

Management and Entrepreneurship

Introduction - Meaning, nature and characteristics of management, scope and Functional areas of management, goals of management, levels of management, brief overview of evolution of management theories,. Planning- Nature, importance, types of plans, steps in planning, Organizing- nature and purpose, types of Organization, Staffing- meaning, process of recruitment and selection

Management

Every business needs the direction this direction is given by Management.

Management is a critical element in the economic growth of a country. By bringing together the four factors of production i.e. **men, money, material and machines**. A country with enough capital, manpower and other natural resources can still be poor if it does not have competent managers to combine and coordinate these resources.

Peter Drucker rightly observes that without management, a country's resources of production remain resources and never become production.

Management is the dynamic, life-giving element in every organization.

Manager - A manager is one who contributes to the organization's goals indirectly by directing the efforts of others not by performing the task himself.

Employee - On the other hand, a person who is not a manager makes his contribution to the organization's goals directly by performing the task himself

Definition of management

By Mary Parker Follett - "Management is art of getting things done through people".

Two weaknesses of Mary Parker Follett's definition are

1. It uses the word "art" management is merely an art is half-truth. Art deals with the application of knowledge. Management is not merely application of knowledge. It also involves acquisition of knowledge.
2. This definition does not throw light on the various functions of a manager

By George R. Terry - "Management as a process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources".

The four management activities included in this process are: planning, organizing, actuating and controlling.

Planning means that managers think of their actions in advance.

Organizing means that managers coordinate the human and material resources of the organization.

Actuating means that managers motivate and direct subordinates.

Controlling means that managers attempt to ensure that there is no deviation from the norm or plan.

By Henry Fayol - “Management is conduct of affairs of business moving towards its objectives through a continuous process of improvement and optimization of resources”

By Koontz - “Management is a function of guidance and leadership control of efforts of a group or individuals in order to achieve goals/objectives of an organization”

“Management is the process of designing and maintaining an environment in which individuals working together in groups effectively”

□ **Nature and characteristics of Management**

The success of production depends on effective combination and co-ordination of following factors – land, labor, capital, organization and entrepreneurship.

1. It should be stable
2. It should be applicable to all kinds of Organizations
3. It should be transparent
4. Its approaches are to be clear and goal oriented.
5. It should be simple yet effective.
6. It should have well defined goals.
7. It should have good planning, organizing, staffing, directing and controlling functions.
8. It should provide conducive atmosphere of work.

Scope of Management

The management is must for every organization

The existence of management ensures proper function and running of an enterprise.

Management plans the activities, coordinates and utilizes the available recourses effectively and efficiently at minimum cost.

Scope of management is not limited only to business organization, but it is extended to business establishment such as hospitals, educational institutions, Govt offices, Service organizations, security organizations etc.

Management scope can be extended to the following areas of life

1. Developing Management
2. Financial Management
3. Marketing Management
4. Production Management

5. Transport Management
6. Purchase Management
7. Sales Management
8. Office Management

Functional Areas of Management / Process of Management

There is enough disagreement among management writers on the classification of managerial functions. Some classify these functions into four types, some into five and some into six or seven

Newman and Summer - classify these functions into 4 – Organizing, Planning, Leading, Controlling

Henry Fayol - classify these functions into 5 - Planning, Organizing, Commanding, Coordinating and Controlling

Luther Gulick - classifies into 7 functions – (POSDCORB) Planning, Organizing, Staffing, Directing, Coordinating, Reporting, and Budgeting

Koontz and O'Donnell - classifies into 5 types- Planning, Organizing, Staffing, Directing, coordinating.

In general let consider 4 functions of a management

1. Planning
2. Organizing
3. Directing
4. Coordinating

Ernest dale adds two additional functions

5. Innovation
6. Representation

Planning

Planning is the function that determines in advance what should be done. It is looking ahead and preparing for the future. It is a process of deciding the business objectives and charting out the methods of attaining those objectives.

It is the determination of what is to be done, how and where it is to be done, who has to do it and how results are to be evaluated.

This is done not only for the organization as a whole but for every division, department or sub-unit of the organization. Thus planning is a function which is performed by managers at all levels top, middle and supervisory.

Plans made by top management for the organization as a whole may cover periods as long as five or ten years. Plans made by middle or first line managers, cover much shorter periods. Such plans may be for the next day's work.

Organizing

It is a part of management that involves in establishing a structure of roles for people to fill in an organization. To organize a business it's necessary to provide it with everything useful to its functioning: personnel, raw materials, tools, capital.

All this may be divided into two main sections,

- Human organization and
- Material organization.

Once managers have established objectives and developed plans to achieve them, they must design and develop a human organization that will be able to carry out those plans successfully.

According to Allen, this organization refers to "the structure which results from identifying and grouping work, defining and delegating responsibility and authority, and establishing relationships."

Staffing may also be considered an important function involved in building the human organization.

In staffing, the manager attempts to find the right person for each job. Staffing obviously cannot be done once and for all, since people are continually leaving, getting fired, retiring and dying. Often too, the changes in the organization create new positions, and these must be filled.

Directing

After plans have been made and the organization has been established and staffed, the next step is to move towards its defined objectives is directing.

This function can be called by various names: "leading", "directing", "motivating", "actuating", and so on. Directing means leading the people towards the defined objective. Explain the people what they have to do. And help them to do their best.

It is the act of stimulating or inspiring workers. If the workers of an enterprise are properly motivated they will pull their weight effectively, give their loyalty to the enterprise, and carry out their task effectively.

Two broad categories of motivation are:

- Financial and
- Non-financial.

Financial motivation takes the form of salary, bonus, profit-sharing, etc.

While non-financial motivation takes the form of job security, opportunity of advancement, recognition, praise, etc.

Directing thus involves three sub-functions—

- Communication
- Leadership and
- Motivation.

Communication is the process of passing information and understanding from one person to another.

Leadership is the process by which a manager guides and influences the work of his subordinates.

Motivation means arousing desire in the minds of workers to give their best to the enterprise

Controlling

Controlling is measuring and correcting of activities of subordinates to make sure that the work is going on as per the plan.

Controlling function of management involves three elements:

1. Establishing standards of performance
2. Measuring current performance and comparing it against the established standards
3. Taking action to correct any performance that does not meet those standards

Innovating

It is not necessary for an organisation to grow bigger. But it is necessary that it constantly grows better

Innovation means creating new ideas which may either results in developing new products or finding new users for old products.

Representing

Manager is required to represents his organization before various outside groups, which have same stakes in organization

The stake holders can be Government officials, Labor unions, financial institutions, Suppliers, Customers etc. A manager must win their support by effectively managing the social impact of his organization.

Every function has two dimensions:

- Substantive and
- Procedural.

Substantive dimension is what is being done; **procedure** is how it is done.

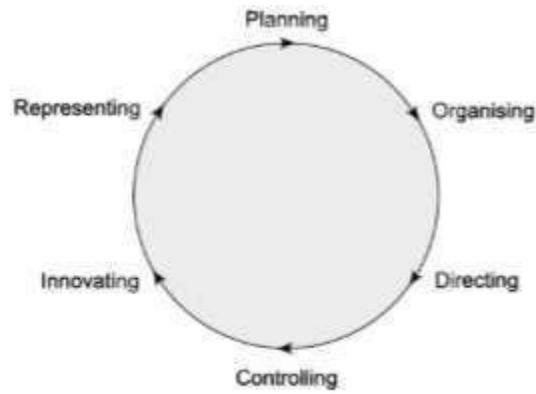


Fig. 1.1 Management process

Roles / Goals of a management

A **role** is a set of behaviors associated with a particular job.

Manager plays variety of roles responding to a particular situation.

There are 3 important roles –

1. Interpersonal Roles
2. Informational Roles
3. Decisional Roles

1. Interpersonal Roles

Figurehead – manager has to perform some duties of ceremonial nature such as greeting dignitaries, attending the wedding of an employee, taking important customers to lunch etc.

Leader – as a leader every manager has to motivate and encourage his employees.

Liaison – manager has to develop contacts with outside people and collects useful information for wellbeing of the organization

2. Informational Roles

Monitor – a manager monitors his environment and collect information through his personal contacts with colleagues and subordinates

Disseminator – manager passes some of the information directly to his key subordinates.

Spokesman – he communicates the goals of organization to his staff and the progress of work to his superiors. And represents his organization before various outside groups.

3. Decisional Roles

Entrepreneur- manager looks for innovation to improve his organization.

Disturbance Handler - the manager has to work reactively like fire fighter. Must seek solutions for various unanticipated problems like strikes, supplier's problems, employee's problems etc.

Resource allocator - manager must divide work and delegate authority among his subordinates. He must decide who will get what.

Negotiator – negotiates with employees and tries to solve any internal problems

Levels of management

In any organization, there are three levels of management the

1. First-line management (Low Level)
2. Middle level management
3. Top level managers.

First-line management: is made up of foreman and white collared supervisors.

Middle management: consists of vast and diversified group consisting plant managers, personnel managers and department heads.

Top management: consists of board chairman, the company presidents, and the executive vice presidents.

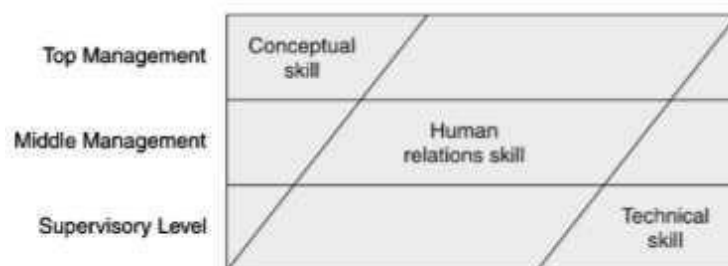
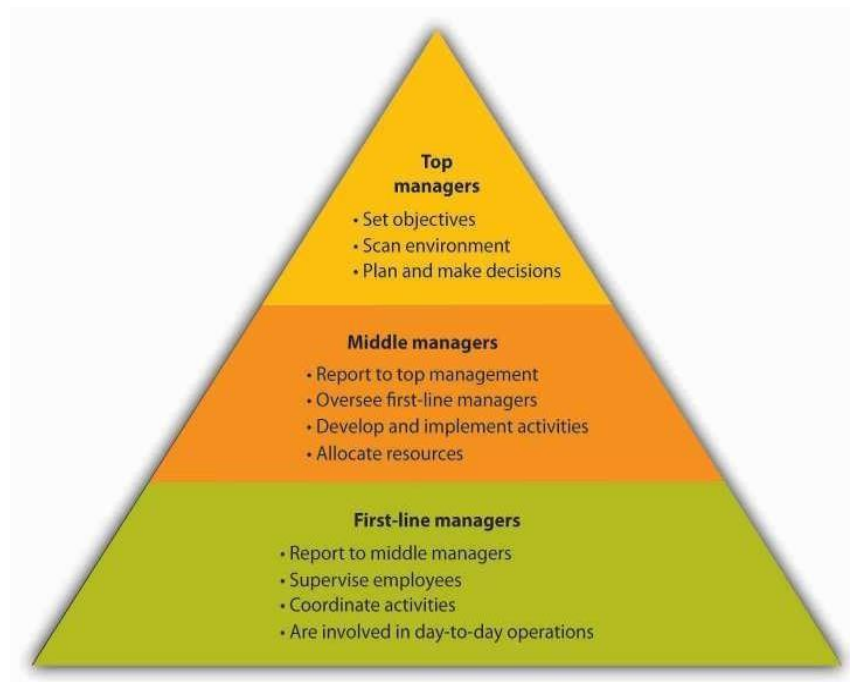


Fig. 1.3 Skill-mix at different management levels



Management & Administration

Administration involves “thinking” it’s a top level function.

Management involves “doing” it’s a lower level function.

Characteristics	Administration	Management
Main Function	Planning, Organizing and staffing	Leading, Motivation & Controlling
Status	Act as owner	Act as an agency
Skills	Good administrative skills	More technical skills
Level in the organization	Top level	Lower level
Position	MD, Owner, CEO	Manager, Supervisor, foremen etc...
Objective	Makes the policies & objective to be achieved	Implements the plans and policies
Involvement	No direct involvement in production or service	Directly involves in the execution of plans and achieving objectives

Evolution of the management

The evolution of management can be studied in three parts as under:

1. **Early classical approaches**, represented by Scientific management, Administrative management and Bureaucracy
2. **Neo—classical approaches**, represented by human relations movement and behavioral approach
3. **Modern approaches**, represented by quantitative approach, systems approach and contingency approach

1. Scientific management

Frederick Winslow Taylor (1856—1915) is considered to be the Father of Scientific Management.

His contributions under scientific management are

- 1) **Time and motion study:** Taylor started time and motion study under which each motion of job was timed out with the help of stop watch, a shorter and fewer motions were developed. Thus the best way of doing a job was found which replaced the old rule of thumb knowledge of the workman.
- 2) **Differential payment:** New payment plan called the differential piece work was introduced which was linked incentives with production. Under this plan a worker received low piece rate if he produced the standard number of pieces and high rate if he surpassed the standard which would motivate the workers to increase production
- 3) **Drastic reorganization and supervision:** Introduced two new concepts separation of (i.) planning and doing (ii). Functional foremanship. Taylor suggested that the work should be planned by the foreman and not by the worker and there should be as many foreman as there are special functions involved in doing a job and each of these foreman should give orders to the worker on his specialty.
- 4) **Scientific recruitment and training:** Taylor emphasized the need for scientific selection and development of the worker. He says that management should develop and train every worker to bring out his best faculties and enable him to do a higher, more interesting and more profitable class of work than he has done in past.
- 5) **Intimate friendly cooperation between the management and the workers:** Taylor argued that the management and the workers both should try to increase production rather than quarrel, which would increase the profits to such an extent that labour and management would no longer have to compete for them and should show common interest in increasing productivity.

Contributions:

- 1) Time and motion studies have made us aware that the tools and physical movements involved in a task can be made more efficient and rationale.

(2) Scientific selection of workers has made us recognize that without ability and training a person cannot be expected to do job properly.

(3) The scientific management have to work design encouraged the managers to do one best way of doing the job.

Limitations:

1. Taylor's belief that economic incentives are strong enough to motivate workers for increased production proved wrong as there are other needs such as security, social needs, or egoistic needs rather than financial needs

2. Taylor's time and motion study is not accepted as entirely scientific as there is no best way of doing the same job by two individuals as they may not have same rhythm, attention and learning speed

3. Separation of planning and doing the greater specialization inherent in the system tends to reduce the need for skill and greater monotony of work.

4. Advances in methods and better tools and machines eliminated some workers who found it difficult to get other jobs and caused resentment among them.

2. Fayol's Administrative management

Henry Fayol is considered as the father of administrative management (1841-1925) where the focus is on development of broad administrative principles. He was a French mining engineer turned a leading industrialist and a successful manager. He provided a broad analytical framework of the process of administration.

Fayol's 14 principles of management:

1) Division of work: The management process produces more and better work with the same effort. Various functions of management like planning; organizing, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors which must be entrusted to specialists in related fields.

2) Authority and responsibility: Implies that the manager should have the right to give orders and power to exact obedience and the manager also may exercise formal authority and also personal power.

3) Discipline: Absolutely essential for smooth running of the business and discipline means the obedience of authority, observance of rules of service and norms of performance, respect for agreements, sincere efforts of completing the given job, respect for superiors.

4) Unity of command: This principle requires that each employee should receive instructions about a particular work from one superior only if reported to more than one superior would result in confusion and conflict of instructions.

5) Unity of direction: Means that there should be complete identity between individual and organizational goals on the one hand and between the departmental goals on the other hand and both should not pull in different directions.

6) Subordination of individual interest to general interest: In a business concern, an individual is always interested in maximizing his own satisfaction through more money, recognition, status etc. which is against the general interest which lies in maximizing production and hence there is a need to subordinate the individual interest to the general interest.

7) Remuneration: Remuneration paid to the personnel of the firm should be fair and should be based on general business conditions such as cost of living, productivity of the concerned employees and the capacity of the firm to pay and the fair remuneration increases workers efficiency and morale, and fosters good relations between them and management.

8) Centralization: The degree of centralization or decentralization of authority must be decided on the basis of nature of the circumstances, size of the undertaking, the type of activities and the nature of organizational structure.

9) Scalar chain: Scalar chain means the hierarchy of authority from the highest executive to the lower ones for the purpose of communication. And it states superior-subordinate relationship and the authority of superiors in relation to subordinates at various levels. The orders or the communications should pass through the proper channels of authority along the scalar chain.

10) Order: Putting things in order needs effort and the management should obtain orderliness in work through suitable organization of men and materials. The principle of right place for everything and for every man should be observed by the management. which requires the need for scientific selection of competent personnel, correct assignment of duties to personnel and good organization.

11) Equity: Means equality of fair treatment which results from a combination of kindness and justice. Employees expect management to be equally just to everybody which requires managers to be free from all prejudices, personal likes or dislikes.

12) Stability of tenure of personnel: It is necessary to motivate workers to do more and better work and they should be assured security of job by management, which if not provided they have fear of insecurity of job, their morale will be low and they cannot give more and better work.

13) Initiative: Means freedom to think out and execute a plan. When it is provided to the employees leads to innovation, which is the landmark of technological progress.

Initiative is one of the keenest satisfactions for an intelligent man to experience and hence managers are required to give sufficient scope to show their initiative.

14) Esprit de corps: Means team spirit which should be created by the management among the employees and is possible only when all the employees pull together as a team, there is scope for realizing the objectives of the concern and there should be harmony and unity among the staff. Which is a great source of strength to the undertaking. Which could be achieved through avoiding divide and rule motto and use achieved through avoiding divide and rule motto and use of verbal communication and written communication to remove misunderstandings.

Contributions

- 1) Fayol's principles met with wide spread acceptance among writers on management and among managers and managers themselves.
- 2) Drawing inspiration from Fayol a new school of thought known as the Management Process School came into existence.

Limitations

- 1) Fayol's principle of specialization lead to the following dysfunctional consequences:
 - (a) Leads to the formation of small work groups with norms and goals with each individual carrying out own assigned part without bothering about the overall purpose of the organization as a whole.
 - (b) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
 - (c) Results in the dissatisfaction amongst workers as it does not provide them the opportunity to use all their abilities.
- 2) One of the findings of Fayol's principles is that there is nothing in Fayol's writings to indicate it is the proper one to apply like for example the principle of unity of command and the principle of unity of specialization or division of labour cannot be followed simultaneously. In this way many of these principles are full of contradictions and dilemmas.
- 3) Fayol's principles are based on a few case studies only and have not been tested empirically and whenever tested have fallen like autumn leaves.
- 4) These principles are often stated as unconditional statements of what should be done in all circumstances when what is needed are conditional principles of management. 5. The principles of Fayol such as the principles specialization, chain of command, unity of direction and span of control result in the mechanistic organizational structures which are insensitive to employees Social and psychological needs.
6. These principles are based on the assumption that the organization are closed systems but in reality organizations are open systems and hence the rigid structures so created do not work well under stable conditions.

3. Bureaucracy

German scientist Max Weber is considered to be the father of Bureaucracy. He made a study on various business and government organizations and distinguished three types of administration among them. I).Leader oriented ii).Tradition oriented and iii).bureaucratic.

- (i) **Leader oriented:** Administration is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.
- (ii) **Tradition oriented:** all managerial positions are handed down from generation to generation. Who are you rather than what you can do becomes the primary function.

(iii) **Bureaucratic oriented:** is based on the persons demonstrated ability to hold the position and no person can claim particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family. The people earn positions because they are presumed to be best capable of filling them.

Important features of Bureaucratic Administration:

1) Insistence on following standard rules:

The Authority in organization should not govern by the personnel preferences of the employer but it should be governed by the standard rules. which provides equality in the treatment of subordinates and continuity and predictability of action.

2) Systematic division of work:

This increases production by improving efficiency and saving time in changing over from one job to another.

3) Principle of hierarchy is followed:

Each lower officer is under the control and supervision of a higher one.

4) It is necessary for the individual to have knowledge of and training in the application of rules:

These form the basis on which legitimacy is granted to his authority.

5) Administrative acts, decisions and rules are recorded in writing:

Makes the organization independent of people besides making peoples understanding more accurate.

6) There is rational personnel administration:

People are selected on the basis of their credentials and merit and are paid according to their position in their hierarchy, promotions are made systematically and there is on winning peoples loyalty and commitment.

Elton Mayo's contributions came as part of the *Hawthorne studies*, a series of experiments that rigorously applied classical management theory only to reveal its shortcomings. The Hawthorne experiments consisted of two studies conducted at the Hawthorne Works of the Western Electric Company in Chicago from 1924 to 1932. The first study was conducted by a group of engineers seeking to determine the relationship of lighting levels to worker productivity. Surprisingly enough, they discovered that worker productivity increased as the lighting levels decreased — that is, until the employees were unable to see what they were doing, after which performance naturally declined. A few years later, a second group of experiments began. Harvard researchers Mayo and F. J. Roethlisberger supervised a group of five women in a bank wiring room. They gave the women special privileges, such as the right to leave their workstations without permission, take rest periods, enjoy free lunches, and have variations in pay levels and workdays. This experiment also resulted in significantly increased rates of productivity. In this case, Mayo and Roethlisberger concluded that the increase in productivity resulted from the supervisory arrangement rather than the changes in lighting or other associated worker benefits. Because the experimenters became the primary supervisors of the employees, the intense interest they displayed for the workers was the basis for the increased motivation and resulting productivity. Essentially, the experimenters became a part of the study and influenced its outcome. This

is the origin of the term *Hawthorne effect*, which describes the special attention researchers give to a study's subjects and the impact that attention has on the study's findings. The general conclusion from the Hawthorne studies was that human relations and the social needs of workers are crucial aspects of business management. This principle of human motivation helped revolutionize theories and practices of management.

Abraham Maslow, a practicing psychologist, developed one of the most widely recognized **need theories**, a theory of motivation based upon a consideration of human needs. His theory of human needs had three assumptions:

- Human needs are never completely satisfied.
- Human behavior is purposeful and is motivated by the need for satisfaction.
- Needs can be classified according to a hierarchical structure of importance, from the lowest to highest.

Maslow broke down the needs hierarchy into five specific areas:

- **Physiological needs.** Maslow grouped all physical needs necessary for maintaining basic human well-being, such as food and drink, into this category. After the need is satisfied, however, it is no longer is a motivator.
- **Safety needs.** These needs include the need for basic security, stability, protection, and freedom from fear. A normal state exists for an individual to have all these needs generally satisfied. Otherwise, they become primary motivators.
- **Belonging and love needs.** After the physical and safety needs are satisfied and are no longer motivators, the need for belonging and love emerges as a primary motivator. The individual strives to establish meaningful relationships with significant others.
- **Esteem needs.** An individual must develop self-confidence and wants to achieve status, reputation, fame, and glory.
- **Self-actualization needs.** Assuming that all the previous needs in the hierarchy are satisfied, an individual feels a need to find himself. Maslow's hierarchy of needs theory helped managers visualize employee motivation.

Douglas McGregor was heavily influenced by both the Hawthorne studies and Maslow. He believed that two basic kinds of managers exist. One type, the Theory X manager, has a negative view of employees and assumes that they are lazy, untrustworthy, and incapable of assuming responsibility. On the other hand, the Theory Y manager assumes that employees are not only trustworthy and capable of assuming responsibility, but also have high levels of motivation. An important aspect of McGregor's idea was his belief that managers who hold either set of assumptions can create **self-fulfilling prophecies** — that through their behavior, these managers create situations where subordinates act in ways that confirm the manager's original expectations. As a group, these theorists discovered that people worked for inner satisfaction and not materialistic rewards, shifting the focus to the role of individuals in an organization's performance.

Importance of planning

1. Minimises Risk and Uncertainty

In today's increasingly complex organisations, institution alone can no longer be relied upon as a means for making decisions. This is one reason why planning has become so important.

Planning allows managers and organisations to minimise risk and uncertainty, planning helps the manager to cope with and prepare for the changing environment.

2. Leads to Success

Planning does not guarantee success. Companies that plan not only outperform the no planners but also outperform their own past results.

3. Focuses Attention on the Organisation's Goals

Planning helps the manager to focus attention on the organisation's goals and activities.

This makes easier to apply and coordinate the resources of the organisation more economically

4. Facilitates Control

In planning, the manager sets goals and develops plans to accomplish these goals. Then these goals and plans are becomes standards or benchmarks against which performance can be measured.

The function of control is to ensure that the activities conform to the plans.

5. Trains Executives

Planning is also an excellent means for training executives.

Types of plans

Plans are arranged in hierarchy with in organisation. At top of this hierarchy stand **objectives**.

Objectives are broad ends of an organization which are achieved by means of **strategies**. **Strategies** are carried out by means of two other major groups of plans **i). Single use plans ii). Standing plans**.

Single use plans are developed to achieve a specific end and when the end is reached the plan is dissolved.

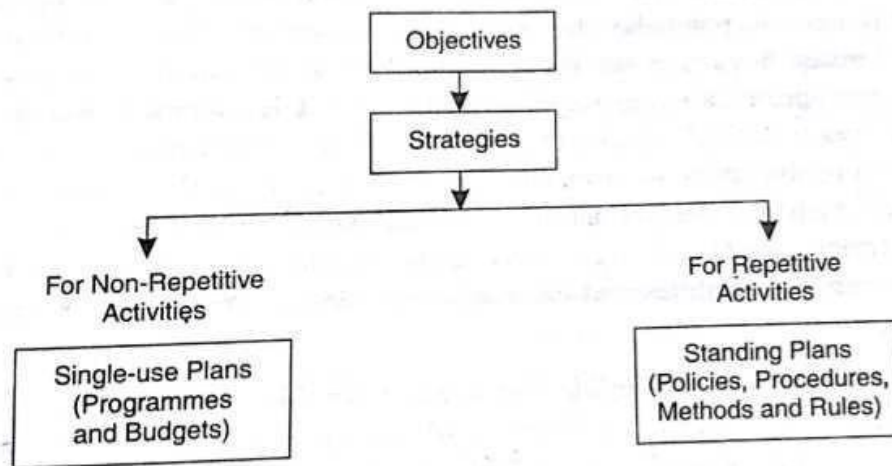
The two major types of single use plans are **Programmes** and **Budgets**

Standing Plans are designed for situation that occurs again and again.

For example, it would be inefficient for a bank to develop a single use plan for processing a loan application for each new client. Instead it uses one standing plan that anticipates in advance whether to approve or turn down the request based on the information furnished, credit rating, etc.

The major types of standing plans are **Policies, Procedures, Methods** and **Rules**.

Hierarchy of Organizational Plans



Hierarchy of organisational plans

Objectives

These are the end points or pole-star towards which all business activities like organizing, staffing, directing and controlling are directed.

Only after having defined these end points they can determine the kind of organization, kind of personnel and their qualifications, kind of motivation, supervision and direction and the control techniques which he must employ to reach these points.

Objectives are the specific targets to be reached by an organization.

Characteristics of the objectives

1) Objectives are multiple in numbers

This implies that every business enterprise has a package of objectives set out in various key areas.

There are eight key areas in which objectives of performance and results are set which are

- (I) market standing
- (II) innovation
- (III) productivity
- (IV) physical and financial resources
- (V) profitability
- (VI) Manager performance and development
- (VII) worker performance
- (VIII) attitude and public responsibility

2) Objectives are either tangible or intangible:

Some objectives are measurable such as in the areas of market standing, productivity, and physical and financial resources there are quantifiable values available.

Other areas of objectives are not readily quantifiable and are intangible, such as manager's performance, workers morale, public responsibility etc.

3) Objectives have priority:

This implies that at one particular given point of time, the accomplishment of one objective is relatively more important than others.

Priority of goals also says something about the relative importance of certain goals regardless of time.

4) Objectives are generally arranged in a hierarchy:

This means that we have corporate objectives of the total enterprise at the top, followed by divisional or departmental objectives, then each section and finally individual objectives.

5) Objectives sometimes clash with each other:

The process of breaking down the enterprise into units requires that objectives be assigned to each unit. Each unit is given the responsibility of attaining an assigned objective.

For example, the production goal of low unit cost achieved through mass production of low quality products may conflict with the sales goal of selling high quality products. The resolution of this problem is a careful balance of the goal for each unit with the recognition that the goal of neither unit can be maximised.

Requirements of Sound Objectives

While laying down objectives there are certain requirements that the manager should always keep in mind.

- **Objectives must be both clear and acceptable**

The objectives must be clear and acceptable to the people, that is, they should be compatible with their individual goals.

- **Objectives must support one another**

Objectives could interlock or interfere with one another. There is need for coordination and balancing the activities of the entire organisation, otherwise its members may pursue different paths making it difficult for the manager to achieve the company's overall objectives.

- **Objectives must be precise and measurable**

Objectives must be always measurable, the more precise and measurable the goal, the easier it is to decide how to achieve it.

Precise and measurable goals are better motivators of people than general goals.

Precise and measurable goals make it easier for lower level managers to develop their own plan

- **Objectives should always remain valid**

- This means that the manager should constantly review, reassess and adjust them according to changed conditions.

Advantages of objectives basically the following benefits result from objectives:

1. They provide a basis for planning and for developing other type of plans such as policies, budgets and procedures.
2. They act as motivators for individuals and departments of an enterprise imbuing their activities with a sense of purpose.
3. They eliminate haphazard action which may result in undesirable consequences.
4. They facilitate coordinated behaviour of various groups which otherwise may pull in different directions.
5. They function as a basis for managerial control by serving as standards against which actual performance can be measured.
6. They facilitate better management of the enterprise by providing a basis for leading, guiding, directing and controlling the activities of people of various departments.
7. They lessen misunderstanding and conflict and facilitate communication among people by minimizing jurisdictional disputes.
8. They provide legitimacy to organization's activities.

Strategies

In a competitive situation, it is not enough to build the plans logically, unless the plans take into account the environmental opportunities, threats and organizational strength and weaknesses.

A corporate strategy is a plan which takes these factors into account and provides optimal match between the firm and the environment.

Two important activities are involved in strategy formulation

- (i) Environmental appraisal and
- (ii) Corporate appraisal

(i) Environmental appraisal:

(1) Political and legal factors:

An analysis of the relevant environment results in the identification of threats and opportunities.

Key environment factors which need to be studied are

- (a) Stability of the government and its political philosophy.
- (b) Taxation and industrial licensing laws

(c) Monetary and fiscal policies

(d) Restrictions on capital movement, repatriation of capital, state trading etc.

(2) Economic factors

(a) Level of economic development and distribution of income

(b) Trend in prices, exchange rates, balance of payments.

(c) Supply of labour, raw material, capital etc.

(3) Competitive factors:

(A) Identification of principle competitors

(b) Analysis of their performance and programmes in major areas

(c) Antimonopoly laws and rules of competition

(D) Protection of patents, trademarks, brand names and other industrial property rights

(4) Social and cultural factors:

(a) Literacy levels of population

(b) Religious and social characteristics

(c) Extent and rate urbanization

(d) Rate of social change

(ii) Corporate appraisal:

It involves the analysis of company's strengths and weaknesses. A company's strength may lie in outstanding leadership, excellent product design, low-cost manufacturing skill, efficient distribution, efficient customer service, personal relationship with customers, efficient transportation and logistics, effective sales promotion, high turnover of inventories and capital etc.

The company must plan to exploit these strengths to the maximum. Similarly it may suffer from a number of weaknesses

- Strategies are carried out by means of two major plans

1. Single use plans
2. Standing plans

Single use plans

Single use plans are developed to achieve a specific end and when the end is reached the plan is dissolved.

The two major types of single use plans are

- i). Programmes and ii). Budgets

i). Programmes - Programmes are precise plans or definite steps in proper sequence which need to be taken to discharge a given task.

Programmes are made up of policies, procedures, budgets, etc. The essential ingredients of every programme are time phasing and budgeting.

ii). Budgets - A financial or quantitative statement prepared prior to a definite period of time, the policy to be pursued during that period, for the purpose of obtaining a given objective.

It is clear from this definition that budgets are plans for a future period of time containing statements of expected results in numerical terms, i.e., rupees, man-hours, product-units and so forth.

The important budgets are sales budget, production budget, cash budget, and revenue and expense budget.

The sales budget shows the expected sales of finished goods for a period, the production budget reflects the anticipated production over a period. A cash budget projects the expected flow of cash for a period in advance, and the revenue and expense budget shows the anticipated revenue and expenses for a period.

Standing plans

Policies

A policy is a general guideline for decision making which sets up boundaries around decisions including those that cannot be made and shutting out those that cannot. A policy can be considered as a verbal, written or implied overall guide setting up boundaries that supply the general limits and the direction in which managerial action takes place. Policies suggest how to do the work.

Advantages of policies

- 1) Policies ensure uniformity of action in respect of matters at various organizational points which make actions more predictable.
- 2) Policies speed up decisions at lower levels because subordinates need not consult their superiors frequently.

Types of policies

Can be classified on the basis of **Sources, Functions or Organizational levels**

1) Classification on the basis of sources: four types **Originated, Appealed, Implied** and **Imposed policies**

(a) Originated policies:

Are usually established formally and deliberately by top managers for the purpose of guiding of actions of their subordinates and also their own. These policies are set out in print and embodied in manual.

(b) Appealed policies:

Are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation and comes into existence because of the appeal made by the subordinate to the supervisor.

(c) Implied policies:

Policies which are stated neither in writing nor verbally? Such policies are called implied policies. Only by watching the actual behaviour of the various superiors in specific situations can the presence of implied policy is ascertained.

(d) Externally imposed policies:

Are the policies which are imposed on the business by external agencies such as government trade associations, and trade unions? Example: policy dictated by the government law.

2) Classification on the basis of functions: On the basis of business functions, policies may be classified into **Production, Sales, Finance, and Personnel policies**. Every one of these functions has number of policies. For example: Sales function may have policies relating to market.

2) Classification on the basis of organizational level:

This basis range from major company policies through major departmental policies to minor or derivative policies applicable to the smallest element of organization.

Procedures

Policies are carried out by means of more detailed guidelines called procedures. A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work.

Same steps are followed each time that activity is performed.

For example: the procedure for purchasing raw material may be

- (i) The requisition from the storekeeper to the purchasing department.
- (ii) Calling tenders for purchase of materials.
- (iii) placing orders with the suppliers who are selected
- (iv) inspecting the materials purchased by the inspecting department
- (v) Making payment to the supplier of materials by the accounts department.

Difference between policy and procedure

1. Policies are general guides to both thinking and action of people at higher levels. Procedures are general guides to action only usually for people at lower levels.
2. Policies help in fulfilling the objectives of the enterprise. Procedures show us the way to implement policies.

3. Policies are generally broad and allow some latitude in decision making. Procedures are specific and do not allow latitude.
4. Policies are often established without any study or analysis. Procedures are always established after thorough study and analysis of work.

Methods

A method is a prescribed way in which one step of a procedure is to be performed. Methods help in increasing the effectiveness and usefulness of the procedure. By improving the methods, reduced fatigue, better productivity and lower costs can be achieved.

Rules

Rules are detailed and recorded instructions that a specific action must or must not be performed in a given situation.

A rule is different from a policy, procedure or method. It is not a policy because it does not give a guide to thinking. It is not a procedure because there is no time sequence to a particular action. It is not a method because it is not concerned with any one particular step of a procedure.

Steps in Planning

The steps generally involved in planning are as follows

- 1. Being aware of opportunities**

Once we are aware of opportunities we can think of setting realistic goals.

- 2. Establishing Verifiable Goals or Set of Goals to be Achieved**

The second step in planning is to determine the enterprise objectives. These are most often set by upper level or top managers, usually after a number of possible objectives have been carefully considered. The type of goal selected will depend on a number of factors: the basic mission of the organisation, the values its managers hold, and the actual and potential abilities of the organisation.

- 3. Establishing Planning Premises**

The third step in planning is to establish planning premises, i.e., certain assumptions about the future on the basis of which the plan will be ultimately formulated. Planning premises are vital to the success of planning. That gives information relating to the future such as population trends, the general economic conditions, production costs and prices, probable competitive behaviour, capital and material availability, government policies etc.

Planning premises can be variously classified as under:

- (a) Internal and external premises
- (b) Tangible and intangible premises
- (c) Controllable and non-controllable premises

- **Internal and external premises**

Premises may exist within and outside the company. Important internal premises include sales forecasts, policies and programmes of the organisation, capital investment in plant and equipment, competence of management, skill of the labour force, other resources etc.

These external premises may include the following:

- (i) General business and economic environment
- (ii) Technological changes
- (iii) Government policies and regulations
- (iv) Population growth
- (v) Political stability
- (vi) Sociological factors
- (vii) Demand for industry's product

- **Tangible and intangible premises**

Some of the planning premises may be tangible while some others may be intangible. Tangible premises are those which can be quantitatively measured while intangible premises are those which cannot be measured.

- **Controllable and non-controllable premises**

While some of the planning premises may be controllable, some others are non-controllable. Because of the presence of uncontrollable factors, there is need for the organisation to revise the plans periodically in accordance with current developments. Some of the examples of uncontrollable factors are strikes, wars, natural calamities, emergency, legislation etc.

4. Deciding the Planning Period

Once upper level managers have selected the basic long-term goals and the planning premises, the next task is to decide the period of the plan. In some instances plans are made for a year only while in others they span decades.

The factors which influence the choice of a period are as follows:

- (a) Lead time in development and commercialisation of a new product
- (b) Time required to recover capital investments or the pay—back period
- (c) Length of commitments already made.

5. Finding Alternative Courses of Action

Finding alternative courses of action. Products may be sold directly to the consumer by the company's salesmen or through exclusive agencies.

6. Evaluating and Selecting a Course of Action

In this step by carefully evaluating the alternative steps. And to select the best course or courses of action. This is done with the help of quantitative techniques and operations research.

7.Developing Derivative Plans

Once the plan for the organization has been formulated, middle and lower level managers must draw up the appropriate plans for their sub units. These sub derived plans from main plan are termed as Derivative Plans.

8.Measuring and Controlling the Progress

The plan must be keep on monitoring, Managers need to check the progress of their plans so that they can

- (a) Take whatever remedial action is necessary to make the plan work
- (b) Change the original plan if it is unrealistic

Organizing- nature and purpose

Organizing is the grouping of activities necessary to attain objectives, the assignment of each grouping to a manager with authority necessary to supervise it. Its provision for coordination horizontally and vertically in the enterprise structure.

An organization should be designed to clarify who is to do what and who is responsible for what results, to remove obstacles to the performance caused by confusion and uncertainty of assignment.

Organization provides the structure, the frame on which the management of the enterprise is based.

It can also be defined as “a vehicle moving the management efforts through the management team, with the help of the enterprise resources, to the accomplishment of the goals or plans.”

Purpose of an organization

The basic purpose of having organization is to formulate a frame or structure of an enterprise with a view to fulfil the enterprise tasks.

1. Establishes the pattern of relationship by giving duties and responsibilities to an individual or group.
2. Demonstrates the authority, responsibility and duties of each individual or group.
3. It tells each manager where his accountability lies and, who (below him) are in his sphere of command.
4. Provides adequate communication
5. Coordinates or integrates (through organization charts) and controls the activities of individuals or groups to achieve common objectives or objectives of the enterprise.

TYPES OF ORGANISATIONS

1. organization
2. Functional or Staff organization
3. Line and Staff organization
4. Committee organization
5. Matrix organization

Line organization

It is also called as military or scalar organization. It is the simplest form of organization structure.

Under this system, authority flows from man at the top to the lowest man vertically, that is directions issued by the man in charge of the whole organization are directly conveyed to the person responsible for the execution of work. This makes the line of authority 'straight and vertical'.

There are three important principles in this system

1. Command should be given to subordinate through the immediate superior.
2. There should be only one chain i.e., command should be received from only one immediate superior.
3. The number of subordinates whose work is directly commanded by the superior should be limited.

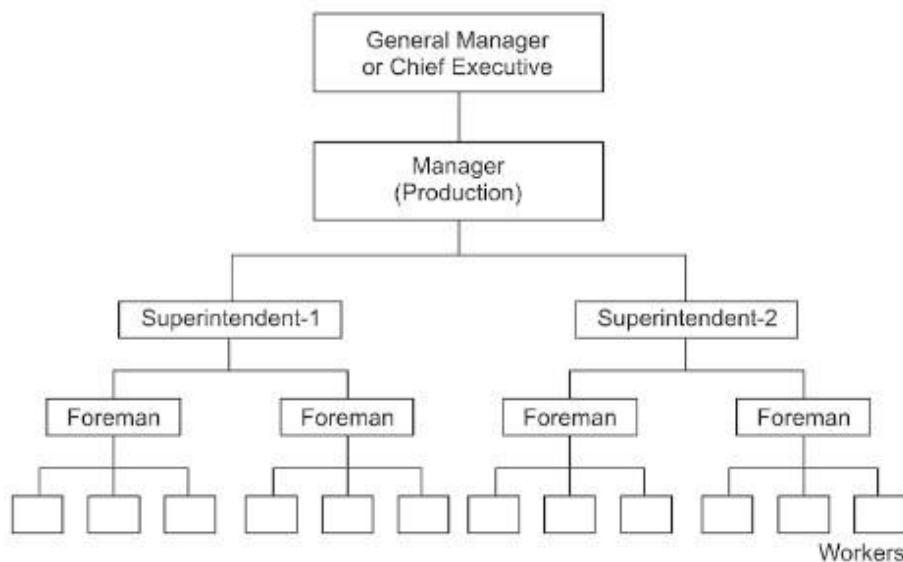


Figure: Line Organization

Advantages

1. Simple and easy to understand
2. Flexible, easy to expand

3. Makes clear division of authority
4. Clear channel of communication with no confusion
5. Strong in discipline as it fixes responsibility on an individual

Disadvantages

1. Neglects specialists
2. Overloads a few key executives
3. Requires high type of supervisory personnel to meet the challenges
4. Limited to very small concerns
5. Due to lack of specialization there is more waste of material and time.

Functional Organization (Staff organization)

F.W. Taylor suggested functional organization because it was difficult to find all round persons qualified to work at middle management levels in the line organization.

Functional authority is the right which is delegated to an individual that authorizes control of specified processes, practices, policies.

As the name implies the whole task of manufacturing and direction of subordinates should be divided according to the type of work involved.

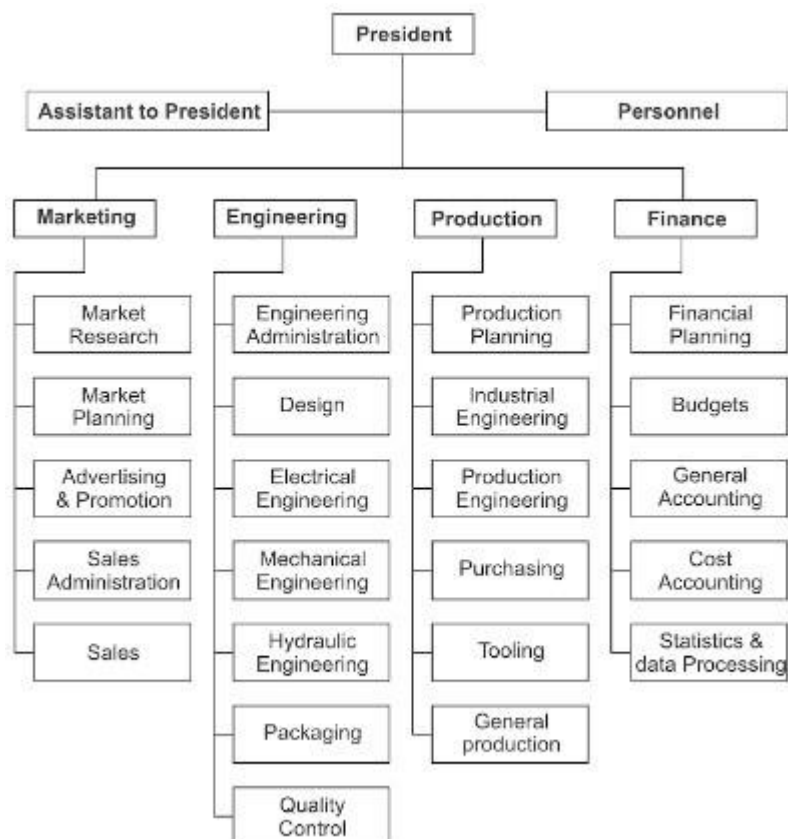


Figure: Staff organization

Advantages

1. It is a logical reflection of functions
2. It ensures a greater division of labour and enables the concern to take advantages of Specialization of functions
3. It provides higher degree of efficiency
4. It facilitates mass production, through specialisation and standardisation.
5. Quality of work is improved.

Disadvantages

1. Coordination of various functional foremen is difficult
2. It makes it difficult for the management to fix responsibility for unsatisfactory results
3. Workers always remain confused about authority.
4. It is unstable because workers work under several different bosses.

Committee organization

In the modern complex business world, some of the administrative tasks cannot be performed by a single person alone. Such situations may call for two or more persons to perform such tasks. This forms a committee organization.

Committee is a group of people pooled to carry out a defined objective.

The various functions of a committee are

- Collect the necessary information from different sources and arrange them in order.
- The collected information is critically examined and analysed
- Draft the detail report containing the recommendations for the purpose of implementation.
- Framing the policies of the organization
- Selection of personnel, directing and controlling the officers at regular intervals to achieve the goals

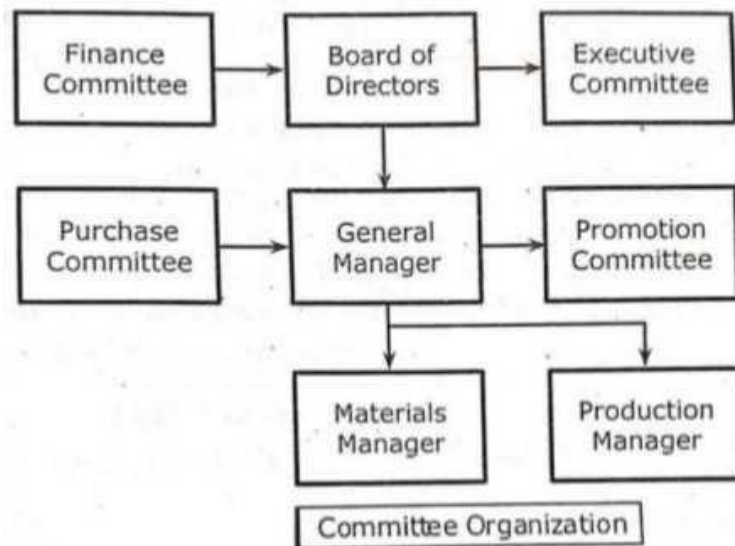


Figure: Committee Organization

Advantages

1. Committees will take valuable decisions.
2. The committee members can use their expertise while taking decisions
3. Committee decisions are many times better
4. Communication of decision is faster with the involvement of members from different groups
5. Coordination among departments is made easy, since managers of various departments are involved in decision-making
6. Decision is based on vast experience of the members

Disadvantages

1. Many times decisions are delayed due to the heterogeneous group in the committee
2. Increased administrative expenses
3. Secrecy of decision cannot be maintained
4. Sometimes decisions are taken on compromise
5. Sometime expressing ideas may lead to heated arguments.

Management by Objectives (MBO)

Management by objective is also referred as result management or management by results.

Its main Aim is to increase the effectiveness of managers by placing the responsibilities.

MBO is a process, in which the general Manager and his subordinates of an organization jointly identify the common objectives, define individual's responsibility and use these measures as guides in achieving the company's goal.

Unless clear defined objectives are set, it is not easy to attain company goal. The objectives set must meet the following requirements

- Work in the same direction for achieving company goal
- Clearly define and communicate to all
- Flexible for making adjustments

The nature of objectives can be of the following types

1. Short term
2. Long term
3. Specific
4. General

Advantages of MBO

1. It provides a basis for planning and development of policies, budgets and procedures.
2. It is a powerful tool for the management to achieve a higher productivity.
3. It gives proper direction and necessary responsibility to the people in an organization
4. It coordinates the efforts of various departments of an organization
5. It improves employee morale and discipline

Management by Exception (MBE)

The principle of Management by Exception was first given by F.W Taylor in 1919.

According to this principle only unusual or exceptional items of major deviation in the daily activities should brought to the notice of a manager.

It states that non deviations from standard should not brought to his attention.

Six Phases of Management by Exception

1. Assignment of values to identify the exceptions
2. Projection of meaningful measurements to business objectives
3. Make observation
4. Comparison of actual performance with expected performance
5. Reporting the balance to management
6. Decision making

Advantages of MBE

1. Much of the Managers time is saved
2. Manager finds more time and feels comfortable to think of improvements
3. Subordinates feel free and take responsibility of the work
4. This principle brings confidence among workers in their work

Disadvantages

1. Under this principle there is a possibility of misusing the authority by subordinates.
2. People may not work promptly as they feel more free

Staffing

It is important to have a good organization structure, but it is even more important to fill the jobs with the right people. A company may be successful with an organization structure but quality will be depends on staffs.

Filling and keeping the positions provided for by the organization structure filled with the right people is the staffing phase of the management function.

It includes several sub—functions

1. Recruitment or getting applicants for the jobs as they open up.
2. Selection of the best qualified from those who seek the jobs.
3. Training those who need further instructions to perform their work effectively or to qualify for promotions.
4. Performance appraisal, since it serves as the basis for job change or promotion.
5. Administration of compensation plans, since it is an important factor in both getting and holding qualified people.

Importance and need for proper staffing

There are a number of advantages of proper and efficient staffing.

1. It helps in discovering talented and competent workers and developing them to move up the corporate ladder.
2. It ensures greater production by putting the right man in the right job.
3. It helps to avoid a sudden disruption of an enterprise's production run by indicating shortages of personnel, if any, in advance.
4. It helps to prevent underutilization of personnel through over manning and the resultant high labor cost and low profit margins.
5. It provides information to management for the internal succession of managerial personnel in the event of an unanticipated turnover.[Recruitment](#)

Once the requirement of manpower is known, the process of recruitment starts. It can be defined as the process of identifying the sources for prospective candidates and to stimulate them to apply for the jobs.

Recruitment is the process of generating of applications or applicants for specific positions.

Sources of Recruitment

Re-employing former employee's - who have been laid off or have left for personal reasons

may be re-employed. These people may require less initial training than that needed by total strangers to the enterprise.

1. Friends and relatives of present employees - Some industries with a record of good personnel relations encourage their employees to recommend their friends and relatives for appointment in the concern where they are employed.

2. Applicants at the gate - Unemployed persons who call at the gates of the factories are interviewed by the factory representative and those who are found suitable for the existing vacancies are selected.

3. College and technical institutions - Many big companies remain in touch with the colleges and technical institutions from where young and talented persons may be recruited.

4. Employment exchanges - An employment exchange is an office set up by the government for bringing together those men who are in search of employment and those employers who are looking for men. Employment exchanges register unemployed people and maintain the records of their names, qualifications, etc. The employers on their part intimate the exchange about the vacancies which occur in their factories and types of employees they require for filling up these vacancies. Whenever any vacancy is intimated, the exchange selects some persons from among the registered employment seekers and forwards their names to the employers for consideration.

5. Advertising the vacancy - one more source that is tapped by the companies is advertising the vacancy in leading papers, websites, hoardings etc.

6. Labour unions- In companies with strong labour unions, persons are sometimes recommended for appointment by their labour unions.

Selection

In selection process manager compares applicant's qualifications with the requirements of a job and eliminates all those who do not stand up to this comparison.

Importance of the Selection Process

Whereas under recruitment the manager identifies the sources for prospective candidates and stimulates them to apply for various openings in his organisation, under selection he compares their qualifications with the requirements of a job and eliminates all those who do not stand up to this comparison.

Here are several **advantages of a proper selection** procedure

1. As the employees are placed in the jobs for which they are best suited,
2. They derive maximum job satisfaction and reap maximum wages.
3. Labour turnover is reduced and the overall efficiency of the organisation is increased.
4. And finally, a good relationship develops between the employer and the employees.

Steps in the Selection Procedure

Job Analysis - Job analysis is the process by means of which a description is developed of the present methods and procedures of doing a job.

Job Description is the results of a job analysis are set down in the job description.

Job Specification A job specification (also called man specification) is a statement of the minimum acceptable human qualities necessary to perform a job satisfactorily.

Some commonly used steps in selection are.

1. Application blank
2. Initial interview of the candidate
3. Employment tests
4. Checking references
5. Physical or medical examination
6. Final interview

1. **Application blank** - Filling of the “application blank” by the candidate is the first step in the process of selection. In this form, the applicant gives relevant personal data such as his qualification, specialisation, experience, firms in which he has worked, etc.

The application blanks are carefully examined by the company and decide the applicants who are to be called for interview.

2. **Initial interview** - Those who are selected for interview on the basis of particulars furnished in the application blank are called for initial interview by the company. It is also used for establishing a friendly relationship between the candidate and the company and for obtaining additional information or clarification on the information already on the application blank.
3. **Employment tests** - For further assessment of candidate’s nature and abilities, some tests are used in the selection procedure. Some experts have developed certain tests by which a candidate’s likes and dislikes, his intelligence, abilities, his capacity to learn and to benefit from training, his adaptability, etc. can be estimated.

Some commonly used tests are

- (i) **Aptitude test** - This test measures the applicant’s capacity to learn the skill required for a job. It helps in finding out whether a candidate is suitable for a clerical or a mechanical job.
- (ii) **Interest test** - This is used to find out the type of work in which the candidate has an interest, It does not reveal candidate ability to do it. Well-prepared questionnaires are used in this tests.

- (iii) **Intelligence test** - This test is used to find out the candidates intelligence. By using this test, the candidate's mental alertness, reasoning ability, power of understanding, etc. are judged.
Example. Reading and summarising a paragraph in the allotted time, writing 10 to 15 words that begin with the same letter in one minute.
 - (iv) **Trade or performance or achievement or job-specific test** - This test is used to measure the candidate's level of knowledge and skill in the particular job in which he will be appointed. The candidate is asked to do a simple operation which is a part of, or similar to his proposed job. For example, a candidate for a driver's post may be asked to drive the vehicle to assess his proficiency, or a typist may be asked to type out some letters to find out his speed and accuracy, or a candidate for a post of salesman may be asked to attend to a prospective customer who enters the shop.
 - (v) **Personality test** - Personality test is used to measure those characteristics of a candidate which constitute his personality, e.g., self-confidence, temperament, initiative, judgement, dominance, integrity, originality, etc. Personality tests are very important in the selection process, particularly in the case of appointments to the posts of supervisors and higher executives
4. **Checking references** - If the candidate has been found satisfactory at the interview and if his performance is good in employment or proficiency tests, the employer would like to get some important personal details about the candidate, such as his character, past history, background, etc. verified from the people mentioned in the application. For this purpose, the employer may also contact his friends residing in the locality where the candidate is residing or he may contact the present or former employers of the candidate.
5. **Physical or medical examination** - Physical or medical examination is another step in the selection procedure. The objectives of this examination are:
- (i) To check the physical fitness of the applicant for the job applied for;
 - (i) To protect the company against the unwarranted claims for compensation.
 - (ii) To prevent communicable diseases entering the business concern.
6. **Final interview** - This interview is conducted for those who are ultimately selected for employment. In this interview, the selected candidates are given brief introduction about company.