



SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)



Accredited with 'A' grade by NAAC
Jeppiaar Nagar, Rajiv Gandhi Salai, Chennai - 600 119.

SBA1101 - PRINCIPLES OF MANAGEMENT & PROFESSIONAL ETHICS

Dr.S.Poornapushpakala/Dr. Rekha Chakravarthi
School of Electrical & Electronics Engineering
Sathyabama Institute of Science and Technology



Overview

- Detailed Syllabus
- Recommended Text Books/ Reference Books
- Unit -1 Management Functions and Structure
- Definition – Management
- Nature of Management
- Levels of Management



SBA1101	PRINCIPLES OF MANAGEMENT AND PROFESSIONAL ETHICS		L	T	P	Credits	Total Marks
			3	0	0	3	100

COURSE OBJECTIVE

To familiarize engineering students with the concepts of Management useful for Managing their own enterprise or to work in a professional organization in Managerial capacity and to provide them an ethical outlook.

UNIT 1 MANAGEMENT FUNCTIONS & STRUCTURE

9 Hrs.

Management - Definition -Role of managers- Levels of management-Basic Function - Contribution of Taylor & Fayol. Types of structures - Line, staff, Functional, Committee and Project & Matrix - Structures. Departmentalization - Centralization - Decentralization - Span of control. Management by COURSE OBJECTIVES (MBO)- Management by Exception (MBE).

UNIT 2 MANAGEMENT OF ORGANISATION

9 Hrs.

Forms of Business / Industrial Ownership - Sole Trader, Partnership, Joint stock Company, Performance Appraisal - Basic Principles - Pitfalls - Methods to Overcome. Industrial Safety - Causes of Accidents - Cost of Accidents - Measures to avoid Accidents. Plant Layout & Maintenance - Need, Types & Managerial Aspects.

UNIT 3 ORGANISATIONAL BEHAVIOUR

9 Hrs.

Organisational Behaviour - Definition - Nature & Scope - Contributing Disciplines - Importance of OB to Managers. Personality - Definition - Theories - Factors Influencing Personality. Motivation - Definition - Theories. Transactional Analysis. Morale & Job Satisfaction - Factors Influencing Job Satisfaction.

UNIT 4 GROUP DYNAMICS

9 Hrs.

Group - Definition - Types - Determinants of Group Cohesiveness. Communication - Process - Barriers - Effective Communication. Leadership-Definition- leadership styles- Theories of leadership - Factors Contributing to Effective Leadership. Trade Unions- Role of Trade Union in Organizations - Types and Functions of Trade Unions.

UNIT 5 PROFESSIONAL ETHICS

9 Hrs.

Ethics in Workplace - Formulation of Ethics - Managerial Ethics - Managing Ethical Behaviour - Codes of Ethics - Encouraging Ethical Behaviour - Ethical Leadership - Ethical Decision making. Corporate Social Responsibility (CSR) - Intellectual Property Rights (IPR)- Meaning- Laws relating to Intellectual Property Rights (IPRs)

Max. 45 Hours

TEXT / REFERENCE BOOKS

1. Gupta C.B., Management Theory and Practice, 14th Edition, Sultan Chand & Sons, 2009.
2. Dr. Prasad L.M., Principle & Practice of Management, 7th Edition, Sultan Chand & Sons, 2008.
3. Aswathappa, Organisational Behaviour, 8th Edition, Himalaya Publishing House, 2010.
4. Dr. Prasad L.M., Organisational Behaviour, 4th Edition, Sultan Chand & Sons, 2008.
5. Harold Koontz, Principles of Management, 1st Edition, Tata McGraw Hill, 2004.

END SEMESTER EXAM QUESTION PAPER PATTERN

Max. Marks : 100

PART A : 10 Questions of 2 marks each-No choice

PART B : 2 Questions from each unit of internal choice, each carrying 16 marks.

Exam Duration : 3 Hrs.

20 Marks

80 Marks



Recommended Text Books/ Reference Books

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Unit -1

Management Functions and Structure



Detailed Syllabus

UNIT – 1 – MANAGEMENT FUNCTIONS AND STRUCTURE

Management

Definition

Basic Functions

Contributions of Taylor and Fayol

Types of structure

Line

Staff

Line and Staff

Functional

Committee

Project and Matrix Structures

Departmentalization

Centralization

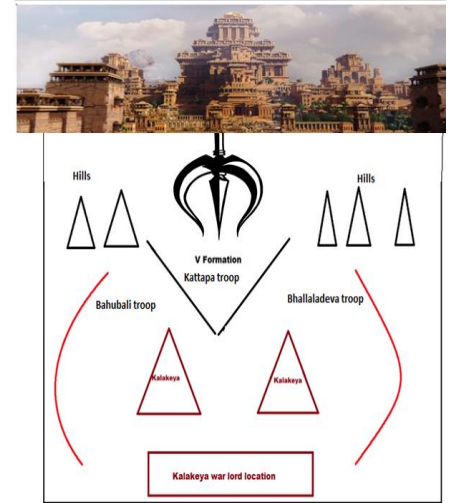
Decentralization

Span of Control

Management by Objectives

Management by Exception

Definition – Management



Definition – Management

Group of people working in an organization to develop to attain the common goal of the organization by utilizing the available resources-**Management**

To manage is to forecast and plan, to organize, to command, to co-ordinate and to Control – **Henry Fayol**

Management is the art of knowing exactly what you want your men to do and then seeing that they do it in the best and the cheapest way – **F.W Taylor**

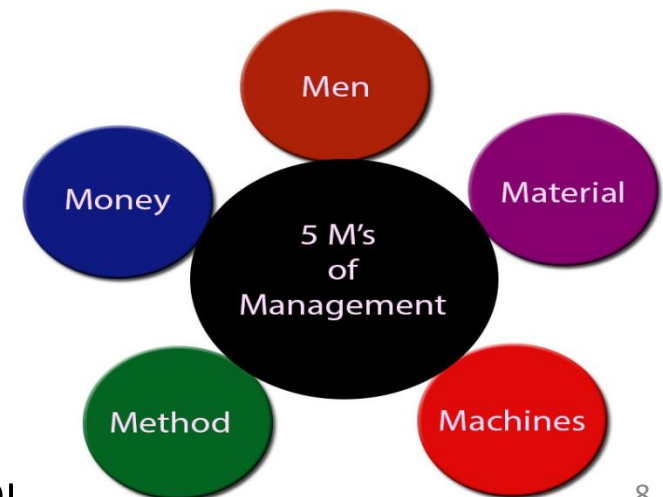


Resources – 5 M

Men, Machine, Material, Money, Methods

Main Objective of Management

- Managing the work done by the people
- Management - coordinates and regulates the activities of various members of an organization





Nature of Management

- **It is a Universal Activity:** relevant in every sphere of activity. army, government, private household work etc.
- **It is goal oriented:** focuses attention on the attainment of specific objectives. Ex. a business may aim for a particular level of sales.
- **It is an Intellectual activity:** requires application of mind and intelligence. Every work needs to be properly planned and Executed. Ex. in a manufacturing unit It has to work in proper co-ordination with the other departments.
- **It is a process:** it is process consisting of various stages/ functions. Planning is the starting point of management and control is its last stage.
- **Management is both art and science:** Ex. if the workers in a factory demand more pay and threaten to go on strike if their demand is not considered. Here the skill of the manager will help.
- **It is a social process:** management deals with the behavior of individuals and groups. In a work place individuals work as a team.
- **It is an on going activity:** Management will exist as long as there are human activities.
- **It is intangible:** it is invisible cannot be seen. But it can be felt.
- **Management is a Profession:** like medical, law and engineering, management has also come to be recognized as a profession.



5 Ms of MANAGEMENT

Resources – 5 M

M-n

M-c---e

M-t----l

M---y

Me---ds



Nature of Management

- 1. Management is a Profession**
- 2. It is an Intellectual activity**
- 3. It is a social process**
- 4. It is goal oriented**
- 5. It is a process**
- 6. It is an on going activity**
- 7. It is intangible**
- 8. It is a Universal Activity**
- 9. Management is both art and science**

- A. Relevant in every sphere of activity. army, government, private household work etc.
- B. Focuses attention on the attainment of specific objectives. Ex. a business may aim for a particular level of sales.
- C. Requires application of mind and intelligence. Every work needs to be properly planned and Executed. Ex. in a manufacturing unit It has to work in proper co-ordination with the other departments.
- D. It is process consisting of various stages/ functions. Planning is the starting point of management and control is its last stage.
- E. If the workers in a factory demand more pay and threaten to go on strike if their demand is not considered. Here the skill of the manager will help.
- F. Management deals with the behavior of individuals and groups. In a work place individuals work as a team.
- G. Management will exist as long as there are human activities.
- H. It is invisible cannot be seen. But it can be felt.
- I. Like medical, law and engineering, management has also come to be recognized as a profession.

Match the numbers with alphabets



Day 2 Unit -1

Management Functions and Structure

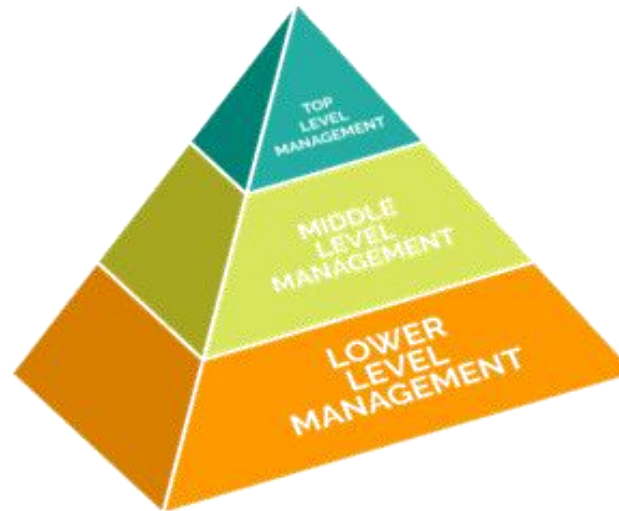
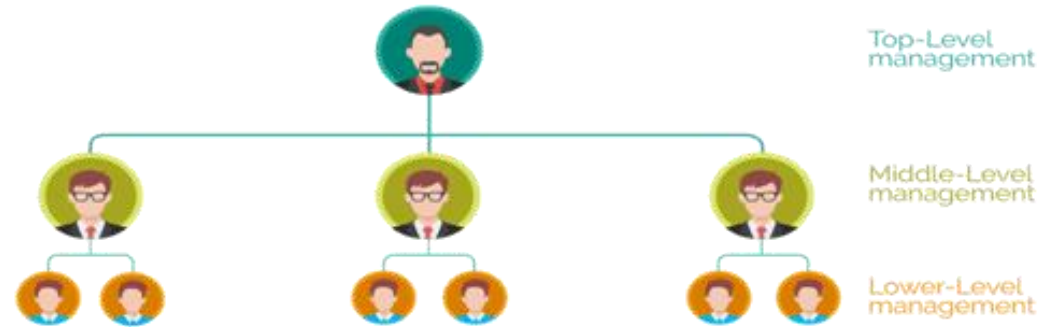


Summary of Previous day Lecture

Key Points to Remember

- Management
- 5M's
- Nature of Management

Levels of Management



- Top Level Management
- Middle Level Management:
- Lower Level of Management



Top Level Management

Top level management **derives its powers and authority directly from the owners** of the enterprise

Board of Directors, Chairman, Managing Directors, Chief Operations Officer (COO), Chief Executive Officer (CEO) etc

Functions

- Framing the **fundamental objectives** of the enterprises
- Frame **major policies** for the business
- **Design the strategies** for the attainment of organizational objectives
- **Appoint key managerial personnel** for the middle management
- **Develop master plans** in areas of finance, human resource, technology, marketing and other functions of organization
- Deals with **Government trade association** in order to represent business issues



Middle Level Management

Responsible for carrying out the goals set by the top management

Departmental managers (Head of Department) like Production managers, Marketing managers, Personnel managers, Finance manager, Regional manager and other managers

Functions

- Play the **role of linking pin** between top level management and lower level management
- **Explain the objectives, strategies, policies** laid down by the top level management to the low level management
- **Communicates the problems, suggestions**, and view points of the lower management to the top level management
- **Submit the reports on the performance** at the various departments to the top departments
- Prepare the **departmental plans**
- Offer suggestions and recommendations to the top management for **the betterment of overall management** of the enterprise



Lower Level of Management

LLM is called as **operating level management** or supervisory level. supervisors, the foreman, the sales officers the accountants the sectional officers

Functions

- **Do day to day operational planning** in view of the instructions given by the middle level management
- **Provide necessary instructions** to operators for the best performance of their assigned job
- **Supervise the work of operators** to ensure that their performance is in accordance with the **standards laid down in plans**
- Submit reports on the **performance of operating staffs** to the middle management
- Operate as a **channel of communication** between the middle management and the operators
- **Problems, suggestions and recommendations** of operators are informed by them to **the middle management**

Functions of Management





Planning

Planning is **deciding in advance**

Planning provides the basis against which the **actual performance can be measured**

It **determines the priorities of the business** and tells what should be done first

Nature of Planning

- Goal Oriented
- Intellectual activity
- Primary function of management
- All pervasive
- Continuous process at all levels
- Process of forward looking

Organizing

- Divides the total work into different parts for the better performance
- Provides authority and responsibility
- Answerability and Accountability on the part of a subordinate to his superior
- Identification of the activities to be performed
- Grouping of activities



Staffing

Organization must employ the **right number and right kind of employees to do various jobs**

If there are more number of employees than the required then the **cost of operation** will be more

Nature of Staffing

- Recruitment and selection of employees
- Training, wages and salary administration
- Performance Appraisal
- Employees transfers, Promotion, Demotion and Termination



**Get
Right People
for the right Job !**

Directing

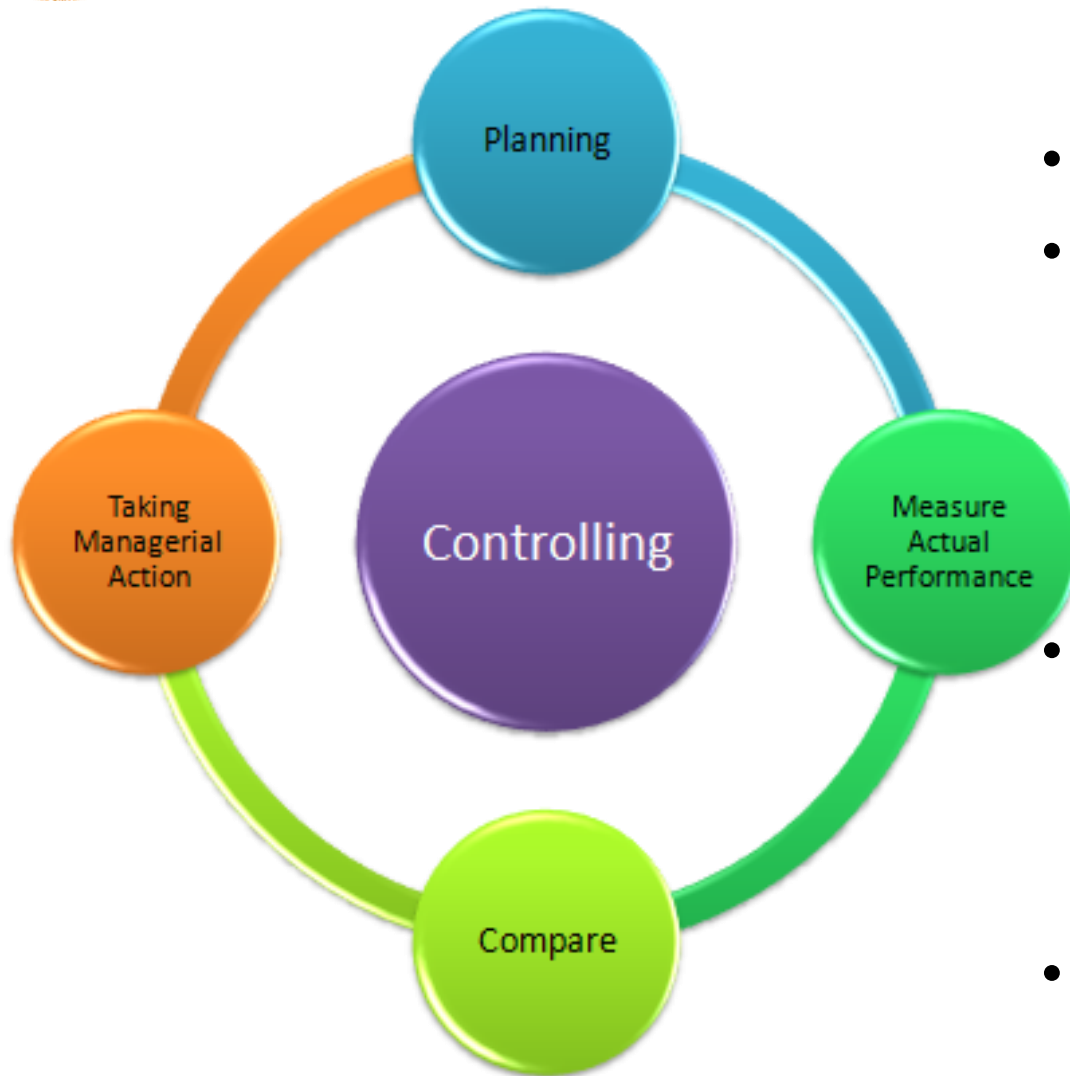
Guiding the subordinates towards the **attainment of common objectives**

The direction function involves the following four elements:

1. **Leadership**: Guiding & influencing the work of others in choosing and attaining specified goals.
2. **Communication**: Telling the workers exactly **what they are required to do, how to do and when to do it**. Creates clear understanding in the minds of others.
3. **Motivation**: To motivate the people to work harmoniously for the attainment of desired objectives.
4. **Supervision**: A process to check agreement between planned and actual result is maintained to ensure great quality of output.



Controlling



- Controlling is **looking back**
- Control enables a business organization to know whether the plan has been **successfully implemented**
- Making a **comparison between the actual performance and the standard set**
- Finding **out deviations and taking corrective actions**



Summary

- Sales Officers
- Managing Directors
- Supervisors
- Foreman
- Chief Executive Officer (CEO)
- Production Managers
- Board Of Directors
- Marketing Managers
- Chief Operations Officer (COO)
- Personnel Managers
- Primary function of management
- Divides the total work
- right number and right kind of employees to do various jobs
- Guiding the subordinates
- looking back



Difference between Administration & Management

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



GOOD MANAGER

Manager is a person who has the ability or strength to **coordinate, motivate** and **guide all the personnel working** under him

To make sure they attain the **organizational goal** in the **most efficient manner**

Qualities of a Good manager

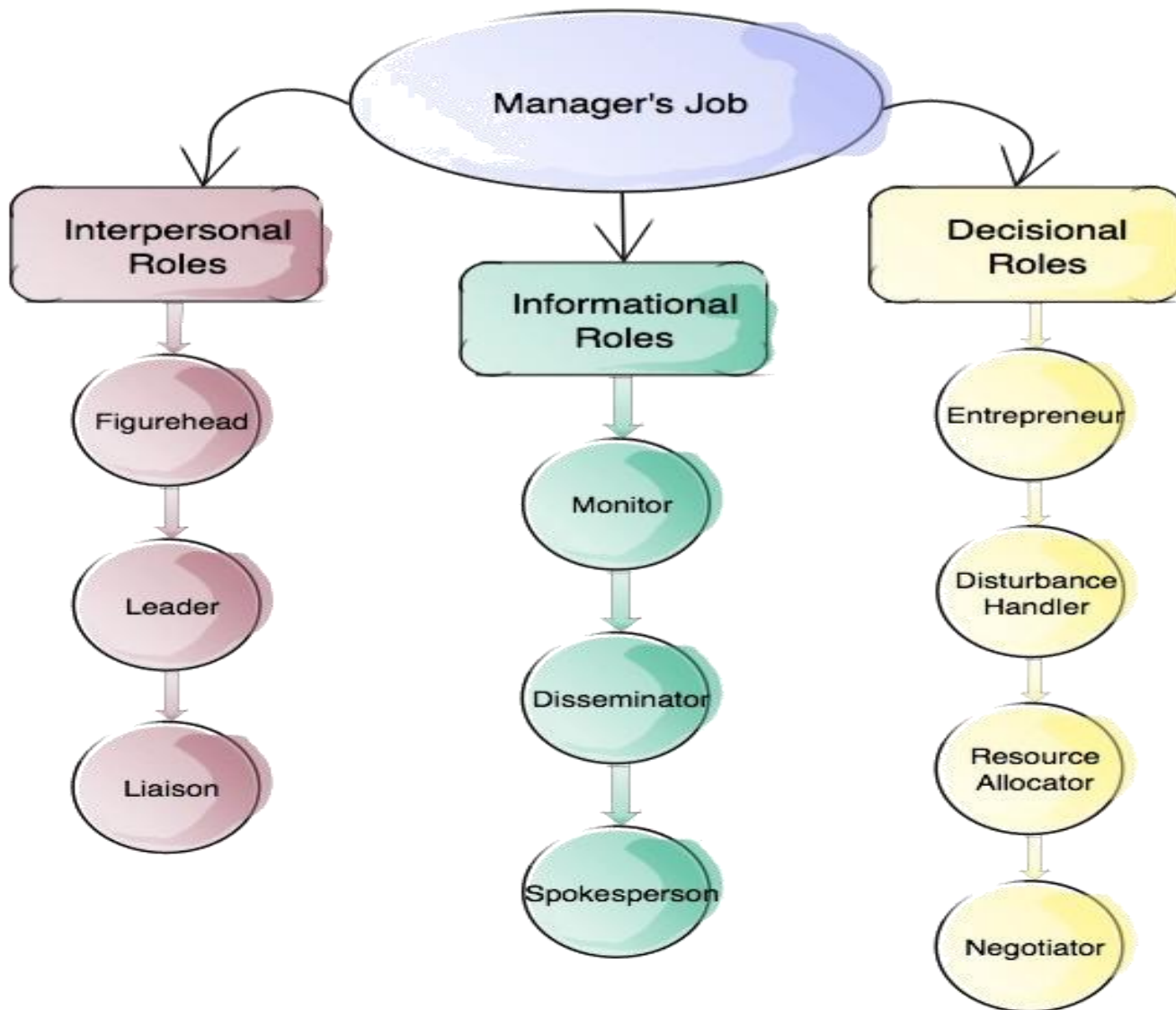
- Good Education, Technical Knowledge, Personality, Communication skills, Honesty, Positive thinking, Control Management, Motivation, Leadership qualities, Coordination, Decision making (planning, forecasting), Innovative, Good analysis, Risk taking.



Great Qualities of Manager



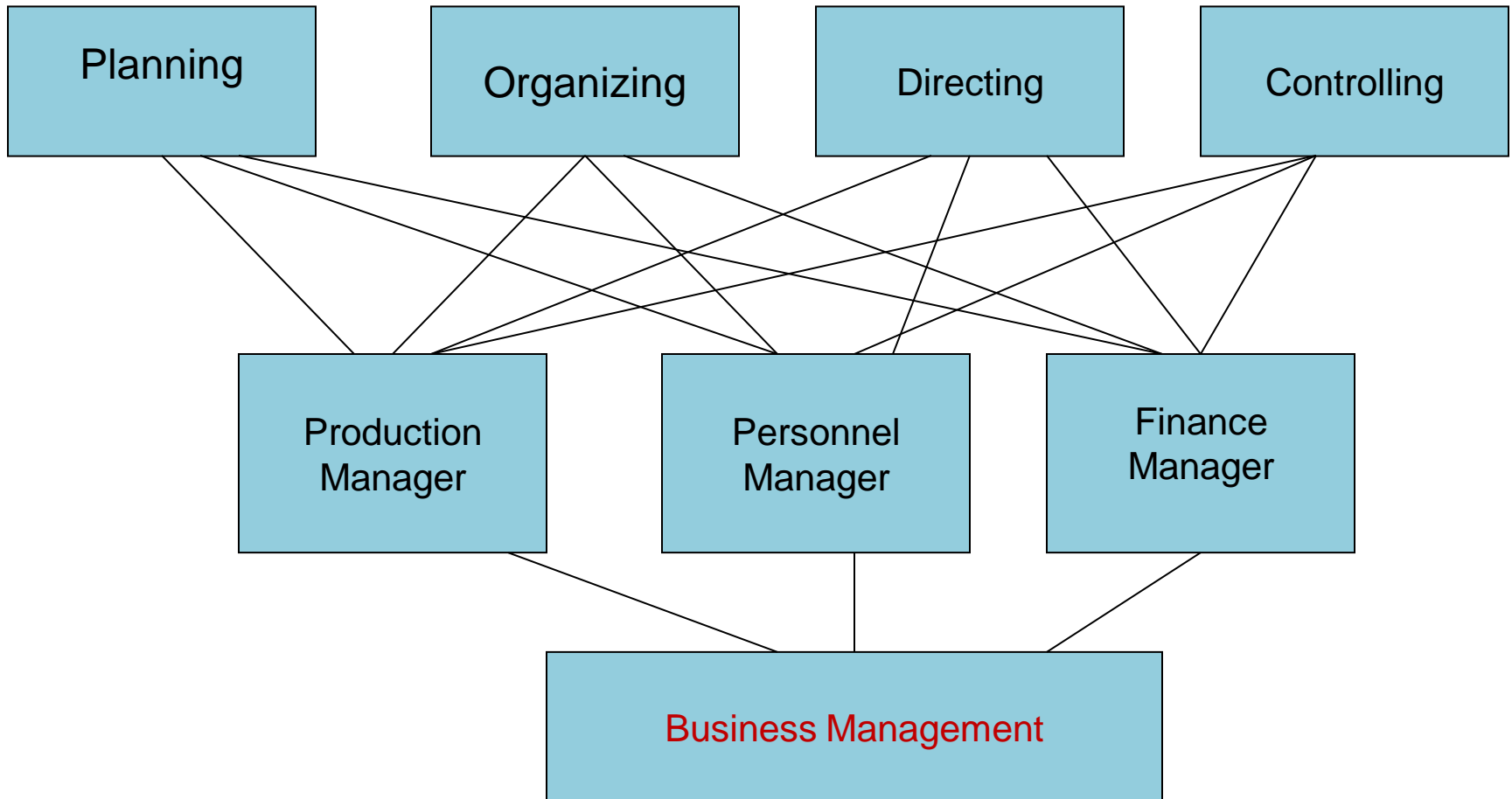
Role of Manager



Role of Manager

INTERPERSONAL	Figurehead	Performs ceremonial and symbolic duties such as greeting visitors, signing legal documents
	Leader	Direct and motivate subordinates, training, counseling and communicating with subordinates
	Liaison	Maintain information links both inside and outside organization; use mail, phone calls, meetings
INFORMATIONAL	Recipient	Seek and receive information links both inside and outside organization; use mail, phone calls and meetings
	Disseminator	Forward information to other organization members; send memos and reports and make phone calls
	Spokesperson	Transmit information to outsiders through speeches, reports and memos
DECISIONAL	Entrepreneur	Initiate improvement projects, identify new ideas, delegate idea responsibility to others
	Disturbance Handler	Take corrective action during disputes or crises; resolve conflicts among subordinates; adapt to environmental crises
	Resource Allocator	Decide who gets resources, scheduling, budgeting, setting priorities
	Negotiator	Represent department during negotiation of union contracts, sales, purchases, budgets; represent department interests

Scope of Management





Production Management

Concerned with the *proper planning, organizing, directing, coordinating* and *controlling* the production activities

- *Creation* of the factory building
- *Acquisition* of the necessary plant and machinery
- *Purchase* and *storage* of the raw materials
- Attaining the *targeted levels* of production
- *Quality Control*



Personnel Management

Concerned with the management of the *human resources* of a business organization

- *Man power planning*
- *Recruitment* and *selection* of employees
- Employees *training*
- Determination of the correct *remuneration*
- *Performance* appraisal
- *Promotion , transfer, demotion* and *termination*

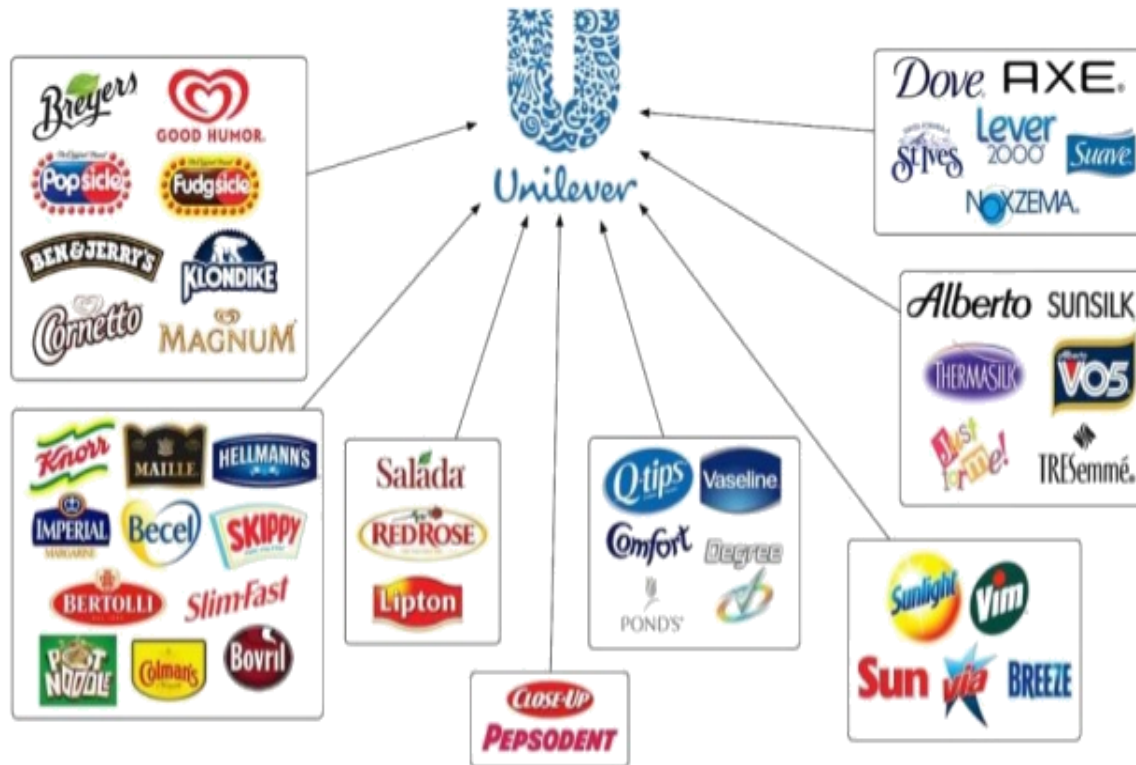


Financial Management

Deals with fixed capital to acquire fixed assets like land and ***buildings, plant and machinery, furniture*** etc and working capital to buy ***raw materials, pay salaries*** and wages to meet the routine expenses

Marketing Management

Unilever products



Activities designed to **plan**, **price**, **promote** and **distribute**, **satisfying products** and **services** to present and potential customers

They deal with

- **Product Planning** important decision in respect of the product
- **Product Mix** whether to manufacture one product or a number of products
- **Product Modification** to alter outdated products.
- **Product Elimination** to drop unsuccessful products

Marketing Management



Product Modification

Refers to the *improvement of the existing products* by making necessary *changes in the characteristics, nature, size, packing and colour* etc., of the products so that the changes in demand of consumers may be dealt effectively





Product Modification

Examples

How to improve Marketing



Importance of Management

Achievement of Group Goals:

- Management enables an enterprise to achieve its **desired objectives through proper planning and control**
- Decides **what should be done and how**
- Lays down the **long term and short term goals** keeping in mind the **resources of the enterprise**

• Optimum utilization of resources:

- Management makes the **workers efficient and motivate through training, supervision**
- Managers **guide and motivate** workers towards **best performance**

• Fulfillment of social obligations:

- Management monitors the environment of business and makes **necessary changes in business policies and practices**



Importance of Management

- ***Stability of Management:***

- Ensures the **survival of an organization** in a fast changing environment
- **Coordinates the activities** of different departments

- ***Human development:***

- Management improves the **personality and caliber of people** to raise their efficiency and productivity
- A good manager **serves as a friend and guide** to his subordinates.
- Provides **vision and confidence**

- ***Meets the challenge of change:***

- Managers maintain a dynamic equilibrium b/w and enterprise and its development through **innovation and creativity**



Contributions of Henry Fayol's

Henri Fayol's 14 Principles of Management

Division of Work

Authority and Responsibility

Discipline

Unity of Command

Unity of Direction

Subordination of Individual Interest to General Interest

Remuneration of Personnel

Centralization

Scalar Chain

Order

Equity

Stability of Tenure

Initiative

Esprit de Corps



General principles of management

1. Division of work:

- Total work to be done is **divided into small parts**, each entrusted to a particular individual
- As each **individual performs only a particular activity**, he becomes **specialist in due course**

2. Authority and Responsibility:

- Authority is the **official right of the manager**.
- Virtue of his official position.
- **Responsibility is the duty**, on the part of a subordinate to account for the work done by him

3. Discipline:

- Fayol says that employees must follow the **discipline by being obedient**, by applying themselves fully in the task undertaken by being energetic and leader must be efficient to enforce discipline

4. Unity of Command:

- An employee should **receive orders from one superior** only and is accountable to him alone
- If there are **two superiors for an employee** he will not know whom he should report to and whose orders he should carry out first.



General principles of management

5. Unity of direction:

- Each group of activities having the same objective, should have one head and one plan, the efforts of all the members of departments must be directed towards the attainment of that departmental target

6. Subordination of Individual interest to common interest:

- Interest of the individual should be based on common interest
- Should be maintained by constant supervision and fair agreement

7. Remuneration of Personnel:

- Remuneration payable to the employees should be fair and should give maximum satisfaction to both the employees and the employers
- Should be based on cost of living, financial position of the company etc.

8. Centralization:

- Authority at a particular place is centralization and dispersal of authority in different places of the organization is known as decentralization
- Based on the size of the organization

9. Scalar chain:

- Chain of superiors ranging from the highest to the lowest level in the organization
- Every communication should follow the prescribed line of authority



General principles of management

10. Order:

- Two types to order, **material order and social order**
- **Material order** means everything in its place, in order to avoid loss of material
- **Social order** means the selection of the right man for the right job

11. Equity:

- **Ensures fairness, kindness and justice** in the treatment of employees by their managers
- Managers shall be **impartial** in their dealings with their subordinates

12. Stability of Tenure of Personnel:

- An **employee shall not be shifted** unnecessarily from one job to another
- An employee should be given enough opportunity to learn every aspect of his work only then he will become an expert in his time of work

13. Initiative:

- **Freedom to think and act** is what initiative is
- An employee who has the **freedom to think** and act in an organization will show greater interest in his work and this will lead to a higher level of job satisfaction

14. Espirit De Corps:

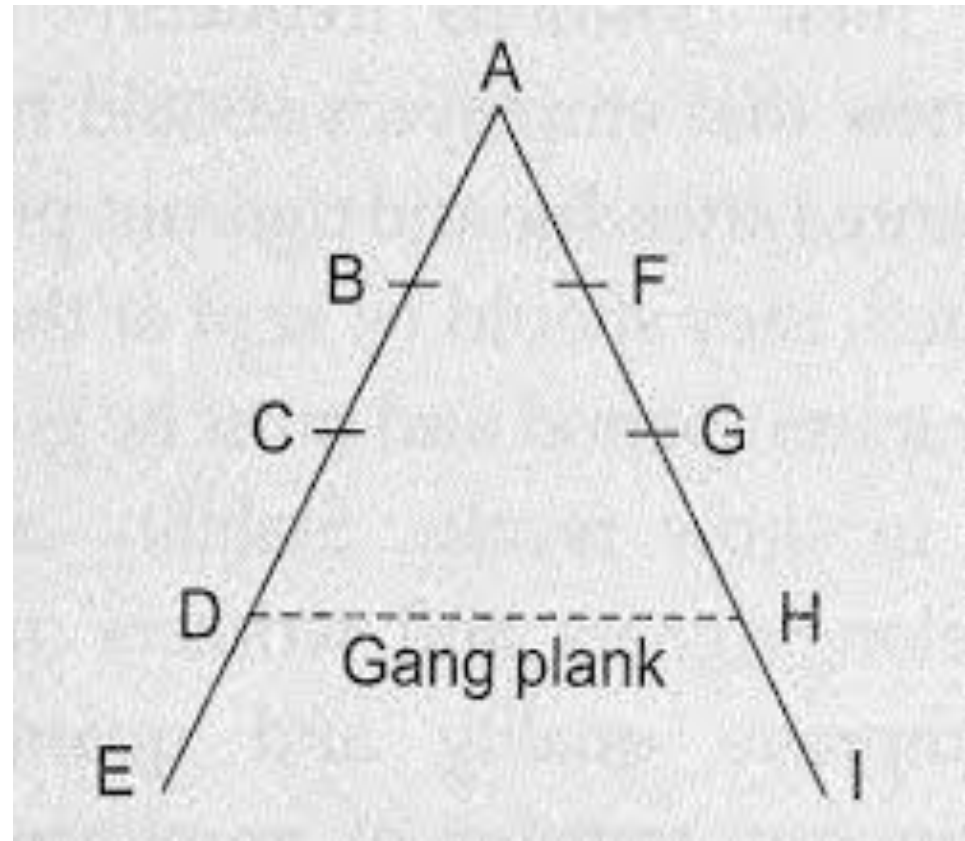
- **Union is strength, team spirit and co-operation** among the members of an organization are essential for its success



General principles of management

Gang Plank

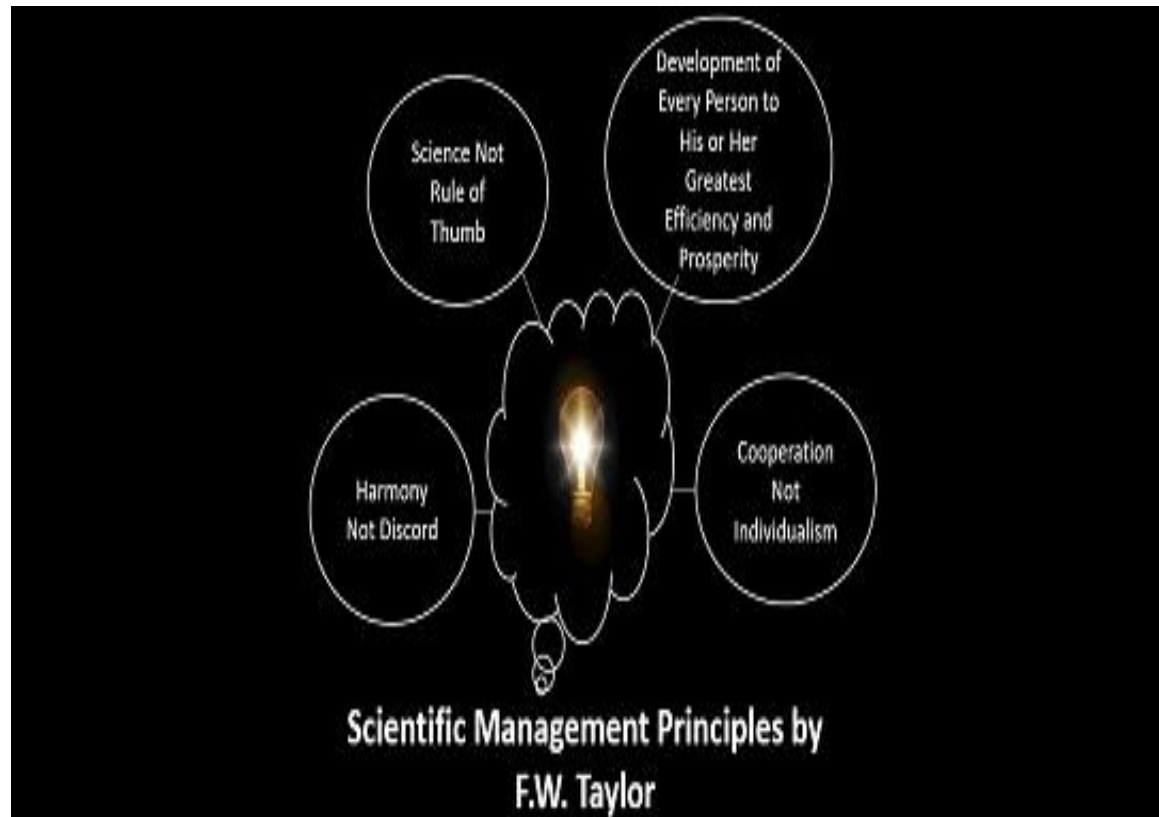
If E wants to communicate anything to I, it will be route through DCBAFGH and if I wants to convey any information to E, it will pass through HGFABCD. In such an arrangement there is scope for delay. So to avoid delay E and I may establish direct contact with each other after obtaining permission from their respective superior namely D & H.



Contributions of Fredrick Winslow Taylor

- *Father of scientific management*

Art of knowing exactly what you want your men to do and seeing that they do it in the best and the cheapest way





Principles of Scientific Management

1. Science, not the rule of thumb

Scientific management **requires scientific study** and **analysis of each element of a job** in order to replace the old rule of thumb method

Decisions should be made on the **basis of facts** rather than opinions and beliefs

2. Scientific selection training and development of workers

Workers should be selected and trained in accordance with the **requirements of the jobs**

Placement of workers will be done based on their **capacities**
Training enables the workers to perform their **duties with maximum efficiency**



Principles of Scientific Management

3. Harmonious relationship between the workers and the management

Scientific management enables efficient workers to **earn more as payment is linked to output**

As the **management is also benefited** as a result of increased output, there **exists harmonies relationship** between the workers and the management

4. Co-operation between

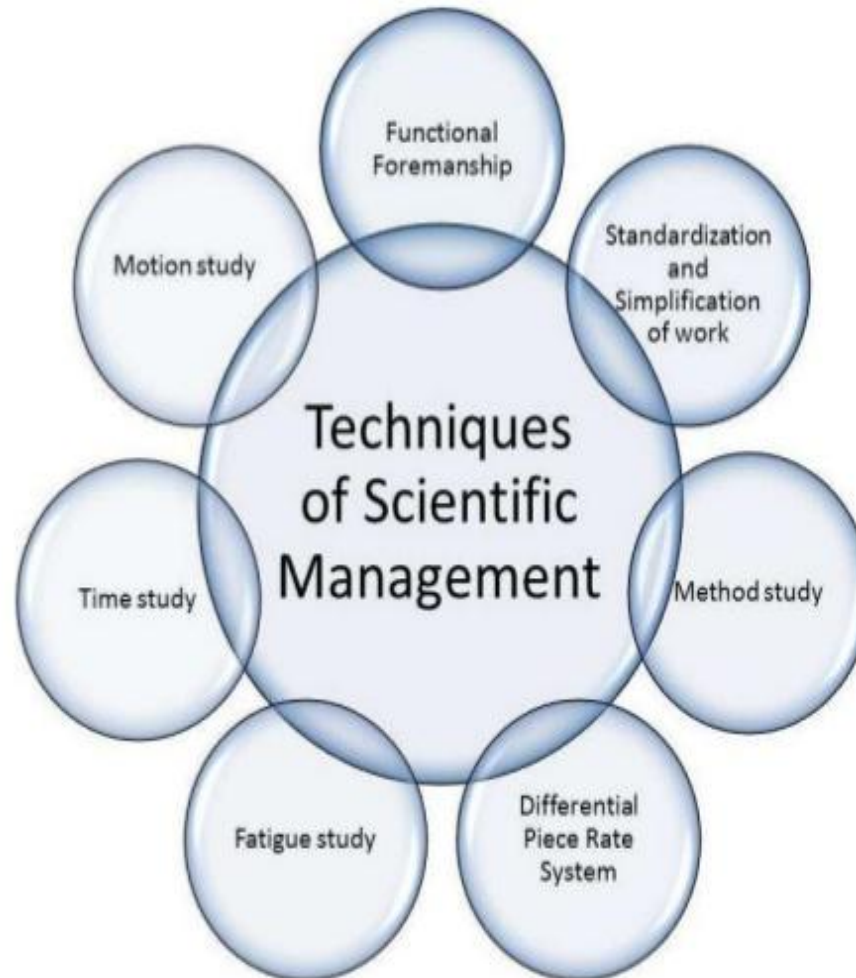
(i) Workers and the management & (ii) between workers.

Management **expect higher profits**, if the **workers work** with **maximum efficiency** then the management comes forward recognizes their efficiency and reward them

5. Maximum and not restricted output

More output enables the workers to earn **more remuneration**

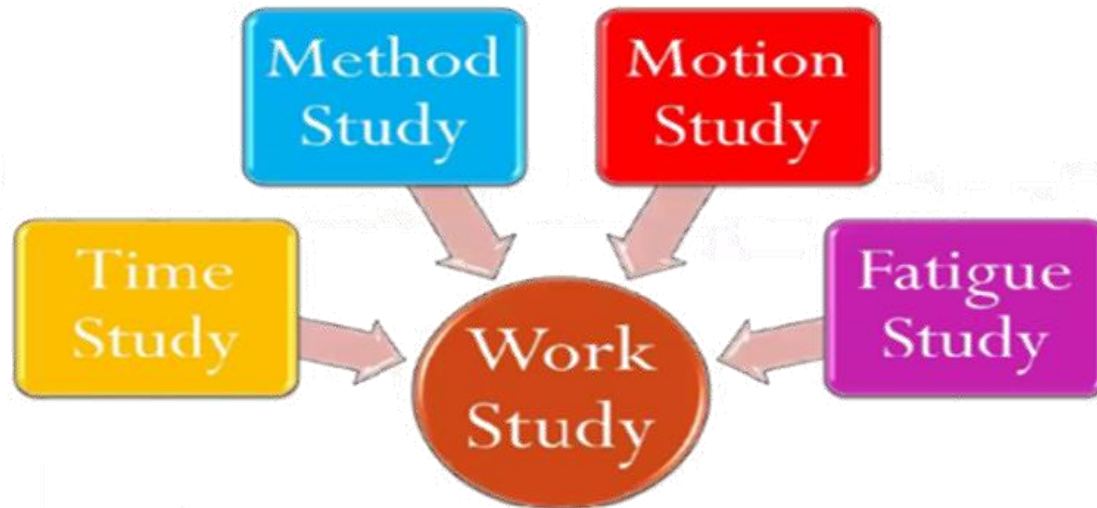
Techniques of Scientific Management





Techniques of Scientific Management

1. **Work Study** aims at **improving efficiency under scientific management** (the amount of work an average worker can do under standard working conditions is determined) this is called **fair day's work** to determine the fair day's work the following are used.
 - (a) **Time Study** : the objective of conducting the time study is to determine the standard time needed to perform every job, for this the various elements are associated with the job are identified and the time taken to perform each such elements is recorded.
 - (b) **Motion Study**: this is conducted to know the movement of workers from one place to another during working hours to perform their work. The idea is to identify and eliminate unnecessary and wasteful movements.

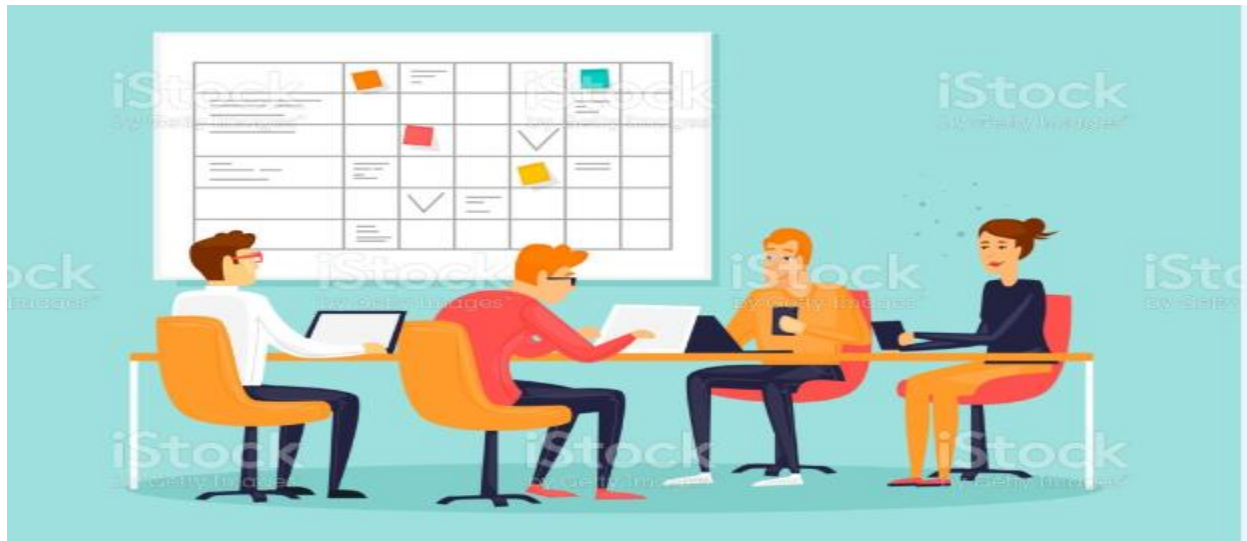




Techniques of Scientific Management

- (c) **Method study**: aims at determining the most appropriate method of doing any job.
- (d) **Fatigue study**; it determines the amount of physical and mental exhaustion caused to the workers by the performance of the task assigned. The idea is to provide for intervals breaks, when necessary so that the workers would not feel tired.

2. **Scientific Task Planning** Lays down **production targets** and ensures their attainment **lower costs of production, specialization , optimum use of resources, sales maximization** etc are the other objectives of scientific task planning .





Techniques of Scientific Management

- **Routing**: concerned with the sequence of production operations
- **Scheduling**: prescribes deadlines for each work.
- **Dispatching**: concerned with issuing orders to carry out the work.
- **Feedback** – helps to check whether the work has been done as planned.

3. Scientific Selection, Placement and training of workers:

Right man to be appointed for the **right job** in every work place. A number of tests should be conducted to find out whether the candidates possess the required qualities.

4. Standardization and simplification:

Under scientific management **the product, the materials** used for its **manufacture, the tools and equipment** used, the methods used, quality, time and working condition are **all standardized**

Standardization ensures **uniformly and promotes efficiency**

Techniques of Scientific Management

5. Mental Revolution:

Taylor contemplated **mental revolution** on the part of both the **management and the workers on two issues**

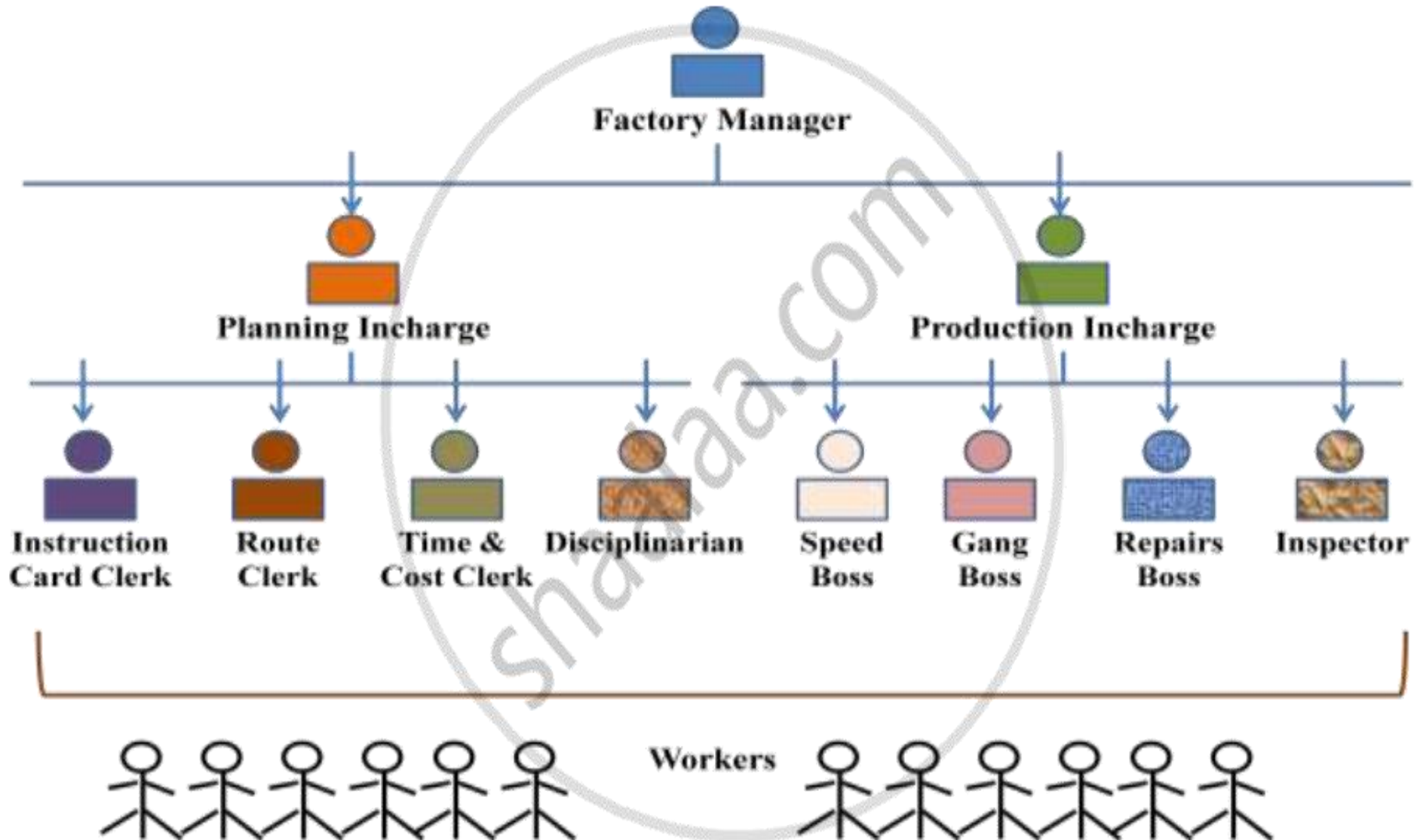
To work sincerely towards increasing the size of the surplus instead of quarreling over sharing the surplus.

MENTAL REVOLUTION

The basic idea behind the principles of scientific management is to change the mental attitude of workers and the management towards each other.



Functional Foremanship





Functional Foremanship

Taylor suggested a system of functional foremanship for a better performance of the factory work

Under this system there will be eight persons, three will work in the production planning dept, four in the factory and one person to secure proper coordination

Production Planning:

- **Route clerk:** To determine the sequence of operations to be performed in any work
- **Instruction card clerk:** Prepare the necessary instructions pertaining to the work and accordingly the workers will perform their duties
- **Time and Cost Clerk :** Frame the timetable for doing the various jobs, also keep the necessary cost records

The persons who will work in the factory are as follows.

- **Gang Boss:** To keep all the materials and tools ready so that the workers can start their work without any delay
- **Speed boss:** Ensure that each job is done well in time
- **Repair Boss:** Keep all the tools and machines in the factory in perfect condition
- **Inspector:** To ensure that the work is done in accordance with standard laid down by the planning department
- **Disciplinarian:** To coordinate the work of all the seven persons mentioned above



Departmentation

It is the process of **dividing and grouping the activities** and employees of an enterprise into departments. E.g. production department will look after.

Purchase department

- Purchase of **raw materials**
- **Maintenance of necessary records** pertaining to materials
- **Stores control**

PURCHASING *Department*



Production department

- Manufacture
- Quality control

Production
department





Departmentation

Marketing department

- Determination of sales targets
- Appointment of dealers and distributors
- Advertisement and sales promotion
- Monitoring the performance of sales man



Personnel department

- Recruitment and selection of employees
- Training
- Wage administration

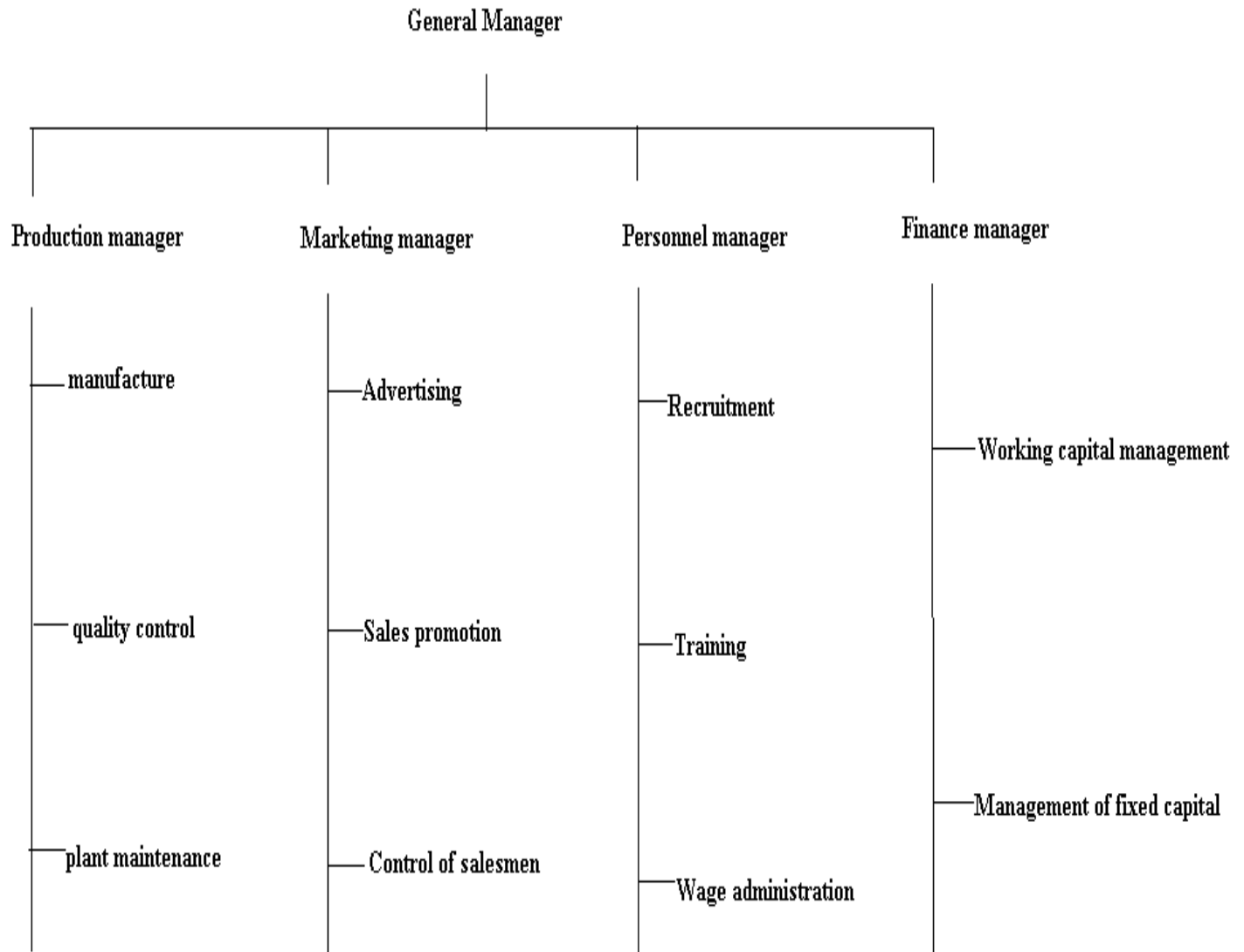
Finance department

- Provision of working capital
- Fixed capital for all other departments





Departmentation



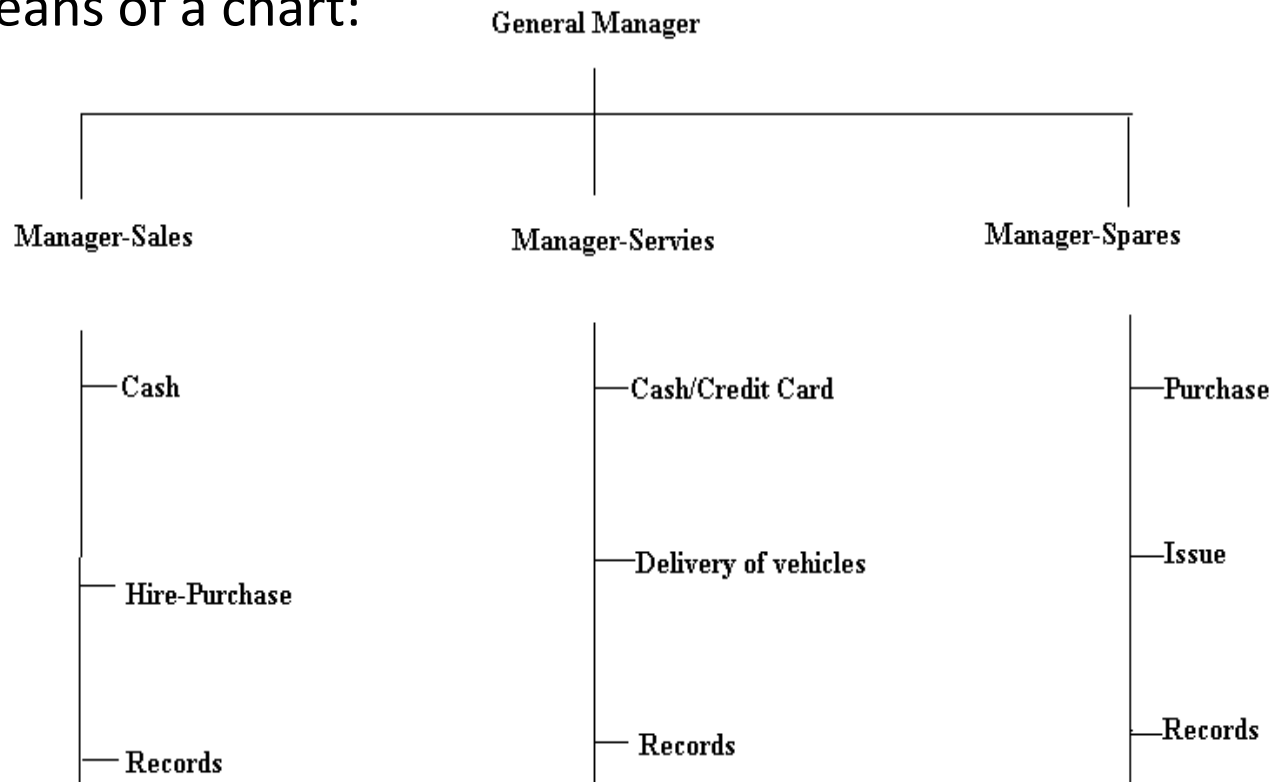


Basis of Departmentation

Dividing and grouping of activities and employees may be done by following patterns.

A) Departmentation by function :

- Functional departmentation by a concern selling cars may be shown by means of a chart:

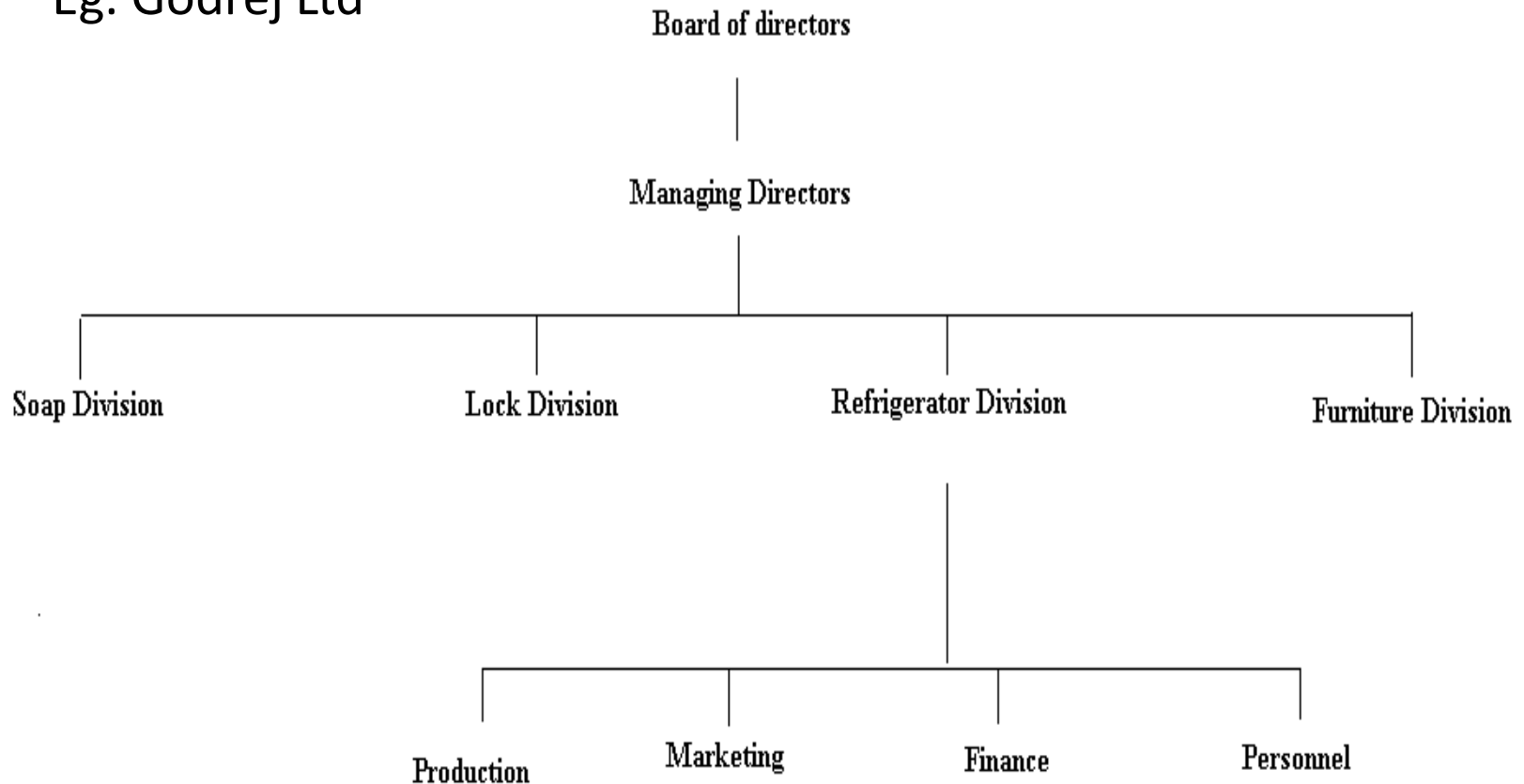




Basis of Departmentation

B) Departmentation by products:

- Suitable for those concerns who market **different lines of products**
- There may be separate division to look after the different activities
Eg. Godrej Ltd



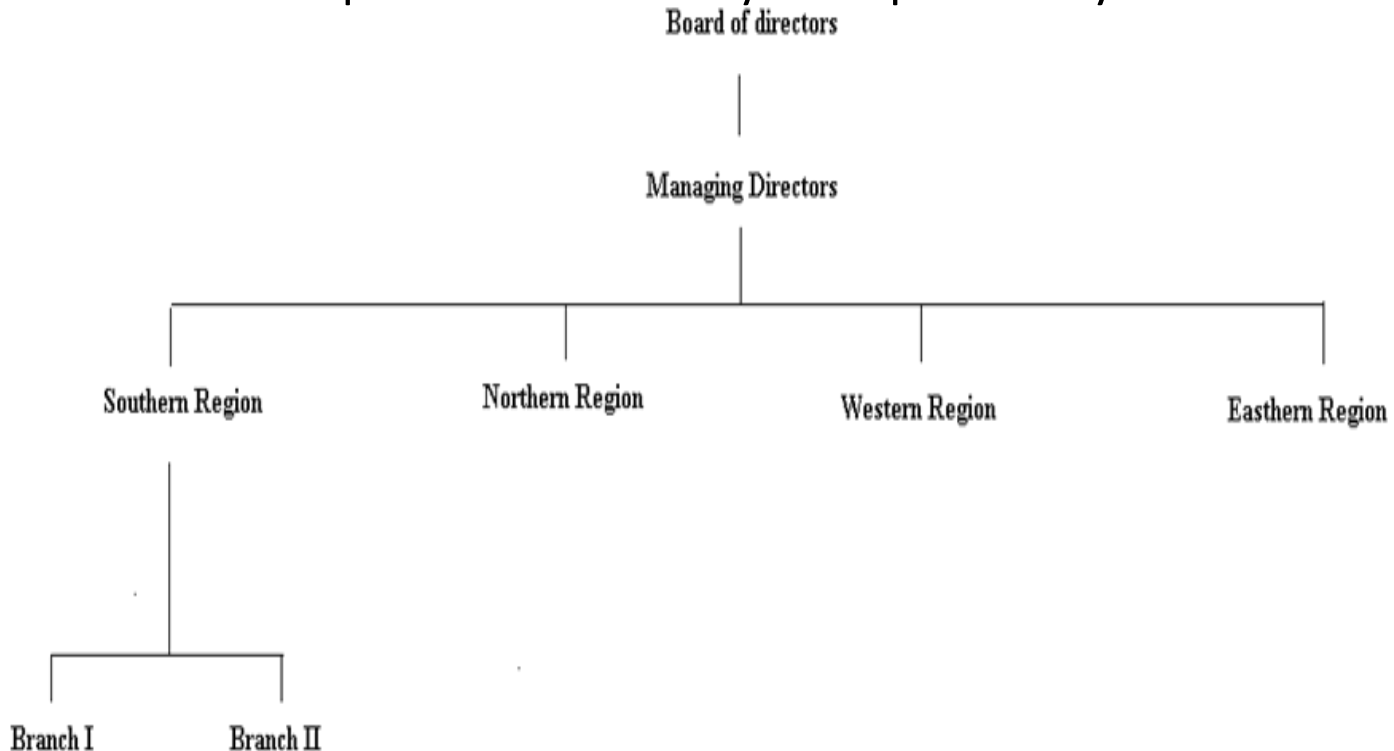


Basis of Departmentation

C) Departmentation by Territory

- Suitable for **banks, insurance companies, transport companies**, etc.
- Whose activities are **spread over the different parts of the country**
Eg. Indian railways
- Under territorial departmentation, **division of activities is done region-wise or branch-wise**

The idea of territorial departmentation may be explained by means of chart:



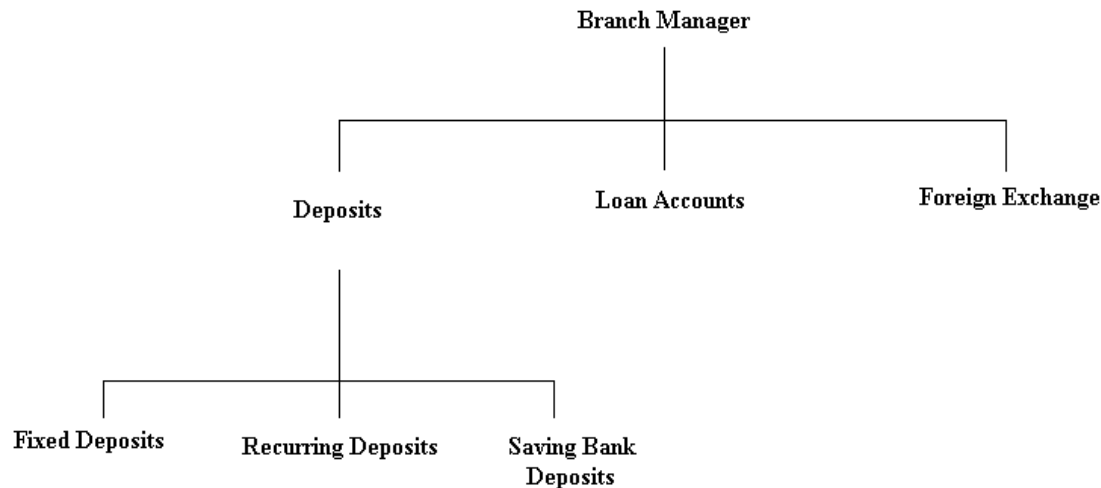


Basis of Departmentation

D) Departmentation by customers:

- Division of activities is done based on the needs of the customers
- Depositors of a commercial bank are segregated on the basis of the nature of their deposit account, i.e., fixed deposit account, recurring deposit account, savings bank deposit account etc.

This has been explained by means of a chart below:



E) Departmentation by Time and Numbers:

- Grouping of activities is done based on number of person engaged for the purpose
- Eg: In the army, the fighting troops are classified into battalions, brigades etc. based on the number of persons prescribed for each unit



Centralization

Refers to concentration of authority for decision making at higher levels of management

Merits:

1. Consistency in decision making:

Decisions are taken by a small group of managers at top levels of management.

2. Strong top management:

Centralization of authority strengthens top management and it is a position to provide out-standing leadership to the whole enterprise by virtue of its vast authority.

3. Lower cost of administration:

In a centralized set up of the organization, cost of administration is lesser because the enterprises can operate with a limited number of managers

4. Broad approach to managing:

In centralization, the top management has a broad outlook to managing, as it takes decisions from the system's perspective – viewing the functioning of the organization as a whole



Centralization

5. Discouraging inter-departmental conflicts:

Centralization discourages inter-departmental conflicts; because major decisions of departments are taken at top levels of management

6. Optimum utilization of resources:

Under centralization, there is an optimum utilization of organizational resources, because of rational allocation of scarce resources among different uses

7. Efficient handling of emergencies:

In centralization, there is an efficient handling of emergency by top management, and it can overcome organizational crises in an intelligent and planned manner



Demerits

1. Heavy burden on top management:

- Heavy burden of management work on **top management** as it has to do **strategic planning, policy formulation and controlling** over the whole organization.

2. Organizational growth retarded:

- **Centralization retards** the growth of organization
- Strategies of diversification, expansion programs cannot be practical for organization, as top management, already over-burdened with normal management work, can hardly find time to think in these directions.

3. Autocratic management:

- **Centralization** may lead to autocratic management, in the organization

4. Initiative discouraged:

- Centralization **discourages the exercise of initiative** on the part of **lower level managers**
- Creativity and innovative skills have no scope, in the organization

5. Delayed decision making:

In centralization, there is delayed decision making because of **top management is burdened** with many organizational issues and **cannot pay** timely attention to decision-making



Decentralisation

- Decentralization means **systematic dispersal of authority** in all departments and at all levels of management
- Authority of the enterprise is **dispersed (or distributed) among managers** of middle and specially, lower levels, and minimum authority is kept by the top management.

Demerits:

1. Lack of consistency in decision making:

Lack of consistency in decision-making, because a **large number of managers at lower levels** may decide the same issue in diverse manners

2. Weak top management:

- Top management is rather weak, as most of its powers to given away **among lower levels of management**
- **Not in a position to provide outstanding leadership** to the organization

3. Encouraging inter-departmental conflicts:

Decentralization encourages inter departmental conflicts because **different departmental managers take decisions in their own unique manner** and style by virtue of their vast powers

4. Inefficient handling of emergencies:

Lower level management may be frightened by emergencies and run the seek the shelter and guidance of top management for handling emergency situations.



Merits

1. **Light burden on top management:**

There is light burden on top management; as much of the management work is passed on to lower levels of management.

2. **Democratic management:**

Decentralization leads to democratic features in organizational functioning. In fact, under decentralization, management decision making power gets divided among a large number of lower rank managers.

3. **Initiative encouraged:**

Decentralization encourages the exercise of initiative on the part of lower level managers. They can think out and execute their innovative plans, for the overall betterment of organizational life.

4. **Superior decision making:**

Decision making is superior, in the sense that lower level managers are close to other situational factors, in the context of which decisions have to be made. In fact, they practically deal with situational factors and develop a better sense of their appreciation and tackling.



Span of Control

A span of control is the number of people who report to one manager in a hierarchy. The more people under the control of one manager - the wider the span of control. Less means a narrow span of control.

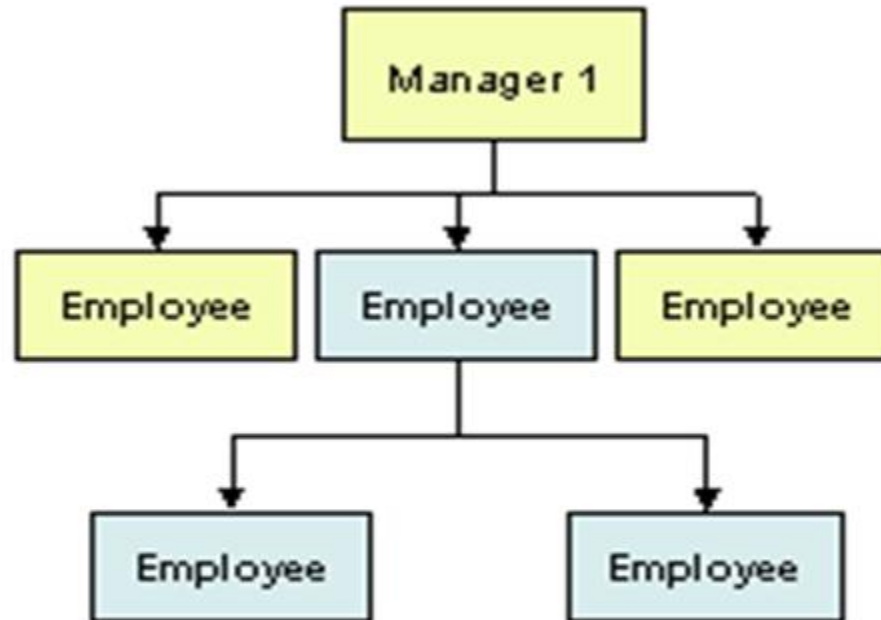
Span of Management

Span of management refers to the number of subordinates a manager can effectively handle, manage. A manager will be able to perform his basic work of guiding his subordinates and making them work only if he has the right number of such subordinates under him.

Eg. Class teacher— students, family—children



Example of Narrow span of Control



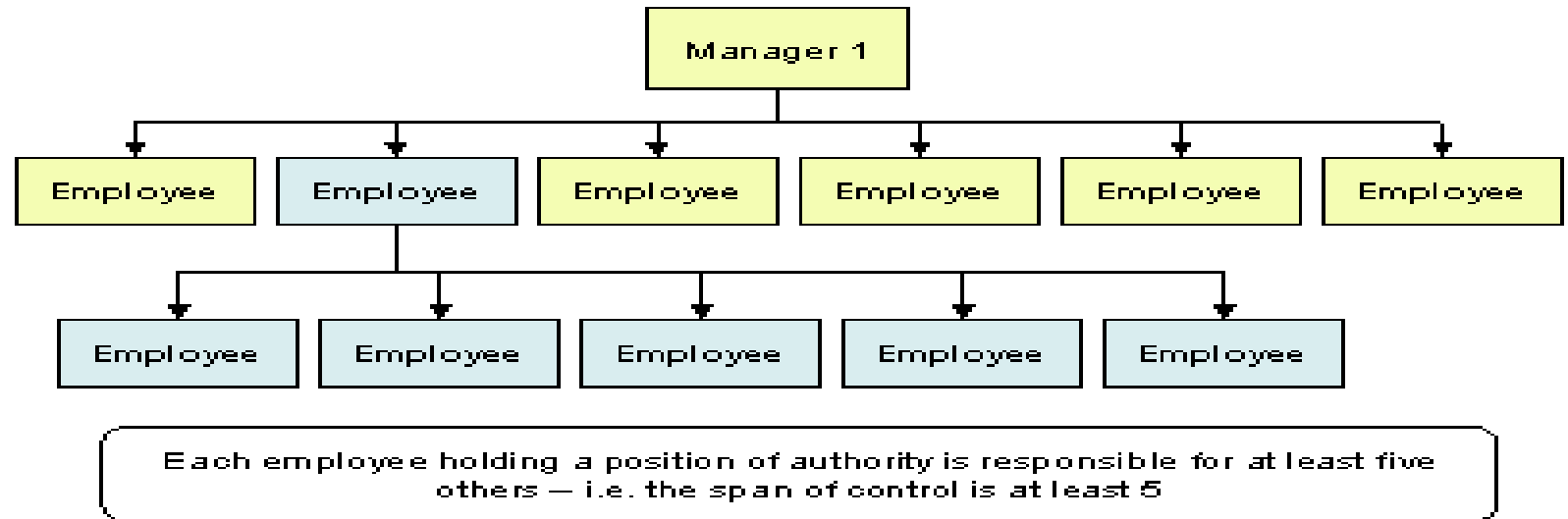
Each employee holding a position of authority is responsible for at least two others – i.e. the span of control is at least 2

The advantages of a narrow span of control :

- A narrow span of control allows a manager to communicate quickly with the employees under them and control them more easily.
- Feedback of ideas from the workers will be more effective

Wide span of Control

Example of a Wide Span of Control



Advantages of wide span of control:

- There are less layers of management to pass a message through, so the message reaches more employees faster.
- It costs less money to run a wider span of control because a business does not need to employ as many managers



Management By Objectives

It is a technique by which the superior and the subordinate jointly identify the objectives desired to be achieved by the subordinate in tune with the overall results expected.

Stages involved in the process of MBO

1. Establishment of objectives: once the basic objectives of the enterprise have been established. Objectives of individual departments will have to be set. The targets of the subordinates of every dept will be fixed in consultation with subordinates and superior. There shall be perfect coordination between the targets of the subordinates and those of the enterprise.

2.Periodical Review: the performance of the subordinates shall be reviewed periodically. The superiors provide appropriate direction for the effective performance. The target may be revised if it is found that the subordinates are not able to achieve.

3.Final review: the final meeting between the superior and the subordinate, if he achieved the target then he will be awarded with promotion or additional training will be given to him.



Management By Objectives





Management By Objectives

Advantages of MBO:

- It promotes better communication between the superior and subordinates.
- It gives the subordinate an opportunity to fix his target, in consultation with his superior.
- Subordinate fix the target based on his own potentials.
- They feel that they are motivated and take lot of effort to achieve the target.
- Periodical review helps him to go on his right direction.

Disadvantages of MBO:

- The superior and subordinates have to meet several times to set the objectives.
- Periodical review of the performance consumes more time and paper work.
- MBO has not much to do with the lower levels of management.



Management by Exception

- Management by Exception (MBE) is a "policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results."
- The concept of MBE was propounded by: **Frederick Winslow Taylor.**
- Attention and priority is given only to **material deviations** requiring investigation and correction. It is a part of motivational and control techniques.
- Its objective is to **facilitate management's focus on really important tactical and strategic tasks.**





Management by Exception

- Management of exception means two things:
 - First: *be selective*. Do not become overloaded with routine and unnecessary information. Keep your mind available for critical information, on which manager will be required to act.
 - Second: *make big decisions first*. To be overloaded with petty decisions may result in more important ones being neglected or what has been called “postponing decisions until they become unnecessary”.
- In short, management by exception means selectivity in information and priority in decision.



Organization

Organization consist of men, machines, materials, methods, money, functions, authority and responsibility

Task of organization is to unite or integrate these components effectively for the purpose of attaining the common goal

Definition

According to Allen, “Organization is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives”

According to Wheeler, “Organization is the structural framework of duties and responsibilities required of personnel in performing various functions within the company”



Organization Structure

An organization structure explains the **position and official relationships between the various individuals** working in an organization

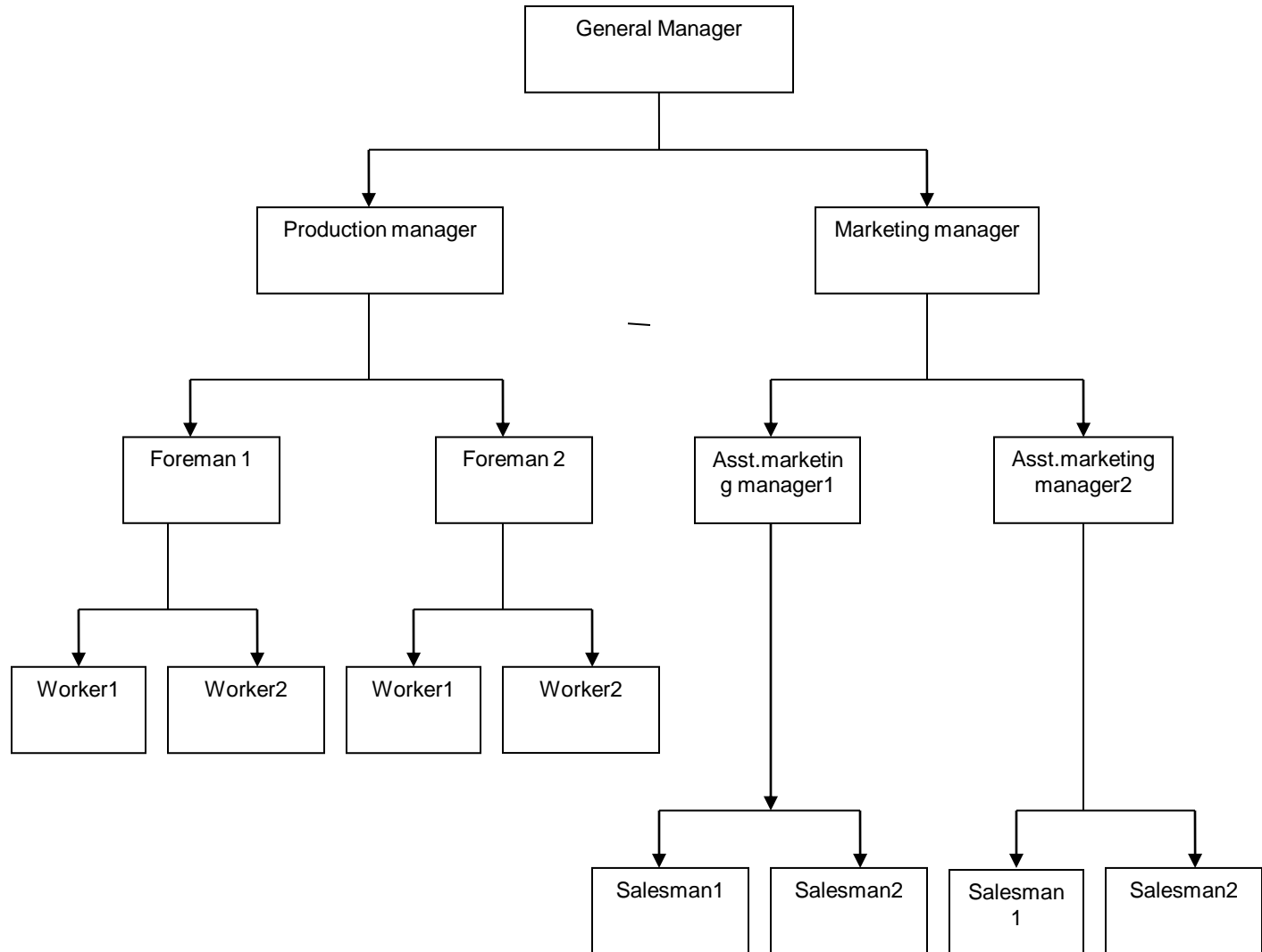
- Who is the top-most official in an organization?
- Who are the department heads? What are their functions?
- Who are the subordinate staffs in each department? Etc.....

Organization Chart

- **Diagrammatic presentation** of the organization structure
- Shows the **names, designations and functions** of the personnel in an organization

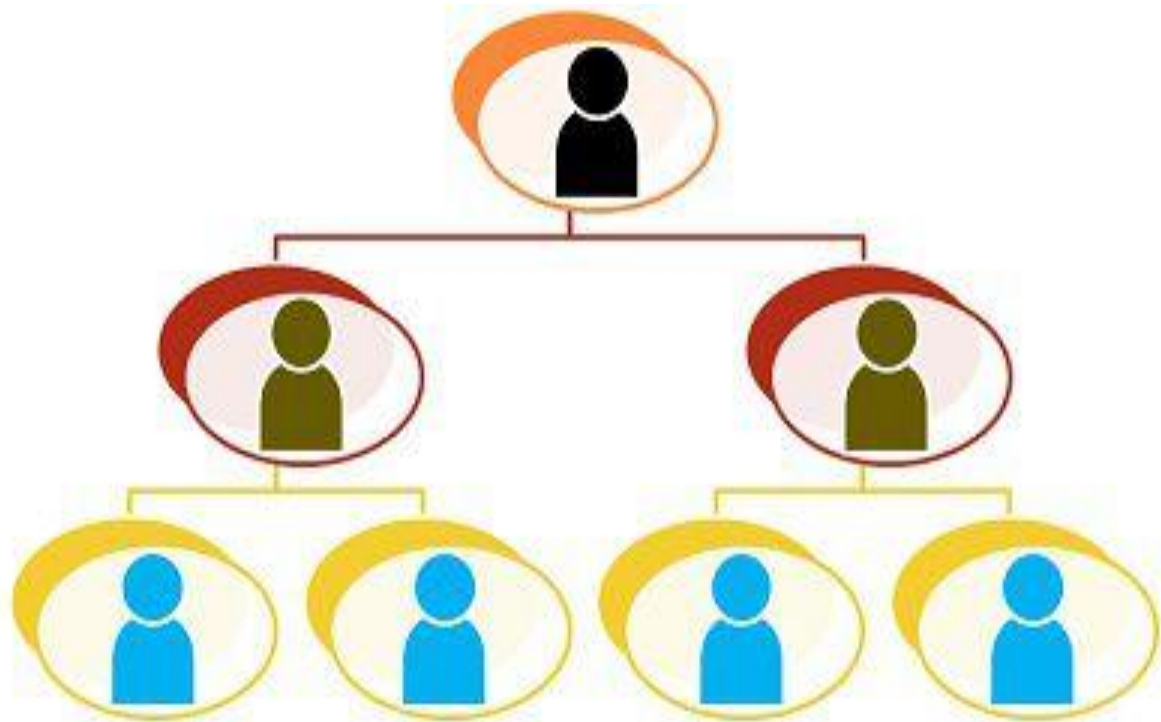


Specimen of an Organization Chart



Merits of Organization Chart

- Shows the **official positions of each individual** in an organization
- From the organization chart, it is possible to make out who the **superiors and subordinates**
- Gives **identity to the personnel in an establishment**
- Helps an **outsider to understand** the different designations in an organization





Difference Between Formal & Informal Organization

Formal Organization

1. Consciously and deliberately created
2. Authority and responsibility are vital for its functions
3. Rules and regulations are important
4. Expressed as an organization chart
5. Authority flows downwards and responsibilities flow upwards
6. Created only to attain the organization objectives
7. Designations and official positions are very important
8. Permanent and stable

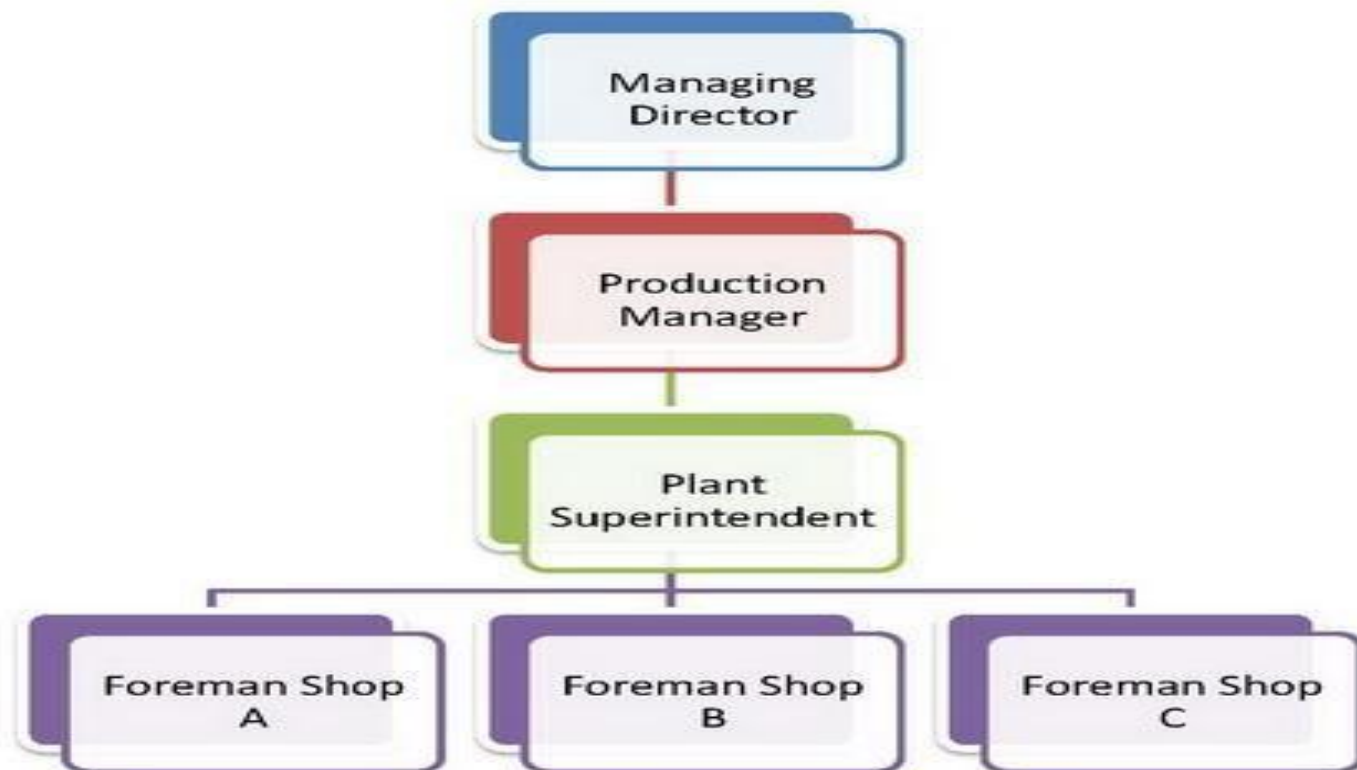
Informal Organization

1. Arises spontaneously
2. Only personal factors such as friendship, trust, confidence that are important
3. Personal relationship between individuals is more important
4. Cannot be expressed
5. No flow of authority
6. Created to fulfill the social needs of an individual
7. Designation and official positions are not important
8. Unstable



Forms of organization - Line organization

- Military organization
- Superior at the top level makes decisions and communicates his decisions and assigns certain work to his immediate subordinate.
- Vertical downwards flow of authority and an upward flow of responsibility in such an organization





Line organization

Merits

- No complicated relationship in this organization
- Easily be understood by anyone
- Clearly defines the authority and responsibility of each individual
- Each person knows clearly whom he should report to and who should report to him
- Unity of command i.e. a subordinate gets orders from one superior only
- Provides scope for better supervision
- Ensures greater discipline

Demerits

- Lacks specialization
- Line managers are overburdened with lot of work.
 - Eg. the marketing manager has to monitor sales and assess the performance of the sales man
- Always downward communication as result the subordinates may loose initiative
- Line managers enjoy monopoly in the matter of decision making.



Line and Staff Organization

In this, organization **staff experts are specialists** in specific areas, assist the line personnel.

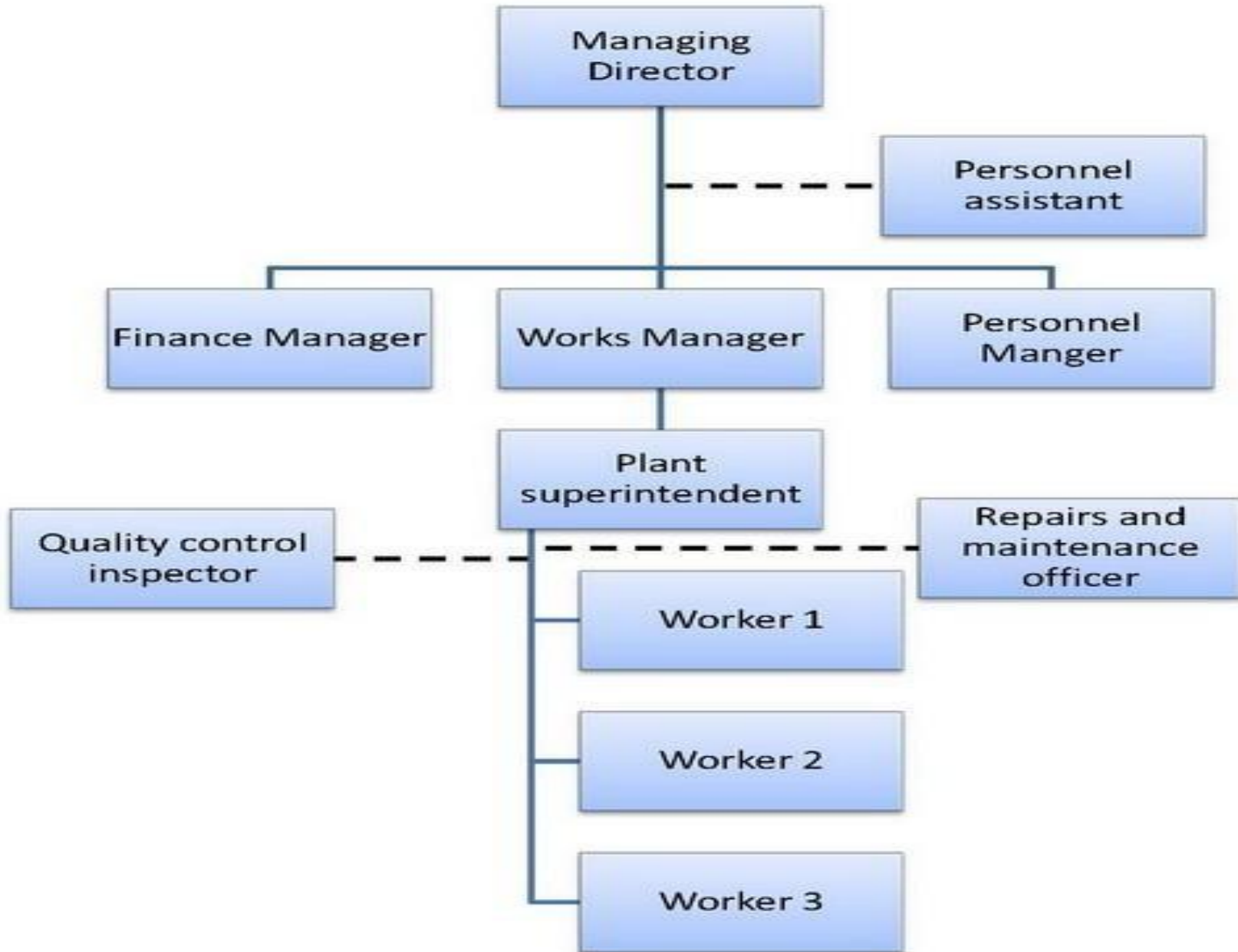
- **Experts do not have the powers to command** and subordinates other than those who are under their direct control.
- **Can advice the line personnel on certain issues**
- **Do not have authority to take decision on vital issues**
- Line manager to **decide whether to accept the suggestion** of the staff specialist or not

Characteristics of line organisation

- It consists of direct vertical relationships.
- Authority flows from top-level to level to bottom level.
- Departmental heads are given full freedom to control their departments.
- Each member knows from whom he would get orders and to whom he should give his orders.



Line and Staff Organization





Line and Staff Organization

Merits

- Staff experts provide support to the line personnel
- Provides line executives to perform well
- Line executive gets relief from work burden
- Suggestion given by the staff experts helps to take better decisions

Demerits

- Conflicts often arise between the line and staff executives
- Staff experts do not have the authority to make decisions they can only advice

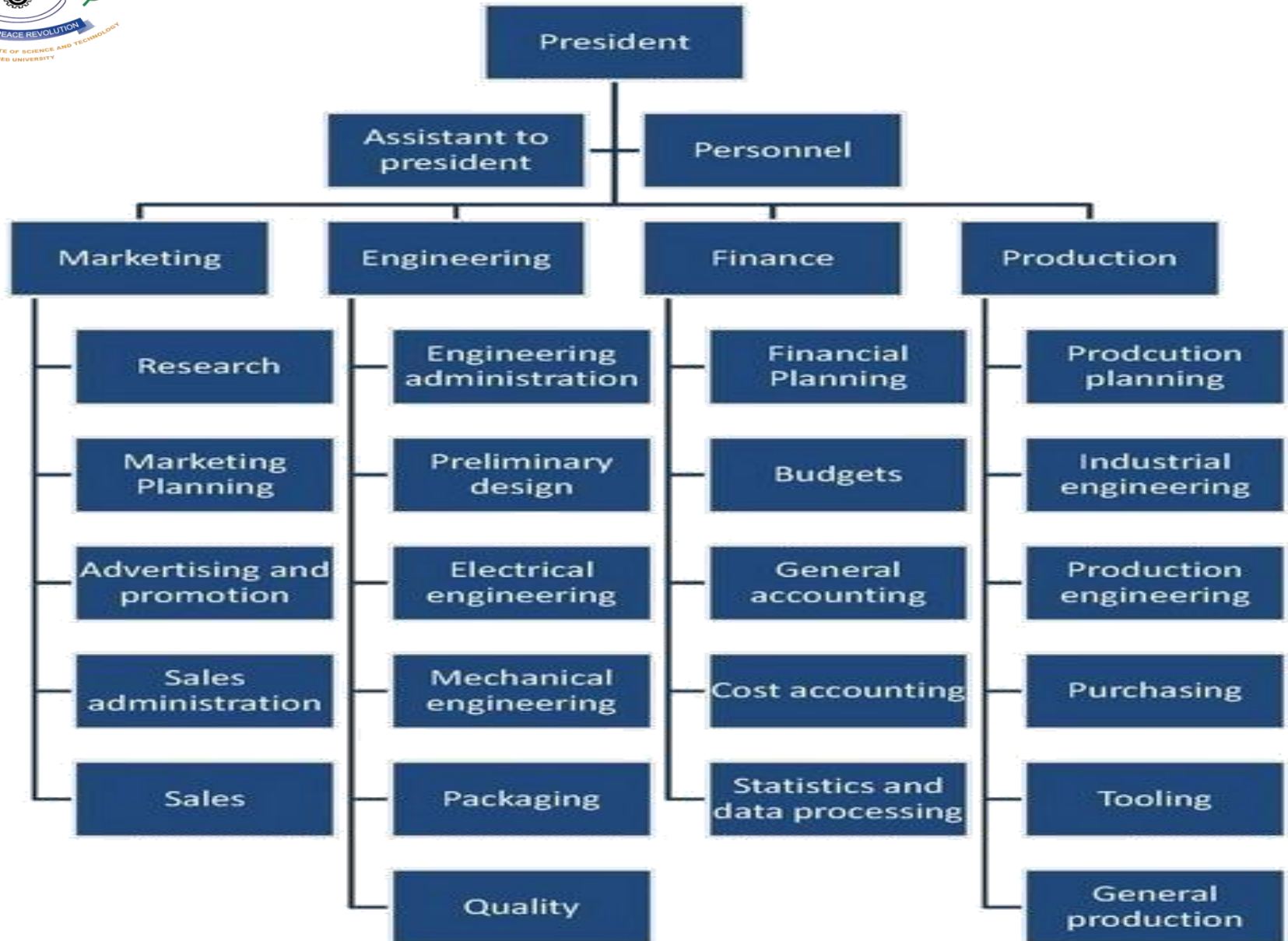


Functional Organization

- Suitable for **large scale organization**
- **Separate departments to look after different lines of activities**
 - Ex. the purchase department will take care of all matter pertaining to purchase.
- **Production department** will take of all **production related activities**
- **Each department** will be **headed by a manager** and will work according to hierarchy



Functional Organization





Functional Organization

Advantages

- Promotes specialization, each department specialize in a particular line of work
- Each functional head looks after specific activities so no burden
- Better control
- Each individual concentrates on a particular task so maximum efficiency

Disadvantages

- More number of departments and divisions
- Difficult to control and co-ordinate
- Delay in arriving in decisions

Committee Organization

Committee

- Group of persons entrusted with a certain tasks
- Committee organization members are expected to discuss certain problem and come with a solution

Eg. board of directors in a company. The committee may meet at regular intervals and discuss the progress of work at a various levels.





Types Of Committee Organization

- **Standing Committee:** Is never dissolved, there may be changes in membership. The committee remains always. Eg. The board of directors in a company.
- **Temporary Committee:** This is created for a specific purpose. As soon as the purpose has been accomplished the committee stands dissolved. Eg. if there is a strike in the organization, then a committee is formed
- **Executive Committee:** Executive committee is one that has power to make important decisions for the enterprise. Eg. board of directors.
- **Advisory Committee:** This committee can only make suggestions. It does not have the powers to make decisions.
- **Formal committee:** This is one that is constituted as per the values and policies of the organization. It has hierarchy. It functions according to the lines of authority.
- **Informal committee:** this is the one that is not constituted as per the rules and policies of the organization. Such a committee is the outcome of informal meetings of the workers to discuss their work related problems.



Types Of Committee Organization

Advantages

- Scope for group judgment
- Secure proper co ordination
- Committee members feel motivated when they participate in the discussion
- Committee functions as a democratic organization
- Problems that cannot be solved by individual will have to be referred to a committee

Disadvantages

- Expensive
- More time for discussions
- Sometimes compromise decision made



Project Organization

- Each project team has specialists in different fields
- Project manager co-ordinates the activities of the team members

Advantages

- Can be designed to suit individual projects
- Makes use of specialized knowledge and skill when ever required.
- Fixes responsibility on individuals on the work done by them.

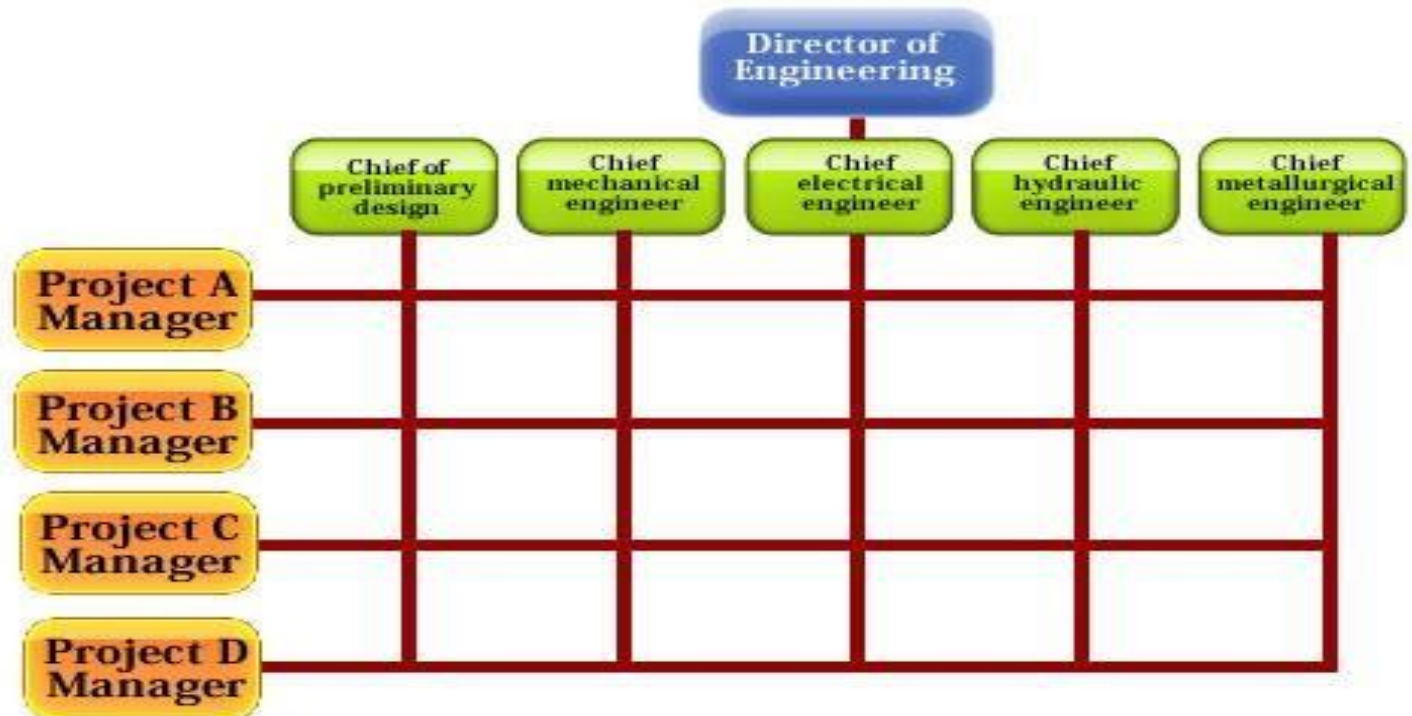
Disadvantages

- Project manager may have tough time dealing with specialists from different fields
- Decision making is difficult
- Time within which the project has to be completed will put pressure on every individual



Matrix Organization

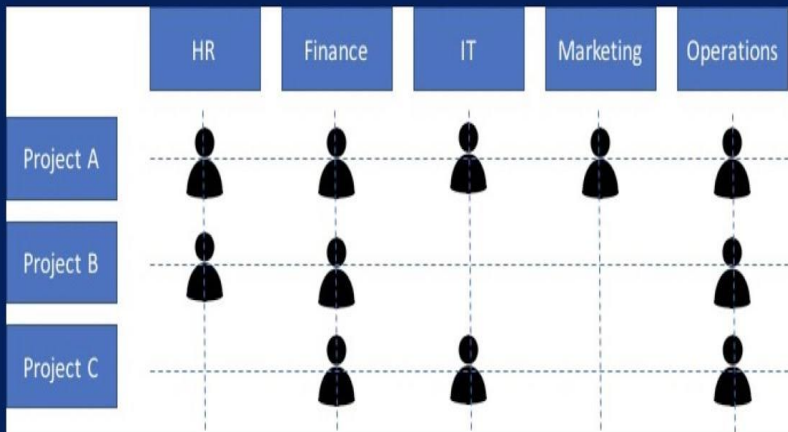
- Suitable where a **large number of small projects** will have to be managed
- A matrix organization is also known as a **multiple command system** as it has **two chains of command**, i.e the flow of authority is both vertical and horizontal . separate departments are established for each specified task
- Departments have to **share the resources** with the rest of the organization



Matrix Organisation Structure

Matrix Organization

Matrix Organization



Advantages:

- Motivation for the personnel
- Promotes communication

Disadvantages:

- Goes against the principles of unity of command
- Dual command may result in confusion
- Quick decisions may not be possible
- Gives scope for the conflicts



Thank You