

# **MANAGEMENT & ENTREPRENEURSHIP**

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## **MANAGEMENT AND ENTREPRENEURSHIP (HSS 06)**

Contact Hours/ Week: 03  
Total Lecture Hours : 39  
Total Tutorial Hours : 00

Credits : 03  
CIE Marks : 50  
SEE Marks: 50

### **UNIT - I**

**Introduction to Management:** Definition of management, management skills, productivity and effectiveness, efficiency, functions and principles of management.

**Planning:** Nature of planning, types of plans- purpose of vision, mission, goals, objectives strategies, policies; steps in planning, MBO. Strategic Planning

**Organizing:** Formal and informal organization, span of management, the structure and

Process of organizing Organizational structure: line and staff organization, Functional organization, matrix and organization

**08 hours**

### **UNIT - II**

**Staffing:** Definition, system approach to HRM, factors affecting staffing, recruitment and selection, job design, skill and characteristics of a manager, selection process and technique.

**Leading:** Human factors in managing, motivation, Theory X and Y, the hierarchy of needs theory, leadership behavior and styles.

**Controlling:** Basic control process, critical control points and standards, requirement and effective control.

**09 Hours**

### **UNIT - III**

**Managing Engineering Design and Development:** Product and Technology Life Cycles, Nature of Research and development, Research Strategy and organization, Nature of Engineering Design, Systems Engineering / New Product Development.

**Managing Production Operations:** Types of production processes, Measures of productivity and indices. Productivity, Work measurement, Maintenance and Facilities (Plant) engineering, Total quality management and Lean Manufacturing.

**Engineers in Marketing and service activities:** Marketing and the Engineer, Engineers in Service organizations.

**08 hours**

### **UNIT – IV**

**Entrepreneur & Entrepreneurship:** Introduction, concept of Entrepreneur, characteristics of an entrepreneur, and qualities of an entrepreneur, functions

of an entrepreneur, characteristics of entrepreneurship, factors affecting entrepreneurial growth.

Entrepreneurship and economic development- rural, woman and social entrepreneurship

**Financing and Institutional Support for Entrepreneurship:** Startups, business plans, venture capitalists, angel investors, funding agencies – commercial banks, development banks, NBFCs and incubation centers. Innovations and project trends.

**08 hours**

#### **UNIT – V**

**Taxation benefits:** Depreciation allowances, rehabilitation allowance, investment allowance and other tax concession benefits to an entrepreneur.

**2 Case Studies from Stay Hungry and Stay Foolish – Rashmi Bansal, IIM Ahmedabad:**

1. Success story of naukri.com by Sanjeev Bikhchandani
2. Success story of Make My Trip by Deep Kalra

**06 hours**

#### **Text Books:**

1. Harold Koontz, Heinz Weihrich, Essentials of Management, McGraw Hill Education, 14th Edition, 2017.
2. Lucy C. Morse, Managing Engineering and Technology, Pearson Education, 6th Edition, 2015.
3. S S Khanka, Entrepreneurial Development, S. Chand Publishing, 10<sup>th</sup> Edition, 2008.

#### **Reference Books:**

1. James A. F. Stoner, R. Edward Freeman, Daniel R. Gilbert, Management, Pearson Education, 6th Edition, 2018.
2. Rashmi Bansal, Stay Hungry Stay Foolish, IIM Ahmedabad, 1<sup>st</sup> Edition, 2008.
3. Rashmi Bansal, Connect the Dots, Bushfire Publishers, 1st Edition, 2019

# **Management and Entrepreneurship**

## **Management Unit 1**

### **Introduction to Management**

One of the most important human activities is Managing. Ever since people began forming groups to accomplish aims, they could not achieve as individuals, managing has been essential to ensure the coordination of individual efforts. As society has come to rely increasingly on group effort, and as many organized groups have become large, the task of managers has been rising its importance. The purpose of knowing about management is to promote excellence among all the persons in organizations especially managers, aspiring managers and other professionals.

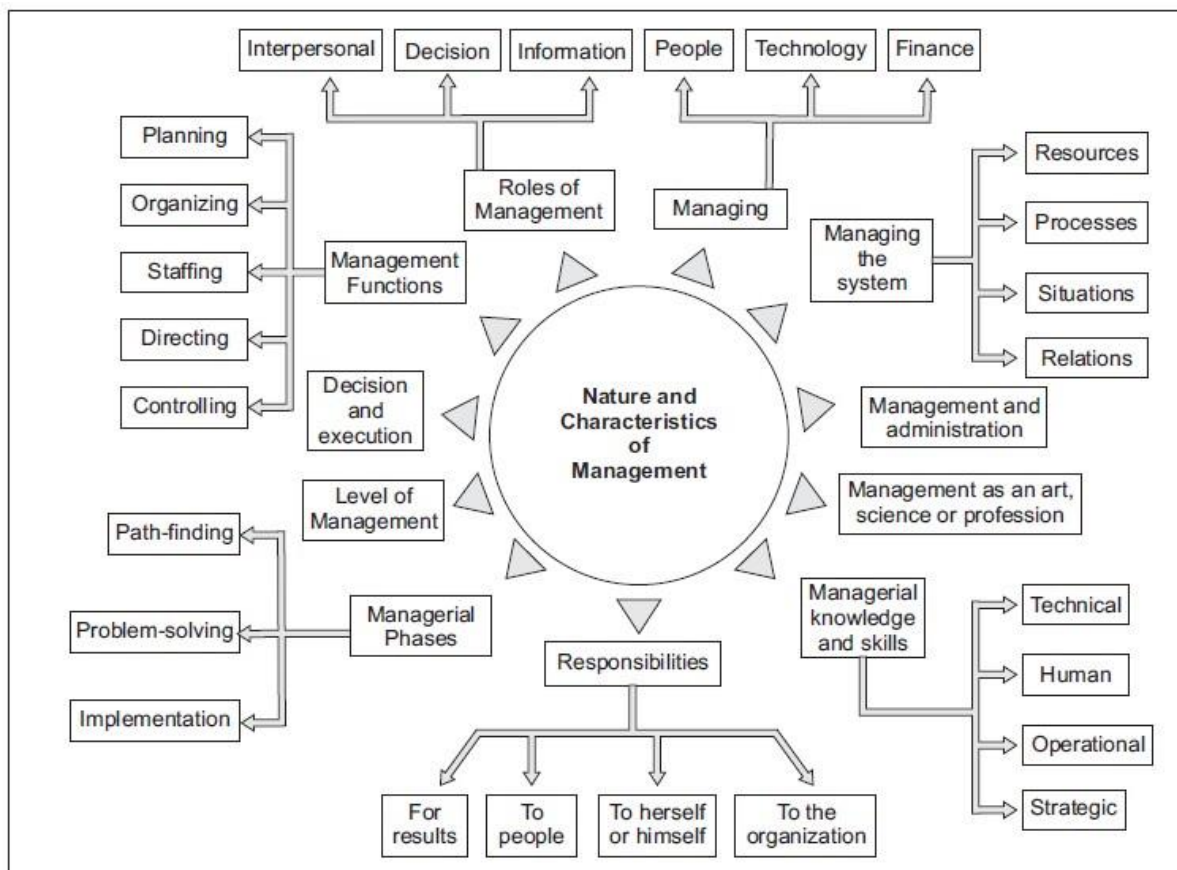
### **Why to Study Management?**

- The study of management builds the skills needed in today's workplace to succeed in:
  - ✓ Becoming a partner in managing your organization through participative management.
  - ✓ Working in a team and sharing in decision making and other management tasks.
- The study of management also applies directly to your personal life in helping you to:
  - ✓ Communicate and interact with people every day.
  - ✓ Make personal plans and decisions, set goals, prioritize what you will do, and get others to do things for you.
- Society Needs Leaders and Team Players
  - ✓ Be Successful in our community, religious, social, professional, recreational and other organizations.
  - ✓ Become leaders for a –Just and Humane World

Management is a critical element in the economic growth of a country. Management is the dynamic, life giving element in every organization.

## Nature of Management

The principles, concepts and techniques of management have changed over the period of time. Various contributions to the field of management have changed its nature. The nature of management can be described in the following fig 1.1



**Fig 1.1 Nature of Management**

**Multidisciplinary:** Management is multidisciplinary. It draws freely ideas and concepts from the disciplines like economics, sociology, psychology, statistics, operations research etc. Management integrates the ideas taken from various disciplines and presents newer concepts which can be put into practice. The integration of these ideas is the major contribution of management.

**Dynamic nature of principles:** A principle is truth which establishes cause and effect relationships of a function. Principles are developed by integration of ideas from various disciplines supported by practical evidence. These principles are flexible and change with the environment in which organization works. Continuous researches are being carried on to establish new principles; many older principles are changed by new principles. There is nothing permanent in management.

**Relative not absolute principles:** Management principles are relative and not absolute. They must be applied according to the need of the organization. Each organization is different from other. The principles of management should be applied in the light of prevailing conditions.

**Management – science, art or profession:** Management is perhaps the only subject in academics which enjoys the distinction of being a science as well as an art and a profession. This is so because the contributions in the evolution of this subject have come from all the directions— artists, social scientists, economists, engineers, administrators, and practicing managers. Management is an art because it requires the creativity and subjective skills of a manager like the communication skills, negotiation skills, motivational skills, etc. Every individual manager has his own personal traits—attitude, ethics, values and style, which constitute an art form. Management is also a science as it requires a systematic study based upon scientific methods to analyze business problems and to find optimal solutions. Management is undoubtedly one of the most sought-after professions, which is evident from the immense achievements of successful managers in creating new enterprises, growing existing enterprises, and the lucrative pay packages offered by organizations worldwide to its managers.

**Universality of management:** Management is universal phenomena. Though universal yet management principles are not universally applicable but are to be modified according to the needs of the situation.

## **Characteristics of Management**

The critical analysis of the above definitions, the following characteristics of management evolve.

- 1) **Management is a continuous process:** The process of management consists of planning, organizing, directing and controlling the resources to ensure that resources are used to the best advantages of the organization. A single function alone cannot produce the desired results. Management involves continuous planning, organizing, directing and controlling.
- 2) **Management is an art as well as science:** Management is an art in the sense of possessing managing skill by a person. Management is science because certain principles, laws are developed which are applicable in place where group activities are coordinated.
- 3) **Management aims at achieving predetermined objectives:** All organizations have objectives that are laid down. Every managerial activity result in achievement of these predetermined objectives.

- 4) **Management is a factor of production:** An enterprise produces goods or services using resources like land, labor, capital, machines etc. These resources themselves cannot realize the organizations goals. The goals are achieved when these are effectively coordinated by the entrepreneur. In case of small enterprises an individual can do such type of job where as in large enterprises the coordination job is done by management. Therefore, management is a factor of production.
- 5) **Management is decision-making:** Decision-making is selecting the best among alternative courses. Decision-making is an important function of a manager. Whatever a manager does, he does it by making decisions. The success or failure of an organization depends upon the quality of decision. A manager must make a right decision at right time.
- 6) **Universal application:** The principles and concepts of management are applicable to every type of industry. The practice of management is different from one organization to another according to their nature.
- 7) **Management is needed at all levels:** The functions of management are common to all levels of organization. The functions of planning, organizing, directing, controlling, decision-making is performed by top level as well as lower level supervisors.
- 8) **Management aims at maximum profit:** The resources are properly utilized to maximize profit. Maximizing the profit is the economic function of a manager.
- 9) **Dynamic:** Management is not static. Over a period of time new principles, concepts and techniques are developed and adopted by management. Management is changed accordingly to the social change.
- 10) **Management as a career:** Today management is developed as a career focused on specialization. Marketing management, finance management, personal management, industrial management, production management, quality management are some of the specializations in management. Specialists are appointed at various positions of the organizational hierarchy. Hence management is career.
- 11) **Management is a profession:** Management is a profession because it possesses the qualities of a profession. The knowledge is imported and transferred. The established principles of management are applied in practice. This is discussed in detail later in this chapter.
- 12) **Management is a discipline:** Discipline refers to the field of study having well defined concepts and principles. Classifying management as disciplines implies that it is an accumulated body of knowledge that can be learnt. Thus, management is a

subject with principles and concepts. The purpose of studying management is to learn how to apply these principles and concepts at right circumstances, at the right time to produce desired result.

## **Definition of Management**

Economists have treated management as a factor of production ‘; Sociologists treated it as a group of persons. Hence, taking all these viewpoints, it becomes difficult to define management in a comprehensive way and no definition of management has been universally accepted.

**Marry Follet**-Management is the art of getting things done through people.

**George R Terry**- Management is distinct process consisting of planning, organizing, actuating & controlling performance to determine & accomplish the objectives by the use of people & resources.

**Koontz and O ‘Donnel** —Management is the direction and maintenance of an internal environment in an enterprise where individuals working in groups can perform efficiently and effectively towards the attainment of group goals.

**F.W. Taylor** -Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way.

**Donald J Clough** —Management is the art and science of decision making and leadership.

**John F Mee** —Management is the art of securing maximum results with minimum efforts so as to secure maximum prosperity for employer and employee and give the public the best possible service.

**William Spriegal** —Management is that function of an enterprise which concerns itself with the direction and control of various activities to attain business activities.

The four views of management: Management is a process, Management is a discipline, Management is a human activity and Management is a career.



Management is the process of designing and maintaining an environment in which individuals, working together in groups, efficiently and effectively accomplish selected aims. The basic definition needs to be expanded:

1. As managers, people carry out the managerial functions of planning, organizing, staffing, leading and controlling.
2. Management applies to any kind of organization.
3. It applies to managers at all organizational levels.
4. The aim of all managers is the same: to create a surplus.
5. Managing is concerned with productivity; this implies efficiency and effectiveness.

## Management skills

Not everyone can be a manager. Certain skills, or abilities to translate knowledge into action that results in desired performance, are required to help other employees become more productive. These skills fall under the following categories:

**Technical Skill:** This skill requires the ability to use a special proficiency or expertise to perform particular tasks. Accountants, engineers, market researchers, and computer scientists, as examples, possess technical skills. Managers acquire these skills initially through formal education and then further develop them through training and job experience. Technical skills are most important at lower levels of management.

**Interpersonal/ Human Skill:** This skill demonstrates the ability to work well in cooperation with others. Interpersonal skills emerge in the workplace as a spirit of trust, enthusiasm, and genuine involvement in interpersonal relationships. A manager with good interpersonal skills has a high degree of self-awareness and a capacity to understand or empathize with the feelings of others. Some managers are naturally born with great interpersonal skills, while others improve their skills through classes or experience. No matter how human skills are acquired, they 're critical for all managers because of the highly interpersonal nature of managerial work.

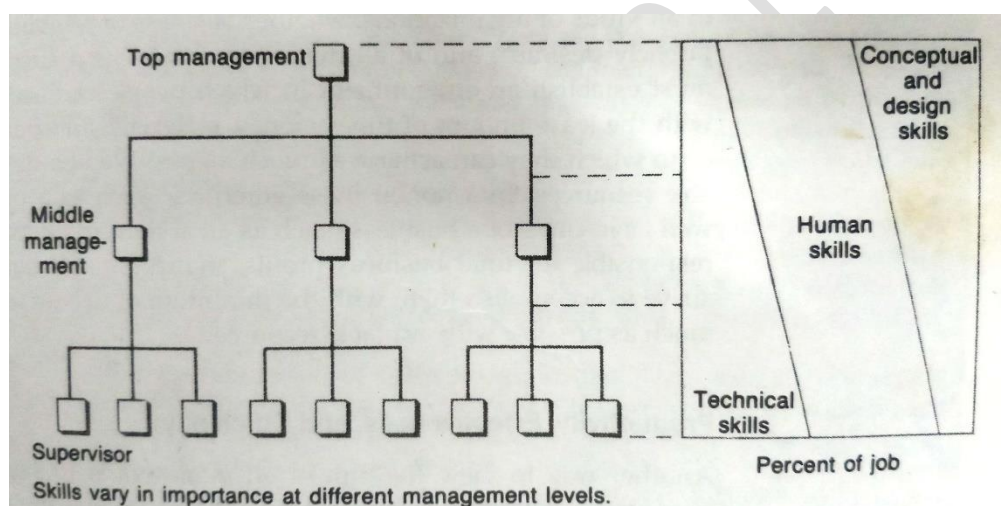
**Conceptual Skill:** This skill calls for the ability to think analytically. These skills enable managers to break down problems into smaller parts, to see the relations among the parts, and to recognize the implications of any one problem for others.

**Design Skill:** This is the ability to solve problems in ways that will benefit the enterprise. To be effective, particularly at upper organizational levels, managers must be able to do more than see a problem. They must have, in addition, the skill of a good design engineer in working out a practical solution to a problem. If managers merely see the problem and become

“problem watchers” they will fail. Managers must also have that valuable skill of being able to design a workable solution to the problem in the light of the realities they face.

As managers assume ever higher responsibilities in organizations, they must deal with more ambiguous problems that have long term consequences. Again, managers may acquire these skills initially through formal education and then further develop them by training and job experience. The higher the management level, the more important conceptual skills become.

Although all three categories contain skills essential for managers, their relative importance tends to vary by level of managerial responsibility. Business and management educators are increasingly interested in helping people acquire technical, human, and conceptual skills, and develop specific competencies, or specialized skills that contribute to high performance in a management job. Skills required versus management matrix shown in fig 1.2.



**Fig 1.2 Skills and Management levels**

## **Productivity, Effectiveness and Efficiency**

Another way to view the aim of all managers is to say that they must be productive. After World War II the United States was the world leader in productivity. But in the late 1960s the deceleration of productivity growth began. Today the urgent need for productivity improvement is recognized by government, private industry and universities. Often, we look to Japan to find answers to our productivity problem, but we tend to overlook the importance of effectively performing the basic managerial and nonmanagerial activities.

**Productivity-** Successful companies create a surplus through productive operations. Although there is not complete agreement on the true meaning of productivity, we can define productivity as the output-input ratio within a time period with due consideration for quality. It can be expressed as follows:

**Productivity= outputs / inputs**

(within a time period, quality considered)

The relationship indicates that productivity, can be improved as follows:

- 1) By increasing outputs with the same inputs
- 2) By decreasing inputs but maintaining the same outputs
- 3) By increasing outputs and decreasing inputs to change the ratio favorably.

Companies use several kinds of inputs, such as labor, materials and capital. Total-factor productivity combines various inputs to arrive at a composite input. In the past, productivity improvement programs were mostly aimed at the worker level. Yet, as Peter F. Drucker, one of the most prolific writers in management, observed “The greatest opportunity for increasing productivity is surely to be found in knowledge work itself, and especially in management.”

**Effectiveness and Efficiency-** Productivity implies effectiveness and efficiency in individual and organizational performance. Effectiveness is the achievement of objectives. Efficiency is the achievement of the ends with the least amount of resources. Managers cannot know whether they are productive unless they first know their goals and those of the organization. Usually effectiveness is doing right things always right at the first instance itself, whereas the efficiency is doing things right.

## **Functions of Management**

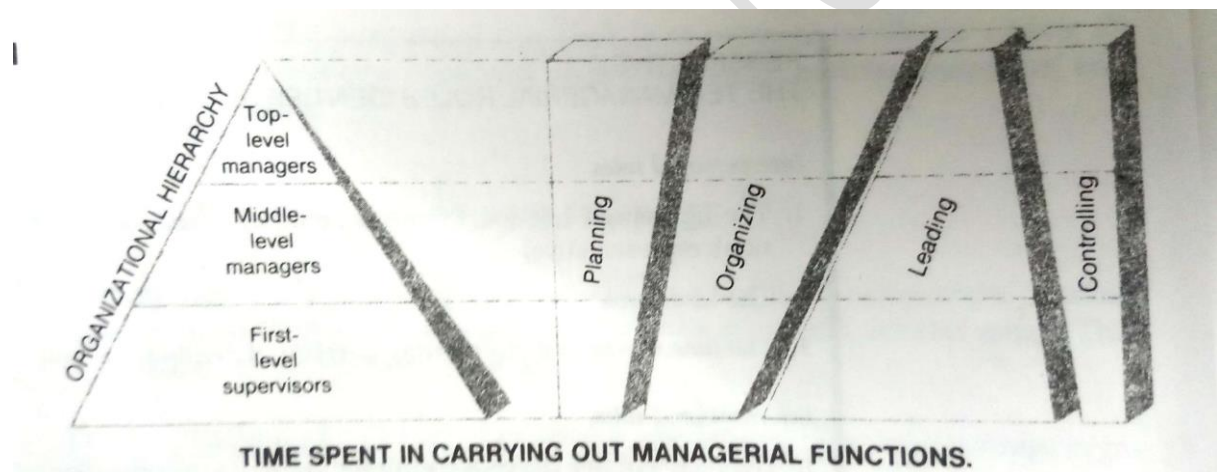
A function is a group of similar activities. There is divergence of view on what functions are undertaken by managers in organizations. Some management experts classify these functions into four types and others classify into five types and some others classify them as seven items. The following represents the management functions identified by various writers.

- 1) **Planning:** Planning is the primary function of management. It is looking ahead and preparing for the future. It determines in advance what should be done. It is conscious determination of future course of action. This involves determining why to take action? What action? How to take action? When to take action? Planning involves determination of specific objectives, programs, setting policies, strategies, rules and procedures and preparing budgets. Planning is a function which is performed by managers at all levels – top, middle and supervisory. Plans made by top management for the organization as a whole may cover periods as long as five to ten years, whereas plans made by low level managers cover much shorter periods.

- 2) **Organizing:** Organizing is the distribution of work in group-wise or section wise for effective performance. Once the managers have established objectives and developed plans to achieve them, they must design and develop a human organization that will be able to carry out those plans successfully. Organizing involves dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into departments and sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned. According to Koontz O'Donnel, –Organization consists of conscious coordination of people towards a desired goal. One has to note that different objectives require different kinds of organization to achieve them. For example, an organization for scientific research will have to be very different from one manufacturing automobiles.
- 3) **Staffing:** Staffing involves managing various positions of the organizational structure. It involves selecting and placing the right person at the right position. Staffing includes identifying the gap between manpower required and available, identifying the sources from where people will be selected, selecting people, training them, fixing the financial compensation and appraising them periodically. The success of the organization depends upon the successful performance of staffing function.
- 4) **Directing:** Planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organizational objectives. The actual performance of the task starts with the function of direction. This function can be called by various names namely –leading, –directing, –motivating, –activating and so on. Directing involves these sub functions:
  - a. *Communicating:* It is the process of passing information from one person to another.
  - b. *Leading:* It is a process by which a manager guides and influences the work of his subordinates.
  - c. *Motivating:* It is arousing desire in the minds of workers to give their best to the enterprise.
- 5) **Controlling:** Planning, organizing, staffing and directing are required to realize organizational objectives. To ensure that the achieved objectives confirm to the pre-planned objectives control function is necessary. Control is the process of checking to determine whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviations. Control involves three elements:
  - a) Establishing standards of performance.
  - b) Measuring current performance and comparing it against the established standard.
  - c) Taking action to correct any performance that does not meet those standards.

- 6) **Innovation:** Innovation means creating new ideas which may be either results in the development of new products or finding new uses for the old ones. A manager who invents new products is an innovator. A salesman who persuades Eskimos to purchase refrigerator is an innovator. One has to note that innovation is not a separate function but a part of planning.
- 7) **Representation:** A manager has to spend a part of his time in representing his organization before various groups which have some stake in the organization. A manager has to be act as representative of a company. He has dealings with customers, suppliers, government officials, banks, trade unions and the like. It is the duty of every manager to have good relationship with others.

The pictorial representation of time spent in carrying out managerial functions is as shown in fig 1.3 below.



**Figure 1.3 TIME SPENT IN CARRYING OUT MANAGERIAL FUNCTION**

## **The Ten Managerial roles identified by Mintzberg**

### **Interpersonal roles**

1. The figurehead role (performing ceremonial and social duties as the organization's representative)
2. The leader role
3. The liaison role (communicating particularly with outsiders)

### **Informational roles**

1. The recipient role (receiving information about the operation of an enterprise)
2. The disseminate role (passing information to subordinates)
3. The spokesperson role (transmitting information to those outside the organization)

### **Decision roles**

1. The entrepreneurial role
2. The disturbance-handler role
3. The resource allocator role
4. The negotiator role (dealing with various persons and groups of persons)

Managers cannot perform their tasks well unless they have an understanding of and are responsive to, the many elements of the external environment- economic, technological social, political and ethical factors that affect their areas of operations.

### **Functional Areas of Management**

Management process involves several functions. A distinction should be maintained between management functions (planning, organizing, staffing, directing and controlling) and the organizational functions (productions, finance etc.) Organizational functions differ from organization to organization depending upon their nature while management functions are common to all. A manager may be put either in production or finance or marketing, he performs all the managerial functions. These organization functions are called functional areas of management. There are four functional areas of management namely production, finance, marketing and finance and personnel. Each functional area may have a number of sub-activities.

**Production:** This is generally put under production manager and he is responsible for all production related activities. This area has a number of activities, few of them are given below:

- 1) **Purchasing:** This is related with the purchase of various materials required by the organization. Purchasing involves procuring right quantity of materials at the right quality, at the right time and at the right price from the right supplier.
- 2) **Materials management:** This involves storing of materials, issue of materials to various departments.
- 3) **Research and Development:** It deals with improving the existing products and process and developing new products and process.

**Marketing:** This area involves the distribution of organizations 'products to the buyers. The sub-activities are:

- 1) **Advertising:** Involves giving information about products to buyers.
- 2) **Marketing research:** It is related with the systematic collection, analysis of data relating to the marketing of goods and services.
- 3) **Sales management:** It involves management efforts directed towards movement of products and services from producers to consumers.

**Finance and accounting:** It deal with intelligent investment of financial resources and record-keeping of various transactions. The various sub-functions are

- 1) **Financial Accounting:** Deals with record keeping of various transactions.
- 2) **Management Accounting:** Deals with analysis and interpretation of financial records so that management can take certain decision.
- 3) **Costing:** It deals with recording of costs, their classification and analysis for cost control.
- 4) **Investment Management:** Takes care of how financial resources can be invested in various alternatives to maximize returns.
- 5) **Taxation:** Deals with various direct and indirect taxes to be paid by the organization.

**Personnel:** It deals with the management of human resources with the following sub- activities:

- 1) **Recruitment and Selection:** It deals with recruitment and selection of employees.
- 2) **Training and Development:** It deals with training of employees and making them more efficient.
- 3) **Wage and Salary Administration:** Deals with fixing of salaries, job evaluation, promotion, incentives etc.
- 4) **Industrial Relations:** Deals with maintenance of good employee relations.

## Principles of Management

We all know that management is an art of getting things done, by others. No one excels in this art like our mothers, which is why they are the best managers around. On a more serious note, it has often been debated whether the study of management is an art or science. One of the earliest scientists of management Henri Fayol has laid down 14 principles of Management to explain this elaboratively.

Management is essential to any organization that wishes to be efficient and achieve its aims. Without someone in a position of authority there would be organizational anarchy with no structure and very little, if any focus. It has been said that management has four basic functions – planning, organizing, leading and controlling. Common sense dictates that without these principles of management being in place an organization would have trouble achieving its aims, or even coming up with aims in the first place. A classic theory on the principles of management was written by Henri Fayol. It seeks to divide management into 14 principles. We'll take a look at these basic principles of management and explain them in easy to understand terminology.

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***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 performers 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.
- 4) ***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.
- 5) ***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.
- 6) ***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.
- 7) ***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.
- 8) ***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.



- 9) **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.
- 10) **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.
- 11) **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.
- 12) **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.
- 13) **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 managers are required to give sufficient scope to show their initiative.
- 14) **Esprit de corps:** Means team spirit which should be created by 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.

## **Planning**

### **Nature of Planning**

In designing an environment for the effective performance of individuals working together in groups, a manager's most essential task is to see that everyone understands the group's purposes and objectives and its methods of attaining them. If group effort is to be effective, people must know what they are expected to accomplish. This is the function of planning. It is the most basic of all the managerial functions. Planning involves selecting missions and objectives and the actions to achieve them; it requires decision making, that is choosing from among alternative future courses of action. Plans thus provide a rational approach to preselected objectives. Planning also strongly implies managerial innovation.

Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen. Although we can seldom predict the exact future and although factors beyond our control may interfere with the best-laid plans, unless we plan, we are leaving events to chance. Planning is an intellectually demanding process; it requires that we consciously determine courses of action and base our decisions on purpose, knowledge, and considered estimates.

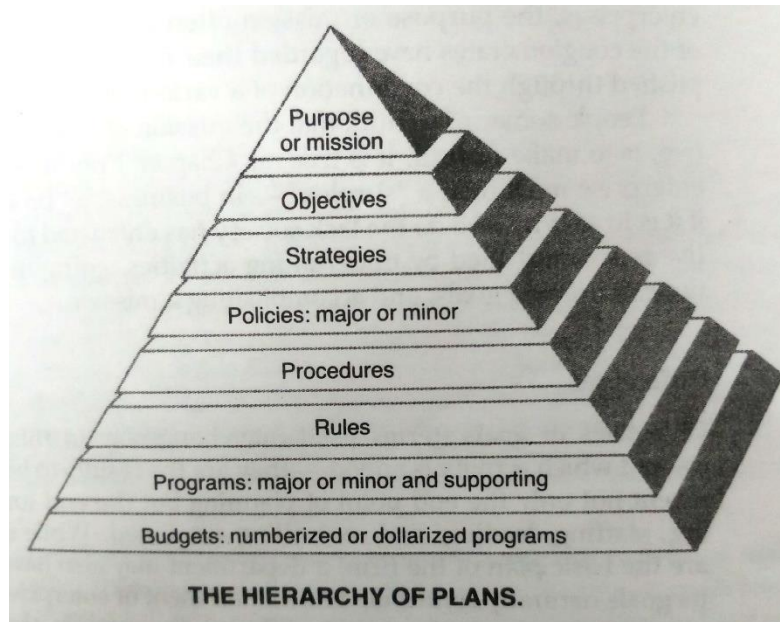
Planning and control are inseparable- the Siamese twins of management, their relationship is shown in the figure 2.1. Any attempt to control without plans is meaningless, since there is no way for people to tell whether they are going where they want to go (the result of the task of control) unless they first know where they want to go (part of the task of planning). Plans thus furnish the standards of control.

### **Types of Plans**

The failure of some managers to recognize that there are number of different types of plans has often caused difficulty in making planning effective. It is easy to see that a major program, such as one to build and equip a new factory is a plan. But a number of other courses of future action are also plans. In fact, a plan can encompass any courses of future action, which clearly shows that plans are varied. They are classified here as:

1. Purposes or missions
2. Objectives
3. Strategies
4. Policies
5. Procedures
6. Rules
7. Programs
8. Budgets.

The schematic representation of the hierarchy of plans is as shown in the fig 1.4 below



**Fig 1.4 – Hierarchy of Plans**

### **Purposes or Missions**

The mission or purpose identifies the basic function or task of an enterprise or agency or of any part of it. Every kind of organized operation has, or at least should have if it is to be meaningful, purposes or missions. In every social system, enterprise have a basic function or task which is assigned to them by society. The purpose of a business generally is the production and distribution of goods and services. The purpose of a state highway department is the design, building and operation of a system of state highways. The purpose of the courts is the interpretation of laws and their application. The purpose of a university is teaching and research and so on.

Some researchers distinguish purpose and mission of a business, while a business, for example may have a social purpose of producing and distributing goods and services, it can accomplish this by fulfilling a mission of producing certain lines of products. In 1960s, the mission of NASA was to get a person to the moon before the Russians. Hallmark, which has expanded its business beyond greeting cards, defines its mission as “the social expression business”.

### **Objectives**

Objectives or goals are the ends toward which activity is aimed- they are the results to be achieved. They represent not only the end point of planning but the end toward which organizing, staffing, leading and controlling are aimed. While enterprise

objectives are the basic plan of the firm, a department may also have its own objectives. Its goals naturally contribute to the attainment of enterprise objectives, but the two sets of goals may be entirely different. For example, the objective of a business might be to make a certain profit by producing a given line of home entertainment equipment, while the goal of the manufacturing department might be to produce the required number of television sets of given design and the quality at a given cost. These objectives are consistent, but they differ in that the manufacturing department alone cannot ensure accomplishment of the company's objective.

## Strategies

For years the military used the word "strategies" to mean grand plans made in the light of what it is believed an adversary might or might not do. While the term "strategies" still usually has a competitive implication, managers increasingly use it to reflect broad areas of an enterprise operation. Three definitions are indicative of the most common usages of the term strategies:

1. General programs of action and deployment of emphasis and resources to attain comprehensive objectives.
2. The program of objectives of an organization and their changes, resources to attain these objectives, and policies governing the acquisition, use and disposition of these resources.
3. The determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goals.

Thus, a company has to decide what kind of business it is going to be in. Is it a transportation or a railroad company? Is it a container or a paper box manufacturer? The firm also has to decide on the growth goal and its desired profitability. A strategy might include such major policies as to market directly rather than through distributors, or to concentrate on proprietary products, or to have a full line of autos. As General Motors decided to have many years ago form its automobile business.

The purpose of strategies, then is to determine and communicate through a system of major objectives and policies, a picture of what kind of enterprise is envisioned. It furnishes a framework for guiding thinking and action. Their usefulness in practice and their importance in guiding planning do, however, justify the separation of strategies as a type of plan for purpose of analysis.

For a new product development company, there may any of the "**4Ps strategies**" adopted to suit the market requirements. 4Ps are called as marketing mix which are **price, place, promotion and product**. An enterprise can use any of these strategies by which it achieves the competitive advantage. For example, if a firm is using **pricing** as a strategy, then it can suitably play with price to acquire large market as against the competitor. If it is using **place** as a strategy, then it should identify a good place to launch a product which enables the firm to reach to a good mix of customer segments. If it using **promotion** as a strategy, then the firm should identify a good brand

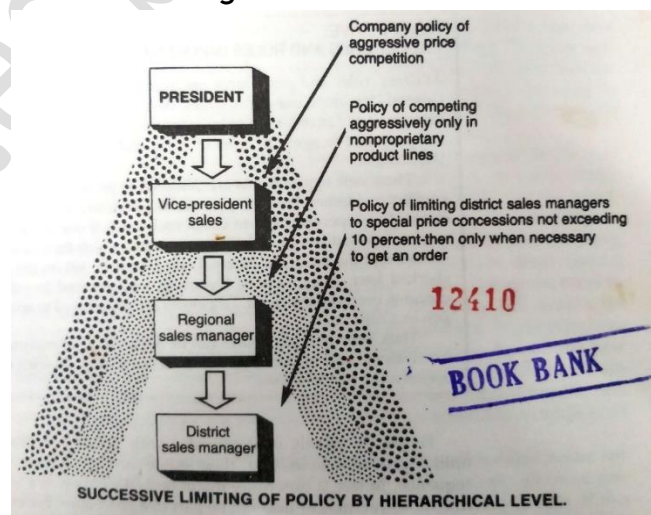
ambassador to promote its product so as to make the product a grand success and available across the territory. If a firm is using **product** as a strategy, then it should design a superior product of high quality so as to make it compete with the rivals in and around the market territory.

## Policies

Policies also are plans in that they are general statements or understandings which guide or channel thinking in decision making. Not all policies are “statements”, they are often merely implied from the actions of managers. The president of a company, for example, may strictly follow-perhaps for convenience rather than as policy- the practice of promoting from within; the practice of promoting from within; the practice may then be interpreted as policy and carefully followed by subordinates.

Policies define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to an objective. Policies help decide issues before they become problems, make it unnecessary to analyze the same situation every time it comes up, and unify other plans, thus permitting managers to delegate authority and still maintain control over what their subordinates do. Policies ordinarily exist on all levels of the organization, ranging from major company policies through major department policies to minor policies applicable to the smallest segment of the organization.

There may many types of policies, examples include policies of hiring only university-trained engineers or of encouraging employee suggestions for improved cooperation, promoting from within, conforming strictly to a huge standard of business ethics, setting competitive prices, or insisting on fixed, rather than cost-plus, pricing. Since policies are guides to decision making, it follows that they must allow for some discretion, otherwise, they would be rules. Different hierarchical levels to implement policy is as shown in fig 1.5 below.



**Fig 1.5 Successive Limiting of Policy by Hierarchical Level**

## **Procedures**

Procedures are plans that establish a required method of handling future activities. They are guides to action rather than to thinking, and they detail the exact manner in which certain activities must be accomplished. They are chronological sequence of required actions.

Procedures often cut across department lines. For example, in a manufacturing company, the procedure for handling orders will almost certainly involve the sales department for the original order, the finance department for acknowledgement of receipt of funds and for customer credit approval, the accounting department for recording the transaction, the production department for the order to produce goods or authority to release them from the stock and the traffic department for determination of shipping means and route.

## **Rules**

Rules spell out specific required actions or nonactions, allowing no discretion. They are usually the simplest type of plan. People frequently confuse rules with policies or procedures. Rules are unlike procedures in that they guide action without specifying a time sequence. In fact, a procedure might be looked upon as a sequence of rules. A rule, however may or may not be a part of a procedure. For example, "No Smoking" is a rule quite unrelated to any procedure; but a procedure governing the handling of orders may incorporate the rule that all orders must be confirmed the day they are received. This rule allows no deviation from a stated course of action and in no way interferes with the rest of the procedure for handling orders.

The essence of a rule is that it reflects a managerial decision that some certain action must – or must not- be taken.

## **Programs**

Programs are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets. They may be as major as airline's program for acquiring a \$400 million fleet of jets or the 5-year program embarked upon by the Ford Motor Company several years ago to improve the status and quality of its thousands of foremen. Or they may be as minor as program formulated by a single supervisor to improve the morale of workers in a parts-manufacturing department of a farm machinery company.

## Budgets

A budget is a statement of expected results expressed in numerical terms. It may be referred to as a “numberised” program. In fact, the financial operating budget is often called a “profit plan”. A budget may be expressed either in financial terms or in terms of labor-hours, units of product, machine-hours, or any other numerically measurable term. It may deal with operations, as the expense budget does; it may reflect capital outlays, as the capital expenditures budget does; or it may show cash flow, as the cash budget does. Usually a budget is in the form of only numbers, it forces precision in planning.

Budgets vary considerably in accuracy, detail, and purpose. Some budgets vary according to the organization’s level of output; these are called **variable** or **flexible** budgets. Government agencies often develop **program budgets** in which the agency (and each department in the agency) identifies goals, develops detailed programs to meet the goals and estimates the cost of each program. To plan an effective program budget, manager must do some fairly detailed and thorough planning.

Still another type, which is really a combination of the variable and the program budget, is the **Zero-base budget**. A manager using this approach thinks of the goals and the programs needed to achieve them as a “work package”, as though the programs were started from scratch, or “base zero”.

## Steps in planning

Although the steps in planning are presented here in connection with major programs, such as the acquisition of a plant or a fleet of jets or the development of a product, managers would follow essentially the same steps in any thorough planning. Since minor plans are usually simpler, some of the steps would be more easily accomplished, but the practical steps listed below, and diagrammed in fig are of general application. In practice, however managers must study the feasibility of possible courses of action at each stage. For example, in establishing objectives, it is necessary to have some idea about the premises underlying the plans. An ambitious objective of increasing sales by 200 percent may be unrealistic in an environment with a projected economic recession. Similarly, feedback is also essential. In formulating supportive plans, there may be a need to reevaluate and change the overall objectives set earlier.

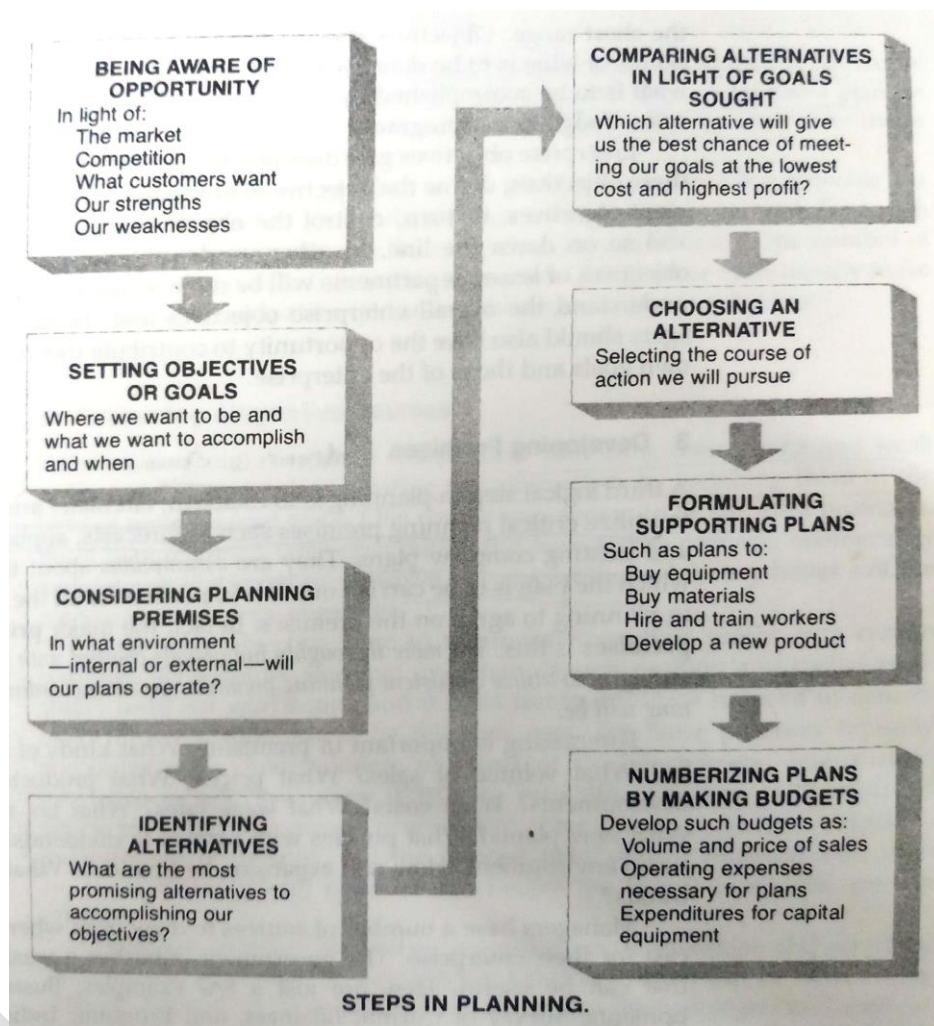
### 8 steps in planning

1. Being aware of opportunity
2. Setting objectives or goals
3. Considering planning premises
4. Identifying alternatives
5. Comparing alternatives in light of goals sought



6. Choosing an alternative
7. Formulating supporting plans
8. Numberizing plans by making budgets

The schematic representation of steps in planning is as shown and explained in the fig 1.6 below



**Fig 1.6 Steps in Planning**



## **MBO and MBE**

### **Management by Objective (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.

#### **Merits 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.

#### **Demerits of MBO**

- 1) Tends to falter without strong, continual commitment from top management.
- 2) Necessitates considerable training of managers.
- 3) Can be misused as a punitive device.
- 4) May cause overemphasis of quantitative goals.

### **Management by Exception (MBE)**

MBE is a management style wherein managers intervene only when their employees fail to meet their performance standards. If the employees are performing as expected, 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.

#### **Merits of MBE**

1. This approach reduces the frequency of decision making by top management.

2. Top management can concentrate on important things.
3. It allows lower manager to take decisions.
4. It is necessary in big organizations.

### **Demerits of MBE**

1. It breeds organization man thinking
2. It is often dependent upon unbelievable data.
3. It rewires a comprehensive observing and reporting system.
4. It tends to proliferate paper work
5. It often assumes an un relational stability in business affairs.
6. It gives false sense of security to management.
7. Standard of comparison tend to become obsolete.
8. Some critical business factors are difficult to measure
9. It can't be a substitute for thinking.

### **Strategic Planning**

Strategic planning is the process of documenting and establishing a direction of your small business—by assessing both where you are and where you're going. The strategic plan gives you a place to record your mission, vision, and values, as well as your long-term goals and the action plans, you'll use to reach them. A well-written strategic plan can play a pivotal role in your small business's growth and success because it tells you and your employees how best to respond to opportunities and challenges.

Despite the benefits of having a strategic plan in place, a growing number of small business owners aren't focusing on the long-term strategies of their businesses. In a 2018 Constant Contact survey of 1,005 small business owners, 63% said they plan only a year (or less) in advance. Fig shown below gives the glimpse of the Strategic plan process adopted in an organization.



If you're one of these small business owners, it's not too late to think differently. Your future success depends on effective strategic planning. It's a process of looking ahead that should involve your entire business, and the discussions can lead to meaningful changes in your business. Strategic planning consists of analyzing the business and setting realistic goals and objectives. This leads to the creation of a formal document that lays out the company's views and goals for the future.

### **Benefits of Strategic Planning**

The strategic planning process can take some time, but it's beneficial for everyone involved. As the small business owner, you'll have a better idea of the goals and objectives you want to accomplish and a path to do that. For your employees, the process can foster an increase in productivity—contributing to the success of the business.

#### **Communicating Your Strategic Plan**

The strategic planning process should involve your employees. Your employees are involved in the day-to-day operations and can provide you with a unique view of the company. Employees can share with you what they think is and isn't working with the business today, which can inform your planning for the future.

In addition to your employees, it's beneficial to reach out to people outside of your company to get their opinions. Like your employees, vendors have a unique perspective on your industry. Talk to them about the business, and get their thoughts on how they think the business landscape can change in the future.

The U.S. Small Business Administration recommends that the strategic planning process be a flexible one. When you meet with your employees and any people outside of the company, remember that the discussions should encourage new ideas and thoughts.

### **Increase Productivity**

Involving your employees in the strategic planning process also means they receive a sense of accountability that can increase productivity. Whether they contributed in the process or were informed of the business's goals and objectives after the strategic plan was created, they'll be more likely to want to help you achieve those targets.

### **Identifying Strengths and Weaknesses**

As part of the strategic planning process, you'll examine and analyze your entire business. You'll take a look at what your business does well and the areas where it still needs to improve. By identifying your business's current strengths and weaknesses, the process gives you and your employees an opportunity to improve in the future and become a durable business by minimizing risks.

Although you may have a good idea about what your business excels at and areas that need to be improved upon, don't forget to involve your employees. They may tell you something you didn't think of.

### **Setting the Direction of the Business and Fostering a Proactive Business**

By the end of the strategic planning process, you and your employees should have a clear direction of where you want the business to go in the future. These discussions and the planning process itself help put the business in the best position to succeed in the future. Strategic planning gives you and your business time to figure out how to grow over the next few years and how to address new opportunities and challenges. Think about the challenges or issues your business may face in four or five years and plan accordingly, so your business doesn't stumble down the road

Notes by Dr C.P. LOHITH

## Organizing

It is often said that good people can make any organization pattern work. Some even assert that vagueness in organization is a good thing in that it forces teamwork, since people know that they must cooperate to get anything done. However, there can be no doubt that good people and those who want to cooperate will work together most effectively if they know the parts, they are to play in any team operation and the way their roles relate to one another. This is as true in business or government as it is in football or in a symphony orchestra. Designing and maintaining these systems of roles is basically the managerial functions of organizing.

For an organizational role to exist and be meaningful to people, it must incorporate

1. Verifiable objectives, which are a major part of planning
2. A clear of the major duties or activities involved
3. An understood area of discretion or authority so that the person filling the role knows what he or she can do to accomplish goals.

It is in this sense that we should consider organizing as

1. The identification and classification of required activities.
2. The grouping of activities necessary to attain objectives.
3. The assignment of each grouping to a manager with the authority necessary to supervise it,
4. The provision for coordination at all levels in the organization structure.

Organization is a word many people use loosely. Some would say it includes all the behavior of all participants. Others would equate it with the total system of social and cultural relationships.

### Types of Organization

There are several ways of categorizing the organization.

Based on profitability organization can be categorized into

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. For non-profit organization: The purpose the objective would be to serve the members of the committee in a productive manner profits but to serve the people of the specific community or a segment of a society. Example: Rotary club, Lions club, Orphanages, Charitable hospitals etc.

Based on structure organization can be categorized into

1. Formal organizations: are officially formed with definite structure which describes authority and responsibility, relationship and behavior of organizational members. It is an intentional structure of roles in a formally organized enterprise. It must be flexible and there should be room for discretion, for advantageous utilization of creative talents, and for recognition of individual likes and capacities in the most formal of organizations.
2. 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.

#### **Differences between Formal & Informal Organization**

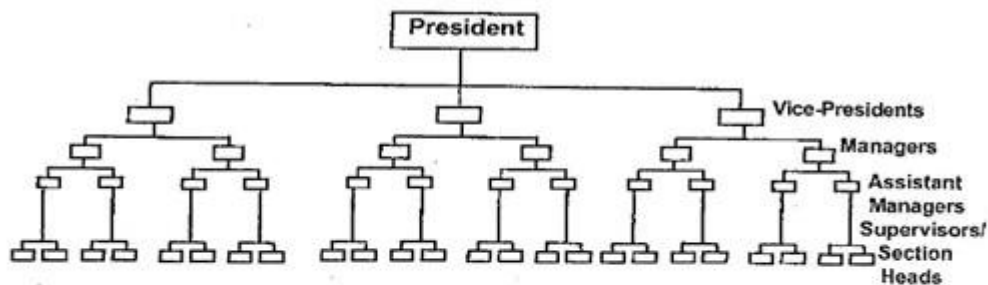
<b>Item</b>	<b>Formal Organization</b>	<b>Informal Organization</b>
Origin	Official and started with definite purpose	Unofficial & developed naturally, based on individual & group goals
Structure	Definite structure with clearly defined authority & responsibility relationship	No formal structure
Control	Formal rules & regulation	Group norms
Communication	Formal & official channels of communication	Grapevine
Size	Can grow to very large size	Generally, very small

## Span of Management

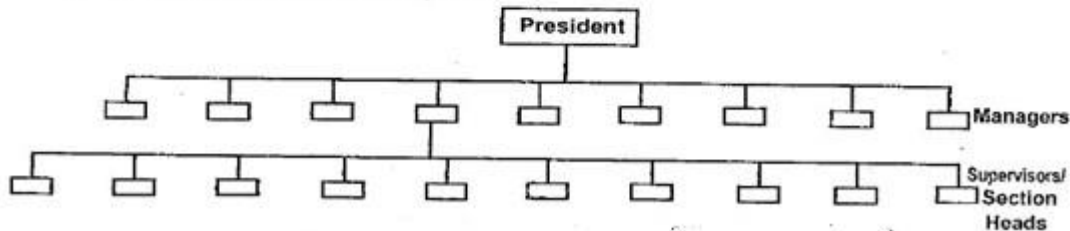
The term —Span of Management is also referred to as —Span of Control, Span of Supervision, Span of Authority, Span of Responsibility. This indicates the Number of Subordinates who report directly to a Manager. There are two types of span of control.

A Narrow Span of Control results in a –Tall Organization with many levels of Supervision between Top Level Management & Lowest Organizational Level. This creates Ineffective Communication Problems & also increases the Financial Burden on the Organization. There is also a Burden of finding suitable experienced personnel at different levels. On the other hand, a Wide Span of Control for the same number of Employees, means a Flat Organization with fewer Management Levels between Top & Bottom Levels.

1. Organisation with Narrow Spans :



2. Organisation with Wide Spans



**Fig 1.7 Relationships between Span of Management & Organizational Levels**

In the figure 1.7 shown above, the relationships between Span of Control & Organization Levels are shown. A Wide Span of Control is associated with Few Organization Levels; a Narrow Span contains Many Levels.

## The Structure and Process of organizing Organizational structure

It requires a structured process to organize and as well with several fundamentals considered during operating an enterprise. In the first place, the structure must reflect objectives and plans, because activities derive from them. In the second place, it must reflect the authority available to an enterprise's management. Authority in a given

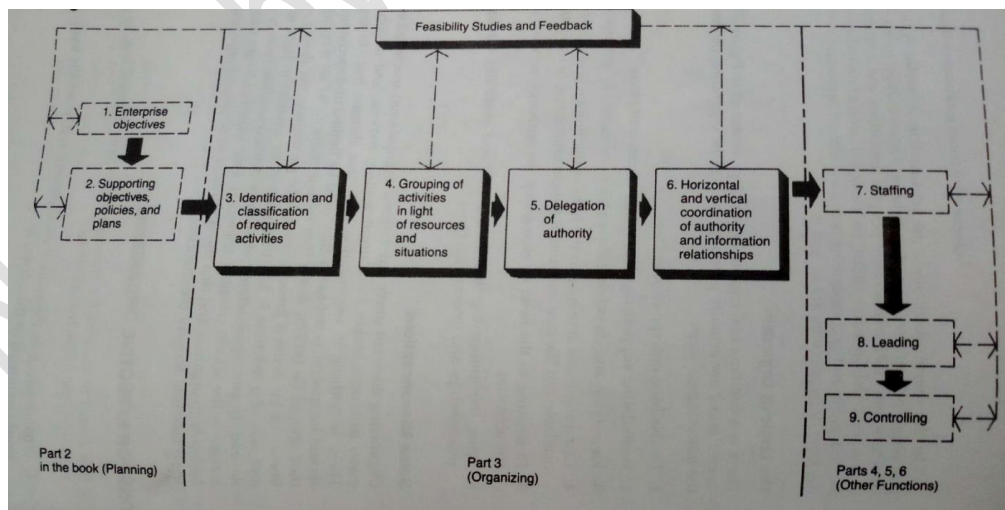
organization is a socially determined right to exercise discretion; as such, it is subject to change.

In the third place, organization structure, like any plan, must reflect its environment. Just as the premises of a plan may be economic, technological, political, social or ethical, so may be those of an organization structure. It must be designed to work to permit contributions by members of a group, and to help people gain objectives efficiently in a changing future. In this sense, a workable organization that works best in all kinds of situations. An effective organization structure depends on the situation.

In the fourth place, since the organization is staffed with people, the groupings of activities and the authority relationships of an organization structure must take into account people's limitations and customs. This is not to say that the structure must be designed around individuals instead of around goals and accompanying activities. But an important consideration is the kind of people who are to staff it.

There is a fundamental logic to organizing, as shown in fig 1.8. Although steps 1 and 2 are actually part of planning, the organizing process consists of the following six steps:

1. Establishing enterprise objectives
2. Formulating supporting objectives, policies and plans
3. Identifying and classifying the activities necessary to accomplish these
4. Grouping these activities in the light of the human and material resources available and the best way, under the circumstances, of using them
5. Delegating to the head of each group the authority necessary to perform the activities
6. Tying the groups together horizontally and vertically, through authority relationships and information flows



**Fig 1.8 Organizing Process**



## Organizational Structure

An **organizational structure** is a system that outlines how certain activities are directed in order to achieve the goals of an **organization**. These activities can include rules, roles, and responsibilities. The **organizational structure** also determines how information flows between levels within the company.

An **organizational structure** defines how activities such as task allocation, coordination, and supervision are directed toward the achievement of organizational aims. Organizational structure affects organizational action and provides the foundation on which standard operating procedures and routines rest. It determines which individuals get to participate in which decision-making processes, and thus to what extent their views shape the organization's actions. Organizational structure can also be considered as the viewing glass or perspective through which individuals see their organization and its environment. Organizations are a variant of clustered entities. An organization can be structured in many different ways, depending on its objectives. The structure of an organization will determine the modes in which it operates and performs. Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities such as the branch, department, workgroup, and individual.

**Departmentalization** refers to the process of grouping activities into departments. Division of labor creates specialists who need coordination. This coordination is facilitated by grouping specialists together in departments.

### Popular types of departmentalization

- **Functional departmentalization** - Grouping activities by functions performed. Activities can be grouped according to function (work being done) to pursue economies of scale by placing employees with shared skills and knowledge into departments for example human resources, IT, accounting, manufacturing, logistics, and engineering. Functional departmentalization can be used in all types of organizations. Group activities in accordance with the function of an enterprise
- **Product departmentalization** - Grouping activities by product line. It can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. LA Gear is an example of company that uses product departmentalization. Its structure is based on its varied product lines which include women's footwear etc.
- **Customer departmentalization** - Grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. The sales activities in an office supply firm can be broken down into three departments that serve retail, wholesale and government accounts.

- **Geographic departmentalization** - Grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola has reflected the company's operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, the European Community, Northeast Europe, Africa and Latin America groups.
- **Process departmentalization** - Grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentalization allows homogeneous activities to be grouped together. For example, applicants might need to go through several departments, namely validation, licensing and treasury, before receiving a driver's license.
- **Divisional departmentalization** - When the firm develops independent lines of business that operate as separate companies, all contributing to the corporation profitability, the design is called divisional departmentalization or (M-FORM). For example, the Limited. Inc. has these divisions: The Limited, Express, Lerner New York, Lane Bryant and Mast Industries.

Owing to the complexity of tasks and the competitive environment in which organizations operate, they often use a combination of the above-mentioned methods in departmentalization

Companies generally adopt one of four organizational structures. These include:

1. **Line structure**
2. **Line and staff structure**
3. **Functional structure**
4. **Matrix structure**

Each of these different types of organizational structures can be shown in an organizational chart. An organizational chart is a visual representation of a business's organizational structure. It shows who reports to whom within the company. It also shows what kind of work each department does.

## Line Structure

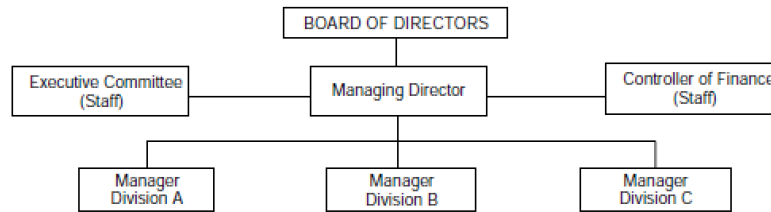
In a line organization, authority originates at the top and moves downward in a line (see Figure 1.9). All managers perform functions that contribute directly to company profits. Examples of line functions include production managers, sales representatives, and marketing managers.



**Fig 1.9 Line structure**

## Line and Staff Organization

In order to reap the advantages of both line organization and functional organization, a new type of organization is developed i.e., line and staff organization. In line and staff organization, the line authority remains the same as it does in the line organization. Authority flows from top to bottom. In addition, the specialists are attached to line managers to advise them on important matters. These specialists stand ready with their specialty to serve line men as and when their services are called for to collect information and to give help which will enable the line officials to carry out their activity better. The staff officials do not have any power of command in the organization as they are employed to provide expert advice to the line manager. In most of the organization, staff investigates and supplies information and recommendations to managers who takes decision. The schematic representation of Line and Staff structure is as shown in the fig 1.10



**Fig 1.10 Line and staff structure**

**The advantages of line and staff organization:**

1. Specialized knowledge
2. Reduction of burden on line managers.
3. Better decisions, as staff specialists help the line managers
4. Unity of command
5. Flexible when compared to functional organization.

**The disadvantages of line and staff organization:**

1. Allocation of duties between line and staff is not clear.
2. There is generally conflict between line and staff executives.
3. Since staffs are not accountable, they may not be performing well.
4. Difference between orientations of line and staff. Line executive 's deals with in problem in a more practical manner while staff, tend to be more theoretical.

**Functional Organization**

In functional organization the specialists are made available in the top positions throughout the enterprise. It confers upon the holder of a functional position, a limited power of command over the people of various departments concerning their function. Functional authority remains confined to functional guidance of different department. Under functional organization, various activities of the enterprise are classified according to certain functions like production, marketing, finance, personnel etc., and are put under the charge of functional specialists. A functional in charge directs the subordinates throughout the organization in his particular area of business operation. That means that subordinates receive orders and instructions not from one superior but from several functional specialists.

Functional organization is the most widely employed basis for organization activities and is present in almost every enterprise at some level in the organization structure. The characteristics of the selling, production and finance functions of enterprises are so widely recognized and thoroughly understood that they are the basis not only of departmental organization but also, most often, of departmentation at the top level. A typical Functional Organization flow chart is as shown in the fig 1.11

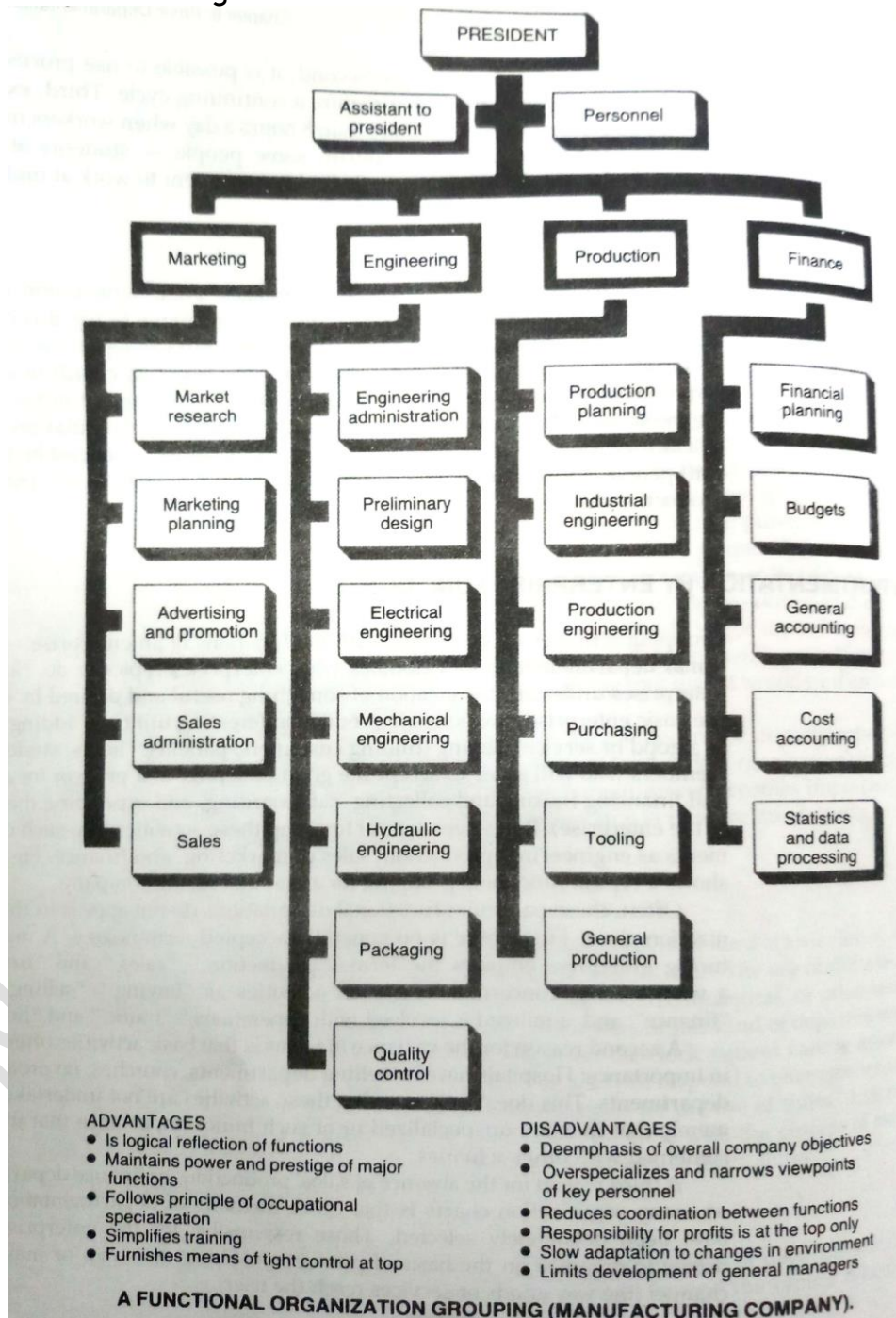
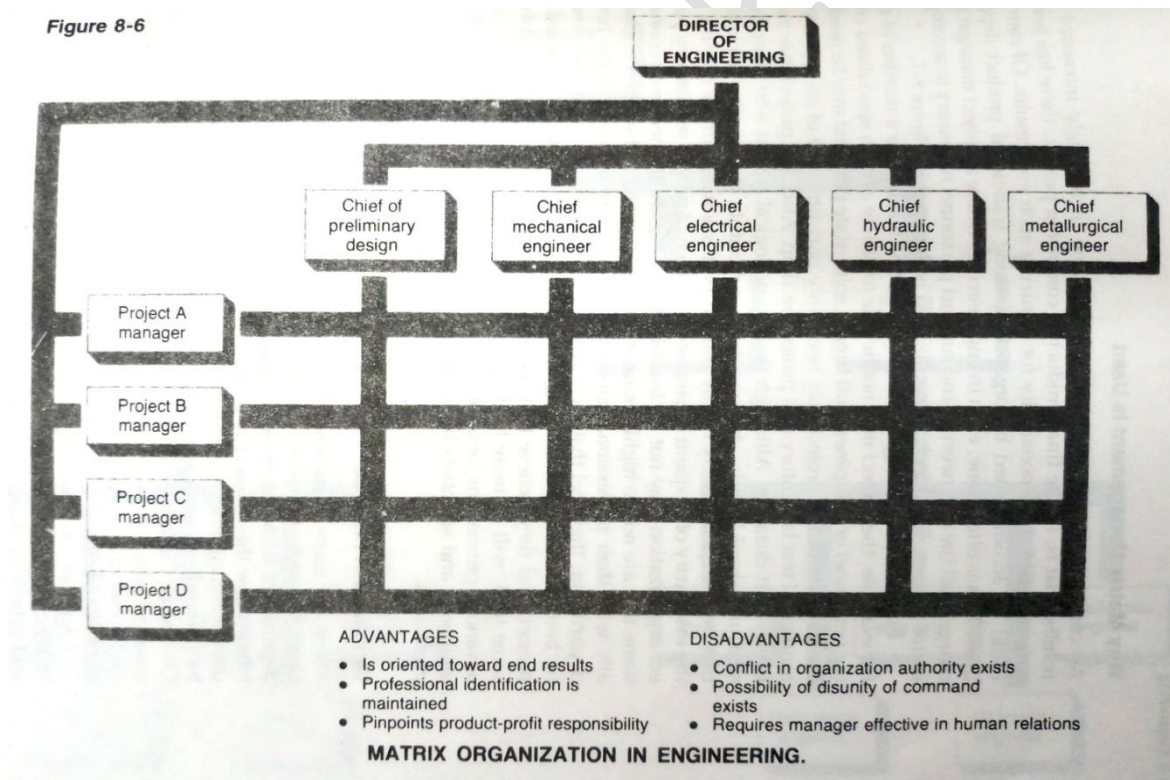


Fig 1.11 Functional organization

## Matrix organization

Another kind of departmentation is Matrix or Grid organization. The essence of matrix organization normally is the combining of functional and product patterns of departmentation in the same organization structure as shown in fig 1.12, which depicts matrix organization in an engineering department, there are functional managers in charge of engineering functions and an overlay of project managers responsible for the end product. While this form has been common in engineering and in research and development, it has also been widely used, although seldom drawn as a matrix, in product marketing organization.

This kind of organization occurs frequently in construction( e.g. building a bridge),in aerospace( e.g., designing and launching a weather satellite),in marketing (e.g., an advertising campaign for a major new product), in the installation of an electronic data processing system, or in management consulting firms in which professional experts work together on a project.



**Fig 1.12: Matrix organization**