

UNIT I

INTRODUCTION TO MANAGEMENT AND ORGANIZATIONS

According to **Harold Koontz**, “Management is an art of getting things done through and with the people in formally organized groups. It is an art of creating an environment in which people can perform and individuals can co-operate towards attainment of group goals”.

IMPORTANCE OF MANAGEMENT

- Encourages Initiative
- Encourages Innovation
- Facilitates growth and expansion
- Improves life of workers
- Improves corporate image
- Optimum use of resources
- Reduces wastage
- Increases efficiency
- Improves relations
- Encourages Team Work

CHARACTERISTICS OF MANAGEMENT

- Continuous and never ending process.
- Getting things done through people.
- Result oriented science and art.
- Multidisciplinary in nature.
- A group and not an individual activity.
- Follows established principles or rules.
- Aided but not replaced by computers.
- Situational in nature.
- Need not be an ownership.
- Both an art and science.
- Management is all pervasive.
- Management is intangible.
- Uses a professional approach in work.
- Dynamic in nature.

Management Vs Administration

Basis	Management	Administration
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should do it & how should he do it.	Administration decides what is to be done & when it is to be done
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

LEVELS OF MANAGEMENT

The Top Management: It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions. The role of the top management can be summarized as follows –

1. Top management lays down the objectives and broad policies of enterprise. It appoints the executive DM for middle level
2. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
3. It prepares strategic plans & policies for the enterprise. It controls & coordinates the activities of all the departments.
4. It is also responsible for maintaining a contact with the outside world. It provides guidance and direction.
5. The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level Management: The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as –

1. They execute the plans of the organization in accordance with the policies and directives of the top management.
2. They participate in employment & training of lower level management. They make plans for the sub-units of the organization
3. They interpret and explain policies from top level management to lower level.
4. They are responsible for coordinating the activities within the division or department.
5. It sends important reports, other important data to top level management. They evaluate performance of junior managers.

Lower Level Management: Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees. Their activities include

1. Assigning of jobs and tasks to various workers. They guide and instruct workers for day to day activities.
2. They are responsible for the quality as well as quantity of production. They supervise & guide the sub-ordinates.
3. They are also entrusted with the responsibility of maintaining good relation in the organization. They motivate workers.
4. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers. They prepare periodical reports about the performance of the workers.

5. They help to solve the grievances of the workers. They are responsible for providing training to the workers.
6. They arrange necessary materials, machines, tools etc for getting the things done.

FUNCTIONS OF MANAGEMENT

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manager irrespective of his level or status. Different experts have classified functions of management. According to **George & Jerry**, “There are four fundamental functions of management i.e. planning, organizing, actuating and controlling”. According to **Henry Fayol**, “To manage is to forecast and plan, to organize, to command, & to control”. Whereas **Luther Gullick** has given a keyword ‘**POSDCORB**’ where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O’DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling**.

1. Planning: It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, “Planning is deciding in advance – what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing: It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, To organize a business is to provide it with everything useful for its functioning i.e. raw material, tools, capital and personnel’s. Organizing as a process involves:

- Identification of activities, Classification of grouping of activities. Assignment of duties.
- Delegation of authority and creation of responsibility. Coordinating authority and responsibility relationships.

3. Staffing: Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, selection & placement. Training & development. Remuneration. Performance appraisal. Promotions & transfer.

4. Directing: It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. **Supervision** overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers. **Motivation-** means

inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative. Monetary. **Leadership**- a process by which manager guides and influences the work of subordinates in desired direction. **Communications** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling: Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

- (i) Establishment of standard performance. Measurement of actual performance.
- (ii) Comparison of actual performance with the standards and finding out deviation if any. Corrective action.

ROLES OF MANAGER

Henry Mintzberg identified ten different roles, separated into three categories. The categories he defined are as follows

- a) **Interpersonal Roles:** Involve people and other ceremonial duties. It can be further classified as follows
- Leader – Responsible for staffing, training, and associated duties.
 - Figurehead – The symbolic head of the organization.
 - Liaison – Maintains the communication between all contacts and informers that compose the organizational network.
- b) **Informational Roles:** Related to collecting, receiving, and disseminating information.
- Monitor – Personally seek and receive information, to be able to understand the organization.
 - Disseminator – Transmits all import information received from outsiders to the members of the organization.
 - Spokesperson – On the contrary to the above role, here the manager transmits the organization’s plans, policies and actions to outsiders.
- c) **Decisional Roles:** Roles that revolve around making choices.
- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
 - Negotiator – Represents the organization at major negotiations.
 - Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
 - Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

Management as a Science

- Management is a systematic body of knowledge consists of principles, generalizations, approaches and concepts to be applied in practical situation. The manager can manage the situation or organization in a systematic and scientific manner only if he posses the adequate knowledge of management and its principles.
- The principles generalization and concepts of management have been developed and formulated on the basis of **observation** research and analysis and **experimentation**, as is the case with the principles of other sciences.
- Like other sciences management principles are also based on relationship of **cause and effect**. Example if workers are paid more, they will produce more.

- Management knowledge and its principles are codified and a systematized and can be transferred from one manager to another and can be taught.
- Management principles are **universally** applicable to all types of organizations they are generalized in nature. Forming general guidelines for managers to practice.
- Law of science have universal application example; formula for water or law of gravity is applicable everywhere same in the case with management. Management process has universal applicability. Example: high motivation leads to high efficiency in employees.

Management as an Art Art means application of knowledge & skill to get the desired results. An art may be defined as personalized application of general theoretical principles for achieving best possible results. Art has the following characters –

- **Practical Knowledge:** Every art requires practical knowledge therefore learning of theory is not sufficient. It is very important to know practical application of theoretical principles.
- **Personal Skill:** Although theoretical base may be same for every artist, but each one has his own style and approach towards his job. That is why the level of success and quality of performance differs from one person to another.
- **Creativity:** Every artist has an element of creativity in line. That is why he aims at producing something that has never existed before which requires combination of intelligence & imagination.
- **Perfection through practice:** Practice makes a man perfect. **Goal-Oriented:** Every art is result oriented as it seeks to achieve concrete results.

Management as both Science and Art

To be successful manager, a person requires the knowledge of management principles and also skills how the knowledge can be utilized. Absence of either will result in inefficiency. So management use both scientific knowledge and art in managing the organization. According to Dr. Terry “if sciences teaches one to know, art teaches one to do.”

Management as Science	Management as Art
Advances by knowledge	Advances by practices
Proves	Feels
Predicts	Guesses
Defines	Describes
Measures	Opines
Impresses	Expresses

Basis for Comparison	Entrepreneur	Manager
Meaning	Entrepreneur refers to a person who creates an enterprise, by taking financial risk in order to get profit.	Manager is an individual who takes the responsibility of controlling and administering the organization.
Focus	Business startup	Ongoing operations
Primary motivation	Achievement	Power
Approach to task	Informal	Formal
Status	Owner	Employee

Reward	Profit	Salary
Decision making	Intuitive	Calculative
Driving force	Creativity and Innovation	Preserving status quo
Risk orientation	Risk taker	Risk averse

CONTRIBUTION OF FAYOL AND TAYLOR

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

Taylor's Scientific Management

Frederick Winslow Taylor well-known as the founder of scientific management was the first to recognize and emphasize the need for adopting a scientific approach to the task of managing an enterprise.

He tried to diagnose the causes of low efficiency in industry and came to the conclusion that much of waste and inefficiency is due to the lack of order and system in the methods of management.

He found that the management was usually ignorant of the amount of work that could be done by a worker in a day as also the best method of doing the job. As a result, it remained largely at the mercy of the workers who deliberately shirked work.

He therefore, suggested that those responsible for management should adopt a scientific approach in their work, and make use of "scientific method" for achieving higher efficiency. The scientific method consists essentially of

- Observation
- Experimentation and
- Measurement
- Inference

He advocated a thorough planning of the job by the management and emphasized the necessity of perfect understanding and co-operation between the management and the workers both for the enlargement of profits and the use of scientific investigation and knowledge in industrial work. He summed up his approach in these words:

- Science, not rule of thumb
- Harmony, not discord
- Co-operation, not individualism
- Maximum output, in place of restricted output
- The development of each man to his greatest efficiency and prosperity

Elements of Scientific Management:

The techniques which Taylor regarded as its essential elements or features may be classified as under:

1. **Scientific Task and Rate-Setting (work study):** Work study may be defined as the systematic, objective and critical examination of all the factors governing the operational efficiency of any specified activity in order to effect improvement. Work study includes.

- **Methods Study:** The management should try to ensure that the plant is laid out in the best manner and is equipped with the best tools and machinery. The possibilities of eliminating or combining certain operations may be studied.
- **Motion Study:** It is a study of the movement, of an operator (or even of a machine) in performing an operation with the purpose of eliminating useless motions.
- **Time Study (work measurement):** The basic purpose of time study is to determine the proper time for performing the operation. Such study may be conducted after the motion study. Both

time study and motion study help in determining the best method of doing a job and the standard time allowed for it.

- **Fatigue Study:** If, a standard task is set without providing for measures to eliminate fatigue, it may either be beyond the workers or the workers may over strain themselves to attain it. It is necessary, therefore, to regulate the working hours and provide for rest pauses at scientifically determined intervals.
- **Rate-setting:** Taylor recommended the differential piece wage system, under which workers performing the standard task within prescribed time are paid a much higher rate per unit than inefficient workers who are not able to come up to the standard set.

2. **Planning the Task:** Having set the task which an average worker must strive to perform to get wages at the higher piece-rate, necessary steps have to be taken to plan the production thoroughly so that there are no bottlenecks and the work goes on systematically.

3. **Selection and Training:** Scientific Management requires a radical change in the methods and procedures of selecting workers. It is therefore necessary to entrust the task of selection to a central personnel department. The procedure of selection will also have to be systematized. Proper attention has also to be devoted to the training of the workers in the correct methods of work.

4. **Standardization:** Standardization may be introduced in respect of the following.

- **Tools and equipment:** By standardization is meant the process of bringing about uniformity. The management must select and store standard tools and implements which will be nearly the best or the best of their kind.
- **Speed:** There is usually an optimum speed for every machine. If it is exceeded, it is likely to result in damage to machinery.
- **Conditions of Work:** To attain standard performance, the maintenance of standard conditions of ventilation, heating, cooling, humidity, floor space, safety etc., is very essential.
- **Materials:** The efficiency of a worker depends on the quality of materials and the method of handling materials.

5. **Specialization:** Scientific management will not be complete without the introduction of specialization. Under this plan, the two functions of 'planning' and 'doing' are separated in the organization of the plant. The 'functional foremen' are specialists who join their heads to give thought to the planning of the performance of operations in the workshop. Taylor suggested eight functional foremen under his scheme of functional foremanship.

- **The Route Clerk:** To lay down the sequence of operations and instruct the workers concerned about it.
- **The Instruction Card Clerk:** To prepare detailed instructions regarding different aspects of work.
- **The Time and Cost Clerk:** To send all information relating to their pay to the workers and to secure proper returns of work from them.
- **The Shop Disciplinarian:** To deal with cases of breach of discipline and absenteeism.
- **The Gang Boss:** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
- **The Speed Boss:** To ensure that machines are run at their best speeds and proper tools are used by the workers.

- **The Repair Boss:** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
- **The Inspector:** To show to the worker how to do the work.

6. **Mental Revolution:** At present, industry is divided into two groups – management and labour. The major problem between these two groups is the division of surplus. The management wants the maximum possible share of the surplus as profit; the workers want, as large share in the form of wages. Taylor has in mind the enormous gain that arises from higher productivity. Such gains can be shared both by the management and workers in the form of increased profits and increased wages.

Henry Fayol's 14 Principles of Management:

The principles of management are given below:

1. **Division of work:** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.
2. **Authority and Responsibility:** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. **Discipline:** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organization. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organization can work smoothly without discipline - preferably voluntary discipline.
4. **Unity of Command:** In order to avoid any possible confusion and conflict, each member of an organization must receive orders and instructions only from one superior (boss).
5. **Unity of Direction:** All members of an organization must work together to accomplish common objectives.
6. **Emphasis on Subordination of Personal Interest to General or Common Interest:** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
7. **Remuneration:** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and nonfinancial incentives.
8. **Centralization:** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
9. **Scalar Chain:** The unity of command brings about a chain or hierarchy of command linking all members of the organization from the top to the bottom. Scalar denotes steps.
10. **Order:** Fayol suggested that there is a place for everything. Order or system alone can create a sound organization and efficient management.
11. **Equity:** An organization consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.
12. **Stability of Tenure:** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organization and management.

13. **Esprit of Co-operation:** Esprit de corps is the foundation of a sound organization. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
14. **Initiative:** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

EVOLUTION OF MANAGEMENT THOUGHT

The origin of management as a discipline was developed in the late 19th century. Over time, management thinkers have sought ways to organize and classify the voluminous information about management that has been collected and disseminated. These attempts at classification have resulted in the identification of management approaches. The approaches of management are theoretical frameworks for the study of management. Each of the approaches of management is based on somewhat different assumptions about human beings and the organizations for which they work. The different approaches of management are.

a) THE CLASSICAL APPROACH:

The classical approach is the oldest formal approach of management thought. Its roots pre-date the twentieth century. The classical approach of thought generally concerns ways to manage work and organizations more efficiently. Three areas of study that can be grouped under the classical approach are scientific management, administrative management, and bureaucratic management.

(i) Scientific Management: Frederick Winslow Taylor is known as the father of scientific management. Scientific management (also called Taylorism or the Taylor system) is a theory of management that analyzes and synthesizes workflows, with the objective of improving labor productivity. In other words, Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work.

(ii) Administrative Management: focuses on the management process and principles of management. In contrast to scientific management, which deals largely with jobs and work at the individual level of analysis, it provides a more general theory of management. Henri Fayol is the major contributor to this approach of management thought.

(iii) Bureaucratic Management: focuses on the ideal form of organization. Max Weber was the major contributor to it. Based on observation, Weber concluded that many early organizations were inefficiently managed, with decisions based on personal relationships and loyalty. He proposed that a form of organization, called a bureaucracy, characterized by division of labor, hierarchy, formalized rules, impersonality, and the selection and promotion of employees based on ability, would lead to more efficient management. Weber also contended that managers' authority in an organization should be based not on tradition or charisma but on the position held by managers in the organizational hierarchy.

b) THE BEHAVIORAL APPROACH:

The behavioral approach of management thought developed, in part, because of perceived weaknesses in the assumptions of the classical approach. The classical approach emphasized efficiency, process, and principles. Some felt that this emphasis disregarded important aspects of organizational life, particularly as it related to human behavior. Thus, the behavioral approach focused on trying to understand the factors that affect human behavior at work.

(i) Human Relations: The Hawthorne Experiments began in 1924 and continued through the early 1930s. A variety of researchers participated in the studies, including Elton Mayo. One of the major conclusions of the Hawthorne studies was that workers' attitudes are associated with productivity. Another

was that the workplace is a social system and informal group influence could exert a powerful effect on individual behavior. A third was that the style of supervision is an important factor in increasing workers' job satisfaction.

(ii) Behavioral Science: Behavioral science and the study of organizational behavior emerged in the 1950s and 1960s. The behavioral science approach was a natural progression of the human relations movement. It focused on applying conceptual and analytical tools to the problem of understanding and predicting behavior in the workplace.

The behavioral science approach has contributed to the study of management through its focus on personality, attitudes, values, motivation, group behavior, leadership, communication, and conflict, among other issues.

c) THE QUANTITATIVE APPROACH:

The quantitative approach focuses on improving decision making via the application of quantitative techniques. Its roots can be traced back to scientific management.

(i) Management Science (Operations Research): uses mathematical and statistical approaches to solve management problems. It developed during World War II as strategists tried to apply scientific knowledge and methods to the complex problems of war. Industry began to apply management science after the war. The advent of the computer made many management science tools and concepts more practical for industry

(ii) Production and Operations Management: This approach focuses on the operation and control of the production process that transforms resources into finished goods and services. It has its roots in scientific management but became an identifiable area of management study after World War II. It uses many of the tools of management science. Operations management emphasizes productivity and quality of both manufacturing and service organizations. W. Edwards Deming exerted a tremendous influence in shaping modern ideas about improving productivity and quality. Major areas of study within operations management include capacity planning, facilities location, facilities layout, materials requirement planning, scheduling, purchasing and inventory control, quality control, computer integrated manufacturing, just-in-time inventory systems, and flexible manufacturing systems.

d) SYSTEMS APPROACH:



The systems approach focuses on understanding the organization as an open system that transforms inputs into outputs. The systems approach began to have a strong impact on management thought in the 1960s as a way of thinking about managing techniques that would allow managers to relate different specialties and parts of the company to one another, as well as to external environmental factors. The systems approach focuses on the organization as a whole, its interaction with the environment, and its need to achieve equilibrium

e) CONTINGENCY APPROACH:

The contingency approach focuses on applying management principles and processes as dictated by the unique characteristics of each situation. It emphasizes that there is no one best way to manage and that it depends on various situational factors, such as the external environment, technology, organizational characteristics, characteristics of the manager, and characteristics of the subordinates. Contingency theorists often implicitly or explicitly criticize the classical approach for its emphasis on the universality of management principles; however, most classical writers recognized the need to consider aspects of the situation when applying management principles.

Approaches	B Dates	Emphasis
CLASSICAL APPROACH		
Scientific	1880s	Traditional rules of thumb are replaced by precise procedures developed after careful study of an individual at work
Administrative	1940s	Given ideas about the primary functions of management and 14 principles of an administration
Bureaucratic	1920s	Replaces traditional leadership and charismatic leadership with legal leadership
BEHAVIORAL APPROACH		
HRelations	1930s	workers' attitudes are associated with productivity
B Science	1950s	Gives idea to understand human behavior in the organization
QUANTITATIVE APPROACH		
OR	1940s	Uses mathematical and statistical approaches to solve management problems.
POM	1940s	This approach focuses on the operation and control of the production process that transforms resources into finished goods and services
RECENT DEVELOPMENTS		
Systems	1950s	Considers the organization as a systems that transforms inputs into outputs while in interaction with its environment
Contingency	1960s	Applies management principles and processes as dictated by the unique characteristics of each situation.

TYPES OF BUSINESS ORGANIZATIONS

a) Sole Proprietorships: The vast majority of small business starts out as sole proprietorships . . . very dangerous. These firms are owned by one person, usually the individual who has day-to-day responsibility for running the business. Sole proprietors own all the assets of the business and the profits generated by it. They also assume "complete personal" responsibility for all of its liabilities or debts. In the eyes of the law, you are one in the same with the business.

Merits:

- Easiest and least expensive form of ownership to organize.
- Sole proprietors are in complete control, within the law, to make all decisions.
- Sole proprietors receive all income generated by the business to keep or reinvest.
- Profits from the business flow-through directly to the owner's personal tax return.
- The business is easy to dissolve, if desired.

Demerits:

- Unlimited liability and are legally responsible for all debts against the business.

- Their business and personal assets are 100% at risk.
- Has almost been ability to raise investment funds.
- Are limited to using funds from personal savings or consumer loans.

b) Partnerships: In a Partnership, two or more people share ownership of a single business. Like proprietorships, the law does not distinguish between the business and its owners. The Partners should have a legal agreement that sets forth how decisions will be made, profits will be shared, disputes will be resolved, how future partners will be admitted to the partnership, how partners can be bought out, or what steps will be taken to dissolve the partnership when needed. They also must decide up front how much time and capital each will contribute, etc.

Merits:

- Partnerships are relatively easy to establish; however time should be invested in developing the partnership agreement.
- With more than one owner, the ability to raise funds may be increased.
- The profits from the business flow directly through to the partners' personal taxes.
- Prospective employees may be attracted to the business if given the incentive to become a partner.

Demerits:

- Partners are jointly and individually liable for the actions of the other partners.
- Profits must be shared with others.
- Since decisions are shared, disagreements can occur.
- Some employee benefits are not deductible from business income on tax returns.
- The partnerships have a limited life; it may end upon a partner withdrawal or death.

c) Corporations: A corporation, chartered by the state in which it is headquartered, is considered by law to be a unique "entity", separate and apart from those who own it. A corporation can be taxed; it can be sued; it can enter into contractual agreements. The owners of a corporation are its shareholders. The shareholders elect a board of directors to oversee the major policies and decisions. The corporation has a life of its own and does not dissolve when ownership changes.

Merits:

- Shareholders have limited liability for the corporation's debts or judgments against the corporations.
- Generally, shareholders can only be held accountable for their investment in stock of the company. (Note however, that officers can be held personally liable for their actions, such as the failure to withhold and pay employment taxes.)
- Corporations can raise additional funds through the sale of stock.
- A corporation may deduct the cost of benefits it provides to officers and employees.
 - Can elect S corporation status if certain requirements are met. This election enables company to be taxed similar to a partnership.

Demerits:

- The process of incorporation requires more time and money than other forms of organization.
- Corporations are monitored by federal, state and some local agencies, and as a result may have more paperwork to comply with regulations.
- Incorporating may result in higher overall taxes. Dividends paid to shareholders are not deductible from business income, thus this income can be taxed twice.

d) Joint Stock Company:

Limited financial resources & heavy burden of risk involved in both of the previous forms of organization has led to the formation of joint stock companies these have limited dilutives. The capital is raised by selling shares of different values. Persons who purchase the shares are called shareholder. The managing body known as; Board of Directors; is responsible for policy making important financial & technical decisions. There are two main types of joint stock Companies.

(i) **Private limited company:** This type company can be formed by two or more persons. The maximum number of member ship is limited to 50. In this transfer of shares is limited to members only. The government also does not interfere in the working of the company.

(ii) **Public Limited Company:** It is one whose membership is open to general public. The minimum number required to form such company is seven, but there is no upper limit. Such companies can advertise to offer its share to genera public through a prospectus. These public limited companies are subjected to greater control & supervision of control.

Merits:

- The liability being limited the shareholder bear no Rick& therefore more as make persons are encouraged to invest capital.
- Because of large numbers of investors, the risk of loss is divided.
- Joint stock companies are not affected by the death or the retirement of the shareholders.

Disadvantages:

- It is difficult to preserve secrecy in these companies.
- It requires a large number of legal formalities to be observed.
- Lack of personal interest.

e) Public Corporations: A public corporation is wholly owned by the Government centre to state. It is established usually by a Special Act of the parliament. Special statute also prescribes its management pattern power duties & jurisdictions. Though the total capital is provided by the Government, they have separate entity & enjoy independence in matters related to appointments, promotions etc.

Merits:

- These are expected to provide better working conditions to the employees & supported to be better managed.
- Quick decisions can be possible, because of absence of bureaucratic control.
- More flexibility as compared to departmental organization.
- Since the management is in the hands of experienced & capable directors & managers, these ate managed more efficiently than that of government departments.

Demerits:

- Any alteration in the power & Constitution of Corporation requires an amendment in the particular Act, which is difficult & time consuming.
- Public Corporations possess monopoly & in the absence of competition, these are not interested in adopting new techniques & in making improvement in their working.

f) Government Companies: A state enterprise can also be organized in the form of a Joint stock company; A government company is any company in which of the share capital is held by the central government or partly by central government & party by one to more state governments. It is managed by the elected board of directors which may include private individuals. These are accountable for its working to the concerned ministry or department & its annual report is required to be placed ever year on

the table of the parliament or state legislatures along with the comments of the government to concerned department.

Merits:

- It is easy to form.
- The directors of a government company are free to take decisions & are not bound by certain rigid rules & regulations.

Demerits:

- Misuse of excessive freedom cannot be ruled out.
- The directors are appointed by the government so they spend more time in pleasing their political masters & top government officials, which results in inefficient management.

THE ORGANIZATION'S CULTURE

Just as individuals have a personality, so, too, do organizations. We refer to an organization's personality as its culture.

Organizational culture is the shared values, principles, traditions, and ways of doing things that influence the way organizational members act. This implies:

- Individuals perceive organizational culture based on what they see, hear, or experience within the organization.
- Organizational culture is shared by individuals within the organization.
- Organizational culture is a descriptive term. It describes, rather than evaluates.

Seven dimensions of an organization's culture have been proposed

- Innovation and risk taking (the degree to which employees are encouraged to be innovative and take risks)
- Attention to detail (the degree to which employees are expected to exhibit precision, analysis, and attention to detail)
- Outcome orientation (degree to which managers focus on results rather than techniques and processes used to achieve those outcomes)
- People orientation (the degree to which management decisions take into consideration the effect on people within the organization)
- Team orientation (the degree to which work activities are organized around teams rather than individuals)
- Aggressiveness (the degree to which people are aggressive and competitive rather than easygoing and cooperative)
- Stability (the degree to which organizational activities emphasize maintaining the status quo in contrast to growth)

Strong versus Weak Cultures

Strong cultures are found in organizations where key values are intensely held and widely shared. Whether a company's culture is strong, weak, or somewhere in between depends on organizational factors such as size, age, employee turnover rate, and intensity of original culture. A culture has increasing impact on what managers do as the culture becomes stronger. Most organizations have moderate-to-strong cultures. In these organizations, high agreement exists about what is important and what defines "good" employee behavior. Culture is transmitted and learned by employees principally through stories, rituals, material symbols, and language. An innovative culture should have these characteristics: Challenge &

involvement, Freedom, Trust and openness, Idea time, Playfulness/humor, Conflict resolution, Debates, Risk taking

CLASSIFICATION OF ENVIRONMENTAL FACTORS

1) INTERNAL ENVIRONMENTAL FACTORS

The internal environment is the environment that has a direct impact on the business. The internal factors are generally controllable because the company has control over these factors. It can alter or modify these factors. The internal environmental factors are resources, capabilities and culture.

i) Resources: A good starting point to identify company resources is to look at tangible, intangible and human resources. Tangible resources are the easiest to identify and evaluate: financial resources and physical assets are identified and valued in the firm's financial statements.

Intangible resources are largely invisible, but over time become more important to the firm than tangible assets because they can be a main source for a competitive advantage. Such intangible resources include reputational assets (brands, image, etc.) and technological assets (Proprietary technology and know-how).

Human resources or human capital are the productive services human beings offer the firm in terms of their skills, knowledge, reasoning, and decision-making abilities.

ii) Capabilities: Resources are not productive on their own. The most productive tasks require that resources collaborate closely together within teams. The term organizational capabilities are used to refer to a firm's capacity for undertaking a particular productive activity. Our interest is not in capabilities per se, but in capabilities relative to other firms. To identify the firm's capabilities we will use the functional classification approach. A functional classification identifies organizational capabilities in relation to each of the principal functional areas.

iii) Culture: It is the specific collection of values and norms that are shared by people and groups in an organization and that helps in achieving the organizational goals.

2) EXTERNAL ENVIRONMENT FACTORS

It refers to the environment that has an indirect influence on the business. The factors are uncontrollable by the business. The two types of external environment are micro environment and macro environment.

a) MICRO ENVIRONMENTAL FACTORS

These are external factors close to the company that have a direct impact on the organizations process. These factors include:

i) Shareholders: Any person or company that owns at least one share (a percentage of ownership) in a company is known as shareholder. A shareholder may also be referred to as a "stockholder". As organization requires greater inward investment for growth they face increasing pressure to move from

private ownership to public. However this movement unleashes the forces of shareholder pressure on the strategy of organizations.

ii) Suppliers: An individual or an organization involved in the process of making a product or service available for use or consumption by a consumer or business user is known as supplier. Increase in raw material prices will have a knock on affect on the marketing mix strategy of an organization. Prices may be forced up as a result. A closer supplier relationship is one way of ensuring competitive and quality products for an organization.

iii) Distributors: Entity that buys non-competing products or product-lines, warehouses them, and resells them to retailers or direct to the end users or customers is known as distributor. Most distributors provide strong manpower and cash support to the supplier or manufacturer's promotional efforts. They usually also provide a range of services (such as product information, estimates, technical support, after-sales services, credit) to their customers. Often getting products to the end customers can be a major issue for firms. The distributors used will determine the final price of the product and how it is presented to the end customer. When selling via retailers, for example, the retailer has control over where the products are displayed, how they are priced and how much they are promoted in-store. You can also gain a competitive advantage by using changing distribution channels.

iv) Customers: A person, company, or other entity which buys goods and services produced by another person, company, or other entity is known as customer. Organizations survive on the basis of meeting the needs, wants and providing benefits for their customers. Failure to do so will result in a failed business strategy.

v) Competitors: A company in the same industry or a similar industry which offers a similar product or service is known as competitor. The presence of one or more competitors can reduce the prices of goods and services as the companies attempt to gain a larger market share. Competition also requires companies to become more efficient in order to reduce costs. Fast-food restaurants McDonald's and Burger King are competitors, as are Coca-Cola and Pepsi, and Wal-Mart and Target.

vi) Media: Positive or adverse media attention on an organisations product or service can in some cases make or break an organisation.. Consumer programmes with a wider and more direct audience can also have a very powerful and positive impact, hforcing organisations to change their tactics.

b) MACRO ENVIRONMENTAL FACTORS

An organization's macro environment consists of nonspecific aspects in the organization's surroundings that have the potential to affect the organization's strategies. When compared to a firm's task environment, the impact of macro environmental variables is less direct and the organization has a more limited impact on these elements of the environment.

The macro environment consists of forces that originate outside of an organization and generally cannot be altered by actions of the organization. In other words, a firm may be influenced by changes within this element of its environment, but cannot itself influence the environment. The curved lines in Figure 1 indicate the indirect influence of the environment on the organization.

Macro environment includes political, economic, social and technological factors. A firm considers these as part of its environmental scanning to better understand the threats and opportunities created by the variables and how strategic plans need to be adjusted so the firm can obtain and retain competitive advantage.

i) Political Factors: Political factors include government regulations and legal issues and define both formal and informal rules under which the firm must operate. Some examples include:

- tax policy
- employment laws
- environmental regulations
- trade restrictions and tariffs
- political stability

ii) Economic Factors: Economic factors affect the purchasing power of potential customers and the firm's cost of capital. The following are examples of factors in the macro economy:

- economic growth
- interest rates
- exchange rates
- inflation rate

iii) Social Factors: Social factors include the demographic and cultural aspects of the external macro environment. These factors affect customer needs and the size of potential markets. Some social factors include:

- health consciousness
- population growth rate
- age distribution
- career attitudes
- emphasis on safety

iv) Technological Factors: Technological factors can lower barriers to entry, reduce minimum efficient production levels, and influence outsourcing decisions. Some technological factors include:

- R&D activity
- automation
- technology incentives
- rate of technological change

THE ORGANIZATION'S ENVIRONMENT

The general environment includes these broad external conditions that may affect the organization:

- Economic conditions include interest rates, inflation rates, changes in disposable income, stock market fluctuations, and the general business cycle.
- Political/legal conditions include the general political stability of countries in which an organization does business and the specific attitudes that elected officials have toward business.
- Sociocultural conditions include the changing expectations of society. Societal values, customs, and tastes can change, and managers must be aware of these changes.
- Demographic conditions, including physical characteristics of a population (e.g., gender, age, level of education, geographic location, income, composition of family) can change, and managers must adapt to these changes.
- Technological conditions, which have changed more rapidly than any other element of the general environment.
- Global factors include global competitors and global consumer markets.

Environments differ in their amount of environmental uncertainty, which relates to

(1) The degree of change in an organization's environment: Degree of change is characterized as being dynamic or stable. In a dynamic environment, components of the environment change frequently. If change is minimal, the environment is called a stable environment.

(2) The degree of complexity in that environment: The degree of environmental complexity is the number of components in an organization's environment and the extent of an organization's knowledge about those components. If the number of components and the need for sophisticated knowledge is minimal, the environment is classified as simple. If a number of dissimilar components and a high need for sophisticated knowledge exist, the environment is complex. As uncertainty is a threat to organizational effectiveness, managers try to minimize environmental uncertainty

CURRENT TRENDS AND ISSUES

Globalization: Organizational operations are no longer limited by national borders. Managers throughout the world must deal with new opportunities and challenges inherent in the globalization of business.

Ethics: Cases of corporate lying, misrepresentations, and financial manipulations have been widespread in recent years

Workforce diversity: It refers to a workforce that is heterogeneous in terms of gender, race, ethnicity, age, and other characteristics that reflect differences. Accommodating diverse groups of people by addressing different lifestyles, family needs, and work styles is a major challenge for today's managers.

Entrepreneurship: It is the process whereby an individual or group of individuals use organized efforts to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources the entrepreneur currently has.

Three important themes stand out in this definition:

- a. The pursuit of opportunities
- b. Innovation
- c. Growth Entrepreneurship will continue to be important to societies around the world.

Managing in an E-Business World: E-business is a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with its key constituencies in order to efficiently and effectively achieve its goals.

Knowledge Management and Learning Organizations: Change is occurring at an unprecedented rate. To be successful, today's organization must become a learning organization—one that has developed the capacity to continuously learn, adapt, and change. It involves cultivating a learning culture where organizational members systematically gather knowledge and share it with others in the organization so as to achieve better performance.

Quality Management: It is a philosophy of management that is driven by continual improvement and response to customer needs and expectations. The objective of quality management is to create an organization committed to continuous improvement in work

