Planning

Planning is the primary important function of management. Planning may be broadly defined as a concept of executive action that embodies the skill of anticipating, influencing and controlling the nature and direction of change. It is the best alternative to perform different managerial operations for achieving pre-determined goals.

Features / Characteristics of a Good Plan

1. _Planning is basic function_: It is the primary function of management. All other functions of management like organizing, directing, staffing and controlling all depend on planning. Hence planning is the starting point of management activities.
2. _Goal oriented_: Planning is always made towards achievement of organizational goals and has a leading contribution for their achievement.
3. _Intellectual process_: Planning is always made on the basis rational judgment, imagination, past experience and logic. Without rational and logical thinking planning is valueless.
4. _Continuous process_: One time planning for achievement of organizational goals is not enough. It is a continuous and on-going process. It is a dynamic exercise and is prepared on the basis of information and assumptions.
5. _Selection among alternatives_: Planning involves choosing the best course of action among many alternatives. If there is only one way of doing a particular work there is no need for planning.
6. _Forward looking_: Planning is always made for future. For this purpose forecasting regarding uncertain events are made.
7. _Integrated process_: Planning is made in such a way so that different activities are integrated and coordinated towards the accomplishment of overall organizational goals.
8. _Attainment of efficiency_: Planning is not effective if it cannot contribute towards the attainment of organizational goals economically and effectively. Maximum output at minimum cost is the foundation of planning.
9. _Flexibility_: Planning should be made in such a way that there is enough room for flexibility. Short term planning should give itself to change according to the need of the situation.

Steps involved in Planning process

Planning is the first and most important step in management. The goals of an organization can be achieved only if everything is done according to a plan.
The following are the steps involved in planning process:

1. Determination of Objectives: This is the first step where the objectives need to be spelt out in clear terms. What needs to be achieved helps to determine how it should be achieved. All the opportunities and resources available to fulfill these objectives should be carefully considered at the time of planning.
2. Establishment of Planning Premises: Planning premises are the basic assumptions or criteria on which planning process depends. As business is full of uncertainties, certain assumptions are made on the basis of which plan is formulated. These assumptions must be realistic and logical otherwise the plan may become useless.
3. Development of alternative course of action: There are usually more than one ways of doing a thing. Planning involves identifying the different alternatives for achieving the end.
4. Selecting the best course of action: After developing the alternative course of action, the same must be evaluated so that the best course is selected. This will result in optimization of the output of the organization.
5. Preparation of derivative plans: Next step after choosing the best course is to develop sub-plans. For this different departmental and sectional plans along with the time schedule are to be formulated. Derivative plans helps to accomplish and execute the master plans of the organization.

6. Participation of human resource: Success of plans depends upon the cooperation and coordination of all the employees of an organization. Therefore employees must be communicated and explained all the relevant information for getting their whole-hearted support. Managers of different levels are involved in the planning process so that they develop a feeling of contributing to the planning process.
7. Follow-up action: Actual performance is compared with those that planned and deviations are found out. Corrective actions are taken if there are any unfavorable variances. Without follow-up action a plan will be ineffective.

Planning Premises

An organization has to plan and work within the given constraints, environment, framework or factors which are known as planning premise. Thus planning premise are some basic assumptions or criteria on which planning process depends. Planning premises can be classified as:

1. **Internal and external premise**: Those which are related to the internal factors of the organization e.g. business policies, managerial efficiency, utilization of resources etc. are known as internal premise. External premise are those on which the organization has no control and they are extraneous to the business e.g. inflation, political situation, economic and social environment, policy changes by the Government etc
2. **Tangible and intangible premise**: The premises that can be quantified or measured are known as tangible premise (e.g. volume of production, mandays, cost of materials etc.) and those which can be expressed in terms of quality only are known as intangible premise (e.g. goodwill of the business, honesty of workers, good relation with suppliers etc.)
3. **Controllable and uncontrollable premise**: The factors on which the firm has a direct control like policies, programs, rules, regulations, layout of the organization, quality of human resources etc. are known as controllable premise. On the other hand, the factors which are beyond the control of the entity for example natural calamities, political instability, wars, technological advancement etc. are known as uncontrollable premise.
4. **Fixed and Variable premise**: The premise which does not change but remain fixed over the planning horizon is known as fixed premise like man power in a company, machinery and equipments being used etc. These are controllable. The premises which may undergo a change over the time period of the planning horizon is called variable premise. These are not controllable for example taste and fashion of the customers, new products by competitors, industry specific Government policies etc.

Basic Principles of Planning / Essentials of Sound Plan

The success of a good plan depends upon some basic principles to be followed by an organization.

1. _Principle of Objective_: Planning is made to fulfill some objectives. No plan is successful if the objectives are not clearly defined and measurable.
2. _Principle of Flexibility_: Future is dynamic and therefore planning cannot afford to be rigid. There should be enough flexibility to change plans if required. Else the main objective of the organization shall remain unfulfilled.
3. _Principle of Unity_: Planning should be formulated in such a way that there must be unity and integrity of different functions of the organization.
4. _Principle of Continuity_: Planning is a continuous exercise as no single plan can continuously bring success for any organization. Each plan must be guided by the previous one.
5. _Principle of Rationality_: Planning must be made on the basis on objective facts and data. Planning based on pure guess and personal opinion is irrational and does not bring the desired results.
6. _Principle of Simplicity_: Planning is most effective when it is clear, simple and understandable to all employees.
7. _Principle of Forecasting_: Future is uncertain but still needs to be predicted to make plans. Forecasting is using scientific techniques to anticipate the future happenings based on past and

present events to determine the alternative course of action. It is the foundation of planning program.

8. *Principle of pervasiveness*: It is pervasive for all the levels of management for all the departments.
9. *Principle of Participation*: Participation in decision making process from all levels of management makes implementation of planning easier.
10. *Principle of Selecting the Best Alternative*: Planning involves choice of best alternative out of the many alternatives. Planning involves evaluation of alternatives and choosing the best one among them.

Importance / Significance / Advantages of Planning:

1. Determination of Objectives: The first task of planning is to determine objective. The integration of overall departmental objectives would bring in greater coordination among inter-departmental activities and therefore greater chance of attaining overall objectives of the organization. It also includes formulation of policies, procedures, programs etc. to achieve the objective.
2. Forecasting future events: Forecasting is an integral part of planning. There are many risks involved in a business. As future is uncertain forecasting of future events attempts to reduce uncertainties by choosing the best alternative and bring success to the business.
3. Planning helps organization to be more competitive: Planning helps a company to formulate strategies to increase production, introduce new lines of product, product diversification, market diversification, expansion of business which results in increase of competitive strength of the organization.
4. Effective utilization of resources: Planning helps an organization to utilize men, money, material, and machinery in a manner so as to increase productivity. Planning thus increase the overall efficiency.
5. Planning makes control easier: With the help of planning, standards can be determined for material, labor, and overhead variance can be calculated. In case of unfavorable variance control becomes easier and remedial action can be taken. Hence control cannot be effective without proper planning.
6. *Planning facilitates proper coordination*: Planning helps to integrate the short term, medium term and long term plans of the organization and by coordinating the plans of different departments the overall objectives of the organization can be fulfilled.
7. *Motivates human resources*: By giving various monetary and non-monetary incentives to the employees of the organization, planning motivates the employees to strive towards the achievement of organizational goals.
8. *Building sound organization*: Organization is a structural relationship by which an enterprise is integrated together and in which individual effort is coordinated. Organizing cannot be done without proper planning.
9. *Helps right direction*: Direction means giving instructions, information, and right guidance to the subordinates. Direction is not possible without planning because planning helps an organization to decide what to do, when to do and how to do.
10. *Helps in decision making*: Planning guides decision making in different areas and all levels of management.
11. *Elimination of wastages*: Planning helps fullest utilization of man, money, materials, machines etc. through eliminating wastages and achieving optimum output.
12. *Creativity and innovation*: Planning encourages managers to creative and innovative which results in growth of the organization.

Limitations of Planning

Though planning has many advantages it is still not free from limitations.

1. *Ineffectiveness*: Planning is made on the basis of forecasts which may not materialize due to unpredictable changes in the business environment. Hence planning may become useless and ineffective.
2. *Forecasting*: Forecasting is a very important tool for estimating the future situations in quantitative terms with the use of various statistical techniques. It is difficult to obtain accurate data for use in forecasting, the absence of which forces planners to use assumptions. If these assumptions do not hold good the forecasts will be incorrect and the plans made on the basis of such forecasts will not be useful.
3. *Rigidity*: Once objectives are determined and planning is made, management does not want to change from the pre-determined course of action. However business environment is dynamic and new opportunities and threats are constantly emerging. Plans should be stable and at the same time flexible to accommodate the changes so that the objectives of the organization can be achieved.
4. *Expensive and time consuming*: Any good planning exercise is costly and time consuming. There is a huge cost involved in collection of relevant data, analyzing and forecasting. Expenses on planning should never exceed the benefits of planning.
5. *Political and technological change*: An effective plan may become useless in the face of technological or political change.
6. *Attitude of management*: Sometimes managers feel that huge amount may be wasted if planning is unsuccessful and therefore reluctant to plan.
7. *Misdirected planning*: Planning to achieve personal or departmental goals which are not in line with organizational goals fails to produce the desired results.

Types of Plans

Planning is basically determining future course of action. The different types of business plans according to their nature are as follows:

1. **Corporate or Strategic Plan**: Top level management is responsible for making corporate plans or strategies. They give the overall purpose and direction to an organization and acts as a foundation for next level planning.
2. **Single-use Plan**: A single use plan is for a particular situation which is related to a short period to fulfill a specific objective. Once the objective is achieved, the plan loses its usefulness. Such plan is basically non-recurring and made keeping a particular situation in mind.
3. **Repeated-use (or Standing) plans**: When planning is made for fulfilling some objectives and is used many times for the same operation, it is known as repeated-use plans. It is of permanent and repetitive in nature. Policies, procedures, methods and rules are examples.
4. **Basic Planning**: Planning which is made to formulate the basic or primary objectives of an organization and to determine strategies for this purpose. All the functions of an organization are prepared on the basis of primary planning.
5. **Functional Planning**: Plans which are made for execution of routine jobs in an organization like purchase of raw materials, payment of monthly wages etc.
6. **Short-range Planning**: Generally the planning horizon is one year or less. These plans are in line with the long term plans of thee company.
7. **Medium-range Plans**: Generally more than one year but less than one year, these plans are made in detail to execute long term goals. They are also known as tactical plans and their purpose is to bring the strategies to fruition.
8. **Long-range Planning**: Generally for a period of 5 years or more, these plans are made taking into consideration the overall objectives of the organization.
9. **Physical Plan**: Plans made for construction of physical infrastructure facilities like construction of buildings, assembling and installation of machinery etc.
10. **Derivative Planning**: Derivative plans are sub-plans which help accomplish the master plan of the organization.
11. **Master Plan**: It is a comprehensive plan prepared to achieve the overall objectives of an organization.

Single Use Plans

Objectives:
Objectives or goals are the ends towards which every activity is aimed – they are the results to be achieved. Objectives are a prerequisite for planning. No planning is possible without setting up of objectives. While enterprise objectives are the basic plan of the firm, a department may also have its own objectives.

Thus the first step in planning is setting objectives. Objectives, therefore, can be said to be the desired future position that the management would like to reach. Objectives are very basic to the organization and they are defined as ends which the management seeks to achieve by its operations. Therefore, an objective simply stated is what the organization would like to achieve, i.e., the end result of activities. For example, an organization may have an objective of increasing sales by 10% or earning a reasonable rate of return on investment, earn a 20% profit from business. They represent the end point of planning. All other managerial activities are also directed towards achieving these objectives. They are usually set by top management of the organization and focus on broad, general issues. They define the future state of affairs which the organization strives to realize. They serve as a guide for overall business planning. Different departments or units in the organization may have their own objectives. Objectives need to be expressed in specific terms i.e., they should be measurable in quantitative terms, in the form of a written statement of desired results to be achieved within a given time period.

Enterprise objectives influence the management philosophy and practice. Objectives have greater influence on the working of an organization. All other types of plans such as policies, strategies, procedures, rules, budgets etc. assist in the attainment of stated enterprise objectives in an economical and efficient manner. Objectives are related to the future and are an essential part of the planning process.

Strategies:
The word 'strategy' has long been used in the content of military action plans. It was used to state the grand plans made in the light of what it is believed an adversely might or might not do. Managers now use strategies in the broader areas of business operations. A strategy is a comprehensive and integrated plan designed to assure that business objectives are accomplished. The long term objectives of the enterprise are determined and requisite resources are allocated and deployed to achieve the desired results. The purpose of strategies is to determine a picture of the kind of enterprise that is envisaged. Strategies do not attempt to outline the programs for achieving objectives but they furnish a framework for guiding thinking and action.

Programs:
A program is a sequence of activities designed to implement policies and accomplish objectives. It is devised to meet a particular situation. Program may be taken as a combination of policies, procedures, rules, budgets, task assignments, etc. developed for the specific purpose of carrying out a particular course of action. Separate programs are prepared for accomplishing different tasks.

The same program may not be used for achieving other goals. It is a single use plan laid down for new and non-repetitive activities. In the words of Koontz and O'Donnell, "Programs are complexes of goals, policies, procedures, rules, task assignment, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action." To quote George Terry, "A program can be defined as a comprehensive plan that includes future use of different resources in an integrated pattern and establishes a sequence of required actions and time schedules for each in order to achieve the standard objectives."

Characteristics of Programs:

1. A program is a single use comprehensive plan. It is formed to achieve a particular purpose only. Once the goal is achieved the program will not be used again.

2. A number of small plans are prepared to formulate a program. The program for increasing sales by 20 per cent may require a number of small plans to be formed.

3. A program is prepared to achieve organizational goals.

4. It gives a time limit up to which the program is to be implemented. A strict time table is fixed for doing a particular task.

5. A program should ensure coordinated planning efforts.

Budgets:
A budget is the monetary or/and quantitative expression of business plans and policies to be pursued in the future period of time. The term budgeting is used for preparing budgets and other procedures for planning, co-ordination and control of business enterprise.

According to Institute of Cost and Works Accountants, London, "A budget is a financial statement and /or quantitative statement prepared prior to a defined period of time, of the policy to be pursued during that period for the purpose of attaining a given objective." In the words of George R. Terry, "A budget is an estimate of future needs, arranged according to an orderly bases, covering some or all of the activities of an enterprise for a definite period of time." In the words of Crown and Howard a budget has been defined as, "A pre-determined statement of management policy during a given period which provides a standard for comparison with the results actually achieved."

Characteristics of Budget:
1. A budget should be based on past figures. The possibilities in future should also be taken into account.
2. A budget be flexible so that it is modified according to the requirements of the situation. Rigidity in budgets sometimes creates difficulties.
3. The persons at various levels should be involved in preparing a budget. This will help in getting willing co-operation of everybody while implementing budgets.
4. A budget should be a specific statement. The quantities or monetary information should be clearly mentioned in a budget.
5. There should be an active involvement of top management while preparing a budget.

Standing Plans (or Repeated Use plans)

Policies:
Policies are general statements or understandings which provide guidance in decision-making to various managers. These are standing plans providing guidance to management in the conduct of managerial operations. Policies define boundaries within which decisions can be made and decisions are directed towards the achievement of objectives. Policies also help in deciding issues before they become problems

and making it unnecessary to analyze the same situation every time it comes up. Managers can delegate authority within the given parameters and can still retain control over what their subordinates do.

Procedures:
Procedures are details of action or the guidelines for the achievement of business objectives. Procedures give details of how things are to be done. No room is left for judgment. These should help in implementation of policies. Procedures also determine the policy of responsibility and accountability. A procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished.

Procedures should be distinguished from policies. A procedure is a guide to action whereas a policy is a guide to thinking. Policies are guidelines for taking decisions and procedures consist of various methods to accomplish each phase of work. Policies offer scope for interpretation in order to see that they fit in a particular situation whereas procedures are tailor-made and do not offer any scope for interpretation.

A procedure is explained with the help of taking the case of purchasing raw materials for a concern:

(i) Every department needing raw materials will send a purchase requisition to the purchase department giving quantity specifications, type and quality materials required.

(ii) The purchase department will consolidate the requirements of various departments. A combined order is prepared and sent to the suppliers. The purchase department maintains the list of suppliers and regularly collects quotations from them. The copy of the purchase order is also sent to the receiving and inspecting department.

(iii) The receiving department compares the goods received with the order placed. Any discrepancy in quantity, quality, etc. is reported to the purchase department.

If the goods are proper and according to the order then a report about it is submitted to the purchase department.

(iv) After receiving a satisfactory report from receiving and inspecting department, purchase department forwards the bill to accounting department for payment.

(v) Accounting department checks the bill and then makes the payment to the supplier.

Advantages of Procedures:
1. Basis of Control: Procedures give a detail of sequences to be followed for completing a task. It can be seen whether the work is proceeding according to the plan or not. Procedures are used as a control mechanism because any discrepancy in completing the work can be determined at once.
2. Consistency: Procedures help to ensure consistency and uniformity of performance. Once the procedures are established, they can be similarly used again and again.
3. Standardization: The standardization of procedures reduces the need for decision-making in similar situation. Wherever a task is to be performed, the same procedure will be followed for doing it. This increases efficiency in doing a work.
4. Co-ordination: Procedures establish a sequence to be followed for each work. This helps in coordinating the activities of different departments or sections because same procedures will be followed by all of them.

Limitations:
1. Rigidity: Rigidity is followed in following procedures. They are continuously used over and over again. This discourages initiative and discoveries.
2. Constant Review: The same procedures cannot be followed for long terms. The changing situations necessitate the review of procedures. To keep them effective they should be constantly updated. They should be suitably adjusted to suit the present situation.

Rules:

A rule is a plan that lays down a required course of action with regard to a situation. A rule is in the nature of a decision made by management regarding what is to be done and what is not to be done in a particular situation. A rule is definite and rigid and allows no deviation or discretion to the subordinates. Like procedures, rules do not prescribe a chronological sequence of steps to be taken to achieve a given objective. A rule may or may not be a part of the procedure. A rule such as 'No smoking in the factory' will not form a part of the procedure. On the other, a rule to make payment within 21 days will be the part of a procedure.

Rules prescribe the limits of acceptable behavior of the members of the organization. Rules will enable managers to predict the behavior of their subordinates, how will they act in a given situation. Rules channel the behavior of workers in a desired direction. Workers sometimes resent rules for stifling their actions. The problem does not lie with the rules, but the manner in which they are put to the workers. Management should try to frame only those rules which are necessary and those too should also be explained properly to the employees.

Methods:

Methods provide the prescribed ways or manner in which a task has to be performed considering the objective. It deals with a task comprising one step of a procedure and specifies how this step is to be performed. The method may vary from task to task.

Selection of proper method saves time, money and effort and increases efficiency. For imparting training to employees at various level from top management to supervisory, different methods can be adopted. For example for higher level management orientation programs, lectures and seminars can be organized whereas at the supervisory level, on the job training methods and work oriented methods are appropriate.

Organizing

Management operates through various functions, often classified as planning, organizing, staffing, leading/directing, controlling/monitoring, and motivating. Organizing, much like planning is a process that must be meticulously designed and executed. The organizing function creates the pattern of relationships among workers and makes optimal use of resources to enable the accomplishment of business plans and objectives.

The end result of the organizing process is the organizational structure, which refers to the type of framework a company uses to distinguish power and authority, roles and responsibilities, and the manner in which information flows through the organization. Having a suitable organizational structure will allow a company to implement proper operating procedures and decision-making processes that will aid the organization in accomplishing its goals.

Characteristics / Features of a good Organization:
1. Principle of Objectives: The objectives of each department are to be effectively determined taking into consideration the overall objectives of the organization. Therefore accomplishment of overall objectives can be achieved by formulating unity of objectives of the different functions of the organization.
2. Effective delegation of authority: There should be proper delegation of authority from top level to the lower level of the organization and the authority must be defined in clear terms. Every employee of the organization must know what his exact authority is and how much authority he can delegate to his subordinates.
3. Determination of managerial levels: Creating too many levels in the organization increases the problems of communicating and integrating the different activities. Hence effort should be made to keep the number of organizational levels as minimum as possible.
4. Unity of direction: There should be scientific organization structure of an entity where each subordinate knows his authority and responsibility. Also whatever instruction he receives should come from one superior. In other words, unity of command reduces conflict of the employee and responsibility of any employee of the organization can be verified and measured.
5. Efficiency: An organization should be structured in such a way so that resources can be fully utilized at minimum cost and efforts. Hence achieving maximum economy for utilizing resources increases the efficiency of the organization.
6. Principle of balance: A proper balance should be maintained between different functions of the organization through coordination and cooperation so that overall objectives can be achieved.
7. Cooperation and coordination: There should be whole-hearted coordination and cooperation among different departments and functions. Coordination is the essence of management.
8. Continuity: Organization structure and its principles are to be formulated in such a way so that it can be modified if the situation so demands. Hence the principles of organization should be flexible and should be performed on a continuous basis.
9. Span of control: Span of control refers to the number of subordinates under direct supervision and control of a superior. Span of control depends upon many factors and it should not be to narrow or too wide so that effective supervision and control on the employees can be made.
10. Specialization: All the employees of the organization should be assigned such type of work where he has expertise. Principle of specialization in an organization states that right person must be given the right job which helps to get the desired results.
11. Simplicity and economy: Division of work in an organization must be simple and all the employees must understand the scalar chain of authority and responsibility. This ensures maximum output can be achieved at minimum cost

Types or Forms of Organizational Structure:

Line Organization Structure
It is the simplest and oldest form of organizational structure. Line authority refers to the direct authority of a manager over his subordinates. The line of authority flows vertically from top most executive to the lowest subordinate throughout the organization. Managers have direct authority over their respective subordinates through the chain of command. Authority flows directly from top to bottom through various managerial positions. It is simple form of organization. Only one form of authority that is line authority exists in this form of organization. The authority-responsibility relationship is clearly established. All managers in line organization have full authority to decide things and act with respect to their related functions. in line organization department are created for basic activities and departmental heads are responsible for all activities performed in the department.

Merits of line organization:
1. It is very simple to establish.
2. It clearly defines the authority, responsibility and accountability of a job
3. It can be easily adapted to the requirement of the organization.
4. Managers have exclusive authority over their unit so they can easily make changes in the functioning of the unit when required
5. There is definite authority at every level so that everyone can take decisions quickly.
6. Every employee knows to whom he/she is responsible and from whom they receive their orders.
7. It confirms scalar principle of organization where one subordinate receives the orders from single superior.
8. All activities relating to single department are managed by one individual.
9. There is clear cut definition of authority and identification of responsibility, relationships and so on.

Demerits of line organization
1. The line executives are generalists and not specialists.
2. The top level managers are overloaded with work.
3. There is concentration of authority at top level only. If top level managers are not capable there may be failure.
4. All managers and supervisors handle their job on their own ways independently with grow the line organization my find it difficult to maintain effective coordination between different departments and units.
5. There is only one way communication i.e. from top to bottom
6. It is not suitable for large organization
7. There is possibility of nepotism and favoritism.
8. There is replacement problem during absenteeism of top authority
9. It can be autocratic.

Line and staff organization structure

In this type of organization structure two type of authority relationship exists. They are staff and line authority. Staff authorities' means authority to advice, support and serve the line managers. All managerial functions are practiced by line authority with the help of specialized skill of staff authority. It is modification of line organization and is more complex than it. Staff managers and line managers are distinguished on the basis of their role. There is more specialization and division of work. However conflict may arise between line and staff authority.

Merits of line and staff organization structure:

1. The line executives are generalists and staff executives are specialists and they work together with coordination

2. The top level managers are not overloaded with work. Staff specialists give relief in critical matters.

3. There is no concentration of authority at top level only. Even if top level managers are not capable there is no failure because staff managers can help to overcome the problematic issues through proper decisions and specialization..

4. All problems are handled with care and are tries to solve with the help of staff specialists..

5. There is two way communications i.e. from top to bottom and bottom to top. There can be feedback and suggestion with orders too.

6. There is better decision taking and improvement in efficiency.

7. It is suitable for large organization

8. There is better utilization of personnel skills and knowledge.

Demerits of line and staff organization

1. It is difficult to establish and is costly too.

2. There is possibility of conflict between the line managers and staff managers. Line managers may ignore staff's advice and complain that staff doesn't give right type of advice. Staff managers can complain that their advice is not properly implemented.

3. The allocation of authority and responsibility between the line and staff official I generally not clearly defined.

4. Line managers may be too much dependant upon the staff authority. Staff authority however is not accountable for the result. Sometimes when staff authority do no perform well there may be failure

5. There is wide difference between the approach of line managers and staff managers.

6. There can be reduction of initiative power o line authority.

Difference between line organization & line and staff organization

Line Organization	Line & Staff Organization
1. Line authority is the direct authority which flows from the top level to the lower level throughout the organization. It is the authority which is highest at the top and decreases at each stage through the downward scalar chain.	1. Under this structure, both line and staff employees are recruited to perform the various functions of the organization. Staff officers provide assistance and the line officers execute it.
2. The principle of unity of command is strictly followed i.e. each employee will take instruction from one superior	2. The principle of unity of command is only applicable for line staff.
3. The area of authority and responsibility is clearly defined and a line officer will supervise a limited number of employees	3. Span of supervision is strictly followed only in case of line organization
4. Under this organization there is strict supervision and control over the activities of the employees	4. Strict supervision and control is applicable to a great extent
5. A simple method of organization structure	5. A complex method of organization structure
6. This form of organization is simple and popular	6. This form has got its popularity in many organizations due to its many advantages
7. Line officers of a particular department cannot command the subordinates of other department	7. Staff officers can assist the line officers of all the departments
8. It is suitable for small enterprises	8. It is suitable for medium and big enterprise

Staffing

The managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal and development of the personnel to fill the roles assigned to the employers/workforce. Staffing pertains to recruitment, selection, development and compensation of subordinates.

Recruitment

Recruitment means search of the prospective employee to suit the job requirements as represented by job specification–a technique of job analysis. It is the first stage in selection which makes the vacancies known to a large number of people and the opportunities that the organization offers. In response to this knowledge, potential applicants would write to the organization. The process of attracting people to apply in called recruitment.

Sources of Recruitment:

The various sources of recruitment are generally classified as internal source and external source.

(a) Internal Sources: This refers to the recruitment from within the company. The various internal sources are promotion, transfer, past employees and internal advertisements.

(b) External Sources: External sources refer to the practice of getting suitable persons from outside. The various external sources are advertisement, employment exchange, past employees, private placement agencies and consultants, walks-ins, campus recruitment, trade unions, etc.

The internal sources of recruitment are as follows:

1. **Transfers:** Transfer involves shifting of persons from present jobs to other similar jobs. These do not involve any change in rank, responsibility or prestige. The numbers of persons do not increase with transfers.

2. **Promotions:** Promotions refer to shifting of persons to positions carrying better prestige, higher responsibilities and more pay. The higher positions falling vacant may be filled up from within the organization. A promotion does not increase the number of persons in the organization. A person going to get a higher position will vacate his present position. Promotion will motivate employees to improve their performance so that they can also get promotion.

3. **Present Employees:** The present employees of a concern are informed about likely vacant positions. The employees recommend their relations or persons intimately known to them. Management is relieved of looking out prospective candidates. The persons recommended by the employees may be generally suitable for the jobs because they know the requirements of various positions. The existing employees take full responsibility of those recommended by them and also ensure of their proper behavior and performance.

The following external sources of recruitment are commonly used by the big enterprises:

1. **Direct Recruitment:** An important source of recruitment is direct recruitment by placing a notice on the notice board of the enterprise specifying the details of the jobs available. It is also known as recruitment at factory gate. The practice of direct recruitment is generally followed for filling casual vacancies requiring unskilled workers. Such workers are known as casual workers and they are paid remuneration on daily-wage basis. This method of recruitment is very cheap as it does not involve any cost of advertising vacancies.

2. **Casual Callers or Unsolicited Applications:** The organizations which are regarded as good employers draw a steady stream of unsolicited applications in their offices. This serves as a valuable source of manpower. If adequate attention is paid to maintain pending application folders for various jobs, the personnel department may find the unsolicited applications useful in filling the vacancies whenever they arise. The merit of this source of recruitment is that it avoids the costs of recruiting workforce from other sources.

3. **Media Advertisement:** Advertisement in newspapers or trade and professional journals is generally used when qualified and experienced personnel are not available from other sources. Most of the senior positions in industry as well as commerce are filled by this method. The advantage of advertising is that more information about the organization job descriptions and job specifications can be given in advertisement to allow self-screening by the prospective candidates. Advertisement gives the management a wider range of candidates from which to choose. Its disadvantage is that is may bring in a flood of response, and many times, from quite unsuitable candidates.

4. **Employment Agencies:** Employment exchanges run by the Government are regarded as a good source of recruitment for unskilled, semi-skilled and skilled operative jobs. In some cases, compulsory notification of vacancies to the employment exchange is required by law. Thus, the employment exchanges bring the jobs givers in contact with the job seekers.

   However, in the technical and professional area, private agencies and professional bodies appear to be doing most of the work. Employment exchanges and selected private agencies provide a nation-wide service in attempting to match personnel demand and supply.

5. **Management Consultants:** Management consultancy firms help the organizations to recruit technical, professional and managerial personnel they specialize middle level and top level executive placements. They maintain data bank of persons with different qualifications and skills and even advertise the jobs on behalf their clients to recruit right type of personnel.

6. **Educational Institutions or Campus Recruitment:** Jobs in commerce and industry have become increasing technical and complex to the point where school and college degrees are widely required. Consequently big organizations maintain a close liaison with the universities, vocational institutes and management institutes for recruitment to various jobs.

   Recruitment from educational institutional is a well - established practice of thousand of business and other organizations.1t is also known as campus recruitment. Reputed industrial houses which require management trainees send their officials to campuses of various management institutes for picking up talented candidates doing MBA.

7. **Recommendation:** Applicants introduced by friends and relatives may prove to be a good

source of recruitment. In fact, many employers prefer to take such persons because something about their background is known. When a present-employee or a business friend recommends some one for a job, a type of preliminary screening is done and the person is placed on a job.

8. **Labour Contractors:** Labour contractors are an important source of recruitment in some industries in India. Workers are recruited through labour contractors who are themselves employees of the organization. The disadvantage of this system is that if the contractor leaves the organization, all the workers, employed through him will also leave that is why this source of labour is not preferred by many businesses, organizations. Recruitment through labour contractors has been banned for the public sector units.

9. **Telecasting:** The practice of telecasting of vacant posts over T.V. is gaining importance these days. Special programs over the T.V have become quite popular in recruitment for various types of jobs. The detailed requirements of the job and the qualities required to do it are publicized along with the profile of the organization where vacancy exists. The use of T.V. as a source of recruitment is less as compared to other sources.

10. **Raiding:** Raiding is a technical term used when employees working elsewhere are attracted to join organizations. The organizations are always on the lookout for qualified professionals, and are willing to offer them a better deal if they make the switch. There are always some employees who are professionally very competent, but dissatisfied with something or the other in the organization. They form the easy group to attract. The other group is formed of those who are equally competent but are quite satisfied with their present position. To attract them, the organization has to offer a very lucrative package of perquisites. Whatever may be the means used to attract, often it is seen as an unethical practice and not openly talked about.

Selection

It is the process of choosing people by obtaining and assessing information about the applicants (age, qualification, experience and qualities) with a view of matching these with the job requirements and picking up the most suitable candidates. The choices are made by elimination of the unsuitable at successive stages of the selection process.

Purpose of Selection

The purpose of selection is to pick up the most suitable persons who would match the requirements of the job and the organization. The emphasis in selection is, therefore, on the optimal match between the person and the job.

A secondary objective in selection could be to choose the best person available. However, there could be a real problem with such an objective if the Job is not appropriate for the person concerned. It may become difficult for organizations to retain their best people in jobs that do not offer opportunities for them to harness their potential; instead they may lead to problems of monotony, boredom and frustration among individuals and increased and increased turnover of staff for the organization.

Criteria of Selection

Selection decisions are usually based on how an applicant is rated in terms of the likelihood of success on the job. The information used found in the application blanks, performance in one or more tests and the interview(s). The criteria of selection needs to be critical to the job. The key job dimensions identified in job analysis and job description provide the basis for determining relevant criteria.

Frequently educational qualifications, technical skills and achievements are used as the basis for selection. Certain job requirements can be measured more easily and accurately than others. The core job skills like sensory motor skills and manipulative skills and achievement can be measured relatively more accurately than one's aptitude, interest and personality traits. These latter attributes being subjective are hard to assess accurately, yet are widely attempted.

Selection Process

The selection process involves a number of step. The basic idea is to solicit maximum possible information about candidates to ascertain their suitability for employment. The selection process covers the period from the job specification and initial contact with the applicant to his final acceptance or rejection. The successive stages in the selection process are referred to as hurdles that the applicants should cross. Not all selection processes, however, include all these stages. The complexity of the selection process usually increases with the increase in the skill level and job level (responsibility and accountability) of the position for which selection is being made. The sequencing of the hurdles also may vary from job to job and organization to organization.

1. **Initial Screening**: The initial screening and/or preliminary interview is done to limit the costs of selection by letting only suitable candidates go through the further stages in selection. At this stage, usually a junior executive either screens all enquiries for positions against specified norms (in terms of age, qualifications and experience) through preliminary interview where information is exchanged about the job, the applicant and the, mutual expectations of the individual and the organization. If the organization finds the candidate suitable, an application form, prescribed for the purpose, is given to these candidates to fill in and submit.

2. **Application Form** : The application form is usually designed to obtain information on various aspects, of the applicant's social, demographic, academic and work-related background and references. The forms may vary for different positions some organizations may not have any form specially designed instead, ask the candidates to write applications on a plain sheet.

3. **Selection Tests**: A test is a sample of an aspect of an individual's behavior, performance or attitude. It also provides a systematic basis for comparing the behavior, performance or attitude of two or more persons. Tests serve as a screening device and provide supplementary inputs in selection decisions. Their value lies in the fact that they serve additional predictors intended to make selection decision more apt and accurate. Tests are typically for intelligence, aptitude, skill, personality, interests, preferences etc.

4. **Interview:** Interview is an oral examination of candidates for employment. No selection process is complete without one or more interviews. Interview is the most common and core method of both obtaining information from job-seekers, and decision-making on their suitability or otherwise. Organizations may seek to make their selection process as objective as possible. But interview which is an essential element of the process, by and large still remains subjective.

5. **Checking of references:** Many organizations ask the candidates to provide name(s) of referees from whom more information about the candidate can be solicited. The usual referees may be past teachers, previous employers or persons established in the society. Background verification is sought to guard oneself against possible falsification by applicant. Therefore, employers in private sector generally find that they get more accurate information when they track the actual past performance than when they merely ask for references reflecting opinion about the candidate.

6. **Medical examination**: Medical examination is carried out to ascertain the physical standards and fitness of the prospective employees. The practice of physical examination varies a great deal in terms of both coverage and timing. Some organizations only have general check up of applicants to find major physical problems which may come in the way of effective discharge of duties while on the other

hand some carry out examination on a very comprehensive basis. Regarding timing of the examination, jobs which require a high degree of fitness carry out physical examination relatively early in the process.

7. **Approval by appropriate authority:** On the basis of above steps suitable candidates are recommended for selection by the selection committee or HR department.

Performance Appraisal

Performance Appraisal has been defined as "the systematic, periodic and an impartial rating of an employee's excellence in matters pertaining to his present job and his potential for a better job".

Performance appraisal or performance evaluation is a method of evaluating the behavior of employees in a work place, normally including both the quantitative and qualitative aspect of job performance. Performance here refers to the degree of accomplishment of the tasks that makeup an individual job. It indicates how well an individual fulfilling the job demands. Performance is measured in terms of results. Performance appraisal is the process of assessing the performance or progress of an employee, or a group of employees on the given job, as well as his potential for future development. Thus, performance appraisal comprises all formal procedures used in organizations to evaluate contributions, personality, and potential of individual employees. In other words, performance appraisal includes the comparison of performance scales of different individuals holding similar areas of work responsibilities and relate to determination of worth of the scales for the achievement of organization objective.

Performance appraisal is the systematic evaluation of the individual with respect to his performance on the job and his potential for development. Performance appraised is concerned with determining the differences among the employees working in the organization. Generally, the evaluation is done by the individual's immediate superior in the organization and whose performance is reviewed in turn by his superior. Thus, everyone in the organization who rates others below him is also rated by his superiors, Performance appraisal employs rating techniques for comparing individual employees in the work group, in terms of personal qualities or deficiencies and the requirements of their respective jobs

Characteristics of Performance Appraisal:

1. **A Process:** Performance appraisal is not a one-act play. It is rather a process that involves several acts or steps.

2. **Systematic Assessment:** Performance appraisal is a systematic assessment of an employee's strengths and weakness in the context of the given job.

3. **Main Objective:** The main objective of it is to know how well an employee is going for the organization and what needs to be improved in him.

4. **Scientific Evaluation:** It is an objective, unbiased and scientific evaluation through similar measure and procedures for all employees in a formal manner.

5. **Periodic Evaluation:** Although informal appraisals tend to take place in an unscheduled manner (on continuous) basis with the enterprises a supervisors evaluate their subordinates work and as subordinates appraise each other and supervisors on a daily basis, yet the systematic (i.e. formal) appraisal of an individual employee is likely to occur at certain intervals throughout that person's history of employment (say bi-monthly, annually, etc.)

6. **Continuous Process:** In addition to being periodic performance usually is an ongoing process. It means that appraisals are regularly scheduled and are not dumped on the employee on whimsical dates without relevance. The process has not been broken in person's history of employment however, the periodicity of appraisal may be changed as per needs of the situation.

7. **Employee Feedback:** Performance appraisal system provides information to employees on how well they are doing their jobs, and this feedback is provided to them when it is relevant.

8. **Performance appraisal is also called Employee Rating and Service Rating**: Performance appraisal and merit rating are used synonymously. But strictly speaking performance appraisal is a wider term than merit-rating. In merit rating the focus is on judging the caliber and worth of an employee so as to place him on right job. On the other hand, performance appraisal focuses on the performance and future potential of the employee. Its aim is not simply to decide placement or promotion but to measures the value of worker in different job situations.

PURPOSE OF PERFORMANCE APPRAISAL

The following are the main purposes of performance appraisal.
1. **Appraisal Procedure :** It provides a common and unified measure of performance appraisal, so that all employee are evaluated in the same manner. It gives an indiscriminatory rating of all the employees.

2. **Decision Making :** Performance appraisal of the employees is extremely useful in the decision making process of the organization. In selection, training, promotion, pay increment and in transfer, performance appraisal is very useful tool.

3. **Work Performance Records :** Performance appraisal gives us a complete information in the form of records regarding every employee. In the case of industrial disputes even arbitrator accepts these records in the course of grievance handling procedure.

4. **Employees Development :** Performance appraisal guides the employees in removing their defects and improving their working. The weaknesses of the employee recorded in the performance appraisal provide the basis for an individual development programme. If properly recorded and used, the performance appraisal gives the fair opportunities to employees to correct and rectify their mistakes.

5. **Enables Supervisors to be More Alert and Competent :** Performance appraisal enables supervisor to be more alert and competent and to improve the quality of supervision by giving him a complete record of employee's performance. He can guide an employee, where he is prone to commit mistakes.

6. **Merit Rating :** Merit rating is another name of performance appraisal, it gives supervisors a more effective tool for rating their personnel. It enables them to make more careful analysis of employee's performance and make them more productive and useful.

7. **Improves Employer Employee Relations :** Performance appraisal is not only a useful guide for the supervisors and employees but it improves the employer-employee relations by creating a more conductive and amicable atmosphere in the organization. It also stimulates free exchange of thoughts and ideas between the supervisor and his men. In this way performance appraisal bridges the emotional gap between the employer and employee by bringing them more close and by reducing man-to-man differences in the organization.

USES OF PERFORMANCE APPRAISAL

Performance appraisal helps the employees in Self- improvement and Self-development. It helps the management in taking decisions about Placement, Promotions, Transfer, Training and Development, etc. It helps to achieve individual and organizational goals. It is useful to the employees and the organization. Therefore, Performance Appraisal should be conducted objectively from time to time. The employees should not oppose it. However, they should see that the performance appraisals are systematic, fair and impartial. It should not be for punishing the employees. It should be for improving the employees and their performances.

1. **Help in Deciding Promotion :** It is in the best interest of the management to promote the employees to the positions where they can most effectively use their abilities. A well-organised, development and administered performance appraisal programme may help the management in determining whether an individual should be considered for promotion because the system not only appraises the worth of the employee on the present job but also evaluates his potentialities for higher job.

2. **Help in Personnel Actions :** Personnel actions such as lay- offs, demotions, transfers and discharges etc. may be justified only if they are based on performance appraisal. While in some cases, actions are taken because of unsatisfactory performance of the employee, in some other cases it may be called for due to some economic conditions beyond control such as changes in production process. In former case, the action can only be justified on the basis of the result of performance appraisal.

3. **Help in Wage and Salary Administration :** The wage increase given to some employees on the basis of their performance may be justified by the performance appraisal results. In some cases appraisal, i.e., merit and seniority are combined for higher salaries on better positions.

4. **Help in Training and Development :** An appropriate system of performance appraisal helps the management in devising training and development programmes and in identifying the areas of skill or knowledge in which several employees are not at par with the job requirements. Thus the appraisal system points out the general training deficiencies which may be corrected by additional training, interviews, discussions or counselling. It helps in spotting the potential to train and develop them to create an inventory of executives.

5. **Aid to Personnel Research :** Performance appraisal helps in conducting research in the field of personnel management. Theories in personnel field are the outcome of efforts to find out the cause and effect relationship between personnel and their performance. By studying the various problems which are faced by the performance appraiser, new areas of research may be developed in personnel field.

6. **Help in Self Evaluation :** Performance appraisal helps the employee in another way also. Every employee is anxious to know his performance on the job and his potentials for higher jobs so as to bring himself to the level of that position.

7. **Help in Creating Healthy Competition :** Performance appraisal brings out the deficiencies and shortcomings of the employees. Discussions between rater and rates may be conducted in a spirit of co-operation and mutual understanding. This gives an opportunity to the employer to have an insight on their performance and to take corrective measures to improve upon their performance.

METHODS OR TECHNIQUES OF PERFORMANCE APPRAISAL

Several methods and techniques are used for evaluating employee performance. They may be classified into two broad categories as shown.

Traditional Methods
Ranking Method
Grading Method
Man-to-Man Comparison Method
Graphic Rating Scale Method

Modern Methods
1. Management by Objective (MBO)
2. Assessment Centre Method
3. Human Asset Accounting Method
4. Behaviorally Anchored Rating Scales
5. 360° Appraisal

Traditional Methods of Performance Appraisal : There are different techniques/methods which are used for performance appraisal of employees. Some of the methods of performance appraisal are:

1. **Ranking Method :** Ranking method is the oldest and simplest method of rating. Here, each employee is compared with all others performing the same job and then he is given a particular rank i.e. First Rank, Second Rank etc. It states that A is superior to B. B is superior to C and so on. This method ranks all employees but it does not tell us the degree or extent of superiority i.e. by how much one employee is superior to another. Secondly, this ranking is based on only mental assessment so it is not possible to give any objective proof about why the rater has ranked one employee as superior to another. In this method, the performance of individual employee is not compared with the standard performance. Here, the best is given first rank and poorest gets the last rank.

   The ranking method is highly subjective. Similarly, here the employees are compared as a whole. Comparison of the various parts of an employee's performance is not done.

2. **Grading Method :** Under this method of performance appraisal, different grades are developed for evaluating the ability of different employees and then the employees are placed in these grades. These grades may be as follows : (i) Excellent; (ii) very good; (iii) Good; (iv) Average; (v) Bad; (vi) Worst.

3. **Man-to-Man Comparison Method :** This method was first used in USA army during World War I. Under this method, few factors are selected for analysis purposes. These factors are leadership, dependability and initiative. After that a scale is designed by the rate for each factor. A scale of person is also developed for each selected factor. Each person to be rated is compared with the person in the scale, and certain scores for each factor are awarded to him/her. In other words, instead of comparing a whole man to a whole man personnel are compared to the key man in respect of one factor at a time.

   We can use this method in job evaluation. This method is also known as the Factor Comparison Method. In performance appraisal, it is not of much use because the designing of scale is a very difficult task.

4. **Graphic Rating Scale Method of Performance Appraisal:** This is the very popular, traditional method of performance appraisal. Under this method, scales are established for a number of fairly specific factors. A printed form is supplied to the rater. The form contains a number of factors to be rated. Employee characteristics and contributions include qualities like quality of work, dependability, creative ability and so on. These traits are then evaluated on a continuous scale, where the rater places a mark somewhere along the scale. The scores are tabulated and a comparison of scores among the different individuals is made. These scores

indicate the work of every individual. This method is popular because it is simple and does not require any writing ability. The method is easy to understand and use. Comparison among pairs is possible. This is necessary for decision on salary increases, promotion, etc.

MODERN METHOD OF APPRAISAL AND CAREER DEVELOPMENT

Most of the traditional methods emphasize either on the task or the worker's personality, while making an appraisal. For bringing about a balance between these two, modern methods, have been developed. The details of these methods are as follows :

1. Management by Objective (MBO) : It was Peter F. Drucker who first gave the concept of MBO to the world in 1954 when his book The Practice of Management was first published. Management by objective can be described as, a process whereby the superior and subordinate managers of an organization jointly identify its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members.

Objectives of MBO : The objective of MBO is to change behavior and attitudes towards getting the job done. In other words, it is results-oriented. It is performance that counts. It is a management system and philosophy that stress goals rather than methods. It provides responsibility and accountability and recognizes that workers or employees have needs for achievement and self-fulfillment. It meets these needs by providing opportunities for participation in goal setting process. Subordinates become involved in planning their own careers.

The Process of MBO : It is as follows :
1. **Establishment of Goal :** The first step is to establish the goals of each subordinate. In some organizations, superiors and subordinates work together to establish goals. While in other organization, superiors establish goals for subordinates. The goals typically refer to the desired outcome to be achieved. Thereafter these goals can be used to evaluate employee performance.

2. **Setting the Performance Standard :** The second step involves setting the performance standard for the subordinates in a previously arranged time period. As subordinates perform, they know fairly well what there is to do, what has been done, and what remains to be done.

3. **Comparison of Actual Goals with the Standard Goals :** In the third step the actual level goal attainment is compared with the standard goals. The evaluator explores reasons of the goals that were not met and for the goals that were exceeded. This step helps to determine possible training needs. It also alerts the superior to conditions in the organization that may affect a subordinate but over which the subordinate has no control.

4. **Establishing New Goals, New Strategies :** The final step involves establishing new goals and, possibly, new strategies for goals not previously attained. At this point, subordinate and superior involvement in goal-setting may change. Subordinates who successfully reach the established goals may be allowed to participate more in the goal-setting process next time. The process is repeated.

Objectives of Assessment Centers : The centers are used for the following purposes :

1. For implementing affirmative goals.
2. For making an early determination of potential.
3. For providing accurate information relating with human resource planning.
4. For determining individual training needs of employees.
5. For selecting recent college students for entry level position.

6. For measuring potential for first level supervision, sales and upper management positions and also for higher levels of management for development purposes.

The characteristics assessed in a typical assessment centre include assertiveness, persuasive ability, communicating ability, planning and organizational ability, self confidence, resistance to stress, energy level, decision-making, sensitivity to the feeling others, administrative ability, creativity, and mental alertness etc.

Procedure : The Assessment centre program commonly used as follows :

Firstly : A leadership group is made each member supporting a predefined position, but the group must arrive at consensus.

Secondly : A task force is used with an appointed leader, who decides on a course of action.

Thirdly : Simulation games and in-basket exercises are used to test organizational and planning abilities.

Fourthly : Oral report is made by the candidate, which tests his communication skills and straight into his present position.

Fifthly: Personal interviews, and projective tests are used to assess work motivation, career orientation, and dependence on other. Paper and pencil tests measure intellectual ability.

The duration of Assessment centre program varies with the persons. For instance, centre designed to select first line supervisors, sales personnel, and management trainee generally last for a day or less; while those used for higher-level managers may run for two or three days or longer if used for developmental and not for selection purposes.

Drawbacks : These are as follows :

Exam Syndrome : One of the most obvious drawbacks is the examination-taking syndrome solid performer in day-to-day operations feel suffocated in the simulated environment.

Adverse Effect on Potential : Another drawback is its potential adverse effect on those not selected to participate in the exercise.

Negative Reaction : Employees who receive a poor report from the centre may react in negative way.

Poor Report Demoralizes Employee : A good performer at one level may leave the organistaion in order to remove the bad assessment report from his or her work record. Thus, a poor report can demoralize an employee who was once an asset.

Other Problems : Other problems include-strong and unhealthy sense of competition among the assesses, difficulty of conducting test frequently, and the possibility of overemphasising the test performance.

However a well-conducted assessment centre can and does achieve better forecasts of future performance and progress than other methods of appraisal. Apart from that reliability, content validity, and predictive validity are said to be high in the assessment centres. This test helps in making sure that the wrong people are not hired or promoted.

3. Human Asset Accounting Method:
This technique refers to money estimates to the value of a firm's internal human organization and its external customer goodwill. If well trained employees leave a firm, the human organization is worthless; if they join it, its human assets are increased. if distrust and conflict prevail, the human enterprise is devalued. If team work and high morale prevail, the human organization is a very valuable asset.

The current value of a firm's human organization can be evaluated by developed procedures by undertaking periodic measurements of key casual and intervening enterprise variables. The key casual variables include the structure of an organization's management policies, decisions, business leadership, skills, strategies, and behavior. The intervening variables indicate the internal state and health of an organization. They include loyalties, attitudes, motivations, and collective capacity for effective interaction, communication and decision-making. These two types of variable measurements must be made over several years to provide the needed date for the computation of the human asset accounting.

4. Behaviorally Anchored Rating Scales (BARS) :

This method is also called behavioral expectation scales. These are the rating scales whose scale points are determined by statements of effective and ineffective behavior. They are said to be behaviorally anchored in that the scales represent a range of descriptive statements of behavior varying from the least to the most effective. A rater must indicate which behavior on each scale best described an employee's performance. The following steps are involved in Behaviorally anchored rating scales (BARS):

a. **Generate Critical Incidents :** Persons with knowledge of the job to be appraised (job holders/supervisors) are asked to describe specific illustrations (critical incidents) of effective performance behavior.

b. **Develop Performance Dimensions :** These people then cluster the incidents into a smaller set (or say 5 or 10) of performance dimensions. Each cluster (dimension) is then defined.

c. **Reallocate Incidents :** Any group of people who also know the job then reallocate the original critical incidents. They are given the cluster's definitions, and critical incidents, and asked to redesign each incident to the dimension it best described. Typically a critical incident is retained if some percentage usually (50 to 80%) of this group assigns it to the same cluster as the previous group did.

d. **Scale of Incidents :** This second group is generally asked to rate (7 or 9 point scales are typical) the behavior described in the incident as to how effectively or ineffectively it represents performance on the appropriate dimension.

e. **Develop Final Instrument :** A subset of incident (usually 6 or 7 pe) cluster are used as behavior anchors for the performance dimensions.

BARS were developed to provide results which subordinates could use to improve performance superiors would feel comfortable to give feedback to the ratee. Further, BARS help to overcome rating errors. Unfortunately, the method too suffers from distortions inherent in most rating techniques.

5. **360-Degree Appraisal :** In 360-degree performance appraisal technique a manager is rated by everyone above, alongside and below him. 360 degree approach is essentially a fact-finding, self-correcting technique, used to design promotions. The personality of each top manager – their talents, behavioral traits, values, ethical standards, tempers, loyalties – is to be scanned, by their colleagues as they are best placed to diagnose their suitability for the job requirements.

In this method a question are is structured to collect required data about a manager from his bosses, peers, subordinates.

360-degree approach of assessment provides equal opportunity to evaluate the efforts of the top manager or managers in running a company effectively. It focuses on the intrinsic qualities of the manager as well as his capacity to lead. It also gives feedback to all assesses on their styles.

Merits of 360-Degree Approach : The merits of the technique are

1. The organization gains from the self-awareness of the top managers. It reveals strengths and weaknesses in their managing styles.
2. The gap between self assessment and the views of one's colleagues is reduced.
3. Teamwork thrives once peer group assessment is included in the methodology.
4. Empowerment is facilitated.
5. Facts about the organizational culture are brought to light.
6. Inflexible managers are forced to initiate change in their style

Demerits of 360-Degree Approach : The main drawbacks of this approach are as follows :

1. 360-degree approach can be utilized to humiliate people.
2. Response from colleagues tends to be biased.
3. Linking rewards to findings can prove to be unfair.
4. The results could be uneven.

This technique identifies most suitable and acceptable person for the consideration of promotion. 360-degree approach supports the company's progress and rewarding the excellent performance of an individual.

Limitations of Performance Appraisal

The main limitations of Performance Appraisal are explained below :

1. **Time Consuming :** Performance appraisal is a time taking affair. It is a very lengthy process under which different forms are to be filled in and various observations are required to be noted in a careful manner.
2. **Lack of Reliability :** Reliability implies stability and consistency in the measurement. Lack of consistency over time and among different raters may reduce the reliability of performance appraisal.
3. **Incompetence :** Raters may fail to evaluate performance accurately due to lack of knowledge and experience. Post appraisal interview is often handled ineffectively.
4. **No Uniform Standards :** The standards used for appraisal purpose are not uniform within the same organization. This makes the rating unscientific. Similarly, the rating is done on the basis of an overall impression, which is not proper.
5. **Absence of Effective Participation of Employees :** In performance appraisal effective participation of concerned employee is essential. In many methods of appraisal he is given a passive role. He is evaluated but his participation or self evaluation is rather absent.
6. **Resistance of Employees to Appraisal :** Employees oppose the system as they feel that the system is only for showing their defects and for punishing them. The managers resist the system as they are not willing to criticize their subordinates or have no capacity to guide them for self improvement or self development.
7. **Paperwork :** Some supervisors feel that performance appraisal is paperwork. They make such complaints because many a times, performance appraisal reports are found only in the files rather than rendering any practical use.
8. **Fear of Spoiling Relations :** Performance appraisals may also affect superior-subordinate relations. As appraisal makes the superior more of a judge rather than a coach, the subordinate may look upon the superior with a feeling of a suspicion and mistrust.
9. **Stereotyping :** This implies forming a mental picture of a person on the basis of his age, sex, caste or religion. It results in an over-simplified view and blurs the assessment of job performance.
10. **Negative Approach :** Performance appraisal loses most of its value when the focus of management is on punishment rather than on development of employees.
11. **Multiple Objectives :** Raters may get confused due to two many objectives or unclear objective of performance appraisal.
12. **Resistance :** Trade unions may resist performance appraisal on the ground that it involves discrimination among its members. Negative ratings may affect interpersonal relations and industrial relations particularly when employees/unions do not have faith in the system of performance appraisal.
13. **Halo Effect :** Generally, there is the presence of a "halo" effect which leads to a tendency to rate the same individual first, which once have stood first.

14. **Individual Differences :** Some people are more distinct while some are very liberal in assigning the factors, points or number to the employees. They are unable to maintain a fair distinction between two individuals. It also nullifies the utility of this system.
15. **Unconfirmed :** Sometimes the results of performance appraisals are not confirmed by other techniques of motivation, incentive wages plans and so on. Factors are introduced in the managerial appraisal because of a fact or bias in the person concerned conducting the appraisal.

Decision Making

Meaning

According to Stephen P. Robbins, "decision making is defined as the selection of a preferred course of action from two or more alternatives."

Decision is a choice whereby a person comes to a conclusion about given circumstance or situation. It represents a course of behavior or action about what one is expected to do or not to do. Decision making is the selection of one best alternative. So before making decisions all alternatives should be evaluated so as to take the best decision.

It is also one of the most important functions of management. Without it other management functions such as planning, organizing, directing, controlling, staffing cannot be conducted because in every managerial function decision is very important.

Features or Characteristics of Decision-Making:
1. **Rational Thinking:** It is invariably based on rational thinking. Since the human brain with its ability to learn, remember and relate many complex factors, makes the rationality possible.
2. **Process:** It is the process followed by deliberations and reasoning.
3. **Selective:** It is selective, i.e. it is the choice of the best course among alternatives. In other words, decision involves selection of the best course from among the available alternative courses that are identified by the decision-maker.
4. **Purposive:** It is usually purposive i.e. it relates to the end. The solution to a problem provides an effective means to the desired goal or end.
5. **Positive:** Although every decision is usually positive sometimes certain decisions may be negative and may just be a decision not to decide.
6. **Commitment:** Every decision is based on the concept of commitment. In other words, the management is committed to every decision it takes for two reasons
    a. it promotes the stability of the concern and,
    b. every decision taken becomes a part of the expectations of the people involved in the organization.
7. **Evaluation:** Decision-making involves evaluation in two ways,
    a. the executive must evaluate the alternatives, and,
    b. he should evaluate the results of the decisions taken by him.

Steps in decision making

1. **Identification of problems:** the first step of decision making is identification of problems. First of all, managers must identify the problem. The problem has to be found and defined. Symptoms are identified and problems should be judged, symptoms are not problems. They are warning signs of problems. So, managers should search for symptoms for identification of problems. Such symptoms can be falling of sales, profit etc. It is said that problem identified is half solved is identification of problem should be effective.

2. **Analysis of problem:** after identification of problems, the problem should be analyzed by the decision maker. It is the assembly of fact and clarifying it. Relevant information must be collected and analyzed according to the complexity and nature of problems.

3. **Developing the alternative solution:** after identification and analysis of problems different probable solutions have to be developed which is known as developing the alternative solutions. there may be many alternative past experience, expert opinion, discussions etc which may be helpful to develop the alternative.

4. **Evaluation of best alternative:** after developing the alternative solution evaluation of best alternative is done. It is determined that which alternative has how much advantage and disadvantages. in other words, alternatives are evaluated in so many factors like cost factors, risk, benefits, facilities etc. therefore it is very important

5. **Selection of best alternative:** after evaluating alternative, the best alternative is to be selected from various alternative. After developing alternative, the managers should taste each of them by imagining things that he has already put in effect. He should try to foresee the desirable consequences of adopting each alternative. It is done for best selection. therefore it is very important.

6. **Implementation of best alternative:** after selection of finest alternative, it must be used in the organization effectively. Effectiveness of decisions in achieving the desired goals depends upon its implementation. It they are not implemented effectively then best results can't be obtained. Therefore proper implementation of best alternative is necessary.

7. **Review of implementation:** it is the last step of decision making process. When the implementation of best alternative is reviewed, the process of decision making is finished. The result of implementation should be monitored and evaluated through which effectiveness can be measured.

Simon's Model of Decision Making

Herbert Simon made key contributions to enhance our understanding of the decision-making process. According to Simon decision-making is a process with distinct stages. He suggested for the first time the decision-making model of human beings. His model of decision-making has three stages:

1. Intelligence which deals with the problem identification and the data collection on the problem.
2. Design which deals with the generation of alternative solutions to the problem at hand.
3. Choice which is selecting the 'best' solution from amongst the alternative solutions using some criterion.

1. **Intelligence Phase:** This is the first step towards the decision-making process. In this step the decision-maker identifies/detects the problem or opportunity. A problem in the managerial context is detecting anything that is not according to the plan, rule or standard. An example of problem is the detection of sudden very high attrition for the present month by a HR manager among workers. Opportunity seeking on the other hand is the identification of a promising circumstance that might lead to better results. An example of identification of opportunity is a marketing manager gets to know that one of his competitors will shut down operations (demand being constant) for some reason in the next three months, this means that he will be able to sell more in the market.
Thus, we see that either in the case of a problem or for the purpose of opportunity seeking the decision-making process is initiated and the first stage is the clear understanding of the stimulus that triggers this process. So if a problem/opportunity triggers this process then the first stage deals with the complete understanding of the problem/opportunity. Intelligence phase of decision-making process involves:
   a. **Problem Searching**: For searching the problem, the reality or actual is compared to some standards. Differences are measured & the differences are evaluated to determine whether there is any problem or not.
   b. **Problem Formulation**: When the problem is identified, there is always a risk of solving the wrong problem. In problem formulation, establishing relations with some problem solved earlier or an analogy proves quite useful.

2. **Design Phase:**
   Design is the process of designing solution outlines for the problem. Alternative solutions are designed to solve the same problem. Each alternative solution is evaluated after gathering data about the solution. The evaluation is done on the basic of criteria to identify the positive and negative aspects of each solution. Quantitative tools and models are used to arrive at these solutions. At this stage the solutions are only outlines of actual problems and are meant for analysis of their suitability alone. A lot of creativity and innovation is required to design solutions.

3. **Choice Phase:**
   It is the stage in which the possible solutions are compared against one another to find out the most suitable solution. The 'best' solution may be identified using quantitative tools like decision tree analysis or qualitative tools like the six thinking hats technique, force field analysis, etc.
   Each solution presents a scenario and the problem itself may have multiple objectives making the choice process a very difficult one. Also uncertainty about the outcomes and scenarios make the choice of a single solution difficult.

Creativity:
Creativity means creating something new. In the context of business, it means creation of new ideas, new method or new product/service. Creativity improves the quality of decisions. It increases the scope of alternatives to be considered for problem-solving. It is essential to deal with problems which are non-repetitive and novel as such problems cannot be solved by pre-defined solutions. They require imaginative thinking for their solution. As no problem has a single solution, creativity helps in generating new ideas that help in taking the final decision.

The creative approach to problem solving **assumes** the following:
1. There is always a better way of doing things. Past precedents, habits and conventional ways of doing things cannot always guide the future courses of action.
2. Problems have diverse perspectives. Each perspective should be probed, questions should be raised and answers should be found.
3. Things should not be taken for granted. Problems should be redefined and obvious facts should be challenged.
4. There is always scope for improvement. Managers should move from traditional ways to modern, computer-aided ways of managing organizations.
5. Managers should not be afraid of failures. Initial failures will lead to ultimate success.

Creativity in decision-making results in organizational innovations, new technology or new products. In the era of globalization, competition is so intense that creativity is essential for organizations to take decisions that help in their survival and growth.

The creativity process requires:
1. **Convergent thinking**
2. **Divergent thinking.**

In convergent thinking, the problem is solved according to pre-defined method or course of action. It pre-supposes solution to the problem and rationally moves towards that solution. Divergent thinking does not solve the problem in a pre-defined way. It analyses different aspects of the problem, views it in different ways and searches for alternative courses of action to solve that problem.

Components of Creativity:

1. **Domain skills**: A manager can be creative in decision-making if he is theoretically and conceptually aware of the problem and its relevance to the environmental factors. In other words, he must have knowledge of the problem area and also the talent and ability to solve that problem. This is known as domain skill.

2. **Creativity skills**: The skills to do creative things; to think of new ways of doing the work, to think of new avenues of marketing are the creative skills that help to carry out the decision-making process.

3. **Task motivation**: Managers do not perform organizational tasks for earning only financial rewards. Money or financial considerations are not the only motives for taking up a novel task. Ego satisfaction and morale boost up are also the considerations that lead to creativity in decision-making.

Process of Creativity:

The process of creativity consists of the following steps:
1. **Problem finding or sensing**: The entrepreneur faces a problem and selects to work on it. He feels curious to solve that problem. He thoroughly familiarizes himself with the problem, analyses its importance for the business and its relationship with other segments of the business.
   This helps in identification of the problem as close as possible to reality so that alternatives can be generated which analyze the problem and provide solutions in the right direction. Curiosity leads to development of ideas.

2. **Preparation**: Once the problem is identified, the decision-maker concentrates on the problem and starts working on it. He collects information, analyses how others are using it and formulates hypotheses to work on. Information may be collected on the basis of past experience, through experience of others and also through study of new researches and innovations done in that field.

3. **Gestation or Incubation**: If, in the preparation stage, the decision-maker is not able to arrive at creative solution to the problem, he moves away from conscious deliberation to sub-conscious development of ideas. He moves away from the problem and engages in other routine activities while still thinking of the problem in his sub-conscious mind.
   He thinks over collected information and makes decisions in his sub-conscious mind. He appears to be idle but actually he is trying to correlate what runs in his sub-conscious mind with the happenings around. As lot of information and ideas are already stored in his mind, sub-consciously they are combined and related to each other and help in generation of new ideas important for solving the problem.

4. **Insight or Illumination**: He thinks of all possible solutions at all times. He thinks of ideas while eating, walking or going to sleep. These ideas are put in writing so that he does not forget them in his conscious mind. In this process, there is flash of ideas in his mind.
   These ideas come and go at the speed of light, some of which are spontaneously rejected while others are accepted for further analysis. Sometimes, it results in ideas which the decision -maker may not have even thought of in his conscious mind. Social gatherings and meetings may also result in new ideas.

5. **Verification and application**: The entrepreneur proves by logic or experiment that the idea can solve the problem and, therefore, can be implemented. He tests the ideas empirically through mathematical models and experimentation. If it is feasible, he applies it to solve the problem. Verification is an essential step in the creativity process because an idea that cannot be implemented is of no use howsoever good it may be.

Climate for Creativity:
Managers create a climate that encourages creativity in the following ways:
1. Recognize the need for change: Though people are generally resistant to change, accepting the need for change is necessary to promote creativity. People must feel that they will be benefitted by change.
2. Encourage new ideas: The manager should welcome new ideas. Listening to new ideas and implementing the profitable ones encourages a creative climate in the organization.
3. Interaction: Interaction with people within and outside the enterprise encourages exchange of useful information and generation of new ideas.
4. Tolerate failure: New ideas may prove to be failures. People should not get disheartened. They should consider time, money and energy in ideas that have failed as investment for bright future prospects.
5. Clear objectives: Managers must have purpose for creativity. They should know what ideas to be tried, when and for what. Clear objectives will optimize the use of time, energy and money.

Creative problem solving

Creative problem solving is not just brainstorming, although that's what many people may associate it with. It's actually a well-defined process that can helps one from problem definition to implementing solutions. Creative ideas do not suddenly appear in people's minds for no apparent reason. Rather, they are the result of trying to solve a specific problem or to achieve a particular goal.

Creative Problem Solving (CPS) is a simple process that involves breaking down a problem to understand it, generating ideas to solve the problem and evaluating those ideas to find the most effective solutions. Highly creative people tend to follow this process in their heads, without thinking about it. Less naturally creative people simply have to learn to use this very simple process.

Group decision making

Decision-making is one of the toughest parts of any innovation process, especially when working on complex challenges in a group context. A leader can substantially ease this process by specifying the decision-making process that he or she is planning to use. To do this, that leader announces at the beginning of the discussion how the decision will be reached, as well as how much and what kind of participation is expected from the rest of the group.

Different kinds of group decision-making processes

1. **Unanimous**: Unanimous decisions occur when all agree without reservation. They are easier for trivial matters, but very difficult for important or high pressure situations.

2. **Consensus**: In a consensus, each person agrees to support the decision, though all may not agree, and gives his or her consent. Despite differing perspectives, all agree that they can live with the decision. Consensus is the process most likely to ensure that each person's input is valued, heard and considered.

3. **Majority Rule**: Majority rule decisions are made when more than half the group votes in favor. This process is used frequently in democracies, and rarely in organizations.

4. **Expert**: In this scenario, the group delegates the decision-making responsibility to an expert or small subgroup. This type of process is good for situations that do not require the entire group's participation.

5. **Executive**: In an executive decision, the leader makes the call. Most decisions are executive, and should be. The best decision-making is typically a highly participative executive decision. This approach is critical when dealing with issues such as team vision and mission.

6. **Default**: In this scenario, a decision is made by action, or more likely, inaction that forces a conclusion. It is a powerless form of decision-making and is best avoided.

Coordinating

Co-ordination is the unification, integration, synchronization of the efforts of group members so as to provide unity of action in the pursuit of organizational goals. It is a hidden force which binds all the other functions of management. Co-ordination is orderly arrangement of group efforts to provide unity of action in the pursuit of common goals.

Coordination is not really a separate function of management but in fact it is the essence of management. It should be performed right from the planning stage to the controlling stage. Absence of coordination weakens the effect of authority-responsibility relationships in the organization.

Management seeks to achieve co-ordination through its basic functions of planning, organizing, staffing, directing and controlling. That is why, co-ordination is not a separate function of management because achieving of harmony between individuals efforts towards achievement of group goals is a key to success of management. Co-ordination is the essence of management and is implicit and inherent in all functions of management.

Coordination activates each function of management and makes them effective and purposeful. It helps in achieving harmony among individual efforts for attaining organizational goals. It is present in all the activities of an organization such as production, sales, finance etc. It synchronizes the working of different groups of persons. It helps in reducing time, cost and in increasing efficiency, morale of the employees. It establishes direct contact between the management and the employees.

Thus, coordination:
1. Helps in achieving organizational objectives with minimum of conflict.
2. Provides the required quality, timing, amount and sequence of efforts.
3. Brings harmony in efforts of different departments and individuals

Features:

1. Coordination is basically a managerial responsibility. It cannot be delegated to a specialist., It is the exclusive responsibility of the manager. As he has the overall picture of the enterprise, only he is in a better position than others to perform this function.
2. Coordination call for a conscious and deliberate effort on the part of managers at various levels. It cannot be left to mere co-operation among individuals in the organization.
3. Coordination is a continuous process and exercised all the time so that the functioning is smooth and uninterrupted.
4. It is not a distinct managerial function and the exercise of each managerial function involves coordination.
5. Coordination focuses on organizational order, continuity, predictability, accuracy and reliability of outcome.
6. It considers an organization as a system of cooperative group efforts. It recognizes the diversity and interdependence of organizational sub-systems and the need for bringing about fusion, synthesis in the efforts.
7. Its main job is to achieve the organizational objectives.

Importance of coordination

1. **Unity of action:** An enterprise has diverse resources; technique, activities etc and they all must be coordinates to bring unity through unity in action.
2. **Increase in efficiency and economy:** Coordination brings efficiency because it is an effort of all organizational members. It also helps to maintain good relation among all levels of management.
3. **Development of personnel:** – coordination helps to obtain information about job, qualities of a job holder which helps to analyze about the potentialities of the job holder and improve coordination system.

4. **Differential perception:** Different people have different perception. When all people are coordinated effectively their effort and power are concentrated to achieve organizational goals.
5. **Survival of the organization:** Coordination helps o harmonize the work resources and physical facilities. When there activities are not harmonized the organization can't achieve the goal and it can't survive in the society.
6. **Accomplishment of objectives:** – when the employees , their task and available resources are coordinated, their production will be increased and it helps to accomplish the objectives of the organization
7. **Basis of managerial function:** All managerial functions such as planning, organizing, directing, controlling etc can't be conducted effectively without communication.
8. **Specialization:** In the absence of coordination in the organization the activities can't be moved in specialized areas. Therefore, it helps in specialization.

Means/ techniques of coordination

1. **Well defined goals**: The first means or technique of coordination is well defined goals. The goals of the organization should be clear and well defined. Each individual in the organization should understand the overall goals. When the goals are not well defined the coordination may not effective.
2. **Sound organization structure:** Coordination is the essence of management. It is not possible without sound organization structure. The authority and responsibility for each and every positions and employees should be clearly defined.
3. **Effective communication:** Coordination helps in creating proper understanding among persons. Without effective communication, coordination may be effective. The ideas, opinions should be interchanged freely. It is only through effective communication that even individual understand his/her limitations, positions and responsibility in the organization. Effective communication helps in coordination. Therefore, it is also an important means of coordination.
4. **Proper leadership:** Proper leadership leads the subordinates effectively and efficiently. A good managerial leader uses the motivational tools to coordinate the employees with effective communication system. In short, coordination is made possible through proper leadership.
5. **Proper supervision:** Supervisors coordinate the subordinates and their activities. Top level management cannot coordinate all employees. In short, proper supervision helps in effective coordination.
6. **Better plans and policies:** Coordination is made according to plans and policies of the organization and departments. When the plans and policies are not better coordination is not effective in the organization.
7. **Cooperation:** Without cooperation, coordination may not succeed because coordination is related to employees and their activities. When they are not cooperative, coordination may not be made. So, cooperation is essential in the organization.
8. **Meeting and conference:** Coordination may be possible when all employees their all activities and departmental goals are involved in organizational planning and policies. Their all problems and matters may be involved. When there is environment of constructive discussion and debate with meeting and conference
9. **Group decision:** The group decision is a decision in which all members of the organization are participated to make decisions. The ideas and feelings are mixed into the decision and coordination may succeed.

Controlling

Controlling is the basic managerial function. It is the process of ensuring the actual activities confined to planned activity. It is an essential function for all levels of management. It ensures the right things are done in the right manner at right time. Each and every organization set the goals. All activities are directed towards the goals. Controlling is defined as a measurement of Actual performance and expected performance and taking corrective action. Its purpose is to make sure that actual performance is consistent with plans. In fact control helps managers to monitor the effectiveness of their planning, their organizing and their directing activities.

Process of controlling

1. **Establishing or setting standards**: The first step of controlling is to set standard against which results can be measured. For setting standard, targeted results must be identified and it should be quantitative as far as possible. Quantitative term can make controlling effective. Standards can be expressed in qualitative as well as qualitative terms. The quantitative are physical standard, cost and revenue standards, capital standards etc. the qualitative standards are related to employees morale, motivation, relations between superior and subordinates and public etc. quantitative standard should be flexible.

2. **Measuring actual performance**: In this step, actual performance of employees, group or units is measure. A manager should examine actual performance on the basis of given standard which is definite set of work assigned to definite employees different techniques can be used to measure the actual performance. In convenience of manager, he develops better information system to measure the actual performance. Actual performance measurement system should be a regular and constant basis so that it can provide reliable and regular feedback to the management.

3. **Comparing actual performance with standard:** After measuring actual performance, those results should be compared with standard set in the first step to know if the exp results are achieved or not . For that, good sys of comparison between performance and standard should be maintained. These comparison should reveal it the actual performance is equal, lower or higher than that of predetermined standards. If lower standards are achieved the manager should find out the deviation and take corrective action.

4. **Taking corrective actions**: After comparing actual performance with the standard, if any deviation is detected, and then corrective actions should be taken and initiated. If performance does not meet the standard, it is duty of manager to take corrective action and further help the organization to overcome any difficulty. The corrective action may be related to:-
   a. Revision of standard if they seem to be unattainable
   b. Revision of strategies, policies and procedures
   c. Additional employees training
   d. Greater motivation
   e. Change in the existing technique of direction
   f. Product design improvement

Techniques of Control

Breakeven Analysis:
The technique used by managers to study the relationship between sales volume, costs and profit is known as Breakeven Analysis. This technique helps the managers in estimating profits at different levels of activities. The following figure shows breakeven chart of a firm.

The point at which the total revenue and total cost curves intersect is breakeven point. The figure shows that the firm will have the breakeven point at 60,000 units of output. At this point, there is neither profit nor loss. The firm starts earning profit beyond this point.

Breakeven Point= Fixed Cost/ (Selling Price per unit- Variable cost per unit).

Break Even Chart
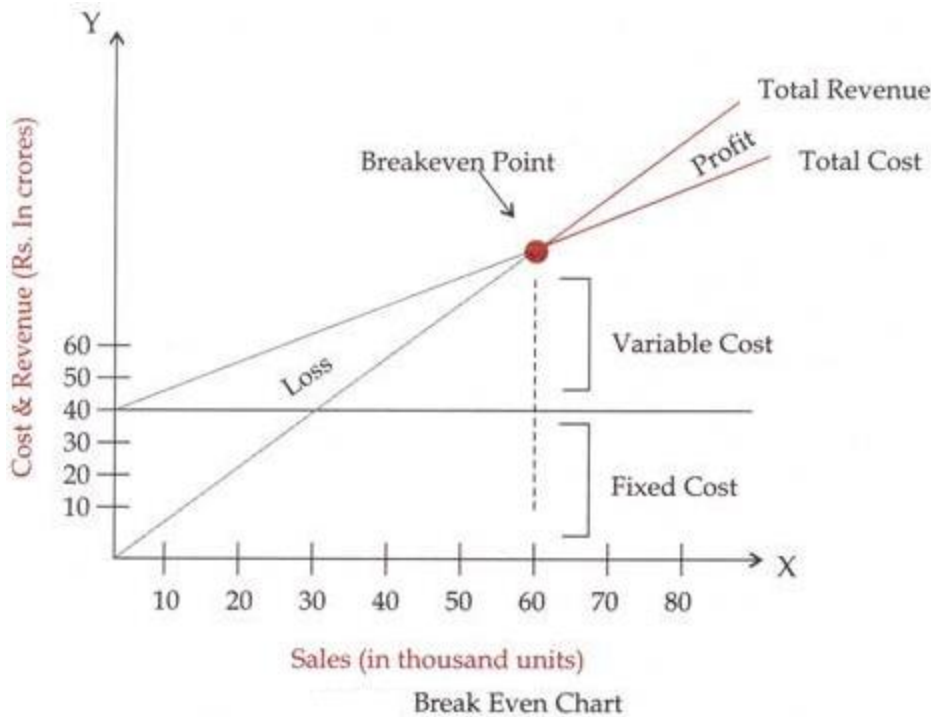
Through breakeven analysis, a firm can keep a check on its variable cost and can also determine the level of activity at which it can earn its profit target.

Budgetary Control:

Under this technique, different budgets are prepared for different operations in an organisation in advance. These budgets act as standards for comparing them with actual performance and taking necessary actions for attaining organisational goals.

A budget can be defined as a quantitative statement of expected result, prepared for a future period of time. The budget should be flexible so that necessary changes, if need be, can be easily made later according to the requirements of the prevailing environment.

Network Analysis (CPM/PERT)

Network diagrams are schematic displays of project schedule activities and the interdependencies between these activities. It is a graphical flow plan of the activities that must be accomplished for completing the project. Network based scheduling or Network Analysis comes handy in solving complex project scheduling problems.

Network analysis is used to determine / assess:
- How long will the entire project take to be completed? What are the risks involved?
- Which are the critical activities or tasks in the project which could delay the entire project if they were not completed on time?
- Is the project on schedule, behind schedule or ahead of schedule?
- If the project has to be finished earlier than planned, what is the best way to do this at the least cost?

CPM (Critical Path Method) and **PERT (Program Evaluation Review Technique)** are project management techniques, which have been created out of the need of Western industrial and military establishments to plan, schedule and control complex projects.

The key concept used by CPM/PERT is that a small set of activities, which make up the longest path through the activity network control the entire project. If these **"critical"** activities could be identified and assigned to responsible persons, management resources could be optimally used by concentrating on the few activities which determine the fate of the entire project. Non-critical activities can be re-planned, rescheduled and resources for them can be reallocated flexibly, without affecting the whole project.