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## **CHAPTER I**

### **OVERVIEW OF MANAGEMENT**

#### **Pre Requisite Discussion**

The students should be familiar with the concept of 'Management' and the various aspects used in Management. The ideas, surveys, plans, Decision to be taken should be analyzed clearly about the Management tasks.

#### **1.1 Importance of Management**

Management is essential in all organised efforts, be it a business activity or any other activity. Principles of management are now universally used not for managing business organisation, they are also applied to various other type of organisations, such as educational, social, military and Government.

Management is a critical element in the economic growth of a country. By bringing together the four factors of production management men, money, material, and machines enables a country to experience a level of economic development. Peter Drucker rightly observes that without management, a country's resources of production remains resources and never become production.

Management is the dynamic, life-giving element in every organisation. It is the element that coordinates current organisational activities and plans future ones. In the words of Claude S. George, management is "the central core of our national as well as personal activities, and the way we manage ourselves and our institutions reflects with alarming clarity what we and our society will become."

#### **1.2 Definition**

Management is a wide term. It is described as an "activity", a "process", and a "group of people" vested with the authority to make decisions.

- ✓ According to Mary Parker Follett, management is the "art of getting things done through people."
- ✓ According to George R. Terry, management as a process "consist of planning, organising, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources".
- ✓ According to Louis Allen, "Management is what a manager does".
- ✓ According to Henry Fayol, "to manage is to forecast and plan, to organise, to command, to coordinate, and to control".
- ✓ According to James D. Mooney and Allan C. Reiley, "management is the art of directing and inspiring people".
- ✓ According to Harold Koontz, "Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals and can co-operate towards attainment of group goals". Management is the process of reaching organizational goals by working with and through people and other organizational resources.

#### **1.3 Management Functions**

The four basic management functions that make up the management process are described in the following sections:

- ✓ Planning

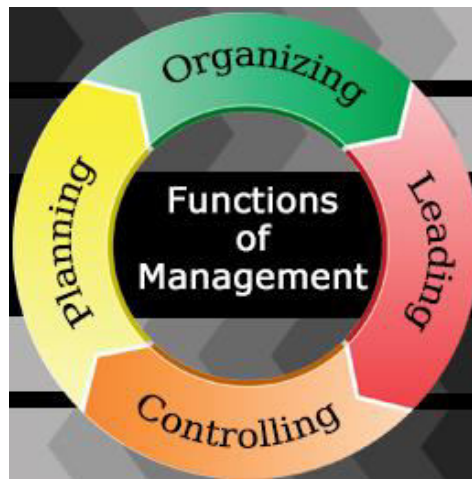
- ✓ Organizing
- ✓ Influencing
- ✓ Controlling.

### 1.3.1 Planning

Planning involves choosing tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed. Planning activity focuses on attaining goals. Managers outline exactly what organizations should do to be successful. Planning is concerned with the success of the organization in the short term as well as in the long term.

### 1.3.2 Organizing

Organizing can be thought of as assigning the tasks developed in the planning stages, to various individuals or groups within the organization. Organizing is to create a mechanism to put plans into action. People within the organization are given work assignments that contribute to the company's goals. Tasks are organized so that the output of each individual contributes to the success of departments, which, in turn, contributes to the success of divisions, which ultimately contributes to the success of the organization.



### 1.3.3 Influencing

Influencing is also referred to as motivating, leading or directing. Influencing can be defined as guiding the activities of organization members in the direction that helps the organization move towards the fulfilment of the goals.

The purpose of influencing is to increase productivity. Human-oriented work situations usually generate higher levels of production over the long term than do task oriented work situations because people find the latter type distasteful.

### 1.3.4 Controlling

Controlling is the following roles played by the manager:

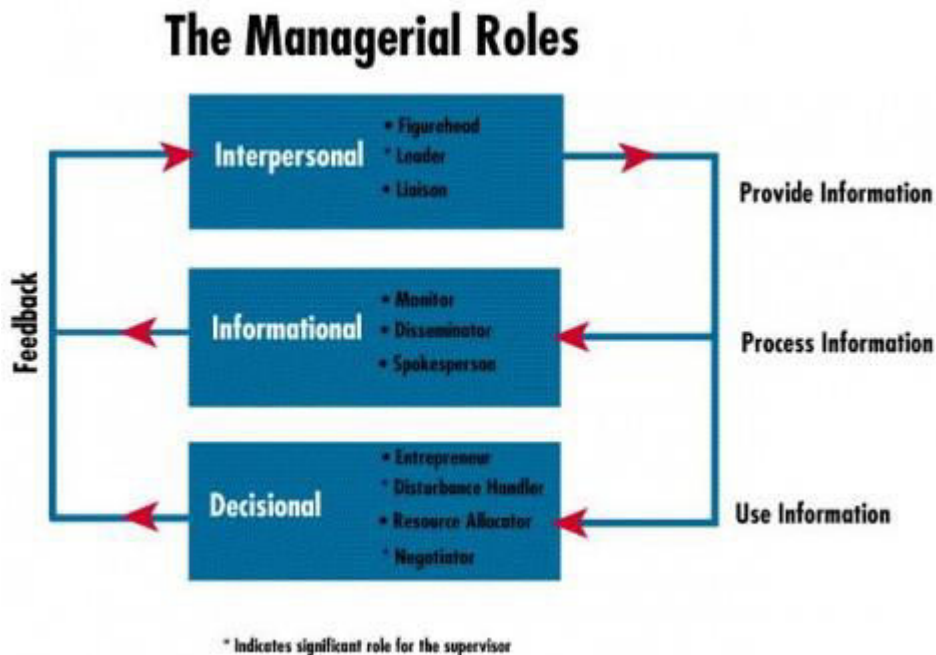
- ✓ Gather information that measures performance
- ✓ Compare present performance to pre established performance norms.
- ✓ Determine the next action plan and modifications for meeting the desired performance parameters. Controlling is an ongoing process.

### 1.4 Role of Managers

To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviours. Henry Mintzberg has identified ten roles common to the work of all managers. The ten roles are divided into three groups.

- ✓ Interpersonal
- ✓ Informational
- ✓ Decisional

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.



#### 1.4.1 Interpersonal Roles

The interpersonal roles link all managerial work together. The three interpersonal roles are primarily concerned with interpersonal relationships.

- ✓ Figurehead Role: The manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group.
- ✓ Liaison Role: The manager interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favours and information, while the supervisor uses it to maintain the routine flow of work.
- ✓ The leader Role: It defines the relationships between the manager and employees.

#### 1.4.2 Informational Roles

The informational roles ensure that information is provided. The three informational roles are primarily concerned with the information aspects of managerial work.

- ✓ Monitor Role: The manager receives and collects information about the operation of an enterprise.
- ✓ Disseminator Role: The manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.

- ✓ Spokesperson Role: The manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

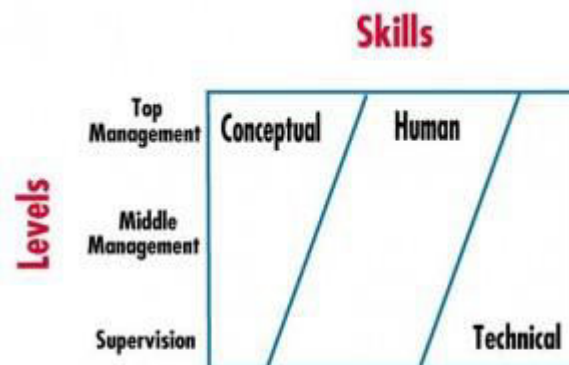
### 1.4.3 Decisional Roles

The decisional roles make significant use of the information and there are four decisional roles.

- ✓ Entrepreneur Role: The manager initiates change, new projects; identify new ideas, delegate idea responsibility to others.
- ✓ Disturbance Handler Role: The manager deals with threats to the organization. The manager takes corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crisis.
- ✓ Resource Allocator Role: The manager decides who gets resources; schedule, budget set priorities and chooses where the organization will apply its efforts.
- ✓ Negotiator Role: The manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

## 1.5 Managerial skills

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.



**Skill Distribution at Various Management Levels**

### 1.5.1 Technical skills

- ✓ Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- ✓ These skills require specialized knowledge and proficiency in the mechanics of a particular.
- ✓ Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

### 1.5.2 Human skills

- ✓ Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.

- ✓ Human skills are concerned with understanding of people.
- ✓ These are required to win cooperation of others and to build effective work teams.

### **1.5.3 Conceptual skills.**

- ✓ Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- ✓ These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- ✓ These skills help the managers to analyze the environment and to identify the opportunities.
- ✓ Conceptual skills are especially important for top-level managers, who must develop long-range plans for the future direction of their organization.

## **1.6 Evolution of Management Thought**

The practice of management is as old as human civilization. The ancient civilizations of Egypt (the great pyramids), Greece (leadership and war tactics of Alexander the great) and Rome displayed the marvellous results of good management practices. The origin of management as a discipline was developed in the late 19th century. Overtime, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. The different approaches of management are

- ✓ Classical approach,
- ✓ Behavioural approach,
- ✓ Quantitative approach,
- ✓ Systems approach,
- ✓ Contingency approach.

### **1.6.1 The Classical Approach**

The classical approach is the oldest formal approach of management thought. Its roots pre-date the twentieth century. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

### **1.6.2 The Behavioural Approach**

The behavioural approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behaviour. Thus, the behavioural approach focused on trying to understand the factors that affect human behaviour at work.

### **1.6.3 The Quantitative Approach**

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

#### **(i) Management Science (Operations Research)**

Management science (also called operations research) uses mathematical and statistical approaches to solve management problems. It developed during World War II as



strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war.

(ii) Production and Operations Management.

This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science. Operations management emphasizes productivity and quality of both manufacturing and service organizations.

#### **1.6.4 Systems Approach**

The simplified block diagram of the systems approach is given below. The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

#### **1.6.5 Contingency Approach**

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

### **1.7 Organization and Environmental Factors**

An organization is a group of people intentionally organized to accomplish a common or set of goals. Types of Business Organizations

#### **1.7.1 Sole Proprietorships**

The vast majority of small business starts out as sole proprietorships very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

#### **1.7.2 Partnerships**

In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed.

### 1.7.3 Corporations

A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

### 1.7.4 Joint Stock Company

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives. The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions. There are two main types of joint stock Companies Private limited and Public limited company.

- ✓ Private limited company-This type company can be formed by two or more persons. Te maximum number of member ship is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.
- ✓ Public Limited Company-It is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such company's can advertise to offer its share to genera public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

### 1.7.5 Public Corporations

A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

### 1.7.6 Government Companies

A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & party by one to more state governments. It is managed b the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed ever year on the table of the parliament or state legislatures along with the comments of the government to concerned department.

## 1.8 Classification of Environmental Factors

On the basis of the extent of intimacy with the firm, the environmental factors may be classified into different types namely internal and external.

### 1.8.1 Internal Environmental Factors

The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors. It can alter or modify these factors. The internal environmental factors are resources, capabilities and culture.

### 1.8.2 External Environment Factors

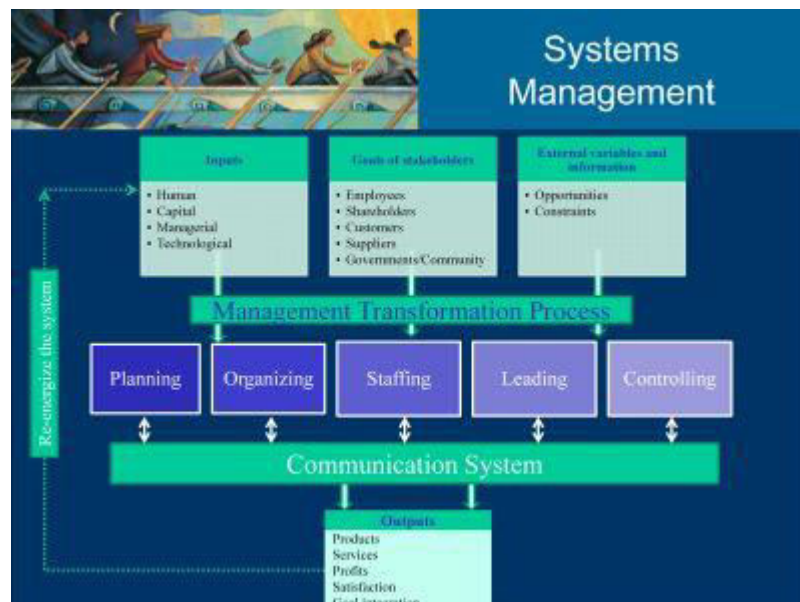
It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

## 1.9 Trends and Challenges of Management in Global Scenario

The management functions are planning and decision making. Organizing, leading, and controlling are just as relevant to international managers as to domestic managers. International managers need to have a clear view of where they want their firm to be in the future; they have to organize to implement their plans: they have to motivate those who work for them; and they have to develop appropriate control mechanisms.

### 1.9.1 Planning and Decision Making

Planning and Decision Making in a Global Scenario To effectively plan and make decisions in a global economy, managers must have a broad based understanding of both environmental issues and competitive issues. They need to understand local market conditions and technological factor that will affect their operations. At the corporate level, executives need a great deal of information to function effectively. Which markets are growing? Which markets are shrinking? Which are our domestic and foreign competitors doing in each market? They must also make a variety of strategic decisions about their organizations.



### **1.9.2 Organizing**

Organizing in a Global Scenario Managers in international businesses must also attend to a variety of organizing issues. For example, General Electric has operations scattered around the globe. The firm has made the decision to give local managers a great deal of responsibility for how they run their business. In contrast, many Japanese firms give managers of their foreign operations relatively little responsibility. As a result, those managers must frequently travel back to Japan to present problems or get decisions approved. Managers in an international business must address the basic issues of organization structure and design, managing change, and dealing with human resources.

### **1.9.3 Leading**

Leading in a Global Scenario We noted earlier some of the cultural factors that affect international organizations. Individual managers must be prepared to deal with these and other factors as they interact people from different cultural backgrounds. Supervising a group of five managers, each of whom is from a different state in the United States, is likely to be much simpler than supervising a group of five managers, each of whom is from a different culture. Managers must understand how cultural factors affect individuals. How motivational processes vary across cultures, how the role of leadership changes in different cultures, how communication varies across cultures, and how interpersonal and group processes depend on cultural background.

### **1.9.4 Controlling**

Controlling in a Global Scenario Finally, managers in international organizations must also be concerned with control. Distances, time zone differences, and cultural factors also play a role in control. For example, in some cultures, close supervision is seen as being appropriate, whereas in other cultures, it is not like wise, executives in the United States and Japan may find it difficult to communicate vital information to one another because of the time zone differences. Basic control issues for the international manager revolve around operations management productivity, quality, technology and information systems.

## CHAPTER II PLANNING

### Introduction

Planning is one of the most important project management and time management techniques. Planning is preparing a sequence of action steps to achieve some specific goal. If you do it effectively, you can reduce much the necessary time and effort of achieving the goal.

A plan is like a map. When following a plan, you can always see how much you have progressed towards your project goal and how far you are from your destination.



One more reason why you need planning is again the 80/20 Rule. It is well established that for unstructured activities 80 percent of the effort give less than 20 percent of the valuable outcome. It is much easier to adjust your plan to avoid or smoothen a coming crisis, rather than to deal with the crisis when it comes unexpected.

### Pre Requisite Discussion

The students should be renowned with the expectations of the outcome, the procedure to be followed, the budget requirements to be analyzed and the discussions on location about the work to be done.

#### 2.1 Definition

According to Koontz O'Donnel - "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, acts and considered estimates".

#### 2.2 Nature and Purpose of Planning

##### 2.2.1 Nature of Planning

- ✓ Planning is goal-oriented: Every plan must contribute in some positive way towards the accomplishment of group objectives. Planning has no meaning without being related to goals.
- ✓ Primacy of Planning: Planning is the first of the managerial functions. It precedes all other management functions.
- ✓ Pervasiveness of Planning: Planning is found at all levels of management. Top management looks after strategic planning.
- ✓ Middle management is in charge of administrative planning. Lower management has to concentrate on operational planning.

- ✓ Efficiency, Economy and Accuracy: Efficiency of plan is measured by its contribution to the objectives as economically as possible. Planning also focuses on accurate forecasts.
- ✓ Co-ordination: Planning co-ordinates the what, who, how, where and why of planning. Without co-ordination of all activities, we cannot have united efforts.
- ✓ Limiting Factors: A planner must recognize the limiting factors (money, manpower etc) and formulate plans in the light of these critical factors.
- ✓ Flexibility: The process of planning should be adaptable to changing environmental conditions.
- ✓ Planning is an intellectual process: The quality of planning will vary according to the quality of the mind of the manager.

### 2.2.2 Purpose of Planning

- ✓ To manage by objectives: All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.
- ✓ To offset uncertainty and change: Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.
- ✓ To secure economy in operation: Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.
- ✓ To help in co-ordination: Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.
- ✓ To make control effective: The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.
- ✓ To increase organizational effectiveness: Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

### 2.2.3 Features of Planning

- ✓ It is primary function of management.
- ✓ It is an intellectual process
- ✓ Focuses on determining the objectives
- ✓ Involves choice and decision making
- ✓ It is a continuous process
- ✓ It is a pervasive function

## 2.3 Planning Process

The various steps involved in planning are given below

### 2.3.1 Perception of Opportunities

Although preceding actual planning and therefore not strictly a part of the planning process, awareness of an opportunity is the real starting point for planning. It includes a preliminary look at possible future opportunities and the ability to see them clearly and completely.

### **2.3.2 Establishing Objectives**

The first step in planning itself is to establish objectives for the entire enterprise and then for each subordinate unit. Objectives specifying the results expected indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of strategies, policies, procedures, rules, budgets and programs. Enterprise objectives should give direction to the nature of all major plans which, by reflecting these objectives, define the objectives of major departments. Major department objectives, in turn, control the objectives of subordinate departments, and so on down the line.

### **2.3.3 Considering the Planning Premises**

Another logical step in planning is to establish, obtain agreement to utilize and disseminate critical planning premises. These are forecast data of a factual nature, applicable basic policies, and existing company plans. Premises, then, are planning assumptions – in other words, the expected environment of plans in operation. This step leads to one of the major principles of planning. The more individuals charged with planning understand and agree to utilize consistent planning premises, the more coordinated enterprise planning will be. Planning premises include far more than the usual basic forecasts of population, prices, costs, production, markets, and similar matters. Because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan.

### **2.3.4 Identification of alternatives**

Once the organizational objectives have been clearly stated and the planning premises have been developed, the manager should list as many available alternatives as possible for reaching those objectives. The focus of this step is to search for and examine alternative courses of action, especially those not immediately apparent. There is seldom a plan for which reasonable alternatives do not exist, and quite often an alternative that is not obvious proves to be the best. The more common problem is not finding alternatives, but reducing the number of alternatives so that the most promising may be analyzed. Even with mathematical techniques and the computer, there is a limit to the number of alternatives that may be examined. It is therefore usually necessary for the planner to reduce by preliminary examination the number of alternatives to those promising the most fruitful possibilities or by mathematically eliminating, through the process of approximation, the least promising ones.

### **2.3.5 Evaluation of alternatives**

Having sought out alternative courses and examined their strong and weak points, the following step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be the most profitable but require a large cash outlay and a slow payback; another may be less profitable but involve less risk; still another may better suit the company in long-range objectives. If the only objective were to examine profits in a certain business immediately, if the future were not uncertain, if cash position and capital availability were not worrisome, and if most factors could be reduced to definite data, this evaluation should be relatively easy. But typical planning is replete with uncertainties, problems of capital shortages, and intangible factors, and so evaluation is usually very difficult, even with relatively simple problems. A company may wish to enter a new product line primarily for purposes of prestige; the forecast of expected results may show a clear financial loss, but the question is still open as to whether the loss is worth the gain.

### **2.3.6 Choice of alternative plans**

An evaluation of alternatives must include an evaluation of the premises on which the alternatives are based. A manager usually finds that some premises are unreasonable and can therefore be excluded from further consideration. This elimination process helps the manager determine which alternative would best accomplish organizational objectives.

### **2.3.6 Formulating of Supporting Plans**

After decisions are made and plans are set, the final step to give them meaning is to numberize them by converting them to budgets. The overall budgets of an enterprise represent the sum total of income and expenses with resultant profit or surplus and budgets of major balance-sheet items such as cash and capital expenditures. Each department or program of a business or other enterprise can have its own budgets, usually of expenses and capital expenditures, which tie into the overall budget. If this process is done well, budgets become a means of adding together the various plans and also important standards against which planning progress can be measured.

## **2.4 Types of Plans / Components of Planning**

In the process of planning, several plans are prepared which are known as components of planning. Plans can be broadly classified as

### **2.4.1 Strategic plans**

A strategic plan is an outline of steps designed with the goals of the entire organization as a whole in mind, rather than with the goals of specific divisions or departments.

### **2.4.2 Tactical plans**

A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work. Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

### **2.4.3 Operational plans**

The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable. "Process 150 sales applications each week" or "Publish 20 books this quarter" are examples of operational goals. An operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans (see the next section). Operational plans can be a single-use plan or a standing plan.

### **2.4.4 Contingency plans**

Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a "keeping all options open" approach at all times — that's where contingency planning comes in. Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances. Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and



events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.

## **2.5 Objectives**

Objectives may be defined as the goals which an organisation tries to achieve. Objectives are described as the end- points of planning. According to Koontz and O'Donnell, "an objective is a term commonly used to indicate the end point of a management programme." Objectives constitute the purpose of the enterprise and without them no intelligent planning can take place. Objectives are, therefore, the ends towards which the activities of the enterprise are aimed. They are present not only the end-point of planning but also the end towards which organizing, directing and controlling are aimed. Objectives provide direction to various activities. They also serve as the benchmark of measuring the efficiency and effectiveness of the enterprise. Objectives make every human activity purposeful. Planning has no meaning if it is not related to certain objectives.

### **2.5.1 Features of Objectives**

- ✓ The objectives must be predetermined.
- ✓ Objectives must be realistic.
- ✓ Objectives must be measurable.
- ✓ Objectives must have social sanction.
- ✓ All objectives are interconnected and mutually supportive.
- ✓ Objectives may be short-range, medium-range and long-range.
- ✓ Objectives may be constructed into a hierarchy.

## **2.6 Management By Objectives (MBO)**

MBO was first popularized by Peter Drucker in 1954 in his book 'The practice of Management'. It is a process of agreeing within an organization so that management and employees buy into the objectives and understand what they are. It has a precise and written description objectives ahead, timelines for their motoring and achievement. The employees and manager agree to what the employee will attempt to achieve in a period ahead and the employee will accept and buy into the objectives.

### **2.6.1 Definition**

"MBO is a process whereby the superior and the managers of an organization jointly identify its common goals, define each individual's major area of responsibility in terms of results expected of him, and use these measures as guides for operating the unit and assessing the contribution of each of its members."

### **Features of MBO**

- ✓ MBO is concerned with goal setting and planning for individual managers and their units.
- ✓ The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
- ✓ Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
- ✓ MBO focuses attention on appropriate goals and plans.

- ✓ MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

### 2.6.2 Strategies

The term 'Strategy' has been adapted from war and is being increasingly used in business to reflect broad overall objectives and policies of an enterprise. Literally speaking, the term 'Strategy' stands for the war-art of the military general, compelling the enemy to fight as per out chosen terms and conditions. According to Koontz and O' Donnell, "Strategies must often denote a general programme of action and deployment of emphasis and resources to attain comprehensive objectives". Strategies are plans made in the light of the plans of the competitors because a modern business institution operates in a competitive environment. They are a useful framework for guiding enterprise thinking and action. A perfect strategy can be built only on perfect knowledge of the plans of others in the industry. This may be done by the management of a firm putting itself in the place of a rival firm and trying to estimate their plans. Characteristics of Strategy

- ✓ It is the right combination of different factors.
- ✓ It relates the business organization to the environment.
- ✓ It is an action to meet a particular challenge, to solve particular problems or to attain desired objectives.
- ✓ Strategy is a means to an end and not an end in itself.
- ✓ It is formulated at the top management level.
- ✓ It involves assumption of certain calculated risks.

### 2.7 Types of Strategies

According to Michel Porter, the strategies can be classified into three types. They are

- ✓ Cost leadership strategy
- ✓ Differentiation strategy
- ✓ Focus strategy

#### 2.7.1 Cost Leadership Strategy

This generic strategy calls for being the low cost producer in an industry for a given level of quality. The firm sells its products either at average industry prices to earn a profit higher than that of rivals, or below the average industry prices to gain market share. In the event of a price war, the firm can maintain some profitability while the competition suffers losses. Even without a price war, as the industry matures and prices decline, the firms that can produce more cheaply will remain profitable for a longer period of time. The cost leadership strategy usually targets a broad market. Some of the ways that firms acquire cost advantages are by improving process efficiencies, gaining unique access to a large source of lower cost materials, making optimal outsourcing and vertical integration decisions, or avoiding some costs altogether. If competing firms are unable to lower their costs by a similar amount, the firm may be able to sustain a competitive advantage based on cost leadership.

#### 2.7.2 Differentiation Strategy

A differentiation strategy calls for the development of a product or service that offers unique attributes that are valued by customers and that customers perceive to be better than or different from the products of the competition. The value added by the uniqueness of the product may allow the firm to charge a premium price for it. The firm hopes that the higher price will more than cover the extra costs incurred in offering the unique product. Because of the product's unique attributes, if suppliers increase their prices the firm may be able to pass along the costs to its customers who cannot find substitute products easily.

### 2.7.3 Focus Strategy

The focus strategy concentrates on a narrow segment and within that segment attempts to achieve either a cost advantage or differentiation. The premise is that the needs of the group can be better serviced by focusing entirely on it. A firm using a focus strategy often enjoys a high degree of customer loyalty, and this entrenched loyalty discourages other firms from competing directly. Because of their narrow market focus, firms pursuing a focus strategy have lower volumes and therefore less bargaining power with their suppliers.

## 2.8 Policies

Policies are general statements or understandings that guide managers' thinking in decision making. They usually do not require action but are intended to guide managers in their commitment to the decision they ultimately make.

The essentials of policy formation may be listed as below.

- ✓ A policy should be definite, positive and clear. It should be understood by everyone in the organization.
- ✓ A policy should be translatable into the practices.
- ✓ A policy should be flexible and at the same time have a high degree of permanency.
- ✓ A policy should be formulated to cover all reasonable anticipatable conditions.
- ✓ A policy should be founded upon facts and sound judgment.
- ✓ A policy should conform to economic principles, statutes and regulations.
- ✓ A policy should be a general statement of the established rule.
- ✓ Importance of Policies
- ✓ Policies are useful for the following reasons:
- ✓ They provide guides to thinking and action and provide support to the subordinates.
- ✓ They delimit the area within which a decision is to be made.
- ✓ They save time and effort by pre-deciding problems and
- ✓ They permit delegation of authority to managers at the lower levels.

## 2.9 Decision Making

The word decision has been derived from the Latin word "decidere" which means "cutting off". Thus, decision involves cutting off of alternatives between those that are desirable and those that are not desirable. In the words of George R. Terry, "Decision-making is the selection based on some criteria from two or more possible alternatives".

Characteristics of Decision Making

- ✓ Decision making implies that there are various alternatives and the most desirable alternative is chosen to solve the problem or to arrive at expected results.
- ✓ The decision-maker has freedom to choose an alternative.
- ✓ Decision-making may not be completely rational but may be judgemental and emotional.
- ✓ Decision-making is goal-oriented.
- ✓ Decision-making is a mental or intellectual process because the final decision is made by the decision-maker.
- ✓ A decision may be expressed in words or may be implied from behaviour.
- ✓ Choosing from among the alternative courses of operation implies uncertainty about the final result of each possible course of operation.

- ✓ Decision making is rational. It is taken only after a thorough analysis and reasoning and weighing the consequences of the various alternatives.

## 2.10 Types of Decisions

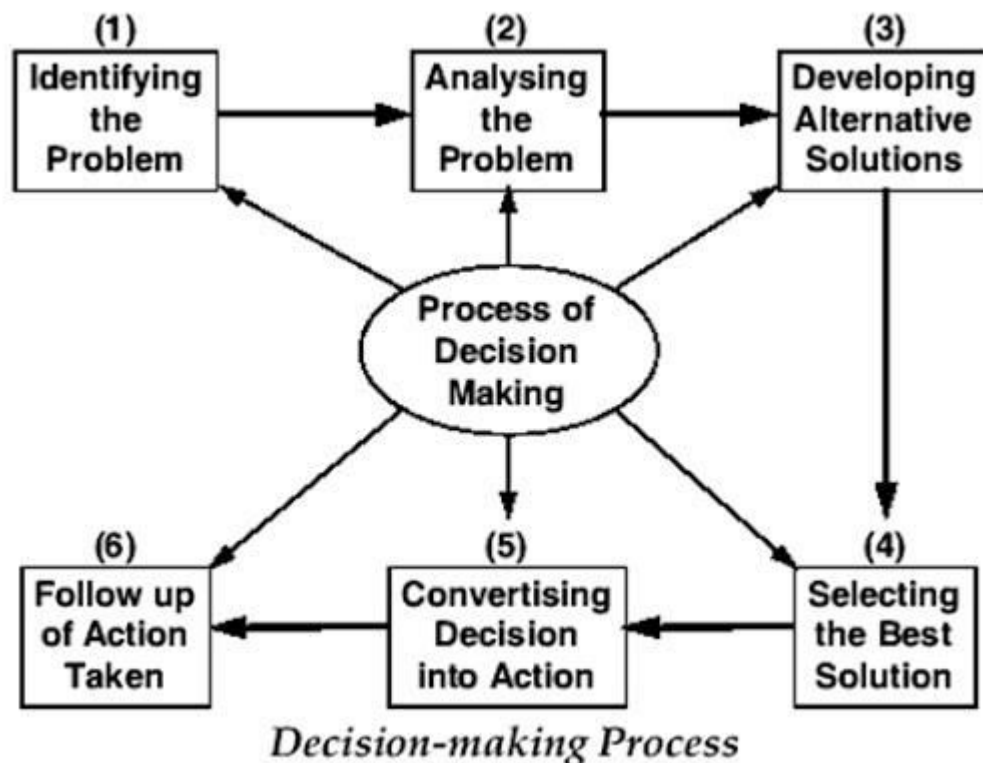
**2.10.1 Programmed decisions:** Programmed decisions are routine and repetitive and are made within the framework of organizational policies and rules. These policies and rules are established well in advance to solve recurring problems in the organization. Programmed decisions have short-run impact. They are, generally, taken at the lower level of management.

**2.10.2 Non-Programmed Decisions:** Non-programmed decisions are decisions taken to meet non-repetitive problems. Non-programmed decisions are relevant for solving unique/unusual problems in which various alternatives cannot be decided in advance. A common feature of non-programmed decisions is that they are novel and non-recurring and therefore, readymade solutions are not available. Since these decisions are of high importance and have long-term consequences, they are made by top level management.

**2.10.3 Strategic and Tactical Decisions:** Organizational decisions may also be classified as strategic or tactical.

## 2.11 Decision Making Process

**2.11.1. Specific Objective:** The need for decision making arises in order to achieve certain specific objectives. The starting point in any analysis of decision making involves the determination of whether a decision needs to be made.



**2.11.2. Problem Identification:** A problem is a felt need, a question which needs a solution. In the words of Joseph L Massie "A good decision is dependent upon the recognition of the right problem". The objective of problem identification is that if the problem is precisely and

specifically identifies, it will provide a clue in finding a possible solution. A problem can be identified clearly, if managers go through diagnosis and analysis of the problem. Diagnosis: Diagnosis is the process of identifying a problem from its signs and symptoms.

**2.11.3. Search for Alternatives:** A problem can be solved in several ways; however, all the ways cannot be equally satisfying. Therefore, the decision maker must try to find out the various alternatives available in order to get the most satisfactory result of a decision. A decision maker

**2.11.4. Evaluation of Alternatives:** After the various alternatives are identified, the next step is to evaluate them and select the one that will meet the choice criteria. /the decision maker must check proposed alternatives against limits, and if an alternative does not meet them, he can discard it. Having narrowed down the alternatives which require serious consideration, the decision maker will go for evaluating how each alternative may contribute towards the objective supposed to be achieved by implementing the decision.

**2.11.5. Choice of Alternative:** The evaluation of various alternatives presents a clear picture as to how each one of them contribute to the objectives under question. A comparison is made among the likely outcomes of various alternatives and the best one is chosen.

**2.11.6. Action:** Once the alternative is selected, it is put into action. The actual process of decision making ends with the choice of an alternative through which the objectives can be achieved.

**2.11.7. Results:** When the decision is put into action, it brings certain results. These results must correspond with objectives, the starting point of decision process, if good decision has been made and implemented properly. Thus, results provide indication whether decision making and its implementation is proper.

## **2.12 Rational Decision Making Model**

The Rational Decision Making Model is a model which emerges from Organizational Behavior. The process is one that is logical and follows the orderly path from problem identification through solution. It provides a structured and sequenced approach to decision making. Using such an approach can help to ensure discipline and consistency is built into your decision making process.

- ✓ Defining the problem: This is the initial step of the rational decision making process. First the problem is identified and then defined to get a clear view of the situation.
- ✓ Identify decision criteria: Once a decision maker has defined the problem, he or she needs to identify the decision criteria that will be important in solving the problem. In this step, the decision maker is determining what's relevant in making the decision. This step brings the decision maker's interests, values, and personal preferences into the process.
- ✓ Weight the criteria: The decision-maker weights the previously identified criteria in order to give them correct priority in the decision.

- ✓ Generate alternatives: The decision maker generates possible alternatives that could succeed in resolving the problem. No attempt is made in this step to appraise these alternatives, only to list them.
- ✓ Rate each alternative on each criterion: The decision maker must critically analyze and evaluate each one. The strengths and weakness of each alternative become evident as they compared with the criteria and weights established in second and third steps.
- ✓ Compute the optimal decision: Evaluating each alternative against the weighted criteria and selecting the alternative with the highest total score.

### 2.13 Decision Making Under Various Conditions

The conditions for making decisions can be divided into three types. Namely a) Certainty, b) Uncertainty and c) Risk

a) Certainty: In a situation involving certainty, people are reasonably sure about what will happen when they make a decision. The information is available and is considered to be reliable, and the cause and effect relationships are known.

b) Uncertainty: In a situation of uncertainty, on the other hand, people have only a meager database, they do not know whether or not the data are reliable, and they are very unsure about whether or not the situation may change. Moreover, they cannot evaluate the interactions of the different variables. For example, a corporation that decides to expand its Operation to an unfamiliar country may know little about the country, culture, laws, economic environment, and politics. The political situation may be volatile that even experts cannot predict a possible change in government.

c) Risk: In a situation with risks, factual information may exist, but it may be incomplete. To improve decision making One may estimate the objective probability of an outcome by using, for example, mathematical models On the other hand, subjective probability, based on judgment and experience may be used All intelligent decision makers dealing with uncertainty like to know the degree and nature of the risk they are taking in choosing a course of action. One of the deficiencies in using the traditional approaches of operations research for problem solving is that many of the data used in model are merely estimates and others are based on probabilities. The ordinary practice is to have staff specialists come up with best estimates.

## UNIT III ORGANIZING

### Introduction

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

According to *Chester Barnard*, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

### Pre Requisite Discussion

The students should be familiar with the tasks to be considered for organizing every events that needed to be executed for the development of the organization.

#### 3.1 Definition

According to Koontz and O'Donnell, "Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision of authority, delegation and co-ordination." Organization involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies.

#### 3.2 Nature or Characteristics of Organizing

From the study of the various definitions given by different management experts we get the following information about the characteristics or nature of organization,

**3.2.1 Division of Work:** Division of work is the basis of an organization. In other words, there can be no organization without division of work. Under division of work the entire work of business is divided into many departments. The work of every department is further sub-divided into sub works. In this way each individual has to do the same work repeatedly which gradually makes that person an expert.

**3.2.2 Coordination:** Under organizing different persons are assigned different works but the aim of all these persons happens to be the same - the attainment of the objectives of the enterprise. Organization ensures that the work of all the persons depends on each other's work even though it happens to be different.

**3.2.3 Plurality of Persons:** Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.

**3.2.4 Common Objectives:** There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.

**3.2.5 Well-defined Authority and Responsibility:** Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post. In other words, every individual working in the organization is given some authority for the efficient work performance and it is also decided simultaneously as to what will be the responsibility of that individual in case of unsatisfactory work performance.

**3.2.6 Organization is a Structure of Relationship:** Relationship between persons working on different posts in the organization is decided. In other words, it is decided as to who will be the superior and who will be the subordinate. Leaving the top level post and the lowest level post everybody is somebody's superior and somebody's subordinate.

**3.2.7 Organization is a Machine of Management:** Organization is considered to be a machine of management because the efficiency of all the functions depends on an effective organization. In the absence of organization no function can be performed in a planned manner.

**3.2.8 Organization is a Universal Process:** Organization is needed both in business and non business organizations. Not only this, organization will be needed where two or more than two people work jointly. Therefore, organization has the quality of universality.

**3.2.9 Organization is a Dynamic Process:** Organization is related to people and the knowledge and experience of the people undergo a change. The impact of this change affects the various functions of the organizations. Thus, organization is not a process that can be decided for all times to come but it undergoes changes according to the needs. The example in this case can be the creation or abolition of a new post according to the need.

### **3.3 Organizing Process**

Organization is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organize is to harmonize, coordinate or arrange in a logical and orderly manner. Each member in the organization is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty. The managerial function of organizing consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well coordinated and orderly structure for the accomplishment of work. According to Louis A Allen, "Organizing involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organizational objectives."

### **3.4 Organization Structure**

An organization structure is a framework that allots a particular space for a particular department or an individual and shows its relationship to the other. An organization structure shows the authority and responsibility relationships between the various positions in the organization by showing who reports to whom. It is an established pattern of relationship among the components of the organization. March and Simon have stated that-"Organization structure consists simply of those aspects of pattern of behaviour in the organization that are relatively stable and change only slowly." The structure of an organization is generally shown on an organization chart. It shows the authority and responsibility relationships between various positions in the organization while designing the organization structure, due attention should be given to the principles of sound organization.



### Significance of Organization Structure

- ✓ Properly designed organization can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
- ✓ Organization structure determines the location of decision-making in the organization.
- ✓ Sound organization structure stimulates creative thinking and initiative among organizational members by providing well defined patterns of authority.
- ✓ A sound organization structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
- ✓ Organization structure provides the pattern of communication and coordination.
- ✓ The organization structure helps a member to know what his role is and how it relates to other roles.

### 3.5 Principles of Organization Structure

Modern organizational structures have evolved from several organizational theories, which have identified certain principles as basic to any organization structure.

#### 3.5.1 Line and Staff Relationships:

Line authority refers to the scalar chain, or to the superior-subordinate linkages, that extend throughout the hierarchy (Koontz, O'Donnell and Weihrich). Line employees are responsible for achieving the basic or strategic objectives of the organization, while staff plays a supporting role to line employees and provides services. The relationship between line and staff is crucial in organizational structure, design and efficiency. It is also an important aid to information processing and coordination.

#### 3.5.2 Departmentalization:

Departmentalization is a process of horizontal clustering of different types of functions and activities on any one level of the hierarchy. Departmentalization is conventionally based on purpose, product, process, function, personal things and place.

#### 3.5.3 Span of Control:

This refers to the number of specialized activities or individuals supervised by one person. Deciding the span of control is important for coordinating different types of activities effectively.

#### 3.5.4 De-centralization and Centralization:

De-centralization refers to decision making at lower levels in the hierarchy of authority. In contrast, decision making in a centralized type of organizational structure is at higher levels. Every organizational structure contains both centralization and de-centralization, but to varying degrees. The extent of this can be determined by identifying how much of the decision making is concentrated at the top and how much is delegated to lower levels. Modern organizational structures show a strong tendency towards de-centralization.

### 3.6 Formal and Informal Organization

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of

organization is built by the management to realize objectives of an enterprise and is bound by rules, systems and procedures. Informal organization, which does not appear on the organization chart, supplements the formal organization in achieving organizational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organization and to use them for achieving organizational objectives.

### 3.6.1 Formal Organization

Chester I Bernard defines formal organization as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability."

- (i) Are able to communicate with each other
- (ii) Are willing to act and
- (iii) Share a purpose.

The formal organization is built around four key pillars. They are:

- ✓ Division of labour
- ✓ Scalar and functional processes
- ✓ Structure and
- ✓ Span of control

### 3.6.7 Informal Organization

Informal organization refers to the relationship between people in the organization based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organization is an organization which is not established by any formal authority, but arises from the personal and social relations of the people. These relations are not developed according to procedures and regulations laid down in the formal organization structure; generally large formal groups give rise to small informal or social groups.

### 3.7 Line and Staff Authority

In an organization, the line authority flows from top to bottom and the staff authority is exercised by the specialists over the line managers who advise them on important matters. These specialists stand ready with their specialty to serve line managers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organization as they are employed to provide expert advice to the line officers. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carries on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these functions is delegated by the line and the performance must be acceptable to the line before action is taken.

### 3.8 Departmentation by Different Strategies

#### 3.8.1 Departmentation

Departmentation is the process of grouping of work activities into departments, divisions, and other homogenous units. Key Factors in Departmentation

- ✓ It should facilitate control.

- ✓ It should ensure proper coordination.
- ✓ It should take into consideration the benefits of specialization.
- ✓ It should not result in excess cost.
- ✓ It should give due consideration to Human Aspects.

Departmentation takes place in various patterns like departmentation by functions, products, customers, geographic location, process, and its combinations.

### **3.8.2 Functional Departmentation**

Functional departmentation is the process of grouping activities by functions performed.

Activities can be grouped according to function (work being done) to pursue economies of scale

by placing employees with shared skills and knowledge into departments for example human resources, finance, production, and marketing. Functional departmentation can be used in all types of organizations.

### **3.8.3 Product Departmentation**

Product departmentation is the process of grouping activities by product line. Tasks can also be grouped according to a specific product or service, thus placing all activities related to the product or the service under one manager. Each major product area in the corporation is under the authority of a senior manager who is specialist in, and is responsible for, everything related to the product line. Dabur India Limited is the India's largest Ayurvedic medicine manufacturer is an example of company that uses product departmentation.

### **3.8.4 Customer Departmentation**

Customer departmentation is the process of grouping activities on the basis of common customers or types of customers. Jobs may be grouped according to the type of customer served by the organization. The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists. UCO is the one of the largest commercial banks of India is an example of company that uses customer departmentation. Its structure is based on various services which includes Home loans, Business loans, Vehicle loans and Educational loans.

### **3.8.5 Geographic Departmentation**

Geographic departmentation is the process of grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography. For example, the organization structure of Coca-Cola Ltd has reflected the company's operation in various geographic areas such as Central North American group, Western North American group, Eastern North American group and European group.

### **3.8.6 Process Departmentation**

Geographic departmentation is the process of grouping activities on the basis of product or service or customer flow. Because each process requires different skills, process departmentation allows homogenous activities to be categorized. For example, Bowater Thunder Bay, a Canadian company that harvests trees and processes wood into newsprint and pulp. Bowater has three divisions namely tree cutting, chemical processing, and finishing (which makes newsprint).

### 3.8.7 Martix Departmentation

In actual practice, no single pattern of grouping activities is applied in the organization structure with all its levels. Different bases are used in different segments of the enterprise. Composite or hybrid method forms the common basis for classifying activities rather than one particular method,. One of the mixed forms of organization is referred to as matrix or grid organization's According to the situations, the patterns of Organizing varies from case to case. The form of structure must reflect the tasks, goals and technology if the originations the type of people employed and the environmental conditions that it faces. It is not unusual to see firms that utilize the function and project organization combination. The same is true for process and project as well as other combinations. For instance, a large hospital could have an accounting department, surgery department, marketing department, and a satellite center project team that make up its organizational structure.

### 3.9 Span of Control

Span of Control means the number of subordinates that can be managed efficiently and effectively by a superior in an organization. It suggests how the relations are designed between a superior and a subordinate in an organization.Span of control is of two types:

- ✓ Narrow span of control: Narrow Span of control means a single manager or supervisor oversees few subordinates. This gives rise to a tall organizational structure.
- ✓ Wide span of control: Wide span of control means a single manager or supervisor oversees a large number of subordinates. This gives rise to a flat organizational structure.

### 3.10 Centralization and Decentralization

#### 3.10.1 Centralization

It is the process of transferring and assigning decision-making authority to higher levels of an organizational hierarchy. The span of control of top managers is relatively broad, and there are relatively many tiers in the organization.

#### 3.10.2 Decentralization:

It is the process of transferring and assigning decision-making authority to lower levels of an organizational hierarchy. The span of control of top managers is relatively small, and there are relatively few tiers in the organization, because there is more autonomy in the lower ranks.

### 3.11 Delegation of Authority

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub allocation of powers to the subordinates in order to achieve effective results.

#### 3.11.1 Delegation Process

The steps involved in delegation ,

1. Allocation of duties – The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. Granting of authority – Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason; every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. Assigning of Responsibility and Accountability – The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted.

4. Creation of accountability – Accountability, on the other hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached. Therefore every manager, i.e., the delegator has to follow a system to finish up the delegation process. Equally important is the delegatee's role which means his responsibility and accountability is attached with the authority over to here.

### **3.12 Staffing**

Staffing involves filling the positions needed in the organization structure by appointing competent and qualified persons for the job. The staffing process encompasses man power planning, recruitment, selection, and training.

**3.12.1 Manpower requirements:** Manpower Planning which is also called as Human Resource Planning consists of putting right number of people, right kind of people at the right place, right time, doing the right things for which they are suited for the achievement of goals of the organization. The primary function of man power planning is to analyze and evaluate the human resources available in the organization, and to determine how to obtain the kinds of personnel needed to staff positions ranging from assembly line workers to chief executives.

**3.12.2 Recruitment:** Recruitment is the process of finding and attempting to attract job candidates who are capable of effectively filling job vacancies. Job descriptions and job specifications are important in the recruiting process because they specify the nature of the job and the qualifications required of job candidates.

**3.12.3 Selection:** Selecting a suitable candidate can be the biggest challenge for any organization. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

**3.12.4 Training and Development:** Training and Development is a planned effort to facilitate employee learning of job-related behaviors in order to improve employee performance. Experts sometimes distinguish between the terms “training” and “development”; “training” denotes efforts to increase employee skills on present jobs, while “development” refers to efforts oriented toward improvements relevant to future jobs. In

practice, though, the distinction is often blurred (mainly because upgrading skills in present jobs usually improves performance in future jobs).

### **3.13 Selection Process**

Selecting a suitable candidate can be the biggest challenge for any organisation. The success of an organization largely depends on its staff. Selection of the right candidate builds the foundation of any organization's success and helps in reducing turnovers.

#### **3.13.1 Initial Screening**

This is generally the starting point of any employee selection process. Initial Screening eliminates unqualified applicants and helps save time. Applications received from various sources are scrutinized and irrelevant ones are discarded.

#### **3.13.2 Preliminary Interview**

It is used to eliminate those candidates who do not meet the minimum eligibility criteria laid down by the organization. The skills, academic and family background, competencies and interests of the candidate are examined during preliminary interview. Preliminary interviews are less formalized and planned than the final interviews. The candidates are given a brief up about the company and the job profile; and it is also examined how much the candidate knows about the company. Preliminary interviews are also called screening interviews.

#### **3.13.3 Filling Application Form**

An candidate who passes the preliminary interview and is found to be eligible for the job is asked to fill in a formal application form. Such a form is designed in a way that it records the personal as well professional details of the candidates such as age, qualifications, reason for leaving previous job, experience, etc.

#### **3.13.4 Personal Interview**

Most employers believe that the personal interview is very important. It helps them in obtaining more information about the prospective employee. It also helps them in interacting with the candidate and judging his communication abilities, his ease of handling pressure etc. In some Companies, the selection process comprises only of the Interview.

#### **3.13.5 References check**

Most application forms include a section that requires prospective candidates to put down names of a few references. References can be classified into - former employer, former customers, business references, reputable persons. Such references are contacted to get a feedback on the person in question including his behaviour, skills, conduct etc.

#### **3.13.6 Background Verification**

A background check is a review of a person's commercial, criminal and (occasionally) financial records. Employers often perform background checks on employers or candidates for employment to confirm information given in a job application, verify a person's identity, or ensure that the individual does not have a history of criminal activity, etc., that could be an issue upon employment.

#### **3.13.7 Final Interview**

Final interview is a process in which a potential employee is evaluated by an employer for prospective employment in their organization. During this process, the

employer hopes to determine whether or not the applicant is suitable for the job. Different types of tests are conducted to evaluate the capabilities of an applicant, his behaviour, special qualities etc. Separate tests are conducted for various types of jobs.

### **3.13.8 Physical Examination**

If all goes well, then at this stage, a physical examination is conducted to make sure that the candidate has sound health and does not suffer from any serious ailment.

### **3.14 Career Development**

Career development not only improves job performance but also brings about the growth of the personality. Individuals not only mature regarding their potential capacities but also become better individuals.

Purpose of development

Management development attempts to improve managerial performance by imparting

- ✓ Knowledge
- ✓ Changing attitudes
- ✓ Increasing skills

The major objective of development is managerial effectiveness through a planned and a deliberate process of learning. This provides for a planned growth of managers to meet the future organizational needs.

### **3.15 Career Stages**

Four distinct career stages have been identified: trial, establishment/advancement, mid-career, and late career. Each stage represents different career needs and interests of the individual

#### **3.15.1 Trial stage**

The trial stage begins with an individual's exploration of career-related matters and ends usually at about age 25 with a commitment on the part of the individual to a particular occupation. Until the decision is made to settle down, the individual may try a number of jobs and a number of organizations. Unfortunately for many organizations, this trial and exploration stage results in high level of turnover among new employees. Employees in this stage need opportunities for self-exploration and a variety of job activities or assignments.

#### **3.15.2 Establishment Stage**

The establishment/advancement stage tends to occur between ages 25 and 44. In this stage, the individual has made his or her career choice and is concerned with achievement, performance, and advancement. This stage is marked by high employee productivity and career growth, as the individual is motivated to succeed in the organization and in his or her chosen occupation. Opportunities for job challenge and use of special competencies are desired in this stage. The employee strives for creativity and innovation through new job assignments. Employees also need a certain degree of autonomy in this stage so that they can experience feelings of individual achievement and personal success.

#### **3.15.3 Mid Career Crisis Sub Stage**

The period occurring between the mid-thirties and mid-forties during which people often make a major reassessment of their progress relative to their original career ambitions and goals.

### 3.15.4 Maintenance stage

The mid-career stage, which occurs roughly between the ages 45 and 64, has also been referred to as the maintenance stage. This stage is typified by a continuation of established patterns of work behaviour. The person is no longer trying to establish a place for him or herself in the organization, but seeks to maintain his or her position. This stage is viewed as a mid-career plateau in which little new ground is broken. The individual in this stage may need some technical updating in his or her field. The employee should be encouraged to develop new job skills in order to avoid early stagnation and decline.

### 3.15.5 Late-career stage

In this stage the career lessens in importance and the employee plans for retirement and seeks to develop a sense of identity outside the work environment.

## 3.16 Training

Training is a process of learning a sequence of programmed behaviour. It improves the employee's performance on the current job and prepares them for an intended job.

### 3.16.1 Purpose of Training:

- ✓ To improve Productivity: Training leads to increased operational productivity and increased company profit.
- ✓ To improve Quality: Better trained workers are less likely to make operational mistakes.
- ✓ To improve Organizational Climate: Training leads to improved production and product quality which enhances financial incentives. This in turn increases the overall morale of the organization.
- ✓ To increase Health and Safety: Proper training prevents industrial accidents.
- ✓ Personal Growth: Training gives employees a wider awareness, an enlarged skill base and that leads to enhanced personal growth.

### 3.16.2 Training Methods

Training methods can be broadly classified as on-the-job training and off-the-job training

#### a) On-the-job training

On the job training occurs when workers pick up skills whilst working alongside experienced workers at their place of work. For example this could be the actual assembly line or offices where the employee works.

#### b) Off-the-job training

This occurs when workers are taken away from their place of work to be trained. This may take place at training agency or local college, although many larger firms also have their own training centres.

## 3.17 Performance Appraisal

Performance appraisal is the process of obtaining, analyzing and recording information about the relative worth of an employee. The focus of the performance appraisal is measuring and improving the actual performance of the employee and also the future potential of the employee. Its aim is to measure what an employee does. Objectives of Performance appraisal are,

- ✓ To review the performance of the employees over a given period of time.



- ✓ To judge the gap between the actual and the desired performance.
- ✓ To help the management in exercising organizational control.
- ✓ Helps to strengthen the relationship and communication between superior – subordinates and management – employees.
- ✓ To diagnose the strengths and weaknesses of the individuals so as to identify the training and development needs of the future.
- ✓ To provide feedback to the employees regarding their past performance.

## **UNIT IV DIRECTING**

### **Introduction**

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently.

### **Pre-Requisite Discussion**

The student should be familiar with the path to be followed and the hurdles, Merits and demerits in the ongoing path and evaluation points have to be analyzed.

#### **4.1 Definition**

"Activating deals with the steps a manager takes to get sub-ordinates and others to carry out plans" - Newman and Warren. It is the final action of a manager in getting others to act after all preparations have been completed.

#### **4.2 Creativity and Innovation**

Often used interchangeably, they should to be considered separate and distinct. Creativity can be described as problem identification and idea generation and innovation is considered as idea selection, development and commercialization.

### **Steps involved in creativity**

#### **4.2.1 Preparation**

This is the first stage at which the base for creativity and innovation is defined; the mind is prepared for subsequent use in creative thinking. During preparation the individual is encouraged to appreciate the fact that every opportunity provides situations that can educate and experiences from which to learn.

#### **4.2.2 Investigation**

This stage of enhancing entrepreneurial creativity and innovation involves the business owner taking time to study the problem at hand and what its various components are.

#### **4.2.3 Transformation**

The information thus accumulated and acquired should then be subjected to convergent and divergent thinking which will serve to highlight the inherent similarities and differences. Convergent thinking will help identify aspects that are similar and connected while divergent thinking will highlight the differences. This twin manner of thinking is of particular importance in realizing creativity and innovation for the following reasons:

#### **4.2.4 Verification**

This is where the entrepreneur attempts to ascertain whether the creativity of thought and the action of innovation are truly effective as anticipated. It may involve activities like simulation, piloting, prototype building, test marketing, and various experiments. While the

tendency to ignore this stage and plunge headlong with the breakthrough may be tempting, the transformation stage should ensure that the new idea is put to the test.

### 4.3 Motivation

According to Koontz and O'Donnell, "Motivation is a class of drives, needs, wishes and similar "Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures and influences that trigger, channel, and sustain human behaviour. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance.forces".

### 4.4 Motivation Theories

Some of the motivation theories are discussed below  
McGregor's Theory X and Theory Y

McGregor states that people inside the organization can be managed in two ways. The first is basically negative, which falls under the category X and the other is basically positive, which falls under the category Y. After viewing the way in which the manager dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mould his or her behaviour towards subordinates according to these assumptions.

Under the assumptions of theory X

- Employees inherently do not like work and whenever possible, will attempt to avoid it.
- Because employees dislike work, they have to be forced, coerced or threatened with punishment to achieve goals.
- Employees avoid responsibilities and do not work fill formal directions are issued.
- Most workers place a greater importance on security over all other factors and display little ambition.

In contrast under the assumptions of theory Y

- Physical and mental effort at work is as natural as rest or play.
- People do exercise self-control and self-direction and if they are committed to those goals.
- Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.
- That the way the things are organized, the average human being's brainpower is only partly used.

On analysis of the assumptions it can be detected that theory X assumes that lower-order needs dominate individuals and theory Y assumes that higher-order needs dominate individuals. An organization that is run on Theory X lines tends to be authoritarian in nature, the word "authoritarian" suggests such ideas as the "power to enforce obedience" and the "right to command."

## **4.5 Leadership**

### **4.5.1 Definition**

Leadership is defined as influence, the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals. - Leaders act to help a group attain objectives through the maximum application of its capabilities. - Leaders must instill values – whether it be concern for quality, honesty and calculated risk taking or for employees and customers.

### **4.5.2 Importance of Leadership**

- ✓ Aid to authority
- ✓ Motive power to group efforts
- ✓ Basis for co operation
- ✓ Integration of Formal and Informal Organization.

## **4.6 Leadership Styles**

The leadership style we will discuss here are:

- ✓ Autocratic style
- ✓ Democratic Style
- ✓ Laissez Faire Style

### **4.6.1 Autocratic style**

Autocratic leadership is a classical leadership style with the following characteristics:

- ✓ Manager seeks to make as many decisions as possible
- ✓ Manager seeks to have the most authority and control in decision making
- ✓ Manager seeks to retain responsibility rather than utilize complete delegation
- ✓ Consultation with other colleagues in minimal and decision making becomes a solitary process.
- ✓ Managers are less concerned with investing their own leadership development, and prefer to simply work on the task at hand.

### **4.6.2 Democratic Style**

Democratic Leadership is the leadership style that promotes the sharing of responsibility, the exercise of delegation and continual consultation.

### **4.6.3 Laissez-Faire Style**

This French phrase means “leave it be” and is used to describe a leader who leaves his/her colleagues to get on with their work. The style is largely a "hands off" view that tends to minimize the amount of direction and face time required.

## **4.7 Leadership Theories**

The various leadership theories are

### **4.7.1 Great Man Theory:**

Assumptions

- Leaders are born and not made.
- Great leaders will arise when there is a great need.

### Description

Gender issues were not on the table when the 'Great Man' theory was proposed. Most leaders were male and the thought of a Great Woman was generally in areas other than leadership. Most researchers were also male, and concerns about androcentric bias were a long way from being realized.

#### **4.7.2 Trait Theory:**

##### Assumptions

- People are born with inherited traits.
- Some traits are particularly suited to leadership.
- People who make good leaders have the right (or sufficient) combination of traits.

##### Description

Early research on leadership was based on the psychological focus of the day, which was of people having inherited characteristics or traits. Attention was thus put on discovering these traits, often by studying successful leaders, but with the underlying assumption that if other people could also be found with these traits, then they, too, could also become great leaders. McCall and Lombardo (1983) researched both success and failure identified four primary traits by which leaders could succeed or 'derail': Emotional stability and composure: Calm, confident and predictable, particularly when under stress.

#### **4.7.3 Behavioral Theory:**

##### Assumptions

- Leaders can be made, rather than are born.
- Successful leadership is based in definable, learnable behavior.

##### Description

Behavioral theories of leadership do not seek inborn traits or capabilities. Rather, they look at what leaders actually do. If success can be defined in terms of describable actions, then it should be relatively easy for other people to act in the same way. This is easier to teach and learn than to adopt the more ephemeral 'traits' or 'capabilities'.

#### **4.7.4 Participative Leadership:**

##### Assumptions

- Involvement in decision-making improves the understanding of the issues involved by those who must carry out the decisions.
- People are more committed to actions where they have involved in the relevant decision making.

##### Description

A Participative Leader, rather than taking autocratic decisions, seeks to involve other people in the process, possibly including subordinates, peers, superiors and other stakeholders. Often, however, as it is within the managers' whim to give or deny control to his or her subordinates, most participative activity is within the immediate team. The question of how much influence others are given thus may vary on the manager's preferences and beliefs, and a whole spectrum of participation is possible.

#### **4.7.5 Situational Leadership:**

##### Assumptions

- The best action of the leader depends on a range of situational factors.

### Description

When a decision is needed, an effective leader does not just fall into a single preferred style. In practice, as they say, things are not that simple. Factors that affect situational decisions include motivation and capability of followers. This, in turn, is affected by factors within the particular situation. The relationship between followers and the leader may be another factor that affects leader behaviour as much as it does follower behaviour. The leaders' perception of the follower and the situation will affect what they do rather than the truth of the situation. The leader's perception of themselves and other factors such as stress and mood will also modify the leaders' behaviour.

#### 4.7.6 Contingency Theory:

##### Assumptions

- The leader's ability to lead is contingent upon various situational factors, including the leader's preferred style, the capabilities and behaviours of followers and also various other situational factors.

### Description

Contingency theories are a class of behavioural theory that contend that there is no one best way of leading and that a leadership style that is effective in some situations may not be successful in others. An effect of this is that leaders who are very effective at one place and time may become unsuccessful either when transplanted to another situation or when the factors around them change.

Contingency theory is similar to situational theory in that there is an assumption of no simple one right way. The main difference is that situational theory tends to focus more on the behaviours that the leader should adopt, given situational factors (often about follower behaviour), whereas contingency theory takes a broader view that includes contingent factors about leader capability and other variables within the situation.

#### 4.8 Communication

Communication is the exchange of information using a shared set of symbols. It is the process that links group members and enables them to coordinate their activities. Therefore, when managers foster effective communication, they strengthen the connections between employees and build cooperation. Communication also functions to build and reinforce interdependence between various parts of the organization. As a linking mechanism among the different organizational subsystems, communication is a central feature of the structure of groups and organizations. It helps to coordinate tasks and activities within and between organizations.

##### 4.8.1 Definition

According to Koontz and O'Donnell, "Communication, is an intercourse by words, letters symbols or messages, and is a way that the organization members shares meaning and understanding with another".

##### 4.8.2 The Communication Process

Communication is important in building and sustaining human relationships at work. Communication can be thought of as a process or flow. Before communication can take place, a purpose, expressed as a message to be conveyed is needed. It passes between the sender and the receiver. The result is transference of meaning from one person to another.

The figure below depicts the communication process. This model is made up of seven parts. They are Source, Encoding, Message, Channel, Decoding, Receiver, and Feedback.

**a) Source:**

The source initiates a message. This is the origin of the communication and can be an individual, group or inanimate object. The effectiveness of a communication depends to a considerable degree on the characteristics of the source. The person who initiates the communication process is known as sender, source or communicator. In an organization, the sender will be a person who has a need or desire to send a message to others. The sender has some information which he wants to communicate to some other person to achieve some purpose. By initiating the message, the sender attempts to achieve understanding and change in the behaviour of the receiver.

**b) Encoding:**

Once the source has decided what message to communicate, the content of the message must be put in a form the receiver can understand. As the background for encoding information, the sender uses his or her own frame of reference. It includes the individual's view of the organization or situation as a function of personal education, interpersonal relationships, attitudes, knowledge and experience. Three conditions are necessary for successful encoding the message.

**c) The Message:**

The message is the actual physical product from the source encoding. The message contains the thoughts and feelings that the communicator intends to evoke in the receiver.

**d) The Channel:**

The actual means by which the message is transmitted to the receiver (Visual, auditory, written or some combination of these three) is called the channel. The channel is the medium through which the message travels. The channel is the observable carrier of the message. Communication in which the sender's voice is used as the channel is called oral communication. When the channel involves written language, the sender is using written communication. The sender's choice of a channel conveys additional information beyond that contained in the message itself. For example, documenting an employee's poor performance in writing conveys that the manager has taken the problem seriously.

**f) Decoding:**

Decoding means interpreting what the message means. The extent to which the decoding by the receiver depends heavily on the individual characteristics of the sender and receiver. The greater the similarity in the background or status factors of the communicators, the greater the probability that a message will be perceived accurately. Most messages can be decoded in more than one way. Receiving and decoding a message are a type of perception. The decoding process is therefore subject to the perception biases.

**g) The Receiver:**

The receiver is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message - for example, hearing the sound of a supplier's voice over the telephone or seeing the boss give a thumbs-up signal. Like the sender, the receiver is subject to many influences that can affect the understanding of the message. Most important, the receiver will perceive a communication in a manner that is consistent with previous experiences. Communications that are not consistent with expectations is likely to be rejected.

**h) Feedback:**

The final link in the communication process is a feedback loop. Feedback, in effect, is communication travelling in the opposite direction. If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender learn whether the original communication was decoded accurately. Without feedback, one-way communication occurs between managers and their employees. Faced with differences in their power, lack of time, and a desire to save face by not passing on negative information, employees may be discouraged from providing the necessary feedback to their managers.

**Guidelines for effective Communication**

- ✓ Senders of message must clarify in their minds what they want to communicate. Purpose of the message and making a plan to achieve the intended end must be clarified.
- ✓ Encoding and decoding be done with symbols that are familiar to the sender and the receiver of the message.
- ✓ For the planning of the communication, other people should be consulted and encouraged to participate.
- ✓ It is important to consider the needs of the receivers of the information. Whenever appropriate, one should communicate something that is of value to them, in the short run as well as in the more distant future.
- ✓ In communication, tone of voice, the choice of language and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
- ✓ Communication is complete only when the message is understood by the receiver. And one never knows whether communication is understood unless the sender gets a feedback.
- ✓ The function of communication is more than transmitting the information. It also deals with emotions that are very important in interpersonal relationships between superiors, subordinates and colleagues in an organization.
- ✓ Effective communicating is the responsibility not only of the sender but also of the receiver of the information.

**4.9 Barriers to Effective Communication**

Barriers to communication are factors that block or significantly distort successful communication. Effective managerial communication skills helps overcome some, but not all, barriers to communication in organizations. The more prominent barriers to effective communication which every manager should be aware of is given below,

**a) Filtering:**

Filtering refers to a sender manipulating information so it will be seen more favourably by the receiver. The major determinant of filtering is the number of levels in an organization's structure. Sometimes the information is filtered by the sender himself. If the sender is hiding some meaning and disclosing in such a fashion as appealing to the receiver, then he is "filtering" the message deliberately. A manager in the process of altering communication in his favour is attempting to filter the information.

**b) Selective Perception:**

Selective perception means seeing what one wants to see. The receiver, in the communication process, generally resorts to selective perception i.e., he selectively perceives



the message based on the organizational requirements, the needs and characteristics, background of the employees etc. Perceptual distortion is one of the distressing barriers to the effective communication. People interpret what they see and call it a reality. In our regular activities, we tend to see those things that please us and to reject or ignore unpleasant things. Selective perception allows us to keep out dissonance (the existence of conflicting elements in our perceptual set) at a tolerable level.

**c) Emotions:**

How the receiver feels at the time of receipt of information influences effectively how he interprets the information. For example, if the receiver feels that the communicator is in a jovial mood, he interprets that the information being sent by the communicator to be good and interesting. Extreme emotions and jubilation or depression are quite likely to hinder the effectiveness of communication. A person's ability to encode a message can become impaired when the person is feeling strong emotions. For example, when you are angry, it is harder to consider the other person's viewpoint and to choose words carefully. The angrier you are, the harder this task becomes. Extreme emotions – such as jubilation or depression - are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

**d) Language:**

Communicated message must be understandable to the receiver. Words mean different things to different people. Language reflects not only the personality of the individual but also the culture of society in which the individual is living. In organizations, people from different regions, different backgrounds, and speak different languages. People will have different academic backgrounds, different intellectual facilities, and hence the jargon they use varies.

**e) Stereotyping:**

Stereotyping is the application of selective perception. When we have preconceived ideas about other people and refuse to discriminate between individual behaviours, we are applying selective perception to our relationship with other people. Stereotyping is a barrier to communications because those who stereotype others use selective perception in their communication and tend to hear only those things that confirm their stereotyped images.

**f) Status Difference:**

The organizational hierarchy pose another barrier to communication within organization, especially when the communication is between employee and manager. This is so because the employee is dependent on the manager as the primary link to the organization and hence more likely to distort upward communication than either horizontal or downward communication. Effective supervisory skills make the supervisor more approachable and help reduce the risk of problems related to status differences. In addition, when employees feel secure, they are more likely to be straightforward in upward communication.

**g) Use of Conflicting Signals:**

A sender is using conflicting signals when he or she sends inconsistent messages. A vertical message might conflict with a nonverbal one. For example, if a manager says to his employees, "If you have a problem, just come to me. My door is always open", but he looks annoyed whenever an employee knocks on his door". Then we say the manager is sending conflicting messages. When signals conflict, the receivers of the message have to decide which, if any, to believe.

**h) Reluctance to Communicate:**

For a variety of reasons, managers are sometimes reluctant to transmit messages. The reasons could be:-

- They may doubt their ability to do so.
- They may dislike or be weary of writing or talking to others.
- They may hesitate to deliver bad news because they do not want to face a negative reaction.

**4.10 Organizational Culture**

Organizational culture is an idea in the field of organizational studies and management which describes the psychology, attitudes, experiences, beliefs and values (personal and cultural values) of an organization. It has been defined as "the specific collection of values and norms that are shared by people and groups in an organization and that control the way they interact with each other and with stakeholders outside the organization."

**4.11 Elements of Organizational Culture**

Johnson and Scholes described a cultural web, identifying a number of elements that can be used to describe or influence Organizational Culture.

a) Stories: The past events and people talked about inside and outside the company. Who and what the company chooses to immortalize says a great deal about what it values, and perceives as great behaviour.

b) Rituals and Routines: The daily behaviour and actions of people that signal acceptable behaviour. This determines what is expected to happen in given situations, and what is valued by management.

c) Symbols: The visual representations of the company including logos, how plush the offices are, and the formal or informal dress codes.

d) Organizational Structure: This includes both the structure defined by the organization chart, and the unwritten lines of power and influence that indicate whose contributions are most valued.

e) Control Systems: The ways that the organization is controlled. These include financial systems, quality systems, and rewards (including the way they are measured and distributed within the organization.)

f) Power Structures: The pockets of real power in the company. This may involve one or two key senior executives, a whole group of executives, or even a department. The key is that these people have the greatest amount of influence on decisions, operations, and strategic direction.

**4.12 Managing Cultural Diversity**

Experts indicate that business owners and managers who hope to create and manage an effective, harmonious multicultural work force should remember the importance of the following:

- ✓ Setting a good example - This basic tool can be particularly valuable for small business owners who hope to establish a healthy environment for

people of different cultural backgrounds, since they are generally able to wield significant control over the business's basic outlook and atmosphere.

- ✓ Communicate in writing - Company policies that explicitly forbid prejudice and discriminatory behaviour should be included in employee manuals, mission statements, and other written communications. Jorgensen referred to this and other similar practices as "internal broadcasting of the diversity message in order to create a common language for all members of the organization."
- ✓ Training programs - Training programs designed to engender appreciation and knowledge of the characteristics and benefits of multicultural work forces have become ubiquitous in recent years. "Two types of training are most popular: awareness and skill-building," wrote Cox. "The former introduces the topic of managing diversity and generally includes information on work force demographics, the meaning of diversity, and exercises to get participants thinking about relevant issues and raising their own self-awareness."
- ✓ Recognize individual differences - Writing in *The Complete MBA Companion*, contributor Rob Goffee stated that "there are various dimensions around which differences in human relationships may be understood. These include such factors as orientation towards authority; acceptance of power inequalities; desire for orderliness and structure; the need to belong to a wider social group and so on. Around these dimensions researchers have demonstrated systematic differences between national, ethnic, and religious groups."
- ✓ Actively seek input from minority groups - Soliciting the opinions and involvement of minority groups on important work committees, etc., is beneficial not only because of the contributions that they can make, but also because such overtures confirm that they are valued by the company. Serving on relevant committees and task forces can increase their feelings of belonging to the organization.
- ✓ Revamp reward systems - An organization's performance appraisal and reward systems should reinforce the importance of effective diversity management, according to Cox. This includes assuring that minorities are provided with adequate opportunities for career development.
- ✓ Make room for social events - Company sponsored social events—picnics, softball games, volleyball leagues, bowling leagues, Christmas parties, etc.—can be tremendously useful in getting members of different ethnic and cultural backgrounds together and providing them with opportunities to learn about one another.
- ✓ Flexible work environment - Cox indicated that flexible work environments—which he characterized as a positive development for all workers—could have particularly "beneficial to people from nontraditional

cultural backgrounds because their approaches to problems are more likely to be different from past norms."

- ✓ Don't assume similar values and opinions - Goffee noted that "in the absence of reliable information there is a well-documented tendency for individuals to assume that others are 'like them.' In any setting this is likely to be an inappropriate assumption; for those who manage diverse work forces this tendency towards 'cultural assimilation' can prove particularly damaging."
- ✓ Continuous monitoring - Experts recommend that business owners and managers establish and maintain systems that can continually monitor the organization's policies and practices to ensure that it continues to be a good environment for all employees. This, wrote Jorgensen, should include "research into employees' needs through periodic attitude surveys."

## **CHAPTER V CONTROLLING**

### **Introduction**

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

### **Pre Requisite Discussion**

The students should be familiar with the task of evaluating the process and the tools used to control the variations involved in the process of execution.

#### **5.1 Definition**

A process of monitoring the performance and taking action to ensure desired results. It sees to it that the right things happen, in the right ways, and at the right time.

#### **Nature & Purpose of Control**

- ✓ Control is an essential function of management
- ✓ Control is an ongoing process
- ✓ Control is forward – working because past cannot be controlled
- ✓ Control involves measurement
- ✓ The essence of control is action
- ✓ Control is an integrated system

#### **5.2 Control Process**

The basic control process involves mainly these steps as shown in Figure

##### **5.2.1 The Establishment of Standards:**

Because plans are the yardsticks against which controls must be revised, it follows logically that the first step in the control process would be to accomplish plans. Plans can be considered as the criterion or the standards against which we compare the actual performance in order to figure out the deviations.

##### **5.2.2 Measurement of Performance:**

The measurement of performance against standards should be on a forward looking basis so that deviations may be detected in advance by appropriate actions. The degree of difficulty in measuring various types of organizational performance, of course, is determined primarily by the activity being measured. For example, it is far more difficult to measure the performance of highway maintenance worker than to measure the performance of a student enrolled in a college level management course.

##### **5.2.3 Comparing Measured Performance to Stated Standards:**

When managers have taken a measure of organizational performance, their next step in controlling is to compare this measure against some standard. A standard is the level of activity established to serve as a model for evaluating organizational performance. The performance evaluated can be for the organization as a whole or for some individuals working within the organization. In essence, standards are the yardsticks that determine whether organizational performance is adequate or inadequate.

### **5.2.4 Taking Corrective Actions:**

After actual performance has been measured compared with established performance standards, the next step in the controlling process is to take corrective action, if necessary. Corrective action is managerial activity aimed at bringing organizational performance up to the level of performance standards. In other words, corrective action focuses on correcting organizational mistakes that hinder organizational performance. Before taking any corrective action, however, managers should make sure that the standards they are using were properly established and that their measurements of organizational performance are valid and reliable.

### **5.3 Types Of Control Systems**

The control systems can be classified into three types namely feed forward, concurrent and feedback control systems.

#### **5.3.1 Feed forward controls:**

They are preventive controls that try to anticipate problems and take corrective action before they occur. Example – a team leader checks the quality, completeness and reliability of their tools prior to going to the site.

#### **5.3.2 Concurrent controls:**

They (sometimes called screening controls) occur while an activity is taking place. Example – the team leader checks the quality or performance of his members while performing.

#### **5.3.3 Feedback controls:**

They measure activities that have already been completed. Thus corrections can take place after performance is over. Example – feedback from facilities engineers regarding the completed job.

### **5.4 Budgetary Control**

#### **5.4.1 Definition:**

Budgetary Control is defined as "the establishment of budgets, relating the responsibilities of executives to the requirements of a policy, and the continuous comparison of actual with budgeted results either to secure by individual action the objective of that policy or to provide a base for its revision.

#### **5.4.2 Salient features:**

- ✓ Objectives: Determining the objectives to be achieved, over the budget period, and the policy that might be adopted for the achievement of these ends.
- ✓ Activities: Determining the variety of activities that should be undertaken for achievement of the objectives.
- ✓ Plans: Drawing up a plan or a scheme of operation in respect of each class of activity, in physical as well as monetary terms for the full budget period and its parts.
- ✓ Performance Evaluation: Laying out a system of comparison of actual performance by each person section or department with the relevant budget and determination of causes for the discrepancies, if any. Control
- ✓ Action: Ensuring that when the plans are not achieved, corrective actions are taken; and when corrective actions are not possible, ensuring that the plans are revised and objective achieved.

## **5.5 Budgetary Control Techniques**

### **5.5.1 Revenue and Expense Budgets:**

The revenue from sales of products or services furnishes the principal income to pay operating expenses and yield profits. Expense budgets may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone, and insurance.

### **5.5.2 Time, Space, Material, and Product Budgets:**

Many budgets are better expressed in quantities rather than in monetary terms. e.g. direct-labor-hours, machine-hours, units of materials, square feet allocated, and units produced. The Rupee cost would not accurately measure the resources used or the results intended.

### **5.5.3 Capital Expenditure Budgets:**

Capital expenditure budgets outline specifically capital expenditures for plant, machinery, equipment, inventories, and other items. These budgets require care because they give definite form to plans for spending the funds of an enterprise.

### **5.5.4 Cash Budgets:**

The cash budget is simply a forecast of cash receipts and disbursements against which actual cash "experience" is measured. The availability of cash to meet obligations as they fall due is the first requirement of existence, and handsome business profits do little good when tied up in inventory, machinery, or other noncash assets.

### **5.5.5 Variable Budget:**

The variable budget is based on an analysis of expense items to determine how individual costs should vary with volume of output. Some costs do not vary with volume, particularly in so short a period as 1 month, 6 months, or a year. Among these are depreciation, property taxes and insurance, maintenance of plant and equipment, and costs of keeping a minimum staff of supervisory and other key personnel.

### **5.5.6 Zero Based Budget:**

The idea behind this technique is to divide enterprise programs into "packages" composed of goals, activities, and needed resources and then to calculate costs for each package from the ground up. By starting the budget of each package from base zero, budgeters calculate costs afresh for each budget period; thus they avoid the common tendency in budgeting of looking only at changes from a previous period.

## **5.6 Non-Budgetary Control Techniques**

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are statistical data, special reports and analysis, analysis of break-even points, the operational audit, and the personal observation.

### **5.6.1 Statistical data:**

Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

**5.6.2 Break- even point analysis:**

An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

**5.6.3 Operational audit:**

Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

**5.6.4 Personal observation:**

In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

**5.7 Productivity**

Productivity refers to the ratio between the output from production processes to its input. Productivity may be conceived of as a measure of the technical or engineering efficiency of production. As such quantitative measures of input, and sometimes output, are emphasized. Typical Productivity Calculations Measures of size and resources may be combined in many different ways. The three common approaches referred to as physical, functional, and economic productivity. Regardless of the approach selected, adjustments may be needed for the factors of diseconomy of scale, reuse, requirements churn, and quality at delivery.

**5.7.1 Physical Productivity**

This is a ratio of the amount of product to the resources consumed. Product may be measured in lines of code, classes, screens, or any other unit of product. Typically, effort is measured in terms of staff hours, days, or months. The physical size also may be used to estimate software performance factors (e.g., memory utilization as a function of lines of code).

**5.7.2 Functional Productivity**

This is a ratio of the amount of the functionality delivered to the resources consumed. Functionality may be measured in terms of use cases, requirements, features, or function points (as appropriate to the nature of the software and the development method). Typically, effort is measured in terms of staff hours, days, or months. Traditional measures of Function Points work best with information processing systems. The effort involved in embedded and scientific software is likely to be underestimated with these measures, although several variations of Function Points have been developed that attempt to deal with this issue.

**5.7.3 Economic Productivity**

This is a ratio of the value of the product produced to the cost of the resources used to produce it. Economic productivity helps to evaluate the economic efficiency of an organization. Economic productivity usually is not used to predict project cost because the outcome can be affected by many factors outside the control of the project, such as sales volume, inflation, interest rates, and substitutions in resources or materials, as well as all the other factors that affect physical and functional measures of productivity. However, understanding economic productivity is essential to making good decisions about outsourcing and subcontracting.



## 5.8 Cost Control

Cost control is the measure taken by management to assure that the cost objectives set down in the planning stage are attained and to assure that all segments of the organization function in a manner consistent with its policies. Steps involved in designing process of cost control system.

- ✓ Establishing norms: To exercise cost control it is essential to establish norms, targets or parameters which may serve as yardsticks to achieve the ultimate objective. These standards, norms or targets may be set on the basis of research, study or past actual.
- ✓ Appraisal: The actual results are compared with the set norms to ascertain the degree of utilization of men, machines and materials. The deviations are analyzed so as to arrive at the causes which are controllable and uncontrollable.
- ✓ Corrective measures: The variances are reviewed and remedial measures or revision of targets, norms, standards etc., as required are taken.

## 5.9 Purchase Control

Purchase control is an element of material control. Material procurement is known as the purchase function. The functional responsibility of purchasing is that of the purchase manager or the purchaser. Purchasing is an important function of materials management because in purchase of materials, a substantial portion of the company's finance is committed which affects cash flow position of the company. Success of a business is to a large extent influenced by the efficiency of its purchase organization. The advantages derived from a good and adequate. System of the purchase control is as follows.

### 5.9.1 Continuous availability of materials:

It ensures the continuous flow of materials. So production work may not be held up for want of materials. A manufacturer can complete schedule of production in time.

### 5.9.2 Purchasing of right quantity:

Purchase of right quantity of materials avoids locking up of working capital. It minimizes risk of surplus and obsolete stores. It means there should not be possibility of overstocking and under stocking.

### 5.9.3 Purchasing of right quality:

Purchase of materials of proper quality and specification avoids waste of materials and loss in production. Effective purchase control prevents wastes and losses of materials right from the purchase till their consumptions. It enables the management to reduce cost of production.

### 5.9.4 Economy in purchasing:

The purchasing of materials is a highly specialized function. By purchasing materials at reasonable prices, the efficient purchaser is able to make a valuable contribution to the success of a business.

### 5.9.5 Works as information centre:

It serves as a function centre on the materials knowledge relating to prices, sources of supply, specifications, mode of delivery, etc. By providing continuous information to the management it is possible to prepare planning for production.

**5.9.6 Development of business relationship:**

Purchasing of materials from the best market and from reliable suppliers develops business relationships. The result is that there may be smooth supply of materials in time and so it avoid disputes and financial losses.

**5.9.7 Finding of alternative source of supply:**

If a particular supplier fails to supply the materials in time, it is possible to develop alternate sources of supply. The effect of this is that the production work is not disturbed.

**5.9.8 Fixing responsibilities:**

Effective purchase control fix the responsibilities of operating units and individuals connected with the purchase, storage and handling of materials. In short, the basic objective of the effective purchase control is to ensure continuity of supply of requisite quantity of material, to avoid held up of production and loss in production and at the same time reduces the ultimate cost of the finished products.

**5.10 Maintenance Control**

Maintenance department has to exercise effective cost control, to carry out the maintenance functions in a pre-specified budget, which is possible only through the following measures. First line supervisors must be apprised of the cost information of the various materials so that the objective of the management can be met without extra expenditure on maintenance functions. A monthly review of the budget provisions and expenditures actually incurred in respect of each center/shop will provide guidelines to the departmental head to exercise better cost control. The total expenditure to be incurred can be uniformly spread over the year for better budgetary control. However, the same may not be true in all cases particularly where overhauling of equipment has to be carried out due to unforeseen breakdowns. Some budgetary provisions must be set aside, to meet out unforeseen exigencies. The controllable elements of cost such as manpower cost and material cost can be discussed with the concerned personnel, which may help in reducing the total cost of maintenance. Emphasis should be given to reduce the overhead expenditures, as other expenditures cannot be compromised. It is observed through studies that the manpower cost is normally fixed, but the same way increase due to overtime cost.

**5.11 Quality Control**

Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements the steps involved in quality control process are

Determine what parameter is to be controlled.

Establish its criticality and whether you need to control before, during or after results are produced.

- ✓ Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.
- ✓ Produce plans for control which specify the means by which the characteristics will be achieved and variation detected and removed.
- ✓ Organize resources to implement the plans for quality control.
- ✓ Install a sensor at an appropriate point in the process to sense variance from specification.
- ✓ Collect and transmit data to a place for analysis.

- ✓ Verify the results and diagnose the cause of variance.
- ✓ Propose remedies and decide on the action needed to restore the status quo.
- ✓ Take the agreed action and check that the variance has been corrected.

### **5.12 Planning Operations**

An operational planning is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year strategic plan would need five operational plans funded by five operating budgets. Operational plans should establish the activities and budgets for each part of the organization for the next 1 – 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them. An operational plan draws directly from agency and program strategic plans to describe agency and program missions and goals, program objectives, and program activities.

## QUESTION BANK

### UNIT: I

#### 2 MARKS

##### 1. Define Management.

According to **KOONTZ & WEIHRICH**, “Management is the process of designing and maintaining of an environment in which individuals working together in groups efficiently accomplish selected aims”. “Management is the art of getting things through and with people in formally organized groups”.

**Ex:** Human Resource Management, Financial Management.

##### 2. Is Management - an art or science?

*Managing as practice is an art; the organized knowledge underlying the practice is a science.* Managing has the following features that make it an art.

- Creative
- Individual approach
- Application and dedication
- Initiative and
- Intelligence.

##### 3. What are the essential skills of Managers?

The major skills required or expected out of managers are:-

- ✓ **Technical skills** – Pertaining to knowledge and proficiency in activities involving methods and procedures;
- ✓ **Human skills** – Ability to work effectively with other persons and to build up cooperative group relations to accomplish organizational objectives;
- ✓ **Conceptual skills** – Ability to recognize significant elements in a situation; and to understand the relationship among those elements; and
- ✓ **Design skills** – Ability to solve problems in ways that will benefit the enterprise.

##### 4. Define Scientific Management.

Scientific management involves specific method of determination of facts through observation. The concept of scientific management was introduced by Frederick Winslow Taylor in the USA in the beginning of 20th century. It was further carried on by Frank and Lillian Gilbreth, Henry Gantt, etc. It was concerned essentially with improving the operational efficiency at the shop floor level. “Scientific Management is concerned with knowing exactly what you want men to do and then see in that they do it best and cheapest way”.

##### 5. List the principles of Scientific Management.

Scientific management was introduced by F.W Taylor who is known as the Father of Scientific Management. He adopted scientific methods to increase the productivity and greater efficiency in production.

The principles of Scientific Management are:-

- ✓ ☐ Separation of planning and working
- ✓ ☐ Functional foremanship
- ✓ ☐ Job analyzers

- ✓ ☐ Time study
- ✓ ☐ Motion study
- ✓ ☐ Fatigue study
- ✓ ☐ Standardization
- ✓ ☐ Scientific selection of training
- ✓ ☐ Financial incentives and
- ✓ ☐ Economy and mental revolution.

#### **6. List the contributions of Fayol towards Management.**

Henry Fayol is a French industrialist whose contributions are termed as operational management or administrative management. He followed 'The Classical Approach' to the evolution of management thought. His contributions are given as follows:-

- ✓ Grouping of activities of an industrial organization into six groups, namely- Technical, commercial, financial, security, accounting and managerial;
- ✓ Identified six types of qualities of a manager are- Physical, mental, moral, educational, technical and experience;
- ✓ Fourteen principles of Management namely- Division of Work, Authority and responsibility and so on; and
- ✓ Five elements/functions of management- **Planning, organizing, commanding, coordinating and controlling.**

#### **7. Functions of management**

- ✓ Planning
- ✓ Organizing
- ✓ Staffing
- ✓ Leading or Direction or Coordination
- ✓ Controlling

#### **8. Management level and functions.**

- ✓ Top-level management
- ✓ Middle level management
- ✓ Lower level management

##### ***Top level management functions***

1. To formulate goals and policies
2. To formulate budgets
3. To appoint top executives

##### ***Middle level management functions.***

1. To train motives & develop supervisory level
2. To monitor and control the operations performance

##### ***Low level management***

1. To train & develop workers
2. To assign job
3. To give orders and instructions
4. To report the information about the workers

**9. What are the roles played by a Manager?*****Interpersonal roles***

- ✓ Figurehead role
- ✓ The leader role
- ✓ The liaison role

***Informational roles***

- ✓ The recipient role
- ✓ The disseminator role
- ✓ The spokesperson role
- ✓

**10 Define ‘Sole proprietorship’**

A Business unit that is owned and controlled by a single individual is known as sole trading or sole proprietorship concern. He uses his own savings for running the business. The sole trader makes all purchases and sells on his own and maintains all the accounts. He alone enjoys all the profits and bears all the losses.

**Ex:** A Fancy store.

**11. What do you mean by a ‘Partnership firm’?**

A partnership is an association of two or more persons to carry on business and to share its profit and losses. The relation of a partnership arises from contract. The maximum number of partners is limited to 10 in the case of banking business and 20 in the case of other business.

**Ex:** Chand & Co.

**12. What do you understand by the term ‘Joint Stock Company’?**

“By a Company we mean an association of many persons who contribute money or money’s worth to a common stock and employs it in some trade or business and also shares the profit and loss as the case may be arising there from”.

There are two types of Joint stock companies:-

- \* Private Limited company – Ex: M/s Key Media Pvt. Ltd.
- \* Public Limited company – Ex: M/s Pearl credits Ltd.

**13. Who is (i) an active partner (ii) a sleeping partner?**

**Active partner:** Any partner who is authorized by others to manage the business is known as active partner.

**Sleeping partner:** Any partner who does not express his intention to participate in the business can be called as a sleeping partner. He will be just an investor who has a right to share profits.

**14. What is a Co-operative Enterprise?**

A Co-operative enterprise is a voluntary association of persons for mutual benefit and its aims are accomplished through self-help and collective effort. It may be described as a protective device used by the relatively less strong sections of society to safeguard their economic interests in the face of exploitation by producers and sellers working solely for maximizing profits.

**Ex:** AAVIN Milk Federation Cooperative Society.

**15. What is a Private limited company?**

A Private limited company is a company which has a minimum paid up capital as may be prescribed. It can be incorporated with just two persons. It can have a maximum of 50 members. It cannot go in for a public issue. It restricts the transfer of its shares. It is particularly suitable for industrial ventures which can get many concessions in respect of income tax.

**Ex:** M/s Key Media Pvt. Ltd.

**16. What is a Public limited company?**

A Public limited company should have a minimum of 7 members and the maximum limit is unlimited. It can issue shares to the Public. The financial statement should be sent to all the members and to the Registrar of Companies. The shares of a public limited company can be transferred by the members to the others without any restriction by the company. Such transfers are made through organized markets called 'stock markets' or 'stock exchanges'.

**Ex:** M/s Pearl credits Ltd.

**17. What is a Public sector Enterprise?**

Public enterprise or State enterprise is an undertaking owned and controlled by the local or state or central government. They are financed and managed by the government. They are started with a service motive.

**Ex:** NLC Ltd.

**18. What is a Public Corporation?**

A Public corporation is an autonomous body corporate created by a special statute of a state or central government. A public corporation is a separate legal entity created for a specific purpose.

**Ex:** LIC.

**16 Marks**

1. Trace the evolution of management with reference to the contributions made by management thinkers.
2. What is the role of scientific management in the modern era?
3. Explain the contributions of F.W.Taylor to Management.
4. Explain the contributions of Henri Fayol.
5. Discuss the functions of management with neat diagram.
6. What are the various environmental factors that a manager should consider in an organization?
7. Outline the various forms of Business organizations.

**UNIT: 2****2 Marks****1. What is planning?**

Planning is a process of selecting the objectives & determining the course of action required to achieve these objectives. Planning involves selecting missions and the objectives and the actions to achieve them. It ends with decision making, which is choosing the best alternative from the available future courses of action.

**EG:** The goal set for limited period like five year plans

**2. Important observations subjected about planning?**

- ✓ Planning is obtaining a future course of action in order to achieve an objective.
- ✓ Planning is looking ahead.
- ✓ Planning is getting ready to do something tomorrow.
- ✓ Plan is a trap laid down to capture the future.

**3. Define mission and vision?**

**Mission** may be defined as a statement which defines the role that an organization plays in the society. **EG:** Canara Bank “Good People to Grow With”. A **vision** statement indicates how the organization should be, after a particular time period.

**4. Define policies?**

Policies are general statement or understanding which provides guidance in decisions making to various managers.

**5. Defining planning premises?**

Planning premises are defined as the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future & known conditions that will affect the operation of plans.

**6. Explain in brief about the two approaches in which the hierarchy of objectives can be explained?**

There are two approaches in which the hierarchy can be explained.

1. top-down approach
2. bottom-up approach

In the top-down approach, the total organization is directed through corporate objective provided by the top-level management. In the bottom up approach, the top level management needs to have information from lower level in the form of objectives.

**7. Definitions of MBO:**

**KOONTZ & WEIHRICH:** Management by objectives (MBO) is defined as a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards the effective and efficient achievement of organizational and individual objective.

“MBO is a process whereby the superiors and the subordinate managers of an enterprise jointly identify its 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 the contribution of each of its members.” - **GEORGE ODIORNE**



**8. Define strategy?**

A strategy may be defined as special type of plan prepared for meeting the challenges posted by the activities of competitors and other environment forces.

**9. Steps involved in strategic planning:**

1. Mission and objectives.
2. Environmental analysis
3. Corporate analysis
4. Identification of alternatives.
5. Strategic decision making
6. Implementations review & control.

**10. Name the classification of planning premises?**

1. Internal and external
2. Tangible and intangible premises.
3. Controllable and uncontrollable premises

**11. Define Decision Making**

Decision Making is defined as selection of a course of action from among alternatives. It is a core of planning. A plan cannot be said to exist unless a decision – a commitment of resources, direction or reputation has been made. Until that point, there is only planning studies and analysis.

**12. What are the three approaches in selecting an alternative?**

1. Experience
2. Experimentation
3. Research and Analysis

***Experience:***

Relying on past experience, the choice among alternatives is selected to avoid mistakes.

***Experimentation:***

A firm may test a new product in a certain market before expanding its sale nationwide.

***Research and Analysis:***

The trend in research and analysis is simulation i.e. to develop mathematical tools.

**13. What is TOWS metrics?**

The TOWS metrics is a conceptual framework for a systematic analysis, which facilitates matching the external threats and opportunities with the internal weakness & strength of the organization. In the TOWS metrics 'T' stands for threat's 'O' stands for opportunities 'W' for weakness and 'S' for strength.

**14. Forecasting:**

Forecasting is the process of predicting future conditions that will influence and guide the activities, behaviour and performance of the organization. **EG:** forecasting the output by sales department.

**16 Marks**

1. Explain the Process of decision making with neat diagram.
2. Define MBO. Explain the process of MBO with the merits and demerits.
3. Explain the various types of planning.
4. Mention and explain the steps in planning with neat diagram.
5. Describe the steps in rational decision making?
6. Explain how formal organization is different from informal organization
7. Discuss about the factors determining an effective span of management
8. Write short note on types of departmentation and matrix organization
9. Explain the concept of functional authority. How do you delegate?
10. Explain the concept of decentralization?

**UNIT 3****2 marks****1. Define Organization.**

An identified group of people contributing their efforts towards the attainment of goals is called an organization. Organization is the process of establishing relationships among the members of the enterprise.

**2. What is the purpose of Organization?**

- ✓ Facilitates Administration
- ✓ Increases the efficiency management
- ✓ Stimulates creativity and innovation
- ✓ Facilitates growth and diversification and
- ✓ Facilitates co-ordination and communication.

**3. What is organizing?**

Organizing refers to the formal grouping of people and activities facilitate achievement of the firm's objectives. **Organizing** may be defined as the process of

- i) Identifying and classifying the required activities **i.e. Job Design**
- ii) Grouping the work to be performed **i.e., Departmentation**
- iii) Defining and delegating responsibility and authority **i.e. Delegation of authority**
- iv) Span of Control

**4. What is Job design?**

Job design is usually broad enough to accommodate people's needs and desires. It may be especially appropriate to design jobs for exceptional persons in order to utilize their potential. People spend a great deal of time on the job and it is therefore important to design jobs so that individuals feel good about their work. Two important goals of job design are,

- To meet the organizational requirements such as higher productivity, operational efficiency, quality of products/service etc.
- To satisfy the needs of the individual employees like interests, challenge, achievement etc.

**5. What is Organisation Structure?**

In organisation structure simply by means the systematic arrangement of people working for the organisation. The organisation is concerned with establishment of positions and relationship between positions. The organisation structure has two dimensions.

1. Horizontal
2. Vertical

**6. What is an Organizational chart?**

According to George Terry, “Organizational chart is a diagrammatical form, which shows the important aspects of an organization including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in charge of each respective function”. It is a representation of the framework or structure of an organization. It may be a vertical or top-down chart, horizontal or left to right chart and circle or concentric chart.

**7. Uses of Organisation Chart**

1. The organisation chart pinpoints the weakness of an organisation. This will help to overcome the short coming of organisation.
2. It tells quickly who is responsible for particular function.
3. It is useful in showing nature of an organisation and changes if any in the existing staff and new comers.

**8. Distinguish between authority and power**

Power is the ability of individuals or groups to induce or influence the beliefs or actions of other persons or groups. Authority in organisation is the right in a position to exercise discretion in making decisions and affecting others.

**9. What are the different bases of power?**

1. Legitimate Power
2. Referent Power
3. Reward Power
4. Coercive Power

**10. Functional Authority**

It is the right which is delegated to an individual or a department to control specified processes practices, policies or other matters relating to activities, undertaken by persons in other departments.

**11. Formal Organization**

The structure of jobs and positions with clearly defined functions and relationship as prescribed by the top management and bound by rules, systems and procedures.

**12. Informal Organization**

A network of interpersonal relationships that arise when people associate with each other.

**13. Departmentation**

The organizational process of determining how activities are to be grouped is called departmentation. Departmentation is a means of dividing the large and complex organization into smaller, flexible administrative units.

**14. Empowerment**

Empowerment means that employees, managers or teams at all levels in the organization are given the power to make decision without asking their superiors for permission.

**15. Decentralization**

The tendency to disperse decision making authority in an organized structure. \

**16. What do you mean by a strategy?**

Strategy is defined as the determination of long-term objectives of an organisation. Making the best choices for the future and allocating the resources necessary to accomplish the objectives.

**17. What is decision making?**

Decision making is defined as the selection of a course of action among alternative courses of action. Decision making should be rational. Decision making involves a choice among alternatives.

**18. What is the purpose of planning?**

- ✓ To determine the direction of an organisation
- ✓ To provide a basis for team work
- ✓ To minimise wastages in the future
- ✓ To facilitate decision making
- ✓ To improve morale of the employees.

**19. State the importance of HRM?**

- ✓ To achieve competitive advantage over other organisation.
- ✓ To improve the efficiency of the organisation.
- ✓ For the fuller utilization of available resources.
- ✓ Cost effective administration.

**20. State the importance of staffing:-**

- ✓ It helps to make use of the Organisational resources.
- ✓ It provides effective and efficient personals to the organisation.

Helps to discover talented and competent persons. Planning and executing all those activities are associated with recruitment, selection, training, and Performance appraisal and career development in known as human resource management.

**21. What is span of control?**

Span of control tells the ratio between superiors and subordinates. Usually organizations are having two different types of spans. They are

- ✓ Wide Span
- ✓ Narrow span

**16 Marks**

1. Enumerate in detail about the selection process which is widely followed in selecting IT professionals. Also highlight the different techniques used in selection process. (Draw the figure)

2. Bring out the factors affecting centralization / decentralization. Also highlight the merits and demerits of centralization and decentralization with examples.

3. Explain in detail about delegation of authority.

4. What do you mean by departmentation? Discuss in detail about the different strategies adopted in departmentation?
5. Explain detail about performance appraisal with neat diagram.

## UNIT 4

### 2 MARKS

#### 1. Define Direction.

Direction may be defined as the process of instructing, guiding and inspiring human factors in the organization to achieve organization objectives.

#### 2. State two important characteristics of Directing.

Any two characteristics of Directing are:

- ✓ Directing is an important managerial function through which the management initiates actions in the organisation.
- ✓ It is a continuous process and it continues throughout the life of the Organization.
- ✓

#### 3. Mention the importance of Leadership

- ✓ Motivating Employees
- ✓ Leader develops team work
- ✓ Better utilization of manpower
- ✓ Creating confidence to followers
- ✓ Directing group activities
- ✓ Building morale
- ✓ Maintaining discipline

#### 4. Name the various leadership styles.

- ✓ Autocratic or Dictatorial leadership
- ✓ Participative or Democratic leadership
- ✓ Laissez – faire or Free – rein leadership

#### 5. What are the advantages of democratic leadership?

- ✓ The subordinates are motivated by participation in decision – making process. This will also increase job satisfaction
- ✓ Absence of leader does not affect output
- ✓ Labour absenteeism and turn – over will be minimum
- ✓ The quality of decision is improved
- ✓ The leader multiplies his abilities through the contribution of his followers.

#### 6. What is laissez-faires

Complete freedom is given to the subordinates so that they plan, motivate, control and otherwise be responsible for their own actions.

**7. List out the human factors in managing.**

The Human factors in managing include:

- ✓ Multiplicity of roles
- ✓ Individuality and
- ✓ Personal dignity.

**8. Define creativity.**

Creativity is defined as the ability to produce new and useful ideas through the combination of known principles and components in novel and non-obvious ways. Creativity exists throughout the population largely independent of age, sex and education.

**9. What are the steps involved in creative process?**

Creativity is defined as the ability to produce new and useful ideas through the combination of known principles and components in novel and non-obvious ways. The steps involved in creative process are:

- ✓ Saturation
- ✓ Preparation
- ✓ Frustration and incubation
- ✓ Inspiration or illumination
- ✓ Verification

**10. How are problems solved by creative tool?**

Creativity tools are designed to help you devise creative and imaginative solutions to problems. Creativity tools are designed to help you devise creative and imaginative solutions to problems.

**11. What is a SCAMPER tool?**

SCAMPER is a checklist that helps us to think of changes where

- S - Substitute
- C - Combine
- A - Adapt
- M - Modify
- P - Put to another use
- E - Eliminate and
- R - Reverse.

**12. What is a meant by reframing matrix?**

Reframing matrix is a simple technique that helps to look at business problems from a number of different viewpoints. The approach relies on the fact that different people with different experience approach problems in different experience approach in different ways.

**13. What are the steps involved in simplex tool?**

Simplex tool is an industrial-strength creativity tool. The steps involved in simplex tool are:-

- ✓ Problem finding
- ✓ Fact finding
- ✓ Problem definition
- ✓ Idea finding
- ✓ Selection and evaluation
- ✓ Planning
- ✓ Sell data and
- ✓ Action.

**14. Differentiate Innovation and Invention.**

Innovation means the use of creative ideas. It is not only relevant to high-tech enterprises but also crucial for old-line, traditional companies, which may not service without the infusion of innovation.

Ex: A new product or a service.

Invention means really finding new things that are not already available. It is mostly applicable in the field of science.

Ex: Invention of radio.

**15. How can be harmonizing objectives achieved?**

Harmonizing objectives can be achieved through:

- ✓ Mutual trust
- ✓ Cooperation and understanding and
- ✓ Workers participation in management.

**16. Define Multiplicity of Roles.**

Individuals are not only the productive factor in management Plans. They are members of social system of many organizations.

**17. Mention the various factors involved in using motivational techniques:**

- ✓ Money
- ✓ Reward : intrinsic and extrinsic
- ✓ Participation
- ✓ Quality of working life

**18. What is job enrichment?**

Building into jobs a higher sense of challenge and achievement. (or) Job enrichment is therefore based on the assumption that in order to motivate personnel, the job itself must provide opportunities for the achievement, recognition, responsibility, advancement and growth.

**19. What are the limitations of job enrichment?**

1. Job enrichment is based on the assumption that workers want more responsibility. But, in practice, most of the workers may prefer less responsible jobs with good social interaction. Such workers may show feelings of inadequacy and fear of failure to job enrichment.

2. Some jobs cannot be enriched beyond a certain point.

**20. Give the required guidelines to make effective job enrichment.**

1. Use job enrichment selectively after taking into account situational variables such as job characteristics, personal characteristics of employees, Organisational level etc.

2. Provide a supportive climate for innovation and change.

**21. Define Leadership**

Leadership is the process of influencing the behavior of others towards the accomplishment of goals in a given situation. Leadership is the ability to influence others and enthusiastically making them to achieve the desired results.

**22. What is Communication?**

Communication is passing of information from one person to another person with understandable manner.

**23. Mention the various elements in the process of communication**

- ✓ Sender
- ✓ Communication Channels
- ✓ Symbols
- ✓ Receiver
- ✓ Noise and feedback in communication

**24. List the different types of communication flow**

- ✓ Downward Communication
- ✓ Upward communication

**25. Explain the creative process?**

**Creativity:** Creativity is the ability to create large number of ideas quickly. Creative process has interacting and over lapping phase. It has four phases:

- ✓ Unconscious Scanning
- ✓ Intuition
- ✓ Insight
- ✓ Logical Formulation

**Unconscious Scanning:** A condition beyond consciousness.

**Intuition:** It connects unconscious with conscious

**Insight:** It is the result of hard work

**Logical Formulation:** referred to as verification

**26. What is brainstorming?**

This kind of training is given to increase people's creativity and decisional ability. These types of training individual participants are encouraged to give their own ideas to resolve the existing problem.

**16 MARKS**

1. Explain briefly about three theories of Motivation.
2. Explain in detail about the various functions of Leader.
3. Discuss in detail about the Creativity and Innovation.
4. Explain the various types of Leadership with its different styles.
5. Discuss in detail about the process and types of Motivation.
6. Explain the different characteristics of a Leader.
7. List the tools and techniques used in operating management system.
8. Explain briefly about MIS.
9. Explain the different barriers and breakdowns of communication process.
10. Explain the different types of Budgets.
11. Difference between Motivation and Satisfaction.



**UNIT 5****2 MARKS****1. What is Feed Forward Control?**

Feed Forward Control involves evaluation of input and corrective measures before a particular sequence of operation is completed. It is based on timely and accurate information about changes in the environment.

**2. What is Concurrent Control?**

Concurrent Control is also known as "real-time" or steering" control. It provides for taking corrective actions or making adjustments while the programmes is still in operation and before any major damage occurs.

**3. List out the important features of controlling?**

- ✓ Function of Management.
- ✓ Continuous function
- ✓ Future -oriented and
- ✓ Action-oriented.

**4. What is Flexible Budget?**

Flexible Budget is one which is designed to change in accordance with the level of activity actually attained. It is suitable when the estimation of demand is uncertain and the enterprise works under conditions of lack of material and labor power.

**5. What are the benefits of control?**

- ✓ Control eliminates actions which deviate or which is not in conformity with the cherished goals of the firm.
- ✓ It offers enough information for future planning and Organising.

**6. List out the characteristics of Control function?**

- ✓ Functional Management
- ✓ Continuous function
- ✓ Future-oriented
- ✓ Action-oriented
- ✓ Measuring the performance and
- ✓ Planning the control

**7. What are the basic steps involved in the process of controlling?**

- ✓ 1 establishment of standards
- ✓ measurement of performance
- ✓ comparing performance with the slandered
- ✓ taking corrective action
- ✓

**8. What is performance Appraisal?**

Performance appraisal is the system of measuring Employee performance and giving feedback to the employee regarding his performance.

**16 MARKS**

1. Explain the difference between Japanese and US Management.
2. Explain in detail about MNCs.
3. Discuss in detail about the techniques used for improving Productivity.

4. Explain the term „Reporting”.
5. Explain in detail the preventive control mechanism towards achieving a unified global management theory.
6. Impact of IT in Management concept – Discuss.
7. Discuss in briefly about the various functions of MNC.
8. Explain in detail about the Globalization and Liberalization.
9. Explain in detail reporting and ROI.
10. Write down the management concept in Germany.
11. Explain in detail the various forms of International business.