Management Information System
Unit-3

Functions of management

“There are five fundamental functions of management, (i.e.) **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**”. Functions of management are overlapping in nature. Each function affects the performance of other.

1. Planning

It includes determination of objectives, setting rules, procedure, policies, strategies, budgeting etc., Planning may be short term or long term. Manager at all levels want to prepare plans, so it is considered as a pervasive functions. Planning looks into future without planning organization cannot achieve anything in future. Planning is deciding in advance what has to done, and how and when it has to be done. It bridges the gap between the present and the future.

2. Organising

Organising involves establishment of the formal structure of authority through which work subdivisions are arranged, defined and coordinated to accomplish the defined objective of the organization.

Designing and maintaining these systems of roles is basically the managerial function of organizing.

3. Staffing

Staffing involves the process of filling positions in the organisation structure. The staffing function relates to the recruitment, selection, training, promotion and transfer of employees at all levels of management. The staffing function is different from other functions because it deals only with people.

4. Directing

Direction is process by which the employees are guided to contribute towards organisational objectives. The term directing refers to that the managerial function which initiates organised action.

5. Controlling

Controlling is an important element in the management process. Controlling involves setting standards measuring the performance comparing the actual with the standards and find out the deviations and taking corrective actions.

Concept of organizational planning

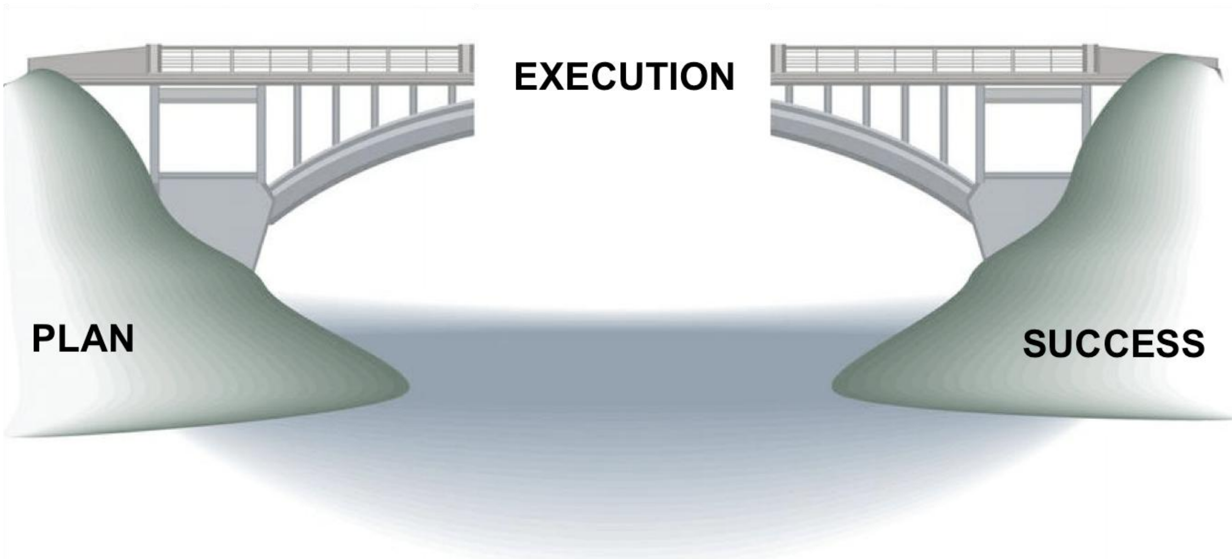
Planning is the process of thinking about the activities required to achieve a desired goal. It is the first and foremost activity to achieve desired results. It has a specific process and is necessary for multiple occupations (particularly in fields such as management, business, etc.). In each field there are different types of plans that help companies achieve efficiency and effectiveness.

"A goal without a plan is just a wish"

Planning is the basic function of management and all other functions of management are greatly influenced by the planning process. Planning is an inevitable function of management at levels of an organization.

Planning is a key management role in any organization, whether a private business, a nonprofit organization, a corporate business or a government agency. Planning is a primary management function which every organization has to undertake irrespective of its size, nature and origin.

"Planning is the fundamental management function, which involves deciding in advance, what is to be done, when is it to be done, how it is to be done and by whom to be done."



It is a pre-decided course of action which will be taken in future. It deals with the determination of objectives to be achieved and the activities required achieving the objectives. It **bridges** the gap between **present (where we are)** and **future (where we want to go)**. It helps to minimize the risk.

Characteristics of Planning

1. **Managerial function**: Planning is a first and foremost managerial function provides the base for other functions of the management, i.e. organizing, staffing, directing and controlling, as they are performed within the periphery of the plans made.
2. **Goal oriented**: It focuses on defining the goals of the organization, identifying alternative courses of action and deciding the appropriate action plan, which is to be undertaken for reaching the goals.

3. **Pervasive**: It is pervasive in the sense that it is present in all the segments of organization and is required at all the levels of the organization. Although the scope of planning varies at different levels and departments.
4. **Continuous Process**: Plans are made for a specific term, say for a month, quarter, and year and so on. Once that period is over, new plans are drawn, considering the organization's present and future requirements and conditions. Therefore, it is an ongoing process, as the plans are framed, executed and followed by another plan.
5. **Intellectual Process**: It is a mental exercise at it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.
6. **Futuristic**: In the process of planning we take a sneak peek of the future. It encompasses looking into the future, to analyze and predict it so that the organization can face future challenges effectively.
7. **Decision making**: Decisions are made regarding the choice of alternative courses of action that can be undertaken to reach the goal. The alternative chosen should be best among all, with the least number of the negative and highest number of positive outcomes.

Importance of Planning

Planning is definitely significant as it directs us where to go, it furnishes direction and decreases the danger of risk by making predictions. The significant advantages of planning are provided below:

- **Planning provides directions**: Planning assures that the objectives are certainly asserted so that they serve as a model for determining what action should be taken and in which direction. If objects are well established, employees are informed of what the company has to do and what they need do to accomplish those purposes.

- **Planning decreases the chances of risk and uncertainty**: Planning is an activity which permits a manager to look forward and predict changes. By determining in prior the tasks to be completed, planning notes the way to deal with changes and unpredictable effects.
- **Planning decreases overlapping and wasteful activities**: Planning works as the foundation of organizing the activities and purposes of distinct branches, departments, and people. It assists in avoiding chaos and confusion. Since planning guarantees precision in understanding and action, work is conducted on easily without delays.
- **Planning encourages innovative ideas**: Since it is the primary function of management, new approaches can take the form of actual plans. It is the most challenging project for the management as it leads all planned actions pointing to growth and of the business.
- **Planning aids decision making**: It encourages the manager to look into the future and make a decision from amongst several alternative plans of action. The manager has to assess each option and pick the most viable plan.
- **Improve future performance:** It helps managers to **improve future performance**, by establishing objectives and selecting a course of action, for the benefit of the organization.

Planning is present in all types of organizations, households, sectors, economies, etc. We need to plan because the future is highly uncertain and no one can predict the future with 100% accuracy, as the conditions can change anytime. Hence, planning is the basic requirement of any organization for the survival, growth and success.

How Planning Helps Organizations

Planning and organizing skills help us manage time, tools and resources to reach a goal. They help us work out what we need to do to achieve our aims. Planning is vital at all levels in the workplace. We'll need to plan our own tasks and time. Here are some points which describes how planning helps in organization:

Increases the Efficiency of an Organization:

It focuses on the work and resources of the entire organization, create a clear and convincing vision that the team and board wish to progress, with proper coordination toward success.

Identifies the Genuine Needs of Clients:

It involves getting input from clients to guarantee that their needs are known and followed upon. Again, this helps companies expand and enhance their services.

Reveals What Not to Do:

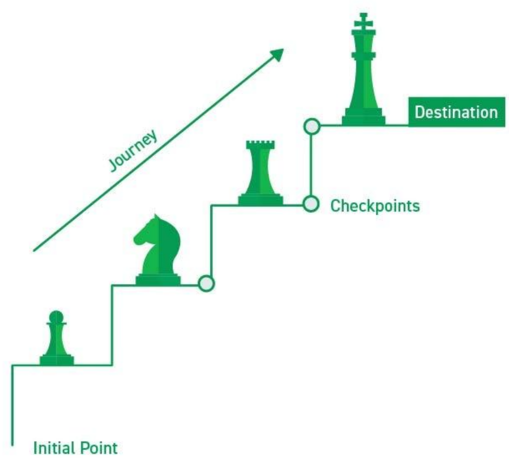
A strategic plan, on the other hand also uncovers what an organization needs to quit doing in order to be more effective and client-focused.

Help Make the Best Use of Resources:

A well-articulated plan shows to the general public, funders and key partners that the company is making the most ideal utilization of its assets to the advantages of clients it serves.

Enhances Decision Making:

A good plan tells what you want to accomplish in the given time frame, what the future holds and what the ultimate goal is.



- **The Destination-** Where do you want to take your business?
- **The Initial Point-** Where are you at the current time?
- **The Journey–** How will you get there?
- **The Checkpoints–** How will you know if you're succeeding?

Planning Process

Planning is the first primary **function of management** that precedes all other **functions.** The planning function involves the decision of what to do and how it is to be done? So managers focus a lot of their attention on planning and the **planning process**.

The **planning process** of management is one of the most essential ones. It involves setting the goals of the company and then managing the resources to achieve such goals. Planning means to decide in advance what to do and how to do. It is an activity which follows certain logical steps.

1. **Setting objectives:** Every organization works to achieve some objectives. So the first step of the planning is to define and describe the objectives of the organization. And once the objective is decided then these objectives should be communicated to all the units and employees.
   - This is the primary step in the process of planning which specifies the objective of an organisation, i.e. what an organization wants to achieve.
   - The planning process begins with the setting of objectives.
   - Objectives are end results which the management wants to achieve by its operations.
   - Objectives are specific and are measurable in terms of units.
   - Objectives are set for the organization as a whole for all departments, and then departments set their own objectives within the framework of organizational objectives.

   Example:

   A mobile phone company sets the objective to sell 2, 00,000 units next year, which is double the current sales.

2. **Developing premises:** Planning is concerned with the future, which is uncertain and every manager assumes about what might happen in future. Therefore the manager is required to make certain assumptions about the future. And these assumptions are known as premises. Premises are the base, upon which plans are drawn. They may be forecasts, existing plans or past information.

   Example:

   The mobile phone company has set the objective of 2, 00,000 units sale on the basis of forecast done on the premises of favorable Government policy towards digitization of transactions.

3. **Identifying alternative courses of action:** Once the objectives and planning premises are established, it becomes necessary to discover the various courses of action, which will be used to achieve the established objectives and the must know all the alternatives to achieve the objectives.
    - Once objectives are set, assumptions are made.
    - Then the next step is to act upon them.
    - There may be many ways to act and achieve objectives.
    - All the alternative courses of action should be identified.

    Example:

    The Mobile Company has many alternatives like reducing price, increasing advertising and promotion, after sale service etc.
4. **Evaluating alternative courses:** After that the next step is to analyze the pro and cons of each alternative. It is important to evaluate the negative and positive aspect of each alternative to achieve the objectives. It involves a number of calculations to measure the cost and benefits related to an alternative.
    - In this step, the positive and negative aspects of each alternative need to be evaluated in the light of objectives to be achieved.
    - Every alternative is evaluated in terms of lower cost, lower risks, and higher returns, within the planning premises and within the availability of capital.

    Example:

    The mobile phone company will evaluate all the alternatives and check its pros and cons.
5. **Selecting an alternative:** After evaluating the alternative course the next step is to selecting an alternative. And this is the real point of decision-making. The best plan has to be adopted and implemented. An ideal plan should be the one which is most profitable, most feasible and has least negative consequences.
    - The best plan, which is the most profitable plan and with minimum negative effects, is adopted and implemented.
    - In such cases, the manager's experience and judgment play an important role in selecting the best alternative.

    Example:

    Mobile Phone Company selects more T.V advertisements and online marketing with great after sales service.
6. **Implementing the plan:** The main role of this step is to put the plan into action and do what is required. And then the managers start to communicate the plans to the employees and initiate them to carry out the activities according to the specifications of plans.
    - This is the step where other managerial functions come into the picture.
    - This step is concerned with "DOING WHAT IS REQUIRED"
    - In this step, managers communicate the plan to the employees clearly to convert the plans into action.

- This step involves allocating the resources, organizing for labour and purchase of machinery.

Example:

Mobile Phone Company hires salesman on a large scale, creates T.V advertisement, and starts online marketing activities and set up service workshops.

7. **Follow-up action:** Since, planning is the continuous process so the managers keep on following up the plans to ensure that all the activities should be performed as per the schedule. Monitoring the plan is important to ensure achievement of objectives.
   - Monitoring the plan constantly and taking feedback at regular intervals is called follow-up.
   - Monitoring of plans is very important to ensure that the plans are being implemented according to the schedule.
   - Regular checks and comparisons of the results with set standards are done to ensure that objectives are achieved.

   Example:

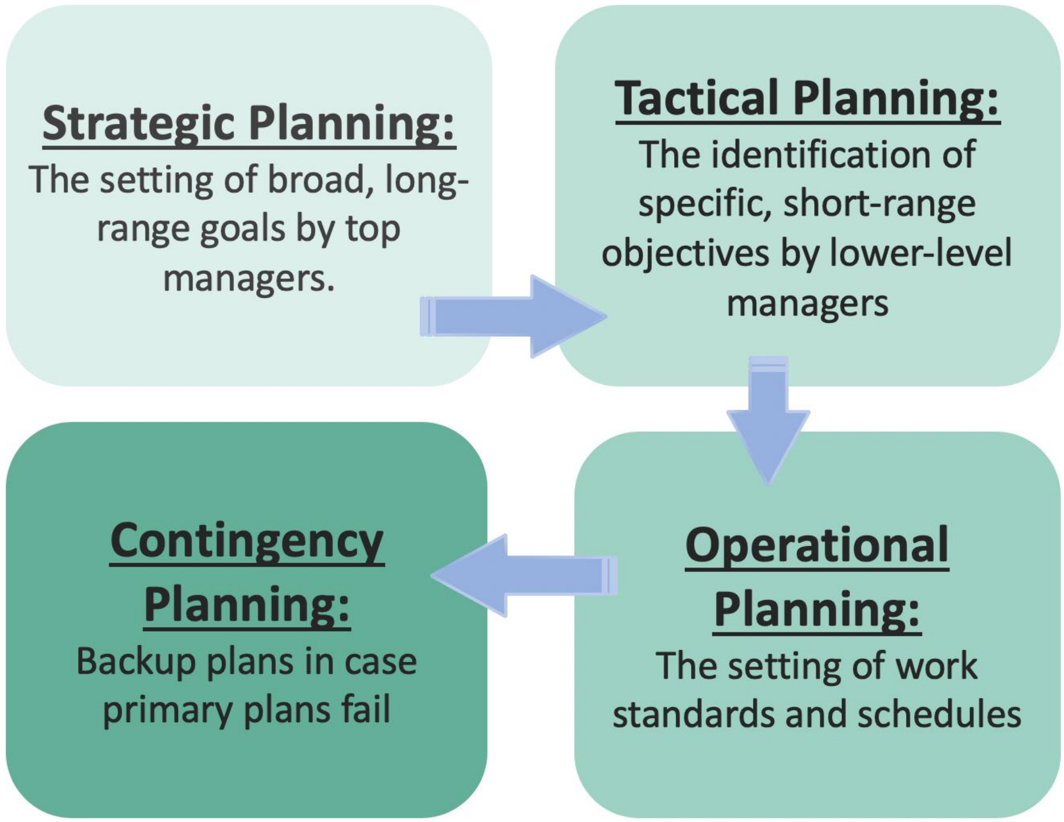
   A proper feedback mechanism was developed by the mobile phone company throughout its branches so that the actual customer response, revenue collection, employee response, etc. could be known.

Types of Organizational Planning

There are four types of planning. Each type of plan commits employees within different departments and their resources to specific actions. While there are many different types, the four major types of plans include strategic, tactical, operational, and contingency.

Strategic Planning

A strategic plan is the company's big picture. It defines the company's goals for a set period of time, whether that's one year or ten, and ensures that those goals align with the company's mission, vision, and values. Strategic planning usually **involves top managers**, although some smaller companies choose to bring all of their employees along when defining their mission, vision, and values.



Tactical Planning

The tactical strategy describes how a company will **implement its strategic plan**. A tactical plan is composed of several **short-term goals**, typically carried out within one year, that support the strategic plan. Generally, it's the responsibility of middle managers to set and oversee tactical strategies, like planning and executing a marketing campaign.

Operational Planning

Operational plans encompass what needs to happen continually, on **a day-to-day basis**, in order to execute tactical plans. Operational plans could include work schedules, policies, rules, or regulations that set standards for employees, as well as specific task assignments that relate to goals within the tactical strategy, such as a protocol for documenting and addressing work absences.

Contingency Planning

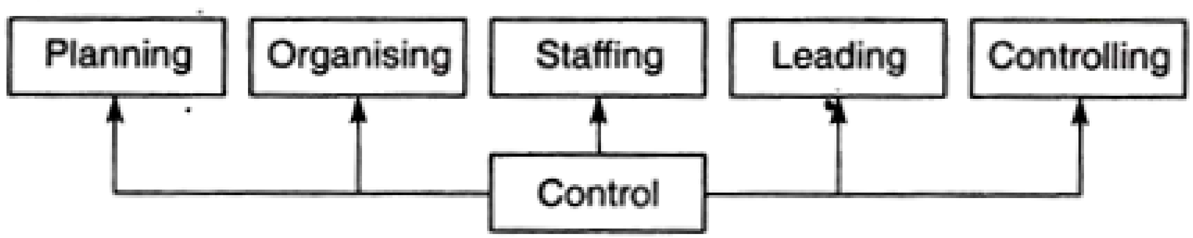
Contingency plans wait in the wings in case of a **crisis** or **unforeseen event**. Contingency plans cover a range of possible scenarios and appropriate responses for issues varying from personnel planning to advanced preparation for outside occurrences that could negatively impact the business. Companies may have contingency plans for things like how to respond to a **natural disaster**, **malfunctioning software**, or the **sudden departure** of a C-level executive.

Controlling

Controlling is one of the most **basic functions of management**, **like planning, organizing, staffing**, etc. Controlling is an important function, and without controlling management can't ensure the desired results.

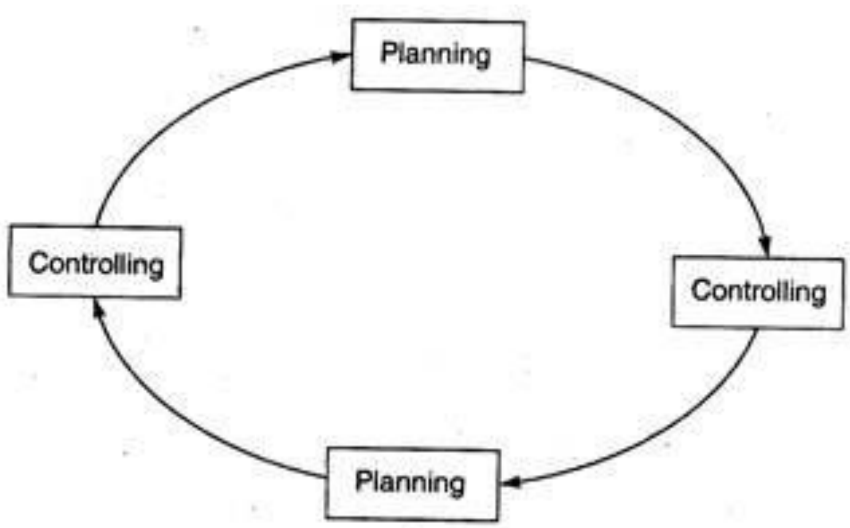
"Controlling is the process of evaluating the actual performance in comparison with the planned targets and taking suitable corrective actions whenever necessary".

In controlling, management first prepares plans and policies and later implements them to achieve predetermined objectives. According to the time interval, the management evaluates the actual performance of each department and employee. And, compares the actual performance with that of standard performance, and if any variation is found in actual performance, it takes corrective steps in time to maintain the standard.



Through controlling the manager keeps watch on the situation, monitors it regularly make sure that the work is done in a planned way and takes suitable actions to that effect. A good controlling system is generally designed to keep things from going wrong, not jest to correct them after wards.

There is a very close link between planning and controlling. This is shown in below figure. This is usually the first part of the management process. In the next stage, the organizing and leading functions get the actual work of the organization done, and the controlling function is directly tied back into planning.



"Control is a primary goal-oriented function of management in an organization. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action".

Controlling is performed at the **lower**, **middle** and **upper levels of the management**. **Controlling complements planning**. Managers often layout careful and elaborate plans, but unless these are supported by effective control, plan accomplishment becomes just a matter of luck. Organizations that do not exercise proper control even run tremendous risks. It is even thought that planning is incomplete unless good controls are also established.

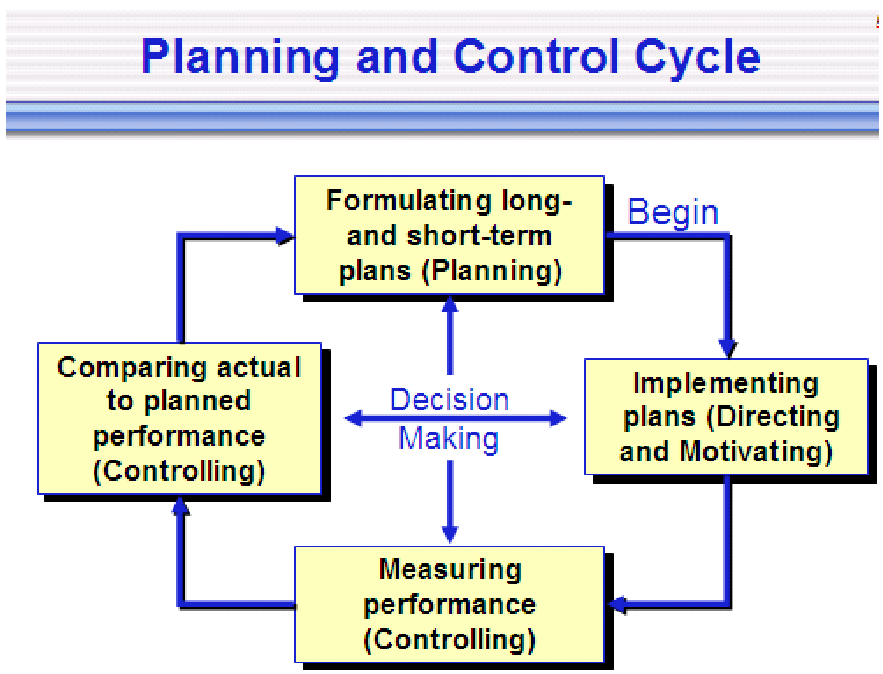
Planning and controlling are so closely linked with each other that they have been called- **"the Siamese Twins of management."**

"Planning and controlling go hand in hand".

It is not wrong to say that planning and controlling works together. A manager is required to plan so that he can control the actions of employees in order to achieve the desired outcome.

For example, if a sales manager makes a target to make the sales of 5 million in one quarter with five salespersons working in his team, then he will give the target of 1 million to every salesperson and will control their actions to achieve the desired results.

Now you understand that without planning, controlling is meaningless, and without controlling planning can't go as desired.

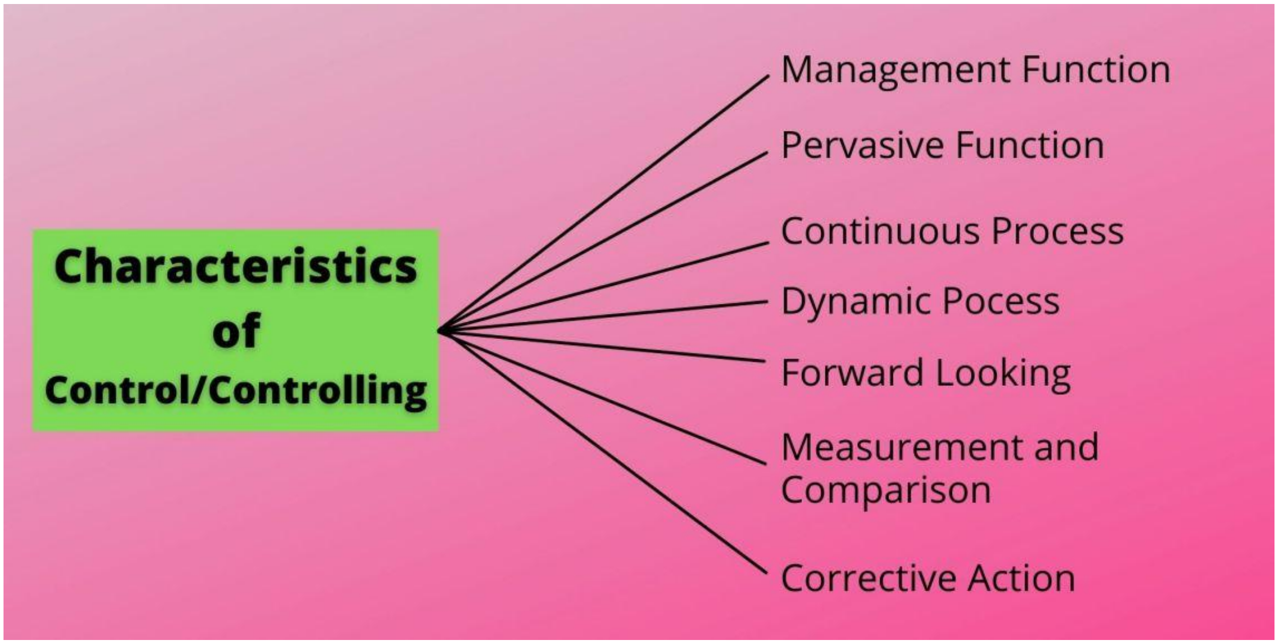


The management process will be incomplete and become useless without the control function. Control is a tool that helps an organization measures and compares its actual progress with the established plan.

Thus, control ensures what is done is what is intended. It is to be exercised by everyone in the organization, from top level to bottom level.

Characteristics of control process

Following characteristics of control can be identified:



- **Management Function**

Management process comprises of five functions, viz., planning, organizing, staffing, directing and controlling. Thus, control is part of the process of management. Controlling is a crucial function of management. It is a controlling function that brings about a balance between actual and planned performance. It is not only the function of chief executive but is the duty of every manager. A manager is responsible for whatever work is assigned to him. He will control the performance of his subordinates for ensuring the accomplishment of goals.

- **Pervasive function**

Controlling is a pervasive function because it can't be escaped at any level of the management. All management is required to control at all levels.

For example, a top-level manager will control the actions of a middle-level manager and supervise the performance of the manager and similarly, a low-level manager is answerable to a middle-level manager.

In this way, the controlling is done at all levels. However, there might be a difference in the methods of control, and different corrective actions are taken when the performance of the employee is not as desired.

- **Continuous Process**

It is a never-ending process and lasts till the existence of the organization. It involves a continuous analysis and study of the implementation of standards, policies, and procedures of the organization. Establishment of standards, measurement of actual performance, comparison of actual performance against the standards, and taking corrective action if there is any deviation are a continuous process of controlling.

- **Dynamic process**

Controlling is a dynamic process. A manager is required to take a different course of actions when an employee fails to match the standards of performance. A manager should have the skills to decide how to react to a certain situation.

For example, if an employee is absent frequently, then the manger first should talk with him and ask for the reason of his absenteeism and try to do something about the problem, and if the problem persists then, he should take some strict action.

Similarly, the course of action would be different for the employee who does not perform as per the standard frequently than the employee who has failed to meet the performance standards for the first time.

- **Forward Looking:**

Control is forward looking. Past is already gone thus, cannot be controlled. Measures can be devised to control future activities only. Past provides a base for determining controls for future. The manager will study the past performance in order to find out the reasons for low results. A corrective action will be taken to ensure that work in future is not adversely affected. Take for example, production for a particular month is low than the standard. Manager will not be able to do anything about the past performance. However, he may study the reasons for low production. He should take appropriate steps so that the same mistakes are not repeated and production will not suffer in future.

- **Measurement and Comparison**

Controlling is a managerial tool that measures and compares actual and standard performance and takes corrective measures if there is deviation. Organizational authority is concerned with this process. The effective measure between actual and planned performance helps to achieve organizational goals in the defined standards.

- **Corrective Action**

It is a management function through which a manager takes necessary steps if actual work is done is not in accordance with the standard work. It takes necessary action for the proper utilization of available resources. It is a must for the efficient completion of predetermined work. Tactful action at the right time is the essence of controlling.

Control Process

The "**Controlling Process**" is a method that can be used to make sure standards are being met within an organization. It involves the careful collection of information about a system, process, person, or group of people in order to make necessary decisions about each. **"Controlling" assures that the right things are done in the right manner at the right time.** By controlling, a Program Manager checks the progress and compares it to what was planned. If the planned events are not the same, then corrective actions can be taken.

The control process consists of the following basic elements and steps:

1. Setting Performance Standards

The task of fixing goals and standards takes place while planning but it plays a big role in controlling also. This is because the main aim of controlling is to direct a business's actions towards its goals. If the members of an organization know their goals clearly, they will invest their entire focus in achieving them.

Standards should be **clearly defined, understandable, attainable** and **realistic.**

It is very important for managers to communicate their organization's goals, standards and objectives as clearly as possible. There must never be ambiguities amongst employees in this regard. If everybody works towards common goals, it becomes easier for an organization to grow.

Standards can be set by the following two ways:

- **Quantitative/Measurable or tangible**: Those standards which can be measured and expressed are called measurable standards. These standards are expressed in numeric figure. They can be in form of cost, output, expenditure, time, profit, etc.
- **Qualitative/Non-measurable or intangible**: There are standards that cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called intangible standards.

Examples of Quantitative Standards:

(a) Revenue to be earned.

(b) Units to be produced and sold.

(c) Cost to be incurred.

(d) Time to be spent in performing a task.

(e) Amount of inventories to be maintained etc.

Examples of Qualitative Standards:

(a) Improving motivation level of employees.

(b) Improving labor relations.

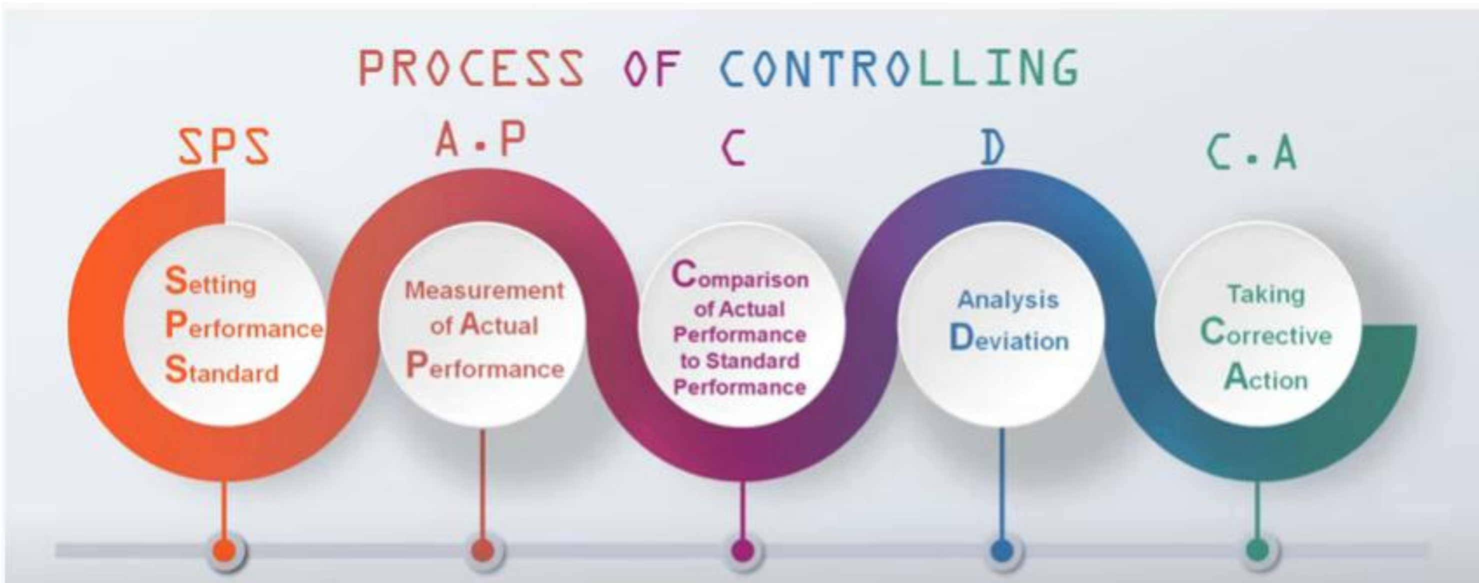
(c) Improving quality of products.

(d) Improving goodwill etc.

In order to facilitate easy comparison of actual performance with the standards, a manager should try to set these standards in quantitative terms as far as possible. However, in case of qualitative standards, effort should be made to define these standards in such a way that comparison becomes easily understandable.

For example, for improving customer satisfaction in a restaurant having self service, standard can be set in terms of time taken to get a table, place the order and collect the order. Moreover, the standards set should be flexible enough so that necessary changes can be made according to varying situations.

Controlling becomes easy through the establishment of these standards because controlling is exercised on the basis of these standards.



2. Measurement of Actual Performance

Once managers know what their goals are, they should next measure their actual performance .This step basically helps them in knowing whether their plans are working as intended.

Most organizations prepare **formal reports** of performance measurements both quantitative and qualitative (where quantification is not possible) that the managers review regularly. These measurements should be related to the standards set in the first step of the control process.

Apart from taking corrective action, this step of process control also helps managers in predicting future problems. This way they can take measures immediately and save their business from losses.

For example, if sales growth is a target, the organization should have a means of gathering and reporting sales data. Data can be collected through personal observation (through management by walking around the place where things are happening), statistical reports (made possible by computers), oral reporting (through conferencing, one-to-one meeting, or telephone calls), written reporting (comprehensive and concise, accounting information – normally a combination of all. To be of use, the information flow should be regular and timely.

3. Comparison of Actual Performance to Standard Performance

This step compares actual activities to performance standards. When managers read computer reports or walk through their plants, they identify whether actual performance meets, exceeds, or falls short of standards.

Typically, performance reports simplify such comparison by placing the performance standards for the reporting period alongside the actual performance for the same period and by computing the variance—that is, the difference between each actual amount and the associated standard.

The manager must know of the standard permitted variation (both positive and negative). Management by exception is most appropriate and practical to keep insignificant deviations away. Timetable for the comparison depends upon many factors including importance and complexity attached with importance and complexity.

4. Analysis Deviation

Deviation refers to difference between actual performance and plan performance. For example if plan is producing 100 units and actually only 80 units are produced, then deviation $=100-80=20$.

Deviations can be of two types

(i) Negative Deviation and

(ii) Positive Deviation.

Positive deviation means that the actual performance is more than the standard work whereas negative deviation means that the actual performance is less than the standard work. If the actual performance is more than the standard, the corrective action can help in improving the efficiency in future.

In the controlling process, it is important to know the causes of negative deviation but it is not less important to know about the causes of positive deviations.

All deviations need not be brought to the notice of top management. When the deviation is beyond the prescribed limit, an analysis of deviations is made to identify the causes of deviations. The causes of deviation are reported to the managers. The managers take necessary corrective actions.

5. Taking Corrective Action

In case there are discrepancies between actual performances and goals, managers need to take corrective actions immediately. Timely corrective actions can reduce losses as well as prevent them from arising in the future again.

Sometimes, business organizations formulate default corrective actions in the form of policies. This, however, can be difficult to do when it comes to complicated problems.

There are two alternatives here:

- Taking corrective measures for deviations that have occurred; and
- After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the standards. It is here the controlling process comes to an end. Follow-up is an important step because it is only through taking corrective measures, a manager can exercise control.

6. Following up on corrective action

Just taking corrective measures is not enough; managers must also take them to their logical conclusion. Even this step requires thorough evaluations and comparisons.

Managers should stick to the problem until they solve it. If they refer it to a subordinate, they must stay around and see to it that he completes the task. They may even mentor him personally so that he may be able to solve such problems by himself later.

The nature of control in an organization

All organizations (businesses, universities, governments, hospitals) are concerned with channeling human efforts toward attainment of organizational objectives. Regardless of their formal purposes, organizations are composed of people with their own personal interests. Even if these individuals and groups wish to help attain organizational goals, the organization of which they are a part must coordinate their efforts and direct them toward specific goals. Thus organizations must influence or control the behavior of people, if they are to fulfill their plans and achieve their goals.

On the basis of designing Control Systems:

Three approaches may be followed while designing control systems, viz., Market Control, Bureaucratic Control, and Clan Control. However, most organizations do not depend only on just one of them.

1. Market Control:

Control is based upon market mechanisms of competitive activities in terms of price and market share. Different divisions are converted into profit centers and their performance is evaluated by segmental top line (turnover), bottom line (profit) and the market share.

Using market control will mean that the managers in future will allocate resources or create departments or other activities in line with the market forces.

2. Bureaucratic Control:

Bureaucratic control focuses on authority, rule and regulations, procedures and policies. Most of the public sector units in India go in for bureaucratic control.

If they do not go by the rulebook, the legislative committees and the ministries under whom they work will reprimand them. In a hospital no medicine can be used unless the prescription is there and it is recorded in the issue register, even if the patient may die in between.

3. Clan Control:

The control systems are designed in a way that give way to shared vision, shared values, norms, traditions and beliefs, etc., part of the organizational culture.

It is not based upon hierarchical mechanisms, but work-related and performance measures. This kind of control is most suitable for the organizations which use team style of work groups and where technology changes very fast.

On the basis of Levels:

People at different level have different planning responsibilities, so do they undertake controlling. On the basis of levels controls, can be categorized as Operational, Structural, Tactical, and Strategic.

1. Operational Control:

Its focus remains upon the processes used by the organization for transforming the inputs (resources) into outputs (products/services). Operational controls are used at the lower management. It is exercised almost every day. Quality control, financial controls are part of operational controls.

2. Structural Control:

Are the different elements of organization structure serving their intended aims? Is there overstaffing? Is the ratio of staff to line increasing? Necessary action is to be undertaken.

Two important forms of structural control can be bureaucratic control and clan control, about which we have already talked. Structural control is exercised by top and middle management.

3. Tactical Control:

Since tactical control deals with the departmental objectives, the controls are largely exercised by middle management levels.

4. Strategic Control:

Strategic controls are early warning systems. Strategic control is the process to determine whether the effectiveness of a corporate, business and functional strategies are successful in helping organizations to meet its goals. Strategic controls are exercised by top level management.