

# **Management and Entrepreneurship**

**Semester: VI**

**Course Code: AL61**

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# Books

## Textbooks

- Harold Koontz, H. Weihrich, and A.R. Aryasri, Principles of Management, Tata McGraw-Hill, New Delhi, 2004.
- Essentials of Entrepreneurship and Small Business Management – Norman Scarborough & Jeffrey Cornwall (Pearson, 2016)

## References

- Innovation & Entrepreneurship – Peter Drucker (Harper, 2006)
- Entrepreneurship: The Art, Science, and Process for Success – Charles Bamford & Garry Bruton (McGraw-Hill, 2015)
- Management and Entrepreneurship-NVR Naidu, T Krishna Rao, I.K. International Publishing House Pvt. Ltd. @ 2008
- Poornima M Charantimath, Entrepreneurship Development and Small Business Enterprises, Pearson Education, 2006.

# Course Outcomes

At the end of the course, student will be able to

1. Plan and organize the manpower in the given type of organization (PO: 6,9,11)
2. Use staffing, Leading and controlling functions for the given organization. (PO: 6,8,9,10)
3. Understand the fundamentals of entrepreneurship with the goal of fulfilling the requirements of the industries and holding the responsibilities towards the society. (PO-6,7,8)
4. Design a basic business plan by considering case studies and show the involvement of ownership in Business. (PO-3,7,8,11)
5. Start a new small business with the help of E-Commerce and the current available technologies. (PO-5,11)

# Mapping Course Outcomes with Program Outcomes

Course Outcomes	Program Outcomes											
	1	2	3	4	5	6	7	8	9	10	11	12
CO1: Plan and organize the manpower in the given type of organization					3			3		2		
CO2: Use staffing, Leading and controlling functions for the given organization.					3		3	2	3			
CO3: Understand the fundamentals of entrepreneurship with the goal of fulfilling the requirements of the industries and holding the responsibilities towards the society.					3	2	2					
CO4: Design a basic business plan by considering case studies and show the involvement of ownership in Business		3				2	3			2		
CO5: Start a new small business with the help of E-Commerce and the current available technologies				3						3		

# **Unit - I**

- **Introduction to Management**
- **Planning**
- **Organizing**

# Introduction to Management

- Management is the process of designing and maintaining the environment in which individuals, working together in groups, accomplish their aims effectively and efficiently.
- It is the process of carrying out the essential functions (planning, organizing, staffing, directing, and controlling)

As managers, people carry out the managerial functions of planning, organizing, staffing, leading, and controlling.

Management applies to any kind of organization.

It applies to managers at all organizational levels.

The aim of all managers is the same: to create a surplus.

Managing is concerned with productivity, which implies effectiveness and efficiency.

# Nature and Purpose of management

- In order to understand the basic nature of management it must be analyzed in terms of art and science, in the terms of managerial skills and style of managers.
- The purpose - It is simply the procedure/process/quality that is applied in a work process either for a team or for an individual in order to complete the task successfully and hence achieve the ultimate goal of an organization.

# Purpose of management

It is simply the procedure/process/quality that is applied in a work process either for a team or for an individual in order to complete the task successfully and hence achieve the ultimate goal of an organization.

# Levels of management



# Top management

- a. Top management lays down the objectives and broad policies of the enterprise.
- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

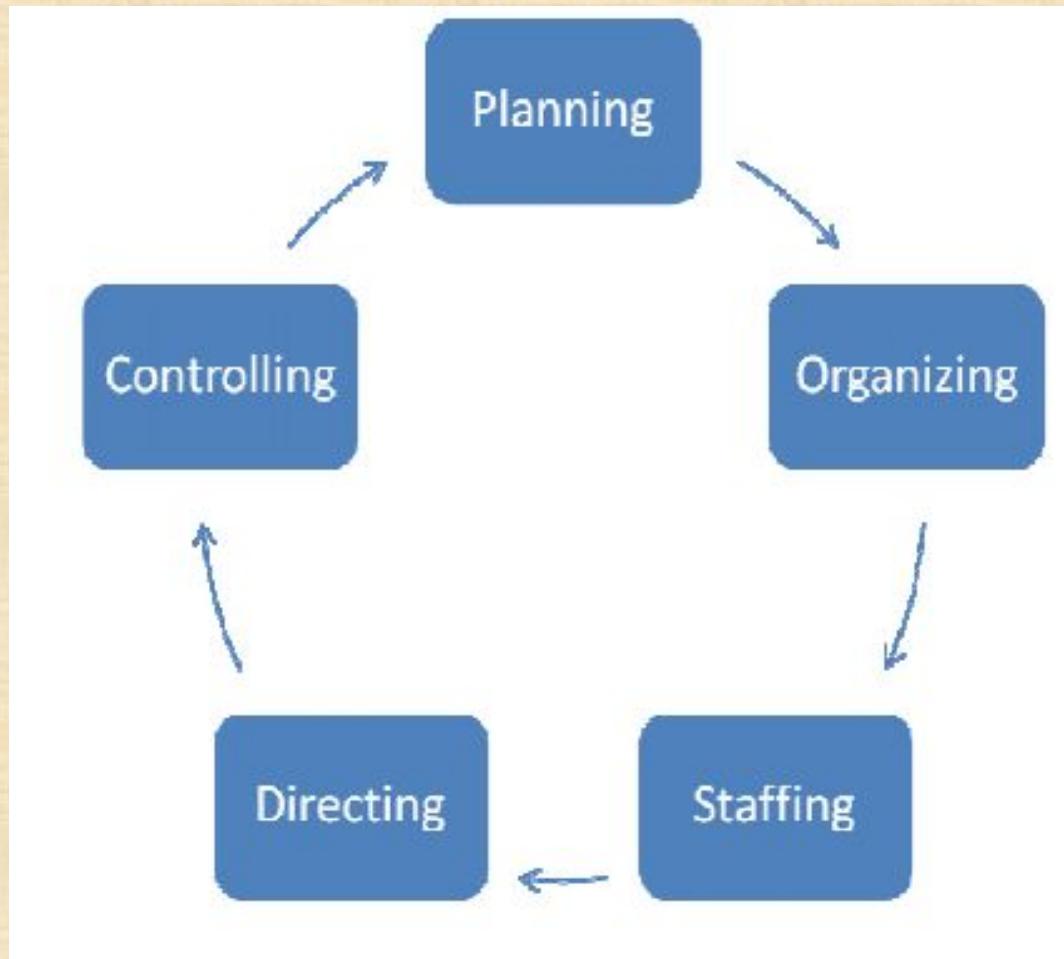
# Middle management

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.

# Lower level management

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.

# Functions of Management



# Planning



- Deciding in advance :
  - What to do
  - How to do
  - When to do
  - Who is going to do it
- Bridges a gap between where we are today and where we want to reach.
- Sets the goal of an organization.

# Organizing

- It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.
- According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure.

## Staffing



- Recruiting, selecting, appointing the employees, assigning duties, maintaining cordial relationship and taking care of grievances of employees.
- Training and Development of employees, deciding their remuneration, promotion and increments.
- Evaluating their performance.

## Directing



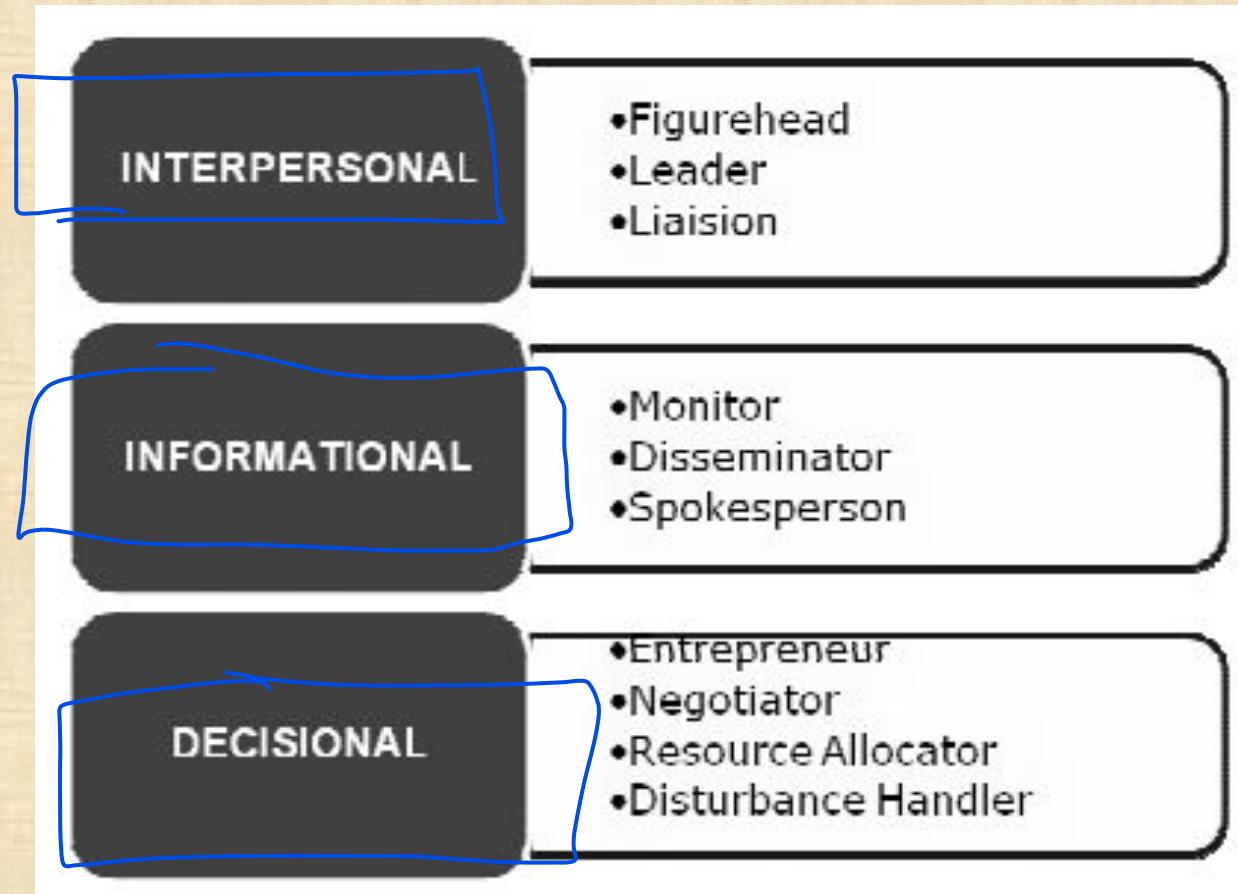
- Giving direction or instruction to employees to get the job done.
- Leadership qualities are required.
- Motivating employees by providing monetary and non-monetary incentives.
- Communicating with them at regular intervals.

## Controlling



- Matching actual performance with the planned goal.
- If problem, tries to find out the reasons of deviation.
- Suggesting corrective measures come on the path of plan

# ROLES OF MANAGER



# Interpersonal Roles

Role	Description	Examples
Figurehead	Managers perform the duties of a ceremonial nature as head in an organization , a strategic business unit or department	Ceremonies status
Leader	Responsible for the motivation and direction of subordinates	Virtually all managerial activities involving subordinates.
Liaison	Maintains a network of outside contacts who provide favors and information	Acknowledgment of mail external board work

# Informational Roles

Role	Description	Examples
Monitor	Receives wide variety of information; serves as nerve center of internal and external information of the organization	Handling all mail and contacts categorized as concerned primarily with receiving information
Disseminator	Transmits information received from outsiders or other subordinates to members of the organization	Forwarding mail into an organization for information purposes; verbal contacts involving information flow to subordinates such as review sessions
Spokesperson	Transmits information to outsiders on organizations plans, policies, actions, and results; serves as expert on organization's industry	Board meeting; handling contacts involving transmission of information to outsiders

# Decisional Roles

Role	Description	Examples
Entrepreneur	Searches organization and its environment for opportunities and initiates projects to bring about change	Strategy and review sessions involving initiation or design of improvement projects
Disturbance handler	Responsible for corrective action when organization faces important, unexpected disturbances	Strategy and review sessions involving disturbances and crises
Resource allocator	Making or approving significant organizational decisions	Scheduling ; requests for authorization; budgeting, the programming of subordinates work
Negotiator	Responsible for representing the organization at major negotiations	Contract negotiation

# Management Skills

## TECHNICAL SKILLS

The ability to apply specialized knowledge expertise.

## HUMAN SKILLS

The ability to work with, understand, and motivate other people both individually and in group

## CONCEPTUAL SKILLS

The mental ability to analyze and diagnose complex situations.

# CONTRIBUTION OF FAYOL AND TAYLOR

F.W. Taylor and Henry Fayol are generally regarded as the founders of scientific management and administrative management and both provided the bases for science and art of management.

# Taylor's Scientific Management

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- Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise.
- He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management.
- He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job.
- As a result, it remained largely at the mercy of the workers who deliberately reduced the work.

# Taylor's Scientific Management

- The scientific method consists essentially of (a) Observation (b) Measurement (c) Experimentation and (d) Inference. He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work.
- He summed up his approach in these words:
  - Science, not rule of thumb
  - Harmony, not discord
  - Co-operation, not individualism
  - Maximum output, in place of restricted output
  - The development of each man to his greatest efficiency and prosperity.

# Elements of Scientific Management

- The techniques which Taylor regarded as its essential elements or features may be classified as under:
- 1. Scientific Task and Rate-setting, work improvement, etc.
- 2. Planning the Task.
- 3. Vocational Selection and Training
- 4. Standardization (of working conditions, material equipment etc.)
- 5. Specialization
- 6. Mental Revolution.

# Henry Fayol's 14 Principles of Management:

## Henry Fayol - Father of Modern Management Theory

- **1. Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
- **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
- **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.

# Henry Fayol's 14 Principles of Management:

- **4. Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).
- **5. Unity of Direction:** All members of an organization must work together to accomplish common objectives.
- **6. Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
- **7. Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.

# Henry Fayol's 14 Principles of Management:

- 8. **Centralization**: There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
- 9. **Scalar Chain**: The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.
- 10. **Order**: Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.
- 11. **Equity**: An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.

# Henry Fayol's 14 Principles of Management:

- 12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.
- 13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
- 14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

# Administration V/s Management

- ‘Administration as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organization, under the ultimate control of the executive.’
- On the other hand, ‘Management is concerned with the execution of the policy, within the limits setup by administration and the employment of the organization for the particular objects before it. T

# Administration V/s Management

Basis For Comparison	Management	Administration
Meaning	An organized way of managing people and things of a business organization is called the Management.	The process of administering an organization by a group of people is known as the Administration.
Authority	Middle and Lower Level	Top level
Role	Executive	Decisive
Applicable to	Profit making organizations, i.e. business organizations.	Government offices, military, clubs, business enterprises, hospitals, religious and educational organizations.
Work	Putting plans and policies into actions.	Formulation of plans, framing policies and setting objectives
Function	Executive and Governing	Legislative and Determinative
Focus on	Managing work	Making best possible allocation of limited resources.

# Is management science or art?

- Its science--- underlying knowledge.
- Science underlying management is fairly crude and inexact---many variables have to be dealt with.
- Managers who manage without management science should trust their luck, intuition or historical decisions

# Is management a science or an art?

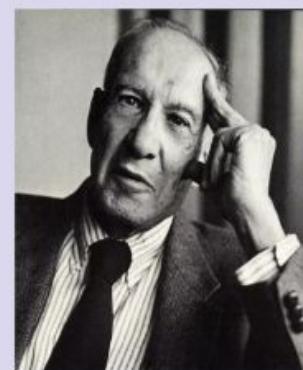
- Management is an art. It is know-how
  - Doing things in light of the realities of a situation
  - Managers can work better if they have organized knowledge about management-----science
- 
- Its an art----act of managing
  - It uses know-how skills.
  - Its Direction is towards the accomplishment of concrete result.
  - It creates new situations for further improvement.
  - It is personalized because of success of management task is related to the personality of the manager.

**"Management is an art of  
getting things done through people "**



According to  
**Mary Parker Follett**  
**(1868-1933)**

**According to Management Guru  
Peter Druker  
(1909 - 2005 )**



**"Management is a multipurpose organ that manages ,business,  
manages managers,  
manages workers and  
manages work "**

# Is management a science or an art?

## Management as an art

- Mary Parker Follet ,Harold Koontz and several others management authors called management “ as an art of getting things done through people”
- Art refers to creative skills and talent which people require to conduct certain activities effectively .
- Art is an inborn talent .However it can be refined through learning and practice.



**Management is an Art due to the following reasons**

**Intelligence**



# Is management a science or an art?

## Management as Science

Science is a systematic body of knowledge which is universally accepted .

F.W.Taylor father of scientific management was perhaps the first person to consider management as a science



He was of the opinion that management should conduct their business affairs by following certain well established standards.

Science can be broadly divided into two groups :

- Physical sciences.
- Social sciences.

Physical Sciences like physics , chemistry and Mathematics are exact and accurate ,whereas social sciences are not exact and accurate as they deal with human beings.

Management is a social science because it deals with human beings .Since human nature cannot be predicted with accuracy ,the decisions taken in management may just be one way of doing things in a given situation and not the only way of doing things.

# Comparison of Management as



## An art

- Based on practice and creativity
- It is a theoretical body of knowledge
- Has personalized application.

## A Science

- Based on experimentation.
- It is a systematized body of knowledge .
- Has a universal application .

# Discussion question

- What are the trends and challenges of management in global scenario ?
- What is the difference between effectiveness and efficiency?

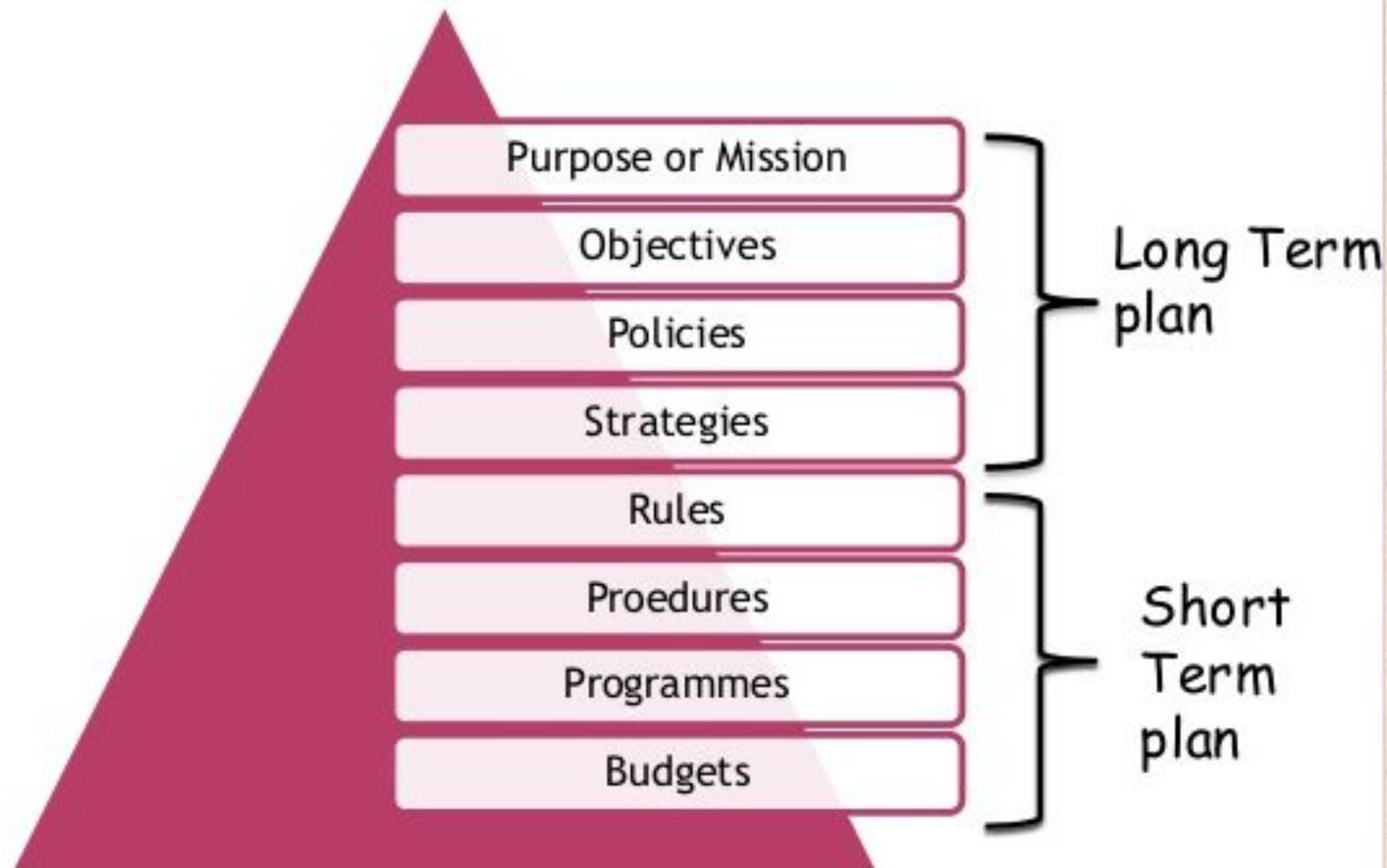
# **PLANNING**

# Definition of planning

- Planning involves selecting missions and objectives and the actions to achieve them
- it requires decision making that is choosing from among alternative future courses of action.
- Plan thus provides a rational approach to preselected objectives.
- Planning also strongly implies managerial innovations

According to Koontz & O'Donell, "Planning is deciding in advance what to do, how to do and who is to do it. Planning bridges the gap between where we are to, where we want to go. It makes possible things to occur which would not otherwise occur".

# HIERARCHY OF PLANS



# Types of plans

- **Purposes or Missions** – identifies the basic function or task of an enterprises or agency or any part of it. The purpose of business generally is the production and distribution of goods and services.
- **Objectives or goals** – are the ends towards which activity is aimed, they are the results to be achieved. They represent not only the end point of planning but the end toward which Organizing, staffing, leading and controlling are aimed

# Examples of mission statements

- Domino's - Sell more pizza, have more fun!
- Dunkin' Donuts - To be the leading provider of the wide range delicious beverages & baked product around the kingdom in a convenient, relaxed, friendly environment, that insures the highest level of quality product and best value for money.
- Heart and Soul - to provide happiness and joy through, food, music and art.

# Examples of objectives

- Offering wholesome, fairly priced, ethnically diverse food options
- Creating an attractive and diverse menu
- Providing excellent customer services that enhances the rapport with students through responsiveness to needs and requests
- Establishing high quality jobs for target food service employees, including good wages and benefits, career advancement

# Types of plans

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- **Strategies** – Strategies are grand plan. The most common usage of the term are – general programs of action and deployment of resources to attain comprehensive objectives.
- **Policies** – are general statements or undertakings which guide or channel thinking in decision making. Not all policies are “Statements”, they are often merely implied from the actions of managers

# Examples of strategies

- Chef will position themselves as an aggressive, innovative company that supplies the market with new, high-quality products.
- Chef will position themselves in trade shows, within industry publications, and the Internet, to reinforce this marketing strategy.
- The brochures, letterhead, and business correspondence will further reinforce these concepts.

# Examples of policies

- to meet or exceed our obligations under current legislation in respect to food safety
- The quality system focuses on the delivery of safe quality foods and products to our customers.
- **NESTLE-** Continuously challenging ourselves to improve the quality management system to guarantee product safety, prevent quality incidents and eliminate defects through the review of quality objectives and results,

# Types of plans

- **Procedures** – are plans that require method of handling future activities. They are guides to action, rather than to thinking, and they detail the exact manner in which certain activities must be accomplished. They are chronological sequences of required actions.
- **Rules** – spell out specific actions or non-actions, allowing no discretion.

# Examples of procedures

- Hand washing steps for chef at a restaurant are as follows:
- use water as hot as you can stand.
- Soap hands and lower forearms.
- Scrub for 20 seconds.
- Rinse.
- Dry with paper towel.
- Avoid recontamination of hands by using paper towel or other barrier to turn off faucet handles.

# Examples of rules

- do whatever is reasonable to stop unnecessary contact with ready-to-eat food;
- wear clean outer clothing, depending on the type of work they do;
- make sure bandages or dressings on any exposed parts of the body are covered with a waterproof covering;
- not eat over unprotected food or surfaces likely to come in contact with food;

# **Types of plans**

- **Programs** – are a complex of goals, policies, procedures, rules, tasks assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets
- **Budgets** – is a statement of expected results expressed in numerical terms. Referred as “numberized” program.

# Examples of program statements

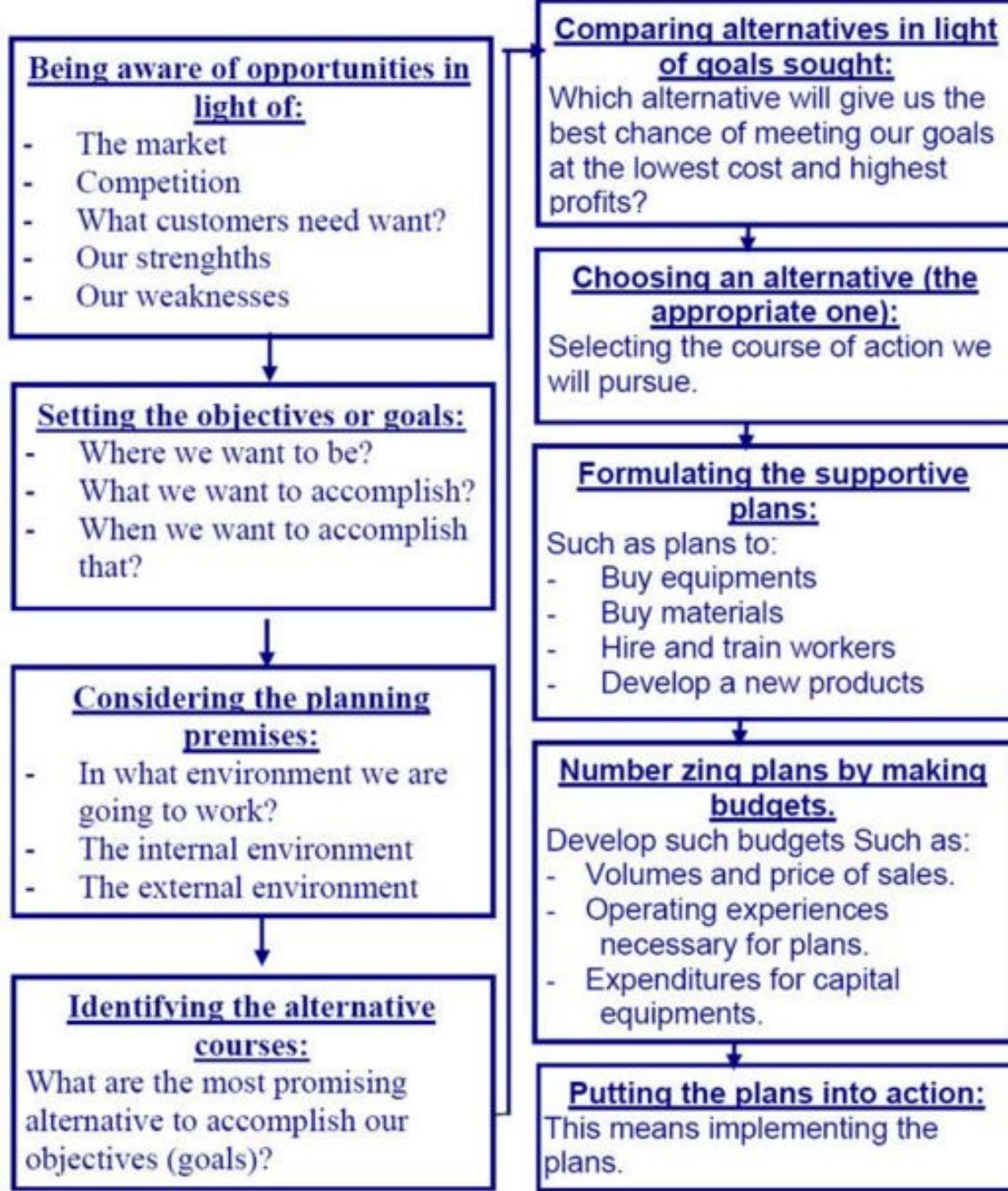
- Airline – to invest in new jets, involving many millions of dollars for the purchase of the aircrafts and the necessary spare parts

# Examples of budget

The financial budget usually has three parts:

- The cash budget
- The budgeted balance sheet
- The budget for capital expenditures

# Steps in planning



# Steps in Planning

## Analyze Opportunities

- Not a step of Planning, It is pre-step of planning.
- Essential to make a successful plan.
- SWOT analysis

## Setting objectives

- First and real starting point of planning.
- Management has to define objectives in clear manner by considering organizational resources and opportunities because a minor mistake in setting objectives might affect in implementation of plan.
- Objectives must be specific, clear and practical.
- They should be time bound and expressed in numerical terms.

# Steps in Planning

## Determination of premises

- Premises are the assumptions about the future in which the planning is implemented.
- They provide environment and boundaries for the implementation of plan in practical operation.
- These premises may be tangible and intangible and external.
  - (a) **Tangible and intangible:** Tangible premises involve capital investment, unit of production, units sold, cost per unit, time available etc. Similarly, intangible premises involve employees moral, goodwill, motivation, managerial attitude, etc.
  - (b) **Internal and external:** Internal premises involve money, materials, machines and managements. In the similar manner, external factors involve competitors strategy, technological change, government policy, social and cultural beliefs etc.

# Steps in Planning

## Determination of alternatives

- It is essential to identify all the possible hidden alternatives. The information about alternative courses of action may be obtained from primary and secondary sources. There must be search for the best alternative. The management must develop alternatives through the support of experienced and intellectual experts in management sectors.

## Evaluation of alternatives

- Evaluate the alternatives from their expected cost and benefits. This is the logical step to evaluate each alternative from its plus and minus points.
- Each alternative is studied and evaluated in terms of some common factors such as risk, responsibility, planning premises, resources, technology etc.

# Steps in Planning

## Selecting a course of action

### Formulation of derivative plans:

- It is essential to formulate action or derivative plans for each step of work and to all departments of the organization. These action plans involve formulation of policies, rules, schedule and budget to complete defined objectives. Thus, formulation of derivative plans is an essential step in planning process. It is difficult to implement main plan without formulation of derivative plan.

### Numberizing the plans

- Developing budgets
- Volumes of sales
- Selling price
- Operating expenses
- Expenditures for equipment

# Steps in Planning

## Implementation

- Without this step, other this procedure of plan will remain as paper work.
- This step brings all the procedure of plan into action.
- For implementation plan, management has to take some steps such as to communicate with subordinates who initiate to plan into action; provide necessary instruction and guidance; make arrangement of all resources like materials, machines, money, equipments etc; make timely supervision and control over subordinates.



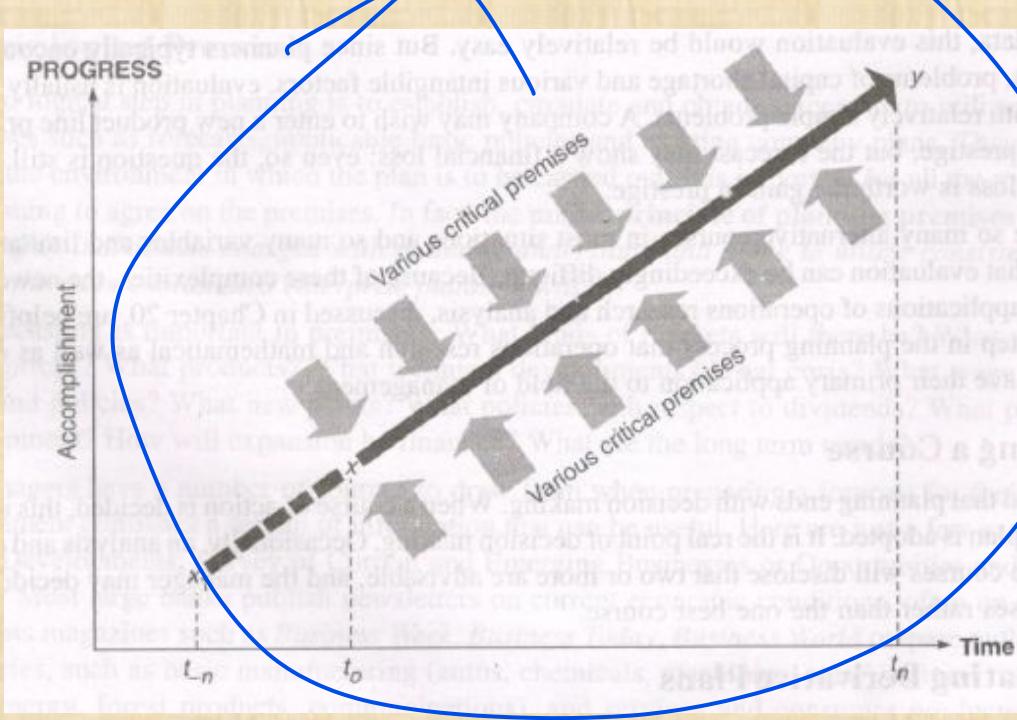
## Let's talk about plan!!!

Plan, plan your work,  
Then you work your plan,  
Planning your work ahead of time  
saves a lot of time.

# Planning process – rational approach to goal achievement

## What is Rational planning

- Rational planning includes comprehensive, long-range view and a systematic , analytical approach in a planning process



- In this diagram, progress (ex: sales, profits) is on vertical – axis and time is on horizontal-axis.
- Time to – we are at time ‘to’
- We want to reach time ‘tn’
- In the diagram, we are at x and we want to go to y
- We can start planning now
- We may even start planning at  $x_1$  (much earlier)
- The line xy is the decision path.
- In reality many factors my push us away from or toward the desired goal. These are the planning premises

# Principle of commitment

- According to this principle, a time frame should be provided by the plan during which the commitments made in the plan have to be fulfilled.
- This commitment allows the managers to achieve the targets in time.
- Logical planning should cover a period of time in the future necessary to foresee as well as possible, through a series of actions, the fulfillment of commitments involved in a decision made today

# Management By Objectives - MBO

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- Management by objectives (MBO) is a management model that aims to improve performance of an organization by clearly defining objectives that are agreed to by both management and employees.
- According to the theory, having a say in goal setting and action plans should ensure better participation and commitment among employees, as well as alignment of objectives across the organization.
- The term was first outlined by management guru Peter Drucker in 1954 in his book "The Practice of Management."

# Management By Objectives - MBO

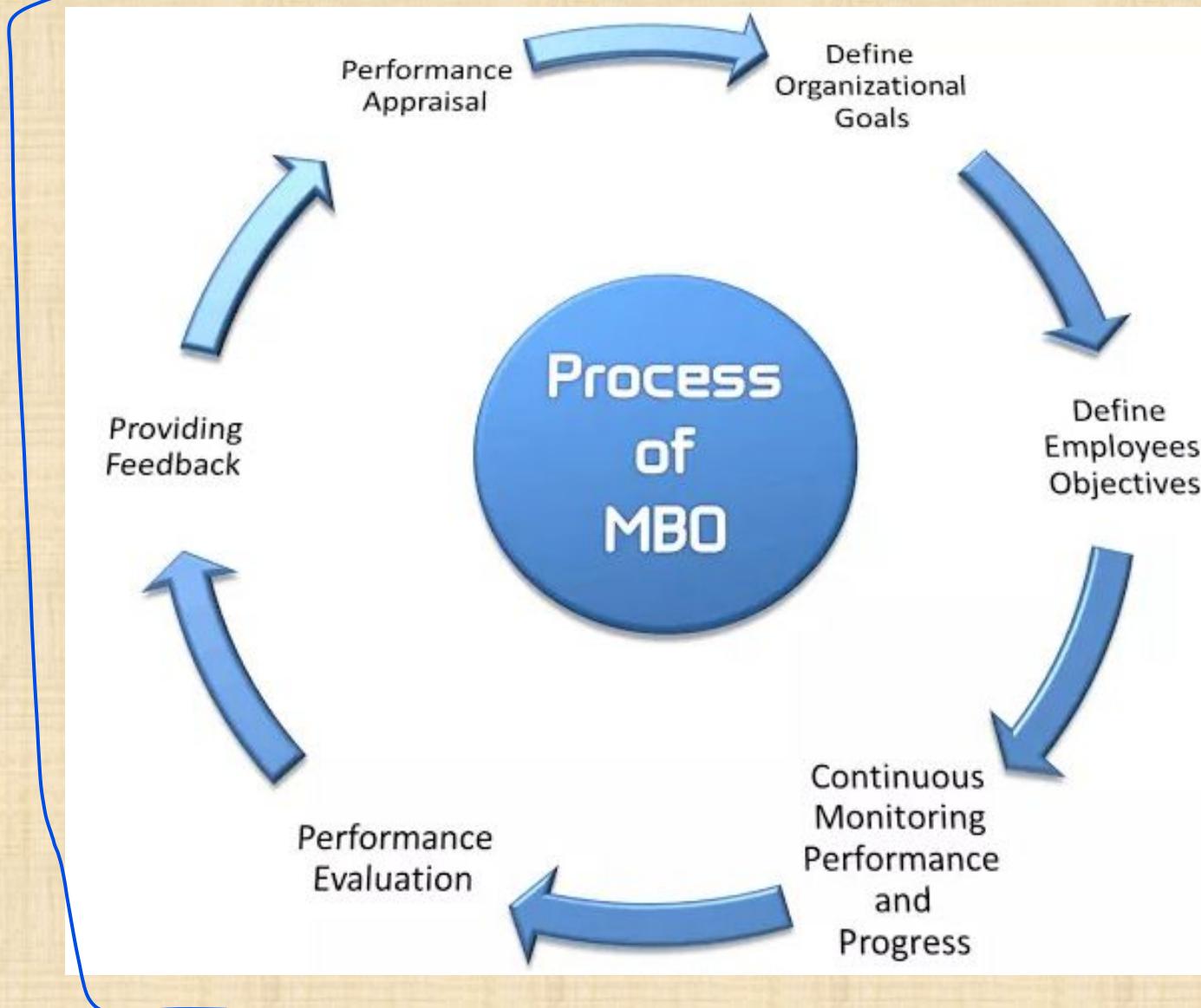
- It is a process of agreeing within an organization so that management and employees buy into the objectives and understand what they are.
- It has a precise and written description objectives ahead, timelines for their motoring and achievement.
- The employees and manager agree to what the employee will attempt to achieve in a period ahead and the employee will accept and buy into the objectives.
- Definition “MBO is a process whereby the superior and the mangers 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.”

# Management By Objectives - MBO

## Features of MBO

1. MBO is concerned with goal setting and planning for individual managers and their units.
2. The essence of MBO is a process of joint goal setting between a supervisor and a subordinate.
3. Managers work with their subordinates to establish the performance goals that are consistent with their higher organizational objectives.
4. MBO focuses attention on appropriate goals and plans.
5. MBO facilitates control through the periodic development and subsequent evaluation of individual goals and plans.

# Process of MBO



# Typical MBO Process

## 1) Setting objectives:

- For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors.
- The managers of the various units or sub-units, or sections of an organization should know not only the objectives of their unit but should also actively participate in setting these objectives and make responsibility for them.
- Management by Objective (MBO) systems, objectives are written down for each level of the organization, and individuals are given specific aims and targets.

# **Typical MBO Process**

## **2) Developing action plans**

- Actions plans specify the actions needed to address each of the top organizational issues and to reach each of the associated goals, who will complete each action and according to what timeline.
- An overall, top-level action plan that depicts how each strategic goal will be reached is developed by the top level management.
- The format of the action plan depends on the objective of the organization.

# Typical MBO Process

## 3) Reviewing Progress:

- Performance is measured in terms of results. Job performance is the net effect of an employee's effort as modified by abilities, role perceptions and results produced.
- Effort refers to the amount of energy an employee uses in performing a job.
- Abilities are personal characteristics used in performing a job and usually do not fluctuate widely over short periods of time.
- Role perception refers to the direction in which employees believe they should channel their efforts on their jobs, and they are defined by the activities and behaviors they believe are necessary.

# Typical MBO Process

## 4) Performance appraisal:

- Performance appraisals communicate to employees how they are performing their jobs, and they establish a plan for improvement.
- Performance appraisals are extremely important to both employee and employer, as they are often used to provide predictive information related to possible promotion.
- Appraisals can also provide input for determining both individual and organizational training and development needs.
- Performance appraisals encourage performance improvement. Feedback on behavior, attitude, skill or knowledge clarifies for employees the job expectations their managers hold for them.
- In order to be effective, performance appraisals must be supported by documentation and management commitment.

# Advantages of MBO

- (i) It helps in better managing the organisational activities thus getting better performance.
- (ii) The MBO'S main assumption is that clarity of objective is directly related to the improvement of performance.
- (iii) Role clarity of every person in the organisation is achieved much better in MBO.
- (iv) Appraisal provide the opportunity to take the stock of situation and correct it according to the plan if necessary.
- (v) Performance according to the target is the integral part of the MBO as its philosophy is based on the over all improved performance of the organisation.
- (vi) Improved performance according to MBO requires less resources and time for achieving increased quality and quantity of the set objective.

# Disadvantages of MBO

- (i) MBO process is more time taken in the beginning.
- (ii) Communication becomes difficult due to large number of paper work.
- (iii) Most of the managers do not understand the philosophy of MBO i.e., what purpose or benefit can be gained from MBO.
- (iv) MBO requires such objective whose performance can be measured while every objective can't be measured like that. Thus, realistic and meaningful objective are not formed.
- (v) MBO is not flexible i.e., when the objective is set, it is not often likely to be changed according to the plan.

# Discussion question / activity

- What are the contemporary issues / criticisms of planning function?
- Select an organization of your choice; identify the Vision, mission, objectives, policies, rules, procedures for that organization
- What is SWOT Analysis?

## **Concentration vs. Dispersion Strategies**

PepsiCo and Coca-Cola (Coke) are the global giants in the food and beverages markets. These two companies have been competing for market honours since 1899, the year PepsiCo made its market entry. It was found out in a blind taste test conducted several years ago that more people preferred the taste of Pepsi to Coke. As a result of this test, Coca Cola reformulated its cola taste and marketed it as the new Coke but without much success. In fact, PepsiCo stood to gain from Coca Cola's misadventure with its new Coke. However, PepsiCo also committed several strategic mistakes of its own and the cumulative effect of these follies is that it began to lose its market share to Coca Cola.

## **Concentration vs. Dispersion Strategies**

To regain the slipping profits and business volume, PepsiCo began to adopt the strategy of “looking beyond” the beverage business. The CEO of PepsiCo, Indra Nooyi, concentrated more on future-oriented “healthier-for-you” kind-of foods than on far more profitable “fun-for-you” products like Pepsi Cola and Cheetos. The new strategy of modifying the products and emphasizing on the nutrition business not only enabled PepsiCo to gain about \$10 billion in revenues but also provided it with the potential to earn about \$30 billion by 2020.

## **Concentration vs. Dispersion Strategies-**

However, Coca-Cola continued to focus on its core business of selling soft drinks without caring for what PepsiCo has been doing. The persistence of Coke ensured that it remains almost uncontested in the highly-profitable beverage business. Now, there is growing concern among the investors of PepsiCo that the company's push into healthier products has distracted the company from its core products like beverages. Investors are also anguished that PepsiCos' management has ignored its biggest sellers like Pepsi Cola, Lay's potato chips, etc. A few also feel that the company needs to do something to boost the sale of its core products so that it not only makes profit but also grows. To regain the slipping market share and profit in the beverages market, PepsiCo management has decided to cut 8,700 jobs worldwide and also spend anywhere between \$500 and \$600 million more on advertising and marketing

## **Concentration vs. Dispersion Strategies**

to bolster its iconic brands. At the same time, the top management of PepsiCo is betting big on creating healthy foods brands as it firmly believes that its long-term strategy to grow its nutrition business will bring about handsome returns.

1. How do you assess the strategies of Coca-Cola and PepsiCo from the planning perspective?
2. Which of the two companies' strategies is superior from the long-term and short-term perspectives? Why?

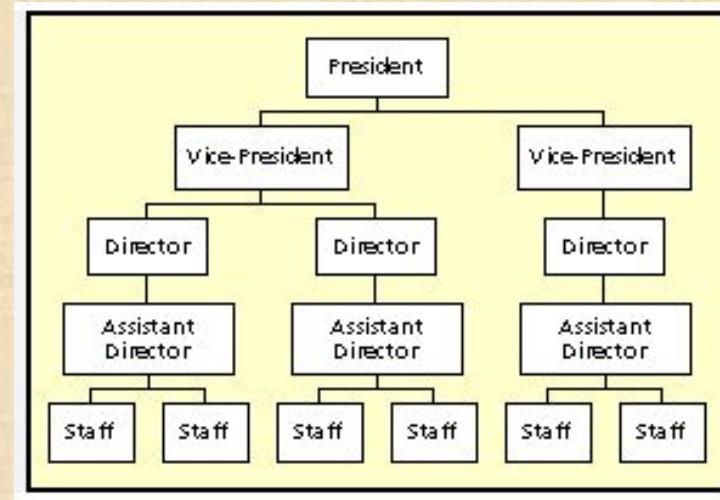
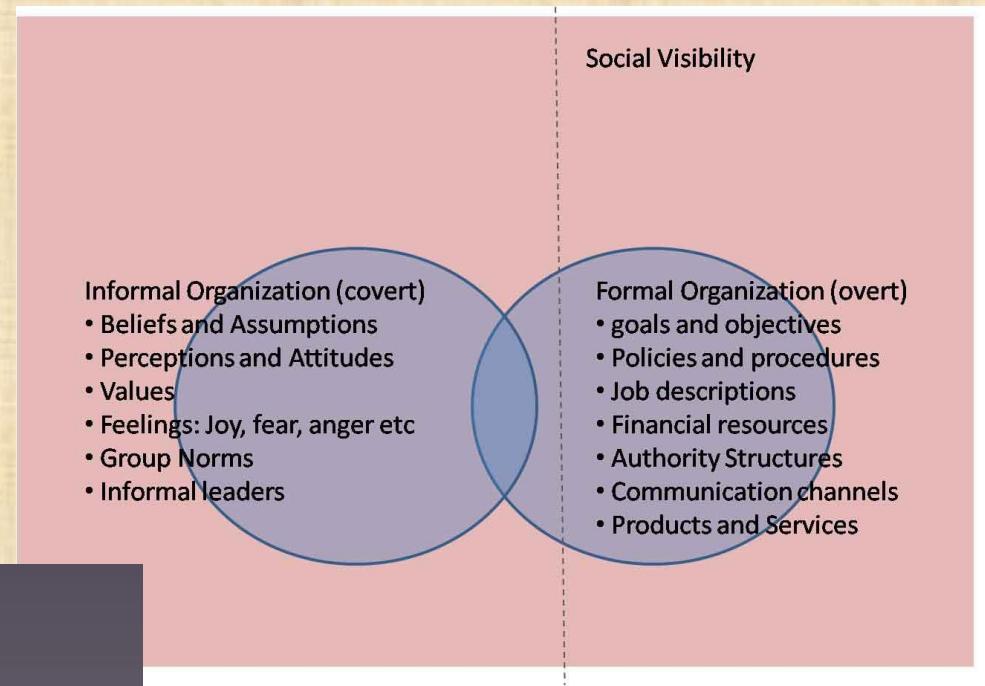
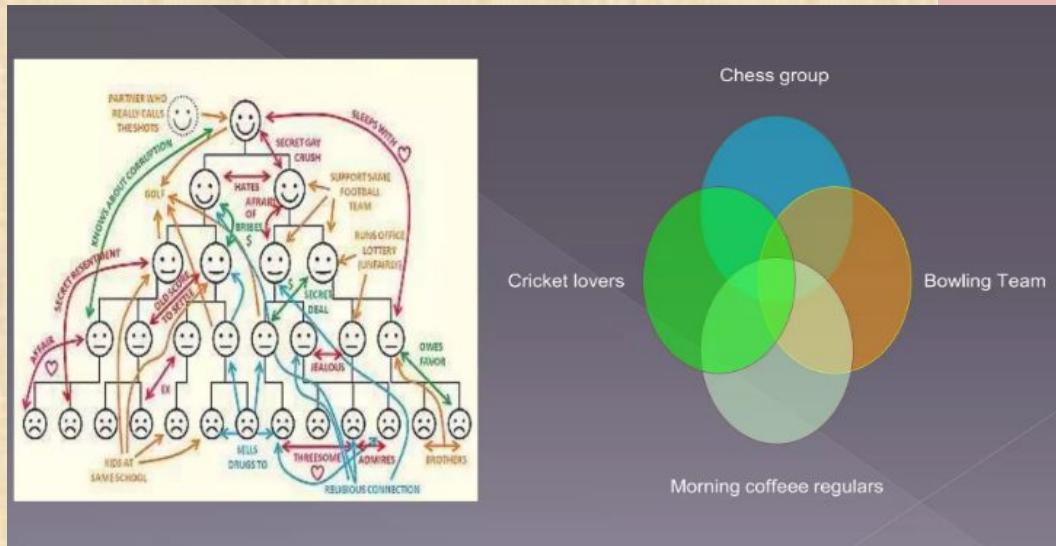
# **ORGANIZING**

# Organizing - definition

- It is the creation and maintenance of an intentional structure of roles
- Organizing is the process of arranging and allocating works, authority, and resources among an organization's members so that they can achieve an organizational goal

Organization is the process of identifying and grouping of the works to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most efficiently".

# Formal and Informal Organizations



# Formal Organizations

- The purpose of formal organisation structure is achievement of organisational goal.
- each individual is assigned a specific job.
- every individual is assigned a fixed authority or decision-making power
- superior-subordinate relations
- **Systematic Working**
- **No Overlapping of Work**
- **Co-ordination**
- **Creation of Chain of Command**
- **Delay in Action**
- **Ignores Social Needs of Employees**
- **Emphasis on Work Only**

# Informal Organizations

- gets created automatically without any intended efforts of managers
- formed by the employees to get psychological satisfaction
- does not follow any fixed path of flow of authority or communication
- Source of information cannot be known
- **Fast Communication**
- **Fulfils Social Needs**
- **Correct Feedback**
- **Spread Rumours**
- **No Systematic Working**
- **May Bring Negative Results**
- **More Emphasis to Individual Interest**

# Formal and Informal Organizations

Basis	Formal Organisation	Informal Organisation
Meaning	It refers to the organisation in which the rules and regulations are already defined.	It refers to the organisation in which there are no rules and regulations for communication.
Origin	It originates from the rules and regulations of the company.	It originates from the interaction of people during their work.
Authority	In this type of organisation, it arises by virtue of position in the management.	In this type of organisation, it arises out of personal qualities of person.
Behaviour	In this type of organisation, behaviour is guided by rules and policies.	In this type of organisation, behaviour is not guided by rules and policies.
Flow of communication	In this type of organisation, communication takes place with the help of scalar chain.	In this type of organisation, communication takes place in any direction.
Nature	It is rigid in nature	It is flexible in nature
Leadership	In this, managers are leaders	In this, leaders are chosen by the group

# Organization levels

- The levels exist because there is a limit to the number of persons a manager can supervise effectively

# Span of management / Span of control

- **Principle:** there is a limit to the number of subordinates a manager can effectively supervise, but the exact number will depend on the impact of several underlying factors.
- The number of important activities at the next lower level of the organisation structure
- The personal qualities (e.g., intelligence, experience) of the superior as well as the subordinates
- The development of communications within and between the levels of the organisation structure.

# Span of management / Span of control

The number of subordinates that a superior can effectively supervise is known as span of management or span of control.

1. Overburdened with work.
2. Difficulty in coordinating the activities of large number of people.
3. Difficulty in controlling.

## Span of Control or Supervision

Limited Span of Control at Higher Executive Organisation Level.

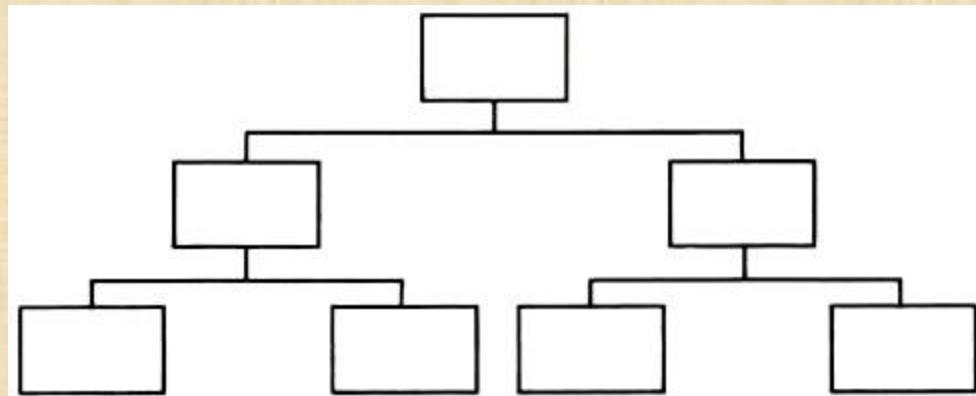
1. Manager's work is largely mental.
2. Strong leadership is needed — extraordinary intelligence, energy, experience and training.
3. Volatile and dynamic business.
4. Special ability to solve a variety of different non-recurrent problems — non-programmed, strategic decisions.

Large Span at Operating Management Level.

1. Manager's work largely manual, operating.
2. Normal leadership demands.
3. Supervision over routine, repetitive, mechanical work; direct contact with subordinates.
4. Recurrent, repetitive routine problems demanding programmed and tactical decisions as per standing plans and policies. Limited and defined area of operation.

# Narrow span of control

- **Tall structures** - classical bureaucratic organisations
  - A manager can supervise less number of subordinates.
  - He can, therefore, exercise tight control over their activities.
  - This creates large number of levels in the organisation.
- 

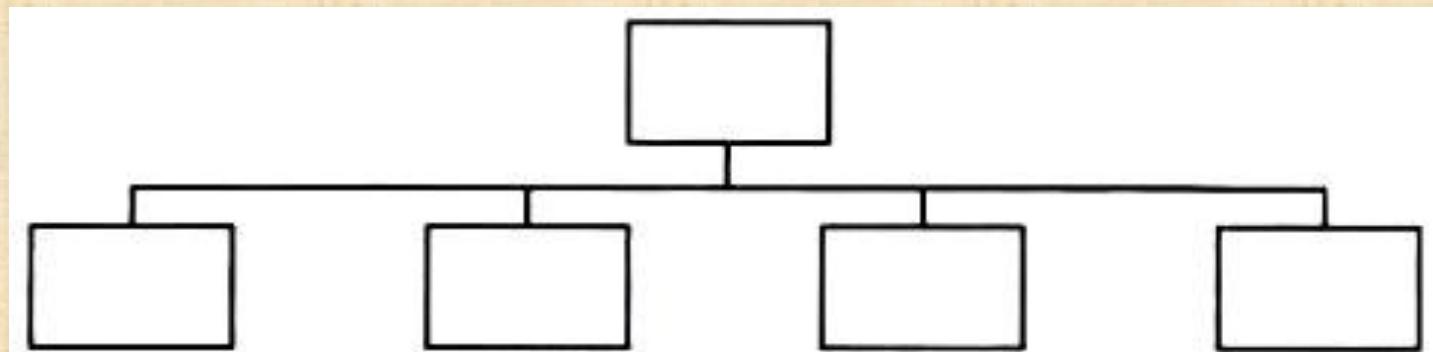


# Narrow span of control

- Managers can closely supervise activities of the subordinates
- better communication
- promotes personal relationships
- Control on subordinates can be tightened
- creates many levels in the organization structure
- More managers are needed. This increases the overhead expenditure
- Increasing gap between top managers and workers
- Decision-making becomes difficult because of too many levels
- Employees work under strict control of superiors
- low morale and job satisfaction

# Wide span of control

- **Flat Structures**
- When superior supervises a larger number of subordinates, flat structure is created with lesser number of hierarchical levels



# Wide span of control

- low cost as less number of managers
- decision-making process is effective as superiors delegate authority to subordinates
- Subordinates perform the work efficiently since they are considered worthy of doing so by the superiors
- effective communication as the number of levels is less
- promotes innovative abilities of the top management
- Superiors cannot closely supervise
- Managers may find it difficult to co-ordinate the activities of subordinates
- Subordinates have to be trained so that dilution of control does not affect organisational productivity

# Factors affecting span of control

**Narrow span** (a great deal of time spent with subordinates) related to:

Little or no training

Inadequate or unclear authority delegation

Unclear plans for non-repetitive operations

Non verifiable objectives and standards

Fast changes in external and internal environments

Use of poor or inappropriate communication techniques, including vague instructions

Ineffective interaction of superior and subordinate

Ineffective meetings

Greater number of specialties at lower and middle levels

Incompetent and untrained manager

Complex task

Subordinates' unwillingness to assume responsibility and reasonable risks

Immature subordinates

**Wide spans** (very little time spent with subordinates) related to:

Thorough subordinate training

Clear delegation to undertake well-defined tasks

Well-defined plans for repetitive operations

Verifiable objectives used as standards.

Slow changes in external and internal environments

Use of appropriate techniques such as proper organization structure, written and oral communication

Effective interaction between superior and subordinate

Effective meetings

Number of specialties at upper levels (top managers concerned with external environment)

Competent and trained manager

Simple task

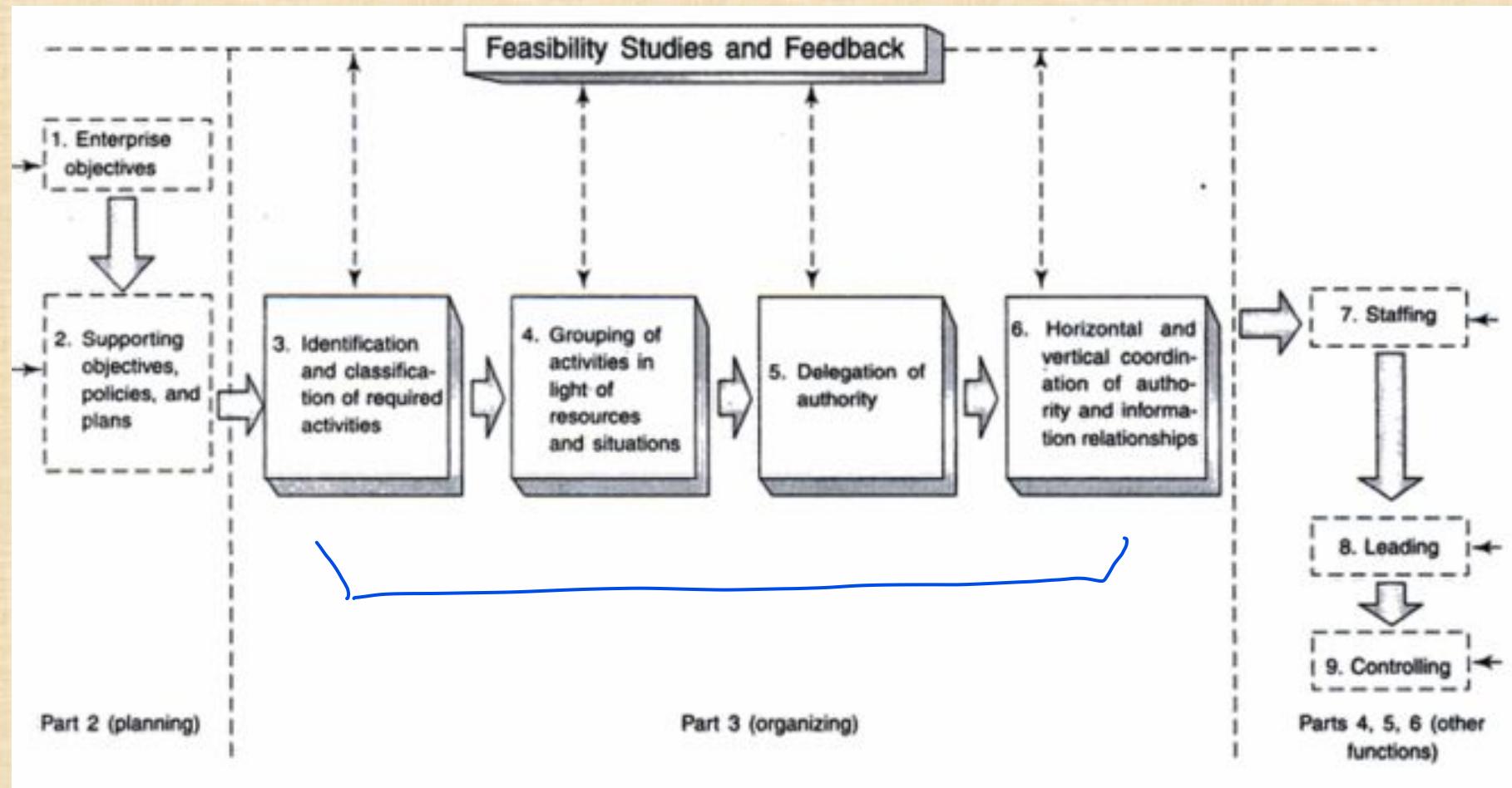
Subordinates' willingness to assume responsibility and reasonable risks

Mature subordinates

# Logic of organizing

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

# Organizing Process



# Case study

Mr. Rao and Ms. Shilpa Jain were respectively working as personal secretary and computer operator to the General Manager in an organization. Mr. Rao was very nice and courteous to the GM and other seniors in the organization. He would also go out of the way to help them in their personal work. At the same time, he was autocratic in dealing with juniors in the org. Many a times, he was a bit harsh with Shilpa who was directly reporting to the GM. This led to strain in the relationship between the two, who were also sharing the cabin attached to the office of GM. The cabin was dirty with papers all around the room. There were wires and stains on the floor.

One hot summer day, Shilpa came to the office and switched on the ceiling fan. There were loose papers lying on the table of Rao, which started flying. Shilpa saw the flying papers but kept on doing the urgent work given by the GM.

Rao, who was half an hour late to office, was irritated to see his table. He shouted at Shilpa and ordered her to sort out all the papers on the floor and arrange them properly on his table. Shilpa refused and there were was a heated argument between the two. The GM heard the noise but ignored it.

That afternoon, Rao submitted a note to the GM for his intervention. He also accused Shilpa of dereliction of duties and insubordination on several instances.

Questions:

- 1) Discuss the chain of command prevailing between Rao and Shilpa
- 2) What could be the reasons for the GM to ignore the noise?
- 3) What should the GM do to sort this out?

# Case 2

A company manufacturing sewing machines set up in 1945 follows formal organization structure in totality. It is facing a lot of problems due to delays in decision making. As a result it is not able to adapt to changing business environment. The workforce is also not motivated since they cannot vent their grievances except through formal channels. Employee turnover is high. Its market share is also declining.

You are required to advise the company regarding the changes it should bring about in its structure to overcome the problems faced by it.

Thank You