

MODULE I: INTRODUCTION

Management

In today's tough and uncertain economy, a company needs strong managers to lead its staff toward accomplishing business goals. But managers are more than just leaders – they're problem solvers, cheerleaders, and planners as well. And managers don't come in one-size-fits all shapes or forms. Managers fulfil many roles and have many different responsibilities at each level of management within an organization. In this chapter, you not only discover those roles and functions, but you also find out the truth about several common misconceptions about management.

"Management" (from Old French management "the art of conducting, directing", from Latin manuagere "to lead by the hand") characterizes the process of leading and directing all or part of an organization, often a business, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible)

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 with 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.

Definition of Management

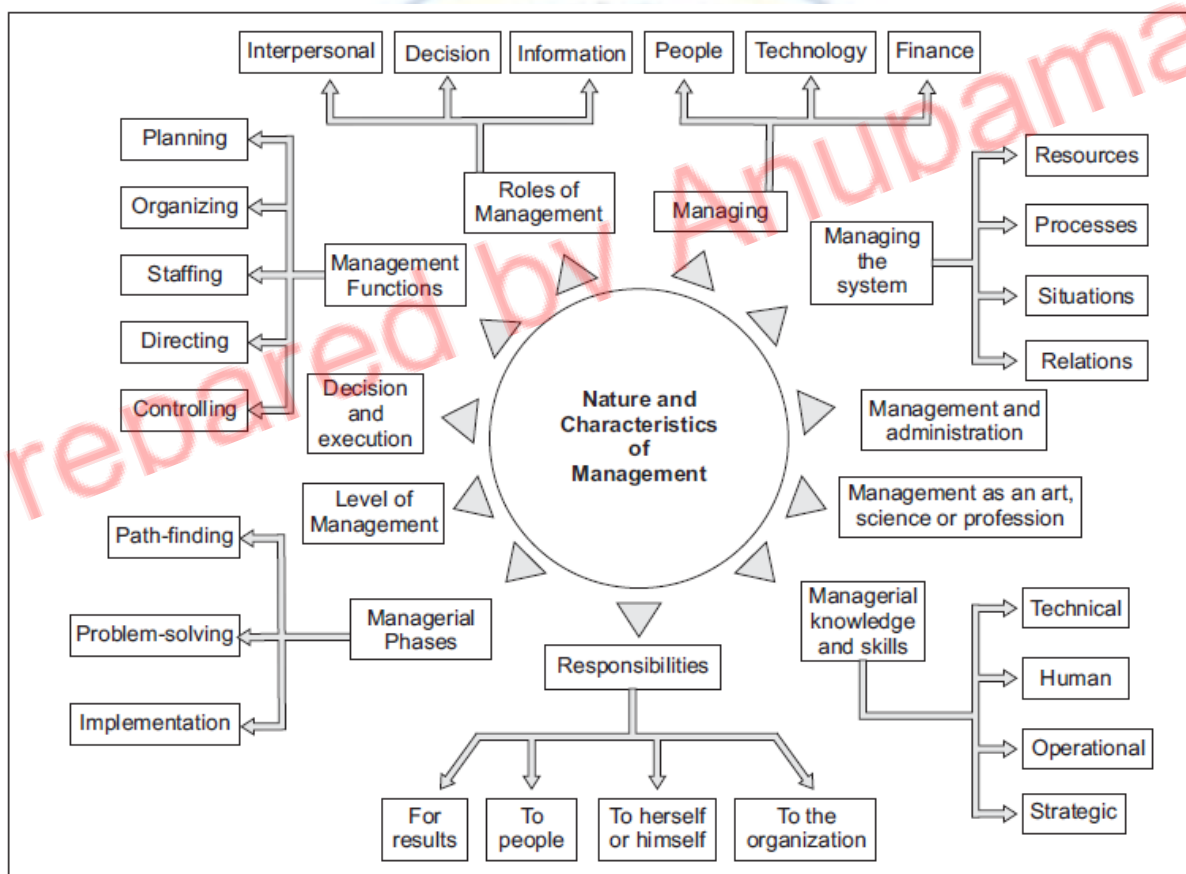
For example economists have treated management as 'a factor of production'; Sociologists treated it as 'a group of persons'. Hence, taking all these view points, it becomes difficult to define management in a comprehensive way and no definition of management has been universally accepted.

- According to 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". 'Planning' means thinking of the manager's action in advance. The actions of the managers are based on logic, plan or some method rather than hunch. 'Organizing' means coordinating machines, materials and human resources of the organization. 'Actuating' means motivating,

directing the subordinates. 'Controlling' means that manager must ensure that there is no deviations from plans.

- According to 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".
- According to 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".
- According to Donald J Clough "Management is the art and science of decision making and leadership".
- John F Mee states "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."
- According to 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.

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 as follows:

- 1) 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.

- 2) 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.
- 3) 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.
- 4) 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.
- 5) 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. This will be discussed in detail later in this chapter.
- 3) Management aims at achieving predetermined objectives: All organizations have objectives that are laid down. Every managerial activity results in achievement of these predetermined objectives.
- 4) Management is a factor of production: An enterprise produce goods or services using resources like land, labour, 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 are 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.

Management Functions or the Process 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 Table presents 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:
 - Establishing standards of performance.
 - Measuring current performance and comparing it against the established standard.
 - 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.

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 organizational 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 deals 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.

Management and Administration

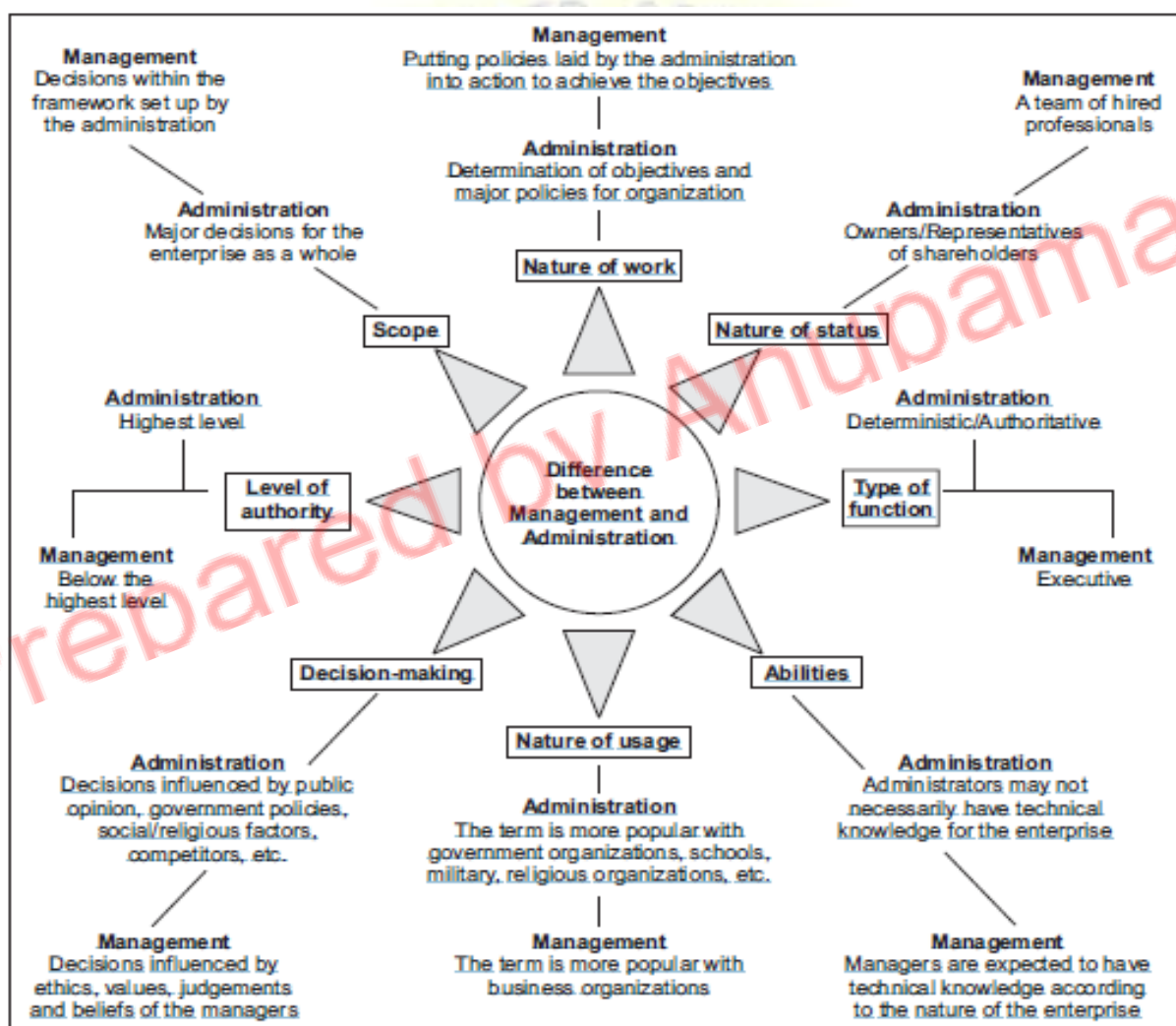
The term administration and management are used synonymously. Some writers urge that running of a business requires skills, which is known as management and functioning of government departments and non-profit institutions requiring skill is known as administration.

Administration is the force which lays down the object for which an organization and its management are to strive and the broad policies under which they are to operate.

An organization is the combination of the necessary human beings, materials, tools, equipment, working space, and appurtenances (accessories) brought together in systematic and effective correlation, to accomplish some desired object.

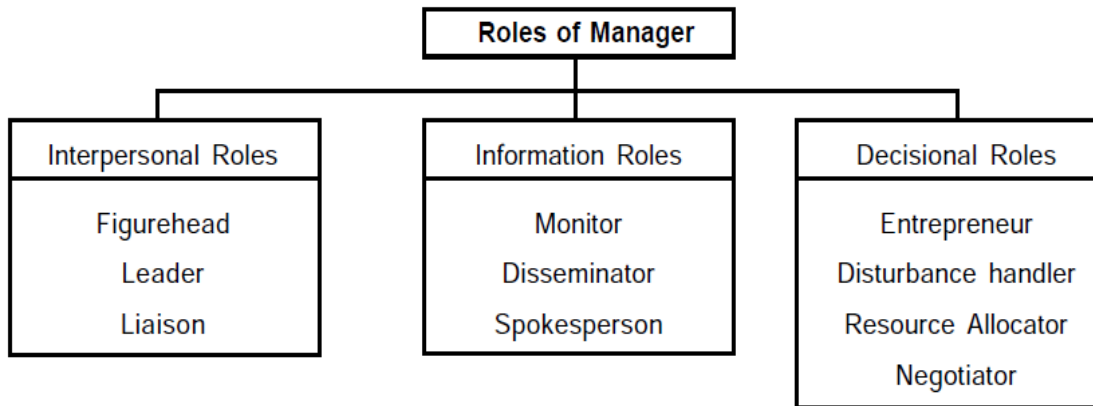
Management is the force which leads guides and directs an organization in the accomplishment of the predetermined object.

Following table shows the distinction between administration and management.



Role of Management

A manager performs planning, organizing, directing and controlling to achieve the organizational objectives. It has been questioned whether these functions provide an adequate description of the management process. As against these management functions Henry Mintzberg has defined the role of managers to identify what managers do in the organizations. Mintzberg has identified ten roles of manager which are classified into three broad categories as shown in fig.



Interpersonal role: This role is concerned with his interacting with people both organizational members and outsiders. There are three types of interpersonal roles:

- 1) *Figure head role:* In this role manager has to perform duties of ceremonial nature such as attending social functions of employees, taking an important customer to lunch and so on.
- 2) *Leader role:* Manager's leader role involves leading the subordinates motivating and encouraging them.
- 3) *Liaison:* In liaison role manager serves as a connecting link between his organization and outsiders. Managers must cultivate contacts outside his vertical chain to collect information useful for his organization.

Information roles: It involves communication. There are three types of informational roles:

- 1) *Monitor:* In his monitoring role, manager continuously collects information about all the factors which affects his activities. Such factors may be within or outside organization.
- 2) *Disseminator:* In the disseminator role, manager possesses some of his privileged information to his subordinates who otherwise not be in a position to collect it.
- 3) *Spokesperson:* As a spokesperson manager represents his organization while interacting with outsiders like customers, suppliers, financiers, government and other agencies of the society.

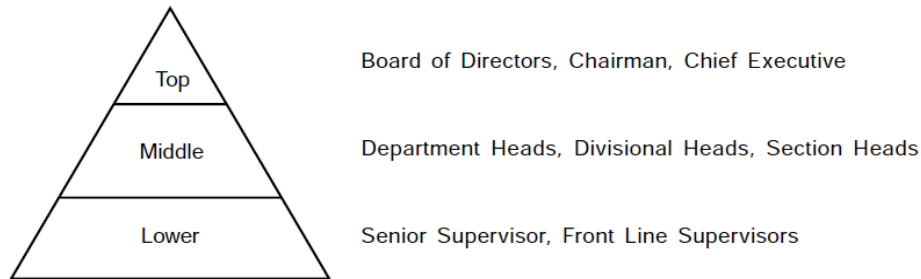
Decisional roles: Decisional role involves choosing most appropriate alternative among all so that organizational objectives are achieved in an efficient manner. In his decisional role manager perform four roles:

- 1) *Entrepreneur:* As an entrepreneur, a manager assumes certain risks in terms of outcome of an action. A manager constantly looks out for new ideas and seeks to improve his unit by adopting it to dynamic environment.
- 2) *Disturbance handler:* In this role manager works like a fire-fighter manager contains forces and events which disturb normal functioning of his organization. The forces and events may be employee complaints and grievances, strikes, shortage of raw materials etc.
- 3) *Negotiator:* In his role of negotiator, manager negotiates with various groups in the organization. Such groups are employees, shareholders and other outside agencies.
- 4) *Resource allocator:* Disposing the available resources in the organizational project according to requirement.

Levels of Management

People in an organization are arranged in an hierarchy and they all have the relationship of superior-subordinates. Every manager in an organization performs all

five management functions. The relative importance of these functions varies along the managerial levels. There may be as many levels in the organization as the number of superiors in a line of command. Some of these levels are merged into one on the basis of nature of functions performed and authority enjoyed. E.F.L. Brech has classified management levels into three categories – Top Management, Middle Management and Supervisory/Lower Level as shown in fig



The process of dividing authority & responsibility among the various executives is called the creation of level of management.

Top Management: It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

Functions of Top Management:

- Determine objective of the organization. They relate to profit, business growth, survival, prestige, competitive pricing, marketing method.
- Frame the policy: To frame policies & check out plans to carry out the objectives & policies, policies may relate to different aspects of the organization.
- Organizational frame work: Top management determines the organization structure for the purpose of executing the plans.
- Assemble the resource: Execute the plans; the resources of men, machines, materials & money have to assemble.
- Control the operations the organization: Top management also controls operations their budget cost & statistical quality control & accounting device.

Middle management: It consists of departmental divisional or sectional heads other executive officers attached to the different departments. This department is responsible for implementing policies & plans decided by management.

Functions of Middle Management:

- To execute the various functions of organization so that the top management gets enough time to look after their responsibilities.
- To cooperate among themselves, with the top management & the supervisors so that the organization functions smoothly
- To achieve coordination between the different parts of organization
- To develop & train employers in the organization for better functioning & for filling up vacancies that may arise in future.
- To build company spirit where all are working to provide a product or service wanted by consumer.

Supervisory/Low level management: It consists of senior supervisors. The executives at this level are in direct touch with the workers & have to see the work is properly carried out. The effective implementation of the plans & policies, the quality of coordination

ship quality of output & overall success of the organization very much dependent on the hard labor, discipline, loyalty of the personal at this level of management

Functions of supervisors:

- a. To issue order & instructions to the workers & to supervise & control their work.
- b. To plan activities of the section.
- c. To assign jobs to the workers.
- d. To direct & guide the workers about work procedure.
- e. To arrange for the necessary tools, equipment, material etc.
- f. To solve the problems of workers
- g. To maintain discipline among the workers & to develop them the right approach to work.
- h. To inform the management about the problems of workers which are not solved at this level?
- i. To maintain good human relations.
- j. To build a high group morale among workers.

Skills Needed by Managers

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: 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 relations: 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: 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.

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.

Top Management	Conceptual skill
Middle	Human relations skill
Supervisory	Technical skill

Development of Management Thought

Development has emerged as a powerful & innovative force on which the today's society depends for material support from an unrecognized situations in the past one or two centuries. This is the area of management which is responsible for undertaking activities such as industrial & technical surveys, taking up research work, suggesting ways & means for innovations for reacting the taken up for improving methods of production, finding out best ways of doing things, raising productivity in the firm. The innovative methods of production & marketing will help the firm to grow. Seventeen and eighteen centuries had seen industrial revolution. Lots of inventions & new technologies had emerged. The importance of management was focused division of labour concept was evolved importance of planning was identified. But the management on a separate field of study had emerged only during's early 20th century when new industrial era began. Business organizations had a stage shift from ownership towards joint stock companies. As an answer to the problems like insufficient system, inefficiency of labour & discrepancy in wage payment, management has been recognized as a separate & important field of study. Subsequently, management has evolved as a specific discipline of study & practice. The evolution of management can be divided into two parts early management approach & modern management approach.

Evolution of the management can be studied as

- a) Early classical approaches represented by
 - a) scientific management
 - b) administrative management
 - c) bureaucracy
- b) Neoclassical approaches represented by
 - a) human relations movement
 - b) behavioural approach
- c) Modern approaches represented by
 - a) quantitative approach
 - b) systems approach
 - c) contingency approach

Early Management Approaches

Scientific Management: Fredric Winslow Taylor(1856-1915) started his career as an apprentice in a steel company in USA and finally became Chief Engineer. Taylor along with his associates made the first systematic study in management. He launched a new movement in 1910 which is known as scientific management. Taylor is known as father

of scientific management and has laid down the following principles of 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 foreman 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 labour 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 managers to do one best way of doing the job.

Limitations:

1. Taylor's 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. Taylor's 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 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: Implies 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.
- 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.

Contributions and limitations of administrative management:

Contributions:

1. Fayol's principles met with wide spread 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. Fayol's principle of specialization lead to the following dysfunctional consequences:
 - a) 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.
 - b) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
 - c) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
2. 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 labour cannot be followed simultaneously. In this way many of these principles are full of contradictions and dilemmas.
3. 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.
4. 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.
5. 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.
6. 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.

- a. Leader oriented: Administration is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.
- b. 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.
- c. 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 be 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 position in their hierarchy, promotions are made systematically and there is on winning peoples 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 fulfil 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:

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.
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 lead 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 deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are and to where we want to go. It is in essence the exercise of foresight".

"Planning is that function of the manager in which he decides in advance what he will do. It is a decision making process of a special kind. It is an intellectual process in which creative mind and imagination are essential".

Nature of Planning

- 1) Planning is the beginning of the process of management: A manager must plan before he can possibly organize, staff, direct or control. Planning sets all other function into action. Planning is the most basic function of management. Planning is a rational approach for defining where one stands, where one wants to go in future and how to reach there.
- 2) Planning is an intellectual process: Planning requires manager to think before acting. It is thinking in advance. It is planning by planning managers of organization decides what is to be done, when it is to be one, how it is to be done, and how 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.

- 3) Planning is continuous process: Planning is a continuous process like a navigator constantly checks where his ship is going in the vast ocean. A manager must constantly watch the progress of planning. He must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans. Planning is called principle of navigational change.
- 4) A plan must be flexible: By flexibility of a plan is meant its ability to change direction to adapt to changing situations without undue cost. The plans must be flexible to adapt to changes in technology, market, finance, personal and organizational factors. 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 change the organization structure. However flexibility is possible only within limits, because it involves extra cost. Sometimes the benefit of flexibility may not be worth the cost.
- 5) Planning is an all pervasive function: Planning is pervasive and it extends throughout the organization. Planning is the fundamental management function and every manager irrespective of level, has a planning function to perform within his particular area of activities. Top management is responsible for overall objectives and action of the organization. Therefore it must plan what these objectives should be and how to achieve them. Similarly a departmental head has to devise the objectives of his department within the organizational objectives and also the methods to achieve them.

Importance of Planning

Without planning, business decisions would become random, ad hoc choices. Planning is important because of the following reasons.

- 1) Minimizes risk and uncertainty: By providing a more rational, fact-based procedure for making decisions, planning allows managers and organizations to minimize risk and uncertainty. 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. The manager has a feeling of being in control if he has anticipated some of the possible consequences and has planned for them. It is like going out with an umbrella in cloudy weather. It is through planning that the manager relates the uncertainties and possibilities of tomorrow to the facts of today and yesterday.
- 2) Leads to success: 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. This may be because when a businessman's actions are not random arising as mere reaction to the market place 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. It involves to

attempt 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 organizations goals: Planning helps the manager to focus attention on the organizations goals and activities. This makes it easier to apply and coordinate the resources of the organization more economically. The whole organization is forced to embrace identical goals and collaborate in achieving them. 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: In planning, the manager sets goals and develops plans and to accomplish these goals. These goals and plans then become standards against which performance can be measured. 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: Planning is also an excellent means for training executives. They become involved in the activities of the organization and the plans arouse their interest in the multifarious aspects of planning.

Types of Plans

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.

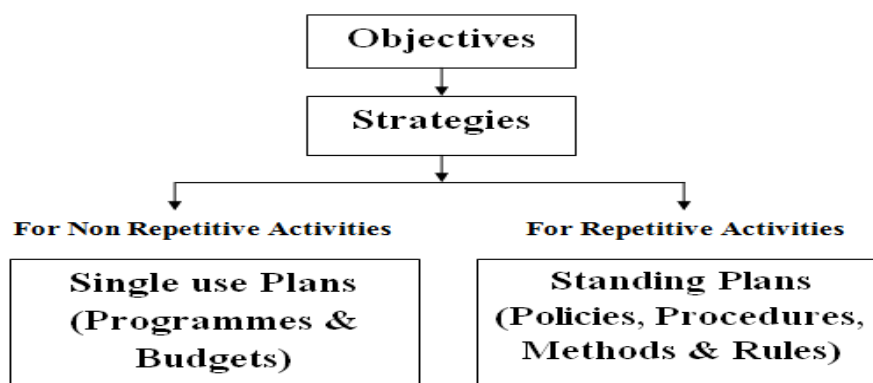
- Strategic plan: Strategic planning sets future directions of the organization in which it wants to proceed in future. It involves deciding what the major goals of the entire organization will be and what policies will guide the organization in its pursuit of these goals. Strategic planning involves a time horizon of more than one year and for most of the organization it ranges between 5 and 10 years. Examples of strategic planning may be diversification of business into new lines, planned growth rate in sales etc.
- Tactical plan: 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.	Decides the detail use of resources for achieving these goals.
2	Done at higher levels of management. Middle Managers sometimes not even aware that strategic planning being considered.	Is done at lower levels of management
3	It is long term	It is short term

4	Is generally based on long term forecasts about technology, political environment and is more uncertain.	Is generally based on the past performance of the organization and is less uncertainly
5	Is less detailed because it is not involved with the day to day operations of the organization	Is more detailed because it is involved with the day-to-day operations of the organization

- Contingency Plan: A contingency plan is a course of action designed to help an organization respond effectively to a significant future event or situation that may or may not happen. Contingency planning is a process through which businesses develop a strategy to deal with unanticipated events that would impede daily activities or normal operations. Time spent in contingency planning equals time saved when a disaster occurs. Effective contingency planning should lead to timely and effective disaster-relief operations.
- Operational Plan: Plans aimed at supporting the implementation of tactical plans and achievement of operational goals. Such plans clearly specify the things needed to be done in the short run, in order to achieve the operational goals. These plans are developed by lower level managers after consulting the middle managers. The time period of operational plans is less than one year, such as few months, weeks or even days. The success of strategic and tactical plans depends upon the achievement of operational goals.
- Directional Plans versus Specific Plans:
 Directional plans: It refer to the flexible plans the set out general guidelines. Such plans are preferable in dynamic environment where management must be flexible in order to respond to unexpected changes. Manger use the directional plans to remain focused and do not lock themselves into specific goals or course of action.
 Specific plans: Those plans which are clearly defined and leave no room for interpretation are called specific plans. Such plans require specific stated objective and do not contain ambiguity. Specific plans require clarity and a sense of predictability that often do not exist therefore they are not preferable.
- Hierarchy 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 bank 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.

Each type of plan is described in detail as follows.

Objectives: Objectives are the goals of the organization which the management wishes the organization to achieve. These are the end points or pole-star 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: 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: Some of the important characteristics of the objectives are:

- 1) Objectives are multiple in numbers: 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 (i) market standing (ii) innovation (iii) productivity (iv) physical and financial resources (v) profitability (vi) Manager performance and development (vii) worker performance (viii) 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
 - The more precise and measurable the goal, the easier it is to decide the way of achieving it.
 - Precise and measurable goals are better motivators of people than general goals.
 - Precise and general goals make it easier for lower level managers to develop their own plans for actually achieving these goals.
 - 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.

Strategies: A corporate strategy is a plan which takes these factors into account and provides optimal match between the firm and the environment. Two important activities are involved in strategy formulation (i) environmental appraisal (ii) corporate appraisal.

Environmental appraisal: An analysis of the relevant environment results in the identification of threats and opportunities. Key environment factors which need to be studied are

1) Political and legal factors:

- a) Stability of the government and its political philosophy.
- b) Taxation and industrial licensing laws
- c) Monetary and fiscal policies
- d) Restrictions on capital movement, repatriation of capital, state trading etc.

2) Economic factors:

- a) Level of economic development and distribution of income
- b) Trend in prices, exchange rates, balance of payments.
- c) Supply of labor, raw, material, capital etc.

3) Competitive factors:

- a) Identification of principle competitors
Analysis of their performance and programmes in major areas
- b) Antimonopoly laws and rules of competition
- c) Protection of patents, trademarks, brand names and other industrial property rights

4) Social and cultural factors:

- a) Literacy levels of population
- b) Religious and social characteristics
- c) Extent and rate urbanization
- d) Rate of social change

Corporate appraisal: Involves the analysis of company's strengths and weaknesses. A company's strength may lie in outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, personal relationship with customers, efficient transportation and logistics, effective sales promotion, high turnover of inventories and capital etc. The company must plan to exploit these strengths to the maximum. Similarly it may suffer from a number of weaknesses.

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.

Advantages of policies:

- 1) Policies ensure uniformity of action in respect of matters at various organizational points which make actions more predictable.
- 2) Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.
- 3) Makes it easier for the superior to delegate more and more authority to the his subordinates without being unduly concerned because he knows that whatever decision the subordinates make will be within the boundaries of the policies.
- 4) Policies give a practical shape to the objectives by elaborating and directing the way in which the predetermined objectives are to be attained.

Types of policies: Can be classified on the basis of sources, functions or organizational levels

- 1) Classification on the basis of sources: three types originated, appealed, implied and imposed policies
 - a) Originated policies: Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own. These policies are set out in print and embodied in manual.
 - b) Appealed policies: Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.
 - c) Implied policies: are also policies which are stated neither in writing nor verbally. Such policies are called implied policies. Only by watching the actual behavior of the various superiors in specific situations can the presence of implied policy is ascertained.
 - d) Externally imposed policies: are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions. Example: policy dictated by the government law.
- 2) Classification on the basis of functions: on the basis of business functions, policies may be classified into production, sales, finance, and personnel policies. Every one of these functions has number of policies. For example: Sales function may have policies relating to market.
 - a) Production function: may policies relating to the method of production, output, inventory, research.
 - b) Finance function: may have policies relating to capital structure, working capital, internal financing etc.

c) Personal function: may have policies relating to recruitment, training, working activities, welfare activities etc.

- 3) Classification on the basis of organizational level: on this basis range from major company policies through major departmental policies to minor or derivative policies applicable to the smallest element of organization.

Guidelines for effective policy making: Policies should be

- 1) As far as possible should be stated in writing and should be clearly understood by those who are supposed to implement them.
- 2) Should reflect the objectives of the organization, define appropriate methods and action.
- 3) The top managers and the subordinates should participate in the formulation of policies for successful implementation of the policies.
- 4) Should strike a reasonable balance between the stability and flexibility. Conditions change and policies must change accordingly. The degree of stability should also prevail to achieve the sense of direction.
- 5) Different policies should not pull in different directions and s one should support one another and they must be internally consistent.
- 6) Should not detrimental to the interest of the society and must confirm to the canons of ethical behavior which prevail in society.
- 7) Must be comprehensive to cover as many contingencies as possible
- 8) Should be periodically reviewed in order to see whether they are to be modified, changed or completely abandoned and new ones put in their place.

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.

For example: the procedure for purchasing raw material may be

- a. The requisition from the storekeeper to the purchasing department.
- b. Calling tenders for purchase of materials.
- c. Placing orders with the suppliers who are selected
- d. Inspecting the materials purchased by the inspecting department.
- e. Making payment to the supplier of materials by the accounts department.

Similarly, the procedure for the recruitment of personnel may be

- a. Inviting applications through advertisement
- b. Screening the applications
- c. Conducting written test
- d. Conducting interview for those who have passed the written test and
- e. Medical examination of those who are selected for the posts.

Procedures may also exist for conducting the meetings of directors and shareholders, granting loans to employees, issuing raw materials from the stores department, granting sick leaves to the employees, passing bills by the accounts department.

Difference between the policy and the procedure

	<i>policy</i>	<i>procedure</i>
1	Are the general guidelines to both thinking and action of people at higher levels	Are the guidelines to action only usually for the people at the lower levels
2	Help in fulfilling the objectives of the enterprise	Show us the way to implement policies
3	Are generally broad and allow some latitude in decision making	Are specific and do not show latitude.
4	Are often established without any study or analysis	Are always established after thorough study and analysis of work

Advantages and limitations of procedures:***Advantages:***

1. They indicate a standard way of performing a task which ensures a high level of uniformity in performance in the enterprise.
2. They result in work simplification and elimination of unnecessary steps and overlapping.
3. They facilitate the executive control over performance by laying down the sequence and timing of each task, executive's dependence on the personal attributes of his subordinates is reduced.
4. They enable employees to improve their efficiency by providing them with knowledge about their entire range of work.

Limitations:

1. By prescribing one standard way of performing a task, they limit the scope for innovation or improvement of work performance.
2. By cutting across department lines and extending into various other departments, they sometimes result in duplication, overlapping and conflict.

These limitations can be overcome if the management reviews and appraises the procedures periodically with an intention to improve them.

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 in a given situation. In sanctioning overtime to workmen, in regulating travelling allowances, in sanctioning entertainment bills and in other similar matters a

uniform way of handling them or dealing with case has to be followed which are all covered by the rules of the enterprise. They make sure that the job is done in the same manner every time bringing uniformity in efforts and results.

Single use plans:

Programmes: Programmes are precise plans or definite steps in proper sequence which need to be taken to discharge *a given task*. Programmes are drawn in conformity with the objectives and are made up of policies, procedures, budgets etc. The essential ingredients of every programme are time phasing and budgeting. This means that the specific dates should be laid down for the completion of the each successive stage of a programme. A provision should also be made in the budget for financing the programme. Often a single step in a programme is set up as a project.

Budgets: A budget is a financial and/or quantitative statement prepared prior to a definite period of time, of the policy perceived during that period, for the purpose of obtaining a given objective. Budgets are plans for a future period of time 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.

Advantages:

1. Budgets are useful for the enterprise and are expressed in numerical terms, facilitate comparison of the actual results with the planned ones and thus serve as control device for measuring performance.
2. They help in identifying and removing the dead heads of expenditure.

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 managers 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.

Planning premises can be variously classified as under

- a. internal and external premises
- b. tangible and intangible premises

c. controllable and non controllable premises

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 labor, 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.

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 intangible.

Controllable and non controllable premises:

Some of the planning premises are controllable and some are non-controllable and because of the non-controllable 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, and 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 owner's 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:
 - Lead time in development and commercialization of new product: Example: Heavy engineering manufacturing company wanting to start a new project should have a planning period of five years.
 - Time required to recover capital investments or the pay-back period: It is the number of years over which the investment outlay will be recovered or paid back. Example: machine investment Rs.10 lakhs cash inflow Rs.2 lakhs/year then the payback period is 5 years
 - Length of commitments already made: plan period should be as long as possible to enable the fulfillment of commitments already made.
4. 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.
5. 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.
6. 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, programmes and budgets for their sub-units which are described as derivative plans.

7. Measuring and controlling the process: Plan cannot be run without monitoring its progress. The managers must check the progress of their plans.

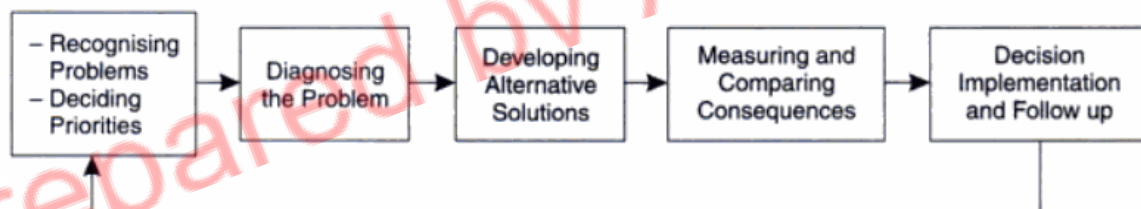
Decision making

Decision is a choice made between available alternatives. Decision Making is the process of developing and analyzing alternatives and choosing from among them. The decision-making has the following factors.

- Decision-making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem.
- Existence of alternatives suggests that the decision-maker has freedom to choose an alternative of his liking.
- Decision-making like any other managerial process is goal oriented. It implies that the decision maker attempts to achieve some results through decision making.

Steps in Rational Decision Making

1. Recognising the problem.
2. Deciding priorities among problems.
3. Diagnosing the problem.
4. Developing alternative solutions or courses of action.
5. Measuring and comparing the consequences of alternative solutions.
6. Converting the decision into effective action and follow-up of action.



Flow diagram of the rational decision-making process

Organizing

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. People: An organization basically consists of group of people who form the dynamic human element of the organization i.e. an identifiable group of people contributing their efforts towards the attainment of goals.

2. Common purpose: 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. Co-ordination: 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. Authority: 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. Environment: Organizations are part of the larger environment and hence they are influenced by the external environment.
6. Division of work: The total work of an organization is divided into smaller activities in the form of different functions & sub functions. It helps in nurturing and growing special skills and talents by the virtue of division of labour
7. Communication: it facilitates seamless communication
8. It also aids in achieving financial, physical material and human resources.
9. Organization helps in the realization of the plans made by the managers

Purpose of Organization

1. To facilitate pattern of communication: By grouping activities and people, structure (organization) facilitates communication between people centered on their job activities.
2. To allocate authority and responsibility: It specifies who is to direct whom and who is accountable for what results. The structure helps the organization members to know what his role is and how it relates to others role.
3. To locate decision centers: Organization structure determines the location of decision making in the organization. For example, a departmental store may leave pricing decision to the lower level manager while in oil refinery pricing decision is at top level.
4. To create proper balance: Organization structure creates the proper balance and emphasis of activities. People responsible for the enterprise success might be placed higher in the organization.
5. To stimulate creativity: Organization stimulates independent, creative thinking and initiative by providing well-defined areas of work with broad attitude of the development of new and improved ways of doing things.

6. To encourage growth: The organization structure provide framework within which an enterprise functions. If the organization structure is flexible, it will help in meeting challenges and creating opportunities for growth.
7. To make use of technological improvements: A sound organization structure which is adoptable to changes can make the best possible use of latest technology.

Types of Organization

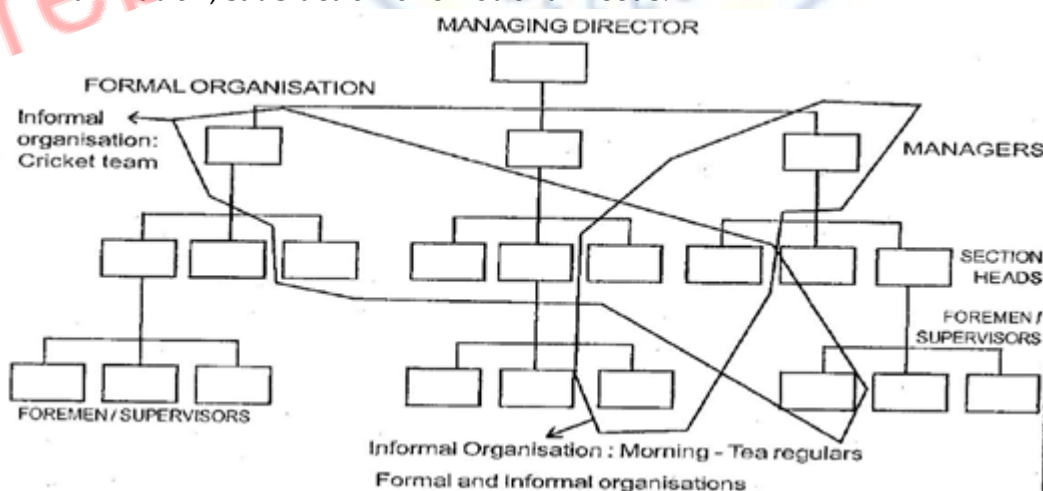
There are several ways of categorizing the organization.

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 behaviour of organizational members.
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

Item	Formal Organization	Informal Organization
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

The following common types of organization find a place in the structure of internal organization.

1. Line organization

It is the basic framework for the whole organization. It represents a direct vertical relationship in which authority flows. This is the simplest & oldest type as chain of command or scalar principle. This is a vertical structure one person delegates authority to his subordinate & who in turn delegates to his subordinate & so on. This form of organization is followed in military establishments. The modern organizations do not entirely rely on line organization.

The advantages of line organization are

1. Simplicity
2. Quick decision and speed of action.
3. Unity of control.
4. Clear division of authority and responsibility.
5. Discipline and better coordination
6. Direct communication.

The disadvantages of line organization are

1. The organization is rigid and inflexible
2. Being an autocratic system, managers may become dictators and not leaders.
3. There is scope of favour-ism and nepotism.
4. Red-tape and bureaucracy.
5. Lack of specialization.

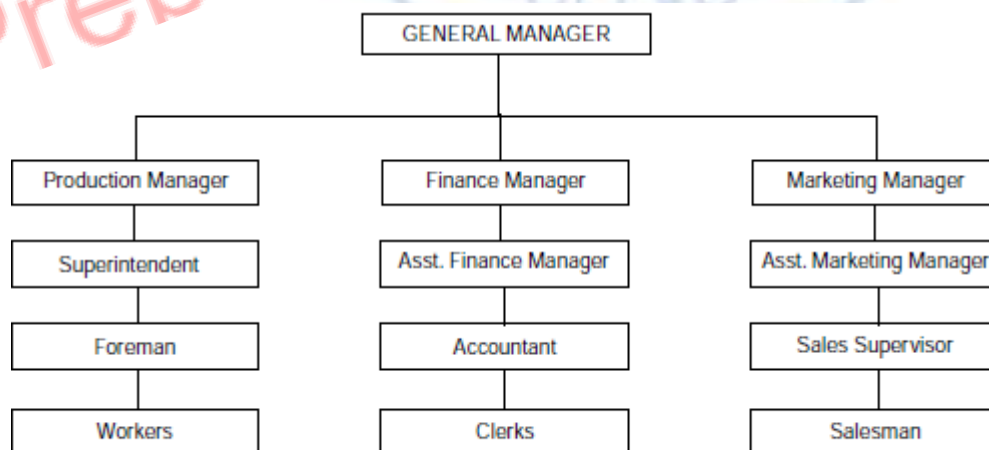


Fig. 3.4: Line organization

2. 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 receives orders and instructions not from one superior but from several functional specialists.

The advantages of functional organization

1. Specialization.
2. Reduces the burden on the top executives.
3. Offers greater scope for expansion.
4. A functional manager is required to have expertise in one function only. This
5. Makes it easy for executive development.

The disadvantages of functional organization

1. Violates principles of unity of command.
2. The operation of functional organization is too complicated.
3. It develops specialists rather than generalists.
4. Lack of coordination among functional executives which delays decision making.

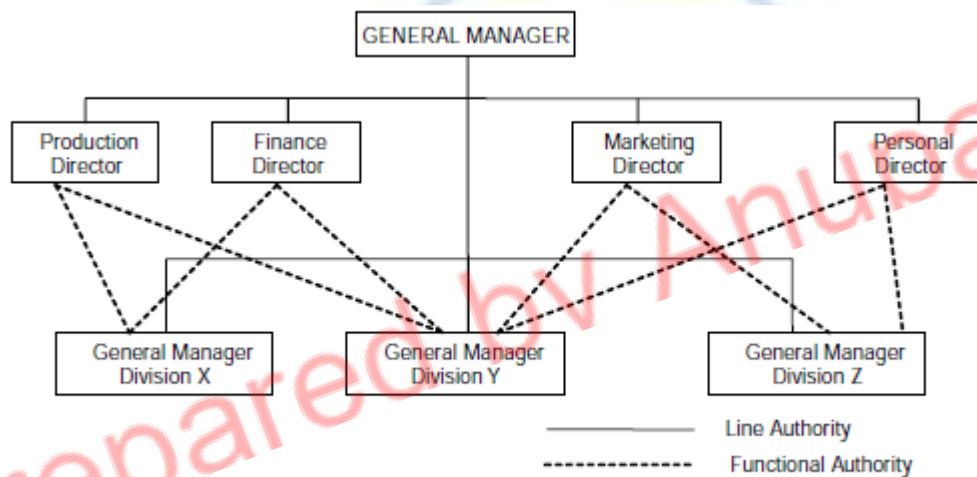


Fig. 3.5: Functional organization

3. 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 advice them on important matters. These specialists stand ready with their speciality 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 carryout 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 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.

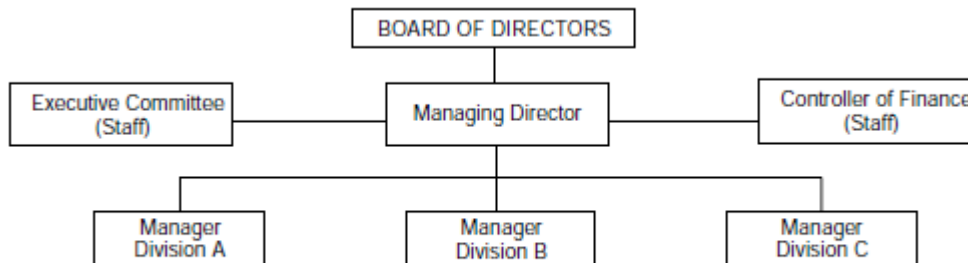


Fig. 3.6: Line and staff organization

4. Committees / Committees organization

A committee is a group of people who have been formally assigned some task or some problem for their decision and implementation. A number of persons may come together to take a decision, decide a course of action, advise on matters then it is called committee. Sometimes there is a need for opinion of other persons for taking important decisions. The thinking of varied persons pooled together their deliberations & discussions & common decisions are reached. Because of collective information & analysis committees are more likely to come up with solutions to complex problems. Need for committees

1. Exchange of ideas among organization members.
2. Proper discussion on present problems & efforts are made of find solutions.
3. The committees may also need in establishing & developing organizational policies.

Classification of committees: be broadly classified into advisory committees and executive committees.

Advisory committees:

- Committees are vested with staff authority.
- 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.

Executive committees:

- Vested with the line of authority
- Not only take decisions but also enforce decisions and thus perform a double role of taking a decision and 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

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.

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 accumulates in the hands of some other person which may result in domination and may bring about resistance from others.

How to make Committee effective?

1. The number of members in a committee should not be very large.
2. A committee authority should be carefully spelled out.
3. The members of committee should be approximately of equal status.
4. The members should be prepared in advance on issues to be discussed in meetings.
5. The chairman of the committee should plan and conduct the meeting with firmness and fairness.

Centralization: Centralization refers to systematic reservation of authority at central points within the organization. Centralization means concentration of managerial authority in few key managerial positions at the centre of an organization i.e., at the top level. Everything that goes to reduce the subordinate's role in decision making is centralization.

Span of Control

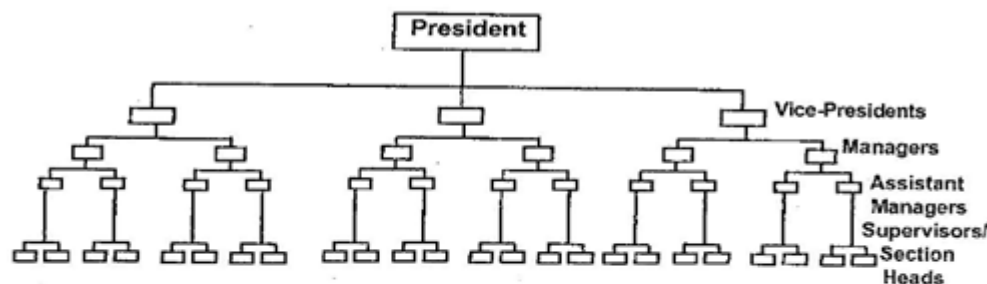
The term "Span of Management" is also referred to as "Span of Control, Span of Supervision, Span of Authority, Span of Responsibility." This indicates the Number of Subordinates who report directly to a Manager. There are two types of span of control.

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

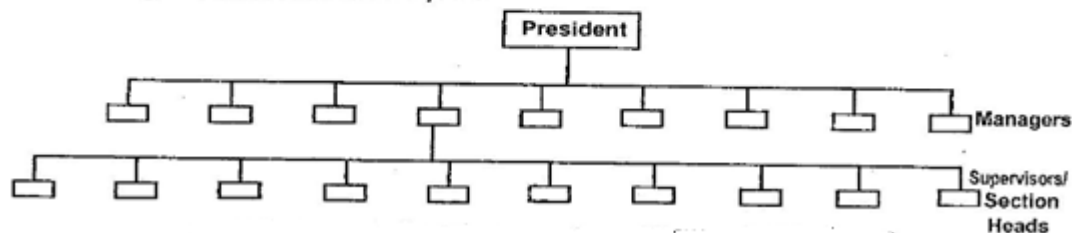
different levels. On the other hand, a Wide Span of Control for the same number of Employees, means a “Flat Organization” with fewer Management Levels between Top & Bottom Levels.

Relationships between Span of Control & Organizational Levels :

1. Organisation with Narrow Spans :



2. Organisation with Wide Spans



In the figure 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.

MBO and MBE

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.

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.

The weaknesses 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) :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 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.

Benefits of MBE

- This approach reduces the frequency of decision making by top management.
- Top management can concentrate on important things.
- It allows lower manager to take decisions.
- It is necessary in big organizations.

Staffing

The function of staffing is defined as Filling and keeping filled various positions in the organization structure. This includes identifying work force requirements, inventorying the people available, recruiting, selecting, placing, training, promoting, appraising etc...

Nature and Importance of Staffing

The staffing function has assumed greater significance these days because of various factors. Staffing is also a pervasive function. Through separate department exist for this yet every manager is engaged in performing the staffing function, when they participate in selection, training and evaluating their subordinates. The various reasons which have increased the significance of staffing functions are discussed below:

1. Increasing size of organization: Advancement in science and technology has given rise to large scale companies employing thousands of employees. The performance of the company depends on the quality and character of the people. This has increased the importance of staffing.
2. Advancement of technology: In order to make use of latest technology, the appointment of right type of persons is necessary.
3. Long-range needs of manpower: In some industries, labour turn-over is high. The management is required to determine the manpower requirement well in advance. Management has also to develop the existing personal for future promotion. The role of staffing has also increased because of shortage of good managerial talents.
4. Recognition of human relations: The behaviour of individuals has become very complicated and hence human aspect of organization has become very important. Employees are to be motivated by financial and non-financial incentives. Right kind of atmosphere should also be created to contribute to the achievement of organizational objectives. By performing the staffing function, management can show the significance it attaches to the man power working in the enterprise.

Advantages of proper and efficient staffing

- 1) It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
- 2) Ensures greater production by putting the right man in the right job.
- 3) It helps to avoid a sudden disruption of an enterprises production run by indicating shortages of personal if any in advance.
- 4) Helps to prevent underutilization of personnel through over manning and the resultant high labour cost and low profit margins.
- 5) Provides information to management for the internal succession of managerial personnel in the event of unanticipated turnover.

Recruitment:

It is defined as the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs or the generating of the applications or applicants for specific positions or the process of attracting potential employees to the company. The management should have a proper plan of recruitment regarding the quantity and quality of personnel required and the time when it is needed. . It is a linking activity that brings together those offering jobs and those seeking jobs. Recruitment refers to the attempt of getting interested applicants and providing a pool of prospective employees so that the management can select the right person for the right job from this pool. The various sources of recruitment are divided into two categories:

- Internal Sources.
- External Sources.

Internal sources: involve transfer and promotion. Transfer involves the shifting of an employee from one job to another. Many companies follow the practice of filling higher jobs by promoting employees who are considered fit for such positions. Filling higher positions by promotion motivates employees, boosts employee's morale.

External sources

- 1) Direct recruitment: An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise by specifying the details of the jobs available. This is also known as recruitment at factory gate.
- 2) Unsolicited applications: Many qualified persons apply for employment to reputed companies on their own initiative. Such applications are known as unsolicited applications.
- 3) Advertising: Large enterprises particularly when the vacancy is for higher post or there are large number of applications use this source where advertisements are made in local and national level newspapers. This helps in informing the candidates spread over different parts of the country. The advertisement contains information about the company, job description, and job specialization etc.
- 4) Employment agencies: This is the good source of recruitment for unskilled and semiskilled jobs. In some cases, compulsory notification of vacancies of employment exchange is required by the law. The employment exchanges bring job givers in contact with job seekers.
- 5) Educational institutions: Many jobs in business and industries have become increasingly varied and complex which need a degree in that particular area. That is why many big organizations maintain a close liaison with the colleges, vocational institutes and management institutions for recruitment of various jobs.
- 6) Labor contractor: Often unskilled and semiskilled workers are recruited through labor contractors.
- 7) Recommendations: Applicants introduced by friends, relatives and employees of the organization may prove to be a good source of recruitment. Many employers prefer to take such persons because something about their background is known.

Selection

The process of selection leads to employment of persons having the ability and qualifications to perform the jobs which have fallen vacant in an organization. It divides the candidates into two categories; those will be offered employment and those who will not be. The basic purpose of the selection process is choosing right type of

candidates to man various positions in the organization. In order to achieve this purpose, a well, organized selection procedure involves many steps and at each step more and more information is obtained about the candidates.

Steps in the selection procedure

In order to be able to determine the qualifications needed to meet the requirements of jobs, the company has first of all to analyze the jobs, write job descriptions and prepare job specification.

1. **Job analysis:** Is the process by means of which a description is developed of the present methods and procedures of doing a job, physical conditions in which the job is done, relation of the job to other jobs and other conditions of employment.
2. **Job description:** The results of the job analysis are set down in job descriptions for production workers, clerical people and the first-line supervisors and managers also.
3. **Job specification:** A job specification is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.

Commonly used selection procedure steps:

- 1) **Application bank:** Filling the application blank by the candidate is the first step in which the applicant gives relevant personal data such as qualification, experience, firms in which he has worked.
- 2) **Initial interview:** Selected personnel based on the particulars furnished in the application blank are called for the initial interview by the company Which is the most important means of evaluating the poise or appearance of the candidate.
- 3) **Employment tests:** Are used for the further assessment of the candidate of his nature and abilities certain tests are conducted by the company.

These are:

- i. **Aptitude test:** is used in finding out whether a candidate is suitable for clerical or a mechanical job which helps in assessing before training as how well the candidate will perform the job.
 - ii. **Interest test:** is used to find out the type of work in which the candidate has an interest.
 - iii. **Intelligent test:** used to find out the candidates intelligence and candidates mental alertness, reasoning ability, poor of understanding are judged.
 - iv. **Trade or performance achievement test:** this test is used to measure the candidate's level of knowledge and skill in the particular trade or occupation in which all he will be appointed, in case he is finally selected. in this test the candidate is asked to do a simple operation of the proposed job. Example: A candidate for a driver may be asked to drive to test his driving proficiency, a typist may be asked to type out some letters to find out his speed and efficiency.
 - v. **Personality test:** is used to measure those characteristics of a candidate which constitute his personality. e.g self-confidence, temperant, initiative, judgement, dominance, integrity, originality. personlaity tests are very important in the selection process.
- 4) **Checking references:** used to know about the important personal details about the candidate, his character, past history his background verified from the people mentioned in the application after selection and found satisfactory at the interview.

- 5) **Physical or medical examination:** is another step in selection procedure. The objectives of this examination are
 - i. To check the physical fitness of the applicant for the job applied for
 - ii. To protect the company against the unwarranted claims for compensation under certain legislative enactments.
- 6) **Final interview:** This interview is conducted for those who are ultimately selected for employment and the selected candidates are given an idea about their future projects within the organization.
- 7) **Appointment order:** appointment orders are given to finally selected candidates, giving the position offered, scale of pay and other benefits and terms and conditions of employment.

