



मनपाल विश्वविद्यालय



# Basics of Management



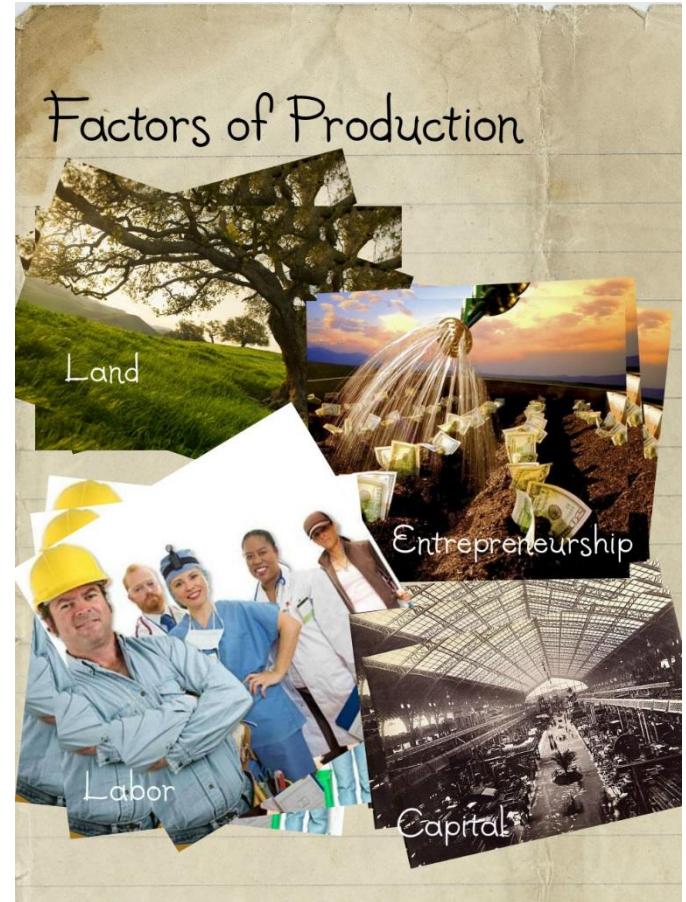
**Sixth Semester B.E (All branches)**  
**Essentials of Management**  
**HSS-302**

**MANIPAL**  
UNIVERSITY

# Factors of production



- Land, Labor, Capital, and Enterprise
- These four productive factors or resources needed to profit from business are limited in supply (scarcity).
- Therefore, a company must use them efficiently and effectively to produce goods and services.
- Together, the cost of acquiring and using these four resources to make and sell goods and services determines a company's operating costs.
- These resources allow for the creation of a product and/or service that customers value a price



# How can industrial activity be classified?

There are many different types of industry. We can classify industry into three main categories:

**Primary**



These industries extract raw materials directly from the earth or sea.

**Secondary**



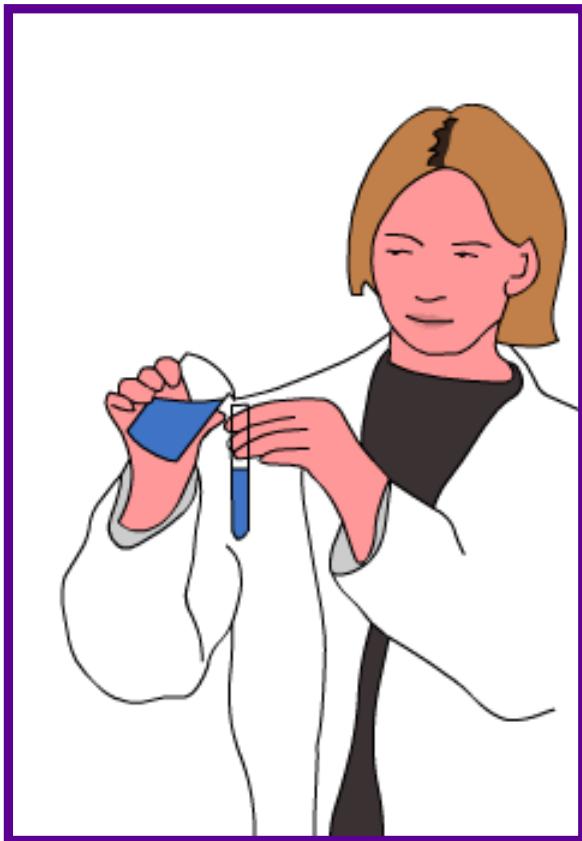
These industries process and manufacture products from raw materials.

**Tertiary**



These industries provide a service.

# What is a quaternary industry?



There are also **quaternary** industries.

These industries incorporate a high degree of research and technology in their processes and employ highly qualified people.

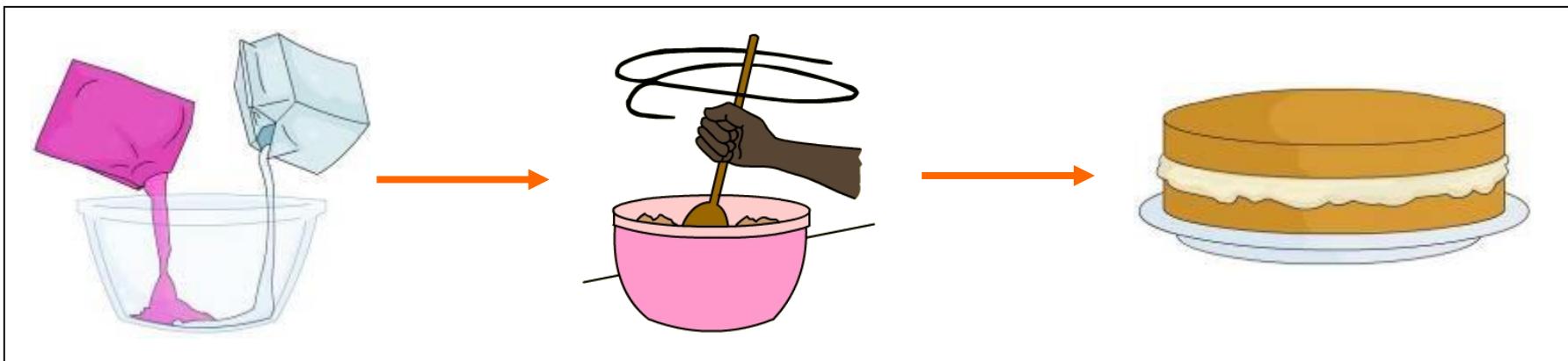
Biotechnology and computer programming are examples of quaternary industries.

# How can industry be described as a system?



Think of industry as a cake-making process!

**For a company to be profitable, the value of the outputs must be greater than the cost of the inputs.**



## INPUTS

These can be physical, human and economic inputs.

## PROCESSES

These are the activities that are involved.

## OUTPUTS

These are the finished products and any waste.

# Organizations

- An organisation is a **social system** of people who are structured and managed to meet some **goals**.
- Organisations are **ongoing** and the structure determines the **relationship** between the functions and positions.
- Structure also **subdivides roles**, responsibilities, and authority to carry out the tasks.
- Organisations are **open systems** which are affected by the environment outside its boundary.

## UNDERSTANDING ORGANIZATIONS

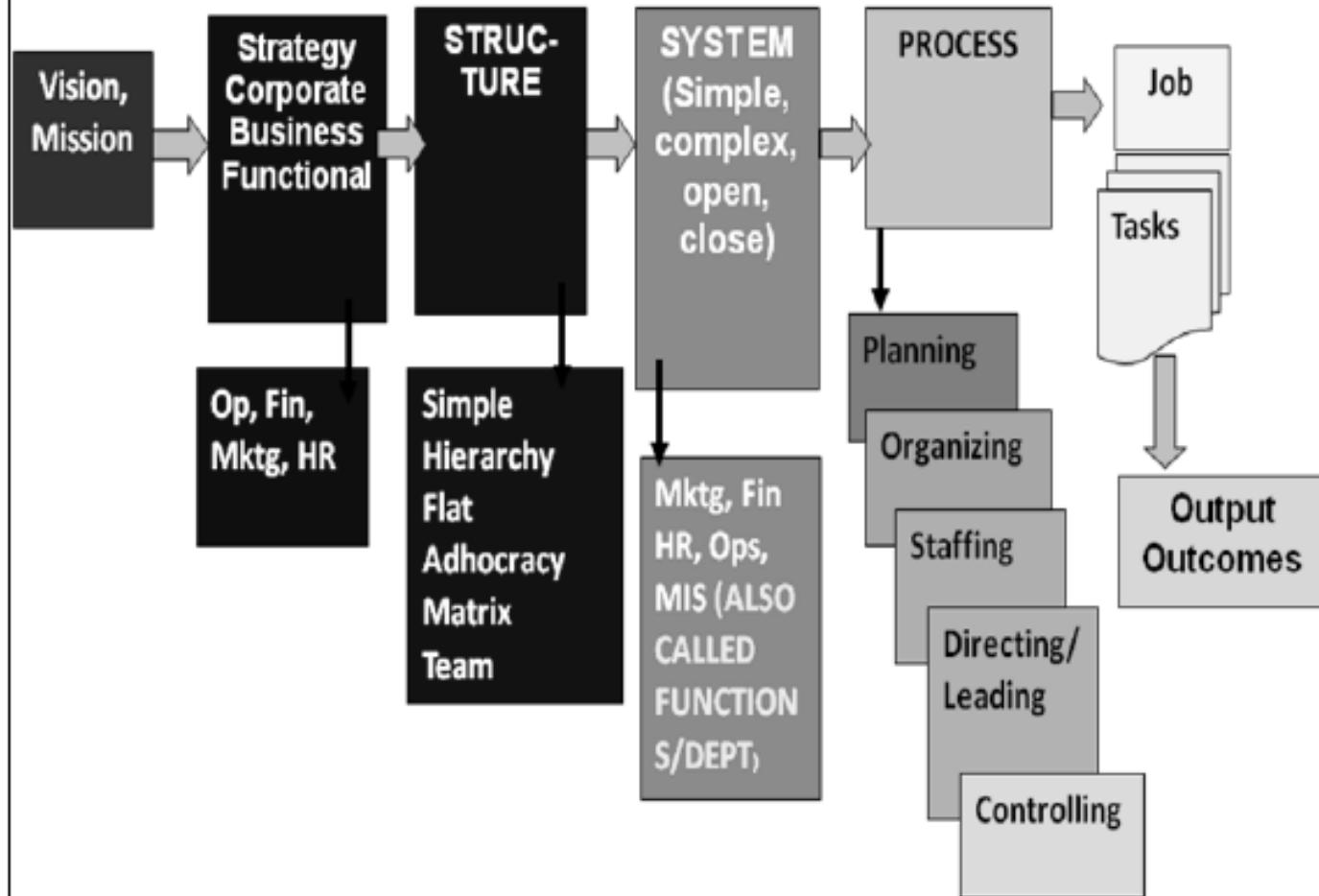


Fig. 1.1: Overview of the organizational Process

- **Process:** The series of logical actions in a system that converts the input into an output.
- **Strategy:** The grand plan which may pertain to the corporate, business or functional area such as marketing. This is a way of achieving the vision and mission.
- **Structure:** The way various departments are organised. It indicates how these departments communicate with each other.
- **System:** It indicates how the input is converted into output using a series of processes together called the throughput. Systems are independent yet interdependent.
- **Vision and mission:** A formal definition of the purpose of the organisation and what it wants to achieve. Usually it is in a written form and becomes a lighthouse for the organisation to navigate itself.

- Organisation is a social system of people who are structured and managed to meet some goals.
- Every organisation should have a vision and mission or in simpler language a purpose.
- To achieve the vision, a lot of activities or tasks such as the task of buying wood or cutting it have to be performed.
- Similar tasks, when grouped together, become the job.
- When jobs are grouped together and put into some logical sequence and it becomes the process.
- Processes use input and convert these into an output.

- The input, the logical processes along with the output is called a system.
- For example, the manufacturing system of tables and chairs has an input of wood, nails, knowledge of the carpenter, etc, a series of processes or throughput such as cutting the wood, making the grooves, connecting them, and the output.
- The input of wood comes only because someone has purchased it and brought it to the location and this is based on the purchase system. So, the output of the purchase system is the input for the manufacturing system and that of the manufacturing for the marketing system, etc.

- It follows that there has to be some internal communication and control within the purchasing system and between the purchasing system and manufacturing system, etc. This is called structure. Structure controls the way we interact within and in between systems.
- The structure depends on the strategy, i.e., if the strategy is to make the chair making very innovative, then everyone need to talk to everyone else and act accordingly but if it is to be made very cost effective and run like a machine without much innovation, then this type of communication is not necessary and you may adopt a hierarchical system. The strategy itself is based on the vision and mission.



# Mission, Vision & Values

## Mission Statement

Be the most preferred choice of students, faculty and industry. Be in the top 10 in every discipline of education, health sciences, engineering and management.

## Vision Statement

Global leadership in human development, excellence in education and healthcare.

## Manipal Values

- Integrity
- Transparency
- Quality
- Team Work
- Execution with passion
- Humane touch

# Planning as Function of Management

## Examples of Vision & Mission Statements



### Vision

"Our Vision is to put joy in kids' hearts and a smile on parents' faces."



### Mission

"Our Goal is to be the Worldwide Authority on Kids, Families and Fun."



### Vision

"To bring inspiration and innovation to every athlete\* in the world"

\* If you have a body, you are an athlete.



### Mission

"To lead in corporate citizenship through proactive programs that reflect caring for the world family of Nike, our teammates, our consumers, and those who provide services to Nike".



### Mission Statement

"Facebook's mission is to give people the power to share and make the world more open and connected."



# Functions of Management

## Learning Objectives

What is Management?



Planning as a Function of Management

Organizing as a Function of Management

Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

# What is Management?

## Learning Objectives

- ▶ Define Management
- ▶ Nature of Management
- ▶ Management Science or Art
- ▶ Management as a Profession
- ▶ Functions of Management

# What is Management?

## Defining Management

"Art of knowing what you want to do and then seeing that it is done the best and cheapest way".

F.W.T

" To manage is to forecast, to plan, to organize, to command, to co-ordinate and to control. "

Henry Fayol

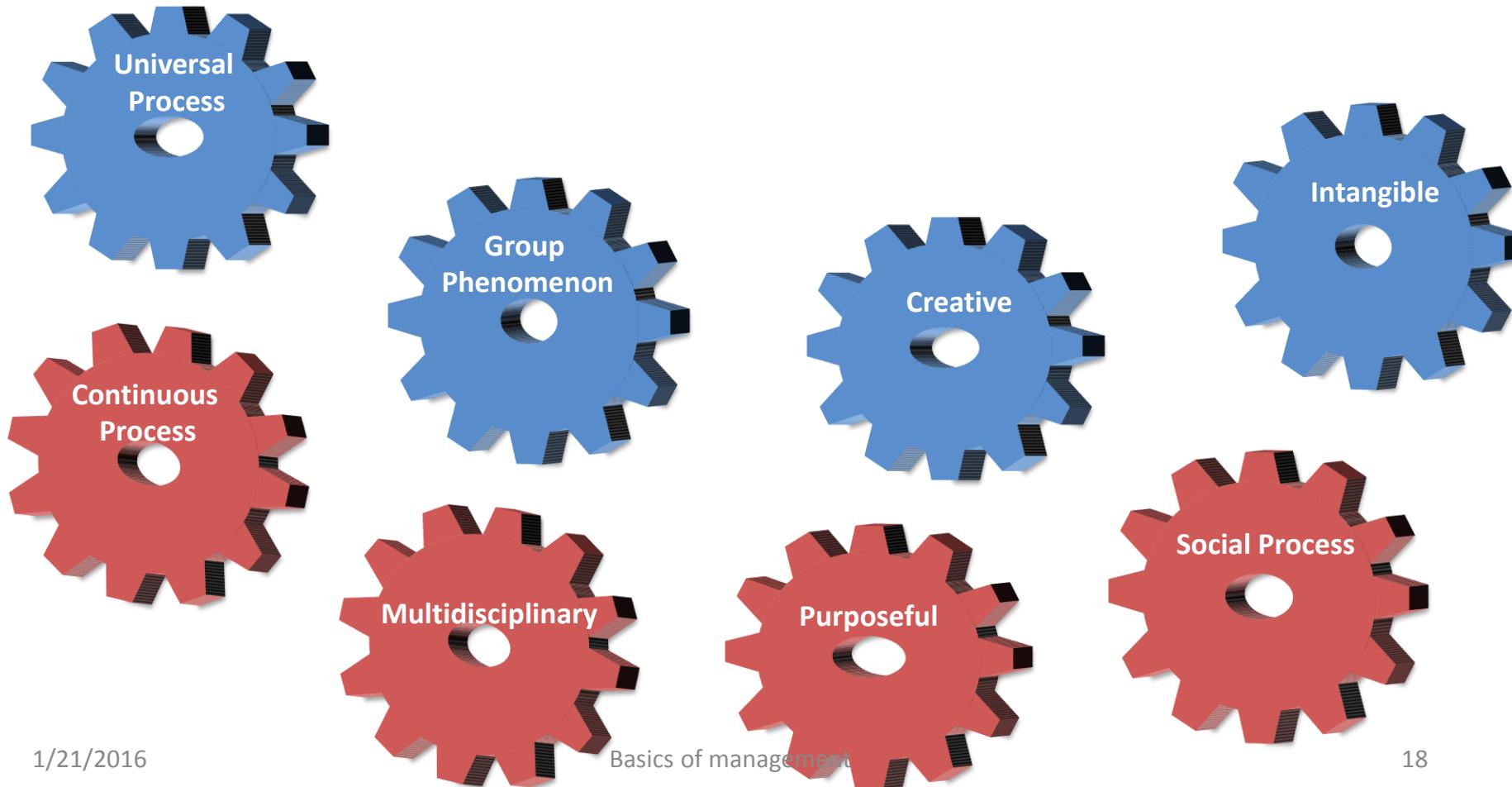
Management is the art of getting things done through others.

Management is a multipurpose organ that manages a business, manages managers and manages worker and work- Peter Drucker

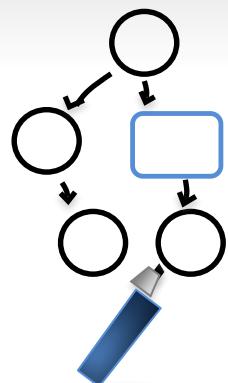
# What is Management?

## Nature of Management

Management is the art of getting things done through others.



# Functions of management



# What is Management?

Is Management a Science / Art



## Management as Science

- Empirically derived
- Critically tested
- General principles
- Cause & effect relationship
- Universal applicability

## Management as an Art

- Practical know how
- Technical skills
- Concrete results
- Creativity
- Personalized nature

Management as a science provides principles  
and as an art helps in tackling situations

# Henri Fayol's 14 principles



- A principle refers to a fundamental truth. It establishes cause and effect relationship between two or more variables under given situation. They serve as a guide to thought & actions. Therefore, management principles are the statements of fundamental truth based on logic which provides guidelines for managerial decision making and actions. These principles are derived: -
  - On the basis of observation and analysis i.e. practical experience of managers.
  - By conducting experimental studies.



- 1. Division of Labor**
- 2. Authority & Responsibility**
- 3. Unity of command (Principle of One Boss)**
- 4. Unity of direction**
- 5. Equity**
- 6. Order**
- 7. Discipline**
- 8. Initiative**
- 9. Fair Remuneration**
- 10. Stability of Tenure**
- 11. Scalar Chain**
- 12. Sub-Ordination of Individual Interest to General Interest**
- 13. Esprit De' Corps**
- 14. Centralization & De-Centralization**

# Henri Fayol's 14 principles



- **Division of Labor**
  - Henry Fayol has stressed on the specialization of jobs.
  - He recommended that work of all kinds must be divided & subdivided and allotted to various persons according to their expertise in a particular area.
  - Subdivision of work makes it simpler and results in efficiency.
  - It also helps the individual in acquiring speed, accuracy in his performance.
  - Specialization leads to efficiency & economy in spheres of business

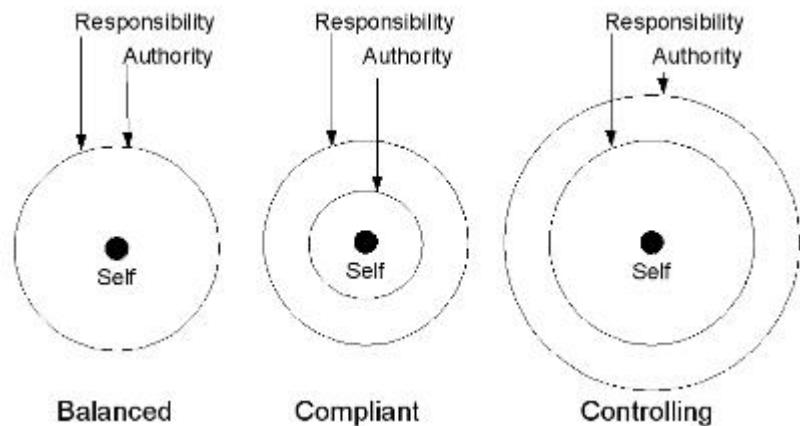


# Henri Fayol's 14 principles



- **Authority & Responsibility**

- Authority & responsibility are co-existing.
- If authority is given to a person, he should also be made responsible and vice versa.
- **Authority refers to the right of superiors to get exactness from their subordinates whereas responsibility means obligation for the performance of the job assigned.**
- They must go hand in hand.
- **Authority without responsibility leads to irresponsible behavior whereas responsibility without authority makes the person ineffective.**



# Henri Fayol's 14 principles



- **Unity of command (Principle of One Boss)**
  - A sub-ordinate should receive orders and be accountable to one and only one boss at a time.
  - In other words, a sub-ordinate should not receive instructions from more than one person because:

It undermines authority	Delays and chaos
Weakens discipline	Escaping responsibilities
Divides loyalty	Duplication of work
Creates confusion	Overlapping of efforts
  - Therefore, dual sub-ordination should be avoided unless and until it is absolutely essential.
  - Unity of command provides the enterprise a disciplined, stable & orderly existence.
  - It creates harmonious relationship between superiors and sub-ordinates.

# Henri Fayol's 14 principles



- **Unity of Direction**

- Fayol advocates one head one plan which means that there should be one plan for a group of activities having similar objectives.
- Related activities should be grouped together. There should be one plan of action for them and they should be under the charge of a particular manager.
- According to this principle, efforts of all the members of the organization should be directed towards common goal.
- Without unity of direction, unity of action cannot be achieved.
- In fact, unity of command is not possible without unity of direction.

# Henri Fayol's 14 principles



Basis	Unity of command	Unity of direction
Meaning	It implies that a sub-ordinate should receive orders & instructions from only one boss.	It means one head, one plan for a group of activities having similar objectives.
Nature	It is related to the functioning of personnel's.	It is related to the functioning of departments, or organization as a whole.
Necessity	It is necessary for fixing responsibility of each subordinates.	It is necessary for sound organization.
Advantage	It avoids conflicts, confusion & chaos.	It avoids duplication of efforts and wastage of resources.
Result	It leads to better superior sub-ordinate relationship.	It leads to smooth running of the enterprise.

Therefore it is obvious that they are different from each other but they are dependent on each other i.e. **unity of direction is a pre-requisite for unity of command. But it does not automatically comes from the unity of direction.**

# Henri Fayol's 14 principles

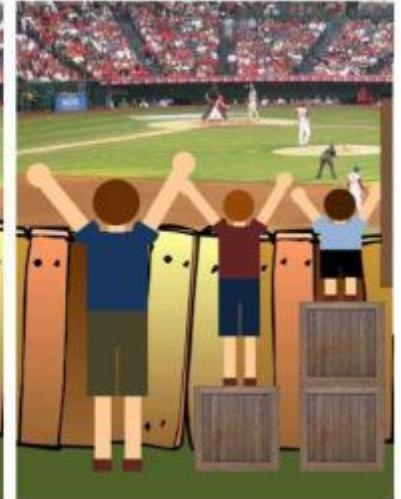


- **Equity**

- Equity means combination of fairness, kindness & justice.
- It implies that managers should be fair and impartial while dealing with the subordinates.
- Equity is essential to create and maintain cordial relations between the managers and sub-ordinate.
- But equity does not mean total absence of harshness.
- Fayol was of opinion that, “at times force and harshness might become necessary for the sake of equity”.



Equality



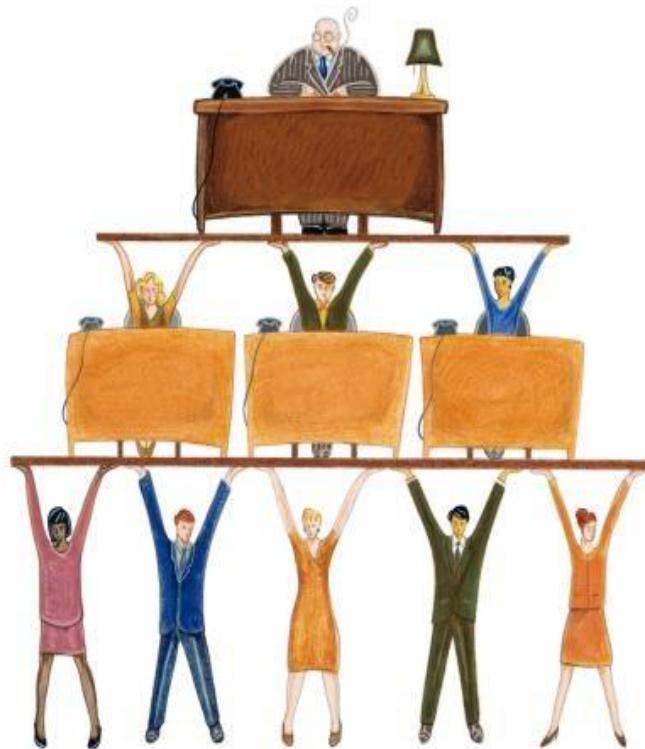
Equity

# Henri Fayol's 14 principles



- **Order**

- This principle is concerned with proper & systematic arrangement of things and people.
- Arrangement of things is called material order and placement of people is called social order.
- **Material order-** There should be safe, appropriate and specific place for every article and every place to be effectively used for specific activity and commodity.
- **Social order-** Selection and appointment of most suitable person on the suitable job. There should be a specific place for every one and everyone should have a specific place so that they can easily be contacted whenever need arises.



# Henri Fayol's 14 principles



- **Discipline**

- “Discipline means sincerity, obedience, respect of authority & observance of rules and regulations of the enterprise”.
- This principle applies that subordinate should respect their superiors and obey their order.
- Discipline is not only required on path of subordinates but also on the part of management.
- Discipline can be enforced if -
  - There are good superiors at all levels.
  - There are clear & fair agreements with workers.
  - Sanctions (punishments) are judiciously applied.



# Henri Fayol's 14 principles



- **Initiative**

- Workers should be encouraged to take initiative in the work assigned to them. It means eagerness to initiate actions without being asked to do so.
- Fayol advised that management should provide opportunity to its employees to suggest ideas, experiences & new method of work.
- It helps in developing an atmosphere of trust and understanding as people then enjoy working in the organization because it adds to their zeal and energy.
- They can be encouraged with the help of monetary & non-monetary incentives.



# Henri Fayol's 14 principles



- **Fair Remuneration**

- The quantum and method of remuneration to be paid to the workers should be fair, reasonable, satisfactory & rewarding of the efforts.
- As far as possible it should accord satisfaction to both employer and the employees.
- Wages should be determined on the basis of cost of living, work assigned, financial position of the business, wage rate prevailing etc.
- Fayol also recommended provision of other benefits such as free education, medical & residential facilities to workers.



# Henri Fayol's 14 principles



- **Stability of Tenure**

- Fayol emphasized that employees should not be moved frequently from one job position to another i.e. the period of service in a job should be fixed.
- According to Fayol. “Time is required for an employee to get used to a new work & succeed to doing it well but if he is removed before that he will not be able to render worthwhile services”.
- As a result, the time, effort and money spent on training the worker will go waste.
- Stability of job creates team spirit and a sense of belongingness among workers which ultimately increase the quality as well as quantity of work.

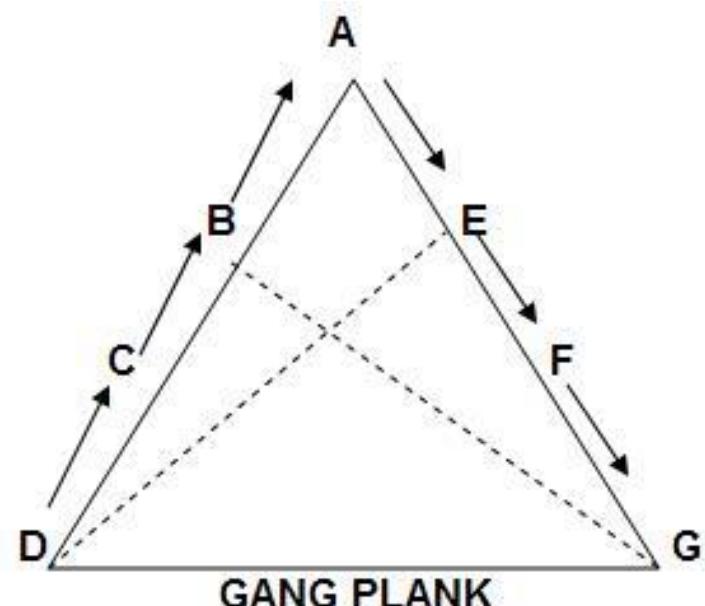


# Henri Fayol's 14 principles



- **Scalar Chain**

- Fayol defines scalar chain as 'The chain of superiors ranging from the ultimate authority to the lowest'.
- Every orders, instructions, messages, requests, explanation etc. has to pass through Scalar chain.
- But, for the sake of convenience & urgency, this path can be cut short and this short cut is known as Gang Plank.
- A **Gang Plank** is a temporary arrangement between two different points to facilitate quick & easy communication.  
**Gang Plank** clarifies that management principles are not rigid rather they are very flexible. They can be molded and modified as per the requirements of situations



# Henri Fayol's 14 principles



- **Sub-Ordination of Individual Interest to General Interest**

- An organization is much bigger than the individual it constitutes therefore interest of the undertaking should prevail in all circumstances.
- As far as possible, reconciliation should be achieved between individual and group interests.
- But in case of conflict, individual must sacrifice for bigger interests.
- In order to achieve this attitude, it is essential that
  - Employees should be honest & sincere.
  - Proper & regular supervision of work.
  - Reconciliation of mutual differences and clashes by mutual agreement.



# Henri Fayol's 14 principles



- **Espirit De' Corps (can be achieved through unity of command)**
  - It refers to team spirit i.e. harmony in the work groups and mutual understanding among the members.
  - Espirit De' Corps inspires workers to work harder.
  - Fayol cautioned the managers against dividing the employees into competing groups because it might damage the morale of the workers and interest of the undertaking in the long run.



# Henri Fayol's 14 principles



- To inculcate Esprit De' Corps following steps should be undertaken -
  - There should be proper co-ordination of work at all levels
  - Subordinates should be encouraged to develop informal relations among themselves.
  - Efforts should be made to create enthusiasm and keenness among subordinates so that they can work to the maximum ability.
  - Efficient employees should be rewarded and those who are not up to the mark should be given a chance to improve their performance.
  - Subordinates should be made conscious of that whatever they are doing is of great importance to the business & society.
- He also cautioned against the more use of Britain communication to the subordinates i.e. face to face communication should be developed. The managers should infuse team spirit & belongingness. There should be no place for misunderstanding. People then enjoy working in the organization & offer their best towards the organization.

# Henri Fayol's 14 principles



- **Centralization & De-Centralization**

- Centralization means concentration of authority at the top level. In other words, centralization is a situation in which top management retains most of the decision making authority.
- Decentralization means disposal of decision making authority to all the levels of the organization. In other words, sharing authority downwards is decentralization.
- According to Fayol, “Degree of centralization or decentralization depends on no. of factors like size of business, experience of superiors, dependability & ability of subordinates etc.
- **Anything which increases the role of subordinate is decentralization & anything which decreases it is centralization.**
- Fayol suggested that absolute centralization or decentralization is not feasible. An organization should strike a balance between the two.

# Managerial Roles



If you ask a manager what he does, he will most likely tell you that he plans, organizes, coordinates, and controls.

Then watch what he does. Don't be surprised if you can't relate what you see to these four words.

When he is rung up and told that one of his factories has just burned down, and he advises the caller to see whether temporary arrangements can be made to supply customers through a foreign subsidiary, is he planning, organizing, coordinating, or controlling?

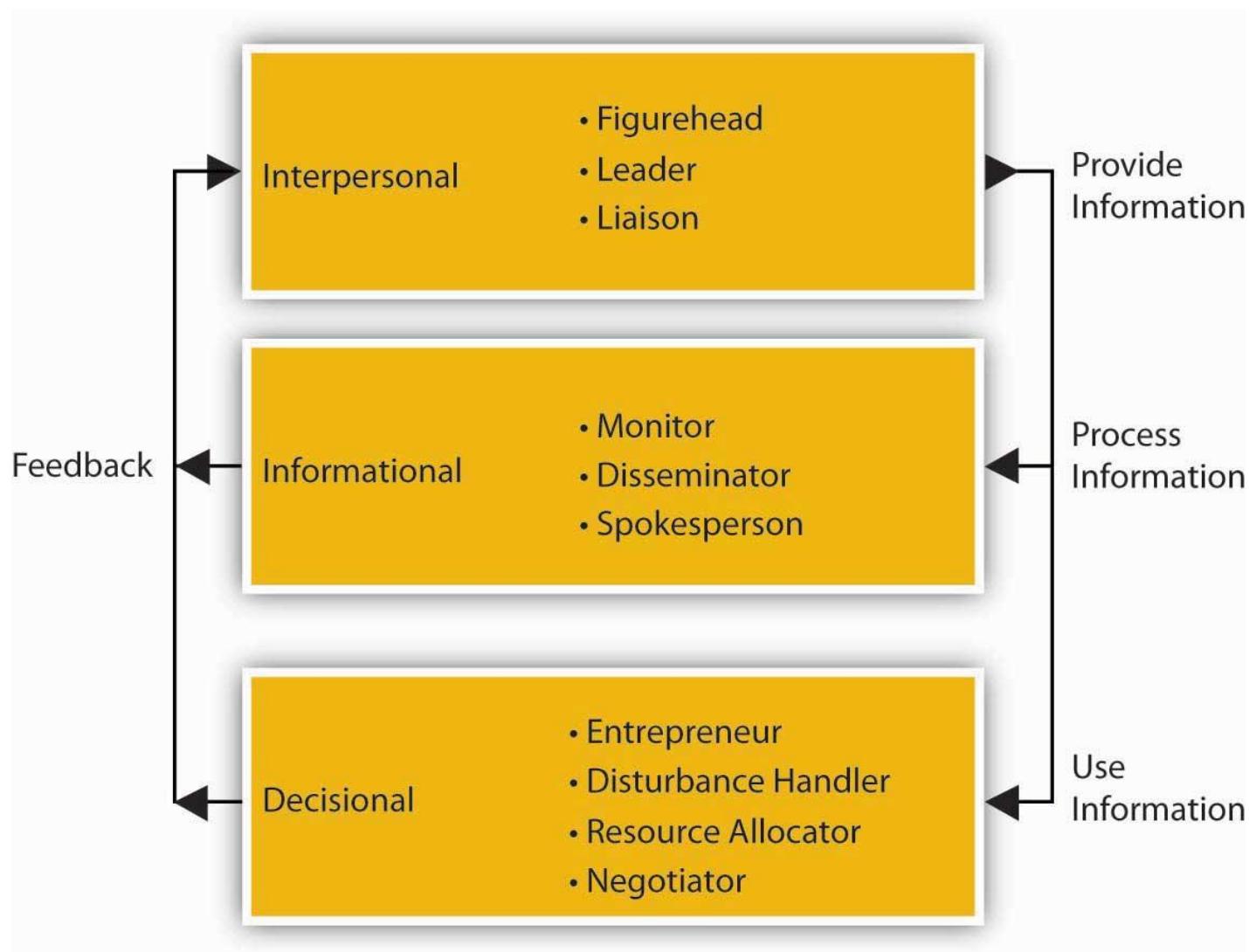
What about when he presents a gold watch to a retiring employee? Or when he attends a conference to meet people in the trade? Or, on returning from that conference, when he tells one of his employees about an interesting product idea he picked up there?



In **Henry Mintzberg's** model managers play ten different roles (organized sets of behaviors identified with a position) that fall into three basic categories:

- ⇒ interpersonal roles
- ⇒ informational roles
- ⇒ decisional roles

# Managerial Roles

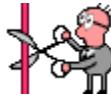


## Interpersonal roles:

- ⦿ figurehead role
- ⦿ leader role
- ⦿ liaison role



## Figurehead role



By virtue of his position as head of an organizational unit, every manager must perform some duties of ceremonial nature.

- a. The president greets the touring dignitaries (attends ribbon cutting ceremonies),
- b. the foreman attends the wedding of a lathe operator, and
- c. the sales manager takes an important customer to lunch.

Duties that involve interpersonal roles may sometimes be routine, involving little serious communication and no important decision-making.

Nevertheless, they are important to the smooth functioning of an organization and cannot be ignored by the manager".



## Leader role

Because he is in charge of an organizational unit, the manager is responsible for the work of the people of that unit. His actions in this regard constitute the leader role.

Some of these actions involve leadership directly – for example,

- a. in most organizations the manager is normally responsible for hiring and training his staff.

In addition, there is the indirect exercise of the leader role.

- b. Every manager must motivate and encourage his employees, somehow reconciling their individual needs with the goals of the organization.

The influence of the manager is most clearly seen in the leader role.

Formal authority vests him with great potential power; leadership determines in large part how much of it he will realize.

## Liaison role



In the liaison role the manager makes contacts outside his vertical chain of command. Managers spend as much time with peers and other people outside their units as they do with their own subordinates, and surprisingly little time with their own superiors. The manager cultivates such contacts largely to find information.

In effect, the liaison role is devoted to building up the manager's own external information system – informal, private, verbal, but nevertheless effective.

## Informational roles:

- ⦿ monitor role
- ⦿ disseminator role
- ⦿ spokesman role



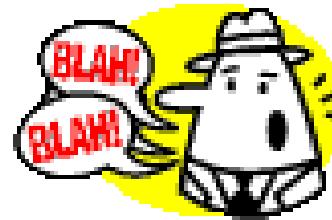


## Monitor role

As monitor, the manager continuously scans his environment for information, interrogates his liaison contacts and his subordinates, and receives unsolicited information, much of it as a result of the network of personal contacts he has developed.

A good part of the information the manager collects in his monitor role arrives in verbal form, often as gossip, hearsay, and speculation. By virtue of his contacts, the manager has a natural advantage in collecting this soft information for his organization.

## Disseminator role



The manager must share and distribute much of information.

Information he gathers from outside personal contacts may be needed within his organization.

In his disseminator role, the manager passes some of his privileged information directly to his subordinates, who would otherwise have no access to it.

When his subordinates lack easy contact with one another, the manager will sometimes pass information from one to another.



## Spokesman role

In his spokesman role, the manager sends some of his information to people outside his unit.

In addition, as part of his spokesman role, every manager must inform and satisfy the influential people who control his organizational unit.

The president of a large corporation may spend a great deal of his time dealing with a host of influences.

- Directors and shareholders must be advised about financial performance;
- consumer groups must be assured that the organization is fulfilling its social responsibility; and
- government officials must be satisfied that the organization is abiding by the law.

## Decisional roles:

- ⇒ entrepreneurial role
- ⇒ disturbance handler role
- ⇒ resource allocator role
- ⇒ negotiator role





## Entrepreneurial role

The entrepreneurial role describes the manager as the voluntary initiator of change.

As entrepreneur, the manager seeks to improve his unit and to adopt it to changing conditions in the environment.

In his monitor role, the president is constantly on the lookout for new ideas. When a good one appears, he initiates a development project. The chief executive appears to maintain a kind of inventory of the development projects that he himself supervises.

Like a juggler, he keeps a number of projects in the air: periodically one comes down, is given a new burst of energy, and is sent back into orbit. At various intervals, he puts new projects on-stream and discards old ones.



## Disturbance handler role

While the entrepreneurial role describes the manager as the voluntary initiator of change, the *disturbance handler role depicts the manager involuntarily responding to pressures.*

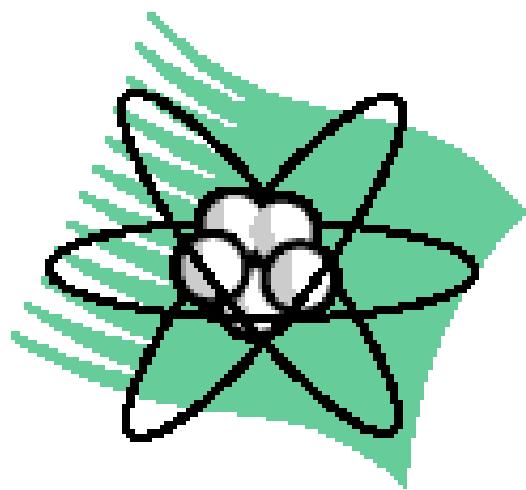
Here change is beyond the manager's control.

He must act because the pressures of the situation are too severe to be ignored: *a strike looms, a major customer has gone bankrupt,* etc.

Every manager must spend a good part of his time responding to high-pressure disturbances. Disturbances arise not only because poor managers ignore situations until they reach crisis proportions, but also because good managers cannot possibly anticipate all the consequences of the actions they take.

The things we fear most in organizations – fluctuations, disturbances, imbalances – are the primary sources of creativity.

*Margaret J. Wheatley*





## Resource allocator role

Managers have the responsibility of deciding who will receive what in his organizational unit.

Perhaps the most important resource the manager allocates is his own time.

Access to the manager constitutes exposure to the unit's nerve center and decision-center. The manager is also charged with designing his unit's structure, that pattern of formal relationships that determines how work is to be divided and coordinated.

Also in his role as resource allocator the manager authorizes the important decisions before they are implemented.

## Negotiator role



Studies of managerial work at all levels indicate that managers spend considerable time in negotiations. Negotiations are duties of the manager's job; perhaps routine, they are not to be shirked.



# Types of Managers

## Levels of Management

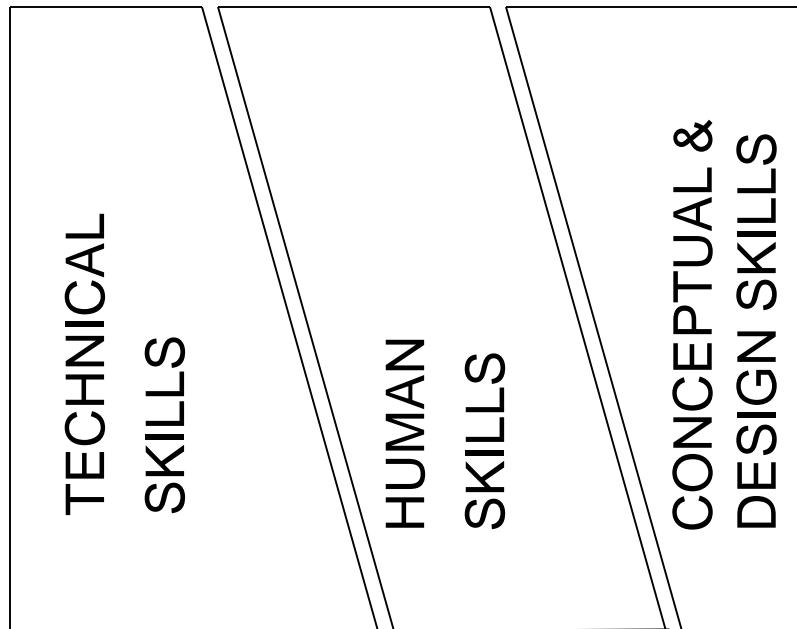
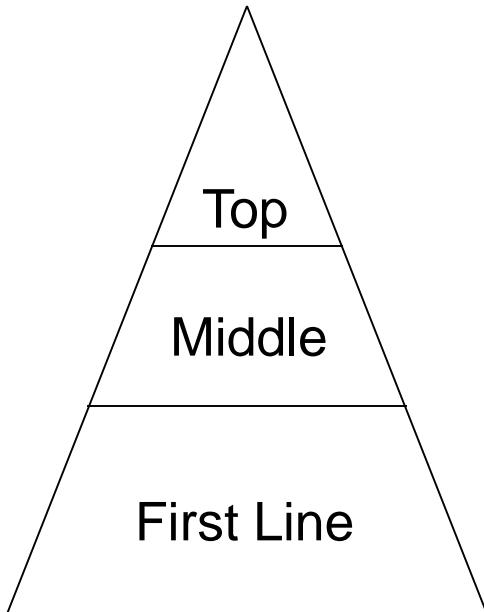
- First-line managers
  - Responsible for day-to-day operations. Supervise people performing activities required to make the good or service.
- Middle managers
  - Supervise first-line managers. Are responsible to find the best way to use departmental resources to achieve goals.
- Top managers
  - Responsible for the performance of all departments and have cross-departmental responsibility.
  - Establish organizational goals and monitor middle managers.
  - Form top management team along with the CEO and COO.



# LEVELS OF MANAGEMENT



# Skill Requirement in Managers



# **corporate social responsibility**



# CORPORATE SOCIAL RESPONSIBILITY (CSR)



Corporate social responsibility comes from integration of three words-: 'corporate,' 'social,' and 'responsibility.'

**Corporate:** Organized business

**Social:** Everything dealing with the people

**Responsibility:** Accountability between the two.



# CSR DEFINED

- CSR is the Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.
- The term generally applies to company efforts that go beyond what may be required by regulators or environmental protection groups.
- Corporate social responsibility may also be referred to as "**corporate citizenship**" and can involve incurring short-term costs that do not provide an immediate financial benefit, but instead promote positive social and environmental change.

# **DRIVERS OF CSR**

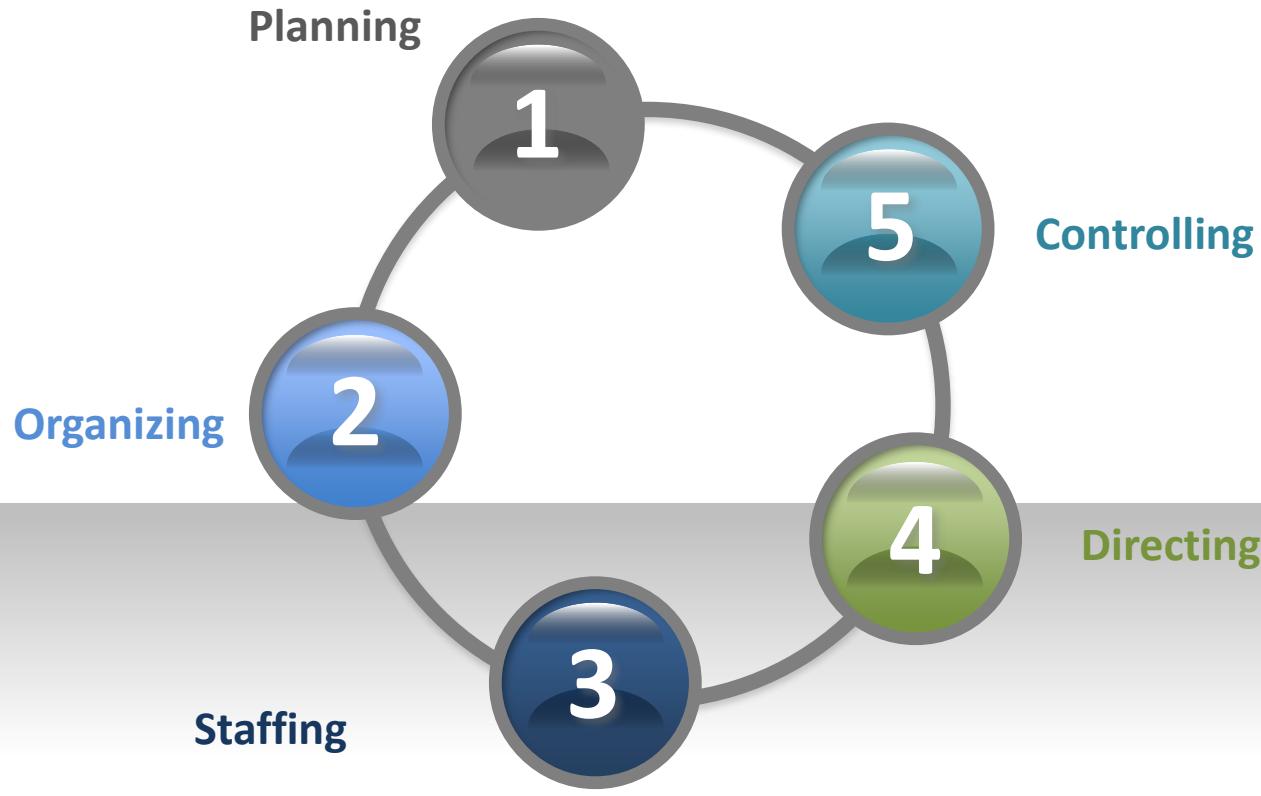
- 1. Employees and shareholders**
- 2. Brand equity**
- 3. Ethical marketing practices  
and social awareness**
- 4. The environment  
consciousness**
- 5. Energy conservation and  
global warming**
- 6. Responsibility towards the  
government**



# KELLOG'S CSR INITIATIVES

- Protecting our environment.
- Selling nutritious products and advocating healthy lifestyles.
- Acting with integrity and adhering to the highest ethical standards.
- Promoting diversity in our work force and partnering with diverse suppliers.
- Ensuring a safe, healthy workplace.

# Functions of Management



# Functions of Management

## Learning Objectives

What is Management

**Planning as a Function of Management**



Organizing as a Function of Management

Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

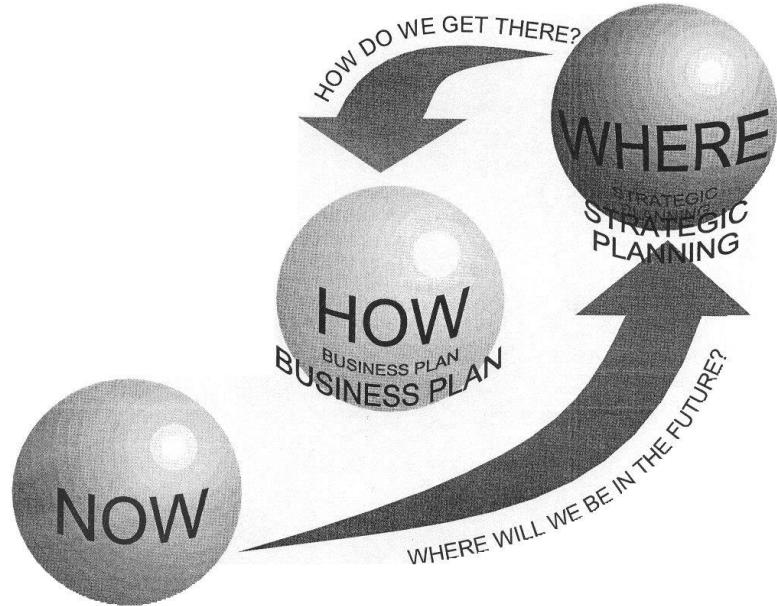
Summary

# Planning as Function of Management

## Learning Objectives

- ▶ What is a Plan?
- ▶ Define Goals, Objectives, Strategy, Mission, and Vision
- ▶ Examples of Vision & Mission statements
- ▶ Steps in Planning Process
- ▶ Importance of Planning
- ▶ Challenges while Planning
- ▶ Characteristics of an Effective Plan

# Planning as Function of Management



## What is a Plan?

- 1 A plan is a predetermined course of action which provides purpose and direction of an organization.

## It Involves?

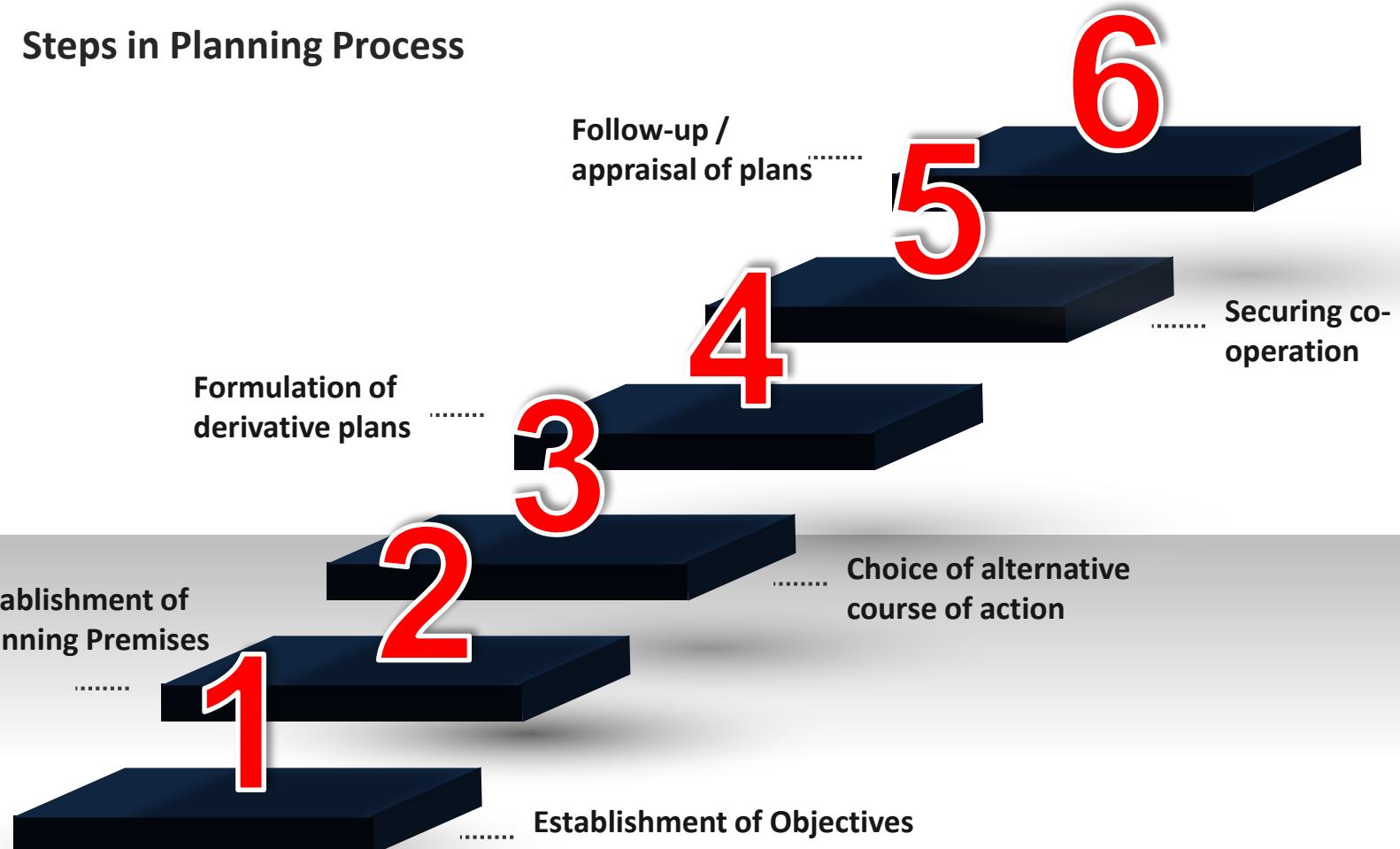
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## It Answers

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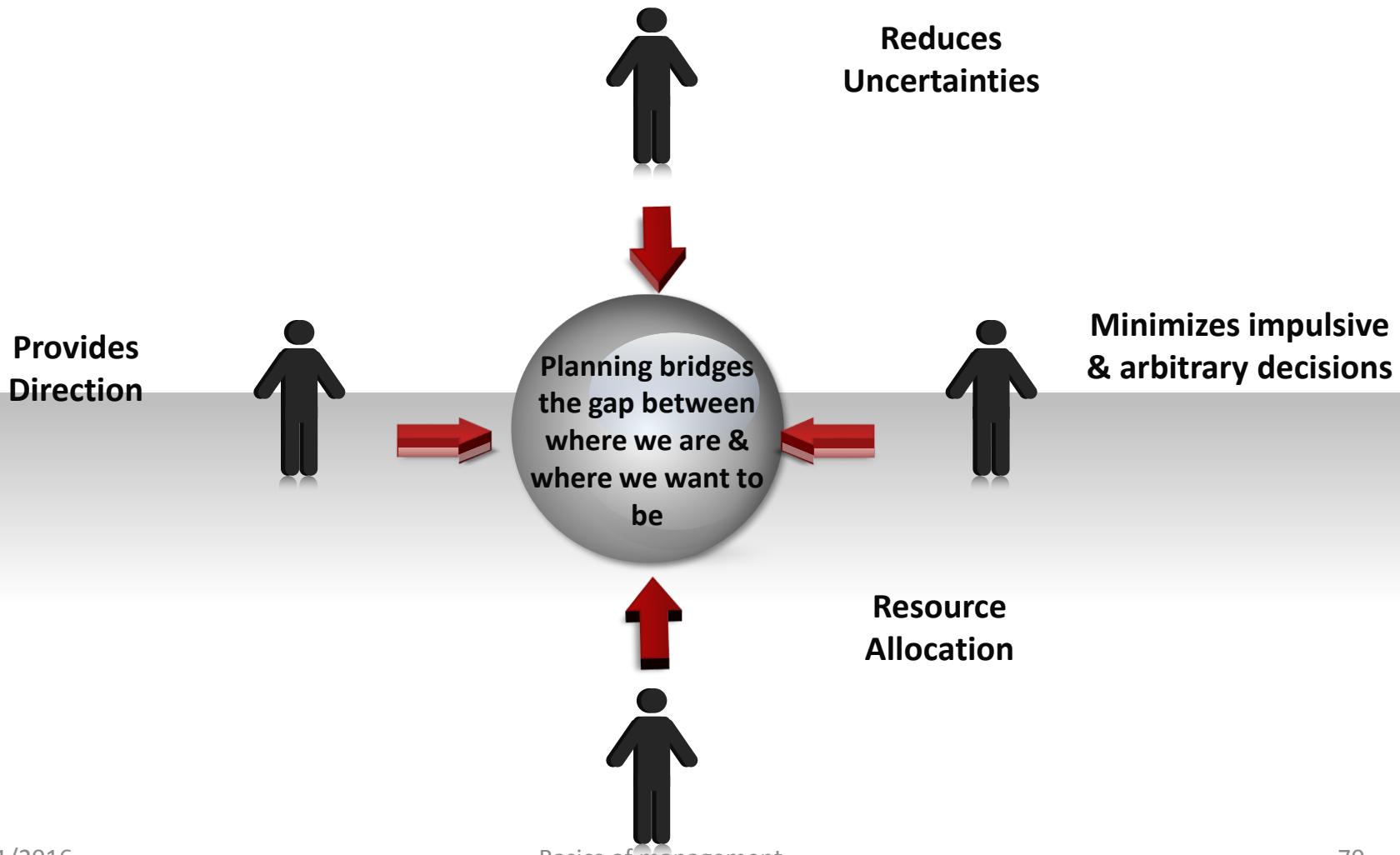
# Planning as Function of Management

## Steps in Planning Process



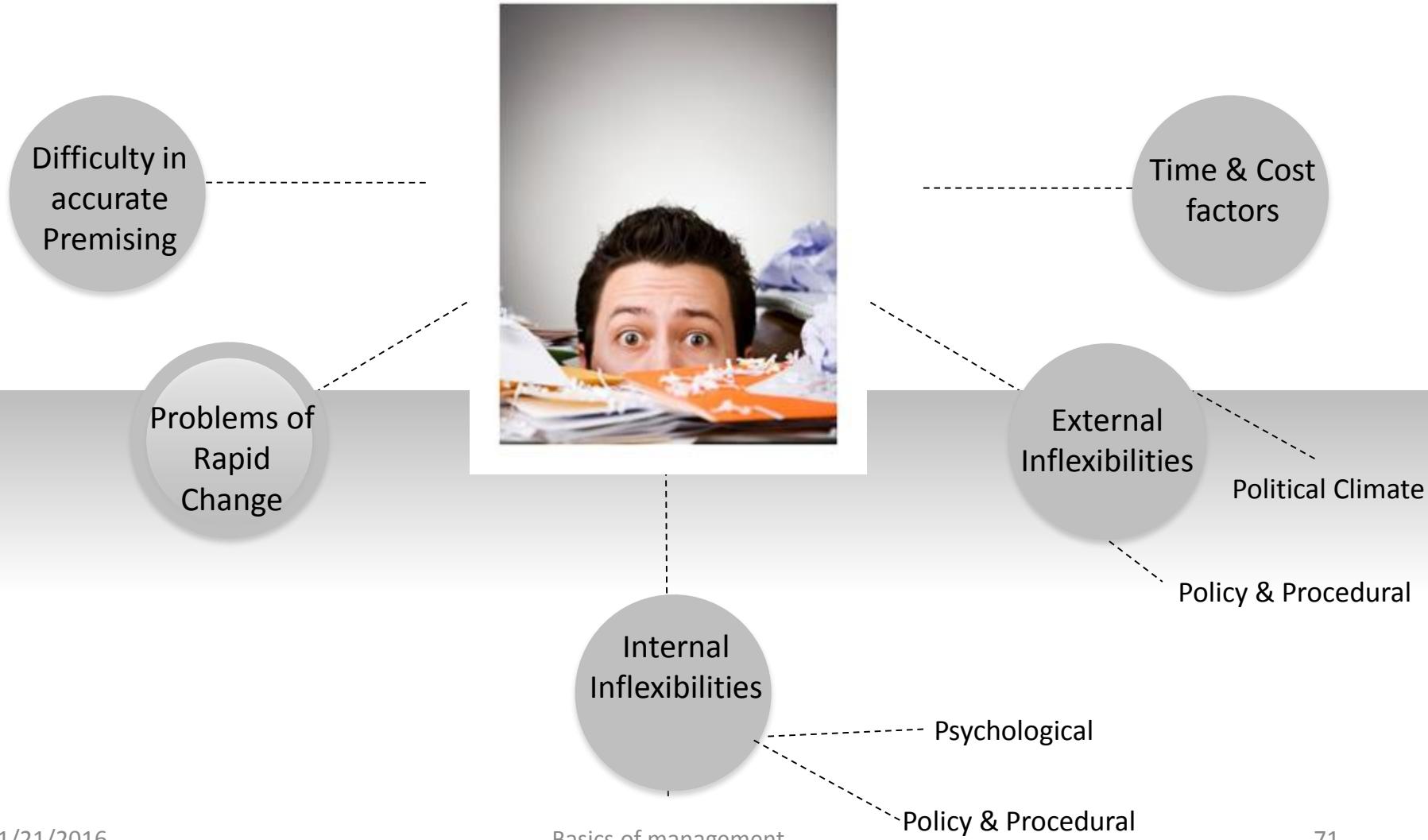
# Planning as Function of Management

## Importance of Planning – Why Plan?



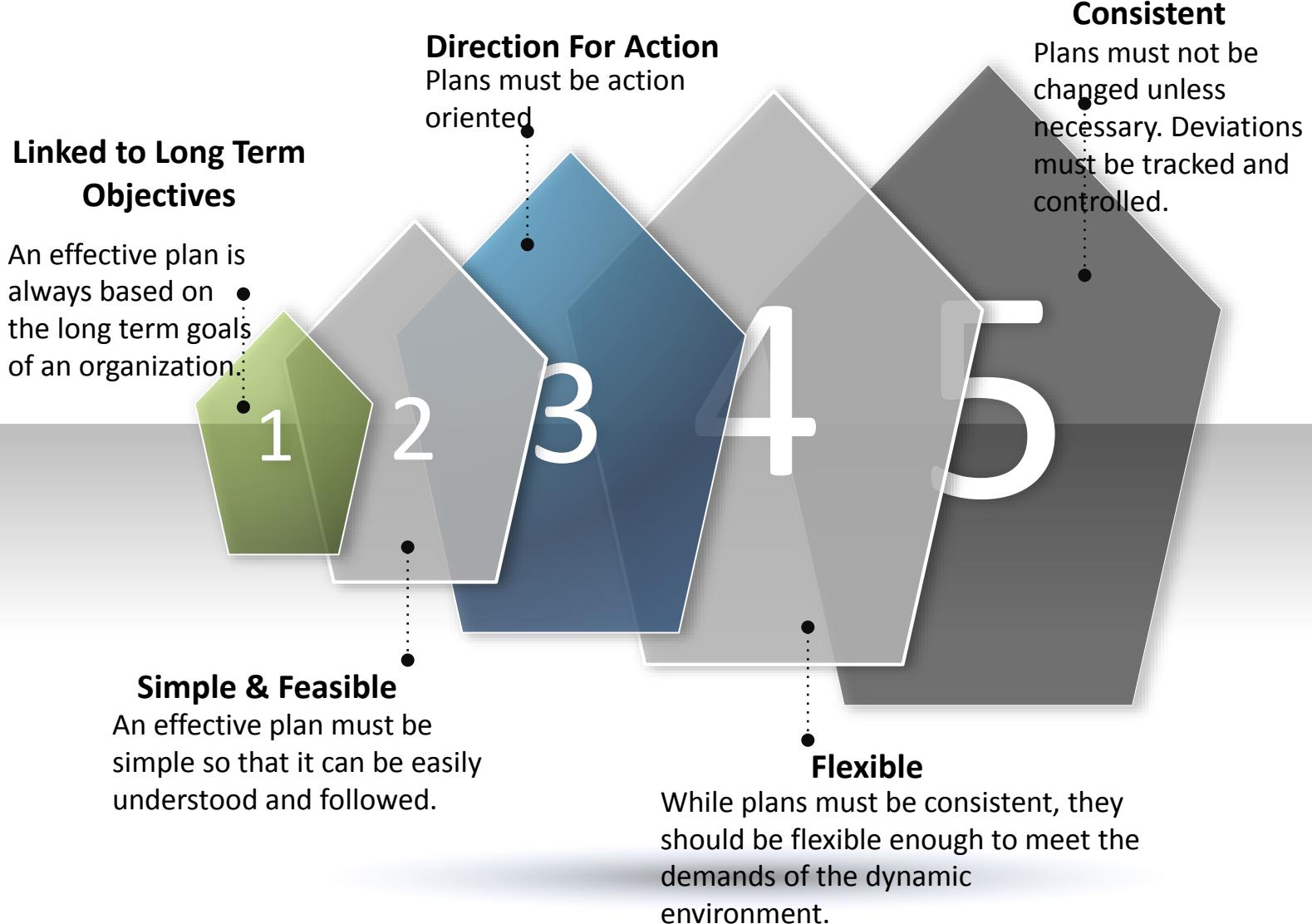
# Planning as Function of Management

## Challenges while Planning



# Planning as Function of Management

## Characteristics of an Effective Plan



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management



Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

# Organizing as a Function of Management

## Learning Objectives

- ▶ What is Organizing
- ▶ Nature of Organizing
- ▶ Components of Organizing
- ▶ Steps of Organizing
- ▶ Benefits of Organizing

# Organizing as a Function of Management

## What is Organizing?

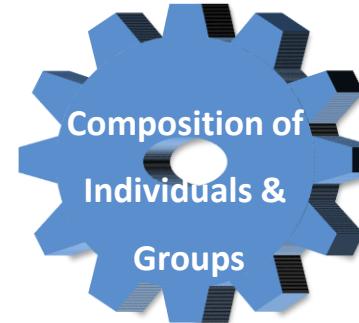
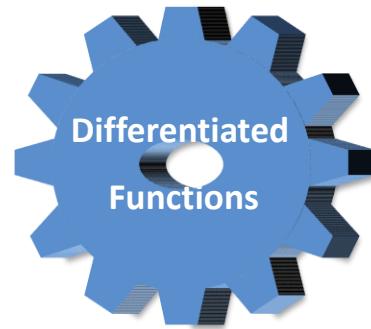
Organizing involves:

- Identification and classification of the required activities
- Grouping of activities necessary to attain objectives
- Assignment of each grouping to a manager with authority and the provision of coordination



# Organizing as a Function of Management

## Nature of Organizing

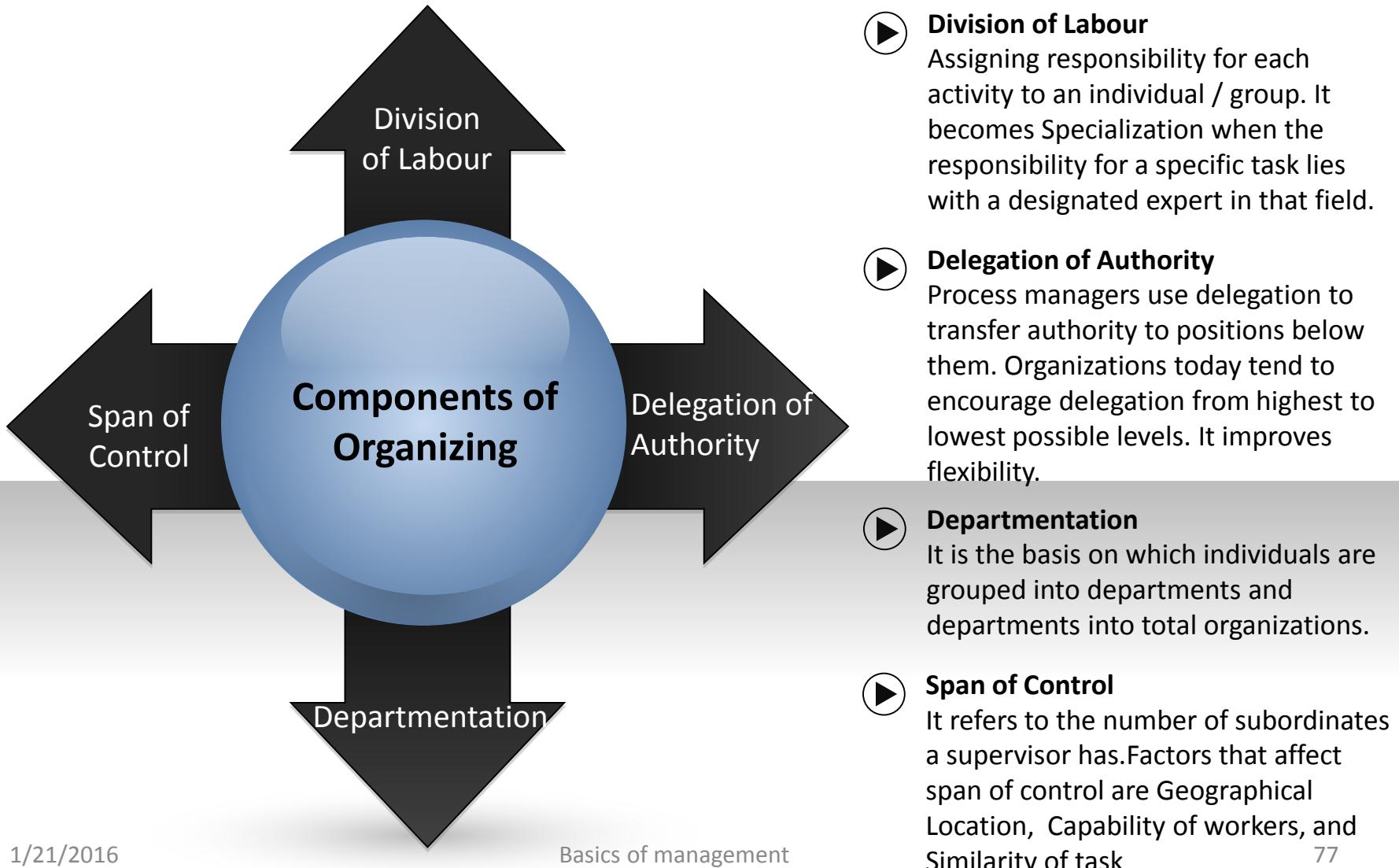


Management is the art of getting things done



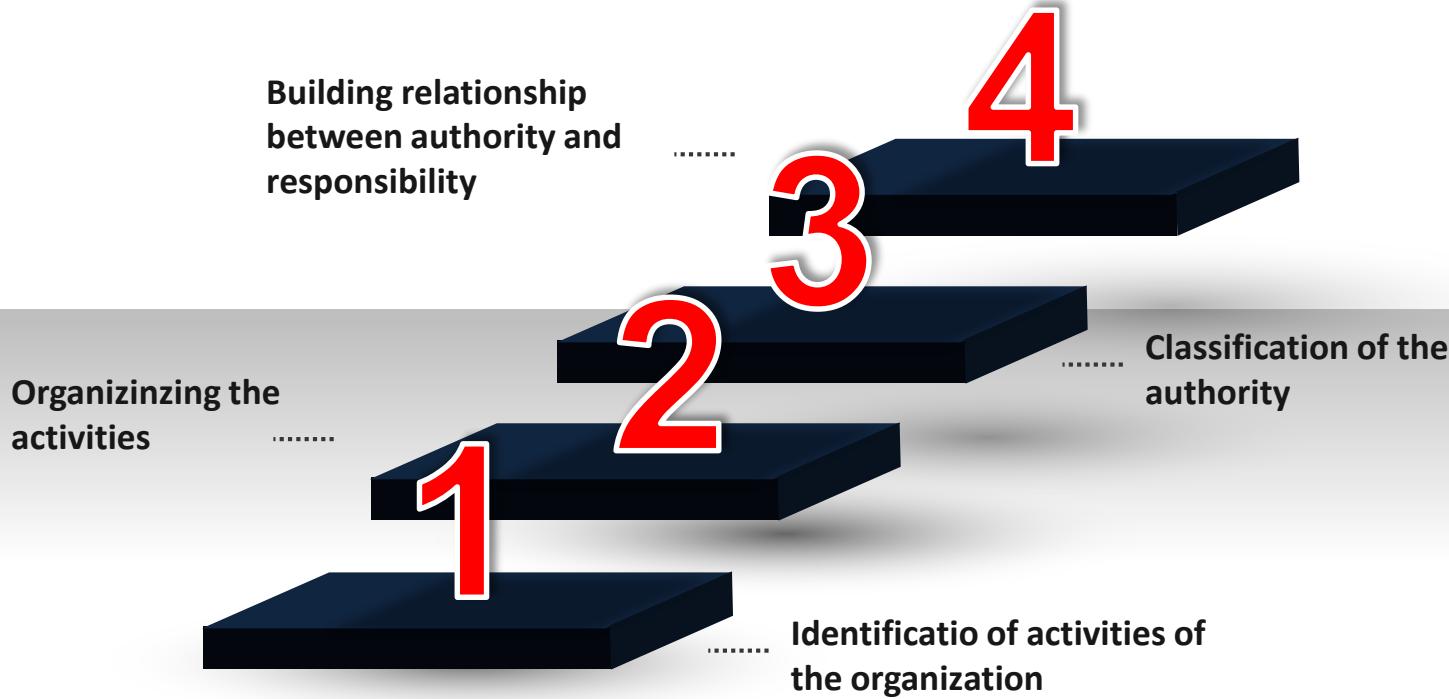
# Organizing as a Function of Management

## Components of Organizing



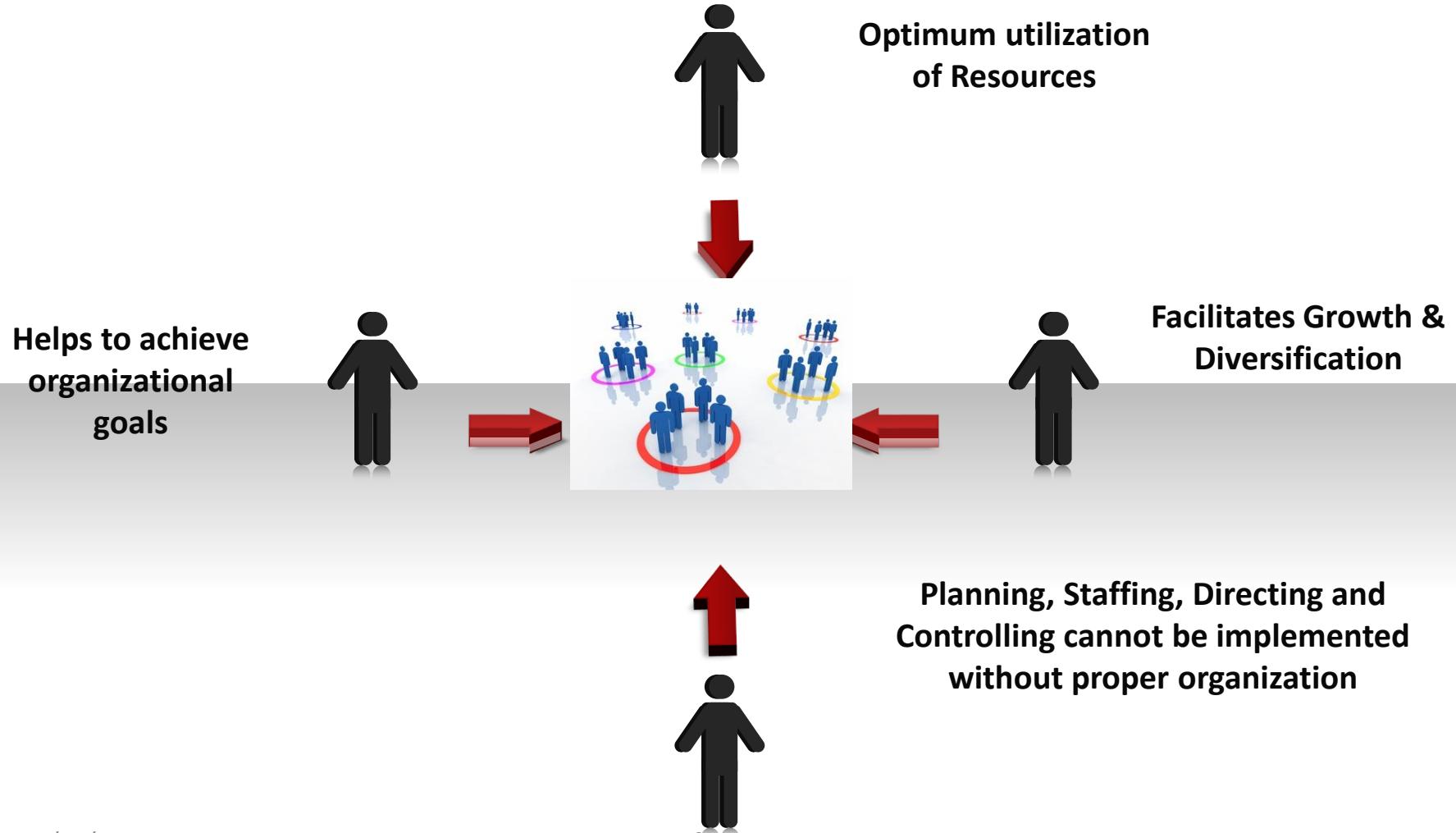
# Organizing as Function of Management

## Steps in Organizing Process



# Organizing as Function of Management

## Benefits of Organizing



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management

Staffing as a Function of Management



Directing as a Function of Management

Controlling as a Function of Management

Summary

# Staffing as a Function of Management

## Learning Objectives

- ▶ What is Staffing
- ▶ Components of Staffing
- ▶ Steps in Staffing
- ▶ How to ensure Successful Staffing

# Staffing as Function of Management

## What is Staffing

- ▶ Staffing involves manning the organizational structure through proper and effective appraisal, selection and development of people to fill the roles designed into the structure.
  
- ▶ Staffing is also known as Human Resource Management. It is the management function devoted to acquiring, training, appraising, and compensating employees.



# Staffing as Function of Management

## Components of Staffing



1. Strategic HR Planning

Strategic HR planning is a process that identifies current and future HR needs for an organization to achieve its goals. It should serve as a link between HR management and the overall strategic plan of an organization.



2. Recruitment

Recruitment refers to the process of attracting, screening, and selecting qualified people for a job. Companies recruit through employment agencies, recruitment websites, job search engines, "headhunters" for executive & professional recruitment, and niche agencies which specialize in a particular area of staffing.

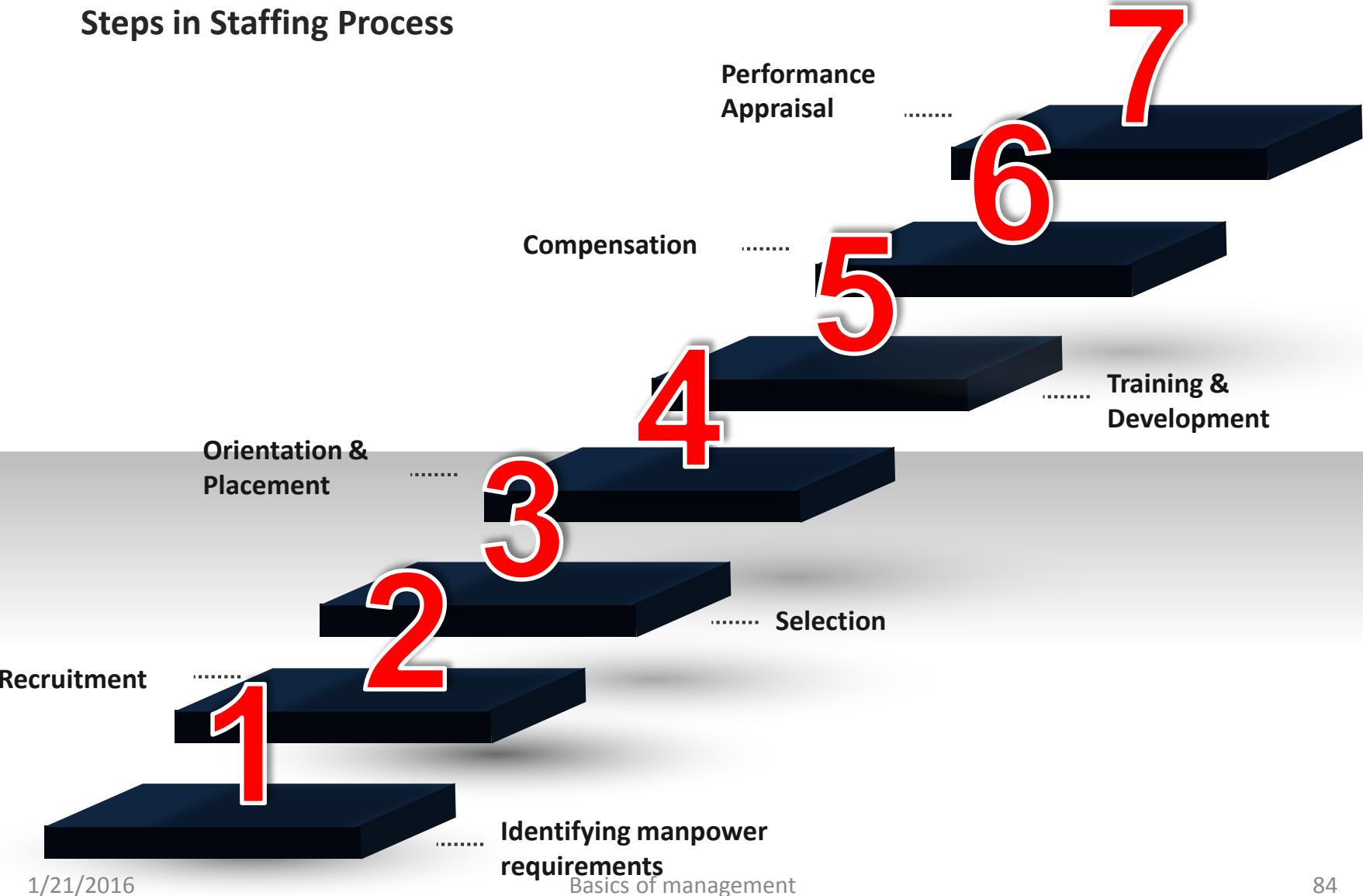


3. Selection

Employee Selection is the process of putting right men on right job. It is a procedure of matching organizational requirements with the skills and qualifications of people.

# Staffing as Function of Management

## Steps in Staffing Process



# Staffing as Function of Management

How to ensure successful Staffing?



Management is the art of getting things done through others.



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management

Staffing as a Function of Management

Directing as a Function of Management



Controlling as Function of Management

Summary

# Directing as a Function of Management

## Learning Objectives

- ▶ What is Directing
- ▶ Components of Directing
- ▶ Steps in Directing
- ▶ Benefits of Directing

# Directing as a Function of Management

## What is Directing?

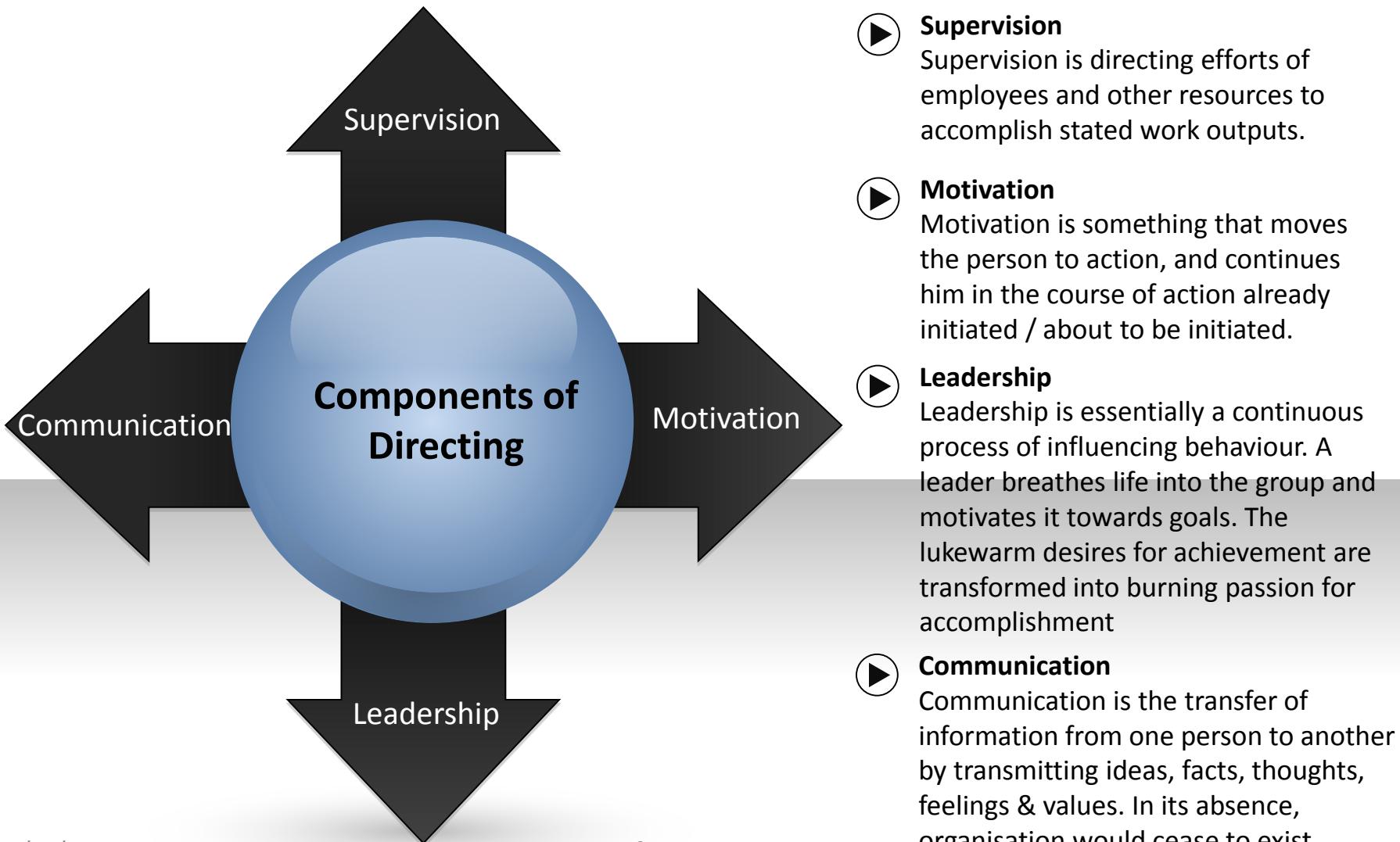
Directing is a process in which the managers instruct, guide, & oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. It involves:

- ✓ telling people what is to be done & how to do it;
- ✓ issuing instructions & orders to subordinates to carry out their assignments as scheduled
- ✓ supervising their activities;
- ✓ inspiring them to contribute towards the achievement of organizational objectives; and
- ✓ providing leadership.



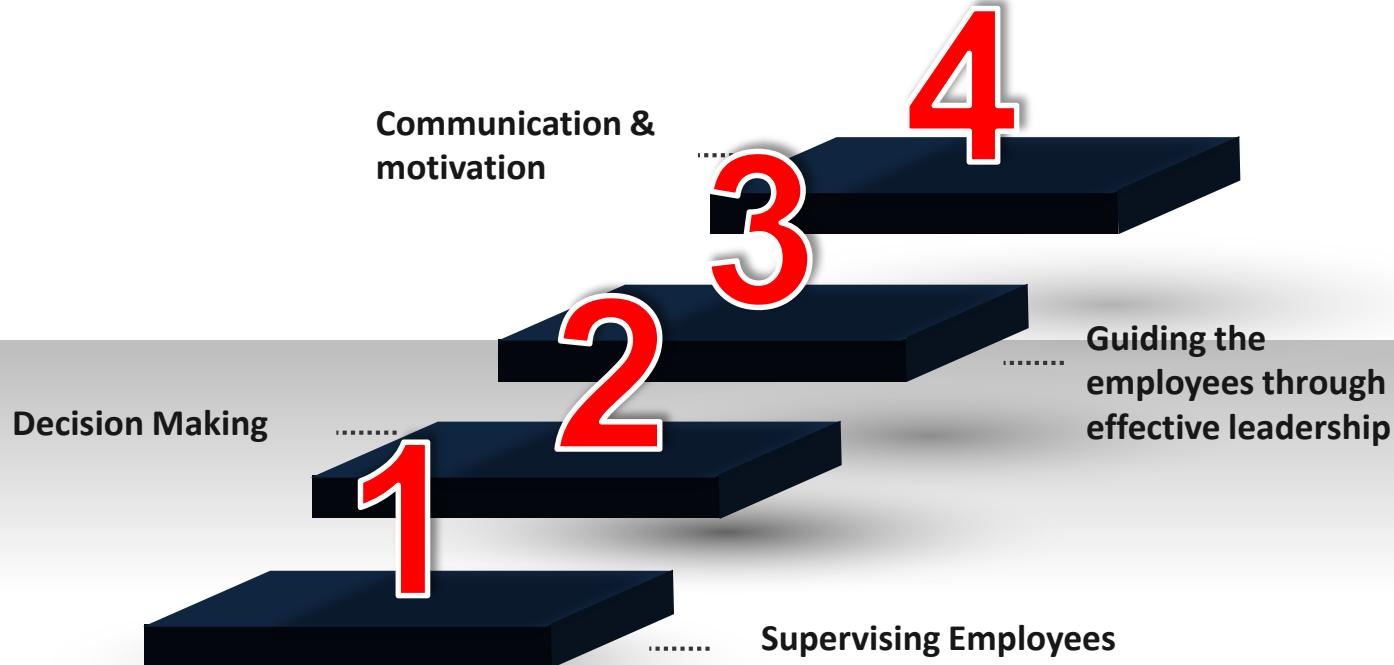
# Directing as a Function of Management

## Components of Directing



# Directing as Function of Management

## Steps in Directing Process



# Directing as Function of Management

## Benefits of Directing

Initiates action  
to get desired  
results



Attempts to get  
maximum out of  
employees



Helps accepting &  
adapting changes

Helps achieving organizational  
goals through effective supervision,  
motivation, leadership, &  
communication



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management

Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management



Summary

# Controlling as a Function of Management

## Learning Objectives

- ▶ What is Controlling
- ▶ Characteristics of Controlling
- ▶ Steps in Controlling

# Controlling as a Function of Management

## What is Controlling?

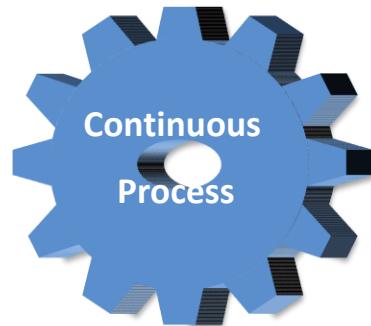
Controlling is the measurement and correction of performance in order to ensure that an organization's objectives and plans are accomplished.

Controlling is a function of every manager both at lower and upper level since all have responsibility for the execution of plans.



# Controlling as Function of Management

## Characteristics of Controlling



Management is the art of getting things done through others.



# Summary

1

## Planning

- It bridges the gap between where we are and where we want to be
- It helps facing future with confidence

2

## Organizing

- It involves grouping of task
- It involves specialisation, delegation, span of control, and departmentalization

3

## Staffing

- Hiring Right people for right job
- It is devoted to acquiring, training, appraising, and compensating employees

4

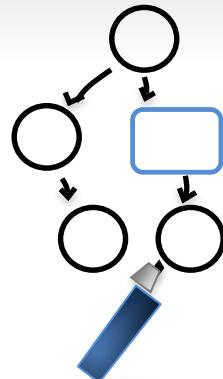
## Directing

- It involves supervision, motivation, leadership, and communication
- It is a very people oriented function of management

5

## Controlling

- It involves setting standards, measuring performance as per standards, finding deviations, and taking necessary corrective action



# Thank You!

## **Systems approach to management**

Systems approach (or view) of management process implies connecting the management process to the external environment and viewing it as a system that is existing in the overall system.

To understand it better, here is an example:

The term system is borrowed from life sciences. You can see how human body has many independent systems such as cardiovascular system, respiratory system, skeletal system, etc. Each of these is fairly independent yet interdependent. So, if you break your bone, you can rectify it without seriously affecting the other systems such as cardiovascular system. This is facilitated because of the independence of the skeletal system which requires input like calcium for its growth and output. But your cardiovascular system will not shut down just because your bone is broken; however, it is affected through bleeding. Your doctor gives you calcium to strengthen your bone and that tablet has to dissolve in the blood and reach the bones. What happens if the cardiovascular system refuses to carry calcium to the bones? So, the systems are also interdependent.

If we understand this analogy, we can understand the business system more easily.

System approach to management enables us to understand management from a holistic perspective. Through this approach, we realize that the inputs come from external sources and the outputs go to the external sources. For example, the material used in Tiger Hotels, the guests, the employees who do such good job are all inputs which come from outside and the great satisfaction, profit, and growth are the outputs. Some of this output goes to the society in terms of tax paid, overall economic growth, profit shared with the investors, prosperity created to the families of the employees, self-esteem of the employees, etc.

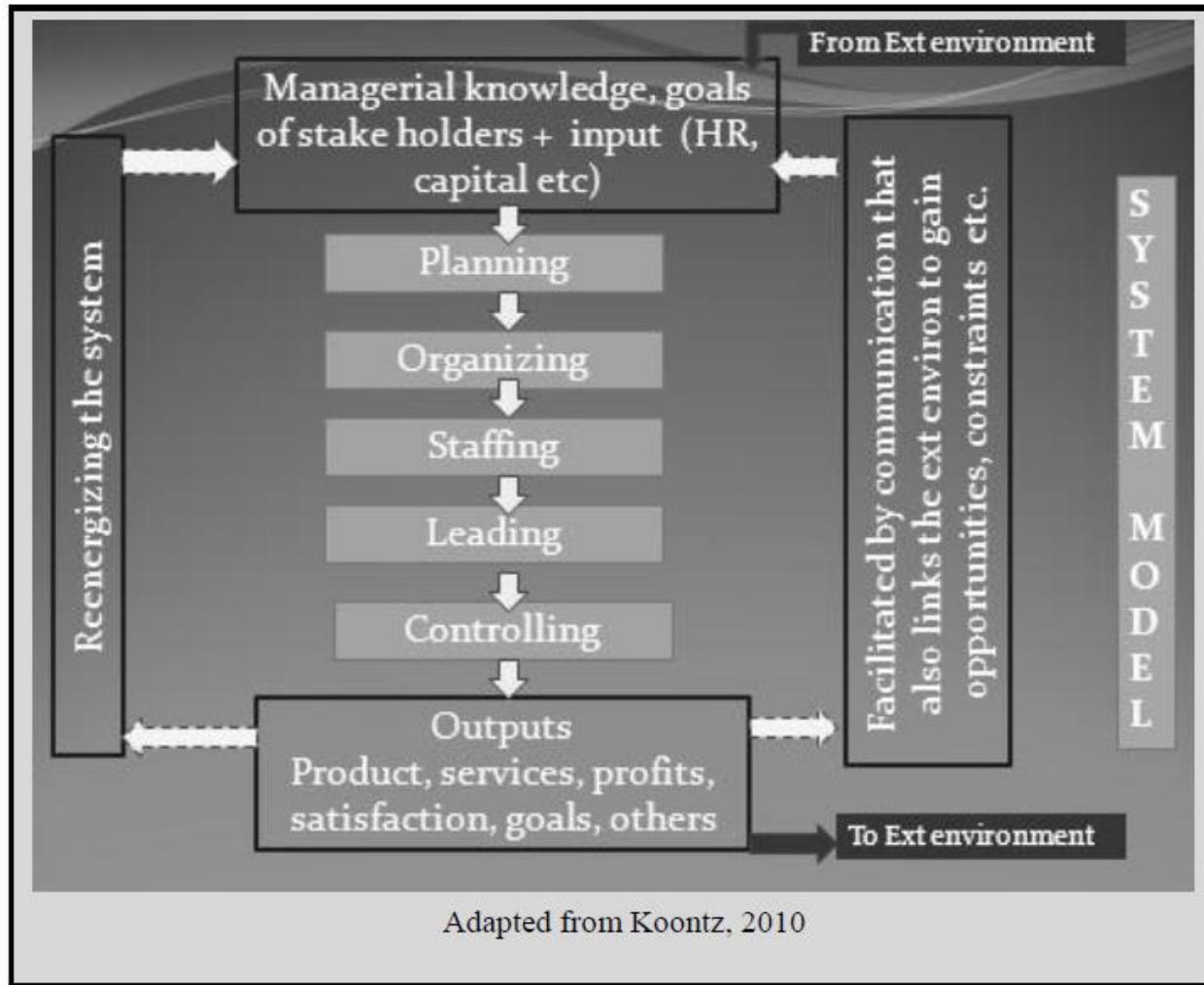
A system exists in an environment. For example, the hotel exists in India, in a state, in the neighborhood and therefore has to follow the laws of the land, the state, and the local laws. It has to purchase the input, i.e., raw materials and hire people. It is the information system which helps an organization to do this. In other words, information system connects the organization to the external system. The output also goes to the external system in terms of taxes paid as discussed. Can all output go to the external system? Not really. As a system operates and creates an output, some of the input such as ambience, the rooms, the furniture, etc will deteriorate. The quality of employees also deteriorates. Hence, some part of the output has to be pumped back to repair or rejuvenate these

We saw what an input is; an output is also a way of connecting it to the external environment through the information system. To do this optimally, the organization has to be in alignment with the external environment, but this is not sufficient. If the input has to be converted into an output, i.e., service to the guests, it requires some process. First, this requires planning of the input such as rooms, their sale, maintenance, etc. Then you have to organize the various activities such as room-related activities, food-related activities, and ambience-related activities. These activities have to be manned or staffed. The staff has to lead, i.e., they should be given directions, coaching, guidelines, and encouraged to take decisions and initiative if the service has to be rendered. Thereafter, someone has to see that things are done as per the standards and if there is any variance, there should be a way of correcting it.

This is what we call Management Process (MP) and each of the components mentioned above are the functions. In simple terms, management process is the way of converting the input into an output through a logical sequence of major managerial functions of planning, organizing, staffing, leading, and controlling.

Each of these functions, in turn, can have their own sub functions and systems. For example, the organizing function could have marketing, operations, HR, and finance as its sub functions.

The marketing function, to be effective, needs some input and process so that it can fill the rooms and restaurants. This would then become another system. The input into this system of Tiger Hotel would be sales staff, input about the room cost, room availability, marketing materials such as leaflets, videos, photographs, etc. Several activities such as advertising, personal selling, promotion, and price discounting would be required and would have to be done in some logical sequence which becomes the process. These activities have to be planned, organized, staffed, led, and controlled and therefore, this gives birth to another system (call it marketing system). Marketing system is fairly independent, but it is interdependent on the finance system for the money for advertising and hotel operations to get a good feedback of the guests to ensure that the sales are repeated. Hence, though it is independent to an extent, it is interdependent on the other systems. Marketing can be perceived as a subsystem of the Tiger Hotel organizational system. Perhaps, you can perceive an organization as a network of systems and subsystems.



Adapted from Koontz, 2010



# Seventh Semester Essentials of Management HSS-401



*Dept. of Humanities and Management,  
Manipal Institute of Technology - Manipal*

# Functions of Management

## Learning Objectives

What is Management

**Planning as a Function of Management**



Organizing as a Function of Management

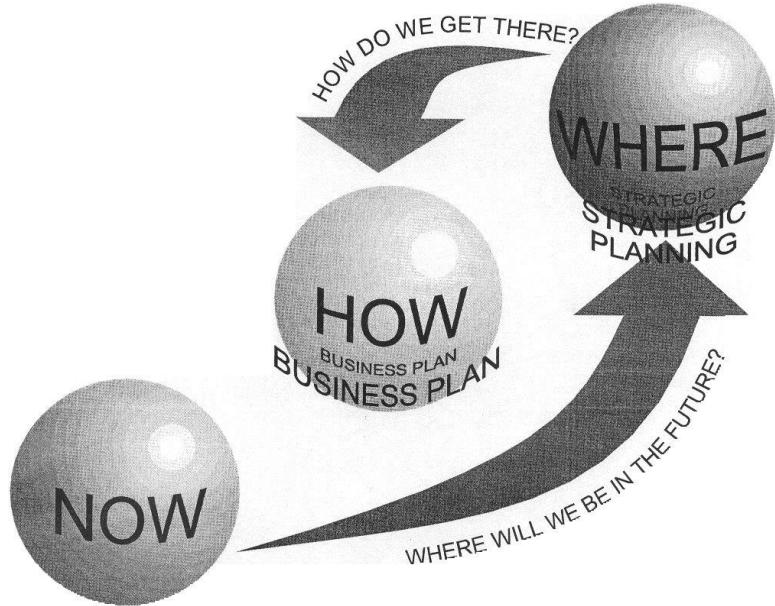
Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

# Planning as Function of Management



## What is a Plan?

- 1 A plan is a predetermined course of action which provides purpose and direction of an organization.

## It Involves?

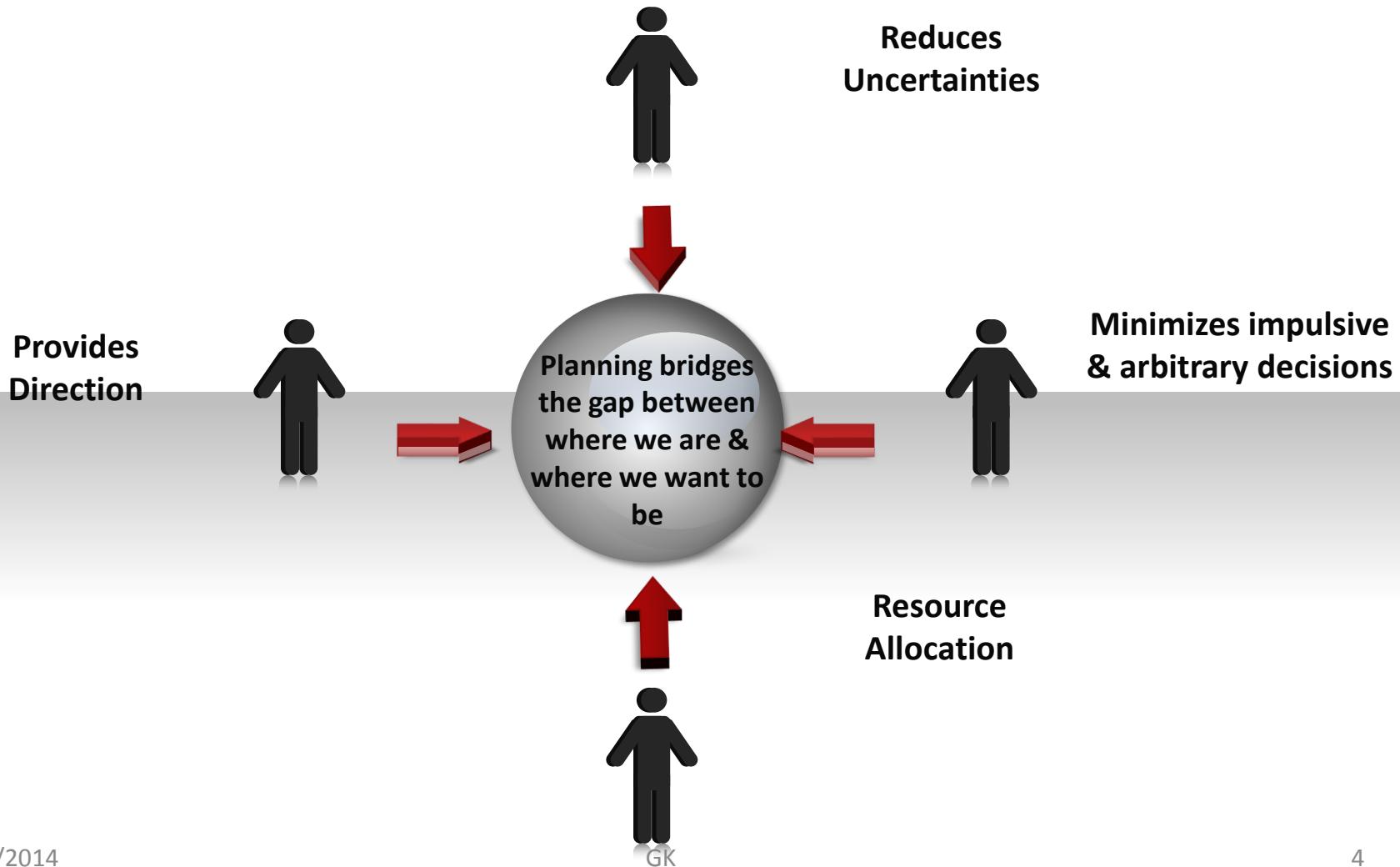
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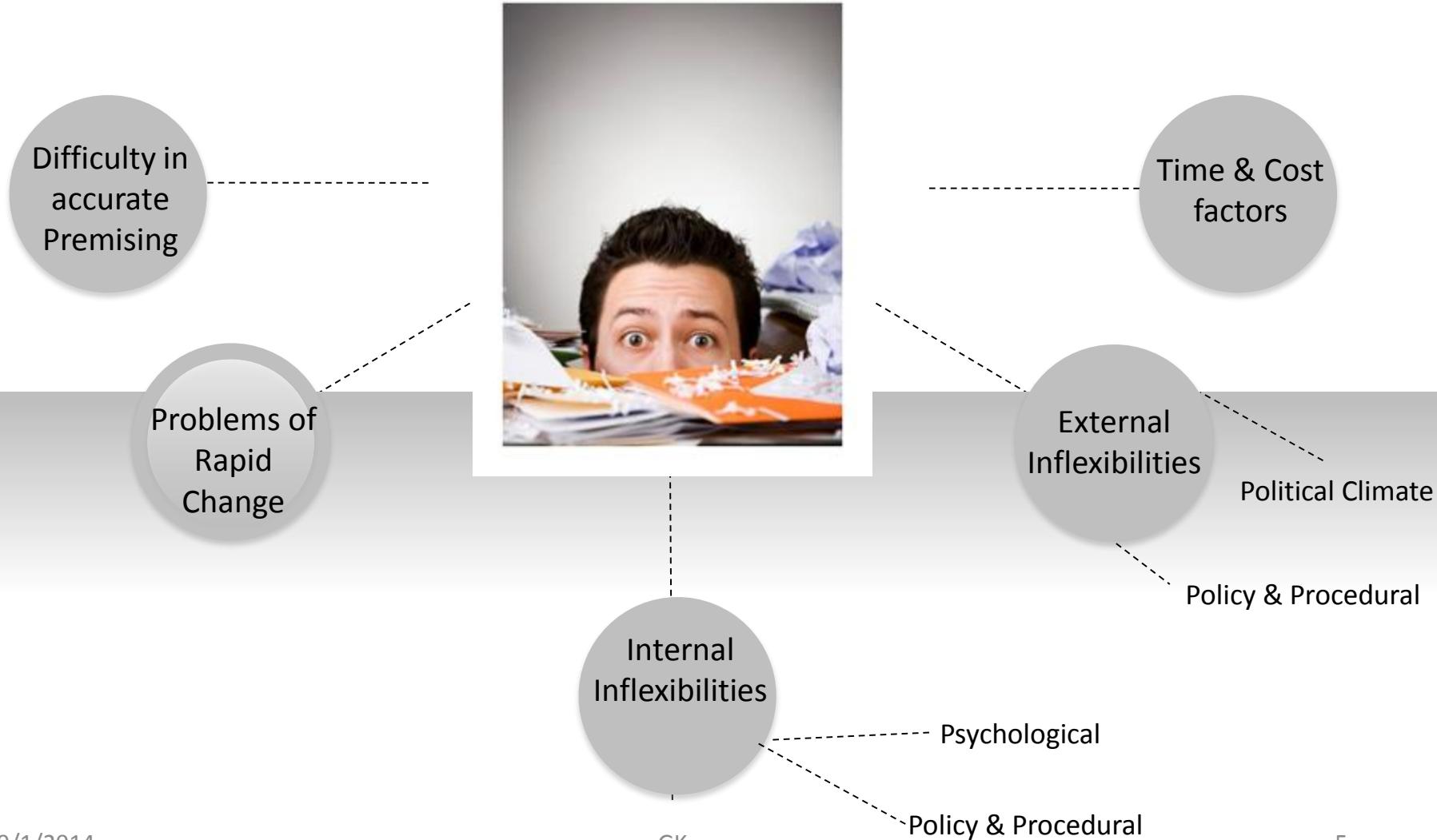
# Planning as Function of Management

## Importance of Planning – Why Plan?



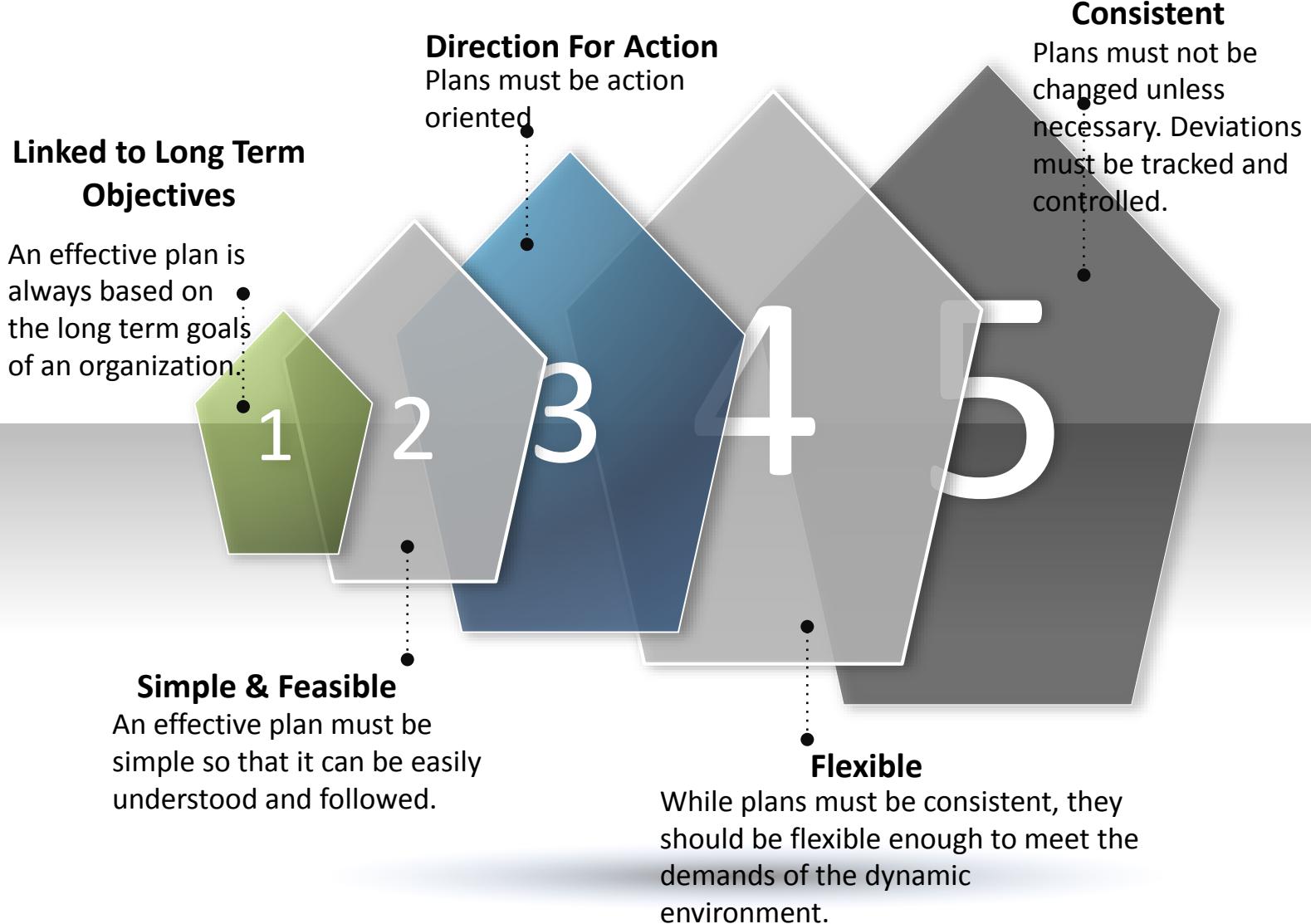
# Planning as Function of Management

## Challenges while Planning



# Planning as Function of Management

## Characteristics of an Effective Plan



- Planning can be defined as a basic management function which enables one to select the purpose of the business, and how the resources should be mustered to achieve that purpose to include using the available resources optimally to do that.
- Planning implies goal setting for the organisation keeping in mind the constraints, opportunities, and threats as much as what the person or business which is planning wants to do.
- Thus, a plan is a blueprint for goal achievement, a blue print that specifies the necessary resource allocations, schedules, tasks, and other actions to achieve the purpose.

- A goal is a desired future state that the organisation attempts to reach.
- Goals are important because an organisation exists for a purpose, and goals define and state that purpose.
- Goals specify future ends; plans specify the means to do that.
- The method we choose to achieve the vision and execute the mission is planning. Therefore, planning is about looking ahead.

Planning answers six basic questions in regard to any activity:

- What needs to be accomplished? What are the alternative routes to it?
- When is the deadline?
- Where will this be done?
- Who will be responsible for it?
- How will it get done?
- How much time, energy, and resources are required to accomplish this goal?

# Planning is important for the following reasons:

- It helps the management to clarify, focus, and research their businesses or project's development and prospects.
- It provides a considered and logical framework within which a business can develop and pursue business.
- It offers a benchmark against which the actual performance can be measured and reviewed.
- It plays a vital role in helping to avoid mistakes or recognize hidden opportunities.

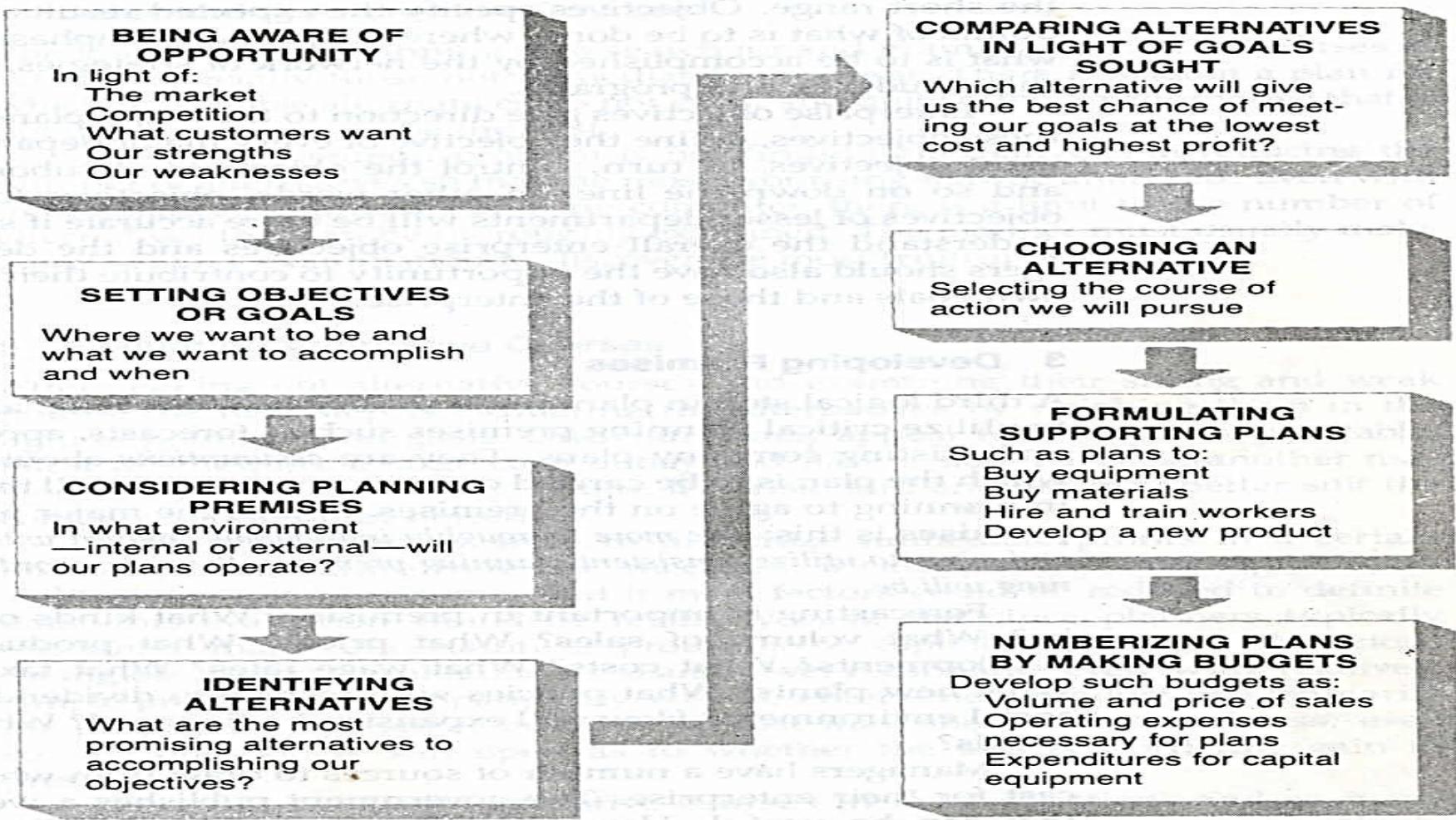
In the business context, it guides the development of products, management, finances, and most importantly, markets and competition.

- It helps in forecasting the future and makes the future visible to some extent.
- It bridges between where we are and where we want to go.

## STEPS IN PLANNING :

- ❖ Being aware of opportunities
- ❖ Setting objectives or goals
- ❖ Considering planning premises
- ❖ Identifying the alternatives
- ❖ Comparing the alternatives in the light of the goals sought
- ❖ Choosing an alternative
- ❖ Formulating the supporting plans
- ❖ Numberizing the plans by making budgets





# Steps in Planning

**Being aware of Opportunities:** This means being aware of the customer needs, market, competition, strengths and weaknesses of the organisation.



**Establishing objectives:** This implies establishing what the organisation wants to be and what it wants to accomplish and in relation to which market segment.



**Developing premises:** It means deciding on the environment in which the plan is going to operate. Business has external environment created by political factors to include legislation, legal framework.



**Determining alternative course:** It implies identifying the most promising alternative to accomplish the organisation goal.

# Steps in Planning

**Evaluating alternative courses:** Comparing the alternatives to find out which of them will meet the goals of the organisation at an optimal cost and profit keeping sustainability into mind.

**Selecting a course:** Selecting the course that the organisation wants to follow.

**Formulating plans:** This implies making plans that support the course of action by buying equipment , space, planning the type of HR etc.

**Qualifying plans by budgeting:** Identifying the cost involved, how the financial resources will be mobilised, what is the capital expenditure, what is the operational expenditure, the working capital etc.

## **TYPES OF PLANS :**

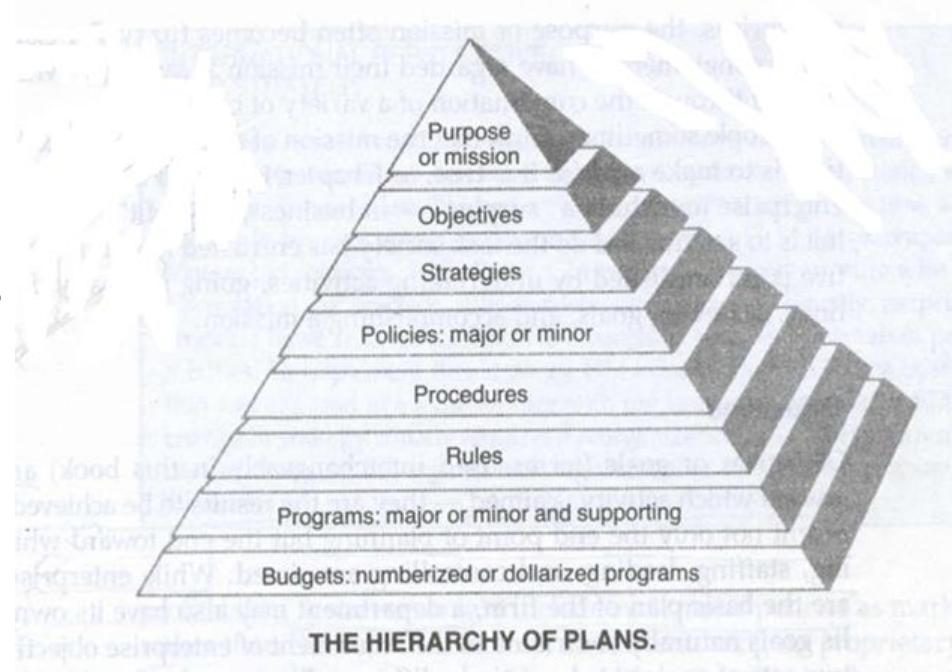
- ❖ Purposes / Mission
- ❖ Objectives
- ❖ Strategies
- ❖ Policies
- ❖ Procedures
- ❖ Rules
- ❖ Programs
- ❖ Budgets

BOARD OF  
DIRECTORS

TOP LEVEL  
MANAGERS

MIDDLE LEVEL  
MANAGERS

FIRST LEVEL  
MANAGERS



## **Mission**

- It identifies the basic function or task of an enterprise or agency or any part of it.

Example:

- ❖ Mission Of Oil Company : Are To Search For Oil And To Produce ,Refine, Market Petroleum Product.
- ❖ DUPONT Company – Better Thing Through Chemistry.
- ❖ NASA – Get A Person To The Moon Before Russians.

# **Mission, Vision & Values**

## **Mission Statement**

Be the most preferred choice of students, faculty and industry. Be in the top 10 in every discipline of education, health sciences, engineering and management.

## **Vision Statement**

Global leadership in human development, excellence in education and healthcare.

## **Manipal Values**

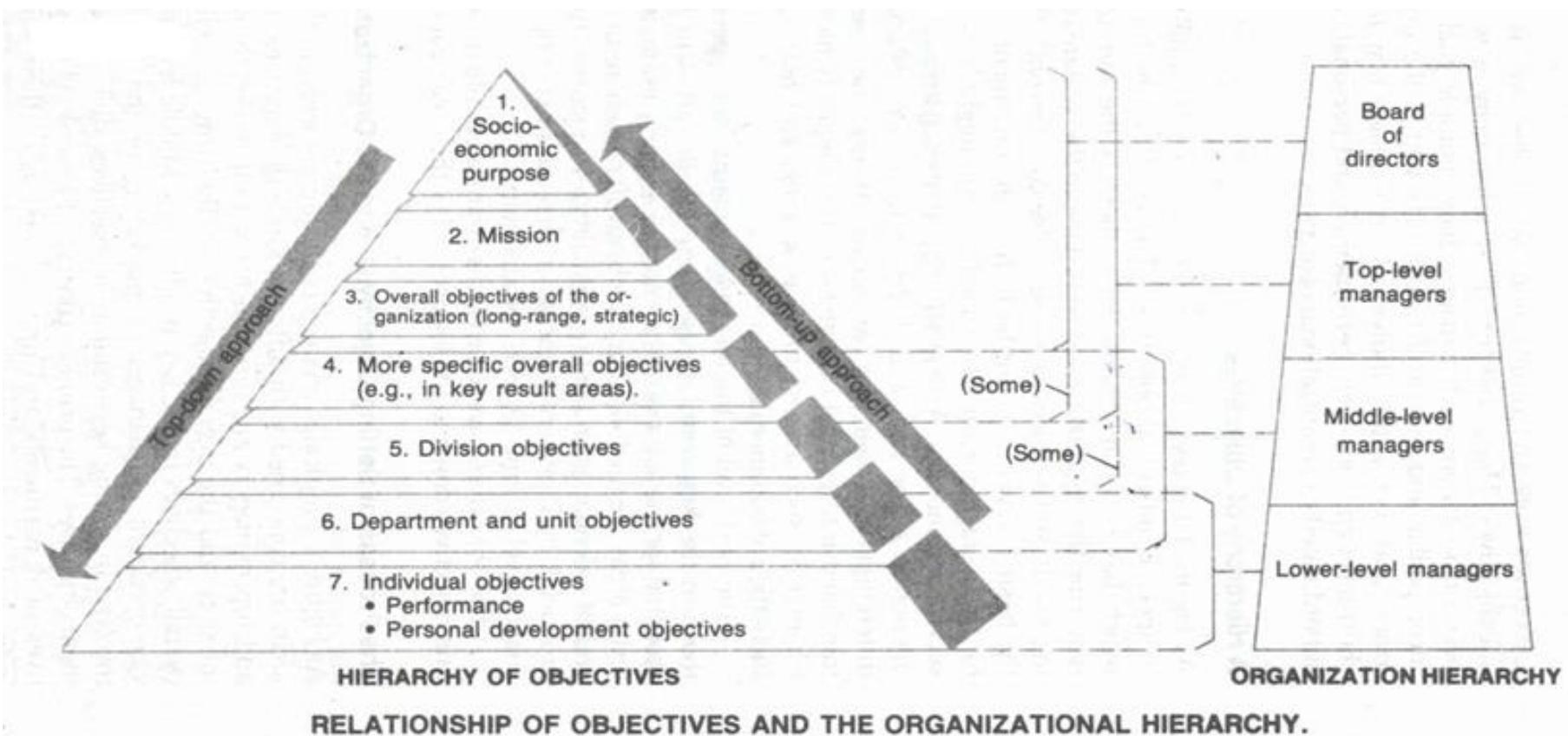
- Integrity
- Transparency
- Quality
- Team Work
- Execution with passion
- Humane touch

## **Objectives**

- OBJECTIVES ARE DEFINED AS THE IMPORTANT ENDS TOWARDS WHICH ORGANIZATIONAL AND INDIVIDUAL ACTIVITIES ARE DIRECTED
- VERIFIABLE OBJECTIVES-FACILITATE MEASUREMENT OF THE SURPLUS AS WELL AS THE EFFECTIVENESS AND EFFICIENCY OF MANAGERIAL ACTIONS

## **Overall objectives of a University**

- ATTRACTING HIGHLY QUALIFIED STUDENTS
- OFFERING BASIC TRAINING IN PROFESSIONAL FIELD
- GRANTING PhD degrees
- New knowledge through research
- Operating school through tuition, gifts of alumni and friends



- TOP DOWN APPROACH –UPPER LEVEL MANAGERS DETERMINE THE OBJECTIVES FOR SUBORDINATES.
- BOTTOM UP APPROACHES –SUBORDINATES INITIATE THE SETTING OF OBJECTIVES FOR THEIR POSITIONS AND PRESENT THEM TO THEIR SUPERIOR.

## **POLICIES**

- Policies are also the plans in that they are general statements or understanding which guide or channel thinking in decision making.
- Not all policies are statement, they are often merely implied from the actions of managers.
- **Eg– the practice of promoting from within.**
- Policies define an area within which a decision is to be made and ensure that the decision will be consistent with and contribute to the objective.
- They help decide issues before they become problems.

### **EXAMPLES ARE**

- ❖ POLICIES OF HIRING UNIVERSITY TRAINED ENGINEERS
- ❖ ENCOURAGE EMPLOYEE SUGGESTION
- ❖ PROMOTING FROM WITHIN
- ❖ SETTING COMPETITIVE PRICES

**POLICIES HELP IN DECISION MAKING – POLICIES OF BUYING FROM THE LOWEST OF THREE QUALIFIED BIDDERS**

## **PROCEDURES**

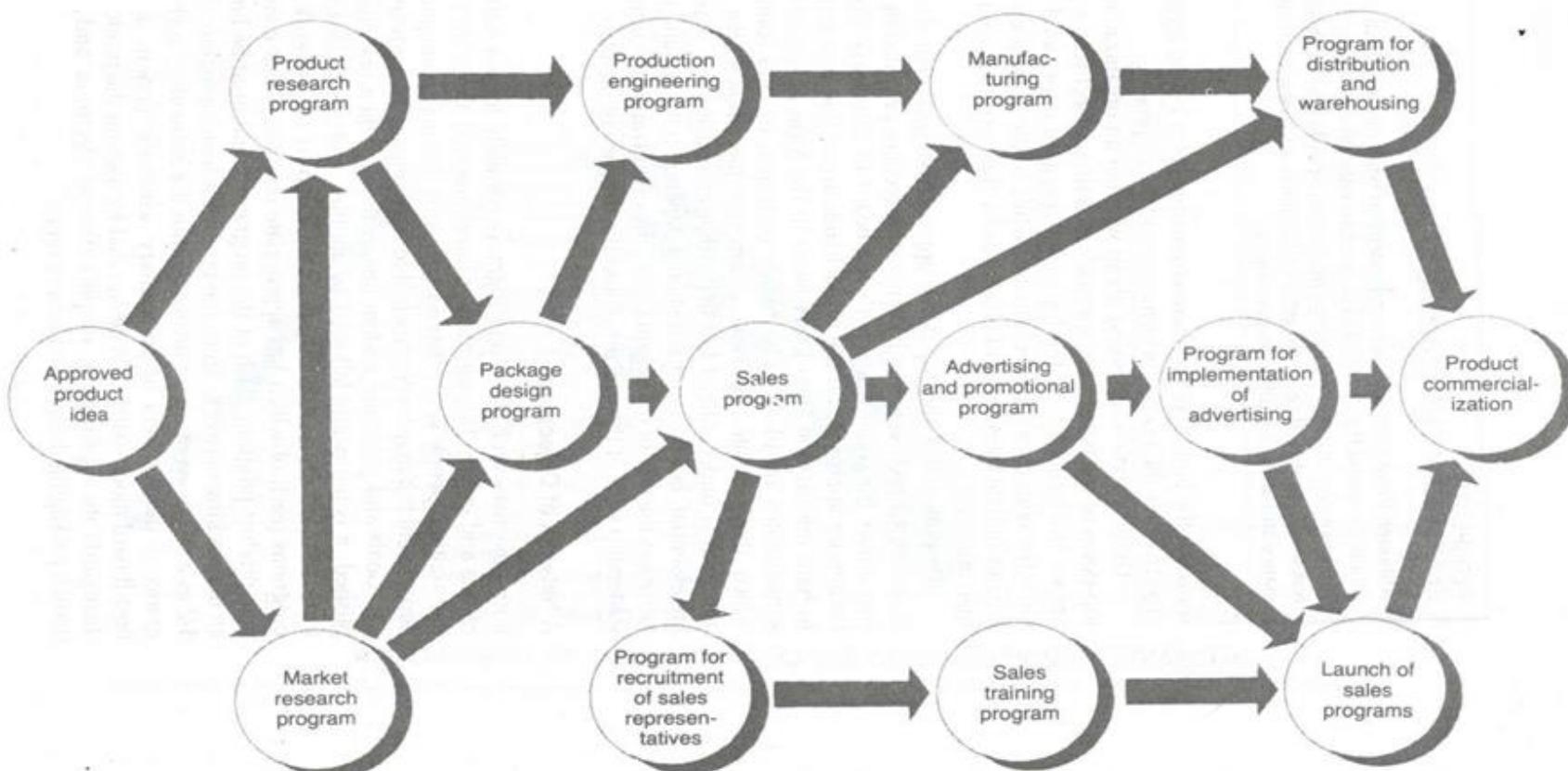
- **Chronological sequences of actions of required actions.**
- Procedures establish a required method of handling future activities.
- They are guides to actions , rather than to thinking and they detail the exact manner in which certain activities must be accomplished.
- Eg- company policies may grant vacation to employees ; procedures to implement this policy will provide for scheduling vacation to avoid any disruption of work.

## **RULES**

- Rules—spell out specific required actions or non actions, allowing no discretion.
- They are simplest type of plan
- They guide actions without specifying time sequence
- May or may not be part of procedure
- **Ex—no smoking, quite unrelated to any procedure**

## PROGRAMS

- ❖ Programs are a complex of goals, polices, procedures, rules, task assignments, steps to be taken, resources to be employed and other elements necessary to carry out a given course of action; they are ordinarily supported by budgets.

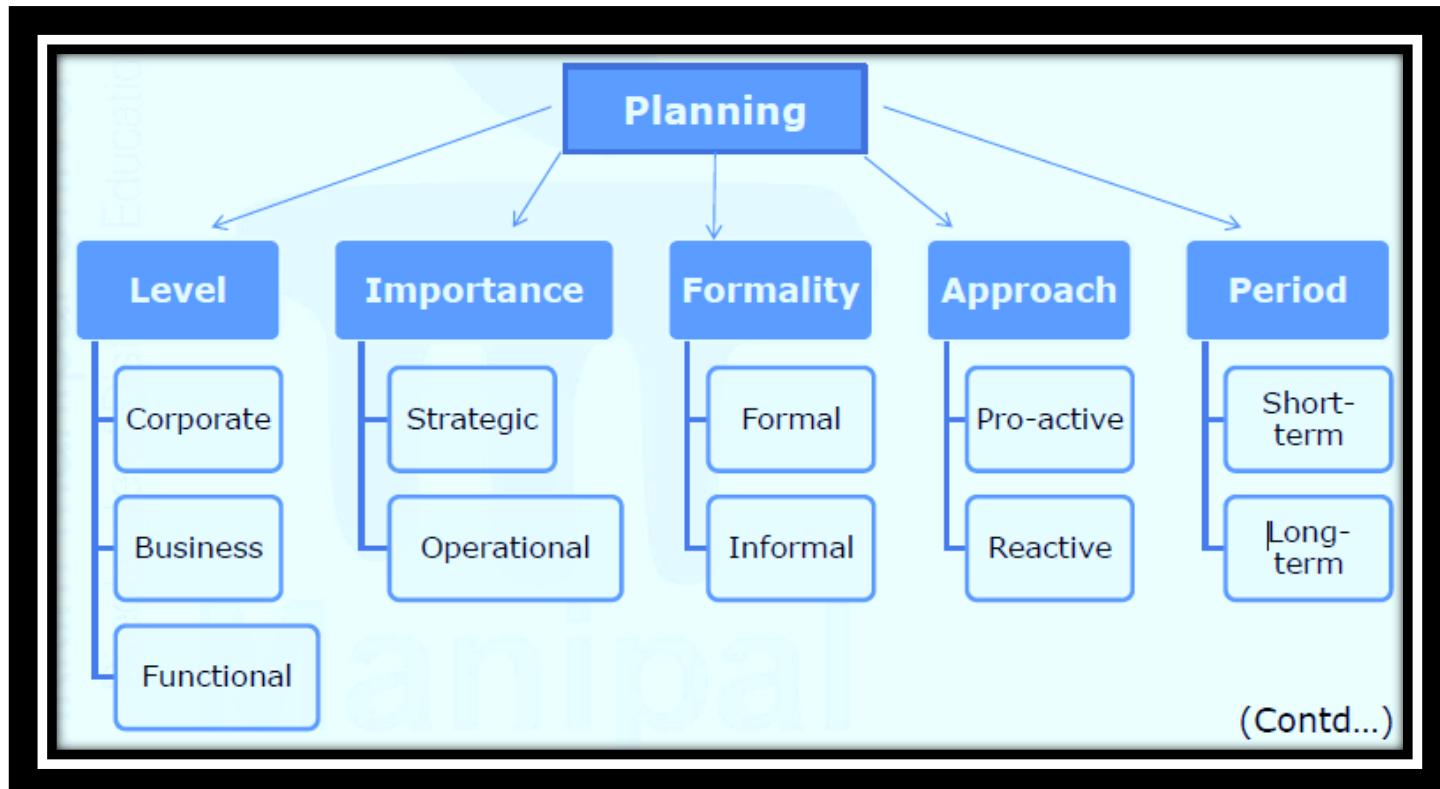


## **BUDGETS**

- ❖ Budgets are the statement of ***expected results expressed in numerical terms*** , referred as numberized programs
- ❖ Can be in terms of--- no of labour hours, units of production, financial terms, machine-hours,
- ❖ Budgets usually implements a program , it may in itself be a program.
- ❖ Variable or flexible budgets—depends on level of output
- ❖ Program budgets—the agencies and each dept. Within the agencies identifies the goals. Zero based budgets—combination of variable and program budgets.

# Types of Planning

Planning can be classified from different perspectives. The figure below depicts the perspectives of planning.



# Types of Planning

**Planning based on level:** They are integrated and future oriented plans covering long term objectives and the ways to do these at various levels such as corporate, functional and business levels.

**Based on importance:** Plans that are very crucial, future oriented and help the organisation fulfill its vision, are strategic plans.

Short term plans made for the day-to-day functioning such as production, purchase, operation etc. are called operational plans.

**Based on formal process:** When the planning is done as per the steps documented in a structured way, it is called formal plan and when this is missing it is called informal plan.

# Types of Planning

**Based on approach:** The plans that are made anticipating an incident is called pro-active plan. The plan that is made as a consequence of an event or action of the competition, is called reactive plan. Reactive plans bring an organisation back to balance after it has been lost whereas pro-active plans provide initiative.

**Based on period:** Every organisation is required to fulfill some need of society. Based on the time period required to fulfill each need, plans may be short-term, medium term and long term.

Usually it is said that short term implies 1 or 2 years, medium up to 5 years and long term from 8 to 20 years.

# Types of Plans

BREADTH OF USE	TIME FRAME	SPECIFICITY	FREQUENCY OF USE
Strategic	Long term	Directional	Single use
Tactical	Short term	Specific	Standing

- The most popular ways to describe plans are by their breadth (strategic versus tactical), time frame (long term versus short term), specificity (directional versus specific), and frequency of use (single use versus standing). These classifications are not mutually exclusive.

- Upper-level managers develop *strategic plans* that apply to the entire organization, establish overall objectives, and position the organization within its environment.
- Lower-level managers focus on *tactical plans* that specify how the overall objectives will be achieved. These plans differ in time frame and scope: operational plans are limited in scope and are measured daily, weekly, or monthly; strategic plans are broader, less specific and encompass five or more years.



# **STRATEGY: SURPRISE ATTACK**



**TACTIC: JUMP LIKE CRAZY  
& THROW SPEAR VERY HARD**

## **Example:**

### **Finding a Job**

Perhaps your goal is to find a new job as part of a long-term plan for financial stability. There are several different strategies you can use to find a job, including:

- Using your current skills to find a new job
- Becoming an apprentice for a trade
- Going to college for a new career.

If you decide on a strategy to use your current skills in a different job, then your tactics might include:

- Updating your résumé
- Telling your friends that you want a new job so they can help you
- Looking at job postings in newspapers or on the Internet.

In this situation, as in most cases, you'll probably use a few different tactics as part of your strategy to find a job. And in the process, you might decide that some tactics don't work well so you'll abandon them and try new tactics.

# Strategic Planning

- Strategic plans
  - ❖ Apply broadly to the entire organization.
  - ❖ Establish the organization's overall objectives.
  - ❖ Seek to position the organization in terms of its environment.
  - ❖ Provide direction to drive an organization's efforts to achieve its goals.
  - ❖ Serve as the basis for the tactical plans.
  - ❖ Cover extended periods of time.
  - ❖ Are less specific in their details.

## ❑ Tactical plans (operational plans)

- ❖ Apply to specific parts of the organization.
- ❖ Are derived from strategic objectives.
- ❖ Specify the details of how the overall objectives are to be achieved.
- ❖ Cover shorter periods of time.
- ❖ Must be updated continuously to meet current challenges.

## Specific plans

- ❖ Plans that have clearly defined objectives and leave no room for misinterpretation.
  - “What, when, where, how much, and by whom” (process-focus)

## Directional plans

- ❖ Flexible plans that set out general guidelines.
  - “Go from here to there” (outcome-focus)

# Directional versus Specific Plans



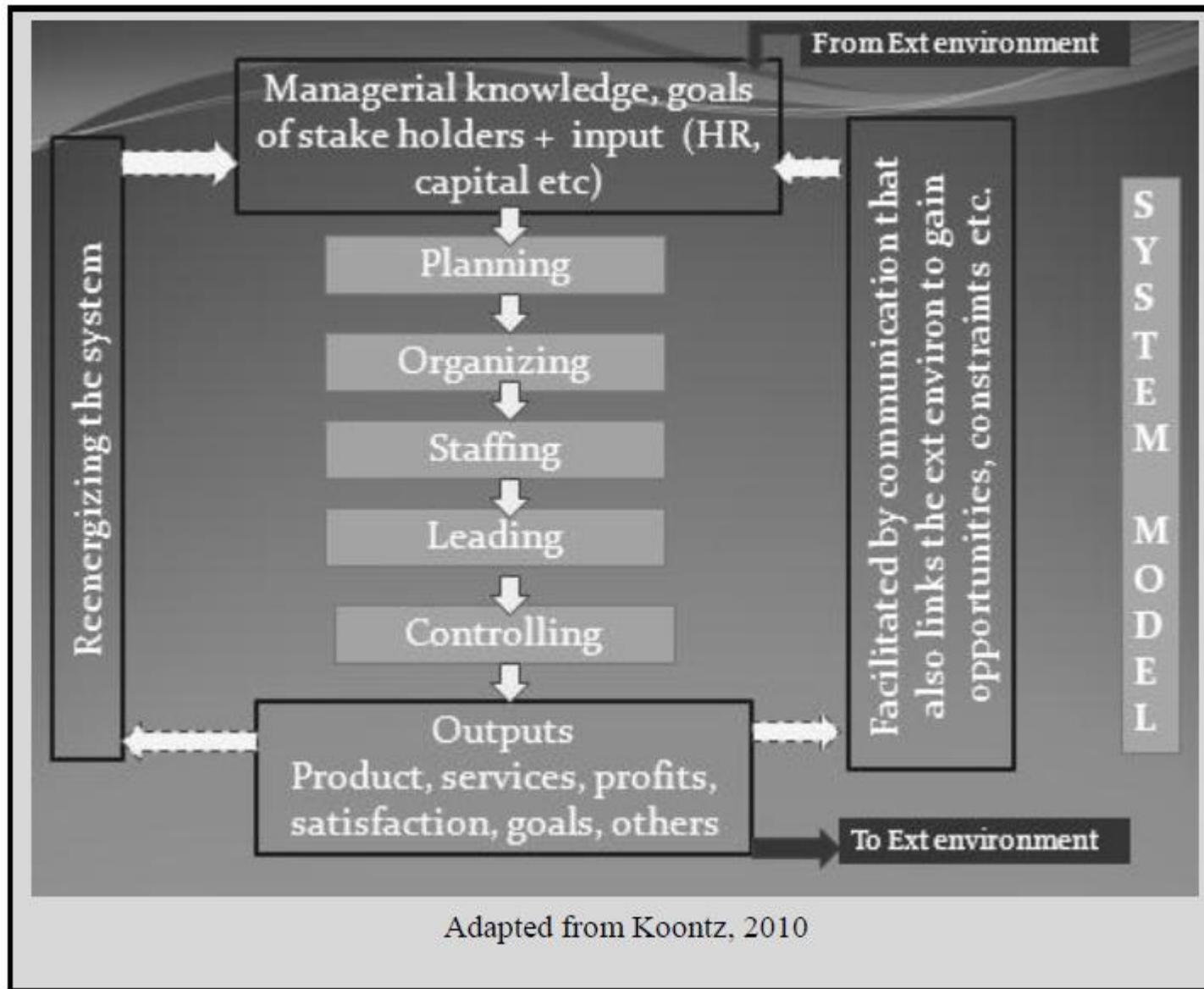
Directional plan



Specific plan

- Single-use plans
  - ❖ A plan that is used to meet the needs of a particular or unique situation
    - Single-day sales advertisement
  
- Standing plan
  - ❖ A plan that is ongoing and provides guidance for repeatedly performed actions in an organization
    - Customer satisfaction policy

# Systems Approach to Management





प्रज्ञानं वस्तु



INSPIRED BY LIFE

**Seventh Semester  
Essentials of Management  
HSS-401  
MBO**



# MANAGEMENT BY OBJECTIVES (MBO) :



Following are the common features of the organizational objectives :

- ❖ Verifiable and quantified objectives
- ❖ Hierarchy of objectives
- ❖ Network of objectives
- ❖ Multiplicity of objectives
- ❖ Process of objective setting & organizational hierarchy

# MBO Defined :



It is a comprehensive managerial system that integrates many key managerial activities in a systematic manner and that is consciously directed toward the effective and efficient achievement of organizational and individual objectives.

**A method whereby managers and employees define objectives for every department, project, and person, and use them to monitor subsequent performance.**

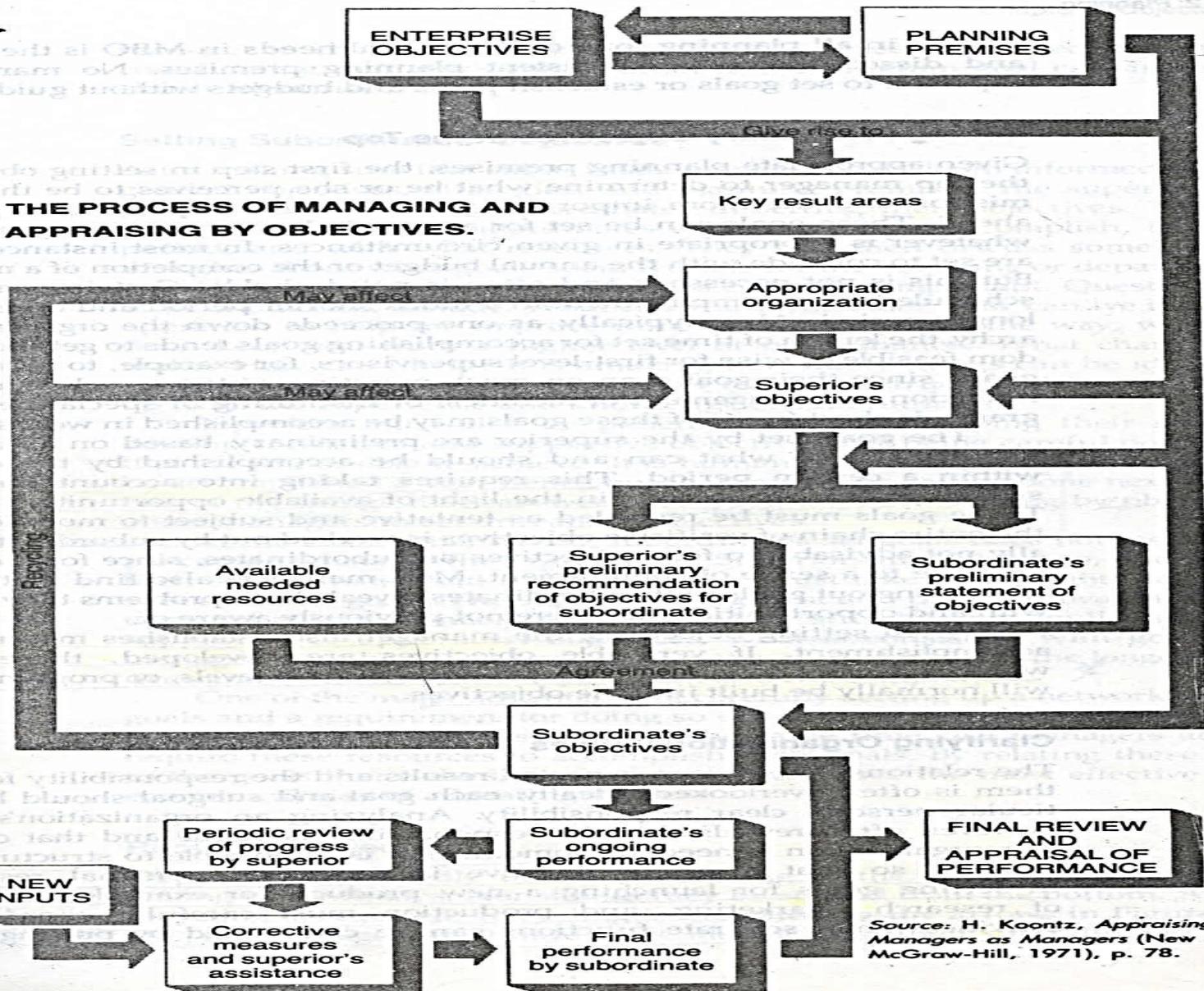
MBO emphasizes on the following :

- ❖ Performance appraisal
- ❖ Short term objectives and motivation
- ❖ Long term planning

## Process of MBO :

- ❖ Setting preliminary objectives at the top
- ❖ Clarifying organizational roles
- ❖ Setting subordinates objectives
- ❖ Recycling of objectives

**Figure 4-3**



Source: H. Koontz, *Appraising Managers as Managers* (New York: McGraw-Hill, 1971), p. 78.

## Examples of Nonverifiable and Verifiable Objectives

### Nonverifiable objectives

1. To make a reasonable profit
2. To improve communication
3. To improve productivity of the production department
4. To develop better managers
5. To install a computer system

### Verifiable objectives

1. To achieve a return on investment of 12% at the end of the current fiscal year
2. To issue a two-page monthly newsletter beginning July 1, 2014 involving not more than 40 working hours of preparation time (after the first issue)
3. To increase production output by 5% by December 31 2014 without additional costs and while maintaining the current quality level
4. To design and conduct a 40-hour in-house program on the "fundamentals of management," to be completed by October 1, 2014 involving not more than 200 working hours of the management development staff and with at least 90% of the 100 managers passing the exam (specified)
5. To install a computerized control system in the production department by December 31, 2014 requiring not more than 500 working hours of systems analysis and operating with not more than 10% downtime during the first 3 months



# SETTING EMPLOYEE OBJECTIVES

- Identify an employee's key job tasks.
- Establish specific and challenging goals for each key task.
- Allow the employee to actively participate.
- Prioritize goals.
- Build in feedback mechanisms to assess goal progress.
- Link rewards to goal attainment.

# Benefits of MBO



## Benefits of MBO

- The need for planning will be recognized.
- It provides for objectives and accountability for performance.
- It encourages participative management.
- It helps in job enrichment.
- It provides for a good feedback system.

# Objectives of MBO



- To identify problems and opportunities in business.
- To convert identified opportunities into clear goals.
- To set up a system to convert these goals into achievements.
- To review the organization in the light of the objectives.
- To establish the objectives of each job and unit.
- To clarify the policies and systems to accomplish the objectives.
- To set up a review system.

## WEAKNESSES OF “MBO”



- ❖ Failure to teach the philosophy of MBO
- ❖ Failure to give guidelines to goal setters
- ❖ Difficulty of setting goals
- ❖ Emphasis on short run goals
- ❖ Danger of inflexibility
- ❖ Desire to make goals verifiable people may use quantitative goals and attempt to use numbers in areas where they are not applicable.

# BENEFITS AND PROBLEMS OF “MBO”



## Benefits

- Leader/subordinate efforts are focused on activities that will lead to goal attainment
- Performance improved up and down the chain
- Motivated people

## Problems

- Change adversely affects planning
- Low morale reduces effectiveness
- Lower level goals take precedence
- Over-centralized authority limits participation
- Paperwork



**Seventh Semester  
Essentials of Management  
HSS-401  
Strategic Planning Tools**



*Faculty, Dept. of Humanities and Management,  
Manipal Institute of Technology - Manipal*

# Learning Objectives



## ***Strategic Planning Tools***

- Critical question analysis
- SWOT analysis
- Business portfolio analysis
- Porter's Model for Industry Analysis



# Tools to develop Strategy

- Critical question analysis.
- SWOT analysis.
- Business portfolio analysis.
- Porter's model for Industry analysis.

*These 4 strategy development tools are related but distinct. Managers should use the tool or combination of tools that seem most appropriate for them and their organizations.*

# Critical Question Analysis



- What is our business?

Glass bottle manufacturers missed their opportunities by seeing themselves for too long as glass bottle makers rather than as liquid container manufacturers while plastic and metal containers come to replace glass in many cases.

- Who are our customers?
- What do our customers want?
- How much will our customers buy and at what price?
- Do we wish to be a product leader?
- Do we wish to develop our own new products?

# Critical Question Analysis....



*An example of critical question analysis:*

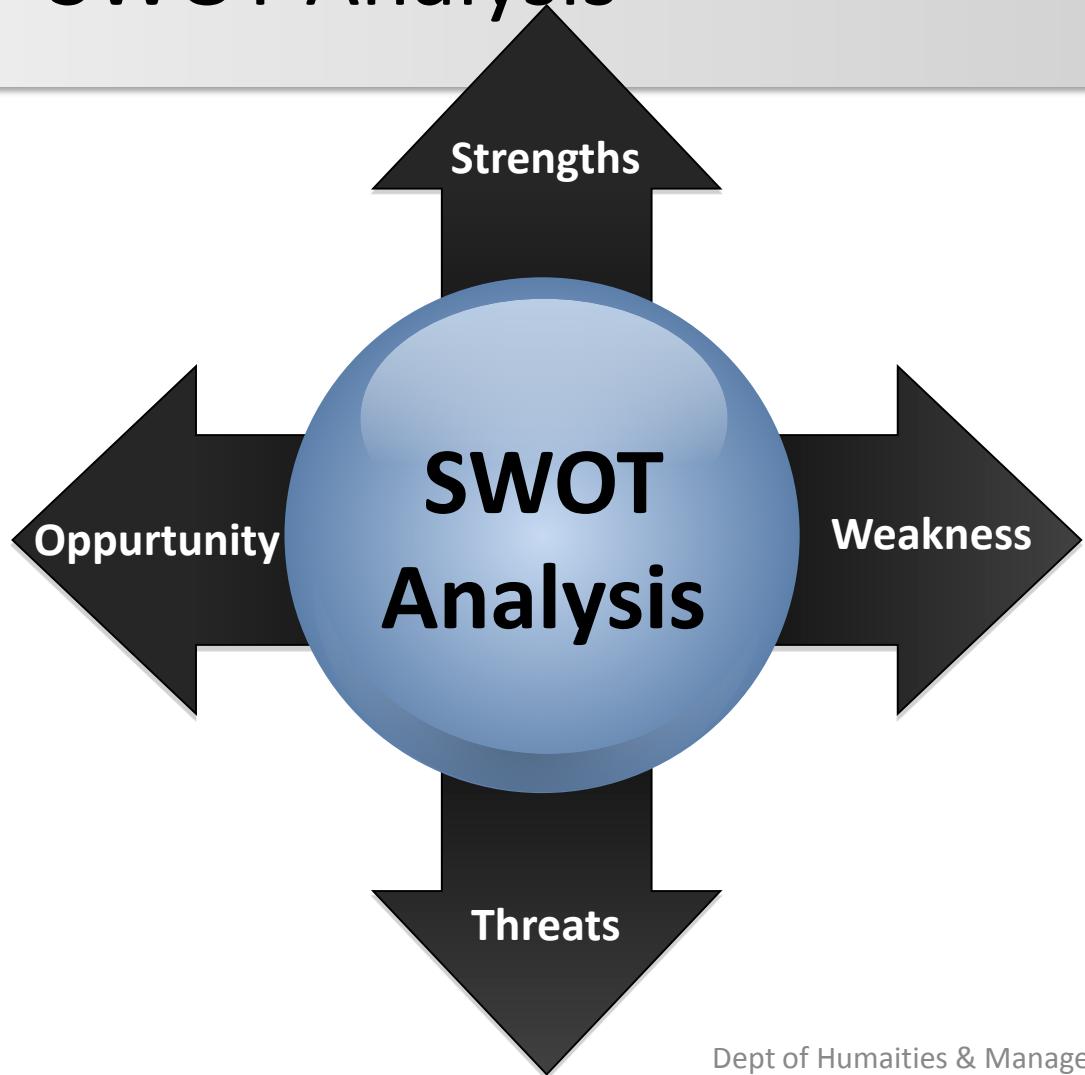
The key questions that serve as guides for establishing a marketing strategy are:

- Where are our customers and why do they buy?
- How do our customers buy?
- How is it best for us to sell?
- Do we have something to offer that competitors do not?

# SWOT Analysis



# SWOT Analysis



- ▶ Acronym for **Strengths, Weaknesses, Opportunities, and Threats.**
- ▶ Technique is credited to **Albert Humphrey** who led a research project at Stanford University in the 1960s and 1970s.
- ▶ **Planning tool** used to understand Strengths, Weaknesses, Opportunities, & Threats involved in a project / business.
- ▶ Used as **framework for organizing** and using data and information gained from **situation analysis** of internal and external environment.
- ▶ Technique that enables a group / individual to move from everyday problems / traditional strategies to a **fresh perspective**.

# What is SWOT Analysis?

## STRENGTHS

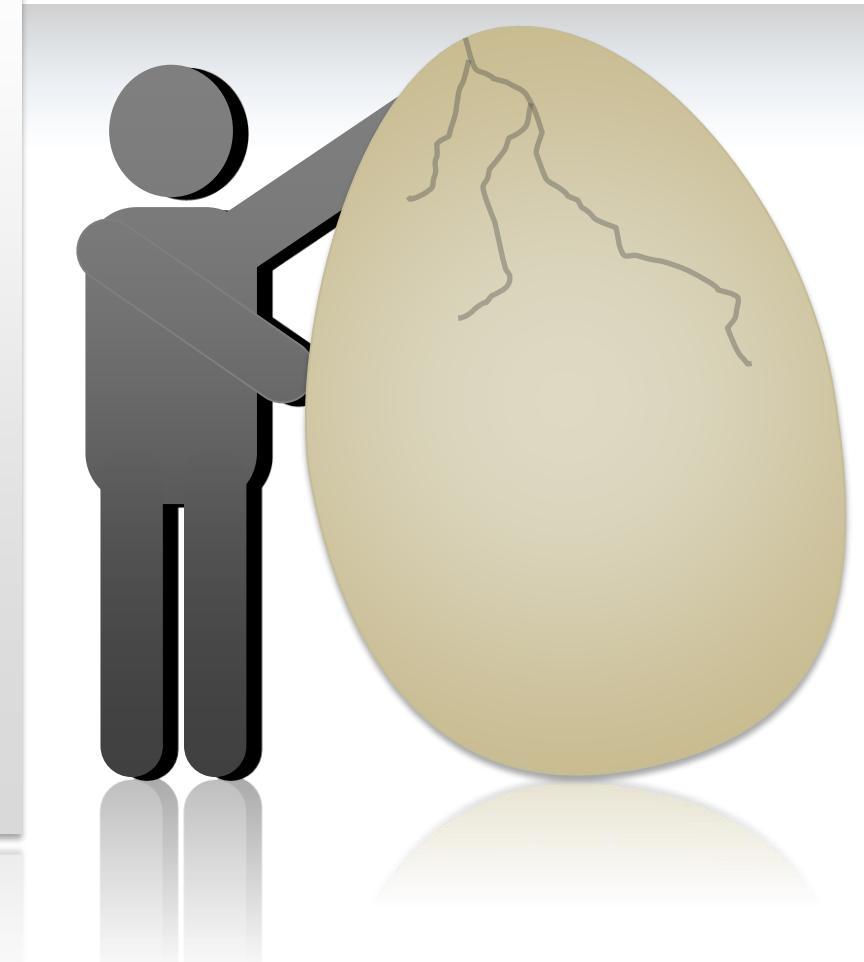
- ▶ Characteristics of the business or a team that give it an advantage over others in the industry.
- ▶ Positive tangible and intangible attributes, internal to an organization.
- ▶ Beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty.
- ▶ **Examples** - Abundant financial resources, Well-known brand name, Economies of scale, Lower costs [raw materials or processes], Superior management talent, Better marketing skills, Good distribution skills, Committed employees.



# What is SWOT Analysis?

## WEAKNESSES

- ▶ Characteristics that place the firm at a disadvantage relative to others.
- ▶ Detract the organization from its ability to attain the core goal and influence its growth.
- ▶ Weaknesses are the factors which do not meet the standards we feel they should meet. However, weaknesses are controllable. They must be minimized and eliminated.
- ▶ **Examples** - Limited financial resources, Weak spending on R & D, Very narrow product line, Limited distribution, Higher costs, Out-of-date products / technology, Weak market image, Poor marketing skills, Limited management skills, Under-trained employees.



# What is SWOT Analysis?

## OPPORTUNITIES

- ▶ Chances to make greater profits in the environment - External attractive factors that represent the reason for an organization to exist & develop.
- ▶ Arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable.
- ▶ Organization should be careful and recognize the opportunities and grasp them whenever they arise. Opportunities may arise from market, competition, industry/government and technology.
- ▶ **Examples** - Rapid market growth, Rival firms are complacent, Changing customer needs/tastes, New uses for product discovered, Economic boom, Government deregulation, Sales decline for a substitute product .



# What is SWOT Analysis?

## THREATS

- ▶ External elements in the environment that could cause trouble for the business - External factors, beyond an organization's control, which could place the organization's mission or operation at risk.
- ▶ Arise when conditions in external environment jeopardize the reliability and profitability of the organization's business.
- ▶ Compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake.
- ▶ **Examples** - Entry of foreign competitors, Introduction of new substitute products, Product life cycle in decline, Changing customer needs/tastes, Rival firms adopt new strategies, Increased government regulation, Economic downturn.

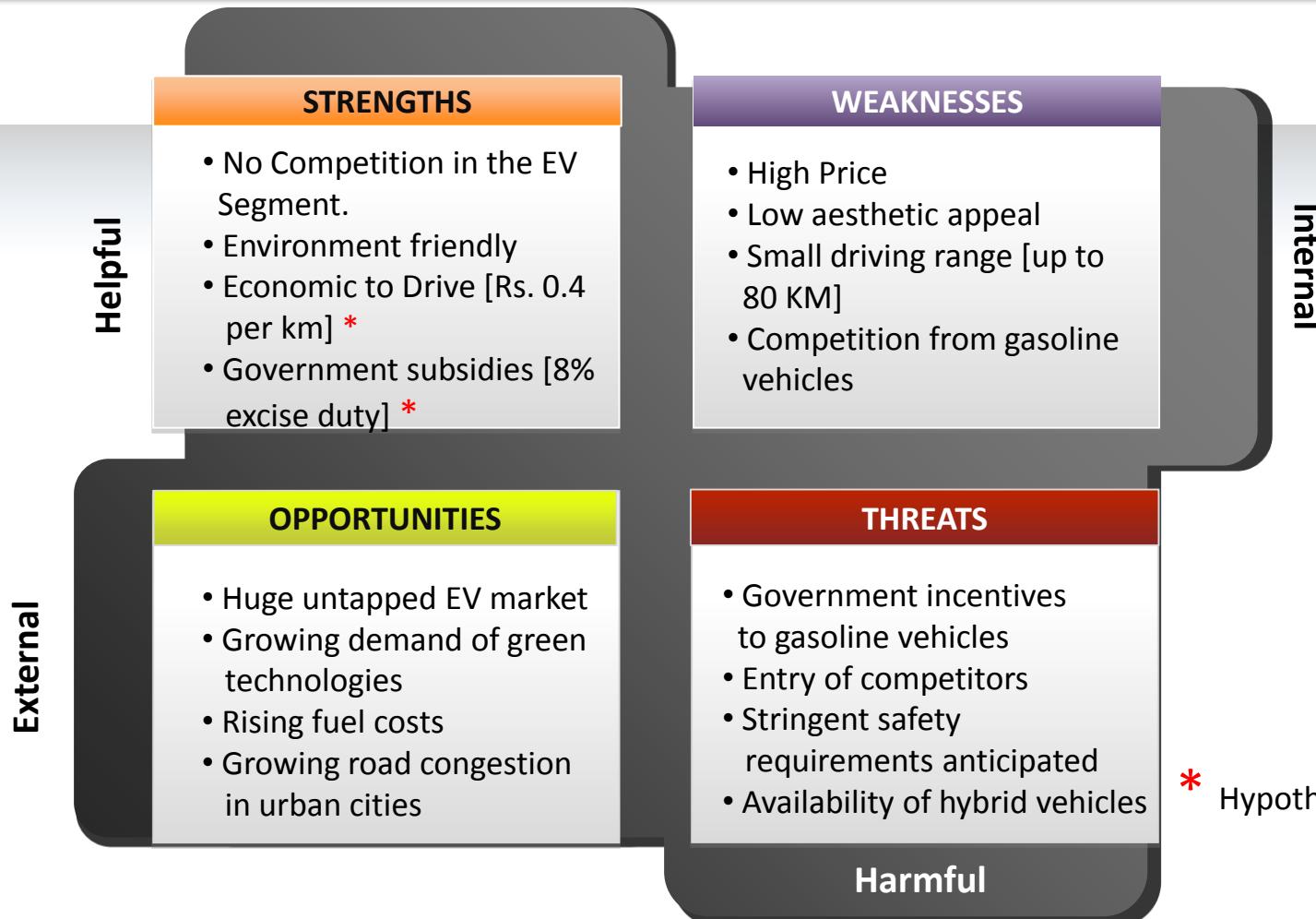


# Exercise

Assume that a car manufacturing company has recently launched its electrical vehicle (EV) products. Perform a SWOT analysis for the same.



# Exercise



# TOWS Matrix



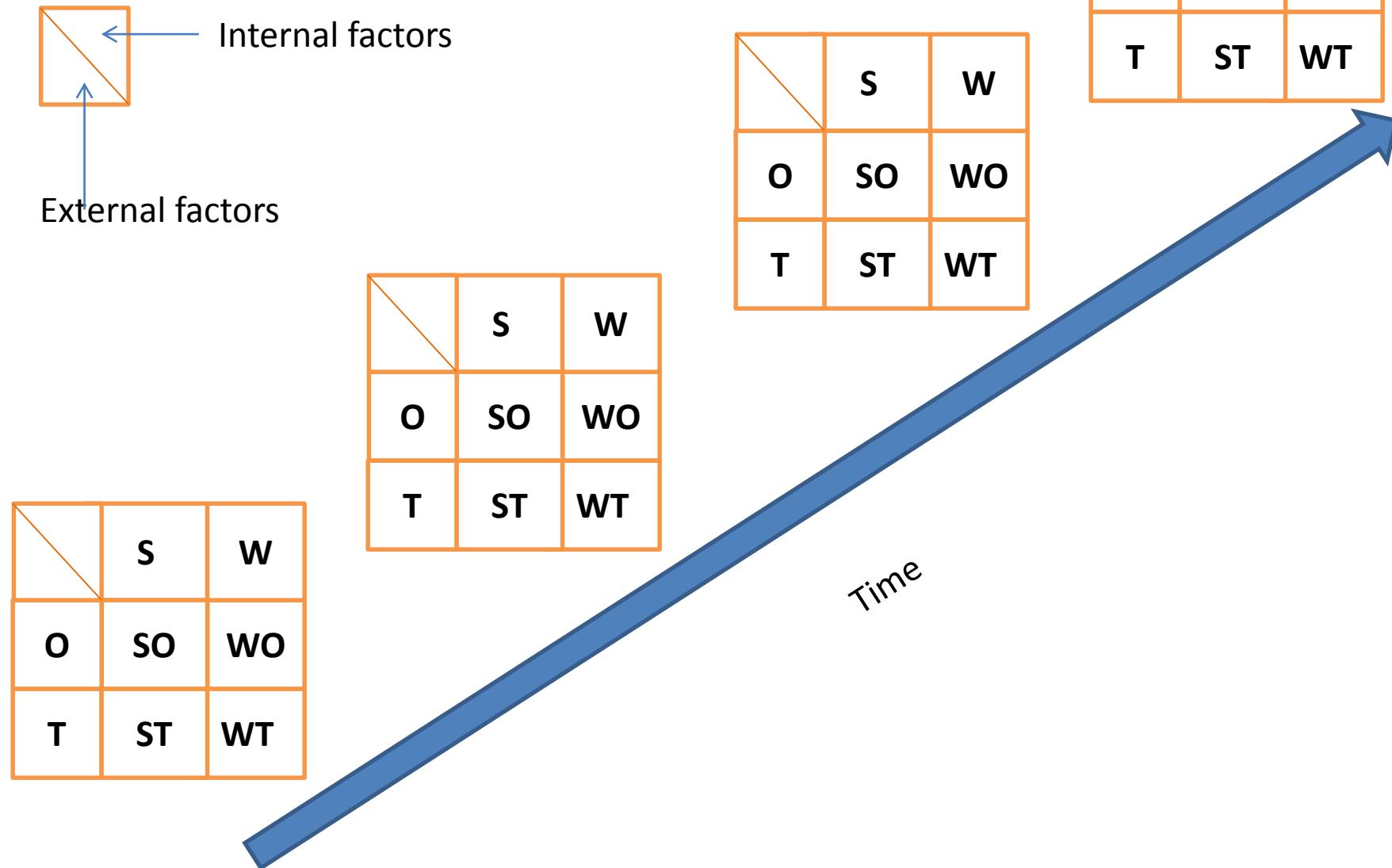
*It has four alternative strategies*

- The WT Strategy
- The WO Strategy
- The ST Strategy
- The SO Strategy

## TOWS Matrix for Strategy Formulation

Internal factors	Internal strengths (S) e.g., strengths in management operations, finance, marketing, R&D, engineering	Internal weaknesses(W) e.g., weaknesses in areas shown in the box of "strengths"
External Opportunities (O) (Consider risks also) e.g., current and future economic condition, political and social changes, new products, services and technology	SO strategy: Maxi-Maxi Potentially the most successful strategy, utilizing the organization's strengths to take advantage of opportunities	WO strategy: Mini-Maxi e.g., Developmental strategy to overcome weaknesses in order to take advantage of opportunities
External threats (T) e.g., lack of energy, competition, and areas similar to those shown in the "opportunities" box above	ST strategy: Maxi-Mini e.g., use of strengths to cope with threats or to avoid threats	WT strategy: Mini-Mini e.g., retrenchment, liquidation, or joint venture to minimize both weaknesses and threats

# Dynamics of the TOWS Matrix



# Business Portfolio Analysis



The Business Porfolio Matrix or the Growth-Share Matix was developed by Boston Consulting Group (BCG) in 1970s.

According to this technique, businesses or products are classified as low or high performers depending upon their market growth rate and relative market share.

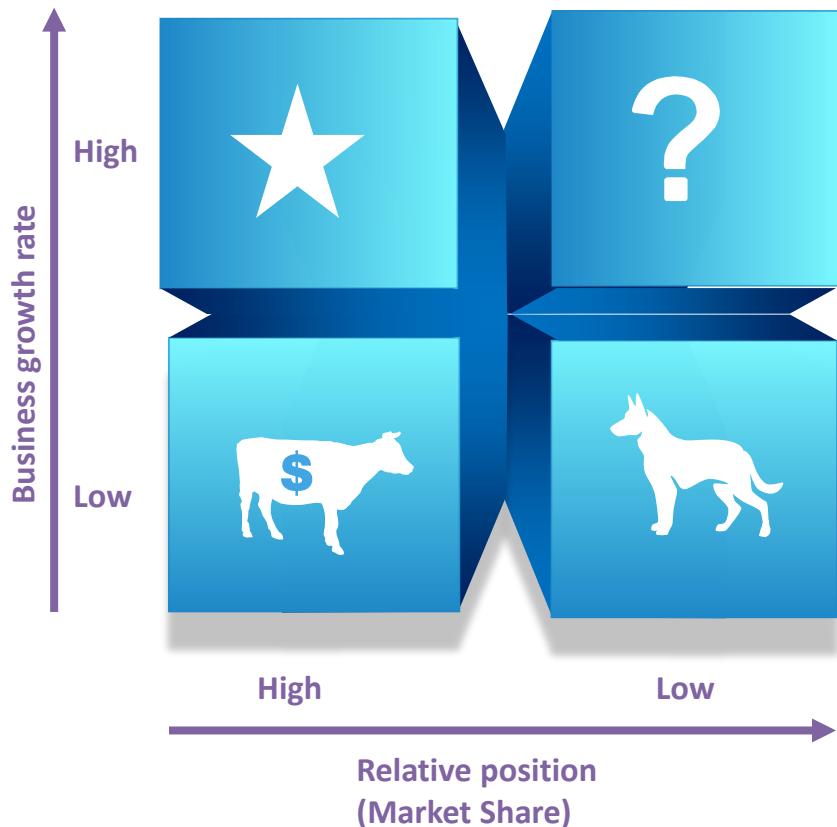
# Business Portfolio Analysis...



It is a **portfolio planning model** which is based on the observation that a company's business units can be classified into four categories:

- ✓ ***Stars***
  - ✓ ***Question marks***
  - ✓ ***Cash cows***
  - ✓ ***Dogs***
- 
- It is based on the combination of market growth and market share relative to the **next best competitor.**

# Business Portfolio Analysis



- Boston Consulting Group (BCG) Matrix is a four celled matrix developed by BCG, USA.
- The Boston Consulting Group (BCG) growth/share matrix is among the best known of these approaches.
- In the BCG approach, each of the firm's Strategic Business Units (SBUs) is plotted on a two-dimensional grid in which the axes are relative market share and industry growth rate.
- The grid is broken into two quadrants. It is a most renowned corporate portfolio analysis tool.

# Business Portfolio Analysis



According to the BCG Matrix, business could be divided into high or low depending upon their industry growth and relative market share.



**Relative Market Share** = SBU Sales this year / leading competitors sales this year.

**Market Growth Rate** = Industry sales this year - Industry Sales last year.



The analysis requires that both measures be calculated for each SBU. The dimension of business strength, relative market share, will measure comparative advantage indicated by market dominance. The key theory underlying this is existence of an experience curve and that market share is achieved due to overall cost leadership.



# Business Portfolio Analysis...



## ***STARS – High Growth, High Market Share***

- Stars are leaders in business.
- They also require heavy investment, to maintain its large market share.
- It leads to large amount of cash consumption and cash generation.
- Attempts should be made to hold the market share otherwise the star will become a CASH COW.

# Business Portfolio Analysis...



## ***CASH COWS - Low growth , High market share***

- They are foundation of the company and often the stars of yesterday.
- They generate more cash than required.
- They extract the profits by investing as little cash as possible
- They are located in an industry that is mature, not growing or declining.

# Business Portfolio Analysis...



## ***DOGS - Low growth, Low market share***

- Dogs are the cash traps.
- Dogs do not have potential to bring in much cash.
- Number of dogs in the company should be minimized.
- Business is situated at a declining stage.

# Business Portfolio Analysis...



## ***QUESTION MARKS - High growth, Low market share***

- Most businesses start off as question marks.
- They will absorb great amounts of cash if the market share remains unchanged, (low).

### Why question marks?

- Question marks have potential to become star and eventually cash cow but can also become a dog.
- Investments should be high for question marks.

# Business Portfolio Analysis



Stars are SBUs competing in the high-growth industries with relatively high market shares. These firms have long-term growth potential and should continue to receive substantial investment funding

These are SBUs with high market shares in low-growth industries. These units have limited long-run potential but represent a source of current cash flows to fund investments in “stars” and “question marks”

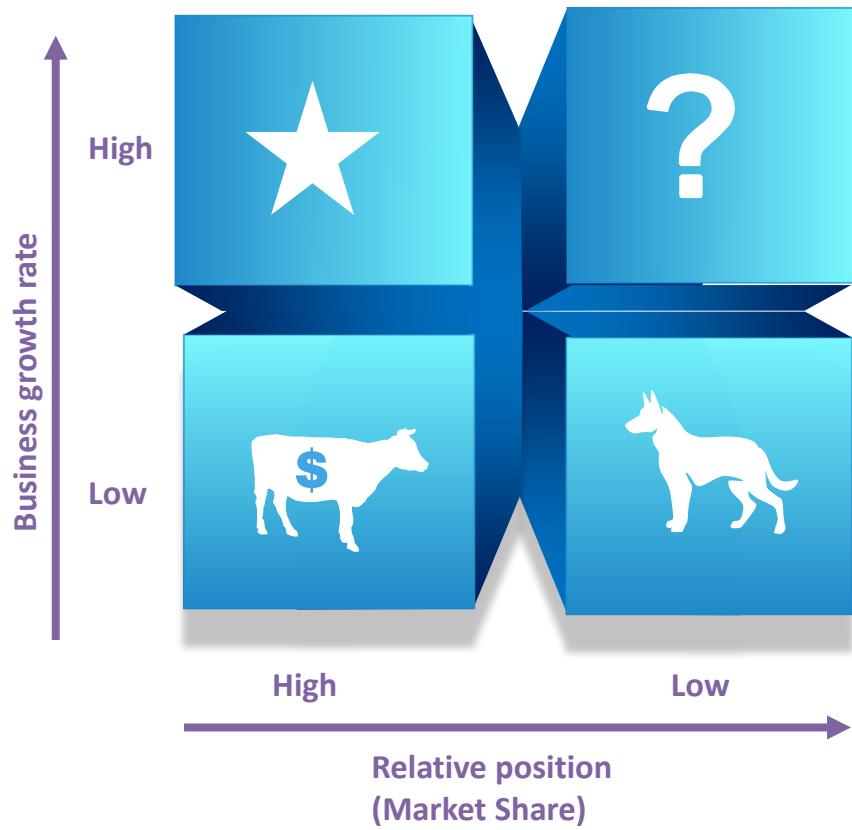


Question marks are SBUs competing in high-growth industries but having relatively weak market shares. Resources should be invested in them to enhance their competitive positions

Dogs are SBUs with weak market shares in low-growth industries. Because they have weak position and limited potential, most analysts recommend that they be divested

Each of the four quadrants of the grid has different implication for the SBUs that fall into the category

# Business Portfolio Analysis



## BCG Matrix application

The **BCG Matrix** method can help to understand a frequently made strategy mistake: having a one size fits all strategy approach, such as a generic growth target or a generic return on capital for an entire corporation.

**Cash Cows** Business Units will reach their profit target easily. Their management have an easy job. Even worse, they are often allowed to reinvest substantial cash amounts in their mature businesses

**Dogs** Business Units are fighting an impossible battle and, even worse, now and then investments are made. These are hopeless attempts to "turn the business around"

As a result all **Question Marks** and **Stars** receive only mediocre investment funds. In this way they can never become **Cash Cows**. Inadequate invested sums of money are a waste of money

Either these SBUs should receive enough investment funds to enable them to achieve a real market dominance and become **Cash Cows (or Stars)**, or otherwise companies are advised to disinvest. They can then try to get any possible cash from the **Question Marks** that were not selected

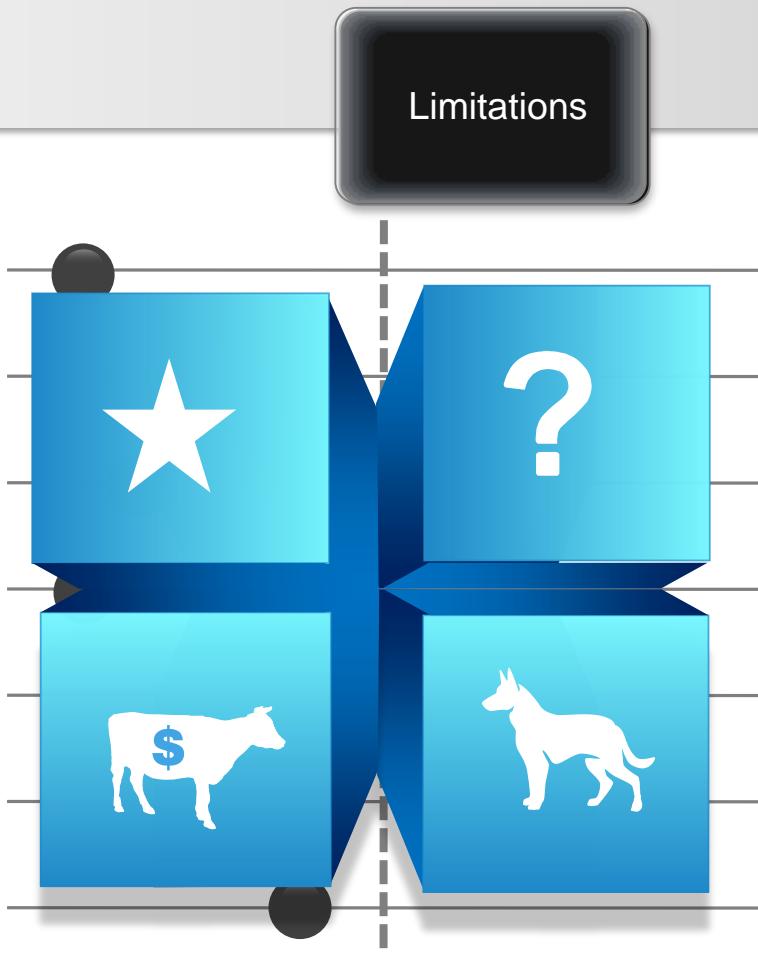
# Business Portfolio Analysis...



## Benefits

- BCG MATRIX is simple and easy to understand.
- It helps you to quickly and simply screen the opportunities open to you, and helps you think about how you can make the most of them.
- It is used to identify how corporate cash resources can best be used to maximize a company's future growth and profitability.

# Limitations of BCG Matrix



## Limitations

- BCG matrix uses only two dimensions: **Relative Market Share** and **Market Growth Rate**
- Problems arise while getting data for market share and market growth
- High market share does not mean profits all the time
- Business with low market share can be profitable too
- It neglects the effects of **synergy** between business units
- Market growth is not the only indicator for attractiveness of a market
- There is no clear definition of what constitutes a “market”
- The model neglects small competitors that have fast growing market shares

# Business Portfolio Analysis...



## Why BCG Matrix?

To assess :

- Profiles of products/businesses
- The cash demands of products
- The development cycles of products
- Resource allocation and divestment decisions

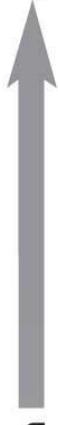
# Business Portfolio Analysis...



## *Main Steps in BCG*

- Identifying and dividing a company into SBU.
- Assessing and comparing the prospects of each SBU according to two criteria :
  1. SBU'S relative market share.
  2. Growth rate OF SBU'S industry.
- Classifying the SBU'S on the basis of BCG matrix.
- Developing strategic objectives for each SBU.

High



## QUESTION MARKS

**Low Market Share  
and  
High Market Growth**

Don't know what to do  
with opportunities;  
decide whether to  
increase investment.

## STARS

**High Market Share  
and  
High Market Growth**

Doing well, great  
opportunities.

## DOGS

**Low Market Share  
and  
Low Market Growth**

Weak in market,  
difficult to make profit.

## CASH COWS

**High Market Share  
and  
Low Market Growth**

Doing well in no growth  
market with limited  
opportunities.

Low

Low

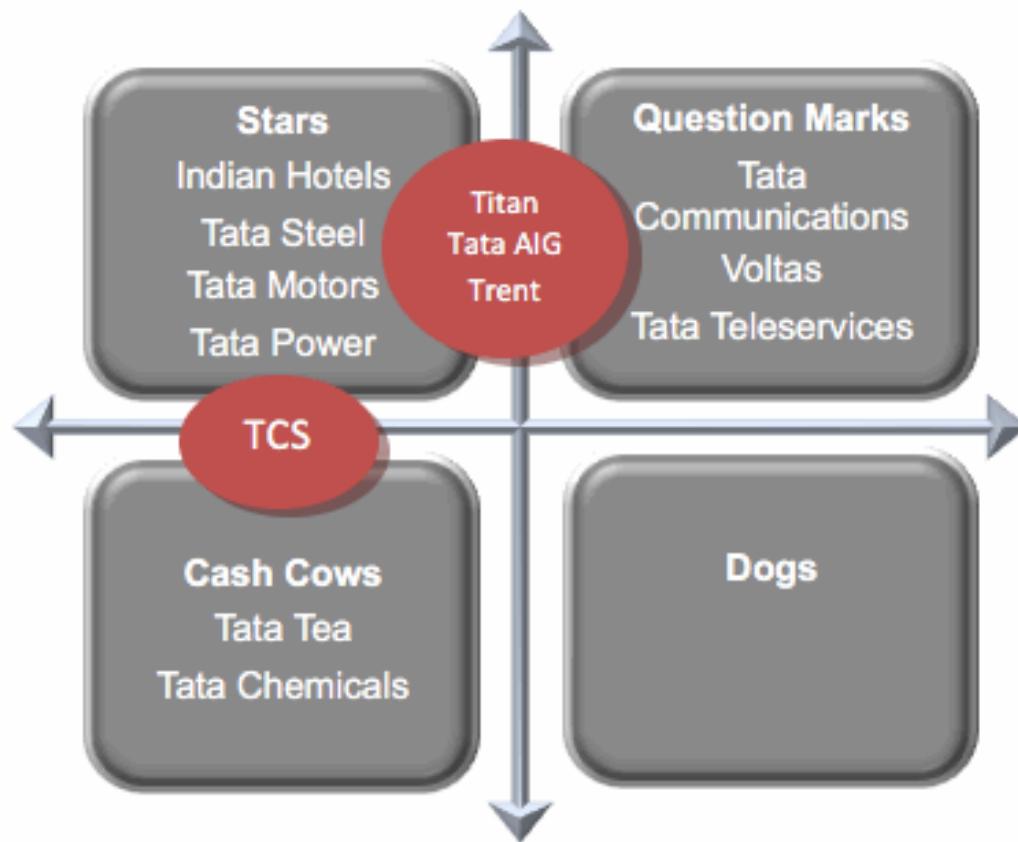
Market Share

High

# BCG for Apple



# BCG for Tata Group



# Business Portfolio Analysis...



*Four strategies emerged from BCG Matrix:*

- ❖ Build
- ❖ Hold/Maintain
- ❖ Harvest
- ❖ Divest

# Growth Strategies...

- Direct Expansion
  - Involves increasing a company's size, revenues, operation, or workforce.
- Merger
  - Occurs when two companies, usually of similar size, combine their resources to form a new company.
- Acquisition
  - Occurs when a larger company buys a smaller one and incorporates the acquired company's operations into its own.

# **3 Generic Competitive Strategies/Porter's Generic Model**

# Overall Cost leadership strategy

- An organization implementing an overall cost leadership strategy attempts to gain a competitive advantage by reducing its cost below the costs of competing firms.
- Such organizations keep a close watch on costs in areas such as research and development, sales and services.
- By keeping costs low, the organization is able to sell its products at low prices and still make a profit.
- Eg: Timex. For decades, this firm has specialized in manufacturing relatively simple, low cost watches for the mass market.

# Differentiation strategy

- An organization that pursues a differentiation strategy seeks to distinguish from competitors by offering something unique through the quality of products or services.
- Porsche sports car are indeed special; so is the caterpillar company, which is known for its prompt service and availability of spare parts. Firms that are successfully able to implement a differentiation strategy are able to charge more than competitors because customers are willing to pay more to obtain the extra value they perceive.
- EG: Rolex watches are handmade of gold and stainless steel and are subjected to strenuous tests of quality and reliability. The firms reputation enables it to charge thousands of dollars for its watches.

# Focused strategy

- A company adopting a focused strategy concentrates on a specific regional market, product line, or group of buyers. This strategy may have either a differentiation focus, whereby the firm differentiates its products in the focus market, or on overall leadership focus, whereby the firm manufactures and sells its products at low cost in the focus market.
- In the watch industry, Longines follows a focus differentiation strategy by selling highly jewelled watches to wealthy female customers. Fisher-Price uses focus differentiation strategy to sell electronic calculators with large, bright colored buttons to the parents of preschoolers.

# Blue Ocean Strategy

(W. Chan Kim and Renée Mauborgne)

What is blue ocean strategy?

Companies tend to engage in head-to-head competition in search of sustained profitable growth.

Yet in today's overcrowded industries competing head-on results in nothing but a bloody **red ocean** of rivals fighting over a shrinking profit pool.

Lasting success increasingly comes, not from battling competitors, but from creating blue oceans of untapped new market spaces ripe for growth.

Blue Ocean Strategy challenges everything you thought you knew about strategic success and provides a systematic approach to making the competition irrelevant.

# Key points of Blue Ocean Strategy

- It's grounded in data: It is based on a decade-long study of more than 150 strategic moves spanning more than 30 industries over 100 years.
- It pursues differentiation and low cost: Blue ocean strategy is based on the simultaneous pursuit of differentiation and low cost. It is an 'and-and,' not an 'either-or' strategy
- It creates uncontested market space: Blue ocean strategy doesn't aim to out-perform the competition. It aims to make the competition irrelevant by reconstructing industry boundaries

- It empowers you through tools and frameworks: Blue ocean strategy offers systematic tools and frameworks to break away from the competition and create a blue ocean of uncontested market space
- It provides a step-by-step process: From assessing the current state of play in an industry, to exploring the six paths to new market space, to understanding how to convert noncustomers into customers. Blue ocean strategy provides a clear four-step process to create your to-be blue ocean strategy
- It maximizes opportunity while minimizing risk: The blue ocean idea index allows you to test the commercial viability of your ideas and shows you how to refine your ideas to maximize your upside while minimizing downside risk

- It builds execution into strategy: The process and tools are inclusive, easy to understand and communicate, and visual – all of which makes the process non-intimidating and an effective path to building execution into strategy and the collective wisdom of a company
- It shows you how to create a win-win outcome: As an integrated approach to strategy, blue ocean strategy shows how to align the three strategy propositions – value, profit, and people – to ensure your organization is aligned around your new strategy and that it creates a win for buyers, the company, and for employees and stakeholders

## Red Ocean Strategy

VS

## Blue Ocean Strategy

Compete in **existing** market space.

**Beat** the competition.

Exploit **existing** demand.

**Make** the value-cost trade-off.

Align the whole system of a firm's activities with its **strategic choice of differentiation or low cost**.

Create **uncontested** market space.

Make the competition **irrelevant**.

Create and capture **new** demand.

**Break** the value-cost trade-off.

Align the whole system of a firm's activities in **pursuit of differentiation and low cost**.



**Sixth Semester  
Essentials of Management  
HSS-302  
Strategic Planning Process**

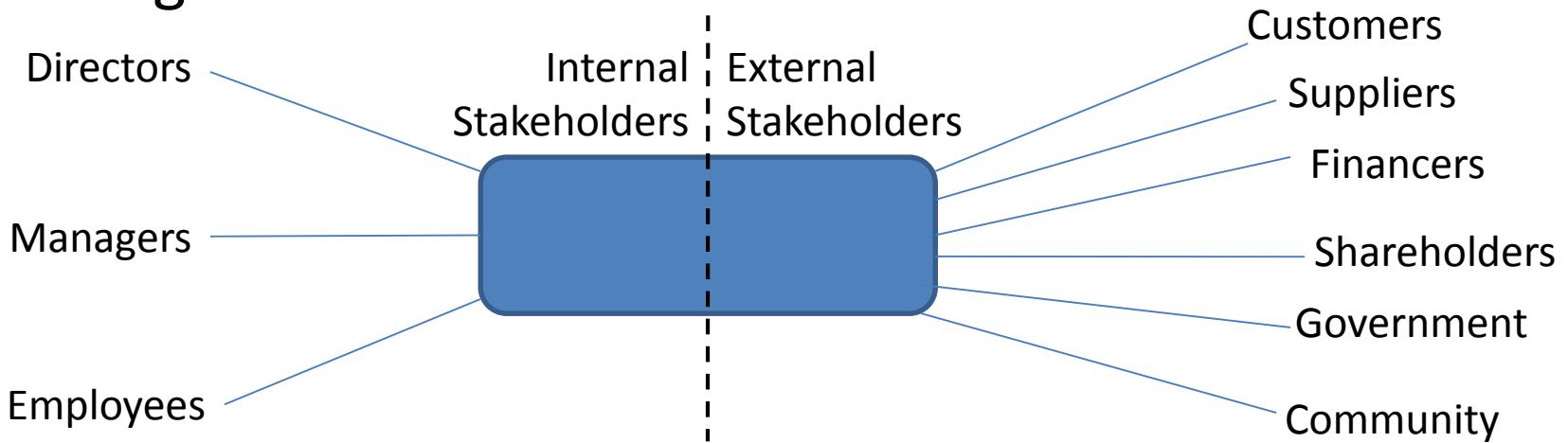


# Stakeholder

**Stake holder** is a person who has a ‘stake’ in the firm.

Dictionary meaning of the word ‘stake’ is a share or interest, specially financial, in property, a person or a business venture and the like.

Stake holders can be internal or external to the organization.





# Stakeholder... (cont'd)

- These interest groups influence not only the final selection of the strategy but also its very formulation.
- Therefore its crucial for managers to analyze their relative importance and expectations.
- The purpose of business is to provide value for a broad range of stakeholders.

# Stakeholders & their interests



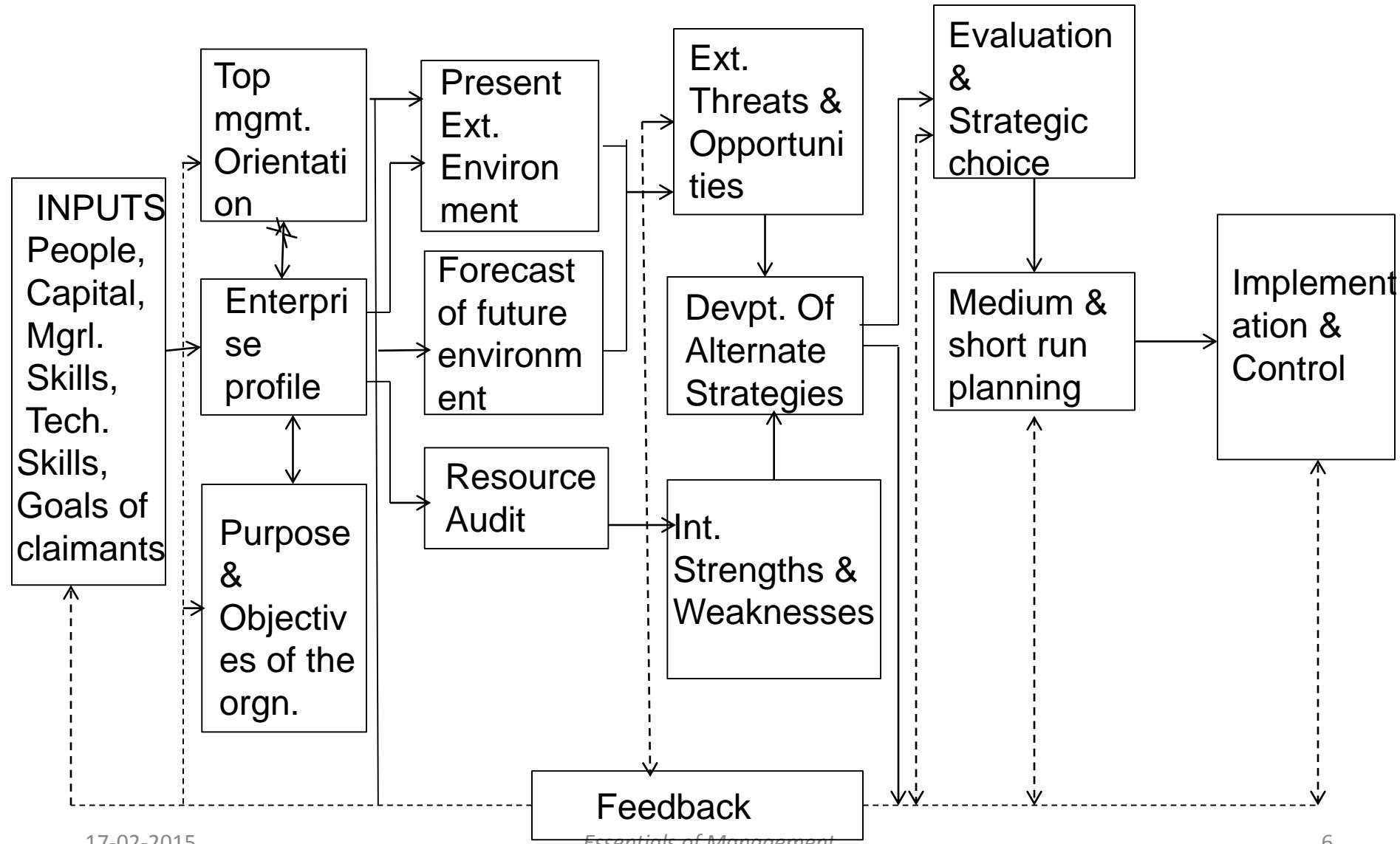
Stakeholder Group	Examples of Value Provided
Stock holders	Stock price appreciation and dividends
Customers	Products and services
Employees	Employment, wages, personal growth opportunities
Suppliers	Revenue through sales, growth opportunities
Local Community	Jobs, economic development, civic development
Society at large	Economic health and security, environmental protection
Trade associations	Political strength, operating funds

# Fiscal & Social Responsibility



- A firm's obligations to stock holders is referred as **fiscal responsibility**, while obligations to firm's stakeholders is known as **social responsibility**.
- One of the management's most important role is to strike an acceptable balance between the firm's fiscal responsibilities and its social responsibilities.

# Strategic Planning Process

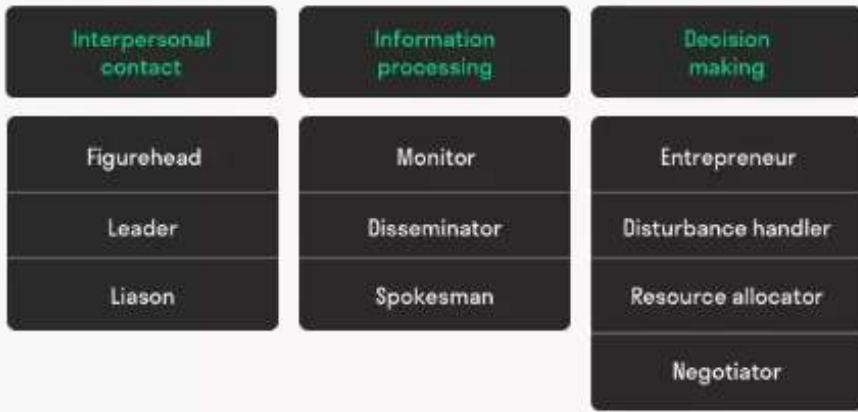


# Tools to develop Strategy



- ❑ Critical question analysis
- ❑ SWOT analysis
- ❑ Business portfolio analysis
- ❑ Porter's Model for Industry Analysis

## Mintzberg Managerial Roles



The activities that are carried out by those managers are key elements. The way in which the Mintzberg Managerial Roles are carried out, are influenced by individual and situational factors. Henry Mintzberg initially divided the ten managerial Roles roles into three sub categories:

- Interpersonal contact
- Information processing
- Decision making

### Interpersonal contact

Interpersonal contact concerns the contact between the manager and the people in his environment. For example, subordinates, other managers, the board of directors, the works council, customers and suppliers.

The following Mintzberg Managerial Roles are primarily concerned with interpersonal contact:

#### 1. Figurehead

As head of a department or an organisation, a manager is expected to carry out ceremonial and/or symbolic duties. A manager represents the company both internally and externally in all matters of formality.

He is a networker but he also serves as an exemplary role model. He is the one who addresses people celebrating their anniversaries, attends business dinners and receptions.

## **2. Leader**

In his leading role, the manager motivates and develops staff and fosters a positive work environment. He coaches and supports staff, enters into (official) conversations with them, assesses them and offers education and training courses.

## **3. Liason**

A manager serves as an intermediary and a linking pin between the high and low levels. In addition, he develops and maintains an external network.

As a networker he has external contacts and he brings the right parties together. This will ultimately result in a positive contribution to the organization.

### **Information processing**

According to Henry Mintzberg, the managerial role involves the processing of information which means that they send, pass on and analyze information. Managers are linking pins; they are expected to exchange flows of vertical information with their subordinates and horizontal flows of information with their fellow managers and the board of directors. Further more, managers have the responsibility to filter and transmit information that is important for both groups. The following Mintzberg Managerial Roles fall under process information:

## **4. Monitor**

As a monitor the manager gathers all internal and external information that is relevant to the organization.

He is also responsible for arranging, analyzing and assessing this information so that he can easily identify problems and opportunities and identify changes.

## **5. Disseminator**

As a disseminator the manager transmits factual information to his subordinates and to other people within the organization.

This may be information that was obtained either internally or externally.

## **6. Spokesman**

As a spokesman the manager represents the company and he communicates to the outside world on corporate policies, performance and other relevant information for external parties.

### **Decision-making**

Managers are responsible for decision-making and they can do this in different ways at different levels. The leadership style is important in decision-making.

An authoritarian leader is sooner inclined to make decisions independently than a democratic leader. The following Mintzberg Managerial Roles fall under decision-making:

## **7. Entrepreneur**

As an entrepreneur, the manager designs and initiates changes and strategies.

## **8. Disturbance handler**

In his managerial role as disturbance handler, the manager will always immediately respond to unexpected events and operational breakdowns. He aims for usable solutions.

The problems may be internal or external, for example conflict situations or the scarcity of raw materials. .

## **9. Resource allocator**

In his resource allocator role, the manager controls and authorizes the use of organizational resources.

He allocates finance, assigns employees, positions of power, machines, materials and other resources so that all activities can be well-executed within the organization.

## **10. Negotiator**

As a negotiator, the manager participates in negotiations with other organizations and individuals and he represents the interests of the organization.

This may be in relation to his own staff as well as to third parties. For example salary negotiations or negotiations with respect to procurement terms.



**Sixth/ Seventh Semester B.E (All branches)**  
**Essentials of Management**  
**HSS-302/401**



# Functions of Management

## Learning Objectives

What is Management

Planning as a Function of Management

Organizing as a Function of Management



Staffing as a Function of Management

Directing as a Function of Management

Controlling as a Function of Management

Summary

# 1

## Planning

- It bridges the gap between where we are and where we want to be
- It helps facing future with confidence

# 2

## Organizing

- It involves grouping of task
- It involves specialisation, delegation, span of control, and departmentalization

# 3

## Staffing

- Hiring Right people for right job
- It is devoted to acquiring, training, appraising, and compensating employees

# 4

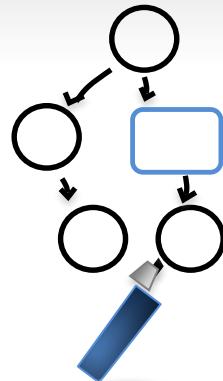
## Directing

- It involves supervision, motivation, leadership, and communication
- It is a very people oriented function of management

# 5

## Controlling

- It involves setting standards, measuring performance as per standards, finding deviations, and taking necessary corrective action



# Organizing as a Function of Management

## Learning Objectives

- ▶ What is Organizing
- ▶ Nature of Organizing
- ▶ Components of Organizing
- ▶ Steps of Organizing
- ▶ Benefits of Organizing

# Organizing as a Function of Management

## What is Organizing?

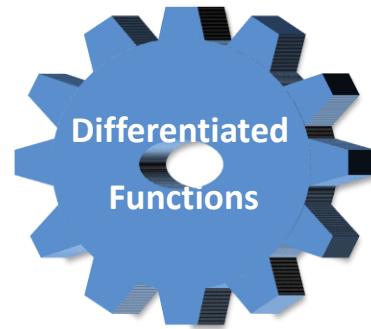
Organizing involves:

- Identification and classification of the required activities
- Grouping of activities necessary to attain objectives
- Assignment of each grouping to a manager with authority and the provision of coordination



# Organizing as a Function of Management

## Nature of Organizing

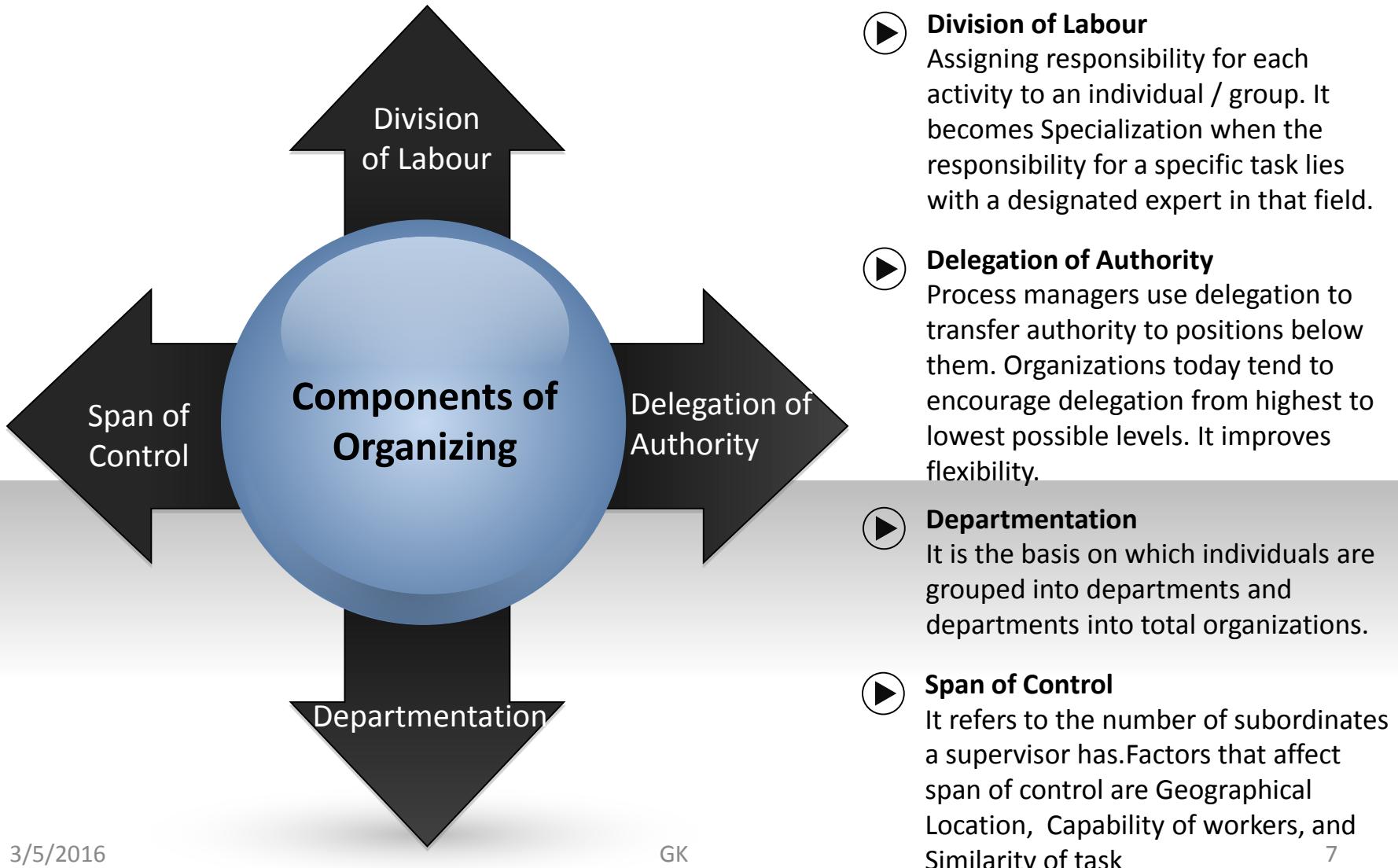


Management is the art of getting things done



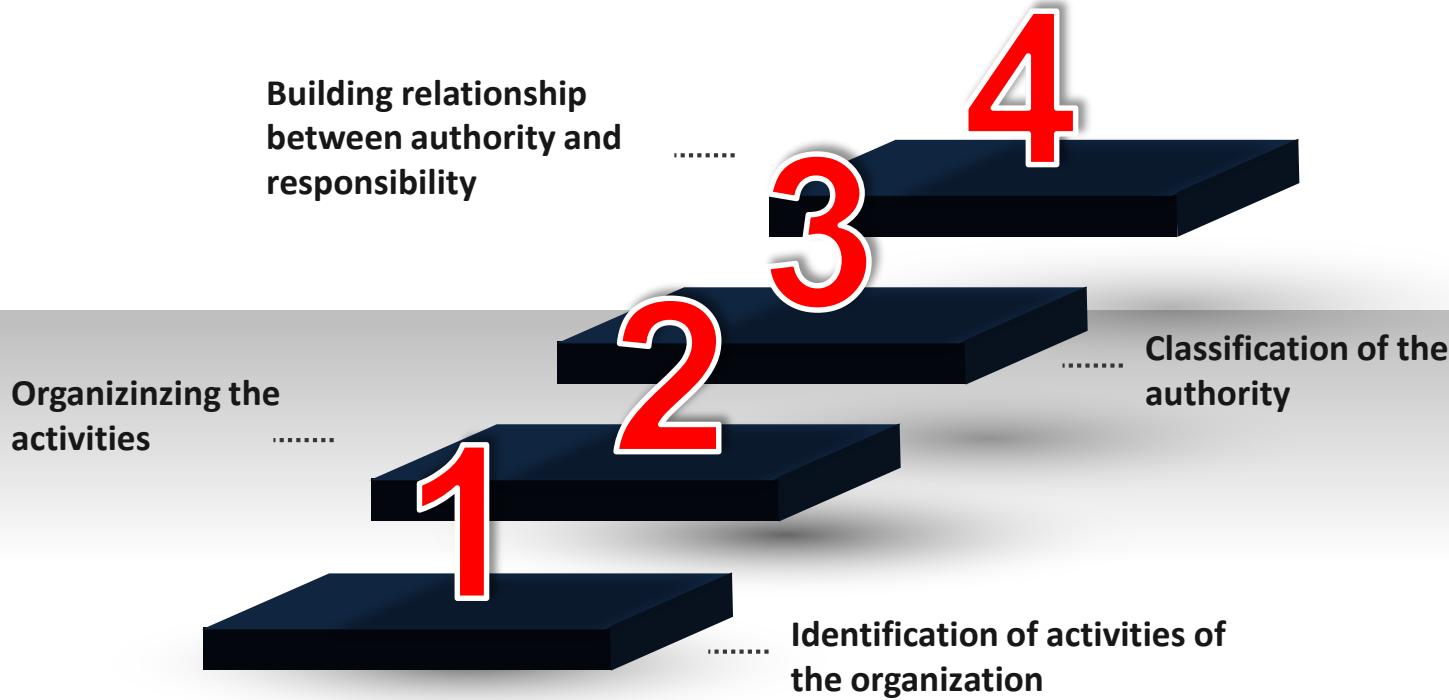
# Organizing as a Function of Management

## Components of Organizing



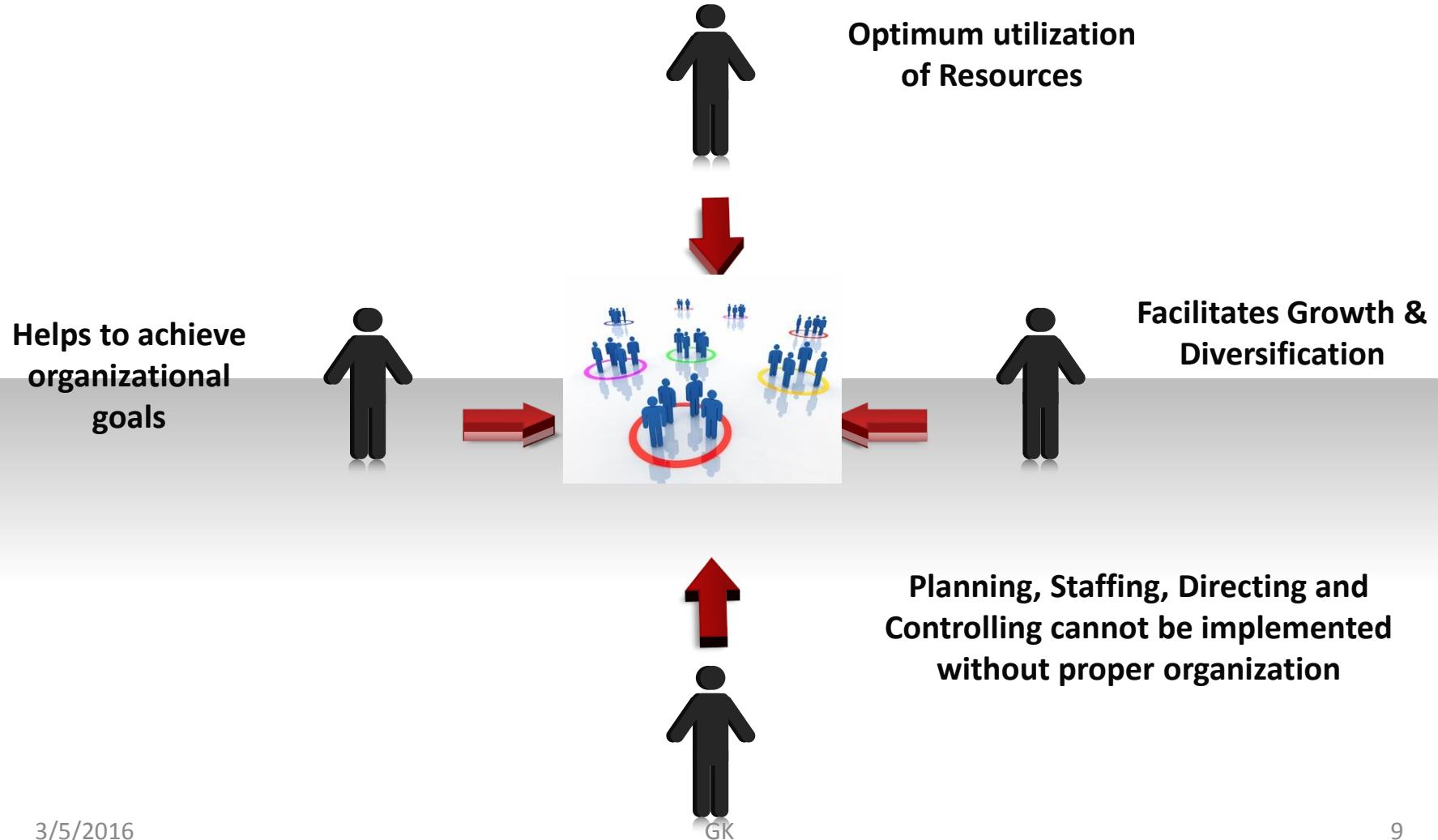
# Organizing as Function of Management

## Steps in Organizing Process



# Organizing as Function of Management

## Benefits of Organizing





# Nature and purpose of Organizing

- Verifiable objectives
- A clear idea of the major duties and activities involved
- An understood area of discretion or authority so that the person filling the role knows that he can do to accomplish goals
- Organization implies a formalized, intentional internal structure of roles and positions.



# Formal and informal organization



- **Formal organization** means the intentional structure of roles in a formally organized enterprise.



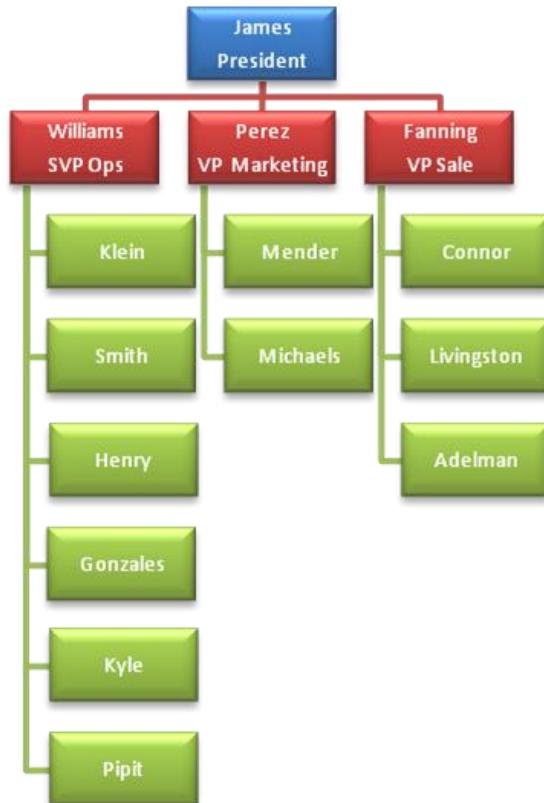
- **Informal organization** is a network of personal and social relations not established/required by the formal organization but **arising spontaneously** as people associate with one another.



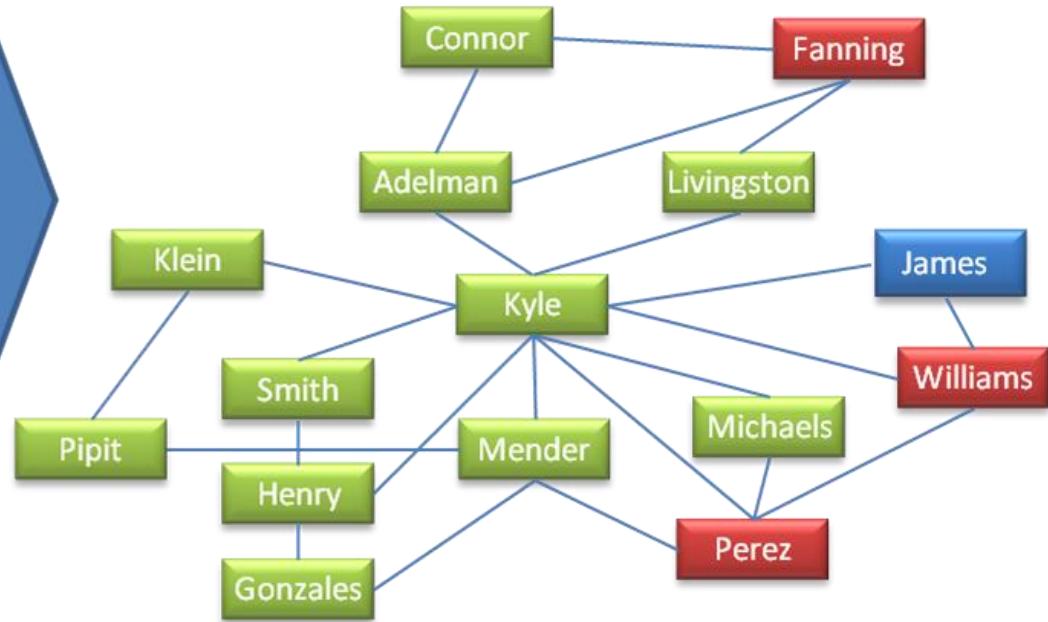


# Formal and informal organization

Formal Structure

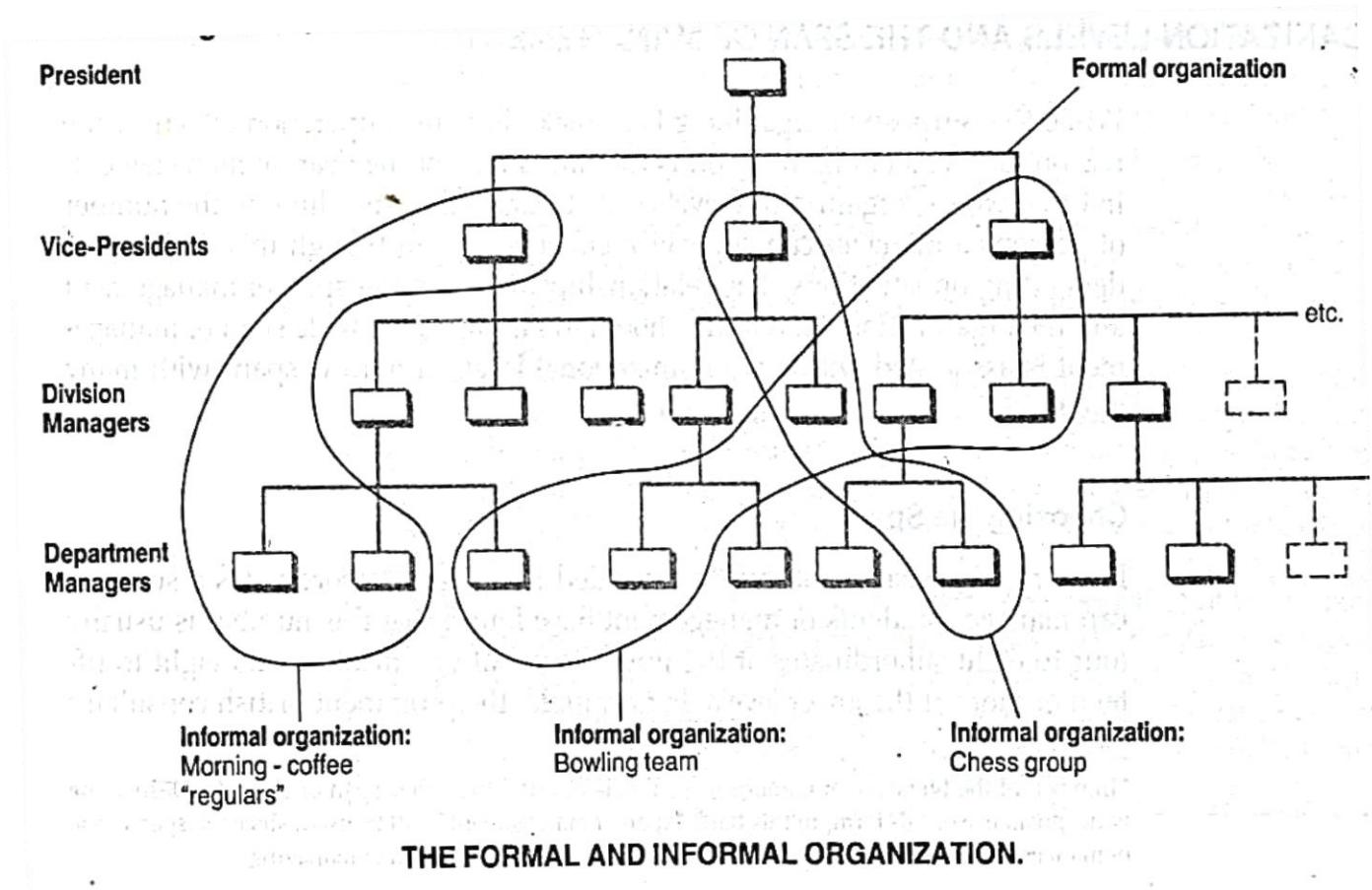


Informal Organization





# Formal and informal organization





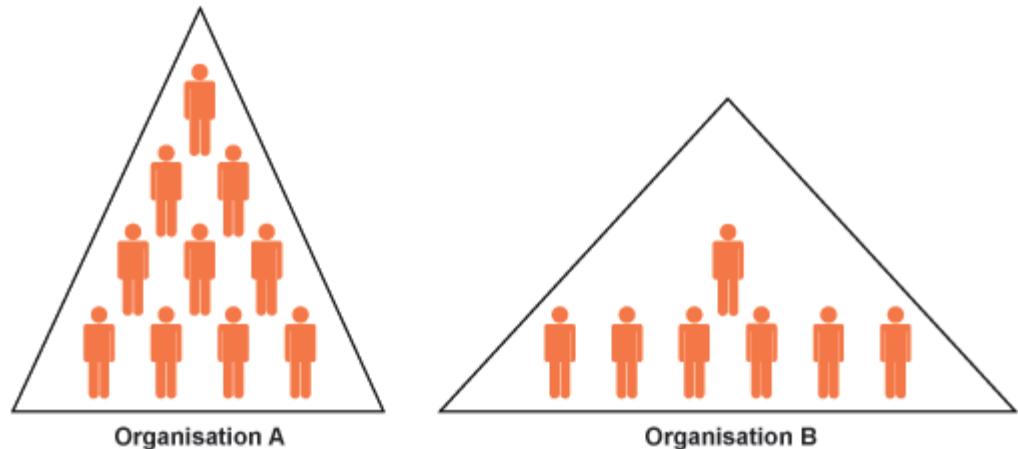
# Formal and informal organization

Formal organization	Informal organization
<ol style="list-style-type: none"><li>1. Designed and created by the top management</li><li>2. Planned one</li><li>3. Authority and responsibility are fixed and defined</li><li>4. Requires an office to function</li><li>5. Is rigid, definite, and has a written constitution</li></ol>	<ol style="list-style-type: none"><li>1. Comes up on its own</li><li>2. Not a planned one, it is created spontaneously</li><li>3. Authority is generally based on personal acceptance.</li><li>4. Functions through people.</li><li>5. Is flexible and has no such fixed Rigid, written constitution.</li></ol>



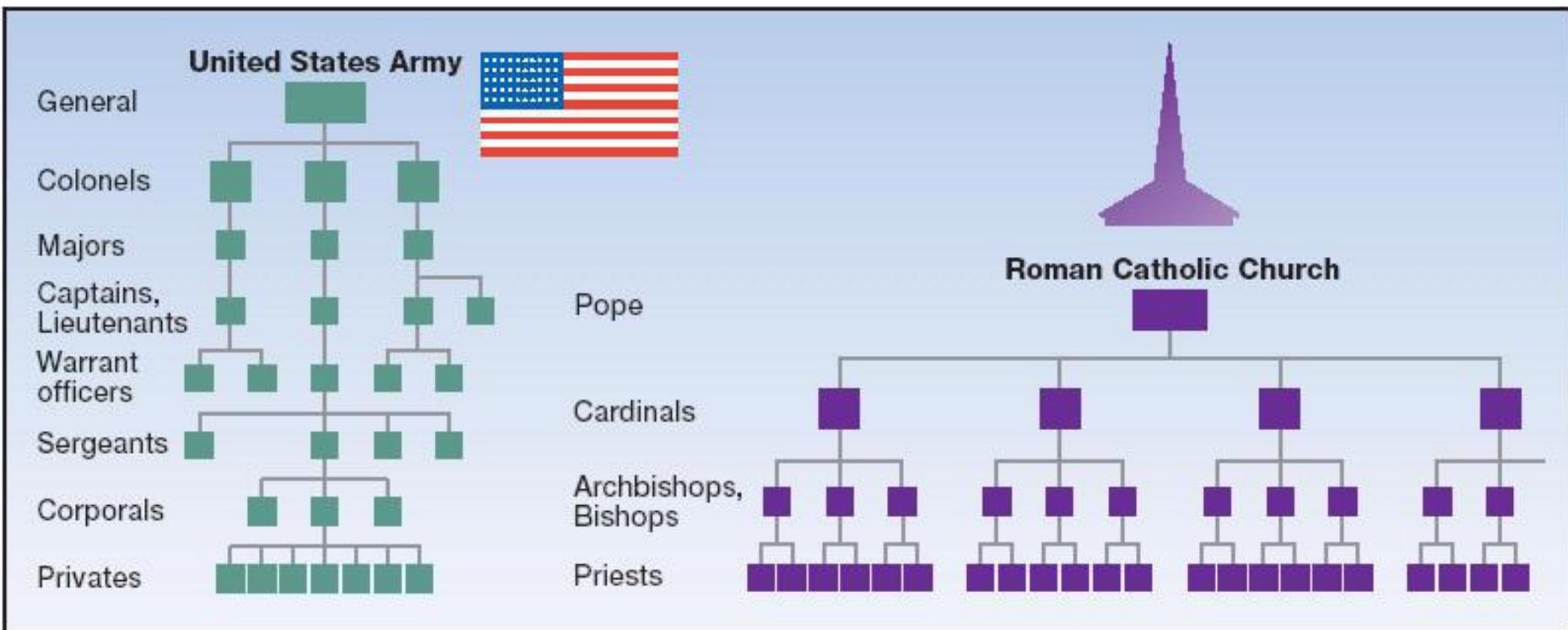
# Tall and flat organizations

- **Tall structures** have many levels of authority and narrow spans of control
- **Flat structures** have fewer levels and wide spans of control





# Tall and flat organizations



# Span of control



- Refers to the number of subordinates who report directly to an executive or supervisor
- The differences in the span of control have direct implications on the shape of the organization
- Organizations must find the optimal span of control to be effective
  - Narrow enough to permit managers to maintain control over subordinates
  - Wide enough so that the possibility of micromanaging is minimized





# Factors effecting span of control

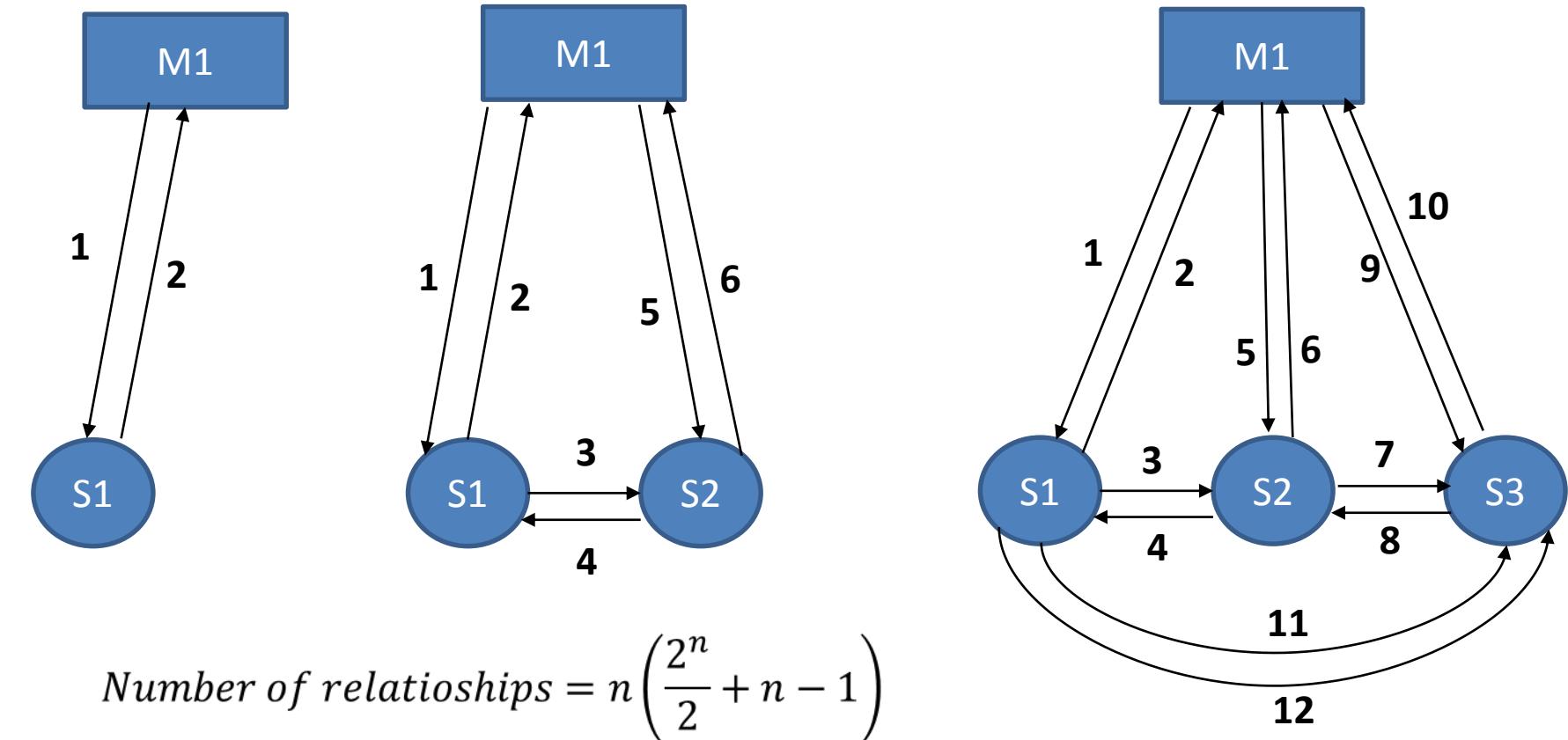
- **The optimal span of control is dependent on the following factors**
  - **Subordinates training:** Well trained subordinate requires less time of supervisor. In this case a broader span is feasible
  - **Delegation of authority:** If manager clearly delegates the authority, then a subordinate can get it done with a minimum superiors time and attention.
  - **Planning:** Clear policies to guide decisions for the subordinates result in fewer dependencies on superiors time
  - **Rate of change:** Dynamic industry calls for narrow span, if stable business, broader span



# Factors effecting span of control

- **The optimal span of control is dependent on the following factors**
  - **Communication techniques:** Broader span is feasible if the manager can communicate effectively.
  - **Kind of activity:** If the activities are highly important and complicated, then small span is recommended.
  - **Kind of organization:** Centralized organization requires narrow span. Decentralized organization decisions are made at lower level and there is freedom of action.
  - **Organizational level:** If delegation of authority done at lower level, then we can have a wider span of control.

# Supervisor, subordinate relations



# Patterns of departmentation



1. Departmentation by Simple numbers
2. Departmentation by Time
3. Departmentation by Enterprise functions
4. Departmentation by Territory/Geography
5. Departmentation by Product
6. Process/Equipment Departmentation
7. Customer Departmentation
8. Matrix Departmentation



# Departmentation by numbers



- This is structural departmentation include
  - grouping all persons who are to perform the same duties and functions and putting them together under the supervision of a manager.
- Age old method and rapidly falling into disuse



# Departmentation by numbers



- Reasons for the decline:
  1. The technology is advancing very fast, demanding more specialized and different skills.
  2. Groups composed of specialized personnel are more frequently more efficient than merely based on numbers.
- It is useful only at the lowest level of the organization structure.



# Departmentation by time



- Suitable for lower level of the organization
- Oldest form structuring organization
- Grouping of activities according to basis of time
- The use of shifts is common in many enterprise because normal workloads become insufficient and ineffective
- E.g.: Hospital, Production facilities





# Advantages



- Services offered 24X7 instead of 8 hrs shift
- Process need not be interrupted which needs a continuous cycle of operation
- Expensive capital equipment can be used more than 8hrs/day
- Students attending classes during the day's time can work in night shift to sustain their living.

# Limitations



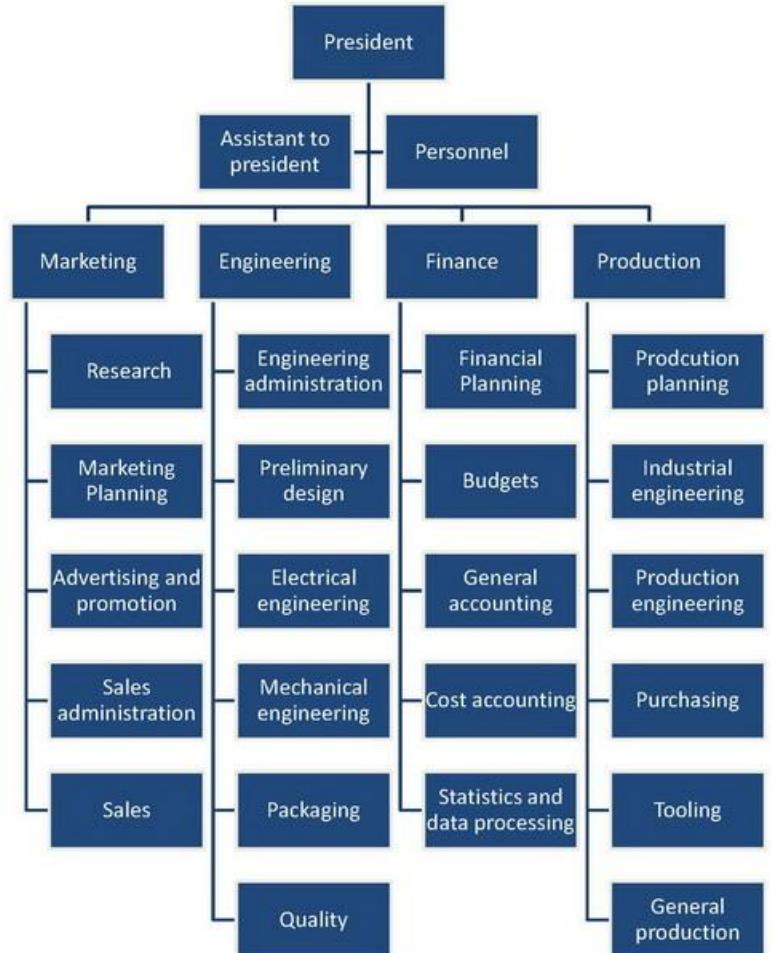
- Supervising during night shift becomes difficult
- There is fatigue factor, since it is difficult for most employees to change their biological clock
- Having several shifts may cause problems with coordination and communication
- Payment of overtime can increase the cost of production or services rendered.



# Functional departmentation



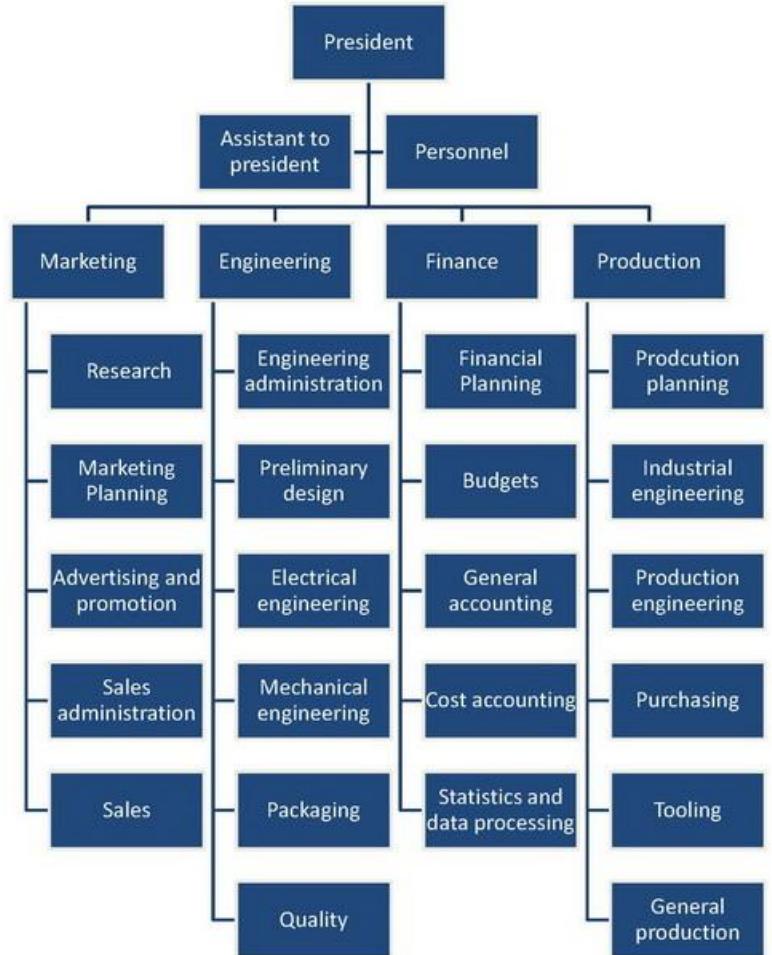
- The most widely used form of departmentation
- Groups activities by function—the jobs to be done.
- Consistent with the idea of specialization and division of work, activities that are alike or similar are placed together in one department and under a single chain of command.



# Functional departmentation



- Functional departmentation also facilitates coordination since a supervisor is in charge of one major area of activity.
- It is easier to achieve coordination this way than to have the same functions performed in different departments under different supervisors.

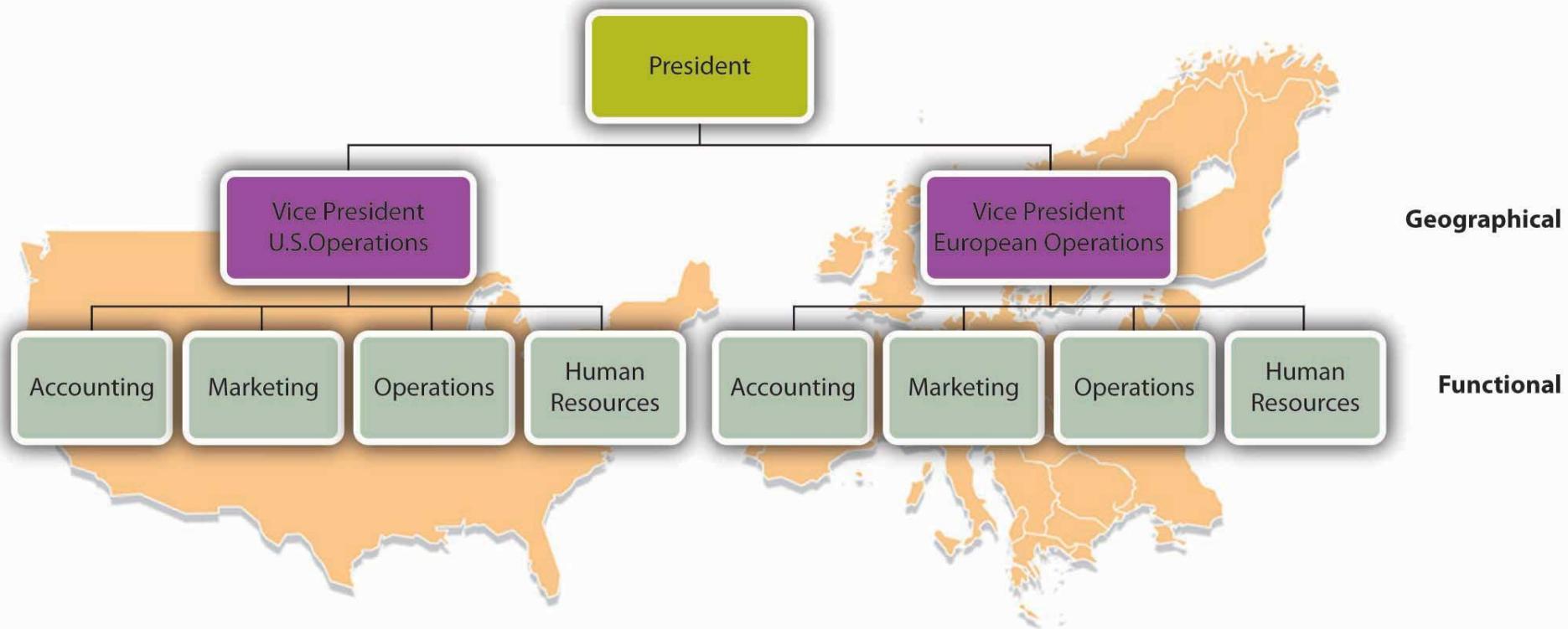


# Functional departmentation



Strengths	Weakness
<ul style="list-style-type: none"><li>• Allows economies of scale within functional departments</li><li>• Enables in-depth knowledge and skill development</li><li>• Enables organization to accomplish functional goals</li><li>• Is best with only one or a few products</li></ul>	<ul style="list-style-type: none"><li>• Slow response time to environmental changes</li><li>• May cause decisions to pile on top, hierarchy overload</li><li>• Leads to poor horizontal coordination among departments</li><li>• Results in less innovation</li><li>• Involves restricted view of organizational goals</li></ul>

# Geographical departmentation



# Geographical departmentation



- Grouping activities on the basis of territory. If an organization's customers are geographically dispersed, it can group jobs based on geography.
- For example, Coca-Cola has reflected the company's operation in two broad geographic areas – the North American sector and the international sector, which includes the Pacific Rim, Europe, Africa and Latin America groups.

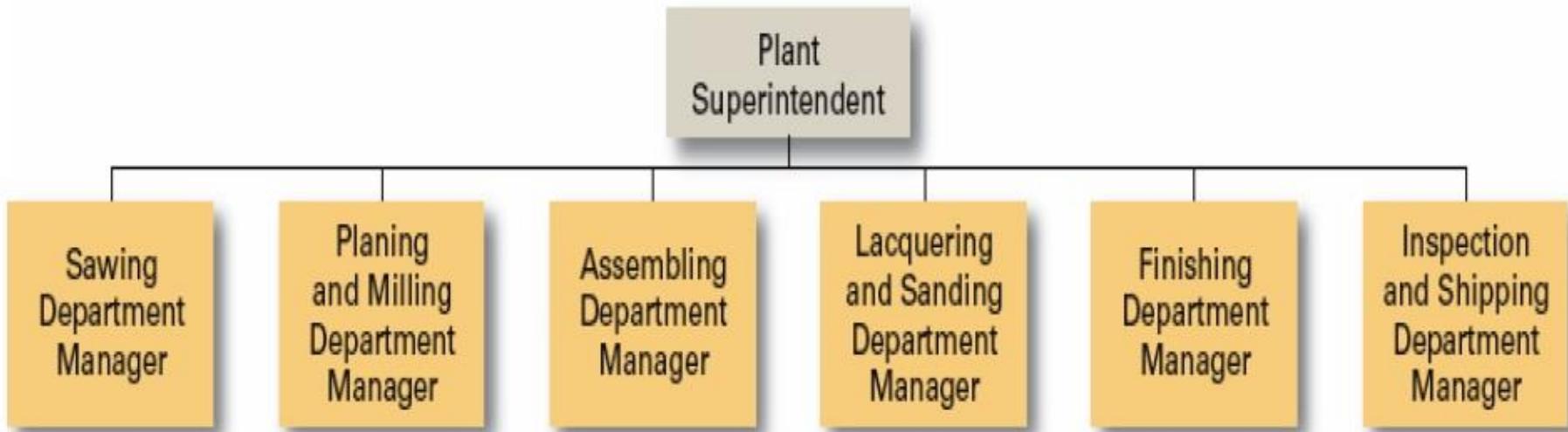


# Geographical departmentation



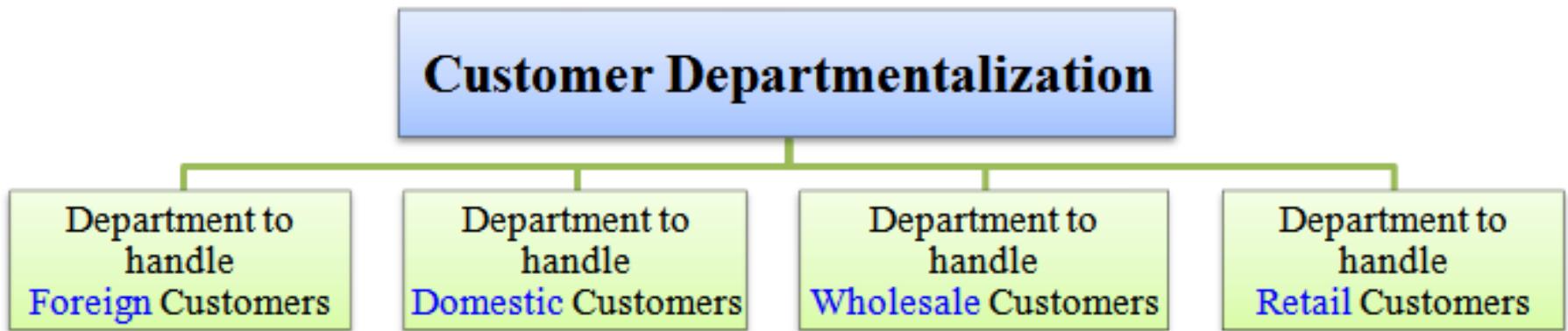
Advantages	Limitations
<ul style="list-style-type: none"><li>Places responsibility at the lower levels.</li><li>Places emphasis on local markets &amp; local problems.</li><li>Improves co-ordination in a region.</li><li>Takes advantages of economies of local operation.</li><li>Better face to face communication with local interests.</li><li>Furnishes measurable training ground for general managers.</li></ul>	<ul style="list-style-type: none"><li>Requires more persons with G.M abilities.</li><li>Tends to make maintenance of economic central services difficult.</li><li>Increases problem of top management control.</li></ul>

# Departmentation by process/ equipment



- + More efficient flow of work activities
- Can only be used with certain types of products

# Departmentation by customer



- Customer departmentalization - Grouping activities on the basis of common customers or types of customers.
- The assumption is that customers in each department have a common set of problems and needs that can best be met by specialists.

# Product/ Service departmentation



## Product Departmentalization

Two Wheeler  
Department

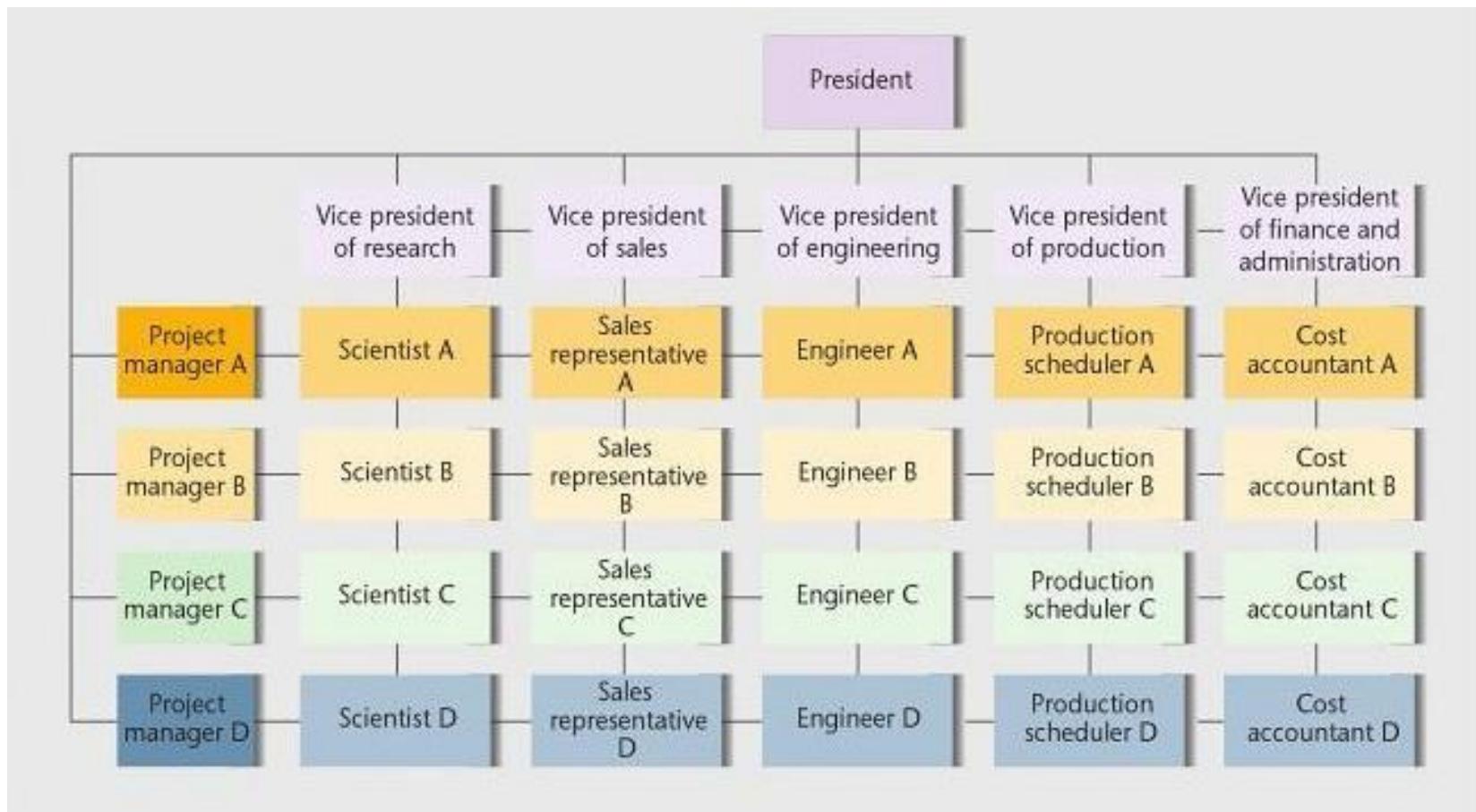
Three Wheeler  
Department

Four Wheeler  
Department

Heavy Motors  
Department

- E.g.: A food product company may choose to divide its operations into a frozen food department, a dairy products department, a produce department, and the like.
- Product departmentation can also be a useful guide for grouping activities in service businesses.

# Matrix structure departmentation



# Matrix structure departmentation



## Advantages:

- Oriented towards end results
- Professional identification is maintained
- Pinpoints product profit responsibility

## Disadvantages:

- Unity of command is violated
- Conflict in organization authority exists
- Requires manager effective in human relations

# Matrix structure departmentation



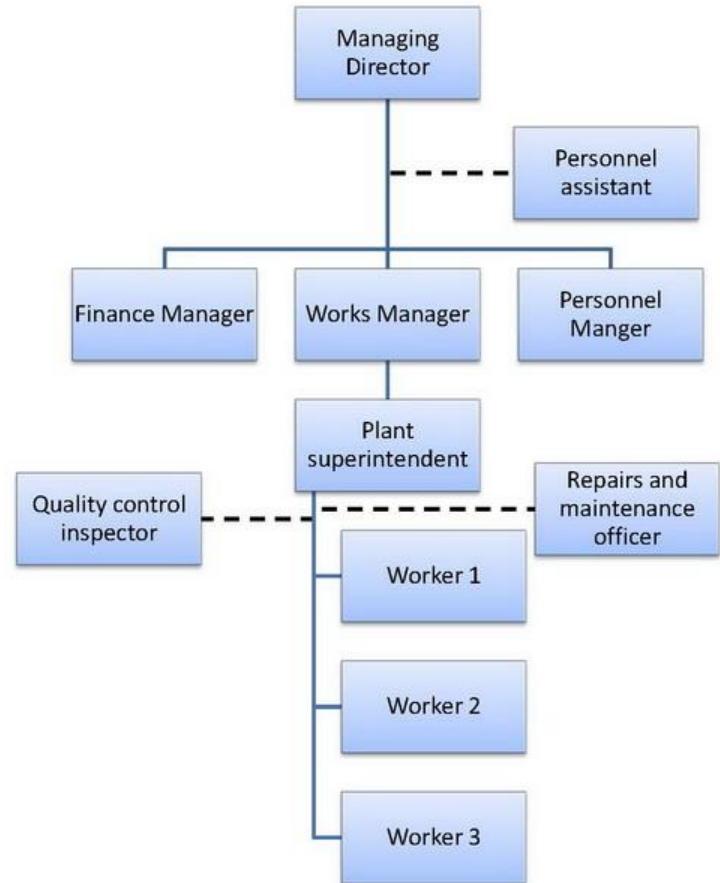
- A matrix structure is a type of departmentalization that superimposes a horizontal set of divisional reporting relationships onto a hierarchical functional structure.
- The essence of a matrix organization is the combination of functional and product or project patterns of Departmentation in the same organization structure.



# Line organization



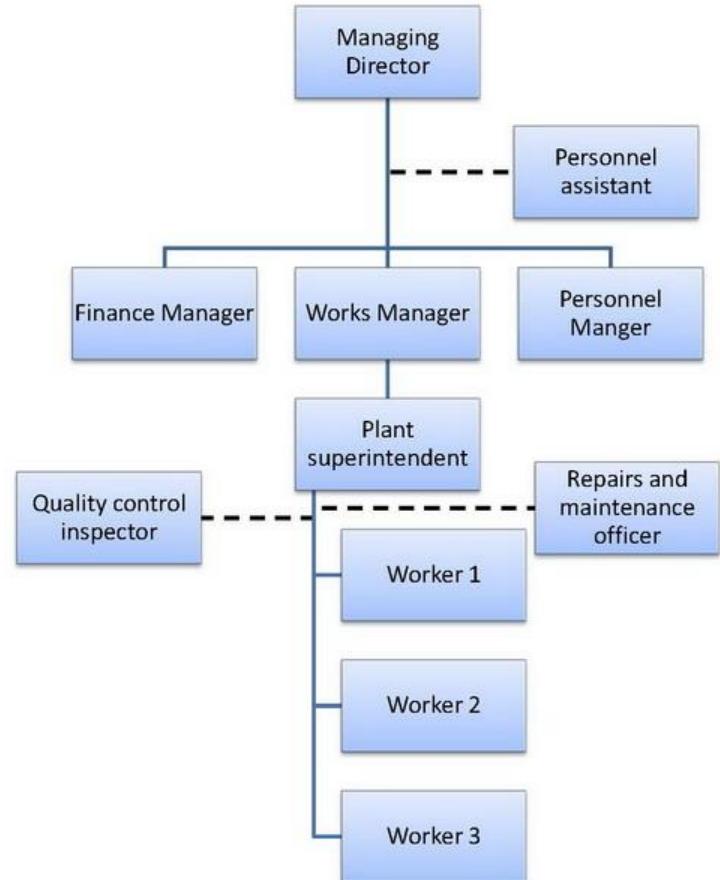
- It is the oldest type of organization. This is known by different names, i.e, military, vertical, scalar departmental organization.
- The persons having greater decision making authority are placed at the top and those having the least decision –making authority are at the bottom. In between there are other levels of management such as intermediate or supervisory.



# Line & Staff organization



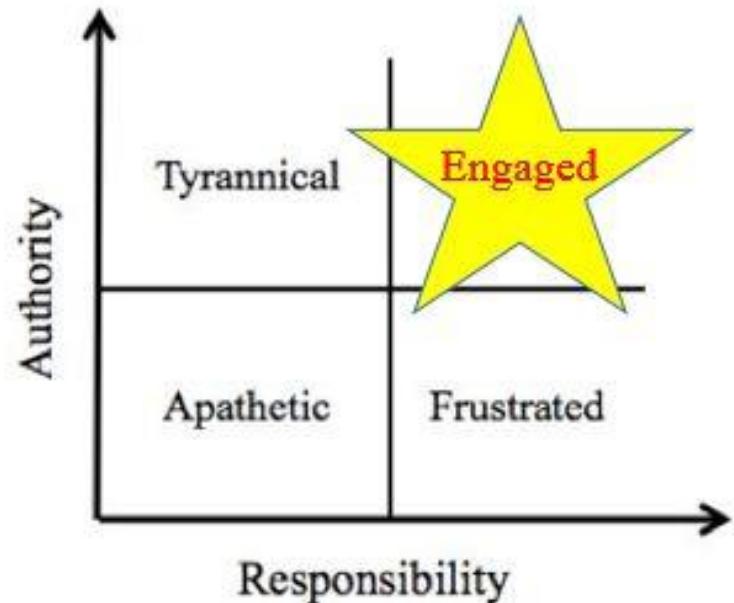
- A line and staff organization is one where specialist advisers, in the form of functional managers, assist the line managers in the performance of their responsibilities.
- Line executives have direct control over the subordinates under them. Staff executives have no such authority. Rather, they are meant to aid and advise the line managers at the same level.
- Line and staff functions frequently overlap. Most staff executives may also simultaneously be line and functional executives.



# Delegation of Authority



- Authority: right to give orders.
- “Rightful legal power to request subordinates to do certain thing or to retain from doing so, and if he doesn't follow these instructions the manager is in a position, if need be, to take disciplinary action, even to discharge the subordinate.”



# Delegation of Authority



- Responsibility: Duty or responsibility is used in many senses. It means obligation, liability, or activity or accountability.
- “It may be defined as the obligation of a subordinate, to whom a supervisor has assigned a task, to perform the service required.”



# Delegation of Authority



- Delegation: “The entire process of delegation involves the determination of results expected, the assignment of tasks, the delegation of authority for accomplishment of these tasks.”



# Delegation of Authority



## Delegation Flow Chart

I do.

I do,  
you  
watch.

We do.

You do,  
I watch.

You do.

- Realization
- Observation
- Collaboration
- Evaluation
- Delegation

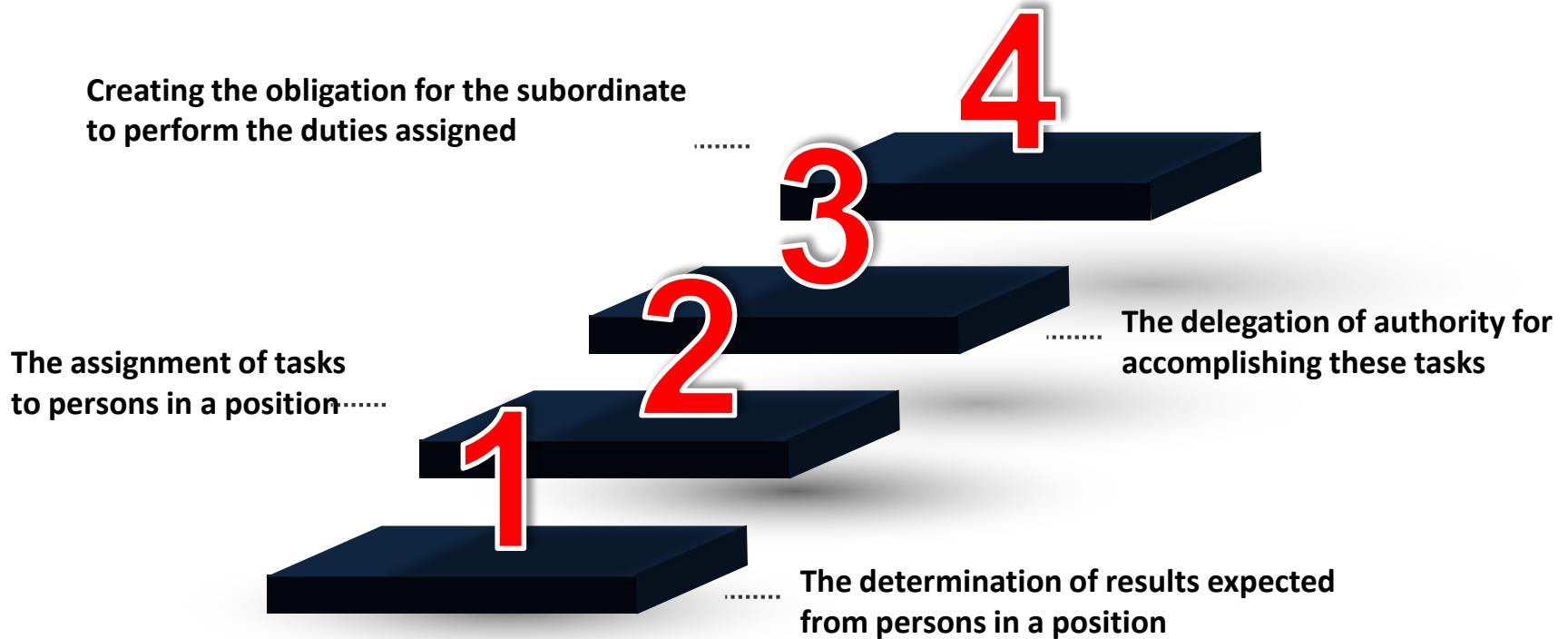
# Principles of Delegation



- 1. Delegation to go by results expected:** Before assigning duties and delegating the authority to his subordinates, the manager should be clear in his mind as to what he expects from them.
- 2. Responsibility is absolute:** A manager can delegate only authority not responsibility. Responsibility is never delegated.
- 3. Select appropriate sub ordinate for delegation:**
- 4. Authority to match responsibility and vice versa:** Just as an ill-equipped soldier can't fight a battle successfully, similarly an inadequate unauthorized subordinate can't succeed in accomplishing the assigned task.



# Process of Delegation





# Sixth/ Seventh Semester B.E (All branches)

## Essentials of Management

### HSS-302/401



# Staffing

- **Staffing** is the process of hiring, positioning and overseeing employees in an organisation.



## **Nature and purpose of Staffing:**

“It is defined as filling and keeping filled, positions in the organizational structure”

It includes:

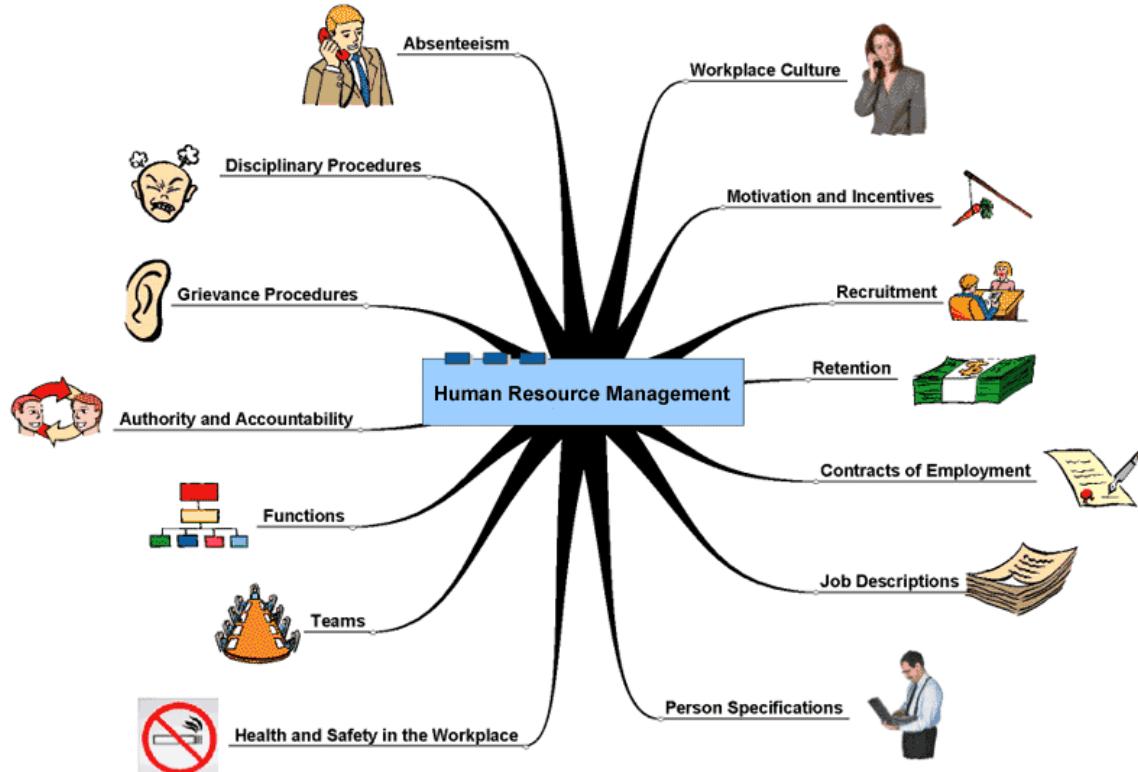
- Identifying work force requirements.
- Inventorying the people available.
- Recruiting, selecting, placing, promoting, appraising, planning the careers of, compensating and training or otherwise developing both candidates & current job holders to accomplish their tasks effectively & efficiently.

# Activities of staffing



# Human Resource Management

The integration of all processes, programs, and systems in an organization that ensure staff are acquired and used in an effective way.



# Staffing (Human Resource Management)

HR is multidisciplinary: It applies the disciplines of

- Economics (wages, markets, resources),
- Psychology (motivation, satisfaction),
- Sociology (organization structure, culture) and
- Law (min. wage, labor contracts)

What HR Professionals Do?

- HR planning
- Recruitment & Selection
- Training and development
- Compensation & Performance review
- Labor relations



# Human Resource Planning



# Human Resource Planning

*The process of systematically reviewing HR requirements to ensure that the required number of employees, with the required skills, are available when they are needed*



# Definitions

- ▶ **Job** - Consists of a group of tasks that must be performed for an organization to achieve its goals
- ▶ **Position** - Collection of tasks and responsibilities performed by one person; there is a position for every individual in an organization
- ▶ **Job analysis** - Systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization
- ▶ **Job description** – document providing information regarding tasks, duties, and responsibilities of job
- ▶ **Job specification** – minimum qualifications to perform a particular job

# Job analysis

- **Job analysis**

Studies are conducted to answer:



What skills are needed?

What should be the qualification?

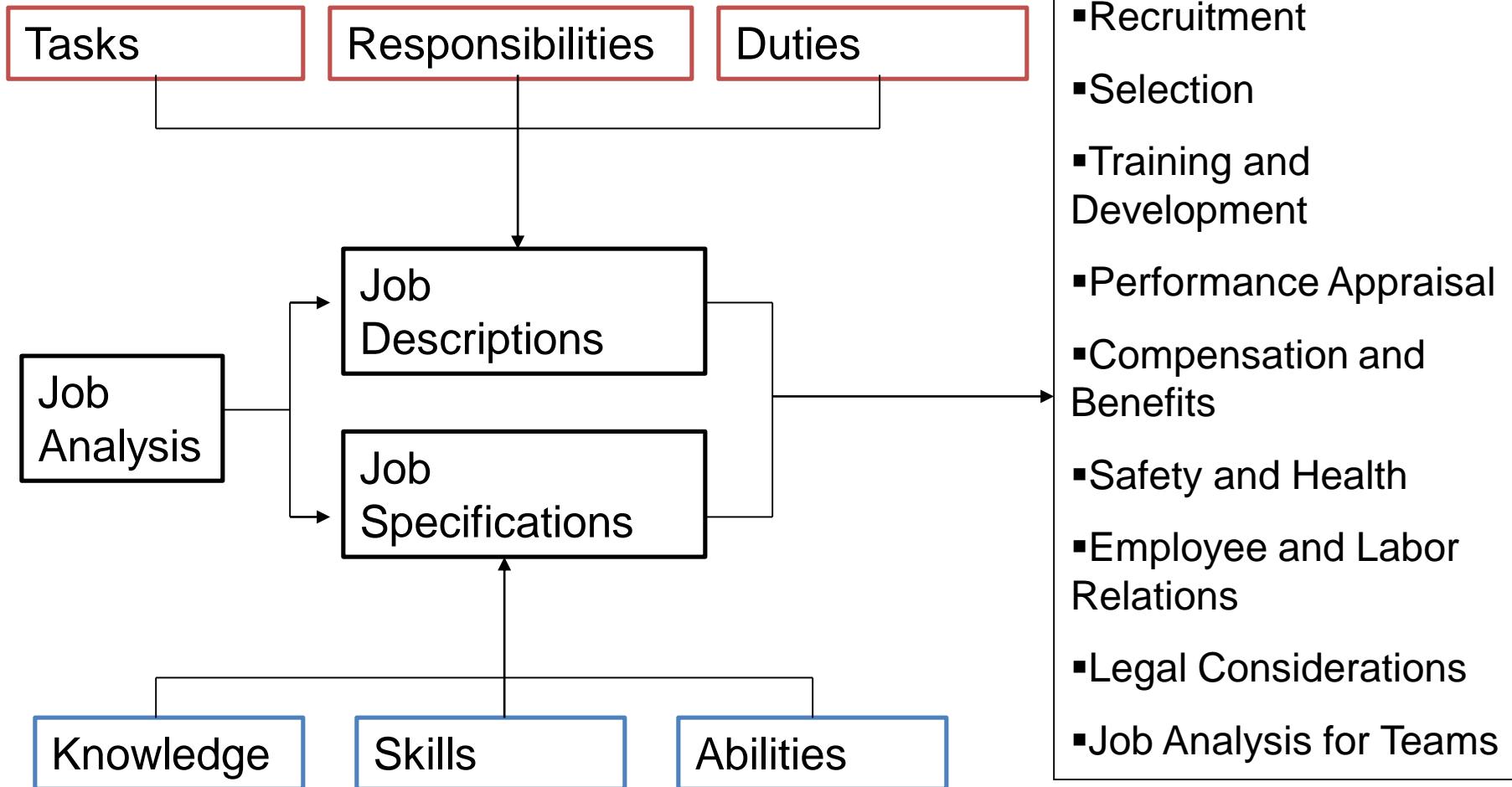
What are desirable abilities?

What should be the work experience?

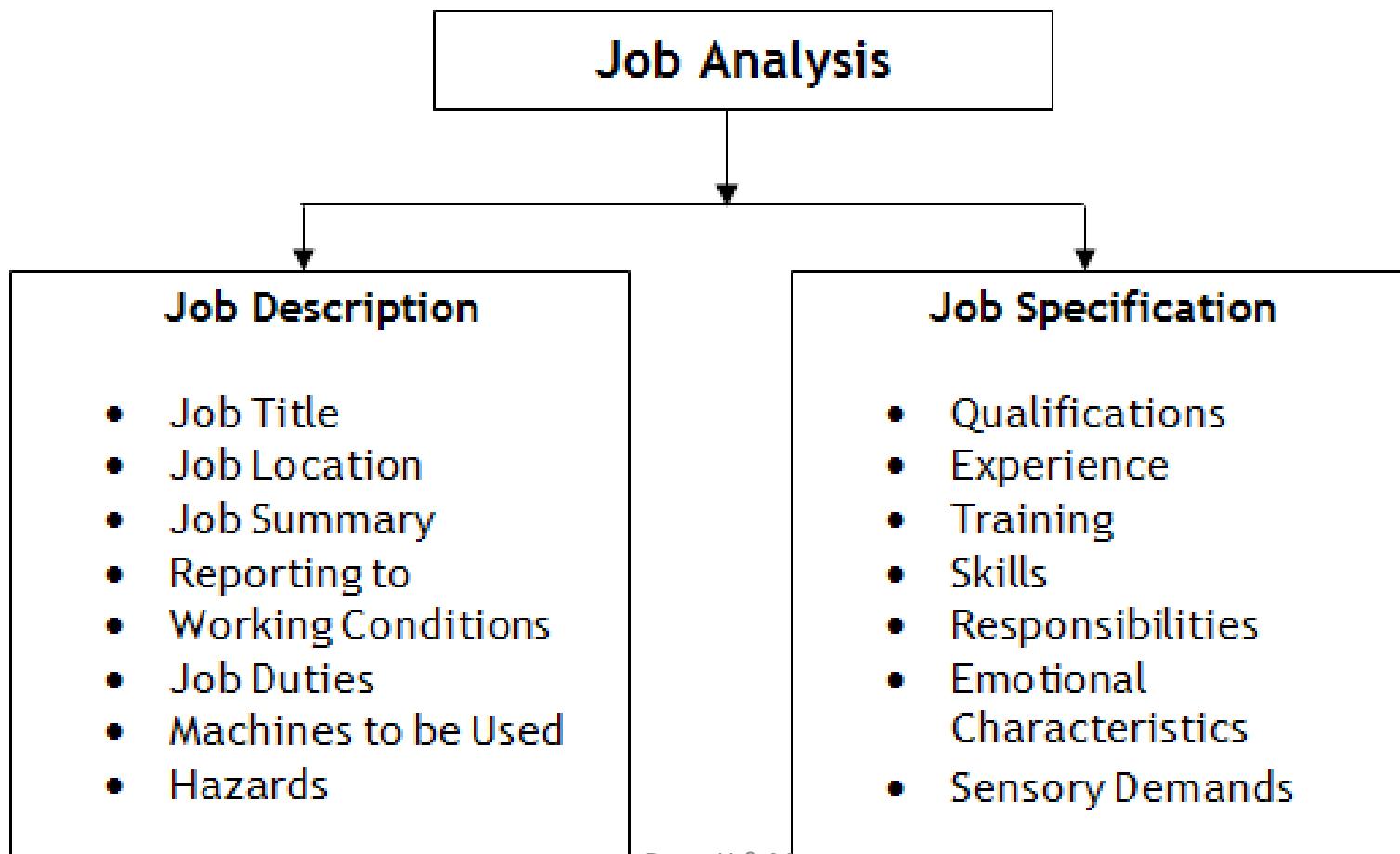
What are his/her responsibilities?

Job analysis includes the preparation of Job descriptions and Job specifications.

**Job Analysis:** Systematic process of determining the skills, duties, and knowledge required for performing jobs in an organization



# Job description and Specification



# Job description and Specification

## CENTRE FOR POLICY RESEARCH [www.cprindia.org](http://www.cprindia.org)

### requires

Librarian - One post on contractual basis

**Qualification and experience:** Post Graduate Degree in Library Science. At least five years relevant experience in the capacity of Asst./Deputy Librarian in an academic/research institute of repute. Knowledge of computer applications in various library activities is essential. M.Phil/Ph.D in Library Science will be preferable.

Initial contract will be for two years.

Salary would commensurate with qualification and experience.

Interested candidates may apply with full particulars including expected salary within 10 days to the Chief, Administrative Services, Centre for Policy Research, Dharma Marg, Chanakyapuri, New Delhi - 110021

Upon confirmation of registration.  
This advertisement will be made available to

# THE BEST JOB IN THE WORLD.

Islands of the Great Barrier Reef, Queensland Australia.

**Position Vacant: Island Caretaker**

**Salary:** AUD\$150,000 6-month contract

**Responsibilities:** • Clean the pool • Feed the fish • Collect the mail • Explore and report back

**Applications close:** 22 February 2009 **Interviews:** 4 May 2009 **Announcement made:** 6 May 2009  
**Work begins:** 1 July 2009

**ANYONE CAN APPLY.**  
[www.islandstefish.com](http://www.islandstefish.com)

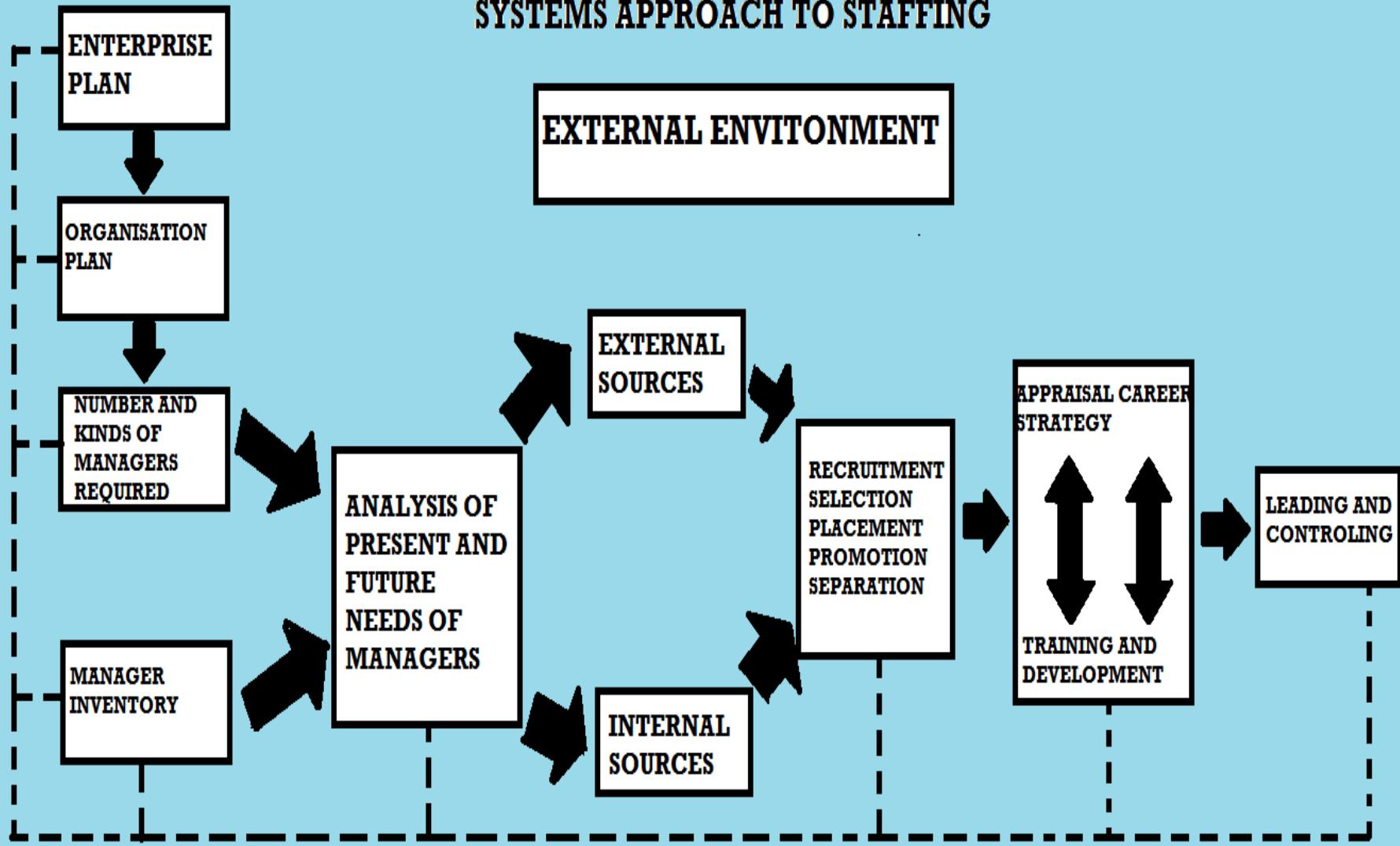
QUEENSLAND

# Job evaluation



- The process of determining how much a job should be paid, balancing two goals
  - Internal Equity: Paying different jobs differently, based on what the job entails
  - External Equity: Paying satisfactory performers what the market is paying

# SYSTEMS APPROACH TO STAFFING



Internal environment  
personnel policies  
reward system

# Systems approach to staffing

- The figure clearly shows how the managerial function of staffing relates to the total management system.
- Specifically the enterprise plans become the basis for organizational plans, which are necessary to achieve the enterprise objectives.
- The present and the projected enterprise structure determines the number and kind of managers required.
- These demands for managers are compared with available talent through the management inventory.
- On the basis of this analysis, external and internal sources are utilized in the process of recruitment, selection, placement, promotion etc.

# Systems approach to staffing

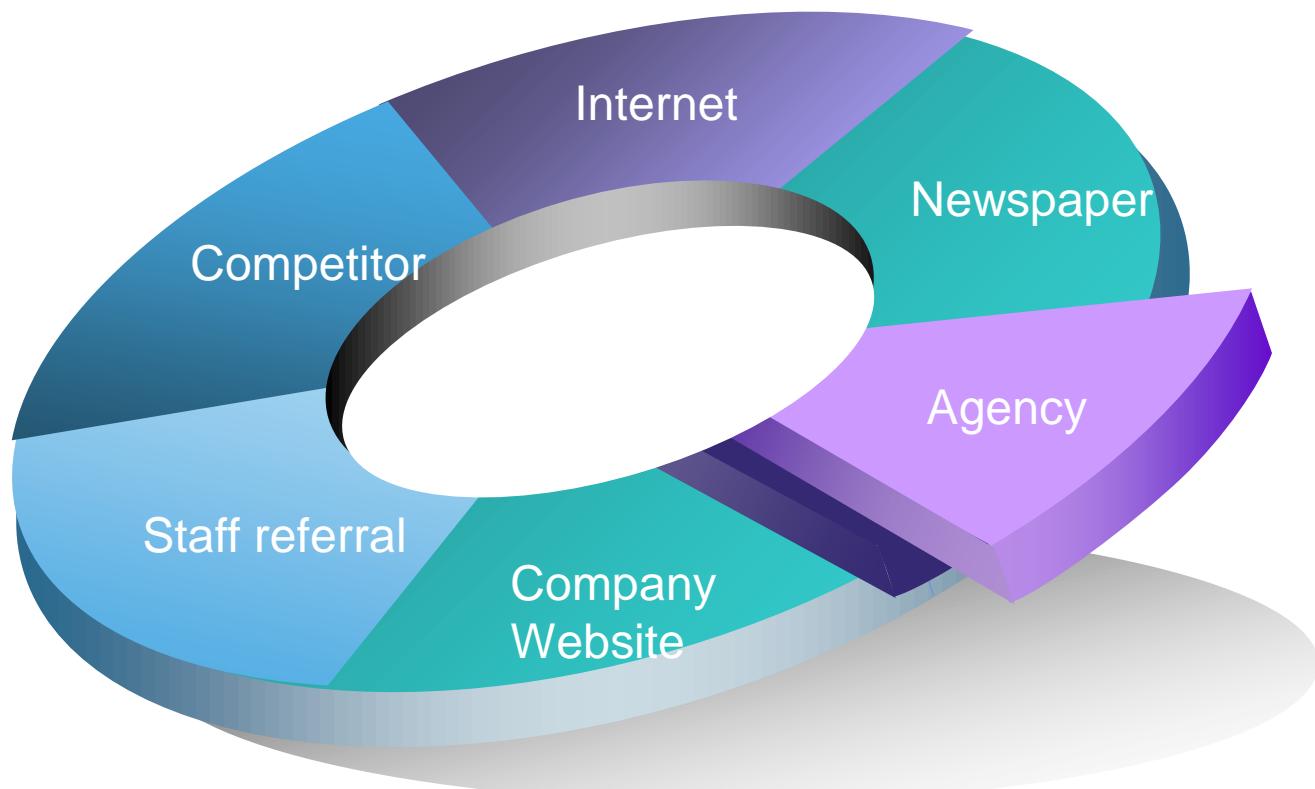
Other aspects of staffing include appraisal, career strategy, training and development of managers.

Staffing in the model affects the functions of leading and controlling. Proper staffing facilitates leading and controlling.

The number of managers required in an enterprise depends upon the following factors:

- Size
- Complexity of organizational structure
- Plans of the enterprise
- Rate of turnover of managerial personnel.

# Advertisement (Where will I promote this position?)



What / Where would the ideal candidate look for ...

# Recruitment – The overview



- ◆ Process of locating, identifying, and attracting capable candidates
- ◆ Can be for current or future needs
- ◆ Critical activity for some corporations.

# **Recruitment, Selection, Placement**

Recruitment means search for the prospective employees to suit the job requirements as represented by job specification.

Out of the prospective applicants right type of persons to match the jobs are selected for the job.

Under placement the selected person is placed on the job which is most suited to him.

# Sources of recruitment

Internal sources:

1. Promotion/ Demotion
2. Transfer

- Internal sources are the most obvious sources. These include personnel already on the pay-roll of an organization.
- Whenever any vacancy occurs, somebody from within the organization is upgraded, transferred, promoted or sometimes demoted.
- This source also includes personnel who were once on the pay-roll of the company but who plan to return or whom the company would like to rehire, such as those on leave of absence, those who quit voluntarily or those on production layoffs.

Present employee referrals (friends and relatives) is one internal modern source.

IBM, Procter & Gamble, and many more successful firms use promotion-from-within strategies and they have proven extremely effective.

### **External sources lie outside the organization.**

The traditional external sources include:

- I. Educational institutes(for young, mostly inexperienced potential employees)
- II. Private employment agencies/consultants
- III. Public employment exchanges
- IV. Professional organizations (maintain complete bio-data of experienced and professional members and provide the same to various organizations on requisition and clarify doubts).
- V. Trade unions.
- VI. Waiting lists
- VII. Field trips
- VIII. Labour contractors
- IX. Ex-employees
- X. Casual applicants (some people apply casually through mail or hand over the application in the personnel department).
- XI. Similar organizations
- XII. Unsolicited applications.

The modern external sources include:

- I. Walkin
- II. Consult-in
- III. Head-hunters(or search consultants search for the best candidates especially for senior executive positions and give such information to the organizations)
- IV. Body shoppers or employee leasers (few hi-tech training institutes (NIIT Ltd) and professional organizations which are called body shoppers develop the pool of human resources and supply on lease basis)
- V. Mergers and acquisitions
- VI. E-Recruitment (Job Street.com etc)
- VII. Outsourcing

# Various methods of recruitment in industry

Direct, Indirect and Third party.

## Direct Methods

These include sending:

Travelling recruits to educational and professional institutions, employee contacts and manned exhibits.

Most college recruiting is done in co-operation with the placement officer of a college. The placement office usually provide help in attracting students, arranging interviews, furnishing space and providing student resumes.

For managerial, professional and sales personnel, campus interview is an extensive operation.

For this purpose, carefully prepared brochures, describing the organization and the jobs it offers are distributed among students, before the interviewer arrives. The TATAs, and other firms maintain constant contacts with institutions' placement officials with a view to recruit staff regularly for different responsible positions.

Sometimes, firms directly solicit information from the concerned professors about students with an outstanding record.

Other direct methods include sending recruiters to conventions and seminars, setting up exhibits at fairs, and using mobile offices to go to the desired centres.

## Indirect Methods

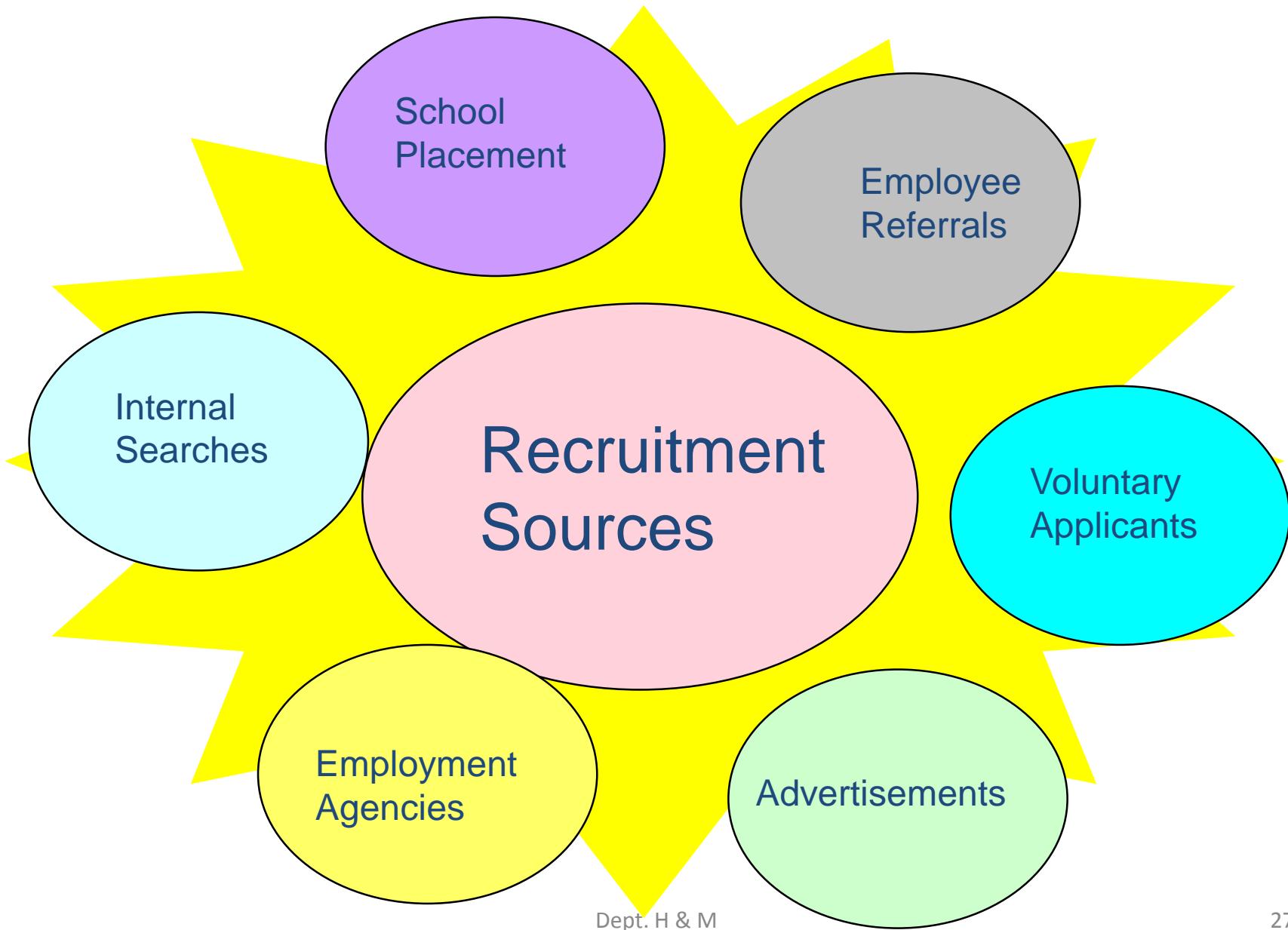
Indirect methods involve mostly advertising in newspaper, on the radio, T.Vs, in trade and professional journals, technical magazines and brochures. Senior posts are largely filled by advertising in newspapers and/or trade journals and magazines. Local newspaper can be a good source of blue-collar workers, clerical employees and lower level administrative employees. Higher the position is in the organisation, or the more specialised the skills sought, the more widely dispersed advertisement is likely to be.

The advantage of advertisement is that all details about the job can be given in advertisement to allow self screening by the prospective candidates.

### **Third party methods**

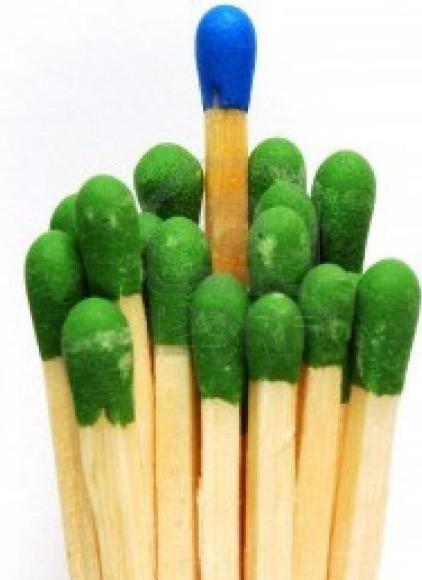
These include the use of commercial or private employment agencies, state agencies, placement offices of schools, colleges and professional associations, recruiting firms, management consulting firms etc.

Private employment agencies charge a small fee from an applicant. They bring employers and employees together.



# Selection

**Selection** refers to picking from among the candidates the one that best meets the position requirements.



# Various steps of the selection procedure:

1. Initial or Preliminary interview
2. Application form
3. Reference checks
4. Employment tests
5. Interview
6. Selection decision

## 1. Reception, initial or preliminary interview or screening:



Initial interview is often held in case of “at the gate” candidates.

This is conducted by a special interviewer (assistant in the personnel department) or a high caliber receptionist in the employment office. Applicants are asked why they are applying for a job with this organisation. Salary requirements, education and experience can be obtained by asking.

The information thus provided by the candidate may be related to the job or personal specifications regarding education, experience, salary expected, aptitude towards the job, age, physical appearance and other physical requirements.

If a candidate meets with the requirements of the organisation, he may be selected for further process.

Many firms do not bother to initiate paper work at this early stage. This type of interviews are known as stand-up interviews.

The main objectives of such interviews is to screen out undesirable/ unqualified candidates at the very outset.

## 2. Application Blank or form:

This is used as one of the selection tools.

It provides factual information needed for evaluating the candidate's suitability.

Once hired, the data can become a part of the employee's records.

It contains written record of:

- a) Identifying information
- b) Information regarding education
- c) Information regarding experience
- d) Expected salaries and allowances and other fringe benefits
- e) Information regarding community activities

### 3. Reference checks:

The applicant is asked to mention the names and addresses of his former employees and also of two or three persons known but not related to him.

Referees may be called upon to give detailed information about candidate's capabilities.

If references are checked in the correct manner, a great deal can be learned about a person that an interview or tests can't elicit.

### 4. Employment tests

Tests are instruments designed to measure selected qualities and abilities in terms of job specifications. Such tests provide a sample behaviour that is used to draw inferences about the future behaviour or performance of an individual.

# Employment selection tests

## *Measures of Human characteristics*

### Physical Characteristics

Height  
Weight  
Senses  
Visual activity

### Abilities & Skills

Dexterity  
Mathematical ability  
Verbal ability  
Intelligence  
Clerical Skills

### Interests

Mechanical Aptitudes  
Mechanical Interests  
Scientific Interests  
Economic Interests  
Cultural Interests

### Personality traits

Sociality  
Dominance  
Cooperativeness  
Tolerance  
Emotional stability

# Aptitude tests

# Achievement tests

# Situational tests

# Interest tests

# Personality tests

# Multi-dimensional testing

# Employment selection tests

## *Types of Psychological tests*

### Aptitude tests

Intelligence/ mental tests  
Emotional Quotient  
Skill tests  
Aptitude tests  
Psychomotor tests  
Clerical aptitude tests

### Achievement tests

Job knowledge test  
Work sample test

### Situational tests

Group discussion  
In basket

### Personality tests

Objective tests  
Projective tests  
Situation tests

### Interest test

### Multi-dimensional testing

## Aptitude tests:

These tests measure whether an individual has the capacity or latent ability to learn a given job if given adequate training.

They are used to determine their ability for effective job performance after the completion of the training period.

***Such tests are more valid when an applicant has little or no experience along the lines of the job opening.***

### a) Intelligence (IQ) or Mental tests:

In general, these tests measure intelligence quotient of a candidate.

In detail, these tests measure capacity ***for comprehension, reasoning, word fluency, verbal comprehension, numbers, memory*** etc.

b) Emotional quotient (EQ) Tests:

Most of the organisations realised that emotional involvement and commitment of the employees determine their contribution to the company rather than their intelligence quotient.

c) Skill tests: measure the candidate's ability to do a job perfectly and intelligently.

These tests are useful to select the candidates to perform artistic jobs, product design, design of tools, machinery etc. The candidates can be selected for assembly work, testing and inspection also.

d) Mechanical aptitude tests: measures the capacities of spatial visualisation, perceptual speed and knowledge of mechanical matter.

These tests are useful for selecting apprentices, skilled mechanical employees, technicians etc.

e) Psychomotor tests: measure abilities like motor ability and eye hand coordination of candidates.

These tests are used to select semi-skilled workers and workers for repetitive operations like packing and watch assembly.

f) Clerical aptitude tests: measure specific capacities involved in office work. Items of this test include spelling, computation, comprehension, copying, word measuring etc.

## Achievement Tests

These are conducted when applicants claim to know something as these tests are concerned with what one has accomplished.

These tests are more useful to measure the value of a specific achievement when an organization wishes to employ experienced candidates.

- a) Job knowledge test: Under this test, a candidate is tested in the knowledge of a particular job. For example, if a junior lecturer applies for the job of a senior lecturer in commerce, he may be tested in job knowledge where he is asked questions about accountancy principles, banking, law, business management etc.
  
- b) Work sample test: Under this test, a portion of the actual work is given to the candidate as a test and the candidate is asked to do it. If a candidate applies for a post of lecturer in management, he may be asked to deliver a lecture on Management Information System as work sample test. Thus, the candidate's achievement in his career is tested regarding his knowledge about the job and actual work experience.

## Situational test:

This evaluates a candidate in a similar real life situation. In this test, the candidate is asked either to cope with the situation or solve critical situations of the job.

- a) Group discussion: This test is administered through the group discussion approach to solve a problem under which candidates are observed in the areas of initiating, leading, proposing valuable ideas, conciliating skills, oral communication skills, coordinating and concluding skills.
- b) In basket: Situational test is administrated through in basket. The candidate in this test is supplied with actual letters, telephone and telegraphic message, reports and requirements by various officers of the organization, adequate information about the job and organization. The candidate is asked to take decisions on various items based on the in basket information regarding requirements in the memoranda.
- c) Interest tests: The purpose of this test is to find out whether a candidate is interested or disinterested in the job for which he is a candidate and to find out in which area of the job range/occupation the candidate is interested. ***The assumption of this test is that there is a high correlation between the interest of a candidate in a job and job success.***

## Personality tests

These tests aim at measuring characteristics/traits of personality of an individual like emotional stability, self confidence, tact, ambition, sociability, co-operativeness, aggressiveness, thoughtfulness, optimism, objectivity, patience, fear, distrust, initiative, judgment, sympathy, integrity etc. These are pen and paper tests.

- a) Objective tests: which measure neurotic tendencies, self-sufficiency, dominance-submission, and self confidence are suitable for group testing and can be scored objectively.
- b) Projective tests: are those in which a candidate is asked to project his own interpretation into certain standard stimulus situations, basing on ambiguous pictures, figures etc. The way in which he responds to these stimuli depends on his own values, motives and personality.

## Multi-dimensional testing:

Many companies have felt after globalisation that they need to test the candidates for multi-skills. Organisations have to develop multi-dimensional testing to find out whether the candidates possess a variety of skills or not, able to apply them based on situation and functional requirement.

# Interview (5<sup>th</sup> step in selection)

## Preliminary interview

- Informal interview
- Unstructured interview

## Core interview

- Background information interview
- Job and probing interview
- Stress interview
- The group discussion interview
- Formal and structured interview
- Panel interview
- Depth interview

## Decision-Making interview

Interview is the most widely used selection technique by all kinds of organizations.

- Interview is a two way communication which enables the employer to view the total individual and appraise the candidate and his behaviour.
- It is a method by which an idea about an applicant's personality (including his intelligence, breadth of interests and general attitudes towards life) can be obtained by a face-to-face contact.

In STRESS INTERVIEW, the interviewer tests the candidate by putting him under stress and strain by interrupting the applicant from answering, criticizing his options, asking questions pertaining to unrelated areas, keeping silent for unduly long periods after he finished speaking etc. Stress during the middle portion of the interview gives effective results. Stress interview must be handled with utmost care and skill.

In DEPTH or ACTION Interview, experts test the candidate's knowledge in depth in core areas of job skills and knowledge.

# Types of interview



- Companies which conduct on-campus interviews fall into two categories: looking to fill specific positions, or those who are collecting more resumes. Find out which category the company falls in
- Know the company – Do some pre-research
- Find out the nature of the interview
- Dress well and Be energetic



- Conducted for a job where candidate is not local / for prescreening.
- Typical questions or behavioral questions may be asked
- Make sure your call waiting is turned off, you are in a quiet room, and you are not eating, drinking or chewing gum.
- If there is enough common ground, then the phone interviews are followed-up by an in-person interview.



- Conducted when the candidate is in a different geographical location
- Make sure there is no background noise; you are in a closed room with instructions that you should not be interrupted for next one hour.
- Dress appropriately as you could be seen; Watch your body language
- Check for understanding when / if the network breaks

# Types of interview



- Most Traditional form of interview
- Consists of interviewer and the interviewee
- Usually conducted by your potential Manager
- Questions are asked about your skills and experience
- You could be asked "Why would you be good for this job?" or "Tell me about yourself."



- Objective is to save time / to get the collective opinion of panel regarding the candidate.
- The panel may consist of different representatives of the company such as human resources, operations, and training.
- Each member of the panel may be responsible for asking questions that represent relevancy from their position.



- Employer invites you with other team members to see how you fit in.
- Great time to ask any questions - Prepare your questions in advance.
- Don't order anything that is too expensive / messy to eat.
- Never take your leftovers home in a doggy bag either.
- Have your best table manners; You don't need to offer to pay.
- Chew in small bites so you don't get caught with a mouthful when questioned.

# Types of interview



- Interviewer wants to see how you deal with certain problems.
- The logic behind the behavioral interview is that your future performance will be based on a past performance of a similar situation.
- Questions based on common situations of the job you are applying for may be asked.
- Expect questions like - What did you do when you were in X situation?



- Common in sales positions and is rare today
- It is a deliberate attempt to see how you handle yourself under pressure
- The interviewer may be sarcastic / argumentative / may keep you waiting.
- Do not take it personally & calmly answer each question.
- Ask for clarification if you need it; never rush into an answer.



- The interviewer will outline a situation / provide you with a case
- You do not have to come up with the ultimate solution. The interviewers are looking for how you apply your knowledge & skills to a real-life situation.
- Speak aloud so interviewers have an understanding of your thought process.
- Before answering a case interview question, ask questions for clarity.
- Take notes and jot down thoughts as you work through.

# Categories of training methods

## 1. On the job training:

- The trainee learns on the actual equipment in use and in true environment of his job.



## 2. Vestibule/ Classroom training:

- ✓ Duplicates on the job situations in a company classroom.

# Categories of training methods

## 3. Apprenticeship programs:

- Employees are employed on a small stipend to learn the job first and after satisfactorily completing the training they are absorbed in the industry.



## 4. Work Simulation training:

- ✓ Simulation is a technique which duplicates, as nearly possible, the actual conditions encountered on a job.
- ✓ Most widely used in aeronautical/ defense settings.

## TRAINING

Training is the act of increasing the knowledge and skill of an employee for doing a particular job.

The purpose of training is to achieve a change in the behaviour of those trained and to enable them to do their jobs in a better way. Training is not a one-step process but it is a continuous or never-ending process.

Training is different from education. Education is concerned with improving the general knowledge and understanding of the employee's total environment. Eg: Automobile mechanic and automobile engineer. In some cases, training and education occur at the same time.

# Different areas of training in an industry

## **For rank and File employees:**

- Job training
- Apprenticeship
- Pre-employment training
- Retraining

## **For supervisory levels:**

Supervisory skill training

Coaching

Special course and classes

Conferences

Job rotation

Brain storming

Case studies

Special projects and task forces

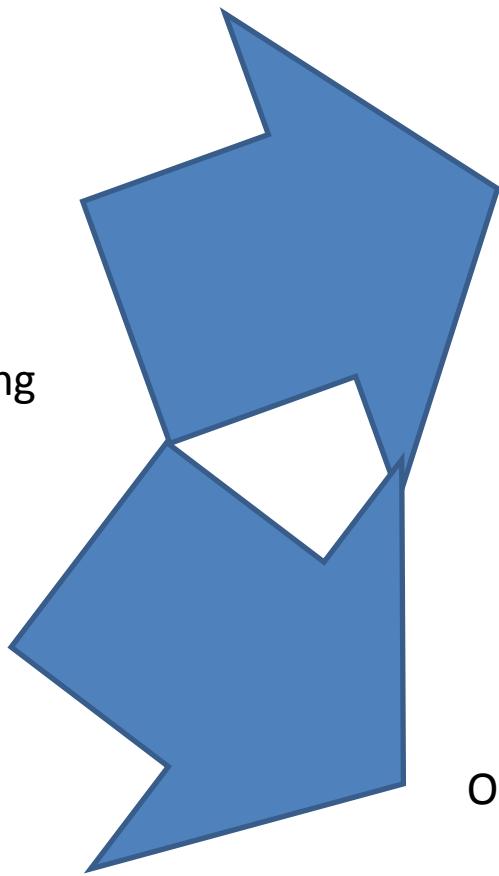
Simulation-role playing

Sensitivity training

## **For management level:**

- Coaching
- Special courses and classes
- Conferences
- Job rotation
- Brainstorming
- Committee assignments
- Selective reading
- Case studies
- Multiple management
- Simulation-role playing gaming
- Sensitivity training

Methods of training



On the job training

Off the job training

## On the job training Methods

These are the most commonly used methods in training for all levels of personnel. The objective is to bring the employees to at least a minimum acceptable standard of performance in the shortest possible time, By these methods the worker learns to master the operations involved on the actual job.

(1) On specific job (for job knowledge): The most common on the job training programme is training for specific job. It can be done by:

- a) Experienced workmen: New worker learns from experienced worker by watching and then copying him. Whenever necessary experienced worker gives him necessary instructions.
- b) Training by supervisors: It is the duty of the supervisor to train the new worker as and when they are sent to his department. It provides opportunities to the trainees for getting acquainted with their bosses. The bosses, too, have an opportunity to judge the abilities and possibilities of trainees.

(2) Vestibule schools:

*A schooling facility organised within an industrial plant to teach specific skills to trainee workers.*

When the amount of training that has to be done exceeds the capacity of the line supervisor, a portion of this training is evolved from the line and assigned to staff through a vestibule school which is operated by the personnel department.

Large organizations frequently provide vestibule schools, a preliminary to actual shop experiences.

Vestibule schools are widely used for factory production jobs, clerical and office jobs. More individualized instruction can be given thereby, the student avoids the confusion and pressure of work situation and thus is able to concentrate on learning.

*Vestibule training is relatively expensive but, these costs are justified if the volume of training is large.*

(3) Apprenticeship Programs

(4) Position rotation (for organizational knowledge)

(5) Special project

(6) Selective reading (for general knowledge)

# Induction

Let us assume that the HR team has carefully recruited, screened, and tested several applicants for that new position. When the time came to make a hiring decision, the HR team confidently selected the most qualified candidate. But two months later, the new hire resigned, confessing that s/he "never felt part of the company.

The right first impression is everything, and a poor employee induction can cost one dearly. It's a fact: those who don't start right don't tend to stick around long. And high turnover means the HR team must find new people all over again.

To retain new employees, it's critical to have an effective induction program.

Staff members who are properly trained and welcomed at the beginning of their careers feel good about their choice of employer, fit in quickly with colleagues, and readily contribute new ideas. They also represent the company more confidently to customers, business partners, and suppliers.

***Thus, an induction program is the process used within many businesses to welcome new employees into the firm or organization and prepare them for their new role. An induction is planned to provide the new employee with the information he/she requires to settle down comfortably and efficiently into the firm.***

Induction primarily allows the employee to get familiarized with the basics of the organization, its policies and procedures, its processes, its goals, vision, mission, values, compensation payout methods, reimbursement payout methods and the nature of business the organization is involved in.

These basics focuses more on the information or knowledge that is immediately required for an employee to feel comfortable. This also introduces the employees to gain an understanding about the organizations work culture.

## Why Induction?

- Induction provides an opportunity for both employer and new employee to confirm their decision to continue their professional association.
- In any organization, employee turnover is seen to be the highest within the first 3 months. Induction is a good opportunity to build cohesiveness between the employee and the employer. The idea is to eliminate any chances of turnover.
- Induction in certain countries by law requires that new employees be told about the health and safety procedures to be followed in certain situations.

# **Types of Induction**

An organization needs to make a strategic choice before designing an induction/orientation programme. They are: Formal Induction and Informal Induction

## **Informal Induction**

In this the new employees are instructed to report to the HR department for an explanation of organization policies before being referred to the manager for on the job briefing on specific work process.

In informal orientation, new employees are put directly on the job and are expected to adjust themselves on the new job and organization. Informal orientation tends to be brief; may last for an hour or may be less than an hour.

**Example:** A sales person is asked to go along with a tenured high performing sales person or his manager to make sales calls and learn about the product and the selling skills during the calls.

## **Formal Induction**

Here the management has a structured programme which is executed when new employees join the firm.

Formal induction is more elaborate and is spread over a couple of weeks or months. Most formal induction programmes consist of three stages:

- General introduction to the organization is often given by the HR department.
- Specific orientation to the job and the department, typically is given by the supervisor or manager.
- Follow up meeting to verify that the important issues have been addressed and employee questions have been answered. This follow up meeting usually takes place after a week of joining between the new employee and the manager.

A formal induction programme is shared by the HR specialists and managers.

The HR manager covers areas such as:

Introduction: to supervisors, trainers and colleagues.

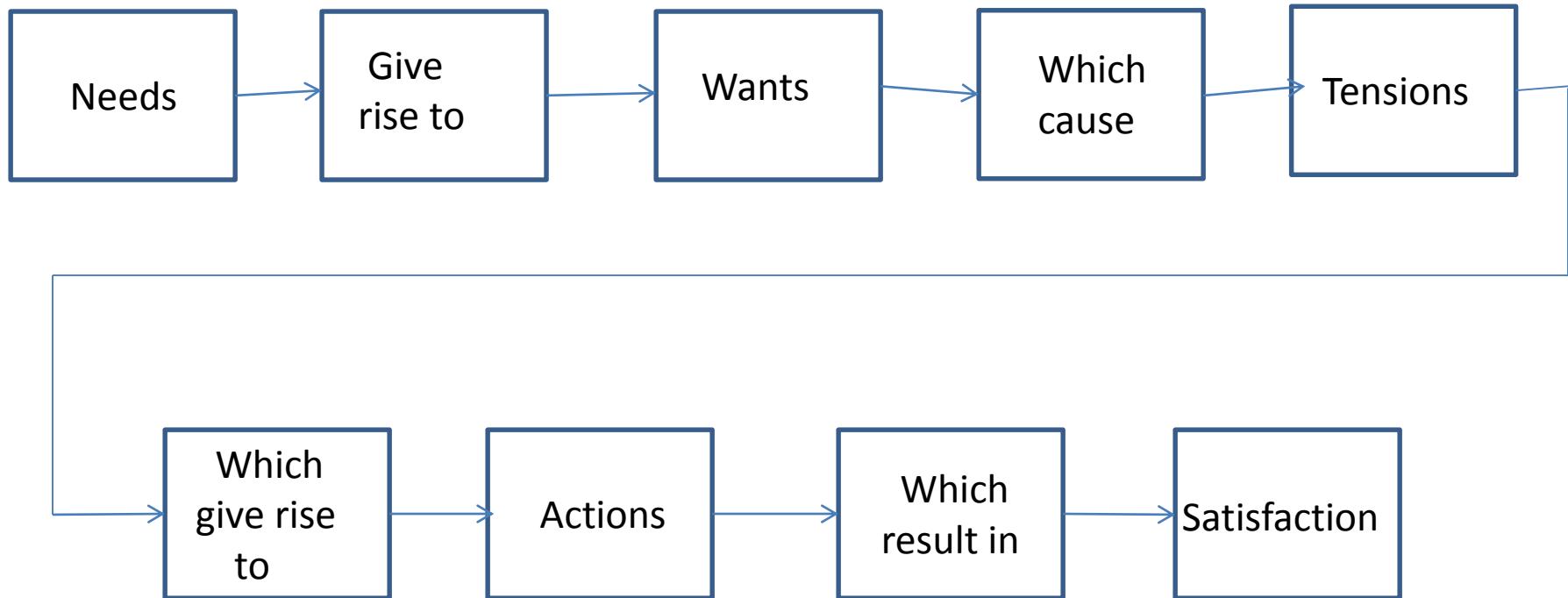
# What is Motivation

A conditional process within an individual that causes that individual to move towards a goal



# Motivation:

Figure below clarifies a Need-Want-satisfaction Chain.



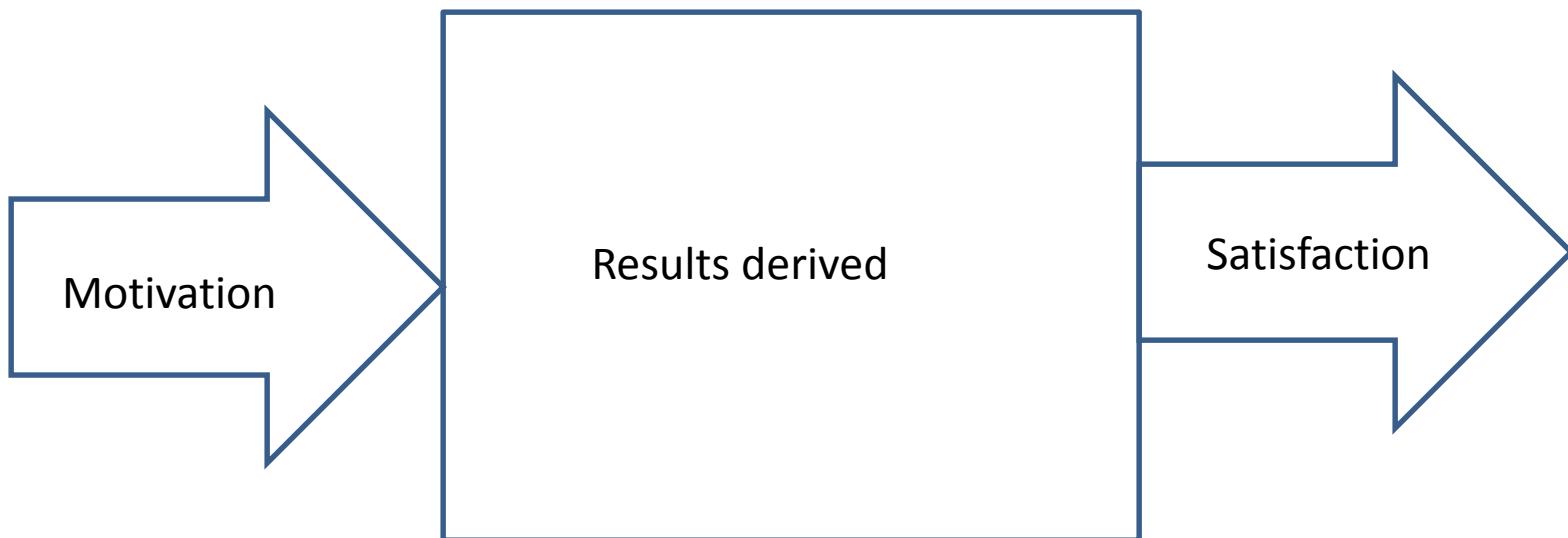
**Motivation** is the general term used to the entire class of drives, desires , needs, wants and similar forces. At a given time, an individuals motives/drives may be quite complex and often conflicting.

**Motivators** are things which induce individual to perform. While motivation reflect wants, motivators are the identified rewards, or incentives, that sharpen the drive to satisfy these wants.

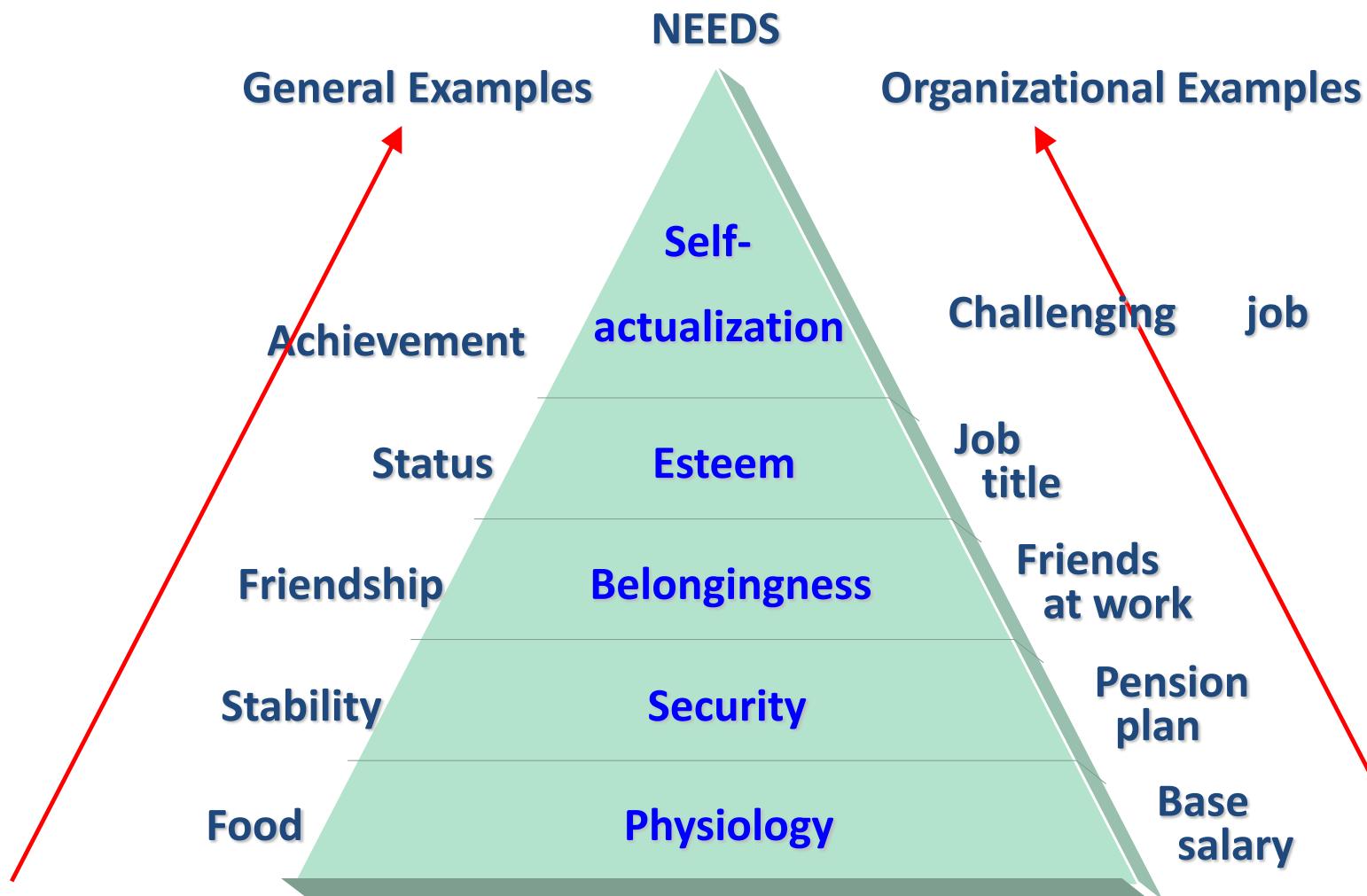
A **motivator** is something that influences an individual's behaviour. It makes a difference in what a person will do.

**Satisfaction** refers to the happiness experienced when a want is satisfied.

Motivator is a drive and satisfaction is the outcome of an output achieved.



# Maslow's Hierarchy of Needs

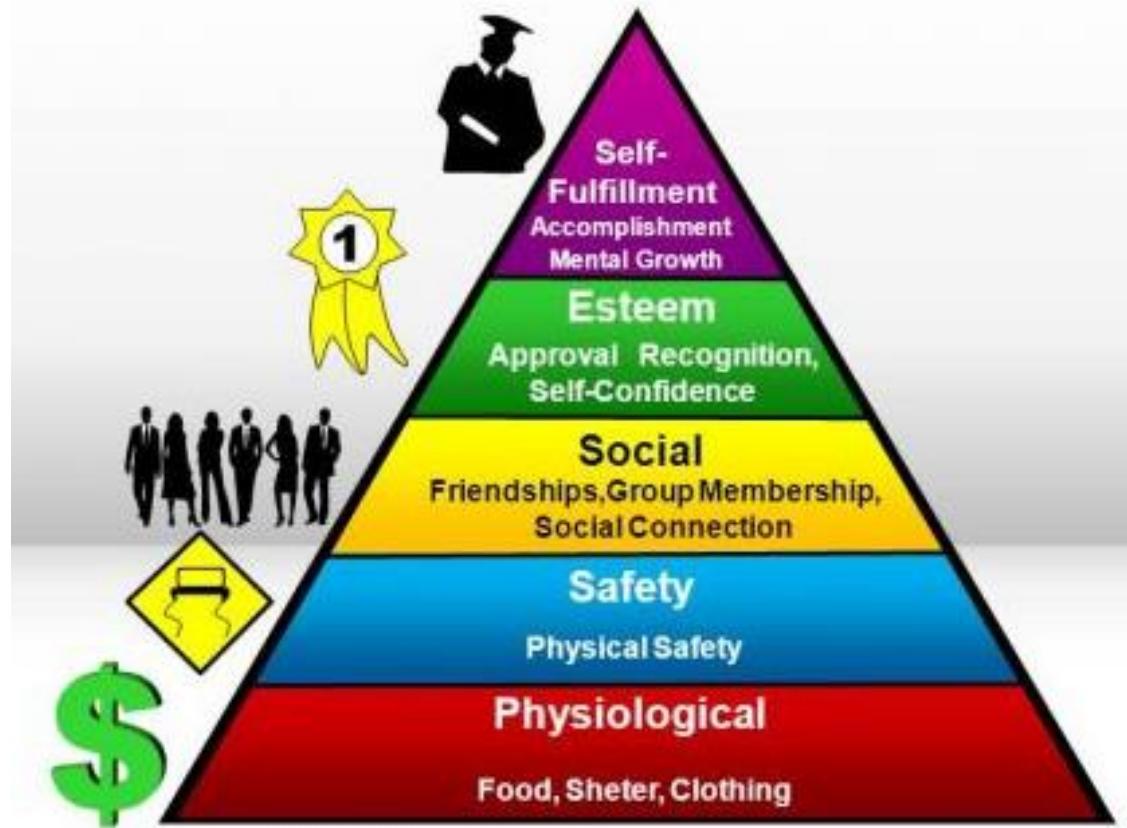


## Hierarchy of Needs Theory

- There is a hierarchy of five needs—physiological, safety, social, esteem, and self-actualization; as each need is substantially satisfied, the next need becomes dominant.

### Self-Actualization

- The drive to become what one is capable of becoming.



## **Lower-Order Needs**

- Needs that are satisfied externally; physiological and safety needs.

## **Higher order needs**

- Needs that are satisfied internally; social, esteem, and self-actualization needs.

## The hierarchy of needs theory (Maslow's Theory)

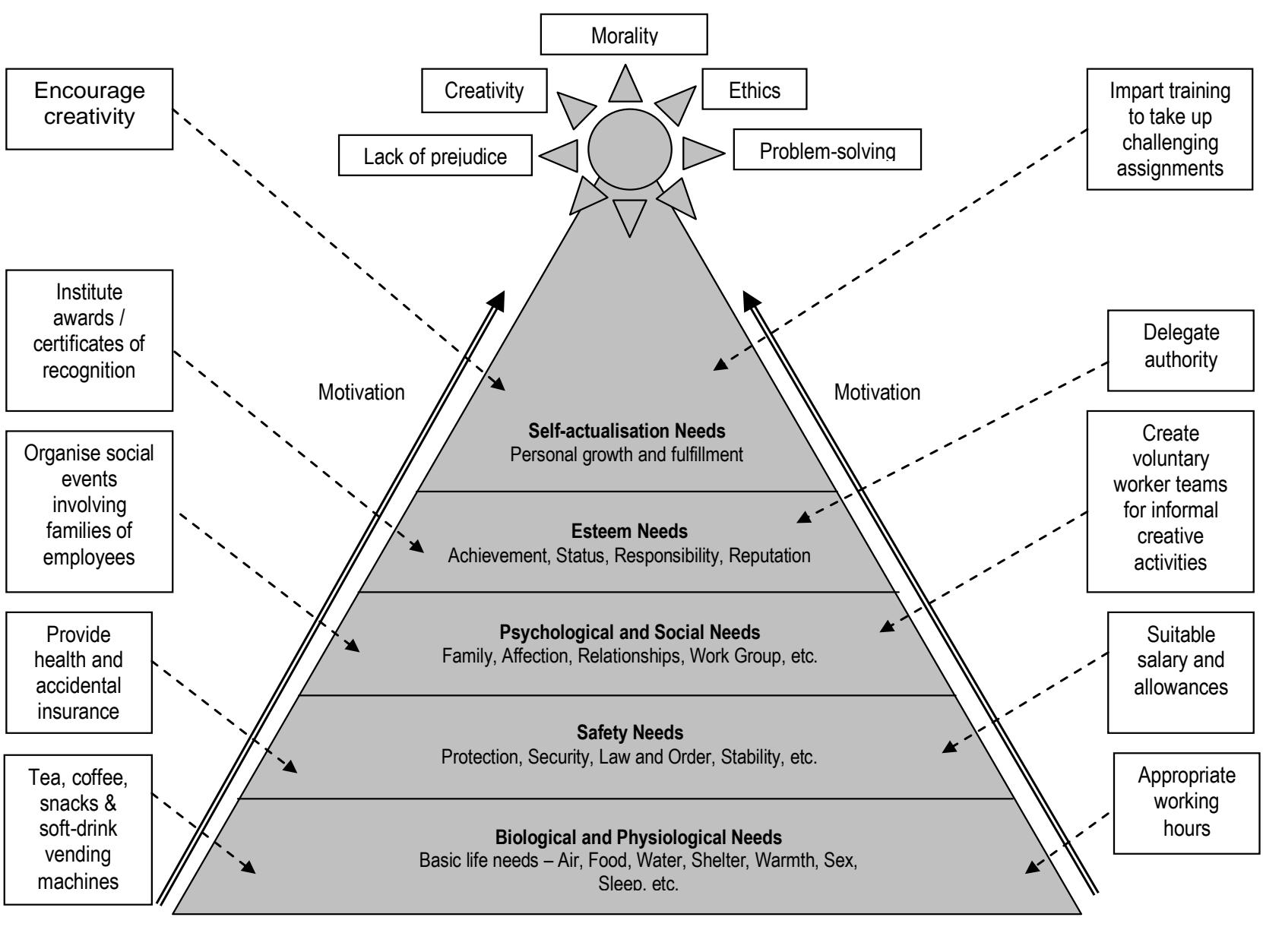
Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of need is satisfied, this kind of need results to be a motivator.

- **Physiological needs** – Basic needs for sustaining human life itself viz. food, shelter, clothing, sleep, warmth, water etc. Maslow suggested that unless these needs are satisfied to the degree necessary to maintain life, other needs will not motivate people.

- **Security/Safety needs** – these are the needs to be free of physical danger and the fear of loosing a job, property, food or shelter.
- **Affiliation/Acceptance needs** – Since people are social beings, they need to belong and to be accepted by others.
- **Esteem needs** – Once the lower end needs of human beings is satisfied, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfactions as power, prestige, status and self-confidence.

- **Self actualization needs** – This is regarded as the highest need in the hierarchy. It is the desire to become what one is capable of becoming – to maximize one's potential and to accomplish something.

It is to be noted that there are two levels of needs – biological and other needs. The other needs would emerge only when the biological needs were reasonably satisfied. As managers advance in an organization, their physiological needs and safety needs tend to decrease in importance & their needs for affiliation, esteem and self actualization tend to increase.



# Assumptions of Maslow's Hierarchy

## Movement up the Pyramid

- Individuals cannot move to the next higher level until all needs at the current (lower) level are satisfied.
- Individuals therefore must move up the hierarchy in order

**Maslow Application:**  
**A homeless person  
will not be motivated to  
meditate!**

# McGregor's Theory X and Theory Y

- Theory X
  - Assumes that workers have little ambition, dislike work, avoid responsibility, and require close supervision.
- Theory Y
  - Assumes that workers can exercise self-direction, desire responsibility, and like to work.
- Motivation is maximized by participative decision making, interesting jobs, and good group relations.

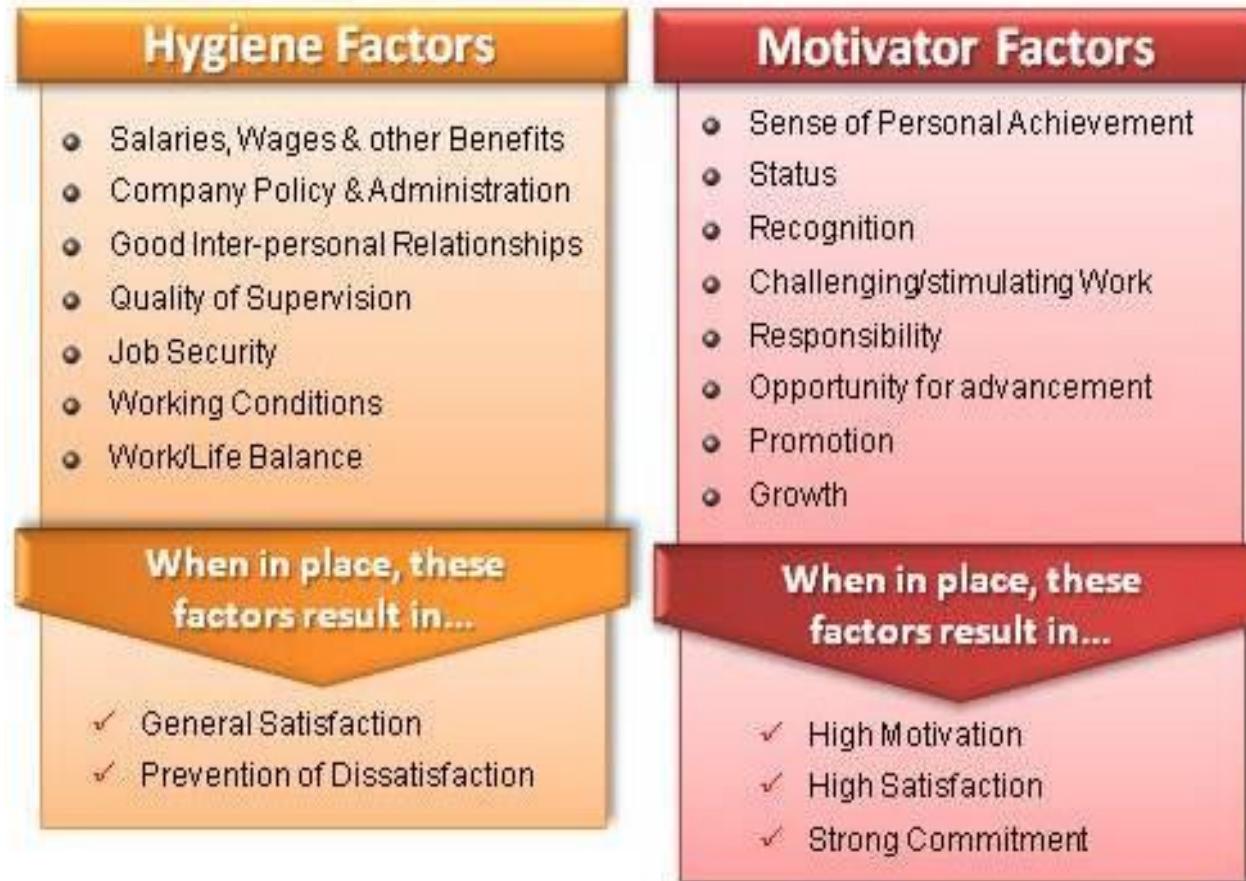
## Theory Y assumptions:

- The expenditure of physical effort and mental effort in work is as natural as play or rest.
- External control and threat of punishment are not the only means for producing effort toward organizational objectives.  
People will exert self control and self direction.
- The degree of commitment to objectives is in proportion to the size of rewards associated with their achievement.
- Any human beings learn, under proper conditions, not only to accept responsibility but also to seek it.

- Under the conditions of the modern industrial life, intellectual potentials of the average human beings are only partially utilized.

Theory X is pessimistic, static and rigid. Control is primarily external, that is imposed on the subordinate by the superior. Theory Y is optimistic, dynamic and flexible, with an emphasis on self control and self direction and the integration of individual needs with the organizational demands.

# Herzberg's Motivation-Hygiene Theory



Job satisfaction and job dissatisfaction are created by different factors.

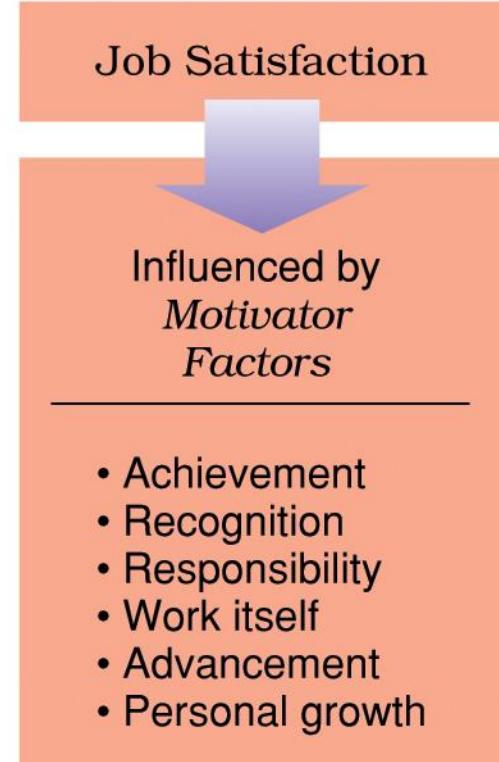
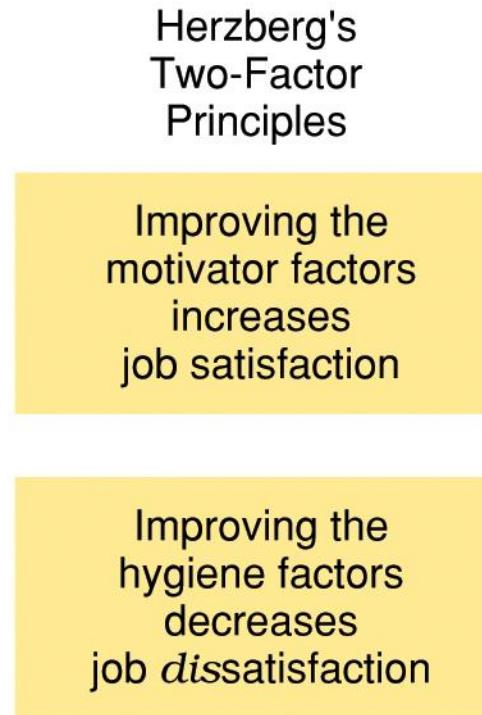
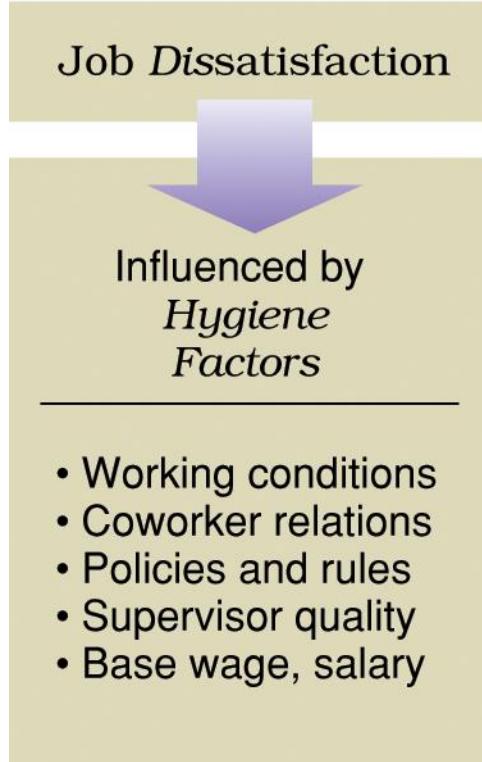
- **Hygiene factors:** extrinsic (environmental) factors that create job dissatisfaction.
- **Motivators:** intrinsic (psychological) factors that create job satisfaction.

It is a two factor theory of motivation.

In the first group of needs are such things as co. policy and administration, supervision, working conditions, interpersonal relationships, salary, status, job security and personal life. These are found to be **dissatisfiers** and are not motivators. ***It means, if these factors exist in work environment in high quantity and quality, they yield no dissatisfaction.*** Their existence does not motivate in the sense of yielding satisfaction, their lack of existence would, however, result in dissatisfaction. They are termed as “**Maintenance Factors**”

In the second group are listed certain **satisfiers** & hence **Motivators**. They include factors like achievement, recognition, challenging work, advancement and growth in the job. Their existence will yield feelings of satisfaction or no satisfaction (but not dissatisfaction).

- ✓ *The first group of factors (Dissatisfiers) in an organization will not yield motivation in the organization, but they must be present, or dissatisfaction will arise.*
- ✓ *The second group (Satisfiers) are found to be real motivators because they have the potential of yielding a sense of satisfaction.*



# Motivational Techniques

- Positive Tools:
  - Praise and give credit for all good work done by them
  - Promote healthy competition among the individual employees
  - Find ways to develop pride in the work place
  - Delegate substantial amount of responsibility to the subordinates
  - Fix fair wages and give individual or group incentives
  - Formulate a suitable feedback system
  - Provide opportunities for growth and promotion
  - Promote good and satisfying interpersonal relationship
  - Promote good working conditions
  - Formulate fair, clear, firm and consistent management policies

# Motivational Techniques

- Negative Tools:
  - Reprimand
  - Fine
  - Demotion
  - Lay-off
  - Discharge
- Special Motivational Techniques
  - Money
  - Positive Reinforcement
  - Job Enrichment
  - Participation

**LEADING**

# Leadership

2

“It is defined as influence, that is the art or process of influencing people so that they will strive willingly and enthusiastically toward the achievement of group goals.”



# What is leadership?

**Leading people**

**Influencing people**

**Commanding people**

**Guiding people**

# Managers vs. Leaders

## Managers

- Focus on things
- Do things right
- Plan
- Organize
- Direct
- Control
- Follows the rules

## Leaders

- Focus on people
- Do the right things
- Inspire
- Influence
- Motivate
- Build
- Shape entities

# Ingredients of Leadership

5

- The ability to use power effectively and in a responsible manner.
- The ability to understand that human beings have different motivation forces at different times and different situations.
- The ability to inspire.
- The ability to act in a manner that will develop a climate conducive to responding to and affecting motivations.

# Qualities of an effective leader



- Shouldn't be arrogant
- Shouldn't be miserly
- Should be as open as possible with subordinates
- Should ensure his troops understand what is expected of them
- Should promote competency and inspire
- Must be able to see things from others point of view
- Must consider the needs of the organization above his or her own

# Theories on leadership behavior and styles

- ✓ Leadership based on the use of authority
- ✓ Likert's 4-systems of managing
- ✓ The managerial grid
- ✓ Leadership involving a variety of styles, ranging from a maximum to a minimum use of power and influence.

# 1. Styles based on Use of Authority:

8

- Leadership style is the manner and approach of providing direction, implementing plans, and motivating people.
- Kurt Lewin (1939) led a group of researchers to identify different styles of leadership.
- This early study has been very influential and established three major leadership styles.
  - ✓ Autocratic leader
  - ✓ Democratic/participative leader
  - ✓ Free rein leader

# Autocratic Leadership

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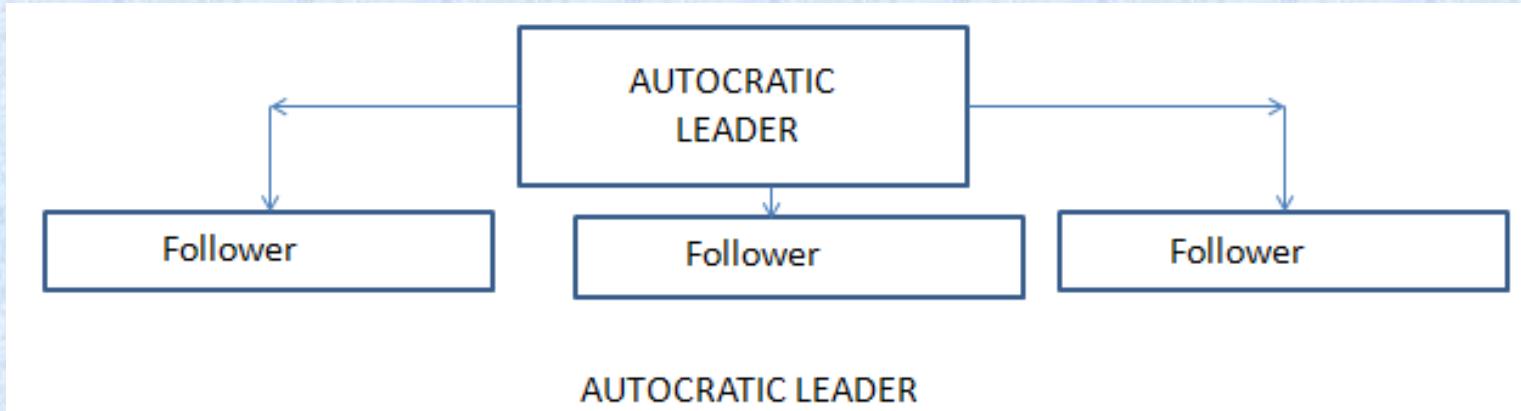
**Authoritarian (autocratic)**



**I want both of you to... .**

# Autocratic leadership

10



- The Autocratic leader commands and expects compliance, is positive and leads by ability to withhold or give rewards and punishment.

# Autocratic leadership

- This style is used when leaders tell their employees what they want and how they want it accomplished, without getting the advice of their followers.
- Some of the appropriate conditions to use it is when you have all the information to solve the problem, you are short on time, and your employees are well motivated.

# Autocratic leadership

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- The autocrat leadership style manages the direction of all goals and work, with little to no input from the team.
- They have all the power to make decisions, and they use it.
- They don't worry about input, and do not leave room for subordinates to sub-manage.
- The authoritarian style should normally only be used on rare occasions.
- *For example: Military, manufacturing, construction*

# Democratic/Participative leader

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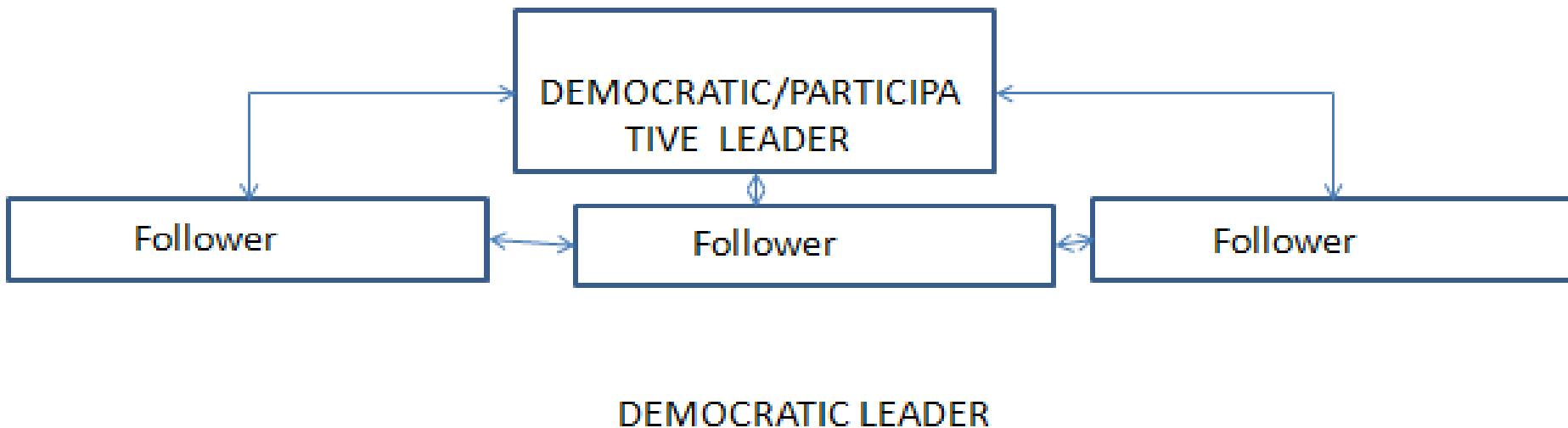
**Participative (democratic)**



**Let's work together to solve this... .**

# Democratic/Participative leader

14



- ✓ The **Democratic/Participative** leader consults with subordinates on proposed actions and decisions and encourages participation from them.

# Democratic/Participative leader

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- This style involves the leader including one or more employees in the decision making process (determining what to do and how to do it).
- However, the leader maintains the final decision making authority.
- Using this style is not a sign of weakness, rather it is a sign of strength that your employees will respect.

# Democratic/Participative leader

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- This is normally used when you have part of the information, and your employees have other parts.
- Note that a leader is not expected to know everything — this is why you employ *knowledgeable* and *skillful* employees.
- Using this style is of mutual benefit — it allows them to become part of the team and allows you to make better decisions.

# Delegative/free reign leader

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**Delegative (free reign)**



You two take care of the problem while I go...



# Delegative/free reign leader

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- ✓ The **Free-rein** leader uses his/her power very little, if at all giving subordinates a high degree of independence in their operations. Such leaders depend largely on subordinates to set their own goals and the means of achieving them.

# Delegative/free reign leader

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- In this style, the leader allows the employees to make the decisions.
- However, the leader is still responsible for the decisions that are made.
- This is used when employees are able to analyze the situation and determine what needs to be done and how to do it.

# Forces that influence the style to be used included:

20

- How much time is available.
- Are relationships based on respect and trust or on disrespect?
- Who has the information — you, your employees, or both?
- How well your employees are trained and how well you know the task.
- Internal conflicts.
- Stress levels.
- Type of task. Is it structured, unstructured, complicated, or simple?
- Laws or established procedures such as training plans.

## 2. Likert's 4 systems of managing

21

Prof. Likert of University of Michigan has suggested the following four systems of management

- System 1 management – “exploitative-authoritative”
- System 2 management – “*Benevolent Authoritative*”
- System 3 management – “Consultative”.
- System 4 management – “Participative”

# System 1 – Exploitative Authoritative

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- Responsibility lies in the hands of the people at the upper levels of the hierarchy.
- The superior has *no trust and confidence* in subordinates.
- The decisions are imposed on subordinates and they do not feel free at all to discuss things about the job with their superior.
- The teamwork or communication is very little and the motivation is based on threats.

# System 1 – Exploitative Authoritative

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- System 1 management is described as “exploitive-authoritative”, its managers are highly autocratic, have little trust in subordinates, motivate people through fear and punishment and only occasional rewards, engage in downward communication, and limit decision making to the top.

# System 2 - Benevolent Authoritative

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- The responsibility lies at the managerial levels but not at the lower levels of the organizational hierarchy.
- The superior *has confidence and trust* in subordinates.
- Here again, the subordinates do not feel free to discuss things about the job with their superior.
- The teamwork or communication is very little and motivation is based on a system of rewards.

*Meaning of Benevolent is compassionate, caring*

# System 2 - Benevolent Authoritative

25

- System 2 management is called *"Benevolent Authoritative"*.  
Its managers have a patronizing confidence and trust in subordinates, motivate with rewards and some fear and punishment, *permit some upward communication*, ask some ideas and opinions from subordinates, and allow some delegation of decision making but with close control.

# System 3 - Consultative

26

- Responsibility is spread widely through the organizational hierarchy.
- The superior has substantial but not complete confidence in subordinates.
- Some amount of discussion about job related things takes place between the superior and subordinates.
- There is a fair amount of teamwork, and communication takes place vertically and horizontally.
- The motivation is based on rewards and involvement in the job.

# System 3 - Consultative:

27

- **System 3 management** is referred to as “Consultative”. Managers in this system have substantial but not complete confidence and trust in subordinates, usually try to make use of subordinates ideas and opinions, use rewards for motivation with occasional punishment and some participation, engage in communication flow both up and down, make broad policy and general decisions at the top while allowing specific decisions to be made at lower levels, and act consultatively in other ways.

# System 4 - Participative

28

- Responsibility for achieving the organizational goals is widespread throughout the organizational hierarchy.
- There is a high level of confidence that the superior has in his subordinates.
- There is a high level of teamwork, communication, and participation.

# System 4 - Participative

29

- **System 4 management.** As the most participative of all and referred to as *“Participative group”*. Here managers have complete trust and confidence in subordinates in all matters, they always get ideas opinions from subordinates and constructively use them. They engage in much communication down and up with peers, encourage decision making throughout the organization, and operate among themselves and with their subordinates as a group.

# Likert's 4 systems of managing

30

In general, Likert found that those managers who applied the system 4 approach to their operations had greatest success as leaders. Moreover, he noted that departments and companies managed by the system 4 approach were more effective in setting goals and achieving them and were generally more productive.

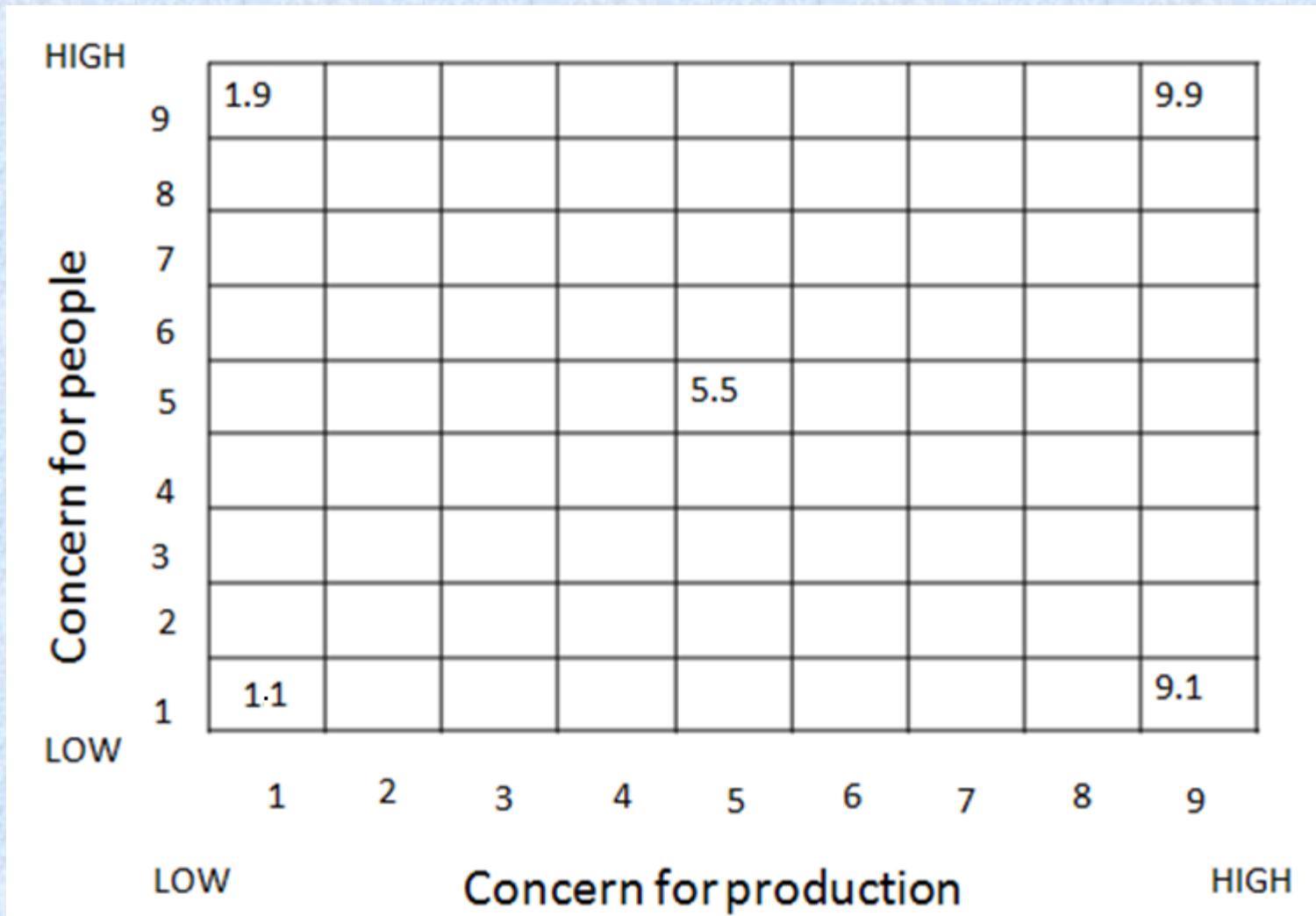
# 3. The Managerial Grid

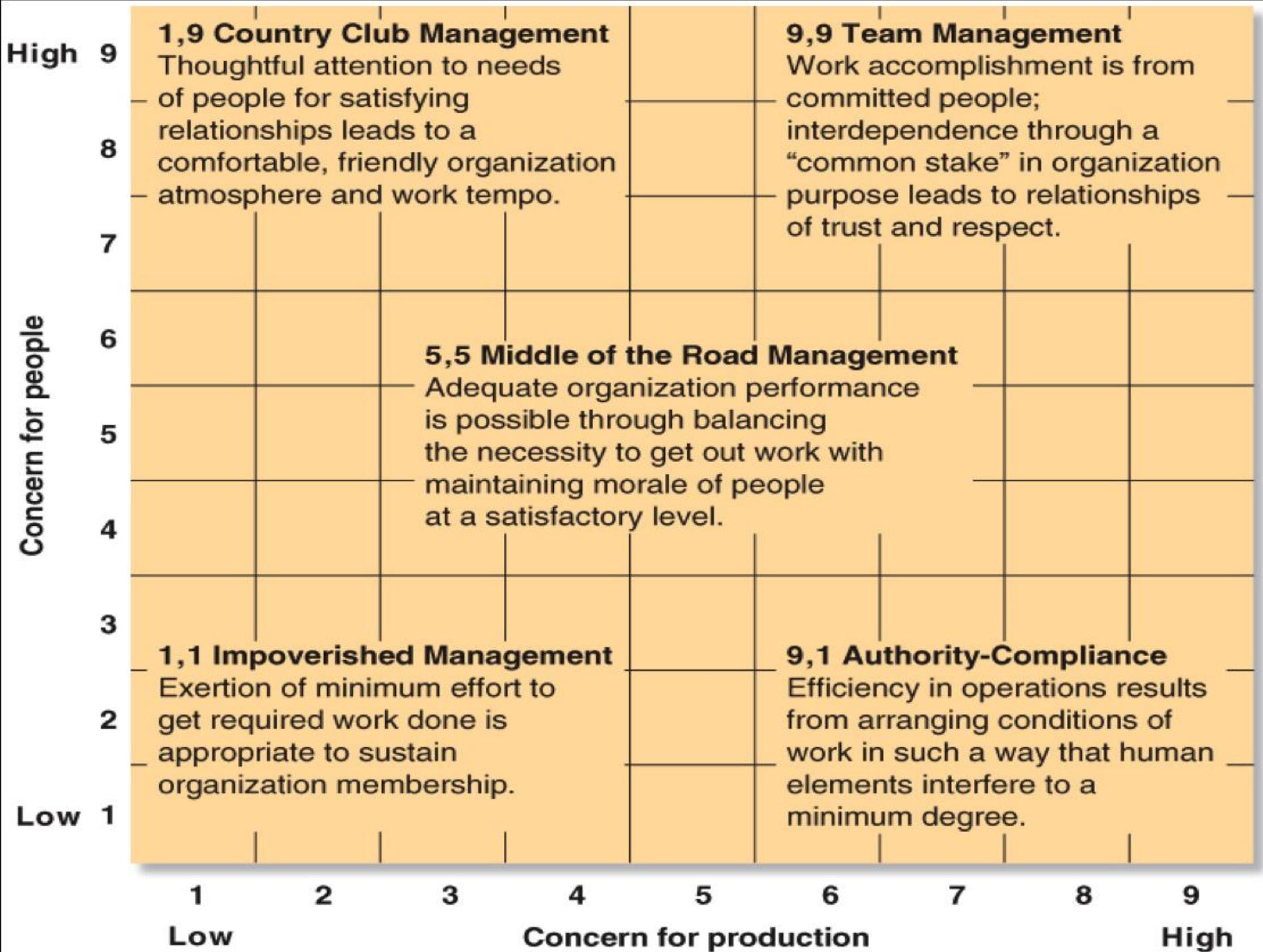
31

- A well known approach to leadership, developed by Robert Blake and J. Mouton.
- The grid shown in the figure, has been used throughout the world as a means of training managers and of identifying various combinations of leadership styles.

# The Managerial Grid

32





# The Managerial Grid

34

- ✓ 1.1 Management – minimum effort is required to get work done and sustain organizational morale.
- ✓ 1.9 Management – thoughtful attention to needs of people leads to a friendly and comfortable organizational atmosphere and work tempo.
- ✓ 9.1 Management – efficiency results from arranging work in such a way that human elements have little effort.
- ✓ 9.9 Management – work accomplished is from committed people with interdependence through a common stake in organization purpose & with trust and respect.
- ✓ 5.5 Management – adequate performance through balance of work requirements & maintaining satisfactory morale.

# 4. Extreme styles of managing

35

1.1 Style (Referred to as “ Impoverished management”). Here managers concern themselves very little with either people or production and have minimum involvement in their jobs, to all intents and purposes, they have abandoned their jobs and only act as messengers communicating information from superiors to subordinates.

# Extreme styles of managing

36

1.9 Style of management (Referred to as “Country club management”). It is one in which managers have little or no concern for production but are concerned only for people. They promote an environment in which everyone is relaxed, friendly and happy and no one is concerned about putting forth coordinated effort to accomplish the enterprise objectives.

# Extreme styles of managing

37

## 9.1 Style of management (Referred to as “Autocratic task

managers”. Here the managers are concerned only with developing an efficient operation, who have little or no concern for people, and who are quite autocratic in their style of leadership.

# Extreme styles of managing

38

**9.9 Style management (Referred to as “Team managers”).** This is on the other extreme. The managers here display in their actions the highest possible dedication both to people and to production. They are real team managers who are able to mesh the production needs of the enterprise with the needs of the individuals.

# Extreme styles of managing

39

By using these 4 extreme styles as points of reference, every managerial technique, approach or style can be placed somewhere on the grid clearly.

**5.5 style of management (Referred to as “ Middle of the roads”).** Here the managers have medium concern for production and for people. They obtain adequate, but not outstanding morale and production. They do not set goals too high and they are likely to have rather benevolently autocratic attitude toward people.

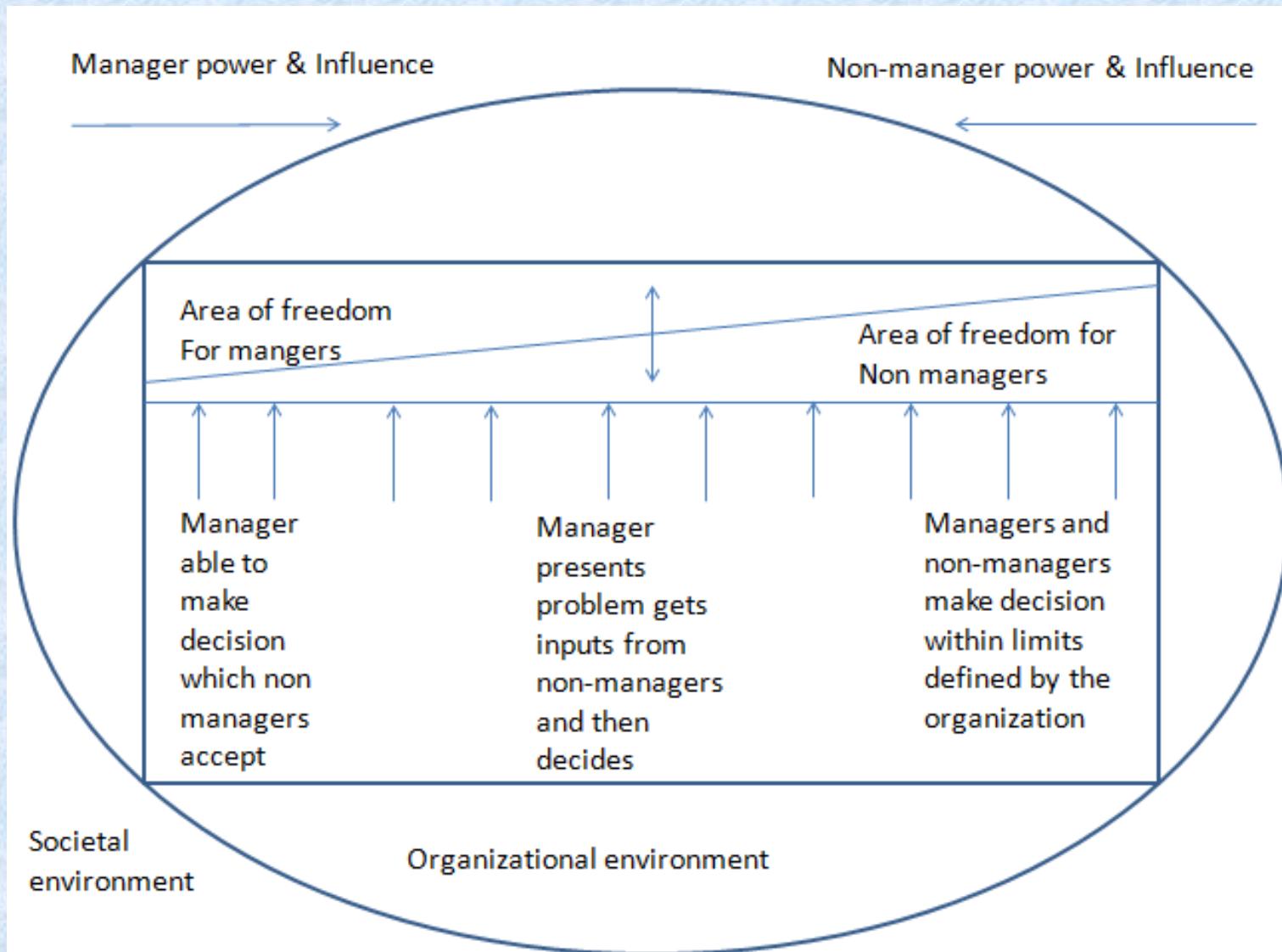
# Leadership as a continuum

40

Developed by Robert Tannenbaum and W. H. Schmidt. They see leadership as involving a variety of styles, ranging from one that is highly boss centred to one that is highly subordinate centred. The styles vary with the degree of freedom a leader/manager grants to subordinates. Thus instead of suggesting a choice between the two styles of leadership – Authoritarian and democratic – this approach offers a range of styles.

# Leadership as a continuum

41



# Leadership as a continuum

42

- The continuum theory recognizes which style of leadership is appropriate, depending on the leader, followers and the situation faced by the organization.
- Ellipse is placed around the model to represent the influences on style imposed by both the organizational environment and societal environment.

# COMMUNICATION

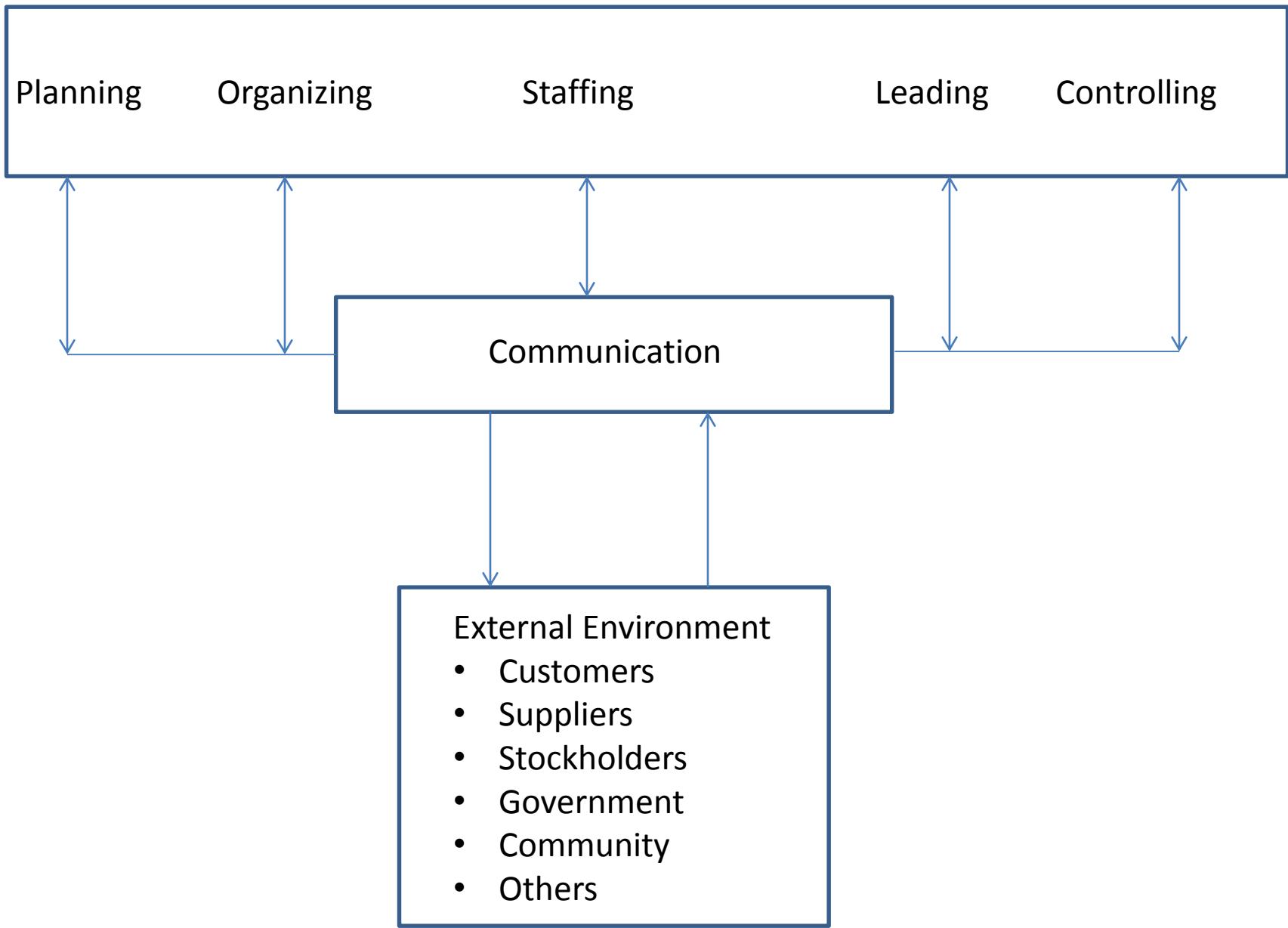
Communication is viewed as the means by which people are linked together in an organization to achieve common goals.

Group activities in the organizations are impossible without proper communication because coordination and change can not be effected.

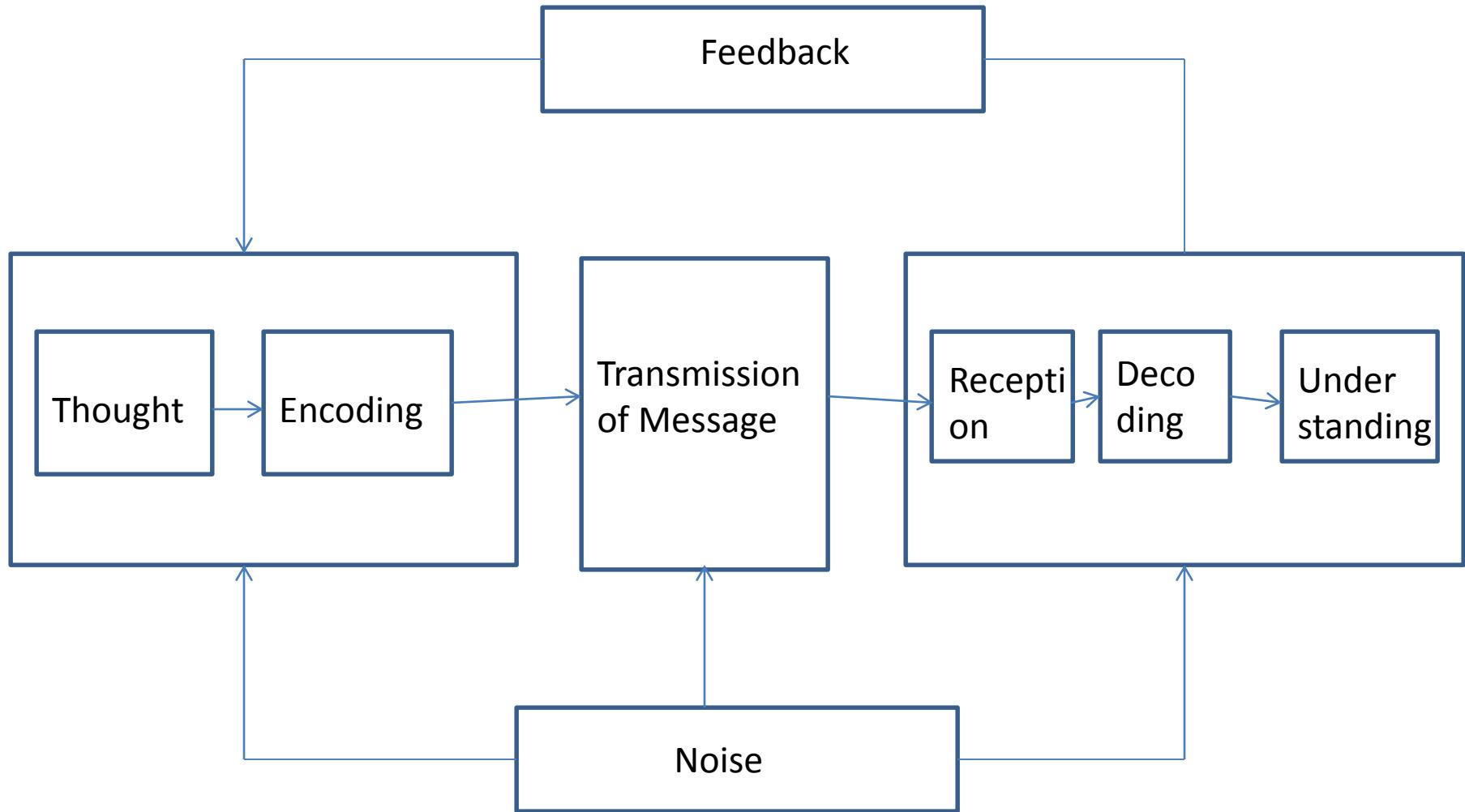
Communication is essential for the internal functioning of the organization, because it integrates the managerial functions of planning, organizing, staffing, leading and controlling.

Communication also relates an enterprise to its external environment. It is through communication that managers become aware of the needs of the customers, the availability of suppliers, the claims of stockholders, the regulations of the government and concerns of the community.

## Internal Environment



# The Communication Process:



- The communication process involves the sender, the transmission of message through a selected channel, and the receiver.
- Communication begins with the sender, who has a thought or an idea which is then encoded in a way that can be understood by both the sender and the receiver.
- The information is transmitted over a channel that links the sender with the receiver. The message may be oral, or written and it may be transmitted through a memorandum, a computer, the telephone, a telegram or television.

# **Types of communication**

## **Formal vs. informal communication**

- Formal communication is an officially created procedure for the flow of communication between the various positions in the organizational set-up.
- Informal communication is one that is outside the formed, recognized communication system, such as conversations and among workers and the grapevine.

**Downward communication** flows from people at higher levels to those at lower levels in the organizational hierarchy.

- This kind of communication exists especially in organizations with an authoritarian atmosphere.
- The kinds of media used downward oral communication include instructions, speeches, meetings, telephone, loudspeakers etc.

- Written downward communication includes letters, memoranda, pamphlets, policy statements, procedures etc.
- Downward flow of communication through the different levels of the organization is time consuming.
- Information is often lost/distorted as it comes down the chain of command.

**Upward communication** travels from subordinates to superiors and continues up the organizational hierarchy.

- Unfortunately this flow is often hindered by managers in the communication chain who filter the messages and do not transmit all the information, especially the unfavorable news to their bosses.

- Upper management needs to know specifically about production performance, marketing information, financial data, what lower level employees are thinking etc.
- Upward communication is primarily non-directive, and is usually found in participative/demographic organizational environments.
- Effective upward communication requires an environment in which subordinates feel free to communicate.

**Crosswise communication** includes horizontal flow of information, among people in the same or similar organizational levels.

- **Diagonal flow** among people at different levels who have no direct reporting relationships.
- This kind of information flow is used to speed up the process of communication, to improve understanding and to coordinate efforts for achievement of organizational objectives.
- **Written communication** has the advantage of providing records, references and legal defense.
- The message can be carefully planned, prepared and then directed to a large audience through mass mailing.

- It can promote uniformity in policy, and procedure.
- The disadvantages are that written messages may create mountains of paper, may be poorly expressed by ineffective writers, and may not provide immediate feedback.

**Oral communication** can occur in a face to face meeting of 2 people or in a manager's presentation to a large audience, which can be formal or informal, or it can be planned or accidental.

- Advantages being it makes possible speedy interchange with immediate feedback.

- People can ask questions and clarify points.

**Non-verbal communication** – what a person says can be reinforced (or contradicted) by non verbal communication, such as facial expressions, and body gestures.

- Non verbal communication is expected to support the verbal, but it does not always do so.

## **Barriers in effective communication:**

- Lack of planning
- Un-clarified assumptions
- Semantic distortion – can be deliberate or accidental. “We sell for less” is deliberate (less than what?).
- Poorly expressed messages.

- Loss by transmission
- Poor retention
- Poor listening and before hand evaluation
- Distrust, threat and fear
- Insufficient period for adjustment to change
- Information overload
- Other communication barriers
  - Selective perception

- Attitude influence
- Differences in status and power
- Large number of levels in the organizations

## **Towards effective communication:**

Following are the guidelines for effective communication/improving communication:

- Senders of messages must clarify in their minds what they want to communicate.
- Encoding and decoding be done with symbols that are familiar to the sender and receiver of the message.

- Planning for communication should not be done in vacuum.
- It is very important to consider the needs of the receivers of the information.
- In communication tone of the voice, the choice of language, and the congruency between what is said and how it is said influence the reactions of the receiver of the message.
- Communication is complete only when the message is understood by the receiver of the information.
- The function of communication is more than transmitting information. It also deals with emotions that are important in interpersonal relationships between the superiors & subordinates.

- Effective communication is the responsibility of both the sender and the receiver of the information.
- Listening is the key to understanding. Listening is a skill that can be developed by following the guidelines listed below:
  - Stop talking
  - Put the talker at ease
  - Show the talker that you want to listen
  - Remove distraction
  - Emphasize with the talker
  - Be patient

- Hold your temper
- Go easy with arguments
- Ask questions
- Stop talking

Following are the guidelines to improve written communication:

- Use simple words and phrases
- Use short and familiar words
- Use personal pronouns (Such as I, You etc) whenever applicable.
- Give illustrations and examples.

- Use short sentences and paragraphs
- Use active verbs (Such as the manager plans)
- Avoid unnecessary words and sentences.

# **Controlling**

The managerial function of controlling is the measurement & correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are closely related.

- Planning and controlling are closely related.
- Controlling is the function of every manager from president to supervisor in an organization.

## The Basic Control Process:

It consists of the following three steps:

- ❖ Establishing standards.
- ❖ Measuring performance against these standards.
- ❖ Correcting variations from standards and plans.

## **Critical Control Points & Standards:**

The points selected for control should be critical. The principle of critical point control states that – “Effective control requires attention to those factors critical to evaluating performance against plans”.

Following are the types of Critical Point Standards used:

- **Physical standards** – they are non-monetary measurements and are common at the operating level, where materials are used, labour is employed, services are rendered, and goods are produced.

They may reflect quantities such as labour hours per unit of output, Kg of fuel per HP power generated, units of production per machine hour etc.

It may also reflect quantities such as hardness of bearings, closeness of tolerances, durability of fabrics etc.

- **Cost standards** – cost standards are monetary measurements, and like physical standards, are common at the operating level. They attach monetary values to the costs of operations. It reflects various costs as direct & indirect cost per unit produced, labour cost per unit, material cost per unit, machine hour cost etc.

- **Capital standards** – there are a variety of capital standards, all arising from the application of monetary measurements to physical items. They have to do with the capital invested in the firm rather than with operating costs & are therefore primarily related to balance sheet rather than to income statement. **Most widely used capital standards are Return on Investment (ROI).** The Balance Sheet will disclose other capital standards such as current assets to current liabilities ratio, debt to net worth ratio, fixed investment to total investment ratio, receivables to payables ratio (Both cash & credit), size & turnover of inventories.

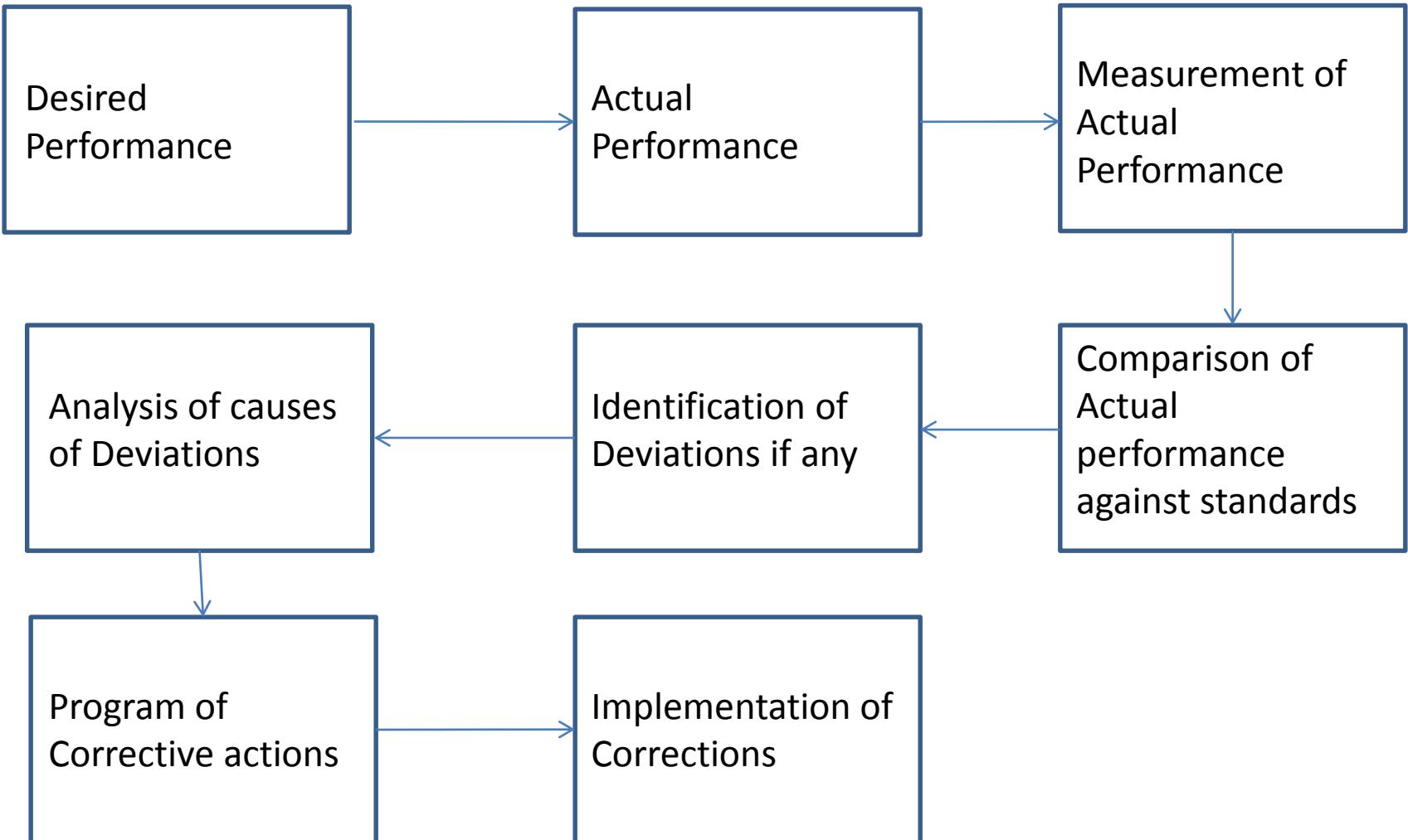
- **Revenue standards** – they arise from attaching monetary values to sales. They may include standards such as revenue per bus passenger mile, average sales per salesmen or customer etc.
- **Program standards** – a manager may be assigned to install a variable budget from a program for formally following the development of new products, or a program for improving the quality of a sales force. Although a subjective judgment may have to be applied in appraising program performance, timing & other factors can be used as objective standards.

- **Intangible standards** – More difficult to set these standards since these standards are not expressed either in physical or monetary measurements.

- What can one use for determining whether the advertising program meets both short & long run objectives?
- Whether the public relations program is successful?
- Are supervisors loyal to the company objectives? etc.

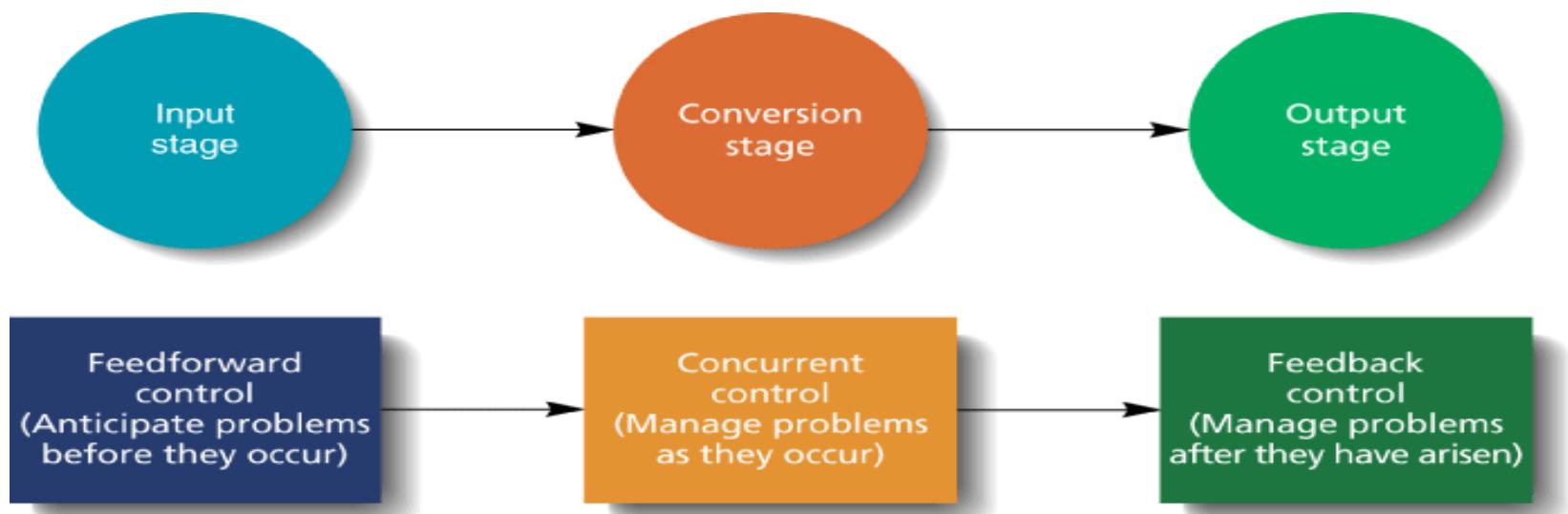
Many intangible standards exist in business. Considerable judgment, trial & error, and even an occasion may be used for setting and using the intangible standards.

- **Goals as standards** – the quantitative goals set by the organization act as standards, since these set goals are tangible and can be suitably used as standards for the purpose of control.
- **Strategic plans as standards** – strategic plans drawn by organizations may also act as standards and used as critical points for strategic control purposes.

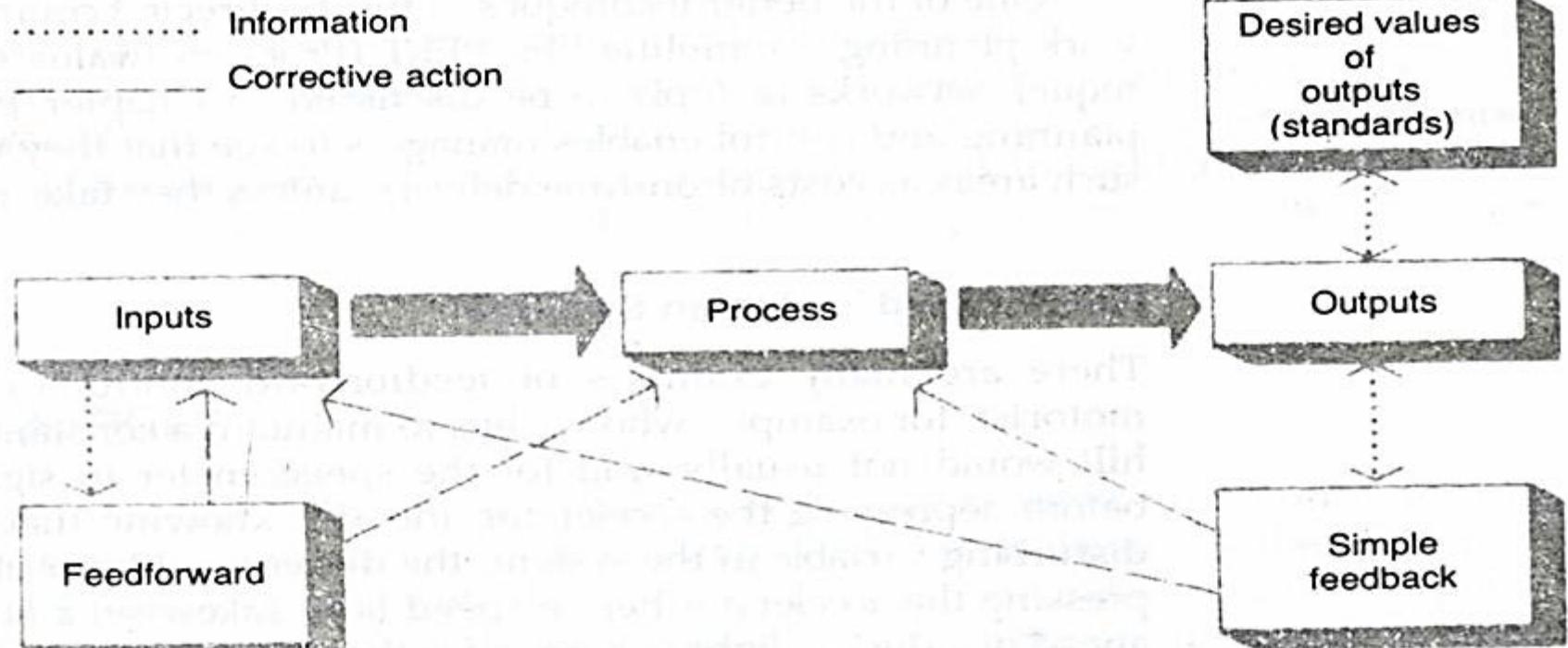


Feedback loop of Managerial control

## Three types of Control:



- Feed forward Controls
  - Control that allows managers to anticipate problems before they arise
- Concurrent Controls
  - Give managers immediate feedback on how efficiently inputs are being transformed into outputs
- Feedback Controls
  - Control that gives managers information about customers' reactions to goods and services



**COMPARISON OF SIMPLE FEEDBACK AND FEEDFORWARD SYSTEMS.**

## **CONTROL TECHNIQUES:**

**BUDGET:** It is a widely used device for managerial control. Budgeting is the formulation of plans for a given future period in numerical terms. *Budgets are the statements of anticipated results either in financial terms – as in revenue & expenditure statements, or in non-financial terms – as in budgets of direct labour hours, materials, sales volume, units of production* etc.

Budgets correlate planning & allow authority to be delegated without any loss of control. Only when the plans are complete, coordinated & developed enough to be fitted into departmental operations can a useful departmental budget be prepared as a instrument of control.

## **Types of Budgets:**

Following types of budgets are used in control:

- **Revenue and expense Budget** – the most basic of these budgets is the sales budget, which is a formal & detailed expression of the sales forecast. Operating expense budget may deal with individual items of expense, such as travel, data processing, entertainment, advertising, telephone insurance etc.
- **Time, Space, Material & Product Budget** – Many budgets are better expressed in quantities rather than in monetary terms.

Although such budgets are translated into monetary terms, they are much more significant at a certain stage in planning & control if they are expressed in terms of quantities. More common of these are Direct labour hours, Machine hours (Time), Units of material (Material), Cu. ft space (Space) and Units produced/sold (Product).

- **Capital Expenditure budget** – it outlines clearly the capital expenditures for plant, machinery, equipment, inventories & other items. It may be for the short term or the long term. But they are tied in fairly with long term planning, since a business takes a long time to recover its investments.

- **Cash Budgets** – It is simply a forecast of cash receipts and cash expenditure. The availability of cash to meet obligations as they fall due is indicated by the cash budget. It also indicates the availability of excess cash, thereby making it possible to plan for profit-making investment of surpluses.

### **Dangers in Budgeting :**

- **Over-budgeting** – There is a danger of over-budgeting through spelling out minor expenses in detail and depriving managers of needed freedom in managing their departments.

- **Over-riding enterprise objectives/goals** – Another danger lies in allowing budgetary goals to become more important than enterprise goals. In this zest to keep within budget limits, managers may forget that they owe primarily to enterprise objectives.
- **Hiding inefficiency** – it may be used to hide inefficiencies of managers.
- **Causing Inflexibility** – it is one of the greatest dangers in budgets. flexibility in decisions will be lost due to budgets and decision will become rigid.

## **Variable Budgets:**

- Dangers arise from inflexibility in budgets because maximum flexibility consistent with efficiency underlies good planning. Attention has been increasingly given to variable/flexible budgets. These budgets are designed to vary usually on as the volume of sales/ some other measure of output varies. Some costs do not vary with volume of output, particularly in the short period of time. Costs that vary with volume of output range from those that are completely variable to those that are only slightly variable.

Item of expense	Monthly sales volume (000 's)				
	20	40	60	80	100
Material					
Labour					
OH					
Cost of Production					
Engineering					
R & D					
S & D					
Administrative expenditure					
Total costs					
Profit					
% Profit to sales					

A typical variable budget is shown. A fixed budget will work as well with good plans and sales forecasts, a variable budget forces study of & preoccupation with, factors which translate workload into labour and expense need.

### **Zero based Budgeting:**

- Another type of budgeting, the purpose of which has much in common with the purpose of a well operated system of variable budgeting, is zero base budgeting. The idea behind this technique is to divide enterprise programs into “packages” composed of goals, activities & needed resources & then to calculate costs for each package from the ground up.

By starting the budget of each package from base zero, costs are calculated afresh for each budget period, thus avoiding the common tendency in budgeting of looking only at changes from a previous period.

### **Non-budgetary control devices:**

Some of the non-budgetary control devices are as follows:

- Statistical data
- Special reports and analysis
- Operational audit
- Personal observation

## **Statistical Data:**

- Most managers understand statistical data the best when the data is presented in chart or graphic form, since trends and relationships are then easier to see. Moreover if data are to be meaningful, even when presented on charts, they should be formulated in such a way that comparisons to some standard can be made.
- Since no manager can do anything to history, it is essential that statistical reports show trends so that the viewer can extrapolate where things are going. Hence, most data when presented on charts, should be made available as averages to rule out variations due to accounting periods, seasonal factors, and the periodic variations.

## **Special Reports and Analysis:**

- In control, special reports & analysis help in particular problem areas. Routine accounting & statistical reports furnish a good share of necessary information, there are often areas in which they are inadequate. It may be that some of the funds spent for elaborate information programs could be more profitably spent for special analysis.

## **Operational Audit:**

- It is the regular and independent appraisal by a staff of internal auditors, of the accounting, financial & other operations of an enterprise.

Although often limited to the auditing of accounts, in its most useful form operational auditing includes appraisal of operations in general, weighing actual results against planned ones.

- **Personal Observation:**

It is also called as “Managing by walking around” by some organizations.

## Time-event Network Analysis:

- PERT – Program Evaluation & Network Technique.
- CPM – Critical Path Method.

Both are meant for planning and control of projects.

PERT is probabilistic & CPM is deterministic.

- GANTT Charts – show the time relationships between “events” of a production system.

## Control of Overall Performance:

There are many reasons for control of overall performance.

- First, just as overall planning must apply to enterprise or major division goals, so must overall controls be applied.
- Secondly, decentralization of authority – especially in product or territorial division creates semi-independent units, and these must be subjected to overall controls to avoid the chaos of complete independence.

- Thirdly, overall controls permit measure of integrated area manager's total effort, rather than parts of it.

Overall controls are generally financial in nature.

### **Budget Summaries and reports:**

- A widely used control of overall performance takes the form of summary of budgets.
- A **budget summary**, being a resume of all the individual budgets, reflects company plans so that sales volume, costs, profits, utilization of capital and return on investment may be seen in their proper relationships.

- In these terms it shows, top management how well the company as a whole is succeeding in meeting its objectives.
- For the best control through budget summary, a manager must first be satisfied that total budgets are an accurate and reasonably complete portrayal of the company's plans.
- Minor discrepancies should receive appropriately little attention. The purpose of a control system is to draw attention to important variations, and both the budget reports & the attention paid to them should reflect this.

- Managers should not under-estimate the value of the budget summaries in providing an effective means for overall control in situations of decentralized authority.
- Budget summaries furnish a means whereby enterprise objectives can be clearly & specifically defined & departmental plans can be made to contribute toward such objectives. The summaries hence, furnish a useful guide for **Corrective action**.

## **Profit and Loss Control:**

- Since the survival of a business usually depends upon profits & since profits are a definite standard against which to measure success, many company's use the income statement for divisional & departmental control.
- Since income statement is a statement of all revenues and expenditures for a given time, it is a true summary of the results of business operations.
- P & L control, when applied to divisions/departments, is based on the premise that if it is the purpose of the entire business to make a profit, each part of the enterprise should contribute to this purpose.

- Hence, ability of a part to make an expected profit becomes standard for measuring its performance.
- In P & L control, each major department/division details its revenue & expenses – normally including a proportionate share of company overhead – and calculates periodically its profit/loss. Some units have their own accounting groups , in others, the statement is prepared by the central accounting department.
- P & L control usually is practicable only for major segments of a company, since the paperwork involved in building up P & L statements for smaller departments tend to be too heavy.

- Also P & L control usually implies that the managers of a division/department have fairly wide authority to run their part of the business as they see fit, with profit the primary standard of success.
- The more integrated & complete the organizational unit, the more accurate a measuring stick of P & L control can be. Hence it works best in product & territorial divisions.
- Companies organized on a functional basis do occasionally employ P & L control.
- In most instances, P & L control is not applied to central staff & service departments.

## Limitations:

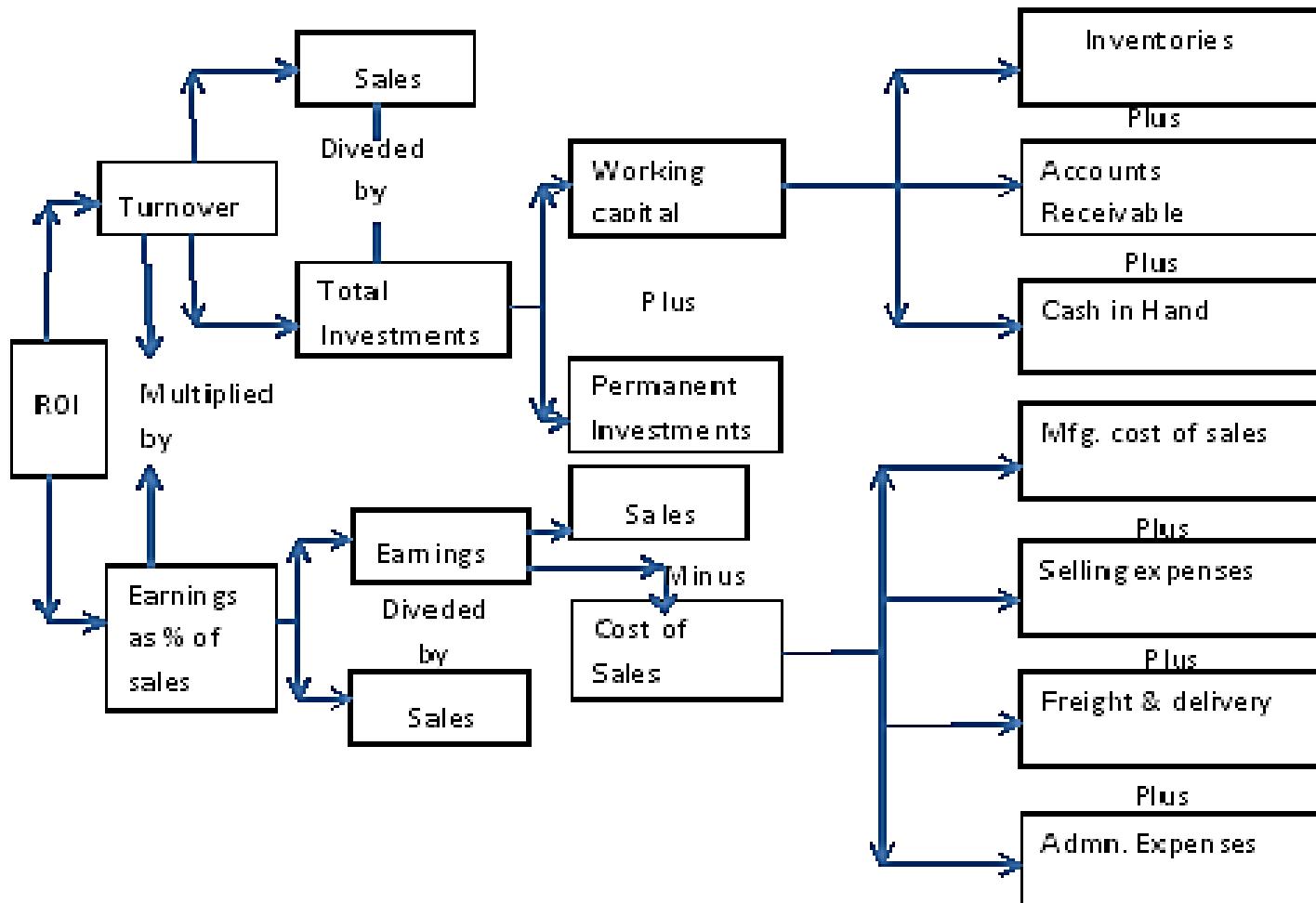
- High cost of accounting & paper transactions involving intra-company transfer of costs & revenues.
- Duplication of accounting records in several places.
- P & L control may be inadequate for overall performance.
- If it is carried very far in the organization, is that departments may come to compete with an aggressive detachment not helpful to enterprise coordination.

## **Return On Investment Control:**

- ROI technique is used to measure both absolute and relative success of a company or a company unit by determining the ratio of earnings to investment of capital.
- This tool regards profit not as a absolute but as a return (generally %) on capital employed in the business.
- The goal of a business is seen, accordingly not necessarily as optimizing profits but as optimizing returns from capital devoted to business purposes.

- The ROI control is best summarized in the chart form shown in the next slide. Hence analysis of variations in rate of return leads to every financial aspect of the business.
- In any control through ROI, the number of ratios and comparisons behind the yardstick figure can not be overlooked. Although, improvement of rate of return can come from higher % of profit to sales, improvement may also come from increasing the rate of turnover by lower price & reducing return on sales.

# Factors influencing ROI Control



## **Advantages of ROI Control:**

- Like P & L control, it focuses managerial attention on the central/core objective of the business – making the best possible profit on the capital available.
- It is very effective where the authority is decentralized. It is not only an absolute guide to capital efficiency, but also offers possibility of comparing efficiency in the use of capital within the company and with other enterprises also.
- If the ROI control is complete and shows all the factors affecting the return, then it enables managers to locate the weaknesses. Ex: If inventories are rising, the rate of return will be affected.

## **Limitations of ROI Control:**

- This method of control is not foolproof. Major difficulties involve availability of information on sales, costs and assets & proper allocation of investments and return for commonly sold or produced items.
- What constitutes a reasonable return? Comparisons of rate of return are hardly enough, because they do not tell the top managers, what the rate of return should be?
- Over emphasis on the rate of return may lead to undesirable inflexibility (or rigidity) in investing capital for new ventures.

- Greater danger in ROI control, is that it can lead to excessive pre-occupation with financial factors within the firm or the industry. Undue attention on ratios and financial factors may lead to overlooking environmental factors such as social and technical developments.

# Market Analysis and Strategy



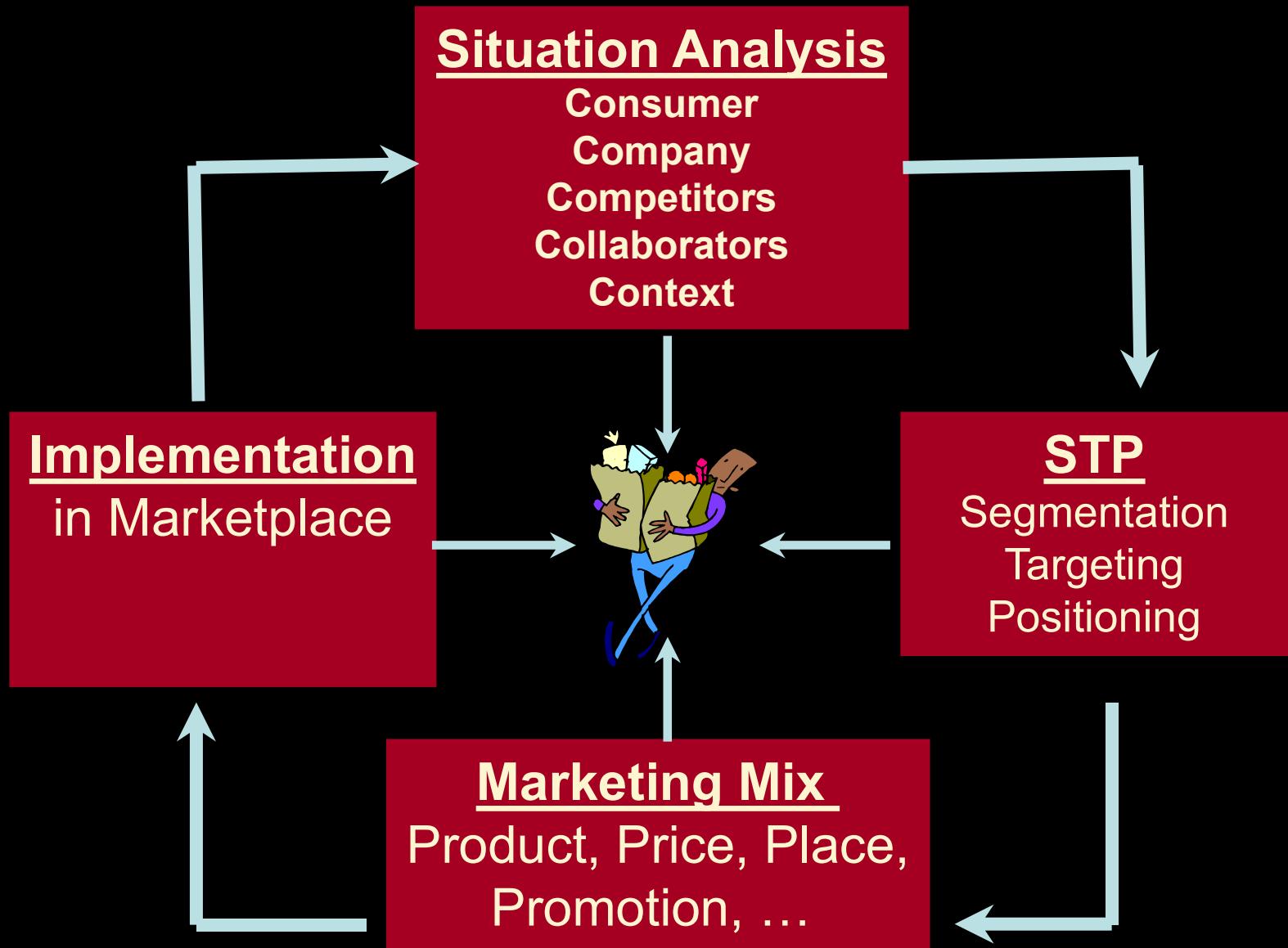
- Marketing Analysis & Strategic Planning
  - Essential Elements (5Cs, STP, 4Ps)
  - Situation Analysis / Strategy / Marketing Mix



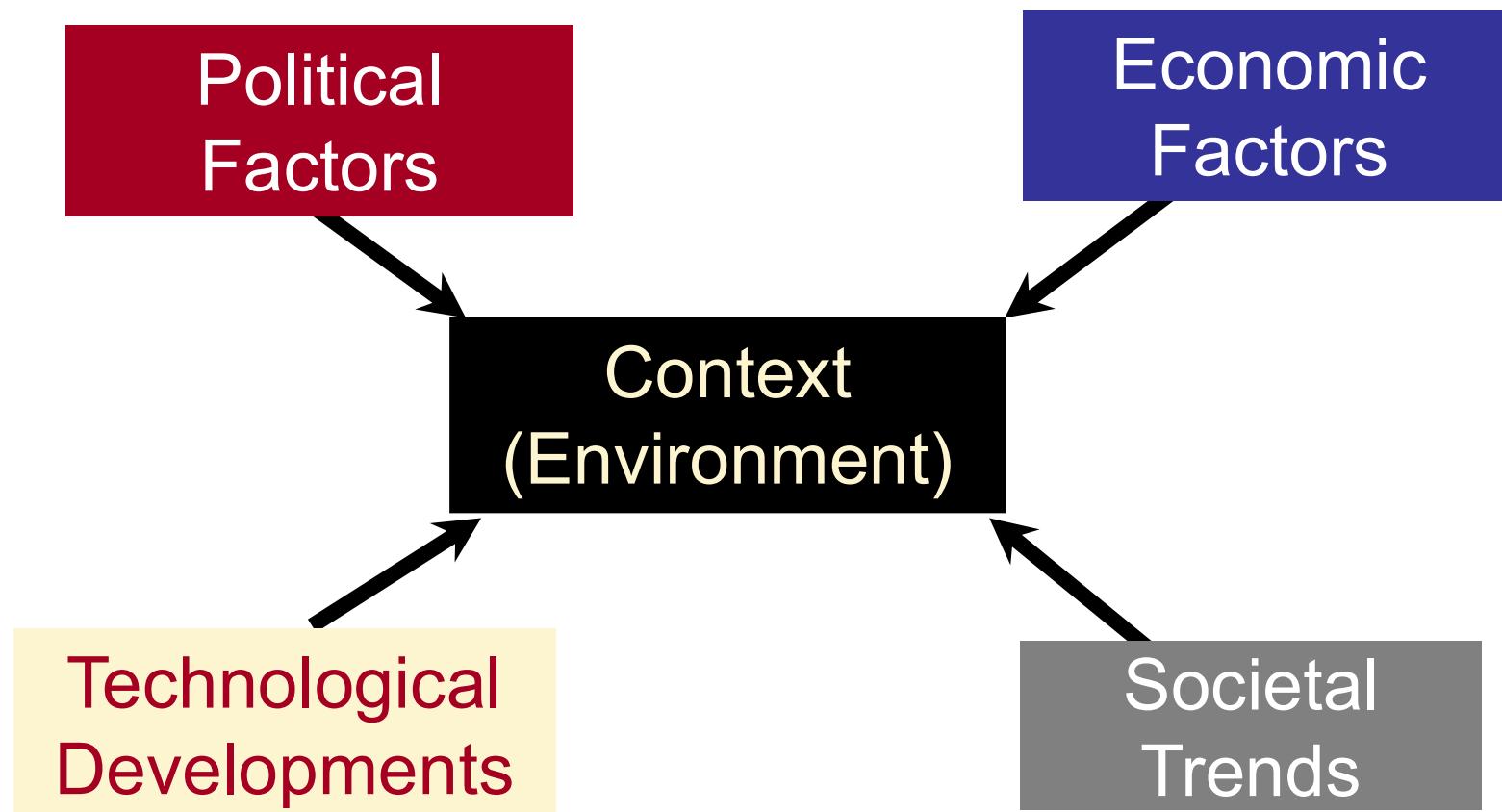
## Marketing Strategy

- Involves the allocation of resources to develop and sell products or services that consumers will perceive to provide more *value* than competitive goods
- What is *perceived value*? **Perceived value** is the worth that a product or service has in the mind of the consumer. For the most part, consumers are unaware of the true cost of production for the products they buy; instead, they simply have an internal feeling for how much certain products are worth to them

- A thorough understanding of:
  - Domestic and global market trends
  - Models to predict purchase and consumption
  - Communication methods to reach target markets most effectively



- The process of analyzing:
  - **Consumer** characteristics & trends
  - Resources of the **Company**
  - Current and potential **Competitors**
  - Current and potential **Collaborators**
  - The **Context** or environmental factors



- SWOT:
  - Core ***strengths***?
  - Current ***weaknesses***?
  - What ***opportunities*** exist?
  - What ***threats*** do we face?

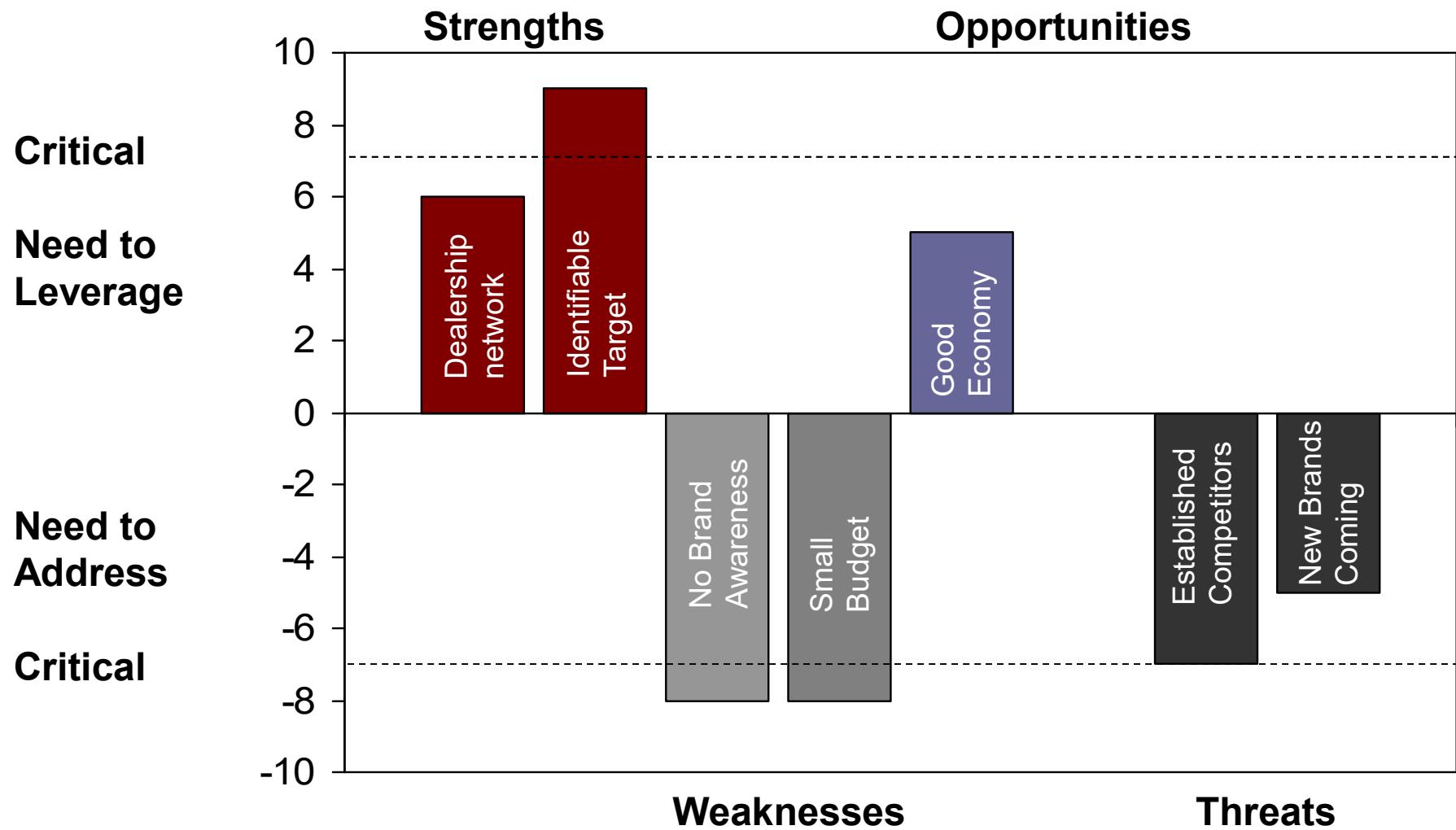
- Internal Factors
  - **Strengths**: Competitive Advantages; Resources
  - **Weakness**: Competitive Disadvantages;
- External Factors
  - **Opportunities**: Social and economic conditions and situations that look positive
  - **Threats**: Marketplace conditions that reduce the perceived value of an offering

- Outside-in perspective
  - One should consider the customer viewpoint rather than relying on internal judgments
  - Conduct a brand audit comparing manager's perceptions to employee and customer perceptions

- Useful Criteria:
  - *Realistic damage* to brand relationships if a weakness or threat is not addressed
  - *Realistic benefit* if a strength or opportunity is leveraged
  - *Cost* of addressing or leveraging each SWOT
  - *Time* company has to address or leverage each SWOT

- Rank each SWOT item from 1 to 3 according to its importance to the company's objectives (3 = most important)

	Damage If not addressed	Benefit If leveraged	Cost of Addressing/ Leveraging	Window of Time	Total
<b><u>Strengths:</u></b>					
• Good dealer relationships	-	2	3	1	6
• Identifiable target	-	3	3	3	9
<b><u>Weaknesses:</u></b>					
• Lack of brand awareness	-3	-	-2	-3	-8
• Small budget	-3	-	-2	-3	-8
<b><u>Opportunities:</u></b>					
• Good economy	-	2	1	2	5
<b><u>Threats:</u></b>					
• Established competition	-3	-	-3	-1	-7
• New brands coming	-2	-	-2	-1	-5



- Take an example and discuss SWOT (activity)

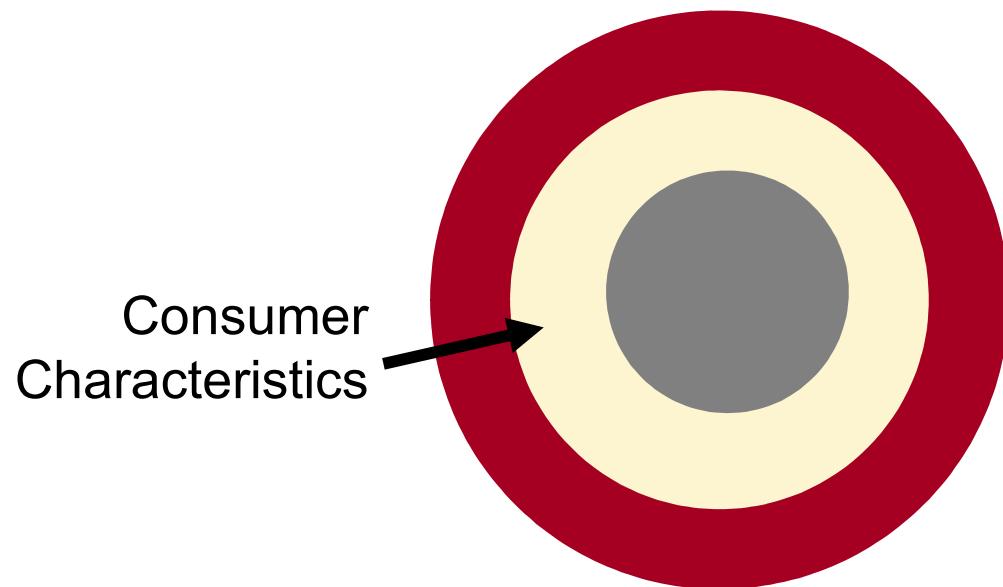
- **Step 1:** Market Segmentation
  - Process of identifying a group of people similar in one or more ways, based on a variety of characteristics and behaviors.
  - **Goal:** minimize variance within groups and maximize variance between groups

## “Heavy versus Light” Users – “80/20 rule”

'Heavy users' are likely to be disproportionately important to the brand (typically, 20 percent of users accounting for 80 percent of usage — and of suppliers' profit).

As a result, suppliers often segment their customers into 'heavy', 'medium' and 'light' users; as far as they can, they target 'heavy users'.

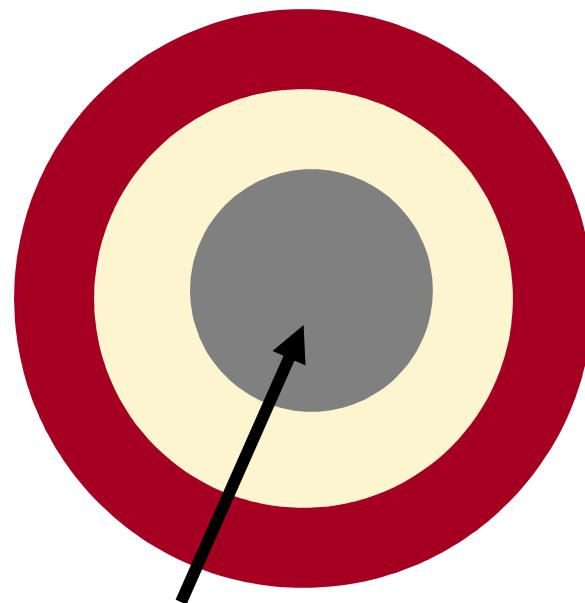
Demographics: Age, Gender, Income, etc...



- Geodemographics
  - Examine regional differences in demographics
  - Useful for store location decisions, and direct mailings, and grassroots efforts



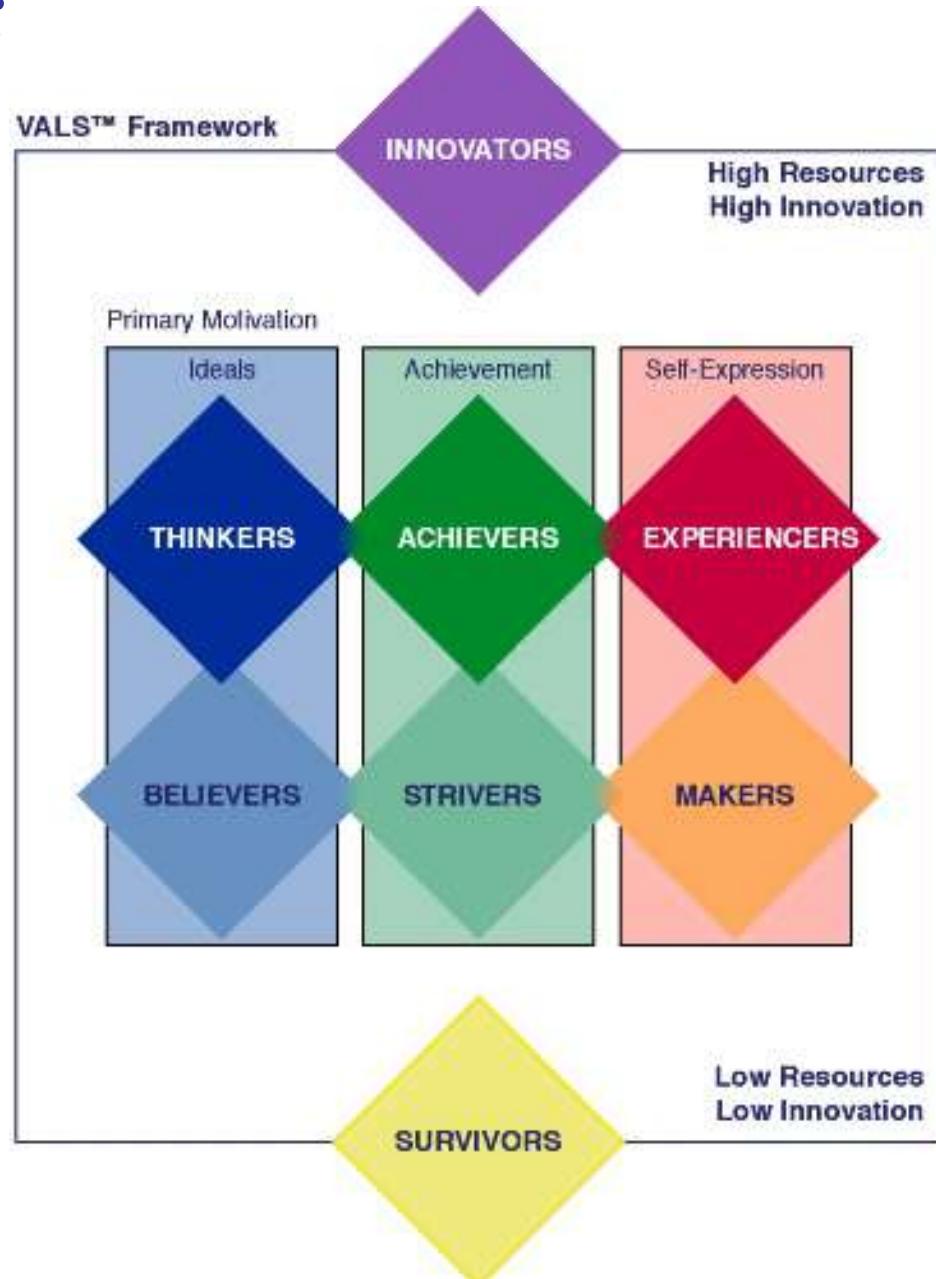
# Lifestyle & Values



Psychographics/  
Benefits

# *Psychographics*

- Lifestyle segmentation
- VALS is based on primary motivation and resources

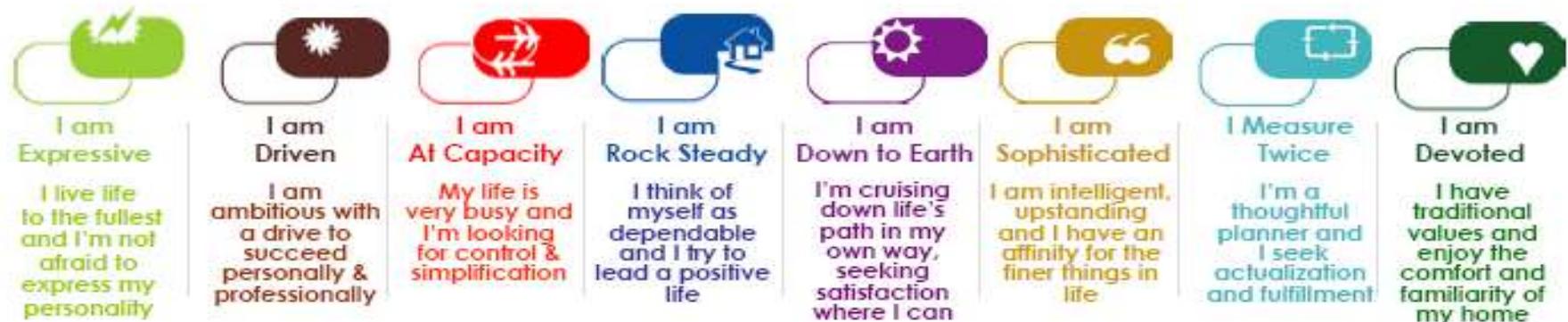


- **Innovator.** These consumers are on the leading edge of change, have the highest incomes, and such high self-esteem and abundant resources that they can indulge in any or all self-orientations. They are located above the rectangle. Image is important to them as an expression of taste, [independence](#), and [character](#). Their consumer choices are directed toward the "finer things in life."
- **Thinkers.** These consumers are the high-resource group of those who are motivated by ideals. They are mature, responsible, well-educated professionals. Their [leisure](#) activities center on their homes, but they are well informed about what goes on in the world and are open to new ideas and [social change](#). They have high incomes but are practical consumers and rational decision makers.
- **Believers.** These consumers are the low-resource group of those who are motivated by ideals. They are [conservative](#) and predictable consumers who favor local products and established brands. Their lives are centered on [family](#), [community](#), and the nation. They have modest incomes.
- **Achievers.** These consumers are the high-resource group of those who are motivated by achievement. They are successful work-oriented people who get their satisfaction from their jobs and families. They are [politically conservative](#) and respect authority and the status quo. They favor established products and services that show off their success to their peers.

- **Strivers.** These consumers are the low-resource group of those who are motivated by achievements. They have values very similar to achievers but have fewer economic, social, and psychological resources. Style is extremely important to them as they strive to emulate people they admire.
- **Experiencers.** These consumers are the high-resource group of those who are motivated by self-expression. They are the youngest of all the segments, with a median age of 25. They have a lot of energy, which they pour into physical exercise and social activities. They are avid consumers, spending heavily on clothing, fast-foods, music, and other youthful favorites, with particular emphasis on new products and services.
- **Makers.** These consumers are the low-resource group of those who are motivated by self-expression. They are practical people who value self-sufficiency. They are focused on the familiar - family, work, and physical recreation - and have little interest in the broader world. As consumers, they appreciate practical and functional products.
- **Survivors.** These consumers have the lowest incomes. They have too few resources to be included in any consumer self-orientation and are thus located below the rectangle. They are the oldest of all the segments, with a median age of 61. Within their limited means, they tend to be brand-loyal consumers.

# Psychographics (Yankelovich)

## MindBase Sub-segments



Sub-segments Reflect Marketing Orientation							
Expressive And Elusive I move too fast to pin down	Driven And Deliberate I make up my own mind	At Capacity And Autonomous I don't have time to sort out offers	Rock Steady And Reluctant I take a guarded approach	Down to Earth And Detached I make independent decisions	Sophisticated And Self Directed I need little outside help	Measure Twice And Mindful I am a thoughtful decision-maker	Devoted And Distant I take a traditional approach
Expressive And Evaluative I think through options	Driven And Diligent I listen to advice	At Capacity And Appraising I consider things carefully	Rock Steady And Rigorous I carefully screen my options	Down to Earth And Distinguishing I am curious and evaluative	Sophisticated And Systematic I take time to review	Measure Twice And Melcious I ponder and consider	Devoted And Discriminating I try new things from familiar sources
Expressive And Exuberant I seek many options	Driven And Dynamic I utilize many options	At Capacity And Attentive I appreciate directness	Rock Steady And Responsive I use instincts across many channels	Down to Earth And Daring I am looking for new and different	Sophisticated And Synchronous I seek collaboration	Measure Twice And Motivated I am looking for novelty from trusted sources	Devoted And Deft I experiment within my comfort zone

- **Step 2:** Target Market Selection
  - Select segments of the market to offer products and services
  - Who can we most *efficiently* and *effectively* establish a relationship with better than our competitors?

- Once a basis for segmentation has been determined and attractive segments have been selected, the target groups should be ***profiled*** by describing them on as many levels as possible.

- Age, Education, Income
- Occupation, Hobbies
- Media Habits
- Groups
- VAL Segment
- Musical Taste, Preferred Cars
- Aspirational Role Models

- **Step 3: Positioning**
  - How your product/company is perceived in the hearts and minds of your customers?
    - Price leader/Innovator/Fashion leader/Quality/Service
    - What associations come to mind?

- A firm needs to:
  - Start by *analyzing* the market
    - 5 C's (Company, Competitors, Collaborators, Customers, and Context)
  - Develop a *strategic plan*
    - Begin with Segmentation, Targeting, and Positioning
    - Followed by *tactical* decisions
      - Product (Brand), Price, Promotion, and Place
  - With a plan in place *implementation* issues need to be addressed

# PEST Analysis

# **What is PEST Analysis?**

- It is very important that an organization considers its environment before beginning the marketing process. In fact, environmental analysis should be continuous and feed all aspects of planning. The organization's marketing environment is made up from:
  - » 1. The internal environment
  - » 2. The micro-environment
  - » 3. The macro-environment e.g. Political (and legal) forces, Economic forces, Sociocultural forces, and Technological forces. These are known as PEST factors.

**P** olitical Factors

**E**conomic Factors

**S**ociocultural Factors

**T**echnological Factors

# PEST Analysis

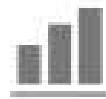
## POLITICAL

- Monopolies legislation
- Environmental protection laws
- Taxation policy
- Foreign Trade regulations
- Government Type & Stability
- Employment Law
- Regulation / De-Regulation Trends
- Likely Political Change



## ECONOMIC

- Business Cycle Stage
- Globalization
- Unemployment
- Interest rates
- Money supply
- Inflation
- Disposable income / Distribution
- Energy availability and cost
- Likely Economic Change



## SOCIAL

- Population demographics
- Income distribution
- Social mobility
- Lifestyle changes
- Attitudes to work and leisure
- Consumerism
- Levels of education / Health
- Employment Patterns / Attitudes to work
- Likely Socio-Cultural Change



## TECHNOLOGICAL

- Impact of Emerging Technologies
- Impact of Internet
- Government spending on research
- Reduced Communication Costs
- New discoveries / development
- Impact of Technology Transfer
- Speed of Technology Transfer
- Likely Technological Change



# Introduction

- What is entrepreneurship?
- What is special about small businesses?
- How does one start a new venture?
- What resources support entrepreneurship and business development?

- Entrepreneurship
  - Strategic thinking and risk-taking behavior that results in the creation of new opportunities for individuals and/or organizations.
- Entrepreneurs
  - Risk-taking individuals who take actions to pursue opportunities and situations others may fail to recognize or may view as problems or threats.

➤ Entrepreneurs are ...

- Founders of businesses that become large-scale enterprises.
- People who:
  - Buy a local franchise outlet
  - Open a small retail shop
  - Operate a self-employed service business
- People who introduce a new product or operational change in an existing organization.

- Typical characteristics of entrepreneurs:
  - Internal locus of control
  - High energy level
  - High need for achievement
  - Tolerance for ambiguity
  - Self-confidence
  - Passion and action-orientation
  - Self-reliance and desire for independence
  - Flexibility

# Personal traits and characteristics of entrepreneurs.



- Typical entrepreneurial backgrounds and experiences:
  - Parents were entrepreneurs or self-employed.
  - Families encouraged responsibility, initiative, and independence.
  - Have tried more than one business venture.
  - Have relevant personal or career experience.
  - Become entrepreneurs between 22 and 45 years of age.
  - Have strong interests in creative production and enterprise control.
  - Seek independence and sense of mastery.

- Common myths about entrepreneurs:
  - Entrepreneurs are born, not made.
  - Entrepreneurs are gamblers.
  - Money is the key to entrepreneurial success.
  - You have to be young to be an entrepreneur.
  - You must have a degree in business to be an entrepreneur.

# THE CONCEPT OF AN ENTREPRENEUR

- ❑ DEFINITION,NATURE AND CHARACTERISTICS OF AN ENTREPRENEUR
- ❑ WORKING PROFILE OF AN INTREPRENEUR
- ❑ TYPES OF ENTREPRENEUR
- ❑ INTRAPRENEUR
- ❑ FUNCTIONS OF AN ENTREPRENEUR
- ❑ ENTREPRENEUR AND MANAGER----DISTINCTION

## **DEFINITION,NATURE AND CHARACTERISTICS OF AN ENTREPRENEUR**

### **HISTORY:**

The word 'entrepreneur' is derived from the French word 'entreprendre' which means 'to undertake'. In the early 16<sup>th</sup> century the French men who organised and led military expeditions were referred to as 'entrepreneur'. After 1700, the term was applied to other types of adventures, mainly civil engineering like constructions of roads etc.

# DEFINITION

- **Richard Cantillon:** The term entrepreneur, which most people recognize as meaning someone who organizes and assumes the risk of a business in return for the profits, appears to have been introduced by
- **J.B.SAY:** Is another Frenchman, expanded Cantillon's ideas and conceptualised the entrepreneur as an organiser of the business firm, central to its distributive and productive functions.
- **E.E.HAGEN:** The entrepreneur is an economic man, who tries to maximise his profits by innovations.
- **GALBRAITH:** 'People are poor because they prefer in that way'. An entrepreneur must accept the challenge and should be willing hard to achieve something.

# CHARACTERISTICS OF AN ENTREPRENEUR

1. Calculated Risk-taker
2. Innovator
3. Organiser
4. Creative
5. Achievement Motivated
6. Technically Competent
7. Self-confident
8. Socially Responsible
9. Optimistic
10. Equipped with Capability to drive

11. Blessed with Mental Ability
12. Human Relations Ability
13. Communication Ability
14. Decision-Making
15. Business Planning
16. A venture Capitalist
17. Visionary
18. Entrepreneur make significant differences
19. Ability to Spot and Exploit Opportunities
20. Courage to Face Adversities
21. Leadership---An essential trait of the entrepreneur

# MANAGER VERSUS LEADER

## *Manager Characteristics*

- *Administers*
- *A copy*
- *Maintain*
- *Focus and systems and structure*
- *Relies on control*
- *Short-range view*
- *Asks how and when*
- *Eye on the bottom line*
- *Imitates*
- *Accepts the status quo*
- *Classic good soldier*
- *Does things right*

## *Leader Characteristics*

- *Innovates*
- *An original*
- *Develops*
- *Focuses on people*
- *Inspires trust*
- *Long-range perspective*
- *Asks what and why*
- *Eye on the horizon*
- *Originates*
- *Challenges the status quo*
- *Own person*
- *Does the right thing*

# *WORKING PROFILE OF ENTREPRENEUR*

## *Characteristics*

- Self-confidence
- Drive
- Task-result oriented
- Risk-taker
- Mental Ability
- Leadership

## *Traits*

- Confidence, Independence, Optimism, Individuality.
- Responsibility, Vigour, Initiative, persistence, Ambition.
- Need for achievement, Profit-oriented, Energy.
- Risk taking ability, Likes challenges.
- Overall intelligence(IQ), Creative thinking, Analytical thinking ability.
- Leadership behaviour, Gets alongwith others, Responsive to situations, Criticism.

- Human Relations Ability
  - Originality
  - Communication Ability
- 
- Emotional stability, Healthy personal relations, Sociability, Tactfulness, Consideration.
  - Innovative, Creative, Resourceful, knowledge.
  - Perceptive, Foresight, Future oriented.

# **TYPES OF ENTREPRENEUR**

## **1. According to the Type of Business**

- i. **Business entrepreneur:** Business entrepreneurs are those entrepreneurs who conceive the idea of a new product or service and then translate their ideas into reality.
- ii. **Trading entrepreneur:** As the very name indicates trading entrepreneur is concerned with trading activities and not manufacturing.
- iii. **Industrial entrepreneur:** As the very name indicates, an industrial entrepreneur is one who sets up an industrial unit.
- iv. **Corporate entrepreneur:** Corporate entrepreneur is the one who plans, develops and manages a corporate body.
- v. **Agricultural entrepreneur:** Agricultural entrepreneur is the one who is engaged in the agricultural activities.

## 2. According to Motivation

- i. **Pure entrepreneur:** Pure entrepreneur is one who may or may not possess an aptitude for entrepreneurship but is tempted by the monetary rewards or profits to be earned from the business venture.
- ii. **Induced entrepreneur:** Induced entrepreneur is attracted by the various incentives, subsidies and facilities offered by the government.

### 3.According to the Use of Technology

- i. **Technical entrepreneur:** The strength of a technical entrepreneur is in his skill in production techniques. He concentrates more on production than on marketing.
- ii. **Non-technical entrepreneur:** Unlike technical entrepreneur, non-technical entrepreneur is not concerned with the technical aspect of the product rather he spends more time in developing alternative strategies of the marketing and distribution to promote his business.
- iii. **Professional entrepreneur:** Professional entrepreneur means an entrepreneur who is interested in floating a business but does not want to manage or operate it.

## 4. According to stages of Development

- i. **First generation entrepreneur:** First generation entrepreneur are those entrepreneurs who do not possess any entrepreneurial background.
- ii. **Second generation entrepreneur:** Second generation entrepreneurs are those entrepreneurs who inherit the family business firms and pass it from one generation to another.
- iii. **Classical entrepreneur:** A classical entrepreneur is a stereotype entrepreneur whose aim is to maximize his economic returns at a level consistent with the survival of the unit but with or without an element of growth.

## 5. Classification Given by Danhof

- i. **Innovating entrepreneur:** Innovative entrepreneurs are generally aggressive and possess the art of cleverly putting the attractive possibilities into practice.
- ii. **Imitative entrepreneurs:** Imitative entrepreneurs are characterized by readiness to adopt successful innovations inaugurated by successful innovating entrepreneurs.
- iii. **Fabian entrepreneur:** Fabian entrepreneurs are cautious and skeptical in experimenting change in their enterprises. Such entrepreneurs are shy, lazy and lethargic.
- iv. **Drone entrepreneur:** Drone entrepreneurs are characterized by a refusal to adopt opportunities to make changes in production formulae even at the cost of severely reduced returns.

## 6.According to Capital ownership

- i. **Private entrepreneur:** When an individual or a group of individuals set up an enterprise, arrange finance, bear the risk and adopt the latest techniques in the business with the intention to earn profits, he or the group is called as private entrepreneur/entrepreneurs.
- ii. **State entrepreneur:** As the name indicates, state entrepreneur means the trading or industrial venture undertaken by the state or the government itself.
- iii. **Joint entrepreneur:** Joint entrepreneur means the combination of private entrepreneur and state entrepreneur who join hands.

# 7 According to Gender and Age

- i. Man entrepreneur
- ii. Woman entrepreneur
- iii. Young entrepreneur
- iv. Old entrepreneur
- v. Middle-aged entrepreneur

## 8. According to Area

- i. Urban entrepreneur
- ii. Rural entrepreneur

## **9. According to Scale**

- i. Large scale industry entrepreneur**
- ii. Medium scale industry entrepreneur**
- iii. Small scale industry entrepreneur**
- iv. Tiny industry entrepreneur**

# INTRAPRENEUR

*The term ‘intrapreneur’ was coined in the United States of America in the late seventies.*

*Gifford Pinchot defined intrapreneurs as the persons who resigned from their well paid executive positions to launch their own ventures. Gifford devised the way by which such executives could be retained in the industry and their entrepreneurial urge was also satisfied by their bosses.*

*So a system was devised whereby such executives would operate as entrepreneurs with full independence and autonomy*

***but with***

***in the organisation.***

# Difference between entrepreneur and intrapreneur

1. An entrepreneur is an independence person who starts his venture and bears full risk of his failure and enjoys the fruit of his success whereas intrapreneur is partially independent and is sponsored by the corporation in which he is working. He is also not liable to bear the losses in case of his failure.
2. An entrepreneur raises the finance from various sources and also guarantees their return whereas an intrapreneur does not own responsibility to raise the capital or to return it.
3. An entrepreneur has no relation with any organisation whereas an intrapreneur operates within the organisation where he is working.

# FUNCTIONS OF AN ENTREPRENEUR

There has been a great deal of confusion and contradiction in literature on the functions of an entrepreneur.

## FUNCTIONS

1. **Innovations:** J.Schumpeter has made substantial contribution to the literature of entrepreneurship. The process of innovations may be in the form of:
  - a) Introduction of a new product.
  - b) Use of new methods of production.
  - c) Opening of a new market.
  - d) The conquest of new source of supply of raw material.
  - e) A new form of organisation.

**2. Risk-taking:** Richard cantillon states that entrepreneur is an agent who buys means of production at certain prices and sells them at uncertain prices.

The entrepreneur performs the function of reducing uncertainty in his plan of investment and expansion of the enterprise.

J.b. Say also stresses risk-taking as the specific function of an entrepreneur.

**3. Decision Maker:** Entrepreneur as a decision maker describes the following functions of an entrepreneur.

- a) The determination of objectives of an enterprise and the change of those objectives as conditions required or made advantageous,
- b) The development of an organisation including efficient relations with subordinates and all employees,

- c) Securing adequate financial resources, the relations with existing and potential Investors,
- d) The acquisition of efficient technological equipment and the revision of it as new machinery appears,
- e) The development of a market for the products and the devising of new products to meet or anticipate consumer's demand,
- f) The maintenance of good relations with public authorities and with society at large.

**4. Organisation and Management:** Marshall recognized organisation and management of the enterprise as the important functions of an entrepreneur.

When the organisation grows bigger, the entrepreneur effectively delegates authority and finds responsibility at various levels of management. The network of decision making becomes more complex.

The functions of organisation and management includes:

- a) Planning of an enterprise,
- b) Co-ordination, administration and control,
- c) Routine type of supervision.

# *DISTINCTION BETWEEN AN ENTREPRENEUR AND A MANAGER*

## *ENTREPRENEURS*

- 1. Status:* An entrepreneur is the owner of his enterprise. He makes his own investment and owns his business.
- 2. Target:* The main target of an entrepreneur is to start his venture by setting up as a sole-trader or firm or a company.

## *MANAGERS*

- 1. Status:* A manager is just an employee in the enterprise which is owned and run by entrepreneur.
- 2. Target:* The main goal or motive of a manager is give his services to an enterprise set up by someone else i.e. an entrepreneur.

## **ENTREPRENEURS**

**3. Decision making:** All of the policies and strategic decisions, like those comprising of expansion diversification, take-over etc are taken by the entrepreneur.

**4. Rectification of wrong decisions:** The wrong decisions taken by the entrepreneur may not be rectifiable and may result in losses or even closure of the unit.

## **MANAGERS**

**3. Decision making:** While all those managerial, operational decisions which would have impact on the short-and medium-term results are taken by the managers.

**4. Rectification of wrong decisions:** Whereas the wrong decisions taken by the managers can be amended and rectified by the entrepreneur.

<b>ENTREPRENEURS</b>	<b>MANAGERS</b>
<b>5. Innovations:</b> An entrepreneur innovates and exploits his innovation commercially.	<b>5. Innovations:</b> A manager is merely an officer or an executive who is appointed for the promotion of the unit.
<b>6. Risk bearing:</b> An entrepreneur being the owner of his unit undertakes all risks and uncertainty of running his enterprise.	<b>6. Risk bearing:</b> A manager doesn't bear any risk because he is paid fixed salary.
<b>7. Skills:</b> The skill expected from an entrepreneur is in the form of creativity, innovation, desire for high achievement, intuition etc.	<b>7. Skills:</b> Whereas manager depends on public dealing abilities and conceptual abilities.

## ***ENTREPRENEURS***

- 8. Qualification:*** An entrepreneur doesn't need to have distinct degree from a reputed university.
  
- 9. Rewards:*** The reward of an entrepreneur is the profit earned by him.

## ***MANAGERS***

- 8. Qualification:*** On the other hand, a manager now a days need to possess degree in the stream of management theory and practice.
  
- 9. Rewards:*** A manager gets his monthly salary as his reward for the services rendered by him.

# TO BECOME A SUCCESSFUL ENTREPRENEUR.....

1. Acquire sufficient and all-round knowledge about an enterprise you intend to start.
2. Be conservative in calculating income and lavish in calculating expenditure.
3. Don't expect quick and easy returns from your venture.
4. Be prepared for delegation of work when needed.
5. Take moderate risks; neither too high nor too low.
6. Plan systematically and march ahead step by step according to the plan to achieve your goal.
7. Time management is necessary to maximum utilisation of your resources.
8. Collect maximum information about your competitor on continuous basis.
9. Don't avoid or run away from problems.
10. Take the help of experts and experienced persons or erntrepreneur,when in doubt.

# The Business Plan

## Creating and Starting The Venture



# Planning as Part of The Business Operation

- Planning is a process than never ends for a business.
- As the venture grow up to mature business, planning will continue ...

# What is a Business Plan?

- A business plan is a written document prepared by the entrepreneur that describes all the relevant internal and external elements and strategies for starting a new venture.
- It is a integration of functional plans such as marketing, finance, manufacturing, sales and human resources.

# Who should write the plan?

- The business plan should be prepared by the entrepreneur.
- The entrepreneur may consult with many other sources in its preparation, such as lawyers, accountants, marketing consultants, and engineers.

# Who Reads The Plans?

- The business plan may be read by employees, investors, bankers, venture capitalists, suppliers, customers, advisors, and consultants.
- There are three perspectives should be considered in preparing the plan :
  - Perspective of the entrepreneur
  - Marketing perspective
  - Investor's perspective

# Why Have a Business Plan?

- The business plan is valuable to the entrepreneur, potential investors, or even new personnel, who are trying to familiarize themselves with the venture, its goals, and objectives.
  - It helps determine the viability of the venture in a designated market
  - It provides guidance to the entrepreneur in organizing his or her planning activities
  - It serves as an important tool in helping to obtain financing.

# Presenting The Plan

- It is often necessary for an entrepreneur to orally present the business plan before an audience of potential investors.
- In this typical forum the entrepreneur would be expected to provide a short (perhaps 20-minutes or half-hour) presentation of the business plan.

# Information Needs

- Before committing time and energy to preparing a business plan, the entrepreneur should do a quick feasibility study of the business concept to see whether there are any possible barriers to success.
- Internet can be a valuable resource.

# Outline of a Business Plan

- Introductory Page
  - Name and address of business
  - Name(s) and address(es) of principal(s)
  - Nature of business
  - Statement of financing needed
  - Statement of confidentiality of report

# Outline ...

- Executive Summary – Three to four pages summarizing the complete business plan
  - What is the business concept or model?
  - How is this business concept or model unique?
  - Who are the individuals starting this business?
  - How will they make money and how much?

# Outline . . .

- Environmental and Industry Analysis
  - Future outlook and trends
  - Analysis of competitors
  - Market segmentation
  - Industry and market forecasts
- Description of Venture
  - Product(s)
  - Service(s)
  - Size of business
  - Office equipment and personnel
  - Background of entrepreneurs

# Outline ...

- Production Plan
  - Manufacturing process (amount subcontracted)
  - Physical plant
  - Machinery and equipment
  - Names of suppliers of raw materials
- Operational Plan
  - Description of company's operations
  - Flow of orders for goods and/or services
  - Technology utilization

# Outline ...

- Marketing Plan
  - Pricing
  - Distribution
  - Promotion
  - Product forecasts
  - Controls
- Organizational Plan
  - Form of ownership
  - Identification of partners or principal shareholders
  - Authority of principals
  - Management-team background
  - Roles and responsibilities of members of organization

# Outline ...

- Assessment of Risk
  - Evaluate weakness of business
  - New technologies
  - Contingency Plans
- Financial Plan
  - Pro forma income statement
  - Cash flow projections
  - Pro forma balance sheet
  - Break-even analysis
  - Sources and applications of funds

# Outline ...

- Appendix (contains backup material)
  - Letters
  - Market research data
  - Leases or contracts
  - Price lists from suppliers.

# Using and Implementing The Business Plan

- The business plan is designed to guide the entrepreneur through the first year of operations.
- Implementation of the strategy contain control point to ascertain progress and to initiate contingency plan if necessary.
- Business plan not end up in a drawer somewhere once the financing has been attained and the business launched.

# Measuring Plan Progress

- Entrepreneur should check the profit and loss statement, cash flow projections, and information on inventory, production, quality, sales, collection of accounts receivable, and disbursements for the previous month.
  - Inventory control
  - Production control
  - Quality control
  - Sales control
  - Disbursements

# Updating the Plan

- The most effective business plan can become out-of-date if condition change.
- If the change are likely to affect the business plan, the entrepreneur should determine what revisions are needed.
- In this manner, the entrepreneur can maintain reasonable targets and goals and keep the new venture on a course that will increase probability of success.

# Why Some Business Plans Fail

- Goals set by the entrepreneur are unreasonable.
- Goals are not measurable
- The entrepreneur has not made a total commitment to the business or to the family.
- The entrepreneur has no experience in the planned business.
- The entrepreneur has no sense of potential threats or weaknesses to the business.
- No customer need was established for the proposed product or service.

## **Table of Contents- A Typical Business Plan**

### **Executive Summary**

### **Management and Organization Plan**

- Legal Form of Business
- Management Team
- Board of Directors/Advisory Board
- Recruitment and Selection of Employees
- Compensation and Ownership
- Employee Reward and Incentive Plan
- Communication
- Infrastructure

### **Product / Service Plan**

- Purpose of Product/Service
- Features and Benefits
- Stage of Development
- Product/Service Limitations
- Product/Service Liability
- Production
- Facilities
- Suppliers
- Related Products/Services and Spin-Offs
- Trademarks, Patents, Copyrights, Licenses, Royalties
- Governmental Approvals

### **Marketing Plan**

- Industry Profile
  - Current Size*
  - Growth Potential*
  - Industry Trends*
  - Other Characteristics*
  - Distribution Channels*
- Competitive Analysis
  - Direct Competition*
  - Indirect Competition*
  - Future Competition*
  - Competitive Analysis*
- Market Analysis

*Target Market Profile*

*Customer Profile*

*Future Markets*

Pricing

*Pricing Strategy*

*Price List*

*Pricing Policies*

Market Penetration

*Company Image*

*Customer Service*

*Location*

*Direct Sales Force*

*Sales Representatives*

*Licensing or Distributors*

*Advertising and Promotion*

*Publicity*

*Telemarketing/Direct Mail*

*Internet*

*Trade Shows*

*Market Penetration Effectiveness*

## **Financial Plan**

Start-Up Costs

Sales Projections

Income Projections

Cash Requirements

Sources of Financing

Exit Strategy

Projected Financial Statements

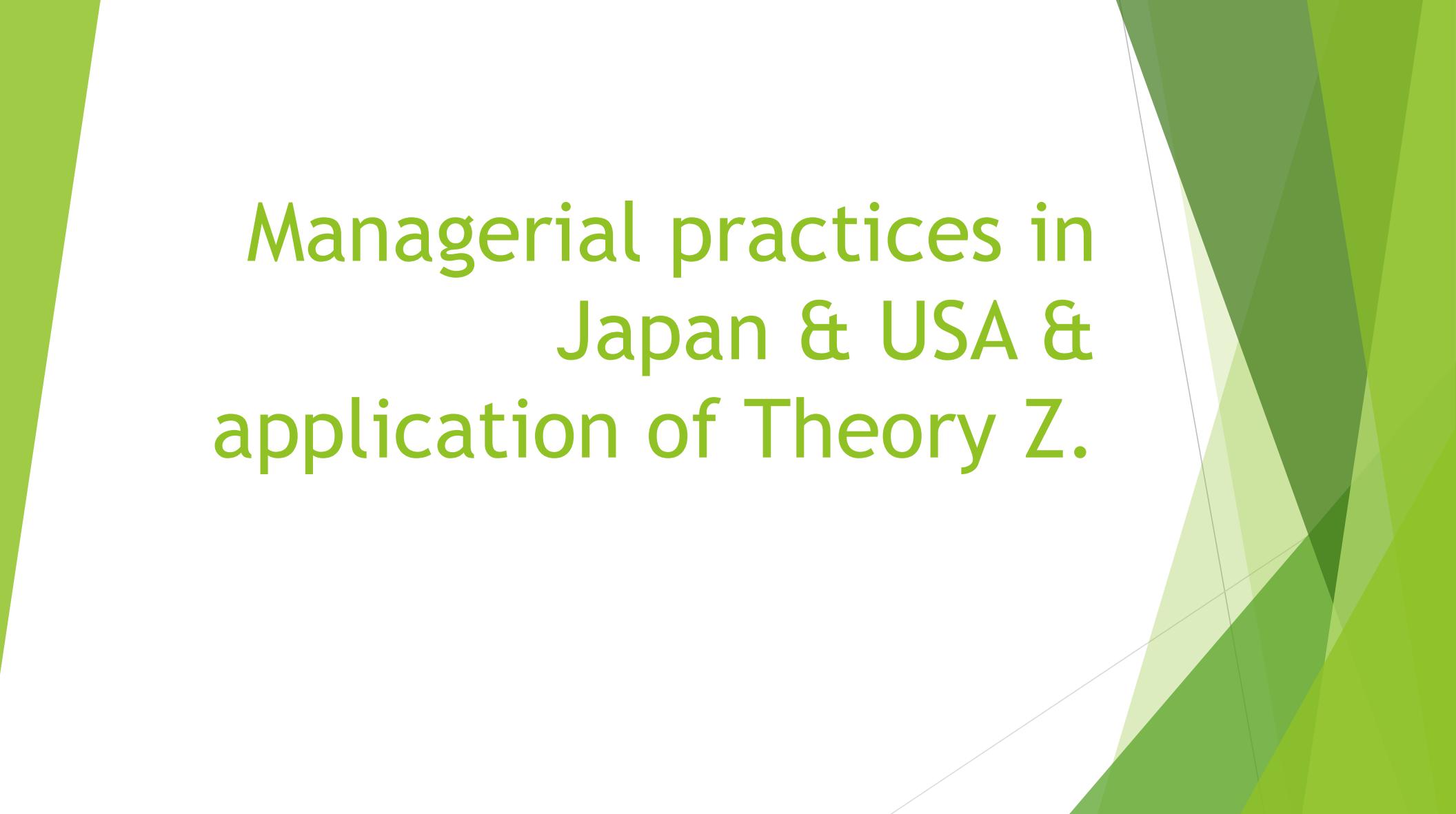
- *Monthly Cash Flow Report (for three years)*

- *Year-End Income Statement*

- *Year-End Balance Sheet*

- *Ratio Analysis*

## **Appendix**



Managerial practices in  
Japan & USA &  
application of Theory Z.

## Theory Z

- ▶ William Ouchi, a management researcher developed this new theory of management in the 1980s
- ▶ Theory Z is a business management theory that integrates Japanese and American business practices.
- ▶ The Japanese business emphasis is on collective decision making, whereas the American emphasis is on individual responsibility.

# Japanese Type Organization

1. Lifetime employment
2. Collective decision making
3. Collective responsibility
4. Slow evaluation and promotion
5. Implicit (understood, implied) control mechanisms
6. Non-specialized career path
7. Holistic concern for employee as a person

## American Type Organization

1. Short-term employment
2. Individual decision -making
3. Individual responsibility
4. Rapid evaluation and promotion
5. Explicit (clear, precise, unambiguous) control mechanisms
6. Specialized career path
7. Segmented concern for employee as an employee.

# Theory Z Type Organization

1. Long-term employment
2. Consensual, participative decision-making
3. Individual responsibility
4. Slow evaluation and promotion
5. Implicit, informal control with explicit, formalized measures
6. Moderately specialized career path
7. Holistic concern, including family

# **Professional Ethics and Global Issues**

**Semester V / VI**

**HUM 3152**

**Essentials of Management**

# Professional Ethics

- Senses of Engineering Ethics
- Variety of moral issues
- Types of inquiry
- Moral dilemmas
- Moral Autonomy
- Kohlberg's theory
- Gilligan's theory
- Consensus and Controversy
- Models of professional roles
- Theories about right action
- Self-interest
- Customs and Religion
- Uses of Ethical Theories

# Senses of Engineering Ethics

- Engineering ethics is defined by the codes and standards of conduct endorsed by engineering (professional) societies with respect to the particular set of beliefs, attitudes and habits displayed by the individual or group.
- Engineering Ethics is the activity and discipline aimed at
  - Understanding the moral values that ought to guide engineering profession or practice
  - Resolving moral issues in engineering
  - Justifying the moral judgments in engineering (deals with set of moral problems and issues connected with engineering)

# Senses of Engineering Ethics

- There are two different senses (meanings) of engineering ethics, namely the **Normative** and the **Descriptive** senses.
- The **normative** sense include:
  - Knowing moral values, finding accurate solutions to moral problems and justifying moral judgments in engineering practices
  - Study of decisions, policies, and values that are morally desirable in the engineering practice and research
  - Using codes of ethics and standards and applying them in their transactions by engineers.
- The **descriptive** sense refers to what specific individual or group of engineers believe and act, without justifying their beliefs or actions.

# Variety of moral issues

- The reasons how moral issues (problems) arise in a profession or why people behave unethically may be classified into three categories:
  1. Resource Crunch
  2. Opportunity
  3. Attitude

# Variety of moral issues

## 1) Resource Crunch:

- Due to pressure, through time limits, availability of money or budgetary constraints, and technology decay or obsolescence.
- Pressure from the government to complete the project in time (e.g., before the elections), reduction in the budget because of sudden war or natural calamity (e.g., Tsunami) and obsolescence due to technological innovation by the competitor lead to manipulation and unsafe and unethical execution of projects.

# Variety of moral issues

## 2) Opportunity:

- Double standards or behavior of the employers towards the employees and public. The unethical behaviors of World Com (in USA), Enron (in USA as well as India) executives in 2002 resulted in bankruptcy for those companies.
- Management projecting their own interests more than that of their employees. Some organizations over-emphasize short-term gains and results at the expense of themselves and others.
- Emphasis on results and gains at the expense of the employees.
- Management by objectives, without focus on empowerment and improvement of the infrastructure. This is best encountered by developing policies that allow 'conscience keepers' and whistle blowers and appointing ombudsman, who can work confidentially with people to solve the unethical problems internally.

# Variety of moral issues

## 3) Attitude:

- Poor attitude of the employees set in due to
  - (a) Low morale of the employees because of dissatisfaction and downsizing
  - (b) Absence of grievance redressal mechanism
  - (c) Lack of promotion or career development policies or denied promotions
  - (d) Lack of transparency
  - (e) Absence of recognition and reward system
  - (f) Poor working environments

# Variety of moral issues

- Some of the directions to promote positive attitudes among the employees are:
  - Giving ethics training for all
  - Recognizing ethical conduct in work place
  - Including ethics in performance appraisal
  - Encouraging open discussion on ethical issues
- To get firm and positive effect, ethical standards must be set and adopted by the senior management with input from all personnel.

# Types of inquiry

- The three types of inquiry in solving ethical problems are:
  1. Normative Inquiry
  2. Conceptual Inquiry
  3. Factual or Descriptive Inquiry

# Types of inquiry

## 1) Normative Inquiry:

- It seeks to identify and justify the morally-desirable norms or standards that should guide individuals and groups.
- It also has the theoretical goal of justifying particular moral judgments.
- Normative questions are about what ought to be and what is good, based on moral values. For example,
  1. How far does the obligation of engineers to protect public safety extend in any given situation?
  2. When, if ever, should engineers be expected to blow whistle on dangerous practices of their employers?
  3. Whose values ought to be primary in making judgment about acceptable risks in design for a public transport system or a nuclear plant? Is it of management, senior engineers, government, voters or all of them?

# Types of inquiry

## 2) Conceptual Enquiry:

- It is directed to clarify the meaning of concepts or ideas or principles that are expressed by words or by questions and statements. For example,
  - (a) What is meant by safety?
  - (b) How is it related to risk?
  - (c) What is a bribe?
  - (d) What is a profession?
- When moral concepts are discussed, normative and conceptual issues are closely interconnected.

# Types of inquiry

## 3) Factual or descriptive Inquiry:

- It is aimed to obtain facts needed for understanding and resolving value issues. Researchers conduct factual inquiries using mathematical or statistical techniques.
- The inquiry provide important information on business realities, engineering practice, and the effectiveness of professional societies in fostering moral conduct, the procedures used in risk assessment, and psychological profiles of engineers.
- The facts provide not only the reasons for moral problems but also enable us to develop alternative ways of resolving moral problems. For example,
  1. How were the benefits assessed?
  2. What are procedures followed in risk assessment?
  3. What are short-term and long-term effects of drinking water being polluted?

# Moral dilemmas

- Dilemmas are situations in which moral reasons come into conflict, or in which the application of moral values are problems, and one is not clear of the immediate choice or solution of the problems.
- The three complex situations leading to moral dilemmas are:
  1. The problem of vagueness: One is unable to distinguish between good and bad (right or wrong) principle. Good means an action that is obligatory. For example, code of ethics specifies that one should obey the laws and follow standards. Refuse bribe or accept the gift, and maintain confidentiality
  2. The problem of conflicting reasons: One is unable to choose between two good moral solutions. One has to fix priority, through knowledge or value system.
  3. The problem of disagreement: There may be two or more solutions and none of them mandatory. These solutions may be better or worse in some respects but not in all aspects. One has to interpret, apply different morally reasons, and analyze and rank the decisions. Select the best suitable, under the existing and the most probable conditions.

# Moral Autonomy

- Moral autonomy is defined as, decisions and actions exercised on the basis of moral concern for other people and recognition of good moral reasons.
- Alternatively, moral autonomy means 'self determinant or independent'. The autonomous people hold moral beliefs and attitudes based on their critical reflection rather than on passive adoption of the conventions of the society or profession.
- Autonomy which is the independence in making decisions and actions, is different from authority. Authority provides freedom for action, specified within limits, depending on the situation.
- Moral autonomy and respect for authority can coexist. They are not against each other.
- If the authority of the engineer and the moral autonomy of the operator are in conflict, a consensus is obtained by the two, upon discussion and mutual understanding their limits.

# Moral Autonomy

The engineering skills related to moral autonomy are listed as follows:

- Proficiency in recognizing moral problems in engineering and ability to distinguish as well as relate them to problems in law, economics, and religion
- Skill in comprehending, clarifying, and critically-assessing arguments on different aspects of moral issues
- Ability to form consistent and comprehensive view points based on facts
- Awareness of alternate responses to the issues and creative solutions for practical difficulties
- Sensitivity to genuine difficulties and subtleties, including willingness to undergo and tolerate some uncertainty while making decisions
- Using rational dialogue in resolving moral conflicts and developing tolerance of different perspectives among morally reasonable people
- Maintaining moral integrity

# Kohlberg's theory

- Moral development in human being occurs over age and experience.
- Kohlberg suggested there are three levels of moral development based on the type of reasoning and motivation of the individuals in response to moral questions.
  1. Pre-conventional level
  2. Conventional level
  3. Post-conventional level

# Kohlberg's theory

## 1) Pre-conventional level:

- At this level, right conduct for an individual is regarded as whatever directly benefits oneself.
- Individuals are motivated by obedience or the desire to avoid punishment or to satisfy their own needs or by the influence by power on them.
- All young children exhibit this tendency.

# Kohlberg's theory

## 2) Conventional level:

- At the conventional level, people respect the law and authority.
- Rules and norms of one's family or group or society is accepted, as the standard of morality.
- Individuals in this level want to please or satisfy, and get approval by others and to meet the expectations of the society, rather than their self interest (Eg: good boy, good girl).
- Loyalty is regarded as most important.
- Many adults do not go beyond this level.

# Kohlberg's theory

### 3) Post-conventional level:

- At the post-conventional level, people are called autonomous.
- They think originally and want to live by universally good principles and welfare of others. They have no self-interest.
- They live by principled conscience. They follow the golden rule, 'Do unto others as you would have them do unto you'.
- They maintain moral integrity, self-respect and respect for others. Kohlberg believed that individuals could only progress through these stages, one stage at a time.
- He believed that most of the moral development occurs through social interactions.

# Gilligan's theory

- Carol Gilligan found that Kohlberg's theory had a strong male bias. According to Gilligan's studies, men had a tendency to solve problems by applying abstract moral principles.
- Men were found to resolve moral dilemma by choosing the most important moral rule, overriding other rules.
- In contrast, women gave importance to preserve personal relationships with all the people involved.
- The context oriented emphasis on maintaining personal relationships was called the ethics of care, in contrast with the ethics of rules and rights adopted by men.
- Gilligan revised the three levels of moral development of Kohlberg, as stages of growth towards ethics of caring.

# Gilligan's theory

- The pre-conventional level, which is same as that of Kohlberg's first one, right conduct, is viewed in a selfish manner solely as what is good for oneself.
- The second level called conventional level, the importance is on not hurting others, and willing to sacrifice one's own interest and help others.
- This is the characteristic feature of women. At the post-conventional level, a reasoned balance is found between caring about others and pursuing the self-interest.
- The balance one's own need and the needs of others, is aimed while maintaining relationship based on mutual caring.
- This is achieved by context-oriented reasoning, rather than by hierarchy of rules.

# Kohlberg's theory & Gilligan's theory

The theories of moral development by Kohlberg and Gilligan differ in the following respects:

<i>Kohlberg's Theory</i>	<i>Carol Gilligan's Theory</i>
<i>A. Basic Aspects</i>	
1. Is based on the study on men. 2. Men give importance to moral rule.  3. Ethics of rules and rights.	1. Is based on the study on men and women 2. Women always want to keep up the personal relationships with all the persons involved in the situations.  3. Women give attention to circumstances leading to critical situations rather than rules: (context-oriented and ethics of care)
<i>B Characteristic Features</i>	
1. Justice 2. Factual 3. Right or wrong 4. Logic only 5. Logic and rule-based 6. Less of caring 7. Matter of fact (practical) 8. Present focus 9. Strict rules 10. Independence 11. Rigid 12. Taking a commanding role 13. Transactional approach	1. Reason 2. Emotional 3. Impact on relationships 4. Compassion too 5. Caring and concern 6. More of caring 7. Abstract 8. Future focus 9. Making exceptions 10. Dependence 11. Human-oriented 12. Shying away from decision-making 13. Transformational approach

# Consensus and Controversy

The moral judgment may lead to conflicts if they are not delivered properly without hurting the feelings of the persons involved. There are two stages after the judgment. The stages are described below:

## Consensus

This is that state where people come into agreement with the judgment given by getting convinced with the moral reasons. This will leave the persons with a feel that justice has been done, the verdict may favor any party.

## Controversy

This is that state where the persons involved in an issue are not satisfied by the verdict and might feel that it was decided on partial interests. This will leave the people with a sense of dissatisfaction that justice was not done, which might lead to another conflict.

# Models of professional roles

There are several role models to whom the engineers are attracted. These models provoke their thinking, attitudes and actions.

1. Savior : The engineer as a savior, save the society from poverty, illiteracy, wastage, inefficiency, ill health, human (labor) dignity and lead it to prosperity, through technological development and social planning. For example, R.L. Stevenson.
2. Guardian: He guards the interests of the poor and general public. As one who is conversant with technology development, is given the authority befitting his expertise to determine what is best suited to the society. For example, Lawrence of Arabia (an engineer).
3. Bureaucratic Servant: A person who is loyal and can solve problems when they occur using his own skills, is a Bureaucratic servant. An engineer who can be a loyal person to the organization and also the one who solves the technical problems the company encounters, using his special skills can be termed as a Bureaucratic servant. The company relies on his decision-making capability for the future growth.

# Models of professional roles

4. Social Servant: It is one who exhibits social responsibility. The engineer translates the interest and aspirations of the society into a reality, remembering that his true master is the society at large. For example, Sir M. Viswesvarayya.
4. Social Enabler and Catalyst : One who changes the society through technology. The engineer must assist the management and the society to understand their needs and make informed decisions on the desirable technological development and minimize the negative effects of technology on people and their living environment. Thus, he shines as a social enabler and a catalyst for further growth. For example, Sri. Sundarlal Bahuguna.
4. Game Player: A person who plays a game according to the rules given is a Game player in general. An engineer who acts as neither a servant nor a master, but provides his services and plans his works according to the economic game rules in a given time, can be termed as a Game player. He is smart enough to handle the economic conditions of the company.

# Theories about right action

Several ethical theories have been developed over different times, each of them stressing certain ethical principles or features. Each stresses a view and many a times, we find that these theories converge and reinforce the ethics, in deciding upon the actions and justifying the results.

1. Utilitarian Theory
2. Duty Ethics theory
3. Rights Theory
4. The Virtue Theory
5. Self-realization Ethics
6. Justice (Fairness) Theory

# Theories about right action

## 1) Utilitarian Theory:

- The standard of right conduct is maximization of good consequences. Good consequences mean either 'utilities' or the 'balance of good over evil'.
- This approach weighs the costs and benefits. Right actions are the ones that produce the greatest satisfaction of the preferences of the affected persons. In analyzing an issue in this approach, we have to:
  - (a) Identify the various courses of action available to us.
  - (b) Ask who will be affected by each action and what benefits or harms will be derived from each.
  - (c) Choose the action that will produce the greatest benefits and the least harm. The ethical action is the one that provides the greatest good for the greatest number.

# Theories about right action

## 2) Duty Ethics theory:

- The duty ethics theory, proposed by Immanuel Kant (1724-1804) states, that actions are consequences of performance of one's duties such as, 'being honest', 'not cause suffering of others', 'being fair to others including the meek and week', 'being grateful', 'keeping promises' etc.
- The stress is on the universal principle of respect for autonomy i.e., respect and rationality of persons.
- As per Kant we have duties to ourselves, as we are rational and autonomous beings. We have a duty not to commit suicide; a duty to develop our talents and a duty to avoid harmful drugs.

# Theories about right action

## 3) Rights Theory:

- Rights are entitlement to act or to have another individual act in a certain way. Minimally, rights serve as a protective barrier, shielding individuals from unjustified infringement of their moral agency by others. For every right, we have a corresponding duty of noninterference.
- The RIGHTS approach to ethics has its roots in the 18th century philosopher Immanuel Kant, who focused on the individual's right to choose for oneself. People are not objects to be manipulated; it is a violation of human dignity to use people in ways they do not freely choose.

# Theories about right action

## 4) The Virtue Theory:

This emphasizes on the character rather than the rights or duties. The character is the pattern of virtues (morally-desirable features). The theory advocated by Aristotle, stressed on the tendency to act at proper balance between extremes of conduct, emotion, desire, attitudes to find the golden mean between the extremes of 'excess' or 'deficiency'.

<i>Virtue</i>	<i>Excess</i>	<i>Golden mean</i>	<i>Deficient</i>
Truthfulness (governs communication)	Revealing all in violation of tact and confidentiality	Necessary and sufficient, to proper person	Secretive
Courage (face danger, risk)	Roguishness, bold	Firm and humble	Cowardice
Generosity (giving)	Wasting resources	Give, in appropriate measure	Miserly
Friendliness (governs relationship)	Without anger, effusive	Within decent limits	Bad-tempered
Green environment	Exploitation	Protection	Neglect
Work and earn	Tiresome work (strained)	Balance of work and leisure	Lazy (no work) and more pay

# Theories about right action

## 5) Self- realization Ethics:

- Right action consists in seeking self-fulfillment.
- In one version of this theory, the self to be realized is defined by caring relationships with other individuals and society.
- In another version called *ethical egoism*, the right action consists in always promoting what is good for oneself.
- No caring and society relationships are assumed.

# Theories about right action

## 6) Justice (Fairness) Theory:

- The justice or fairness approach to ethics has its roots in the teachings of the ancient Greek philosopher Aristotle, who said that “equals should be treated equally and unequal unequally.”
- The basic moral question in this approach is: How fair is an action? Does it treat everyone in the same way, or does it show favoritism and discrimination?
- Issues create controversies simply because we do not bother to check the fairness or justice.
- Favoritism gives benefits to some people without a justifiable reason for singling them out; discrimination imposes burdens on people who are no different from those on whom burdens are not imposed.

# Self-interest

- Self-interest is being good and acceptable to oneself. It is pursuing what is good for oneself.
- It is very ethical to possess self-interest.
- As per utilitarian theory, this interest should provide for the respect of others also.
- Duty ethics recognizes this aspect as duties to ourselves.
- Then only one can help others. Right ethicist stresses our rights to pursue our own good.
- Virtue ethics also accepts the importance of self-respect as link to social practices.

# Customs and Religion

- Religions have played major roles in shaping moral views and moral values, over geographical regions. Christianity has influenced the Western countries, Islam in the Middle-East countries, Buddhism and Hinduism in Asia, and Confucianism in China.
- Further, there is a strong psychological link between the moral and religious beliefs of people following various religions and faiths. Religions support moral responsibility.
- They have set high moral standards. Faith in the religions provides trust and this trust inspires people to be moral.

# Uses of Ethical Theories

The ethical theories are useful in many respects.

1. In understanding moral dilemma. They provide clarity, consistency, systematic and comprehensive understanding.
2. Ethical theories aid in identifying the moral considerations or reasons that constitute a dilemma.
3. Ethical theories provide a more precise sense of what kinds of information are relevant to solving moral dilemmas.
4. It provides helpful practical guidance in moral issues towards the solution. Sometimes it offer ways to rank the relevant moral considerations in order of importance and thereby provide at least rough guidance in solving moral problems.
5. Justifying professional obligations and decisions.
6. By providing frameworks for development of moral arguments ,the theories strengthen our ability to reach balanced and insightful judgments.

# Global Issues

- Multinational Corporations
- Environmental Ethics
- Computer Ethics
- Weapons Development
- Engineers as Managers
- Consulting Engineers
- Engineers as Expert Witnesses and Advisors
- Moral Leadership
- Code of Conduct
- Corporate Social Responsibility

# Multinational Corporations

- Organizations, who have established business in more than one country, are called Multinational Corporation. The headquarters are in the home country and the business is extended in many host countries.
- The Western organizations doing business in the less-economically developed (developing, and overpopulated) countries gain the advantage of inexpensive labor, availability of natural resources, conducive-tax atmosphere, and virgin market for the products.
- At the same time, the developing countries are also benefited by fresh job opportunities, jobs with higher remuneration and challenges, transfer of technology, and several social benefits by the wealth developed.
- But this happens invariably with some social and cultural disturbance. Loss of jobs for the home country, and loss or exploitation of natural resources, political instability for the host countries are some of the threats of globalization.

# Multinational Corporations

The economic and environmental conditions of the home and host countries may vary. But the multinational institutions have to adopt appropriate measures not to disturb or dislocate the social and living conditions and cultures of the home countries. A few principles are enlisted here:

- MNC should respect the basic human rights of the people of the host countries.
- The activities of the MNC should give economic and transfer technical benefits, and implement welfare measures of the workers of the host countries.
- The business practices of the multinational organizations should improve and promote morally justified institutions in the host countries.
- The multinationals must respect the laws and political set up, besides cultures and promote the cultures of the host countries.
- The multinational organizations should provide a fair remuneration to the employees of the host countries. If the remuneration is high as that of home country, this may create tensions and if it is too low it will lead to exploitation.
- Multinational institutions should provide necessary safety for the workers when they are engaged in hazardous activities and 'informed consent' should be obtained from them. Adequate compensation should be paid to them for the additional risks undertaken.

# Environmental Ethics

Environmental ethics is the study of

- moral issues concerning the environment, and
- moral perspectives, beliefs, or attitudes concerning those issues.

Engineers in the past are known for their negligence of environment, in their activities. It has become important now that engineers design eco-friendly tools, machines, sustainable products, processes, and projects. These are essential now to

- ensure protection (safety) of environment
- prevent the degradation of environment, and
- slow down the exploitation of the natural resources, so that the future generation can survive.

# Environmental Ethics

Engineers as experimenters have certain duties towards environmental ethics, namely:

1. Environmental impact assessment: One major but sure and unintended effect of technology is wastage and the resulting pollution of land, water, air and even space. Study how the industry and technology affects the environment.
2. Establish standards: Study and to fix the tolerable and actual pollution levels.
3. Counter measures: Study what the protective or eliminating measures are available for immediate implementation
4. Environmental awareness: Study on how to educate the people on environmental practices, issues, and possible remedies.

# Computer Ethics

- Computer ethics is defined as
- study and analysis of nature and social impact of computer technology
- formulation and justification of policies, for ethical use of computers.
- This subject has become relevant to the professionals such as designers of computers, programmers, system analysts, system managers, and operators.
- The use of computers have raised a host of moral concerns such as free speech, privacy, intellectual property right, and physical as well as mental harm.

# Computer Ethics

Different types of problems found in computer ethics are:

1. Computer as the Instrument of Unethical Acts: Breaking privacy, information or data of the individuals accessed or erased or the ownership changed, fraud a bank or a client, by accessing and withdrawing money from other's bank account.
2. Computer as the Object of Unethical Act: Hacking, spreading virus, health hazards.
3. Problems Related to the Autonomous Nature of Computer: Security risk, loss of human lives (automated defense system).

# Weapons Development

Military activities including the world wars have stimulated the growth of technology. The growth of Internet amply illustrates this fact. Engineers involve in weapons development because of the following reasons:

1. It gives one job with high salary.
2. One takes pride and honor in participating in the activities towards the defense of the nation (patriotic fervor).
3. One believes he fights a war on terrorism and thereby contribute to peace and stability of the country. Ironically, the wars have never won peace, only peace can win peace!
4. By research and development, the engineer is reducing or eliminating the risk from enemy weapons, and saving one's country from disaster.
5. By building-up arsenals and show of force, a country can force the rogue country, towards regulation.

# Engineers as Managers

The characteristics of engineers as managers are:

- Promote an ethical climate, through framing organization policies, responsibilities and by personal attitudes and obligations.
- Resolving conflicts, by evolving priority, developing mutual understanding, generating various alternative solutions to problems.
- Social responsibility to stakeholders, customers and employers. They act to develop wealth as well as the welfare of the society.

# Engineers as Managers

Managing conflicts: Most of the conflicts can be resolved by following the principles listed here,

## 1. People

Separate people from the problem. It implies that the views of all concerned should be obtained. The questions such as what, why, and when the error was committed is more important than to know who committed it. This impersonal approach will lead to not only early solution but also others will be prevented from committing errors.

## 2. Interests

Focus must be only on interest i.e., the ethical attitudes or motives and not on the positions (i.e., stated views). A supplier may require commission larger than usual prevailing rate for an agricultural product. But the past analysis may tell us that the material is not cultivated regularly and the monsoon poses some additional risk towards the supply. Mutual interests must be respected to a maximum level. What is right is more important than who is right!

# Engineers as Managers

## 3. Options

Generate various options as solutions to the problem. This helps a manager to try the next best solution should the first one fails. Decision on alternate solutions can be taken more easily and without loss of time.

## 4. Evaluation

The evaluation of the results should be based on some specified objectives such as efficiency, quality, and customer satisfaction. More important is that the means, not only the goals, should be ethical.

# Consulting Engineers

The consulting engineers have ethical responsibilities different from the salaried engineers, as follows:

- Advertising: The consulting engineers are directly responsible for advertising their services, even if they employ other consultants to assist them. But in many organizations, this responsibility is with the advertising executives and the personnel department. They are allowed to advertise but to avoid deceptive ones.

# Consulting Engineers

- Competitive Bidding: It means offering a price, and get something in return for the service offered. The organizations have a pool of engineers. The expertise can be shared and the bidding is made more realistic. But the individual consultants have to develop creative designs and build their reputation steadily and carefully, over a period of time. The clients will have to choose between the reputed organizations and proven qualifications of the company and the expertise of the consultants. Although competent, the younger consultants are thus slightly at a disadvantage.

# Consulting Engineers

- Contingency Fee: This is the fee or commission paid to the consultant, when one is successful in saving the expenses for the client. A sense of honesty and fairness is required in fixing this fee. The NSPE Code III 6 (a) says that the engineers shall not propose or accept a commission on a contingent basis where their judgment may be compromised. The fee may be either as an agreed amount or a fixed percentage of the savings realized. But in the contingency fee-agreements, the judgment of the consultant may be biased. The consultant may be tempted to specify inferior materials or design methods to cut the construction cost. This fee may motivate the consultants to effect saving in the costs to the clients, through reasonably moral and technological means.

# Consulting Engineers

- Safety and Client's Needs: The greater freedom for the consulting engineers in decision making on safety aspects, and difficulties concerning truthfulness are the matters to be given attention. For example, in design-only projects, the consulting engineers may design something and have no role in the construction. Sometimes, difficulties may crop-up during construction due to non- availability of suitable materials, some shortcuts in construction, and lack of necessary and adequate supervision and inspection. Properly-trained supervision is needed, but may not happen, unless it is provided. Further, the contractor may not understand and/or be willing to modify the original design to serve the clients best.

# Engineers as Expert Witnesses and Advisors

- Frequently engineers are required to act as consultants and provide expert opinion and views in many legal cases of the past events.
- They are required to explain the causes of accidents, malfunctions and other technological behavior of structures, machines, and instruments, e.g., personal injury while using an instrument, defective product, traffic accident, structure or building collapse, and damage to the property, are some of the cases where testimonies are needed.

# Engineers as Expert Witnesses and Advisors

1. The expert-witness is required to exhibit the responsibility of confidentiality just as they do in the consulting roles. They can not divulge the findings of the investigation to the opposite side, unless it is required by the court of law.
2. More important is that as witness they are not required to volunteer evidence favorable to the opponent. They must answer questions truthfully, need not elaborate, and remain neutral until the details are asked for further.
3. They should be objective to discover the truth and communicate them honestly.
4. The stand of the experts depends on the shared understanding created within the society. The legal system should be respected and at the same time, they should act in conformance with the professional standards as obtained from the code of ethics.
5. The experts should earnestly be impartial in identifying and interpreting the observed data, recorded data, and the industrial standards. They should not distort the truth, even under pressure.

# Engineers as Expert Witnesses and Advisors

## Engineers as Advisors:

For an engineer to be an advisor, should study the costs and benefits of all alternatives in objective manner, study economic viability, technical feasibility, operational feasibility and social acceptability, follow honesty, and technical complicity leading to moral complicity. Then after analyzing the factors that lead to such things and also the consequences that occur, engineers can work as an advisor.

# Moral Leadership

Moral leadership is essentially required for the engineers, for the reasons listed as follows:

- 1.** It is leading a group of people towards the achievement of global and objectives. The goals as well as the means are to be moral. For example, Hitler and Stalin were leaders, but only in an instrumental sense and certainly not on moral sense.
- 2.** The leadership shall direct and motivate the group to move through morally desirable ways.
- 3.** They lead by thinking ahead in time, and morally creative towards new applications, extension and putting values into practice. 'Morally creative' means the identification of the most important values as applicable to the situation, bringing clarity within the groups through proper communication, and putting those values into practice.
- 4.** They sustain professional interest, among social diversity and cross-disciplinary complexity. They contribute to the professional societies, their professions, and to their communities.

# Code of Conduct

- Engineering is an important and learned profession. As members of this profession, engineers are expected to exhibit the higher standards of honesty and integrity.
- Engineering has a direct and vital impact on the quality of life for all people. Accordingly, the services provided by engineers require honesty, impartiality, fairness, and equity, and must be dedicated to the protection of the public health, safety, and welfare.
- Engineers must perform under a standard of professional behavior that requires adherence to the highest principles of ethical conduct.

# Code of Conduct

- I Fundamental Canons
- Engineers in the fulfillment of their professional duties shall
  1. hold paramount the safety, health, and welfare of the public.
  2. perform services only in areas of their competence.
  3. issue public statements only in objective and truthful manner.
  4. act for each employer or client as faithful agents or trustees.
  5. avoid deceptive acts.
  6. conduct themselves honorably, responsibly, ethically, and lawfully so as to enhance the honor, reputation, and usefulness of the profession.

# Code of Conduct

- II Rules of Practice
  - 1. Engineers shall hold paramount the safety, health, and welfare of the public.
  - 2. Engineers shall perform services only in the areas of their competence.
  - 3. Engineers shall issue public statements only in an objective and truthful manner.
  - 4. Engineers shall act for each employer or client as faithful agents or trustees
  - 5. Engineers shall avoid deceptive acts

# Code of Conduct

- III Professional Obligations
  - 1. Engineers shall be guided in all their relation by the highest standards of honesty and integrity.
  - 2. Engineers shall at all times strive to serve the public interest.
  - 3. Engineers shall avoid all conduct or practice that deceives the public.
  - 4. Engineers shall not disclose, without consent, confidential information concerning the business affairs or technical processes of any present or former client or employer, or public body on which they serve.
  - 6. Engineers shall not attempt to obtain employment or advancement or professional engagements by untruthfully criticizing other engineers, or by other improper methods.
  - 7. Engineers shall not attempt to injure, maliciously or falsely, directly or indirectly, the professional reputation, prospects, practice, or employment of other engineers. Engineers who believe others are guilty of unethical or illegal practice shall resent such information to the proper authority for action.
  - 8. Engineers shall accept personal responsibility for their professional activities, provided, however, the engineers may seek indemnification for services arising out of their practice for other than gross negligence, where the engineer's interests can not otherwise be protected.

# Corporate Social Responsibility

- A company has an economic responsibility: it must earn a return for its stockholders within the confines of the law.
- However, corporate social responsibility means that organizations have also ethical and societal responsibilities that go beyond their economic responsibilities.
- CSR requires organizations to expand their understandings of their responsibilities to include other stakeholders such as employees, customers, suppliers, local communities, state governments, international organizations, etc.
- Ethics could be seen as a crucial component of individual and group behaviors at the heart of organizations' responsibilities.