

Modern Approaches



1. Contingency Theory

- The contingency approach focuses on actions that best fit the situation .
- Contingency approaches suggest that managers must be flexible leaders.
- It is not enough for them always to be kind and considerate to subordinates; they must do so *at the right time*.
- At other times managers may have to be more authoritative and exert more control over subordinates.





The emphasis is on diagnosis, and managers must have different approaches for situations when different constraints prevail.

2. Systems Theory

- Regardless of the type of system, whether the human body or a social system such as a business firm, there are four components.
- They are *inputs, transformation process, outputs, and feedback*
- The organization is an open system that interacts regularly with external forces such as government agencies, customers, and suppliers.

3. Decision theory Approach

- ✓ Developed by Herbert A Simon
- ✓ Looks at the basic problem of management around decision making – The selection of a suitable course of action out of the given alternatives.
- ✓ The manager is a decision maker and the organization is a decision making unit.
- ✓ The basic problem of managing is to make rational decisions



4. Management Science Approach

(Mathematical / Quantitative approach)

- # Management can be expressed in mathematical symbols, relationships and measurement data.
- # Through mathematical models and modeling, managerial problems can be expressed.

Features

- * Management is regarded as the problem solving mechanism.



- ❖ Management problems can be described in terms of mathematical symbols and data.
- ❖ OR, Mathematical tools, simulation, models etc are the basic methodologies to solve managerial problems.
- ❖ E.g.: Sampling, Linear programming, Game theory, time series, simulation, waiting line theory etc.





PLANNING

Definition

In simple words, planning is deciding in advance what action to take, how and when to take a particular action, and who are the people to be involved in it.

Koontz & O'Donnell

“ Planning is deciding in advance what is to be done in future”

Haynes & Massie

“ Planning is the function of a manager in which he decides in advance what is to be done in future”

It refers to the process of designing the future course of action for an organisation to achieve specific goals.

Nature of Planning

- Planning is Goal -Oriented**
- Planning is an intellectual process**
- Planning is a primary function
(Primacy of Planning).**
- Planning is forward looking**
- Planning is a perpetual
(Continuous) process.**

Planning is an Integrated process

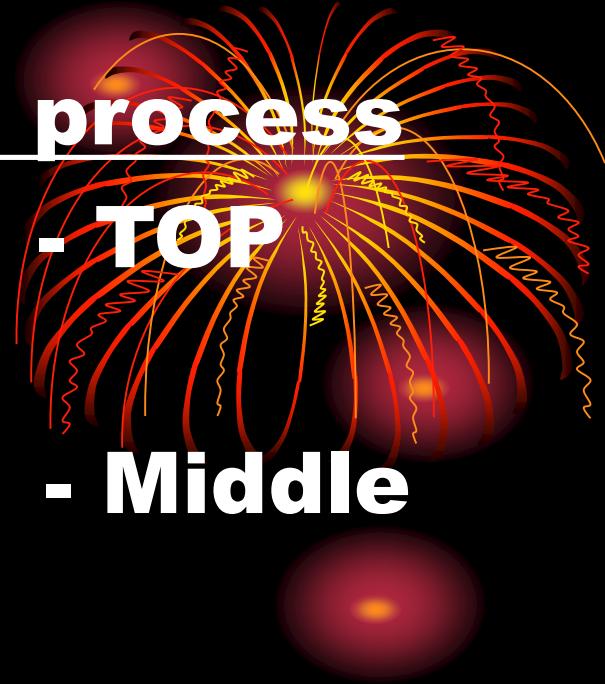
Strategic plans

+

Tactical Plans

+

Operational process **- Lower**



Planning is a decision making process from the available alternatives

Significance / Importance of Planning

- **Focuses attention on objectives**
Planning process helps the organization devise means to achieve objectives.
- **Offsets uncertainty and risk**
Managers can try to reduce the risk of uncertainties and be prepared for unexpected events.
- **Provides sense of Direction**
Setting goals and objectives facilitates the smooth progress and direction



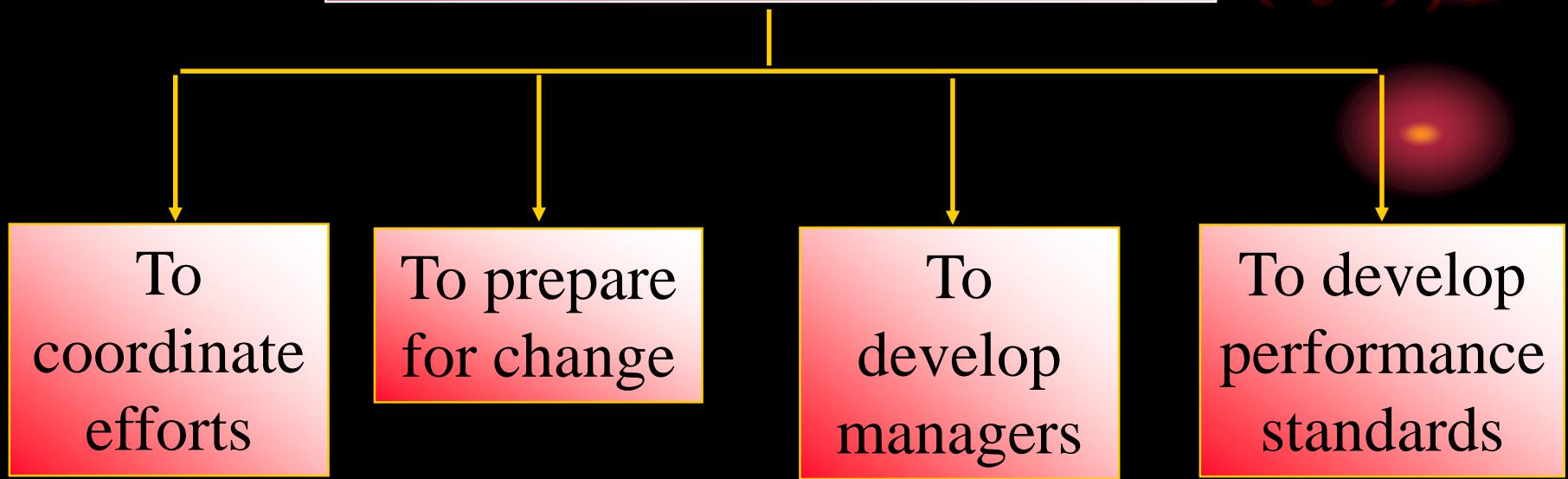
- **Increased organisational effectiveness**
- **Ensures better Coordination**
- **Facilitates Control**
- **Encourages innovation and creativity.**



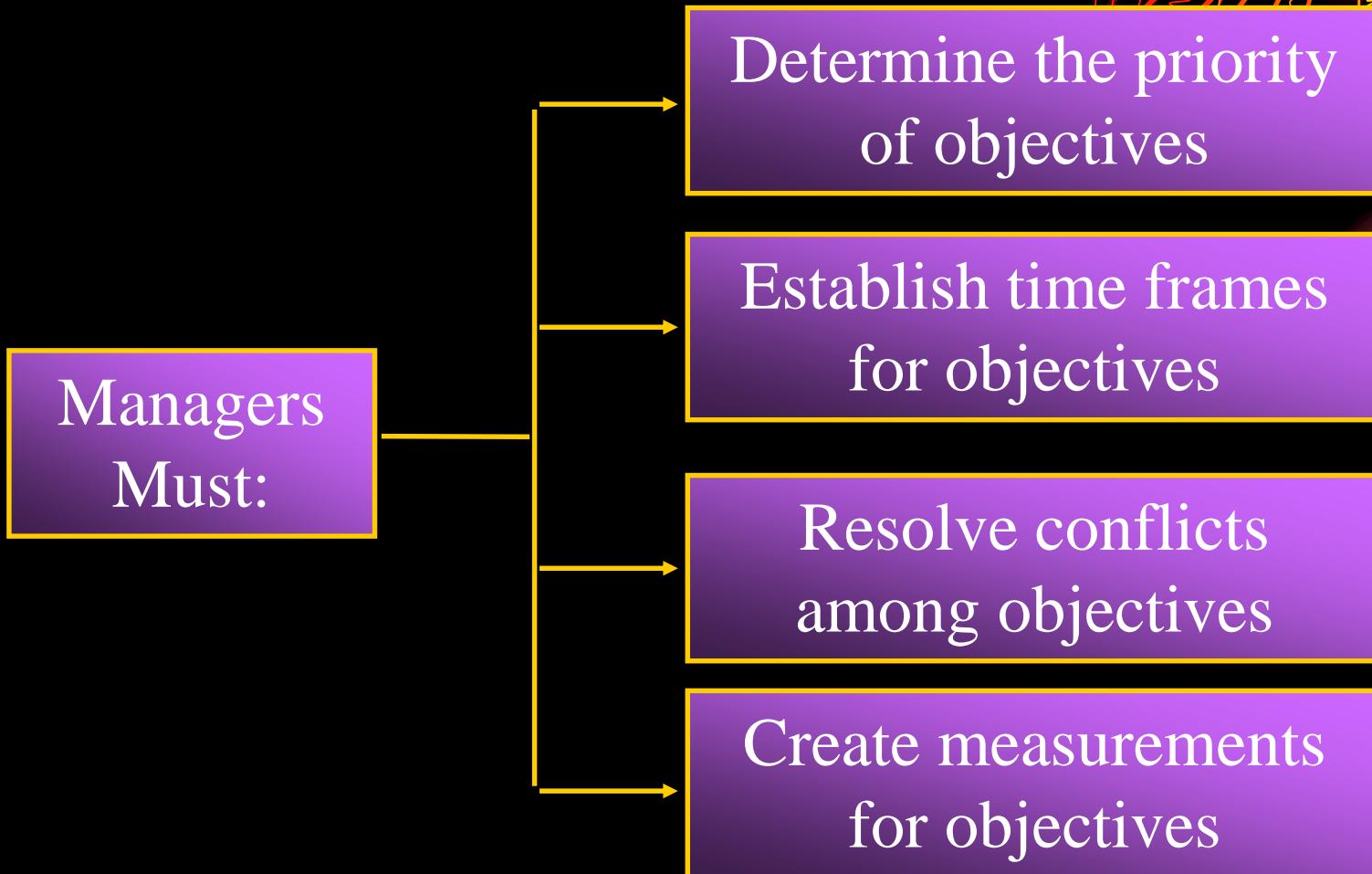
The Importance of Planning



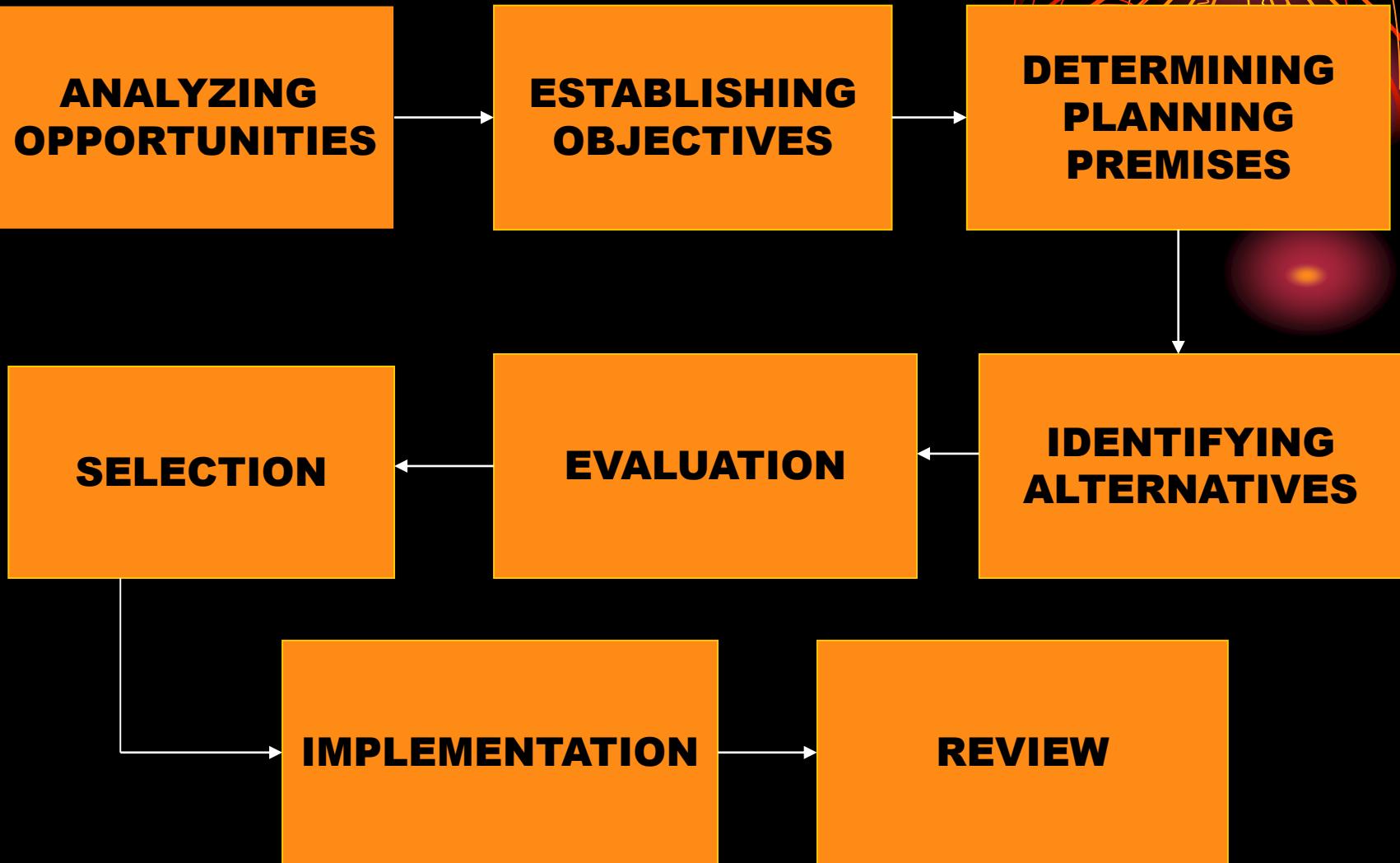
Why is planning so important?



Considerations Required When Managers Initiate Planning



Steps in the Planning process



Planning premises

- **These are assumptions about the environment in which the plan is to be carried out.**
- **They lay down the boundary or limitation within which plans are to be implemented.**
- **Planning premises include both external and internal premises.**
- **External premises include social, economic, political, and technological factors, competitor's plans and actions, government policies etc**
- **Internal premises include an organisation's policies, resources, ability to withstand environmental pressure etc.**

Selected Measures of Objectives

Objective:

Profitability



Possible Measures:

- 1. Ratio of profit to sales.
- 2. Ratio of profit to total assets.
- 3. Ratio of profit to capital.

Marketing



- 1. Market share.
- 2. Sales volume.
- 3. Rate of new product development.
- 4. Number of outlets.

Productivity



- 1. Ratio of output to labor costs.
- 2. Ratio of output to capital costs.
- 3. Ratio of value added to sales
- 4. Ratio of value added to profit.

Physical and
Financial



- 1. Current ratio.
- 2. Working capital turnover.
- 3. Ratio of debt to equity.
- 4. Accounts receivable turnover.
- 5. Inventory turnover.

Types of Plans

Plans based on organizational level

1. Strategic Plans

- ✓ These are general plans that indicate the resource allocation, and priorities and actions necessary for achieving strategic goals

2. Tactical Plans

- ✓ These plans help support the implementation of strategic plans
- ✓ Concerned more with actually getting things done than with deciding what to
- ✓ Usually developed by middle – level managers, who may consult with lower level managers.



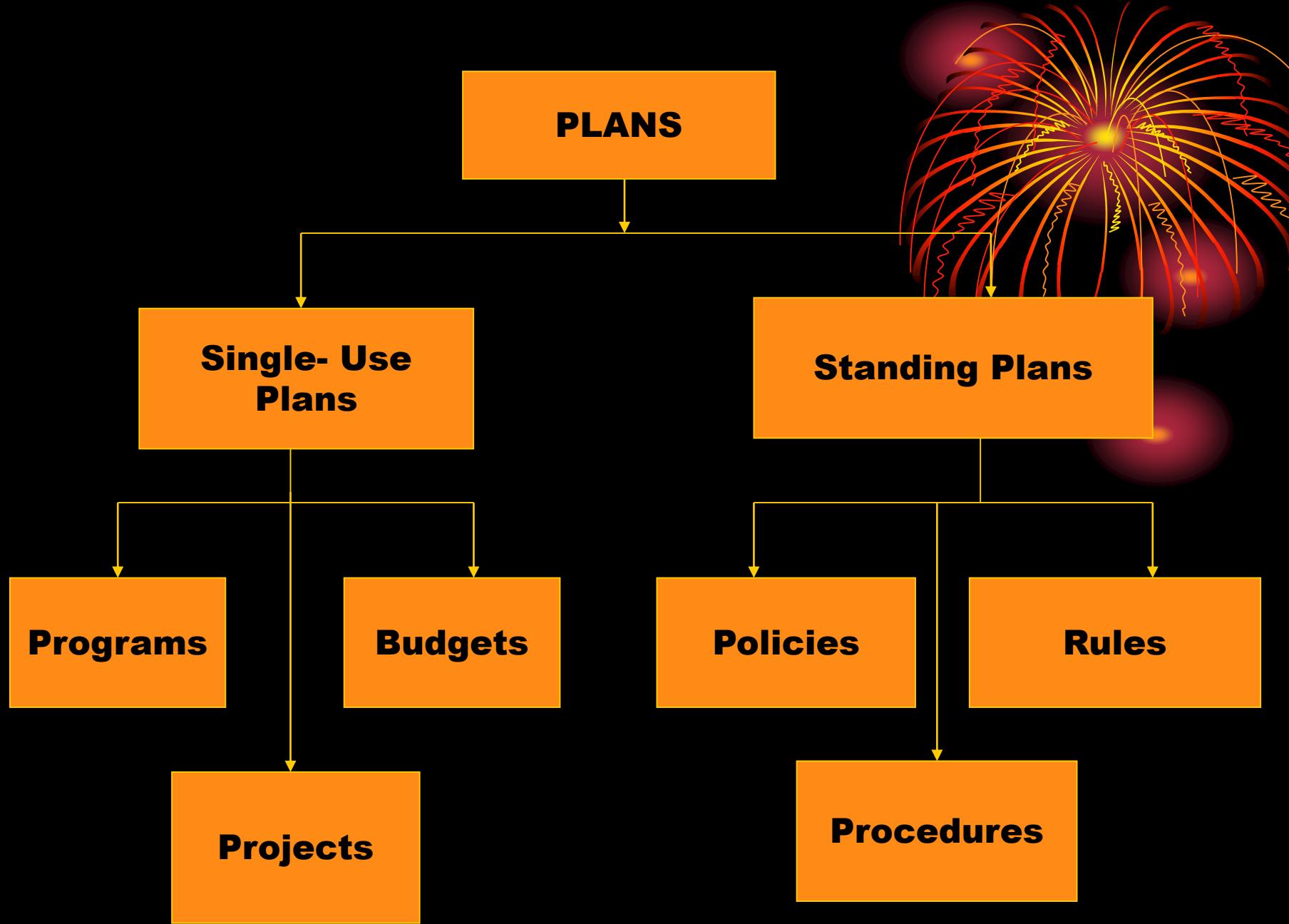
3. Operational Plans

- ✓ **Developed by lower level managers**
- ✓ **These plans generally consider time frames of less than a year, such as a few months, weeks or even few days.**



Plans based on frequency of use

- I. **Single Use plans**
- II. **Standing plans**



Programs

- **Programs spell out clearly the steps to be taken, the resources to be used and the time period within which the task is to be achieved.**
- **They also indicate who should do what and how.**

Budgets

- ❖ **A budget outlines the expected results of a given future period in numerical terms.**
- ❖ **Can be represented either in financial terms or in terms of unit of production, labour hours, machine hours etc.**

Projects

- **A project may be a component of a program, or it may be a self-contained, single – use plan.**

Policies

- **Policies do not specify what actions should be taken, but provide general boundaries for action.**
- **They indicate the direction in which top management wants to channelize the energies of people in the organisation.**

Procedures

- ✓ **A procedure is a chronological sequence of steps to be undertaken to achieve an objective.**



Rules

- ✓ **A rule is a statement that spells out what should or should not be done in a particular situation.**

Plans based on Time frame

- 1) **Long – term plans**
- 2) **Intermediate – term plans**
- 3) **Short – term plans**

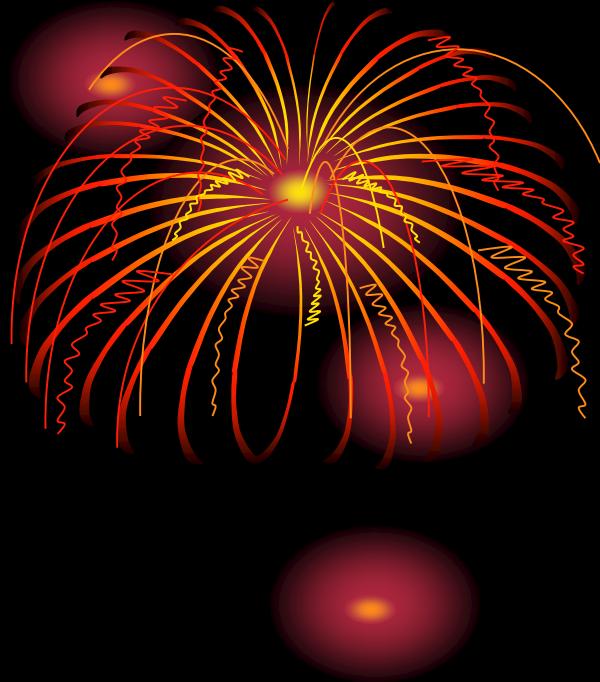


Limitations of Planning

- **Time consuming process**
- **Expensive**
- **Resistance to Change**
- **Lack of Commitment**

TOOL

- ❖ **SWOT Analysis**



MBO

- ✓ Known as Management By Objectives.
- ✓ One of the earliest management thinkers to use this term was Peter F Drucker .
- ✓ The process of MBO begins with the setting of subordinate's objectives jointly by the immediate superior and subordinates and ends with the performance appraisal of the subordinates.



- Managers and their subordinates plan together to set common goals.
- Each employee's major areas of responsibility are clearly defined in terms of measurable objectives and result areas.
- Periodic reviews, both individual and departmental, are done to assess the accomplishment of objectives.



Peter F Drucker

“ It is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed towards organisational and individual objectives”.

STEPS



ENTERPRISE OBJECTIVES

PLANNING PREMISES

KRAs

Superior's
Objectives

SUPERIOR'S
RECOMMENDATIONS

SUBORDINATE'S
STATEMENTS

Subordinate's
Objectives

Performance
Evaluation

Corrective
Measures



Benefits

- ➔ **Better managing**
- ➔ **Clarity in organisational action**
- ➔ **Basis for organizational change**
- ➔ **Development of effective controls**

Limitations

- ➔ **Failure to teach MBO philosophy**
- ➔ **Difficulty in Goal – setting**
- ➔ **Excess work pressure on employees**



DECISION MAKING

- **Decision making is a process to arrive at a particular decision; the process by which an individual or organization selects one position or action from several alternatives.**
- **The decision is a kind of choice of a desirable alternative.**
- **It is choosing the best out of alternatives.**



Individual Vs Group decision making Situations

1. Nature of the problem

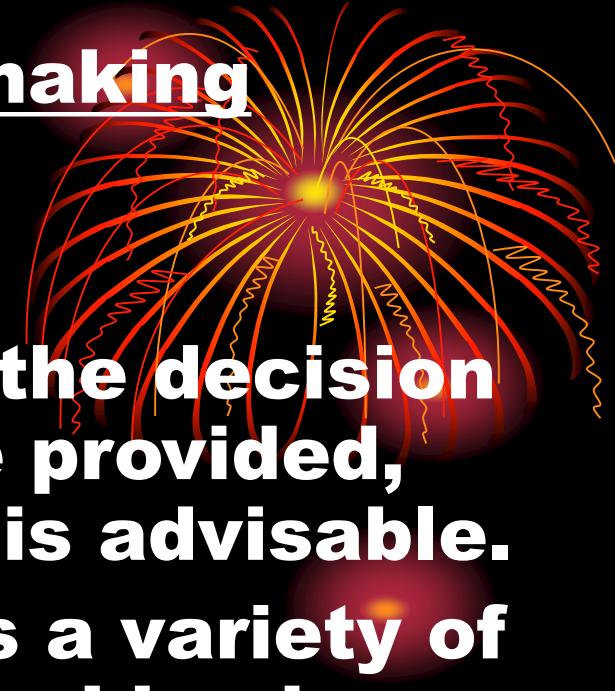
If the guidelines regarding the decision for the problem at hand are provided, individual decision making is advisable. where the problem requires a variety of expertise, group decision making is suitable.

2. TIME

3. Quality of decisions

4. Climate of decision making

Supportive climate encourages group problem solving.



5. Legal Requirements

Many decisions have to be compulsorily made by board of directors (a group) or committee in companies.



Techniques for improving Group decision making

1. Brainstorming

- ✓ Originally applied by Osborn in 1938.
- ✓ “ A conference technique by which a group attempts to find a solution for a specific problem by amassing all the ideas spontaneously contributed by its members” – Webster Dictionary.

- A group of 10 to 15 persons is constituted.
- The participants should be connected with the problem directly or closely, though they need not necessarily from the same discipline.
- Here the emphasis is on quantity of ideas and quality may follow later.

2. Nominal Group technique

- ✓ It is a structured group meeting which restricts verbal communication among members during the decision making process



- ✓ **The group leader outlines the problem requiring decision.**
- ✓ **Each member writes down his ideas silently and independently and presents his best single idea.**
- ✓ **When all the members write their ideas, they are presented for discussion and evaluation.**
- ✓ **The members are asked to rank the various ideas for decision making and the decision is arrived at on the basis of this ranking.**



3. Delphi technique

- **Members do not have face- to- face interaction for group decision.**
- **The decision is arrived at through written communication in the form of filling up questionnaires often through mail.**

Positive aspects of Group decision making

- 1. Pooling of knowledge & information**
- 2. Commitment & satisfaction**
- 3. More risk taking**

Negative Aspects

- 1. Time consuming & Mostly**
- 2. Individual domination**
- 3. Problem of responsibility**
- 4. Group think**

- **When reaching agreement becomes more important to group members than arriving at a sound decision.**
- **Because of the pressure for conformity to group norms, members avoid being too evaluative in their judgments.**
- **Decisions that would affect the norms and structures of the group are unaccepted, even though they are beneficial.**



Every decision making situation falls into one of the three following categories.

1. Decision making under certainty

The decision maker knows with reasonable certainty what the alternatives are, what conditions are associated with, the outcomes etc.

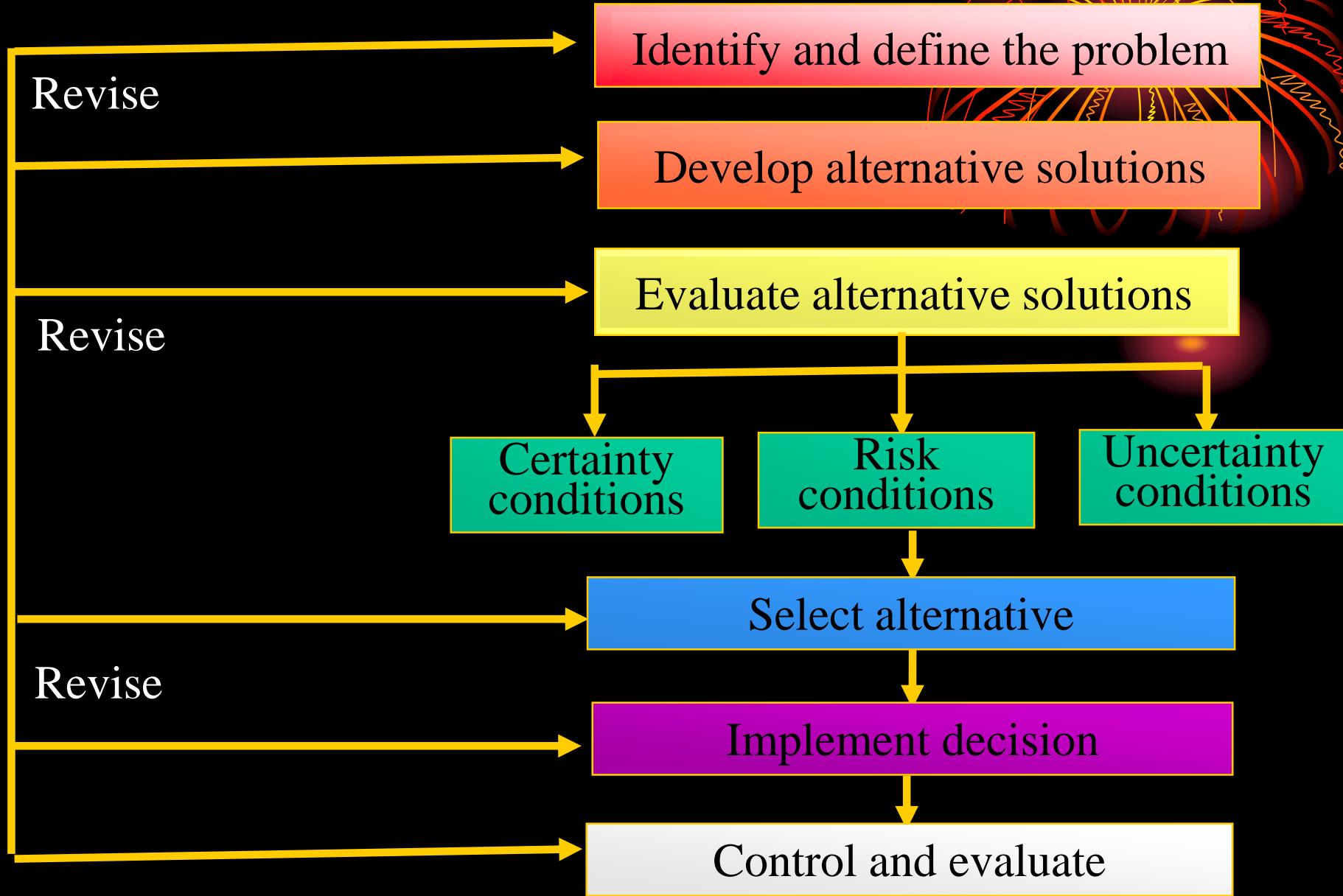
2. Decision making under risk

When a manager lacks perfect information or when ever an information asymmetry exists, risk arises

3. Decision making under uncertainty

Conditions of uncertainty exists when the future environment is unpredictable.

The Process / Model of Decision Making





ORGANIZING

Organizing is determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom, and where decisions are to be made.

Is the process of defining and grouping the activities of the enterprise and establishing the authority – relationships among them.

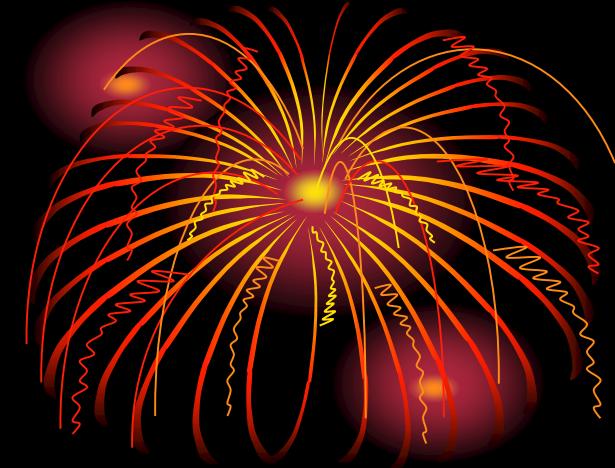
L.A Allen defined organizing as “the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives

Types

- 1. Formal Organization**
- 2. Informal Organization**

Formal organization

- ✓ Deliberately designed to achieve some particular objectives.**
- ✓ It refers to the structure of well defined jobs, each bearing a definite authority, responsibility and accountability.**
- ✓ E.g. All the Companies.**



Informal organization

- ✓ Refers to the natural grouping of people on the basis of some similarity in an organization.
- ✓ The basis of similarity may be age, sex, place of origin, caste, religion, personality characteristics, likings, dislikes etc.
- ✓ No rules & regulations to monitor.
- ✓ No formal authority – responsibility relationships.



Formal Vs Informal Organization



<u>BASIS</u>	<u>FORMAL</u>	<u>INFORMAL</u>
1. Origin	Deliberate	Spontaneous
2. Purpose	Organizational objectives	Social and psychological satisfaction
3. Size	Large	Small
4. Nature	Stable	Unstable
5. Number	Many numbers	Many numbers
6. Authority	Exists	Rare

7.Behavior

**Governed by
rules and
regulations**

**Governed by
the norms,
beliefs, and
values of the
group.**

8.Communication

**Through
chain of
command**

**Informal
channels**

9.Abolition

At any time

**Difficult to
abolish**

Organizational Design

- The process of coordinating the structural elements of an organization in the most appropriate manner
- The process of choosing and implementing a structural configuration.
- The choice of an appropriate organizational design depends on the firm's:
 - **Size.**
 - **Operations and information technology.**
 - **Environment.**
 - **Strategy for growth and survival**



Elements of Organizational Design

- Work specialization: what are you good at?
- Departmentalization: who do you work with?
- Chain of command: who do you report to?
- Span of control: how many people do you manage?
- Centralization and decentralization: who decides?
- Formalization: how many rules do you have?

Span of Management

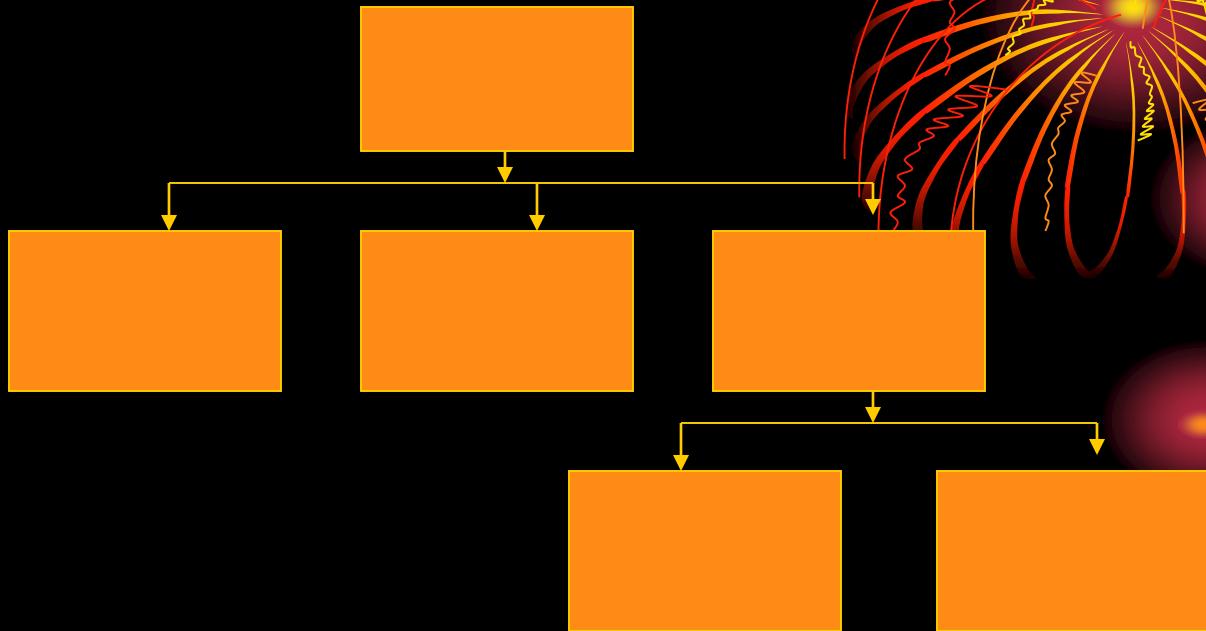
- **Also known as span of control or span of supervision.**
- **Span of management refers to the number of subordinates who can be managed effectively by a superior.**

Factors affecting

- 1) Capacity of superior**
- 2) Capacity of subordinates**
- 3) Nature of work**
- 4) Use of assistance**



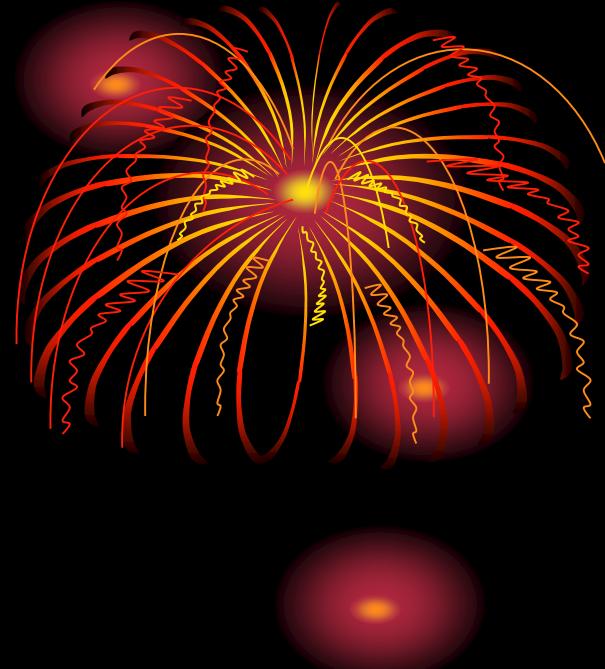
Narrow Span



- **Very few subordinates under one superior.**
- **For example three or four.**

Merits

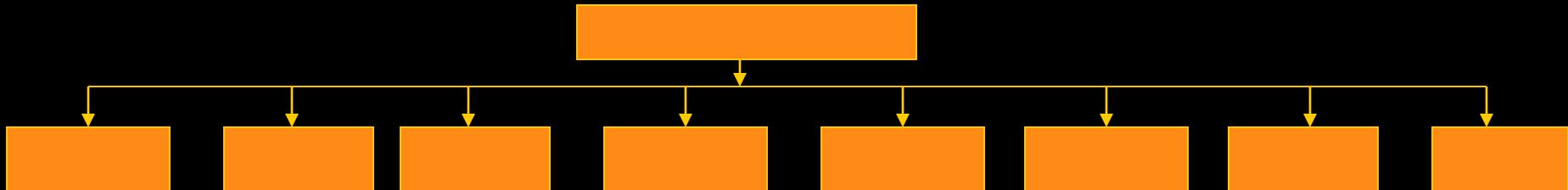
- 1. Close supervision**
- 2. Fast Communication**
- 3. Close control**



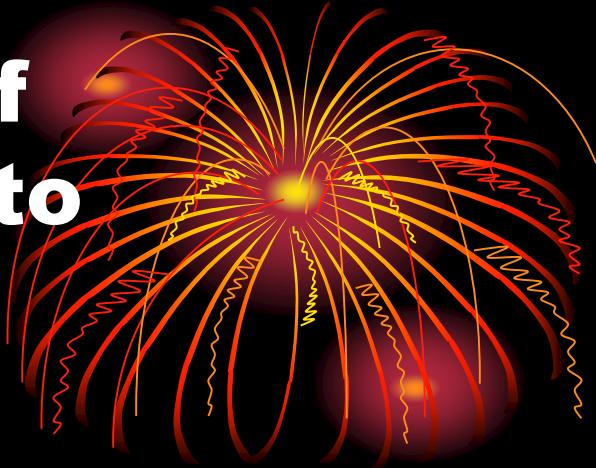
Demerits

- 1. Too much involvement by superiors**
- 2. Excessive distance and many levels.**

Wide Span



- ✓ **Covers a large number of subordinates compared to subordinates.**



Merits

- 1. Force for delegation**
- 2. Clear policies without any bias.**

Demerits

- 1. Loss of control.**
- 2. Requirement for exceptional quality by managers.**
- 3. Overload on superiors.**



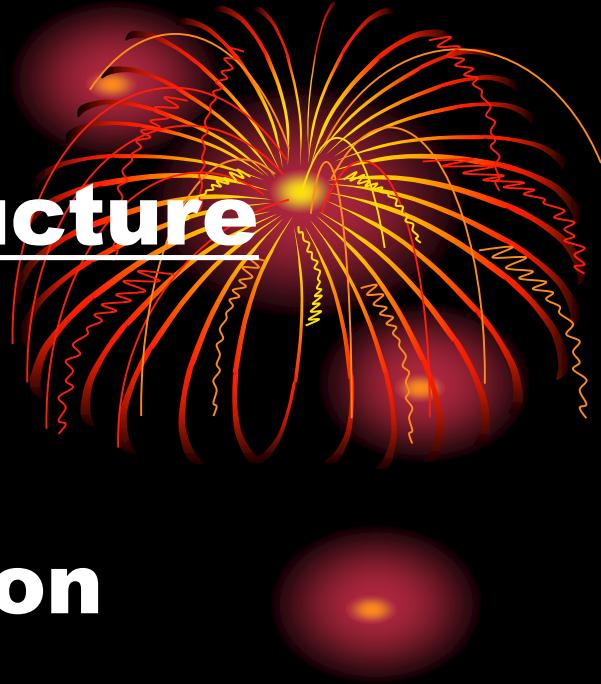
Tall Structure of organization

- **Tall structure is one which fosters narrow span of control, a large number of management levels and more centralized decision making.**
- **Its advantages are close supervision, close control and fast communication.**

Flat Structure

- **It is that which reduces, the levels of management, widens span of control of managers at various levels of the organization.**

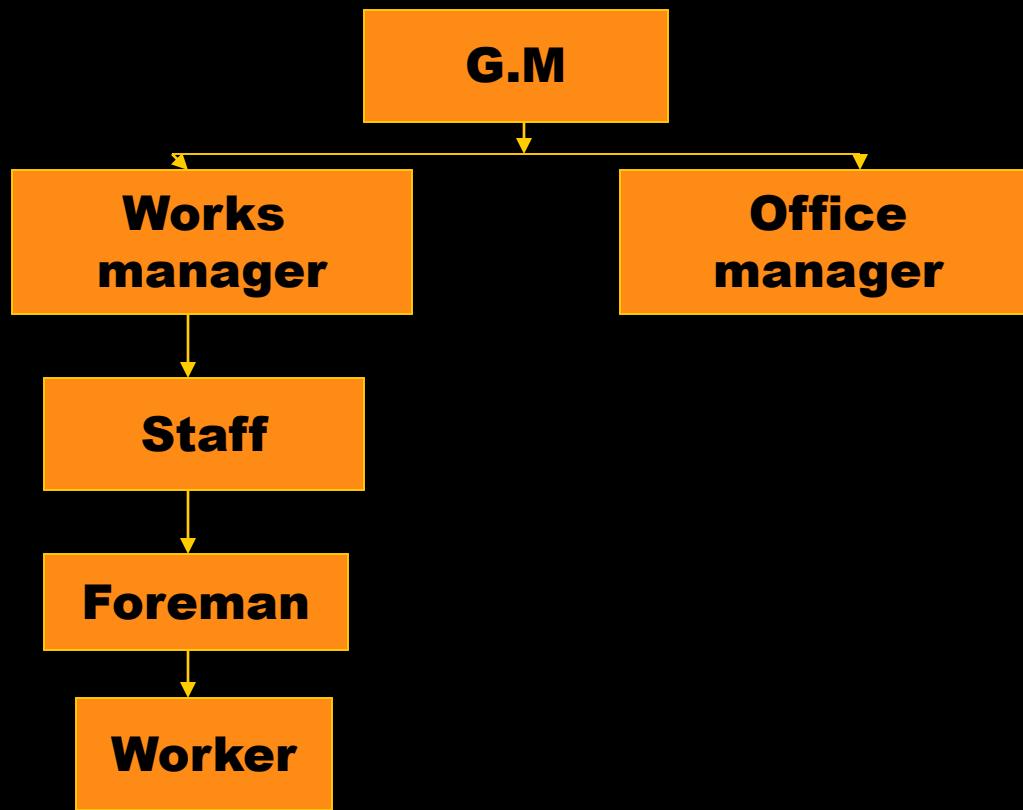
Forms of Organization Structure



- I. Line Organization**
- II. Line & Staff Organization**
- III. Functional Organization**
- IV. Divisional Organization**
- V. Project Organization**
- VI. Matrix organization**

I. Line Organization

- ✓ **Military type or organization**
- ✓ **Scalar Organization**
- ✓ **There will be only one superior for a subordinate.**



Merits

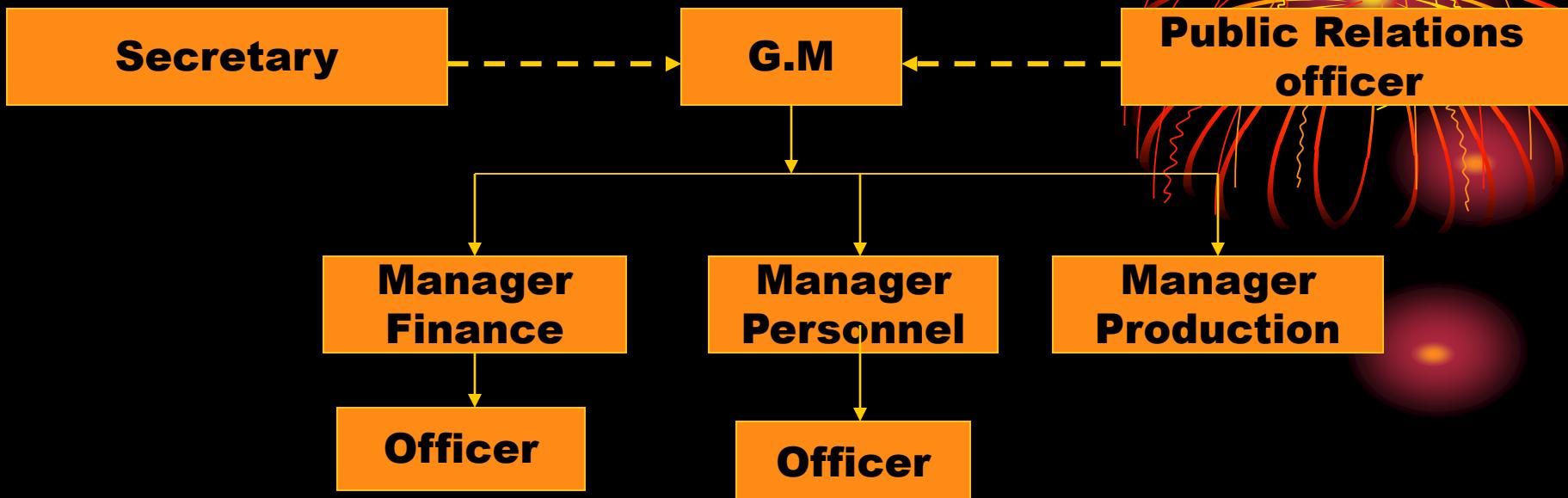
- ✓ **Simplicity**
- ✓ **Discipline**
- ✓ **Orderly communication**
- ✓ **Easy supervision and control**

Demerits

- **Autocratic approach**
- **Lack of ground work for subordinates' training**



II. Line & Staff Structure



Staff specialists advise line managers to perform their duties.

The staff position or departments are of purely advisory nature.

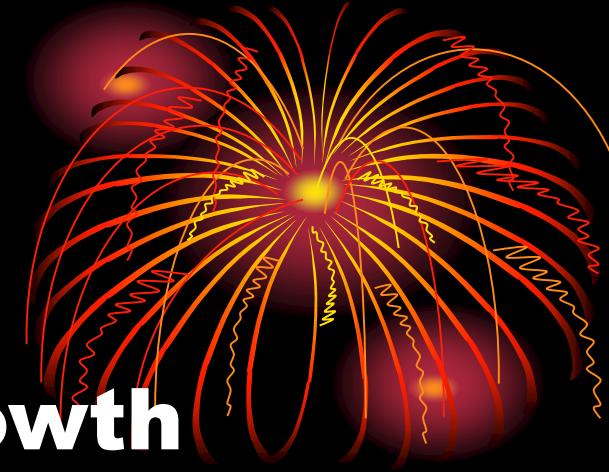
They have the right to recommend, but have no authority to enforce their preference on other departments.

Merits

o **Planned specialization**

o **Quality Decisions**

o **Prospect for personal growth**



Demerits

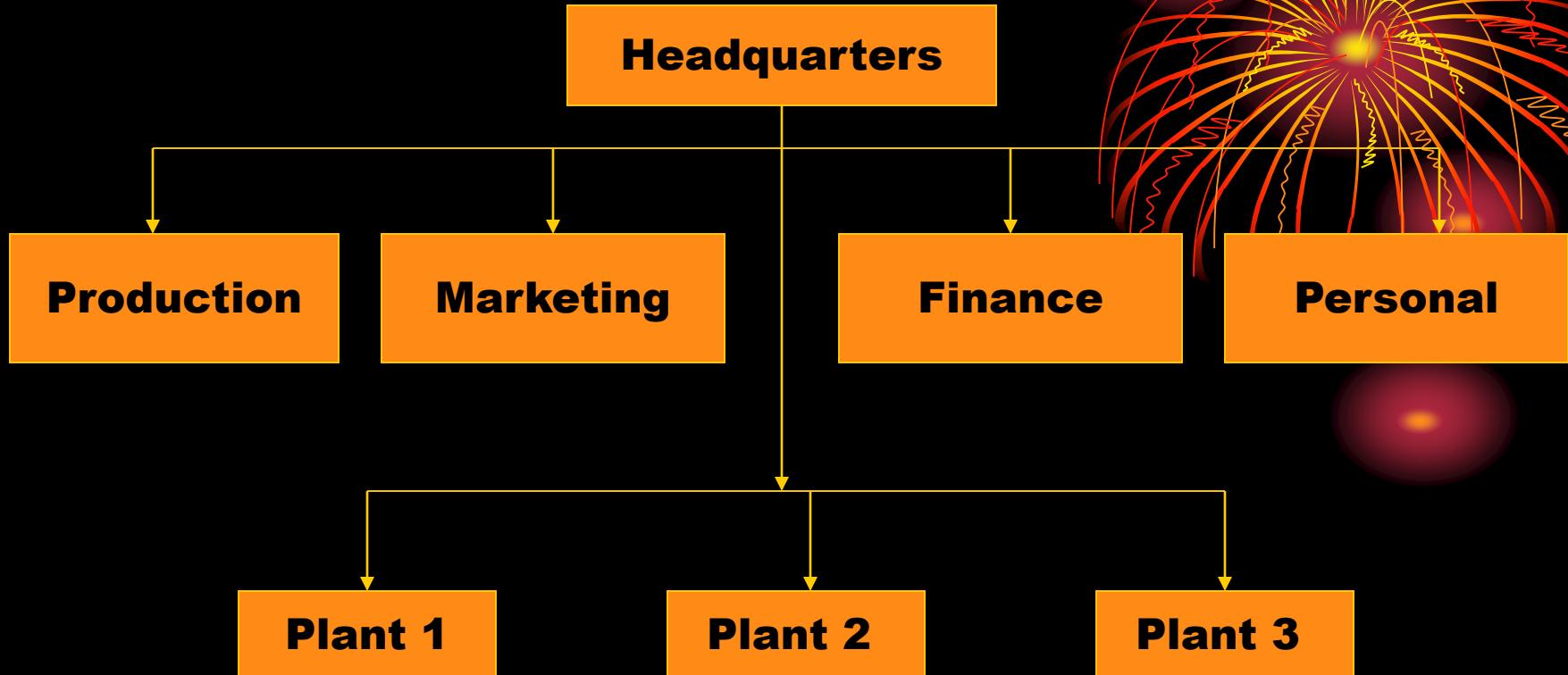
✓ **Lack of well defined Authority**

✓ **Line & staff Conflict**



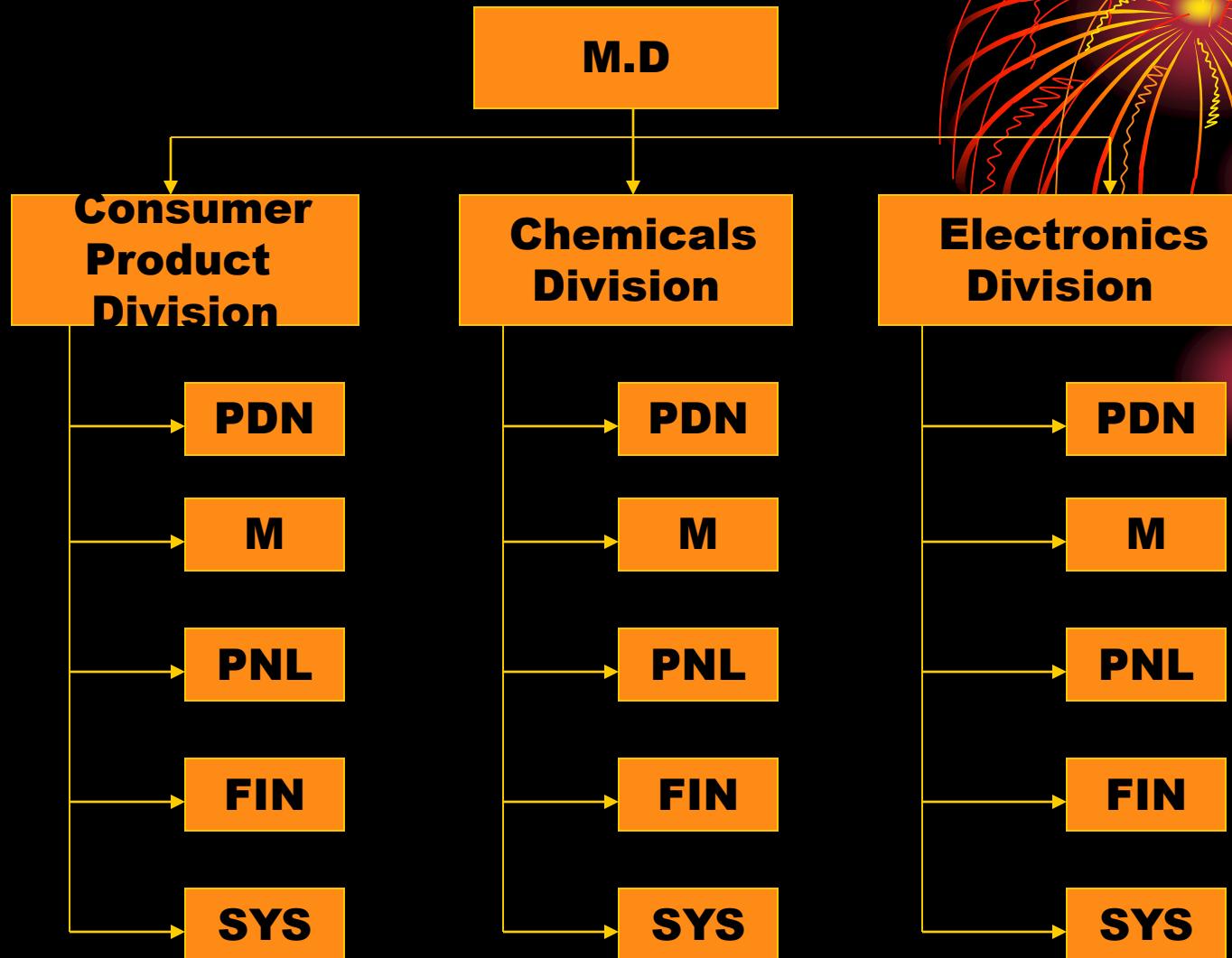
III. Functional Organization

➤ **Functional structure is created by grouping the activities on the basis of functions required for the achievement of organizational goals.**



Characterized by specialization by functions, line & staff division, limited span of management and tall structure

IV. Divisional Organization structure



- ✓ The organization is divided into several fairly autonomous units.
- ✓ Each unit is relatively self contained in that it has the resources to operate independently of other divisions.

Basis of Division

1. Product: Reliance Industries Limited has six product divisions: Textiles, polyester, fibre intermediates, polymers, chemical, and oil and Gas.

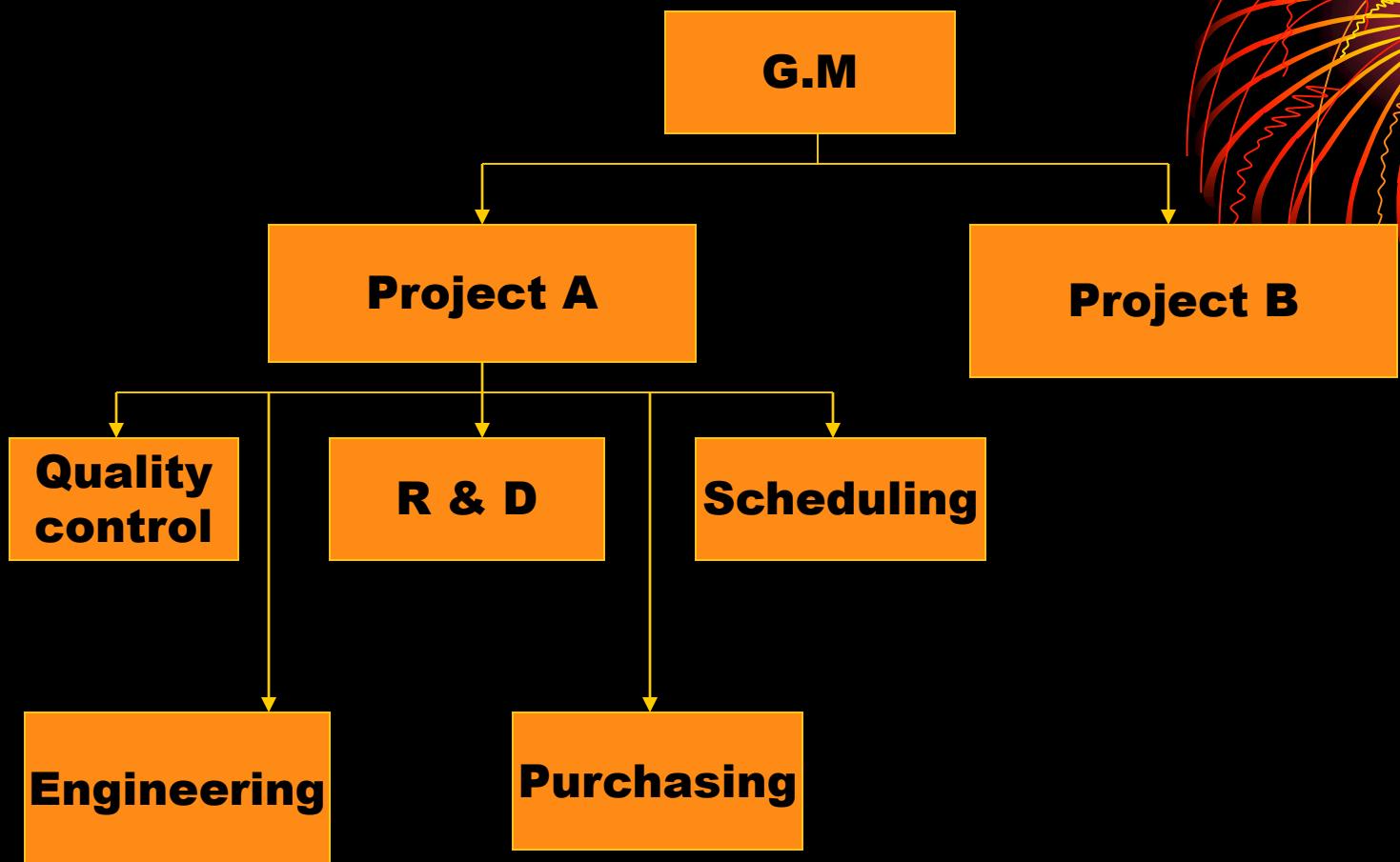
2. Territorial Division

- In this form, regional offices are established as separate units.
- Each regional office has its own set of functional departments and operates under the corporate management.
- E.g.: classification based on Zones

3. Strategic Business Unit (SBU)

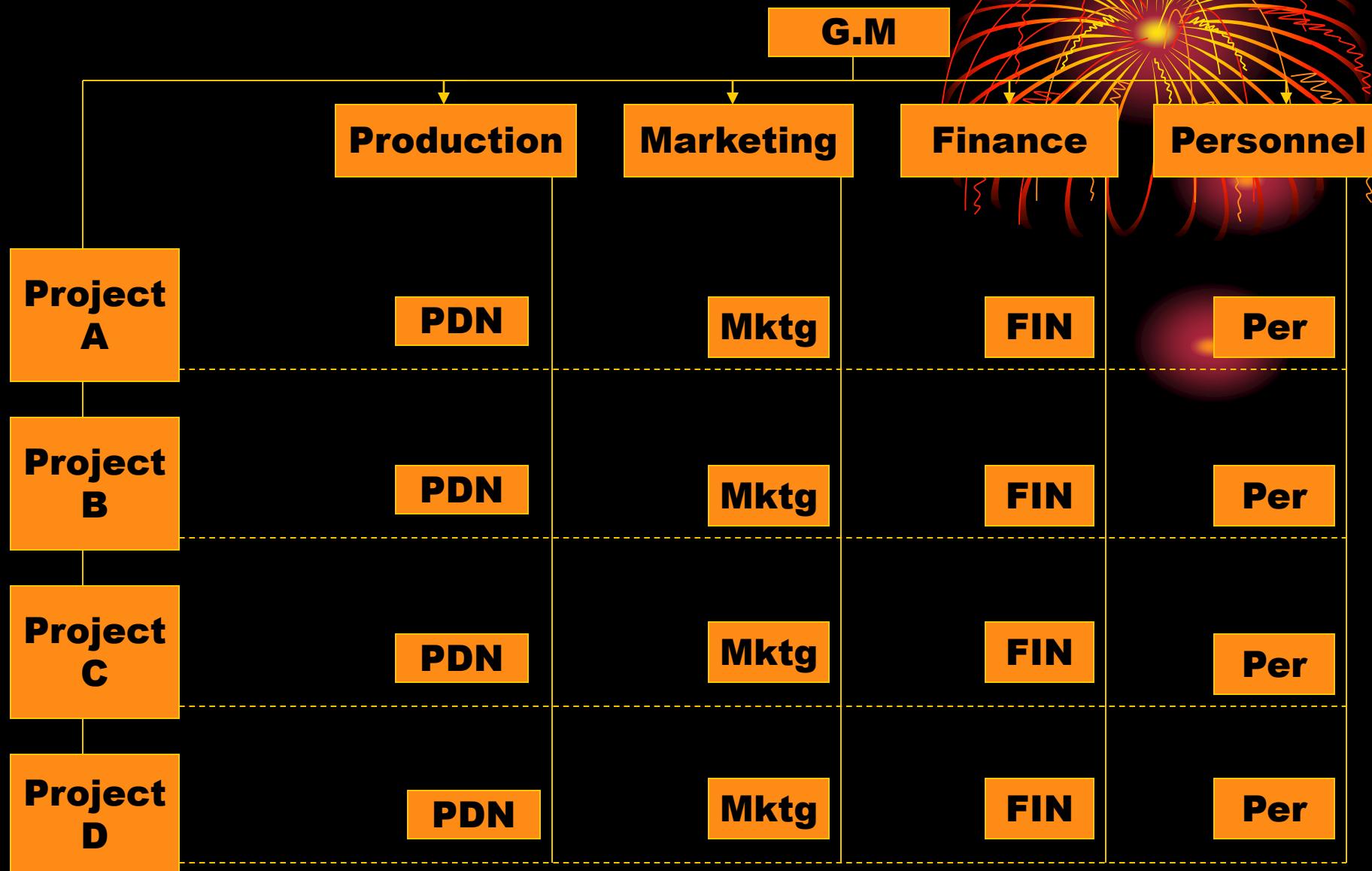
- ✓ Different SBUs are involved in distinct strategic business areas with each area serving the distinct segment of the environment.

V. Project organization structure



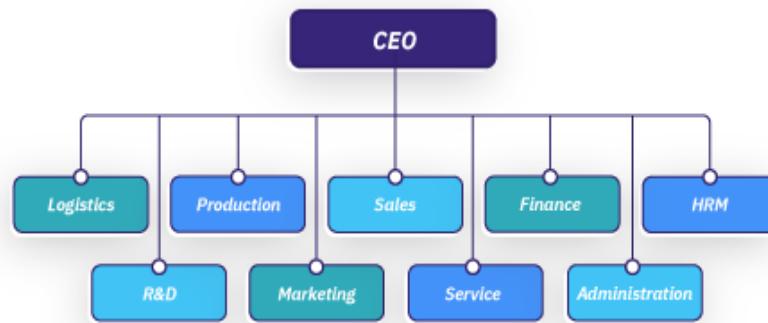
- ✓ **Project organization appears very like to divisional structure except that in the latter, various divisions are created on permanent basis while in the former, they are created only for the life time of a project.**
- ✓ **When a particular project is completed, the concerned division may disappear.**
- ✓ **The functional personnel are drawn from various functional fields.**

VI. Matrix Organization structure

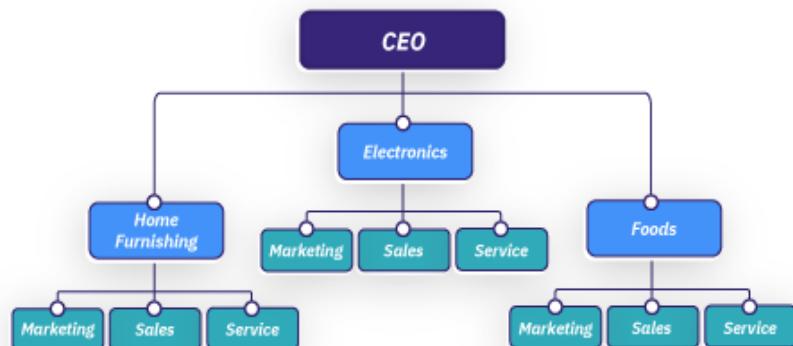


- **It is the combination of project structure and functional structure.**
- **Violation of unity of command**
- **Personnel are drawn from their respective functional departments for different projects.**
- **Upon completion of the project, these people may return to their original departments for further assignments.**
- **A subordinate may receive orders from two bosses.**

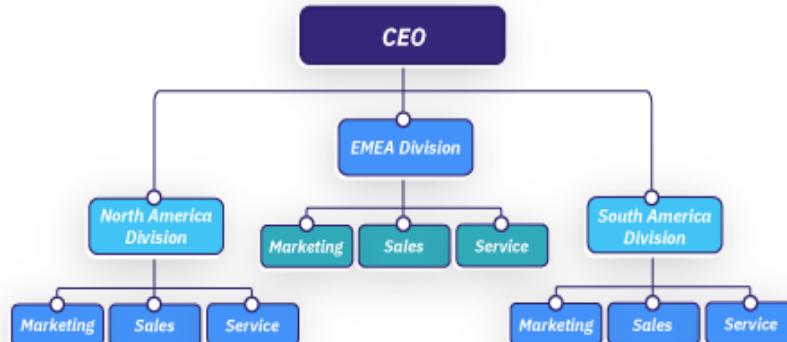
Organizational Design Examples



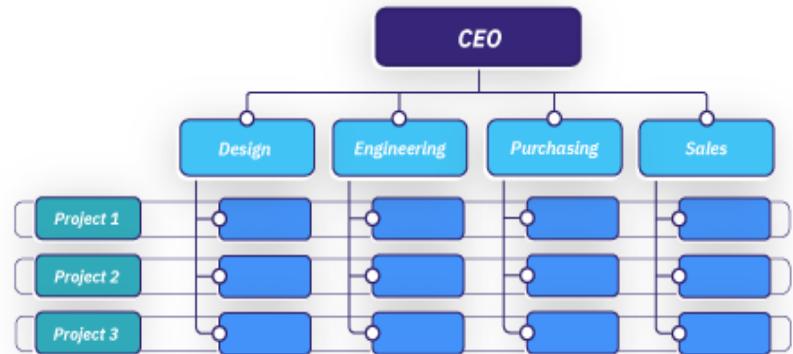
1. Functional Organizational Design



2. Product-Based Organizational Design



3. Geography-Based Organizational Design



4. Matrix Organization

Virtual Organization

- **Virtual corporation is a temporary network of independent companies – suppliers, customers, even rivals – linked by information technology to share skills, costs etc.**
- **It will have neither central office nor organization chart.**
- **It will have no hierarchy.**
- **It is a temporary alliance between two or more organizations that band together to undertake a specified venture.**



DELEGATION

Fundamental aspect of manager's job;
Transferring a task or procedure to someone else!

WHAT DELEGATION IS *NOT*

- “Dumping” work indiscriminately
- Giving orders



Delegation implies that the subordinate is given the authority to do the job, can make independent decisions, and has the responsibility for seeing that the job is done well.

- The delegation of authority is the delivery by one individual to another of the right to act , to make decisions, to request resources and to perform other tasks in order to fulfill job responsibilities.
- Delegation means conferring from one manager or organizational unit to another in order to accomplish particular assignments.

FIVE PRINCIPLES OF DELEGATION

1. Know yourself and team members
2. Assess strengths, weaknesses, job, situation and skills
3. Know the job requirements
4. Keep communication clear, complete and constant
5. Evaluate-review what happened/measure results

FOUR BASIC STEPS:

1. Select a capable person
2. Explain the task and outcomes to occur
3. Give the necessary authority and means for doing the job
4. Arrange to keep in contact and give feedback.

BLOCKS OF DELEGATION

- Manager's reluctance to “give away”
- Feeling that need to do it yourself
- Lack of confidence in subordinate
- Fear of losing authority
- Fear of Exposure

Measures of Effective Delegation

1. Making the potential delegator feel secure

A non-delegator is a hard worker, fully competent, but he may feel insecure in his job.

There is a need for creating a feeling for security for him.

2. Creating awareness for the need for delegation

Through proper education and training, managers can be convinced about the need for better delegation.

3. Establishing conducive organizational climate.

An organizational climate free from fear and frustration goes a long way in determining the success of organizational process.

Centralization & Decentralization

Centralization is the systematic and consistent reservation of authority at central points within an organization.

Decentralization applies to the systematic delegation of authority in an organization – wide context.

However ,there can neither be absolute centralization nor there can be absolute decentralization.

Delegation Vs Decentralization

- Decentralization is much more comprehensive than delegation
- Decentralization is used to mean several types of dispersal other than authority.

Factors determining degree of Decentralization

1. Size of Organization
2. History of the organization

All the family run business houses in India shows centralization.

3. Availability of managers
4. Environmental influences

Government regulations, societal influences.