carried out by the regional offices can be carried out centrally by the head office very economically.
2. Many regional units may forget the overall interest of the total organization
3. **Time**

* Use of shifts is common in some organizations due to economic or technological reasons.
* For service organizations like hospitals, fire departments, security, steel mills, chemical plants round the clock work is essential.

**Advantages**

1. Service can be rendered, that goes beyond the normal 8 hours shift/day
2. Facilities use of processes that cannot be stopped or interrupted
3. Expensive capital equipment can be better utilized
4. Provide part time jobs for people who are otherwise busy during daytime
5. Higher and continuous production per day

**Disadvantages**

1. Lacks good and efficient supervision during night shifts
2. Inconvenient for people to work in night shifts and more difficult during shift changes from day to night
3. Lack of effective coordination and communication from people of one shift to next shift
4. Loss of product or service may increase owing to higher payment/ over time payment during night shift

**Committees:**

* A committee is a group of people who have been formally assigned some task or some problem for their decision and implementation
* Classification of committees: be broadly classified into advisory committees and executive committees.

1. Advisory committees
   1. committees are vested with staff authority
   2. Only have a recommendation role and cannot enforce implementation of their advice or recommendation.

Examples of advisory committees formed in business enterprises: works committees, sales committees, finance committees etc.

1. Executive committees:
   1. vested with the line of authority
   2. Not only take decisions but also enforce decisions and thus perform a double role of taking a decision nad ordering its execution. Example: Board of directors is an example of an executive committee.

Are also classified as standing committees or ad-hoc task forces.

1. Standing committees: Are formed to deal with current organizational problem. Example: finance committee in a company, loan approval committee in a bank etc. Members of this committee are chosen because of their title or position, instead of individual qualifications or skills.
2. Ad-hoc committees: Have a short duration, dissolved after the task is over, or the problem is solved and their members are chosen for their skills and experience.

Advantages:

1. People get an opportunity to better understand each other’s problems and move towards organizational goals.
2. Provide a forum for the pooling of knowledge and experience of many persons of different skills, ages and backgrounds which helps in improving the quality of decisions.
3. Provide an opportunity to many persons to participate decision-making process.
4. Are excellent means of transmitting information and ideas, both upward and downward
5. Contribute indirectly to their training and viewpoints.
6. Are impersonal inaction and hence their decisions are generally unbiased and are based on facts and there is no fear of single individual taking a decision.

Weaknesses:

1. Committees keep up minutes and waste hours by setting up a committee which takes a longer time to get action than from an individual manager.
2. If wrong decision taken, no member can be individually blamed which encourages irresponsibility among members of the committee.
3. Can be expensive form of administration where huge amount is spent on convening meetings and giving allowances to the members.
4. Members of the coordinating committees feel appointed to protect their interests of the departments rather than finding appropriate solution to the problem.
5. Have a tendency to perpetuate themselves and difficult to dissolve them.
6. Decisions are generally based on some compromise among members which are not best decisions which results in log rolling.
7. Consists of large number of persons, difficult to maintain secrecy.
8. Chairman often changes, influence accumulate in the hands of some other person which may result in domination and may bring about resistance from others.

Designing an Organization structure

Please refer to Text book

**Centralization v/s Decentralization**

|  |  |
| --- | --- |
| **Centralization** | **Decentralization** |
| Preferred if education and experience is concentrated at the top. | Preferred if education and experience are spread over the hierarchy. |
| More appropriate in simple and stable organizations. | More appropriate in complex and uncertain organizations |
| Preferred if low level management are not competent enough to take decisions. | Preferred if low level management are competent enough to take decisions. |
| Preferred when low level managers are not interested in decision making process | Preferred when low level managers are keen in decision making process. |
| Decision are significant and far reaching. | Insignificant and relatively minor ones. |
| Tends to be centralized if environment is threatening and ditrustful | Environment is free and friendly |
| Better in vertical organization. | Better in horizontal organization. |
| Better in single location facilities | Better in multi-location facilities |
| Autocratic | Democratic |

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Topics Delegation , organization levels and span of control refer to text book

**Management by objectives(MBO):**

* MBO is a process whereby subordinate and superiors of an organization jointly define common goals, define each individual major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing contribution of each of its members.

**Process of MBO includes**

1. Establishment of goals for the whole organization by the top-level management.
2. Establishment of departmental goals in line with organizational objectives.
3. Preparation of specific goals by subordinates within the framework of their unit or departmental goals.
4. Joint discussion between superior and subordinate and reaching an agreement on goals.
5. Joint review at regular intervals and comparing progress with predetermined goals. Corrective measures taken if required

**Advantages of MBO**

1. Integration of individual and organizational goals.
2. Results in development and utilization of human resources,
3. Improvement in productivity
4. Improved communication between superiors and subordinates.
5. Motivates subordinates at lower levels as they are also part of goal setting
6. Increases commitment towards goals
7. helps in performance appraisal
8. Helps to achieve clarity of goals.

**Management by exception (MBE)**

* Management by Exception is a management style wherein managers intervene only when their employees fail to meet their performance standards.
* If the employees are performing as excepted, the manager will take no action. It is an organizational system where in which managers delegate as much responsibility as possible to those who below them stepping in only when it is absolutely essential.
* MBE policy focuses on those issues or events in which there is a deviation from the established standard.
* Management spends its valuable time on important strategic issues. Attention is given only when there is a deviation.

**Six phases of Management by exception**

Refer to text book

**Staffing**

**Nature and importance of proper staffing:**

* The process of recruiting, retaining, developing and nurturing the workforce is called staffing
* It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
* Ensures greater production by putting the right man in the right job.
* It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personal if any in advance.
* Helps to prevent underutilization of personnel through over manning and the resultant high labour cost and low profit margins.
* Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

**Elements of staffing**

Refer to text book

NOTE: Refer to text book for detailed explanations

**TEXT BOOKS:**

1. Principles of Management – P.C.Tripathi, P.N.Reddy – Tata McGraw Hill.

2. Dynamics of Entrepreneurial Development & Management – Vasant Desai – Himalaya Publishing House.

3. Entrepreneurship Development – Poornima.M.Charantimath – Small Business Enterprises – Pearson Education – 2006 (2 & 4).

4. Management & Entrepreneurship-N V R Naidu, IK International, 2008