



# ORGANIZATION AND MANAGEMENT

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**Lecturer**

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# Objective of the course



This course aims to provide basic understanding of management concepts in organizations especially the following:

1. Acquire knowledge in the field of **organizational management** and **internal organization** of companies required for managing an enterprise.
2. Acquire knowledge in the field of **personnel management**, **motivation** and **leadership** for developing managerial skills
3. Gain knowledge for starting a **small scale unit** independently
4. Gain knowledge on **case study** and **management information system**.

# Course outline



## 1. Introduction (20 hours)

### 1.1 Organization (2 hours)

- System approach applied to Organization
- Necessity of Organization
- Principles of Organization
- Formal and Informal Organizations

### 1.2 Management (4 hours)

- Functions of Management
- Levels of Management
- Managerial Skills
- Importance of Management
- Models of Management

# Course outline



## 1. Introduction (20 hours)

### 1.3 Theory of Management (6 hours)

- Scientific Management Approach
- Administrative Management Approach
- Behavioral Management Approach
- Modern Management Theories

### 1.4 Forms of Ownership (2 hours)

- Single Ownership
- Partnership
- Joint Stock Company
- Co – operative Societies
- Public Corporations

# Course outline



## 1. Introduction (20 hours)

### 1.5 Organizational Structure (2 hours)

- Line Organization
- Functional Organization
- Line and Staff Organization
- Committee Organization

### 1.6 Purchasing and Marketing Management (4 hours)

- Purchasing
- Functions of Purchasing Department
- Methods of Purchasing
- Marketing
- Functions of Marketing
- Advertising



## 2. Personnel Management (8 hours)

2.1 Introduction

2.2 Functions of Personnel Management

2.3 Development of Personnel Policy

2.4 Manpower Planning

2.5 Recruitment and Selection of manpower

2.6 Training and Development of manpower

2.7 Job Analysis, Job Evaluation and Merit Rating

2.8 Wages and Incentives

# Course outline



## 3. Motivation, Leadership and Entrepreneurship (10 hours)

### 3.1 Motivation ( 2 hours)

- Human needs
- Maslow's Hierarchy of needs
- Motivation
- Types of Motivation
- Attitude Motivation; Group Motivation; Executive Motivation
- Techniques of Motivation
- Motivation Theories
  - McGregor's Theory X – Y
  - Fear and Punishment Theory
  - Alderfer's ERG Theory
  - MacClelland's Theory of learned needs
  - Herzberg's Hygiene Maintenance Theory
  - Vroom's Expectancy/ Valency Theory

# Course outline



## 3. Motivation, Leadership and Entrepreneurship (10 hours)

### 3.2 Leadership (6 hours)

- Qualities of a good Leader
- Leadership Style
- Blakes and Mouton's Managerial Grid
- Leadership Approach
- Leadership Theories

### 3.3 Entrepreneurship (2 hours)

- Entrepreneurship Development
- Entrepreneurial Characteristics
- Need for Promotion of Entrepreneurship
- Steps for establishing small scale unit

# Course outline



## 4. Case Studies (2 hours)

- 4.1 Introduction
- 4.2 Objectives of case study
- 4.3 Phases of case study
- 4.4 Steps of case study
- 4.5 Types of case studies

## 5. Management Information System (5 hours)

- 5.1 Data and Information
- 5.2 Need, function and Importance of MIS
- 5.3 Evolution of MIS
- 5.4 Organizational Structure and MIS
- 5.5 Computers and MIS
- 5.6 Classification of Information Systems
- 5.7 Information Support for functional areas of management
- 5.8 Organizing Information Systems

# Course outline



## Note:

*Students have to submit a case study report after visiting an industrial organization outside or inside the Kathmandu valley.*

## Reference Books:

- M. Mahajan, "Industrial Engineering and production Management" ,Dhanpat Rai and Co. (P) Ltd. , Delhi, 2002
- E. S. Buffa and R. K. Sarin "Modern Production / Operations Management", 8th Edition, Wiley, 1987

# Evaluation Scheme



## 1. Internal Assessment = 20 marks

I. Assignment:  $1 \times 2 = 2$

II. Assessment:  $5 + 5 = 10$

III. Attendance: 5

IV. Case study Report: 3

## 2. Final exam = 80 marks

Chapters	Hours	Marks distribution
1.1 & 1.2	6	8 or 16
1.3	6	8
1.4 & 1.5	4	8
1.6	4	8
2	8	16
3.1	6	8
3.2 & 3.3	4	8
4 & 5	7	8 or 16
<b>Total</b>	<b>45</b>	<b>80</b>





# Chapter 1

# INTRODUCTION

**KHEM GYANWALI**

**Lecturer**

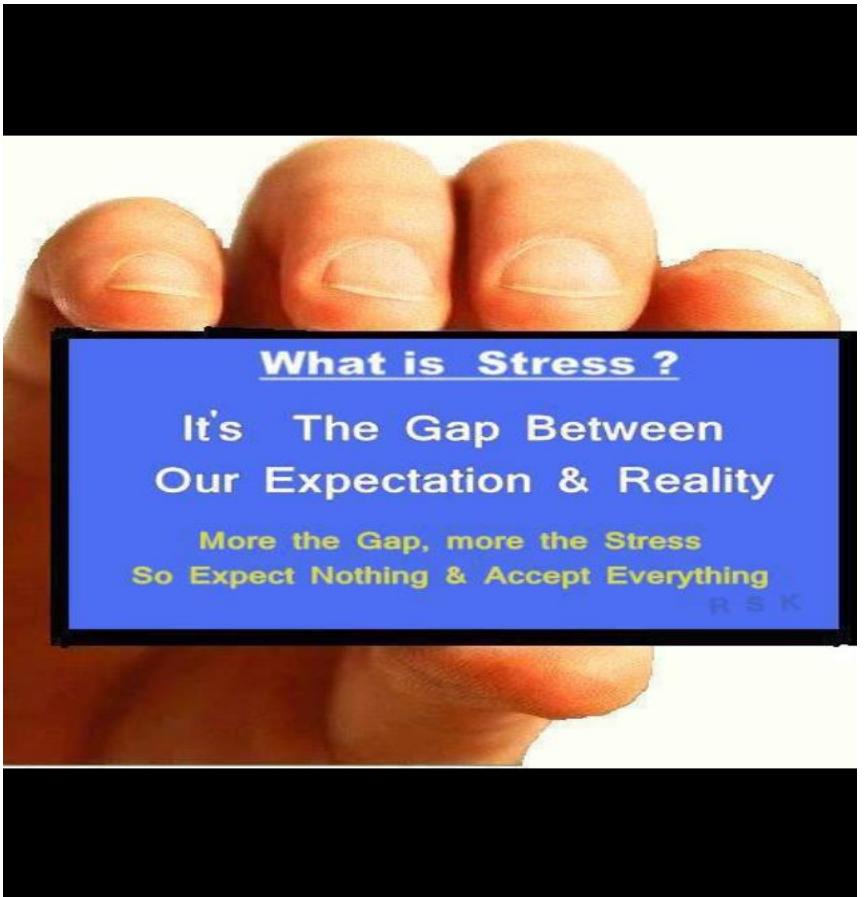
**Department of Automobile and Mechanical Engineering,  
Thapathali Campus, IOE, TU**

*'There is nothing in a caterpillar that tells you it is going to be a butterfly.'*

# Organization- course outline



- *System approach applied to organization*
- *Necessity of organization*
- *Principles of organization*
- *Formal and Informal organizations*



# 1. Organization



**“Organization** is the form of every human association for the attainment of a common purpose”

- Mooney and Reiley.

‘**An organization** is a collection of people working together in a coordinated and structured fashion to achieve one or more goals.’

## In common parlance:

Organization is a process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.

# 1. Organization



## Organizations Role in Society

- Organizations exist to allow accomplishment of work that could not be achieved by people alone.
- As long as the goals of an organization are appropriate, society will allow them to exist and they can contribute to society.

## Organizations and People

- Organizations are strongly influenced by the people that form part of them.
- Organizations can take in part of the personality of the people within them and their attitudes, perceptions and behaviors affect how an organization will operate.

## Organizations Require Management

- Organizations use management to accomplish the work that is required to achieve the goals.

# Historical development of organization



The concept of organization grew along with growth of economic activities. Major stages of economic growth are:

## 1. *Pre-industrial era*

- I. Self-sufficiency era (*as in village area*)
- II. Commercial stage with marketable surplus
  - a. Barter system (*exchange system*)
  - b. Money system
- III. Development of means of transportation (*railways, ships etc.*)

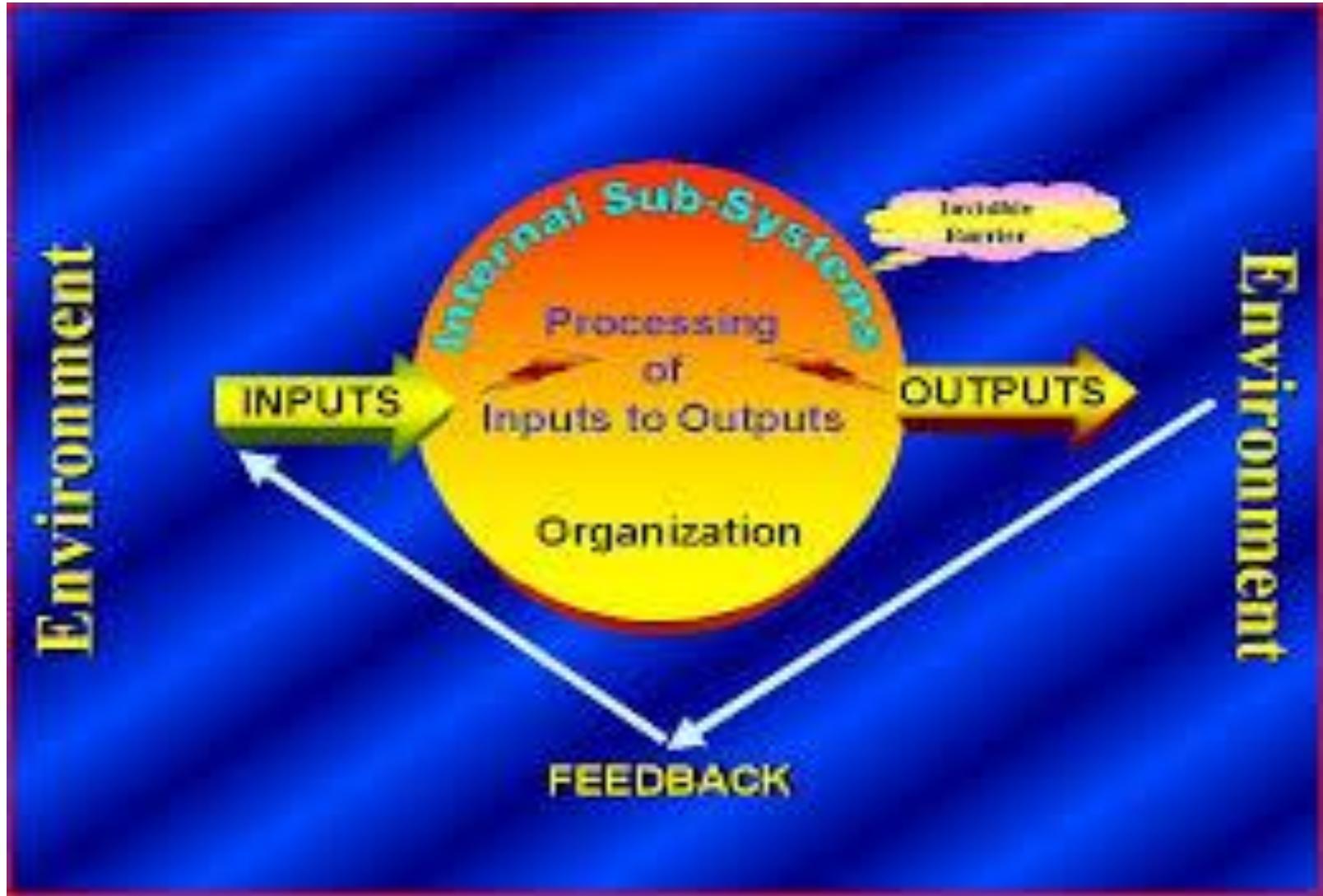
# Historical development of organization



## 2. Modern industrial era

- I. Industrial revolution (*development of lathe, shaping machine; James Watt – steam engine*)
- II. Development of corporate form of business (*limited liability*)
- III. Managerial revolution (*concept of modern management, scientific management*)
- IV. Technological development (*Mechanization and Automation*)
- V. Economic Liberalization
- VI. Globalization (*multinational company*)
  - *GATT (General Agreement on Tariff and Trade, Geneva 1948)*
  - *WTO (World Trade Organization, Geneva 1955)*
  - *ISO (International Organization for Standardization, Geneva 1947)*
  - *SAFTA (South Asian Free Trade Agreement)*

# I. System approach applied to organization



# I. System approach applied to organization



- If a company has to change business processes or deploy new technology in order to stay competitive, then people, jobs descriptions and skill sets must also change or adjust. Such adjustments may affect the morale or general attitude of the organization. A system approach of organization methodology is applied to "smooth over" these issues as the organization goes through such changes
- According to Dr H.L. Kaila, author of "Human Resource Management," the system approach of organization involves three basic steps: **planning for change, assessing change forces** and **implementing the changes**. In other words, management need a holistic approach. A system approach of organization methodology can also be referred to as a change management plan.

# I. System approach applied to organization



Properly applied, a system approach of organization methodology can position a company to compete effectively in the global economy. Once the methodology or change management plan is in place, organizations can adapt quickly to change and move forward with minimum down time.

➤ **Inputs:**

Men      Material                  Machines                  Money                  Methods

➤ **Outputs:**

Product                  Services

➤ **External Environment:**

Social                  Political                  Cultural

➤ **Internal Environment:**

Board of directors                  Employees                  Culture

## II. Necessity of organization



The increasing size of the manufacturing plant, introduction of most complex methods of production, tough competition between the enterprise and labor problems has necessitated every factory to be well organized, in order to produce required quantity of the products of the required quality, at the required time with the minimum production cost.

*“Take away all our money, great works, ore mines, and coke ovens but leave our organization and in few years. I shall have established myself. In fact the success and failures of any enterprise largely depends on the nature of organization.”*

– A. Carnegie, an American Industrialist

## II. Necessity of organization



A good organization is therefore necessary for the following reasons:

- Complexity of Industry
- Growing competition
- Optimum utilization of resources
- Reduced labor problem
- Fixation of authority and responsibility
- Co-ordination and directing efforts
- Facilitates administration
- Stimulates creativity

# III. Principle of organization



Some of the important principles to be followed for developing sound and efficient organization structure are:

- **Organizational structure** - The way managers design their firms to achieve their organization's mission and goals. The objectives must be clearly defined for the entire enterprise, for each department and even for each position in the organization structure. There must be ***unity of objectives*** so that all efforts can be concentrated on achieving the set goals- at minimum cost.
- **Division of Labor and Departmentalization**
  - ***Division of labor*** - Degree to which tasks are subdivided into separate jobs.
  - Specialization can lead to efficiency and increased performance, but if jobs become too specialized and boring, performance can decrease.
  - ***Departmentalization*** – Grouping of related activities into units.

# III. Principle of organization



- **Chain of Command**
  - *Line of authority* from the top to the bottom of the organization.
  - Tells you who your boss is and who to go to for help.
  - To work quickly, employees at all levels need to communicate directly, and who the boss is can change according to the task to be performed.
- **Span of Management**
  - It is the number of employees reporting to a manager.
  - The number of employees reporting to one manager affects the number of levels of managers.
  - With downsizing, the trend has clearly been to increase the span of management.

# III. Principle of organization



- **Centralized and Decentralized Authority**
  - With centralized authority, top managers make important decisions.
  - With decentralized authority, middle and first-line managers make important decisions where the action is.
  - Decentralization allows more input into decision making and greater employee commitment to carrying out the decisions.
- **Coordination**
  - With the division of labor and departmentalization comes the need to coordinate the work of all departments.
  - Is difficult with wider spans of management and decentralization.

# III. Principle of organization



- **Simplicity**

The organization structure should be simple with ***minimum number of levels***. If the organization structure has a large number of levels, the problem of effective co-ordination and communication may arise.

- **Flexibility**

The organizational structure should be flexible enough to permit slight alternations and expansions whenever needed, due to changed circumstances.

- **Communication**

Not only executive should pass down information to the subordinates , there should be feedback i.e., replies should come from those who receive information. For better results it should have ***free two-way communications***.

***These principles are not rigid and they must be used as per local circumstances.***

# IV. Formal and Informal Organizations



## Formal Organizations

It refers to the organization structure deliberately created by management for achieving the objectives of enterprise. It is a network of **official authority responsibility relationships** and **communication follows**. It is an official and rational structure.

### **Definition :-:**

According to Chester Bernard , “**Formal organization** is a system of consciously coordinated activities of two or more persons towards a common objectives. The essence of formal organization is conscious common purpose and formal organization comes into existence when persons

- (A) are able to communicate with each other
- (B) are willing to act and
- (C) share a purpose.”

# IV. Formal and Informal Organizations



## Informal organization

It refers to the pattern of activity interactions and human relationship which emerge spontaneously due to social and psychological forces operating at the work place. It arises naturally on the basis of **friendship or some common interest** which may or may not be related with work.

### **Definition :**

According to Chester Bernard , “ **Informal organization** is joint personal activity with out conscious common purpose though contributing to joint result.”

# IV. Formal and Informal Organizations



- **Origin:** Formal organization is created deliberately and consciously by management. Informal organization emerges spontaneously on account of socio psychological forces operating at the work place.
- **Purpose:** Formal organization is created for achieving the legitimate objective of the organization . Informal organization is created by the members of the organization for their social and psychological satisfaction.
- **Size:** Formal group may be quite large in size. Informal groups tend to be small.

# IV. Formal and Informal Organizations



- **Nature of group:** Formal groups are stable and may continue for a very long period of time. Informal groups are quite unstable in nature.
- **Number of group:** Generally the number of informal group is greater than the number of the formal group.
- **Authority:** Formal organization is bound together by a hierarchical structure. In Informal organization all members are equal.

# IV. Formal and Informal Organizations



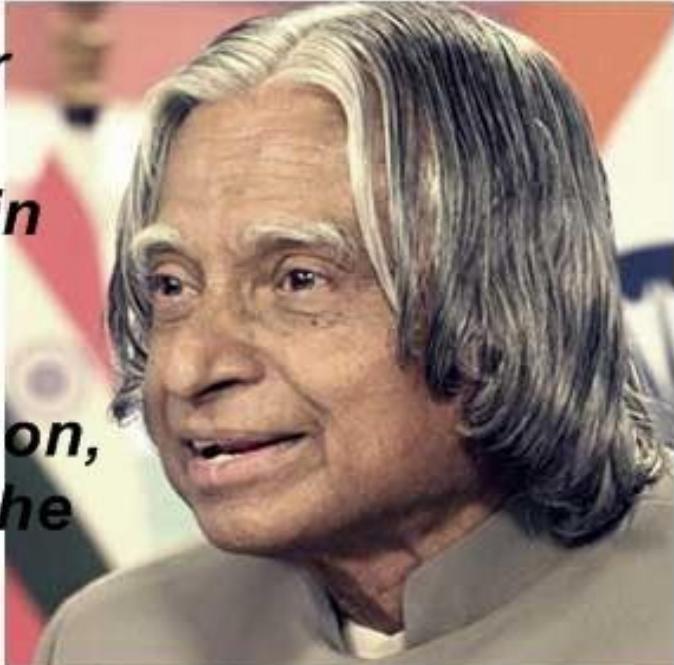
- **Behavior of Members:** In formal organization behavior of the members are governed by formal rules and regulations. In the informal organization the behavior of the members is governed by norms beliefs and value of the group.
- **Communication:** In formal organization, communication normally flows through the prescribed chain of command. In informal organization communications pass through the informal channels.
- **Abolition:** Management can abolish the formal groups at any time. Management has no control over informal groups which are the creation of natural desire of human beings to interact.

# IV. Formal and Informal Organizations



- **Leadership:** In informal organization, leadership is vested in managers. In formal organization, leadership is not associated with management.
- **Status:** There are sharp status differentials among the members of formal organization, which inhibit free interaction and socialization. In informal organization there may be social ranking among people but these do not prevent free interaction among people.

*All birds find shelter  
during a rain.  
But Eagle avoids rain  
by flying above  
the Clouds.  
Problems are common,  
but attitude makes the  
difference!! :)*



**THANK YOU!!!**

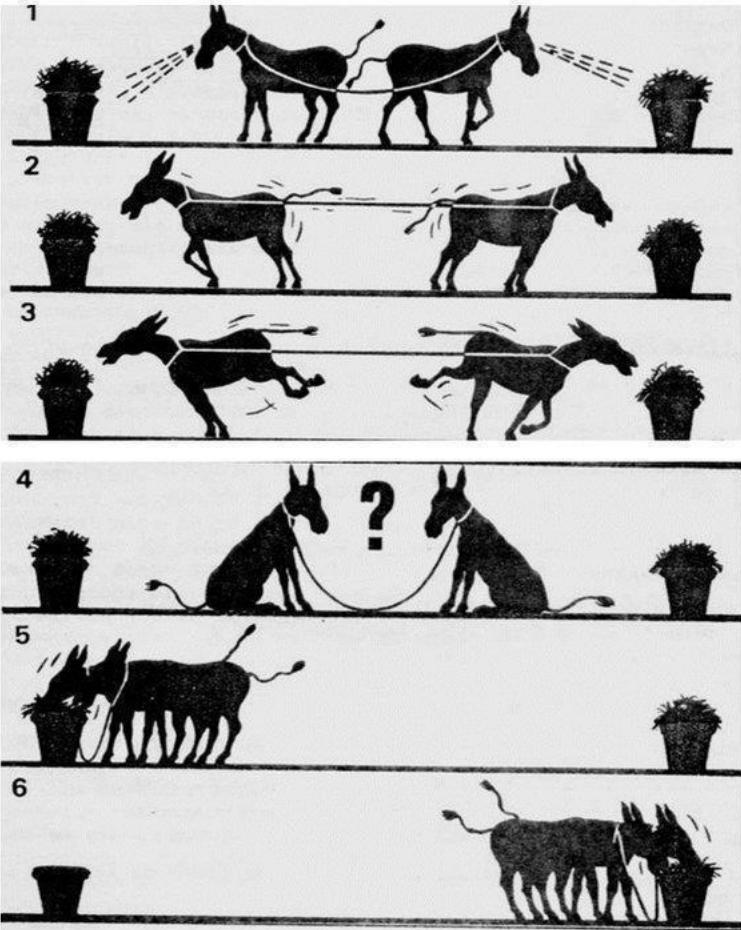




# Management – course outline



- Functions of Management
- Levels of Management
- Managerial Skills
- Importance of Management
- Models of Management



*'There are no **underdeveloped** countries, there are **undermanaged** countries.'*

# 2. Management



- Management may be defined as *the planning, organizing, leading, and controlling of human and other resources to achieve organizational goals effectively and efficiently*
  - **Resources** include people, skills, know-how and experience, machinery, raw materials, computers and IT, patents, financial capital, and loyal customers and employees
    - **Goals** include profit Levels or maximum cost levels, maintenance or growth of financial strength, quality standards, guest employee & management concerns, professional obligations, societal concerns
- A precise definition of management can be stated as:  
**“Management** is a social process involving co-ordination of human and material resources through the functions of planning, organizing, staffing, leading and controlling in order **to accomplish stated objectives.**”

## 2. Management

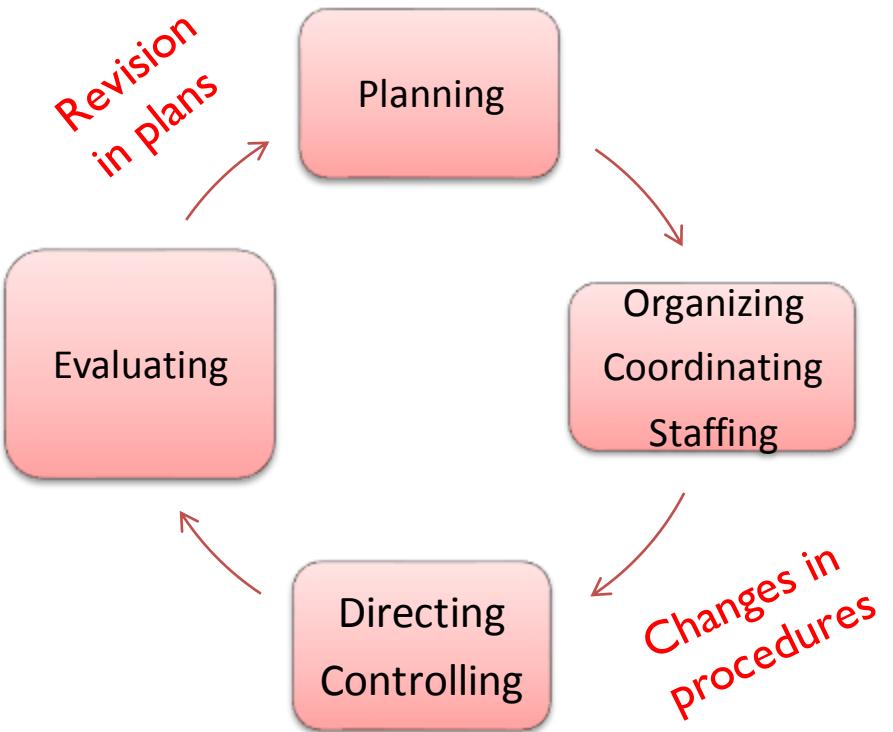


### Is management an art or science ?

**ART:** Because it depends on the skills, aptitude & creativity of the manager

**SCIENCE:** Because there is considerable knowledge in the field of management with basic principles for guidance of basic activities.

### Management Process



# 2. Management



## EFFICIENCY

EFFECTIVENESS

	LOW	HIGH
HIGH	<p><b>Low efficiency/ High effectiveness</b></p> <p>Manager chooses the right goals to pursue, but does a poor job of using resources to achieve these goals.</p> <p>Result: A product that customers want, but that is too expensive for them to buy.</p>	<p><b>High efficiency/ High effectiveness</b></p> <p>Manager chooses the right goals to pursue and makes good use of resources to achieve these goals.</p> <p>Result: A product that customers want at a quality and price that they can afford.</p>
LOW	<p><b>Low efficiency/ Low effectiveness</b></p> <p>Manager chooses wrong goals to pursue and makes poor use of resources.</p> <p>Result: A low-quality product that customers do not want.</p>	<p><b>High efficiency/ Low effectiveness</b></p> <p>Manager chooses inappropriate goals, but makes good use of resources to pursue these goals.</p> <p>Result: A high-quality product that customers do not want.</p>

High-performing organizations are efficient *and* effective.

# Administration Vs Management



- **Administration:** Concerned with *laying down of corporate policy, obtaining finance, production & distribution.*
- **Management:** Concerned with *actual execution of policies within limits set by administration.*
- **Organization:** Combines the work in such a way with individuals/groups that duties formed provide best possible application of available effort.

# I. Functions of Management



Management is an ongoing activity consisting of number of functions. These are:

- A. *Planning*
- B. *Organizing*
- C. *Staffing*
- D. *Directing*
- E. *Motivating*
- F. *Controlling*
- G. *Co-ordinating*
- H. *Communicating*

# A. Planning



**Planning** is the most basic of all management functions. Planning means *thinking before doing*. In other words, planning is *the preparation for action*.

Planning includes *forecasting, formulation of objectives, policies, programs, schedules, procedures and budget*.

*“Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. Planning bridges the gap from where we are, to where we want to go. It makes it possible for things to occur which would not otherwise happen”* - Koontz and O'Donnell

# A. Planning



## ***Objectives of Planning***

- a. To help in effective forecasting.
- b. To provide certainty in the activities.
- c. To provide performance standards.
- d. To give a specific direction to the organization.
- e. To help in tuning organization with the environment.
- f. To provide economy in the management.

# A. Planning



## Steps in Planning

- a. Determination of objectives.
- b. Establish planning premises and constraints.
- c. Decide the planning period.
- d. Collection, classification and processing of information.
- e. Deciding alternative courses of action.
- f. Evaluation of alternative.
- g. Selection of best plan.
- h. Subsidiary plans to aid master plan.
- i. Controlling plans.

# A. Planning



## Advantages of Planning

- a. Maximum utilization of resources.
- b. Reduces uncertainty.
- c. Basis for managerial action.
- d. Basis for control.
- e. Encourages innovation and creativity.

## Limitations of Planning

- a. Limitations of forecast.
- b. Costly affair.
- c. Influence of external factors.
- d. Resistance to change.
- e. Rigidity and inflexibility.

# A. Planning



## Elements/Components of Planning

- a. *Goals*: relatively long run targets.
- b. *Objectives*: ends towards which the activities of an organization are targeted.
- c. *Policies*: provides the framework for executive action.
- d. *Rules*: simplest type of plan chosen from alternatives.
- e. *Procedures*: means of implementing a policy.
- f. *Programs*: step by step approach to guide action.
- g. *Schedule*: when each of series of action should take place.
- h. *Budget*: projection defining anticipated costs.

# B. Organizing



***Organizing*** involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility, relationship among them. Organization, in fact is *a back bone of management*, which establishes relationship between people, work and resources.

## ***Steps in Organizing***

- a. Determination of activities.
- b. Division of activities.
- c. Fitting individuals into jobs.
- d. Developing relationships in terms of authorities and responsibilities.

# C. Staffing



**Staffing** involves filling the positions needed in the organization structure by appointing competent and qualified persons for the jobs.

## Steps in Staffing

- a. Recruitment
- b. Selection
- c. Placement
- d. Training
- e. Development of personnel
- f. Developing system for remuneration of personnel and evaluating their performance.

# D. Directing



***Directing*** involves motivating, guiding and supervising subordinates towards company objectives. Only giving orders is not directing. Good planning may ensure the achievement of the predetermined objectives only when the human efforts, largely diverse are co-ordinated, guided and directed for the accomplishment of the objectives.

Directing is that part of the management process which actuates the organizational members to work effectively and efficiently for the attainment of organizational objectives.

## ***Steps in Directing***

- a. Issue of orders and instructions.
- b. Guidance and training of subordinates.
- c. Supervision of subordinates' work.

# E. Motivating



**Motivation** means inspiring people to intensify their desire and willingness to perform their duties effectively and co-operate for the achievement of common objectives of the business.

*"Motivation is the act of stimulating some one or oneself to get a desired course of action, to push the right button to get desired action."*

## Fundamentals of Motivation

The first fundamental thing is that a person wants to exist and survive and for this he needs basic necessities of life *e.g. food, cloth, shelter, education and medical aid etc.*

The second fundamental of motivation is the desire to achieve a goal, for satisfaction or bliss. Basically, people are motivated to put in sincere efforts if they are assured of fulfilling their needs. Such as *psychological needs, social needs, security needs, ego (needs for self-respect) etc.*

# E. Motivating



## Classification of Motivation

- a. **Internal Motivation:** E.g. Interests, emotional attachments, burning desires, fighting spirits for noble cause etc.
- b. **External Motivation:** E.g. Attractive salary, bonus, praise, incentive, punishment, fear of loss of job etc.

## Essentials of Sound Motivation System

- a. Good wages.
- b. Good financial incentive scheme.
- c. Opportunities for achievement, growth, motivation.
- d. Human relations.
- e. Good working conditions.
- f. Job satisfaction.
- g. Job security.

# F. Controlling



In management literature, the word “Control” has a special meaning. It means setting standards, measuring actual performance, and taking corrective action.

*“Controlling implies measurements of accomplishment against the standard and the correction of deviations to ensure attainment of objectives according to plans.”*

- Koontz and O'Donell

## Steps in Controlling

- Setting standards.
- Checking and reporting on performance.
- Taking corrective action.

## Types of Control: based on objectives

- Physical Control:** quantity and quality of products
- Financial Control:** cost per unit production, cost of material, labor expenses etc.
- Budgetary Control:** physical and financial standards for future are determined and results are compared against these pre-determined standards.

# G. Co-ordinating



***Co-ordination*** may be defined as on-going process whereby a manager develops an integrated, orderly and synchronized pattern of group effort among his subordinates and tries to attain unity of effort in the pursuit of a common purpose.

*“Co-ordination is the orderly management of group effort, to provide unity of action in the pursuit of common purpose” – Alan C. Reiley and James D. Mooney*

## Types of Co-ordination

- a. Internal Co-ordination
- b. External Co-ordination
- c. Vertical Co-ordination
- d. Horizontal Co-ordination

# H. Communicating



**Communication** is the process by which instructions, ideas, thoughts or information are transmitted, received and understood, by the persons working in organization.

## **Components of Communication**

- a. *Sender*
- b. *Message*
- c. *Receiver*
- d. *Feedback*

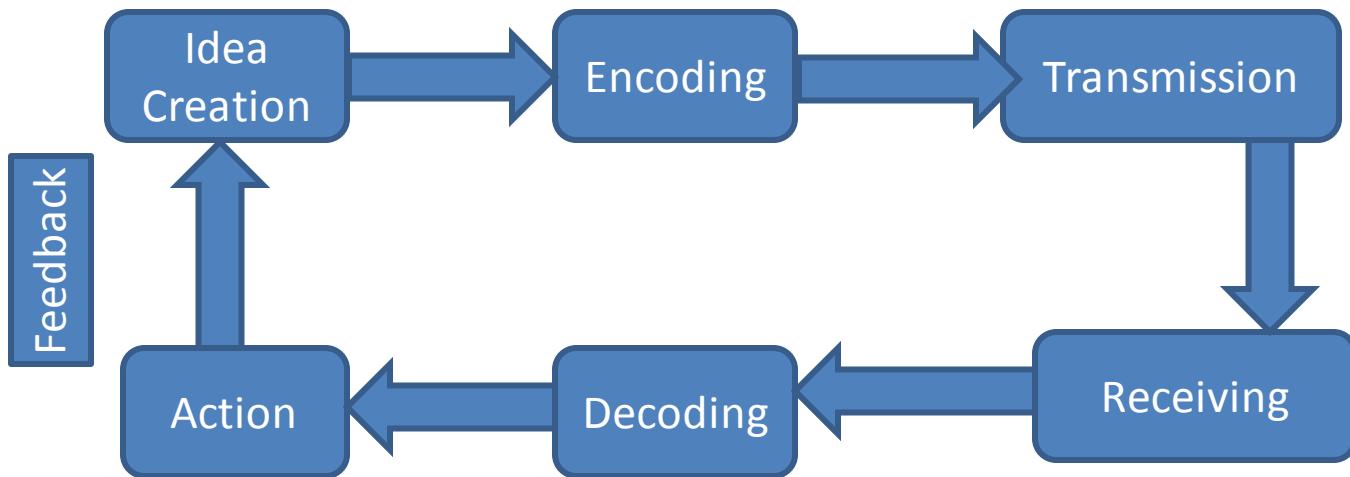
The **sender** must appropriately prepare the **message** to be transmitted to the receiver. The **receiver** must understand the message clearly. Communication is never complete until the sender knows that the message has been received and understood either through **feedback** or observation of the receiver's behavior.

# H. Communicating



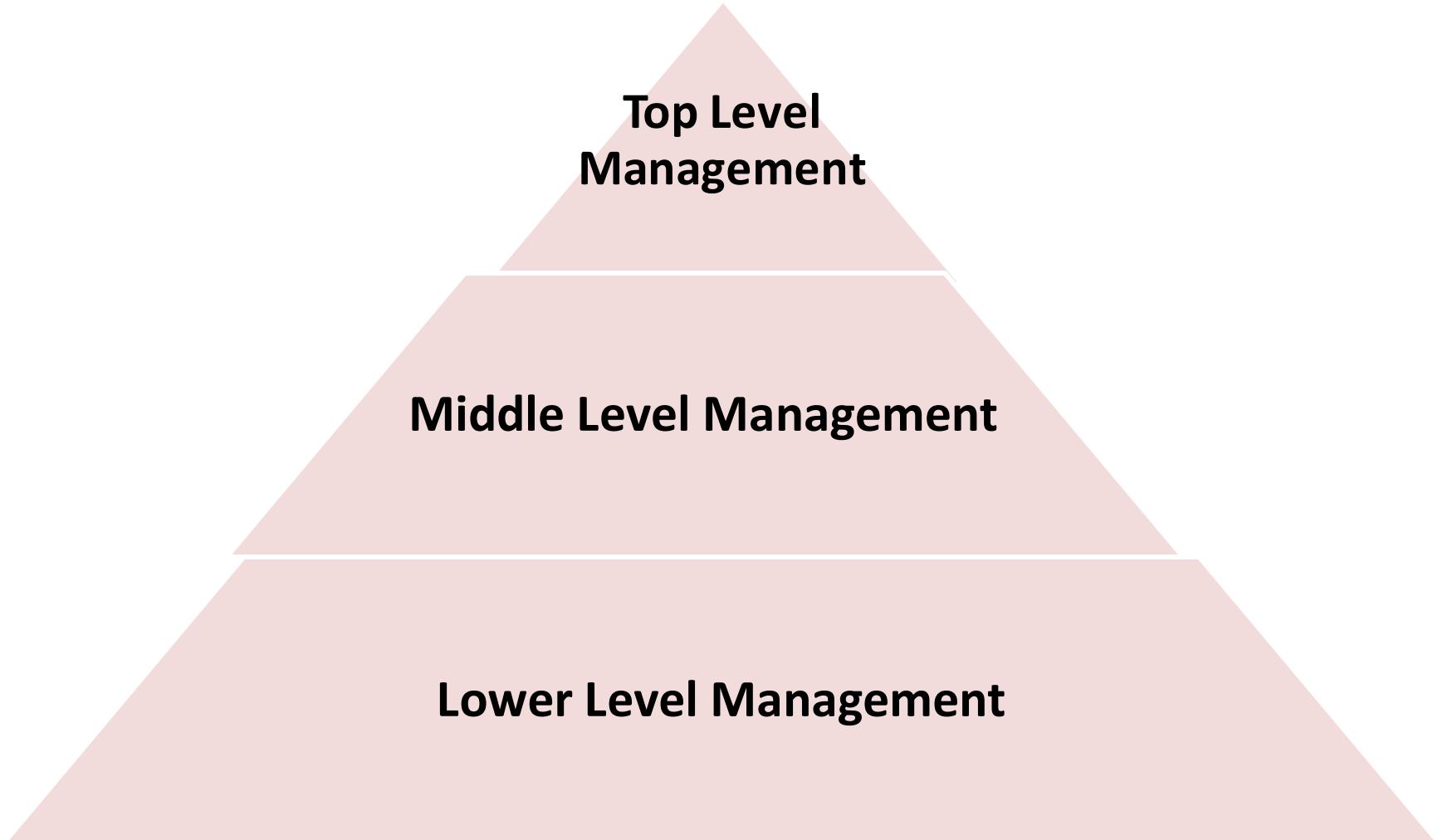
## Process of Effective Communication

For every communication, at least two persons are required i.e. a sender and a receiver. The various steps involved in communication are as given in the communication model as shown below.



*Figure: Process of Effective Communication*

# II. Levels of Management



## II. Levels of Management



### ***Top level Management:***

- Responsible for the performance of all departments and have cross-departmental responsibility.
- Establish organizational goals and monitor middle managers
- Decide how different departments should interact
- Ultimately responsible for the success or failure of an organization
- Includes Board of Directors, CEO, Chairman, Officer etc.

## II. Levels of Management



### ***Middle level Management:***

- Responsible for finding the best way to organize human and other resources to achieve organizational goals
- Establish organizational goals and monitor middle managers
- Includes Head of Department, Section officer etc.

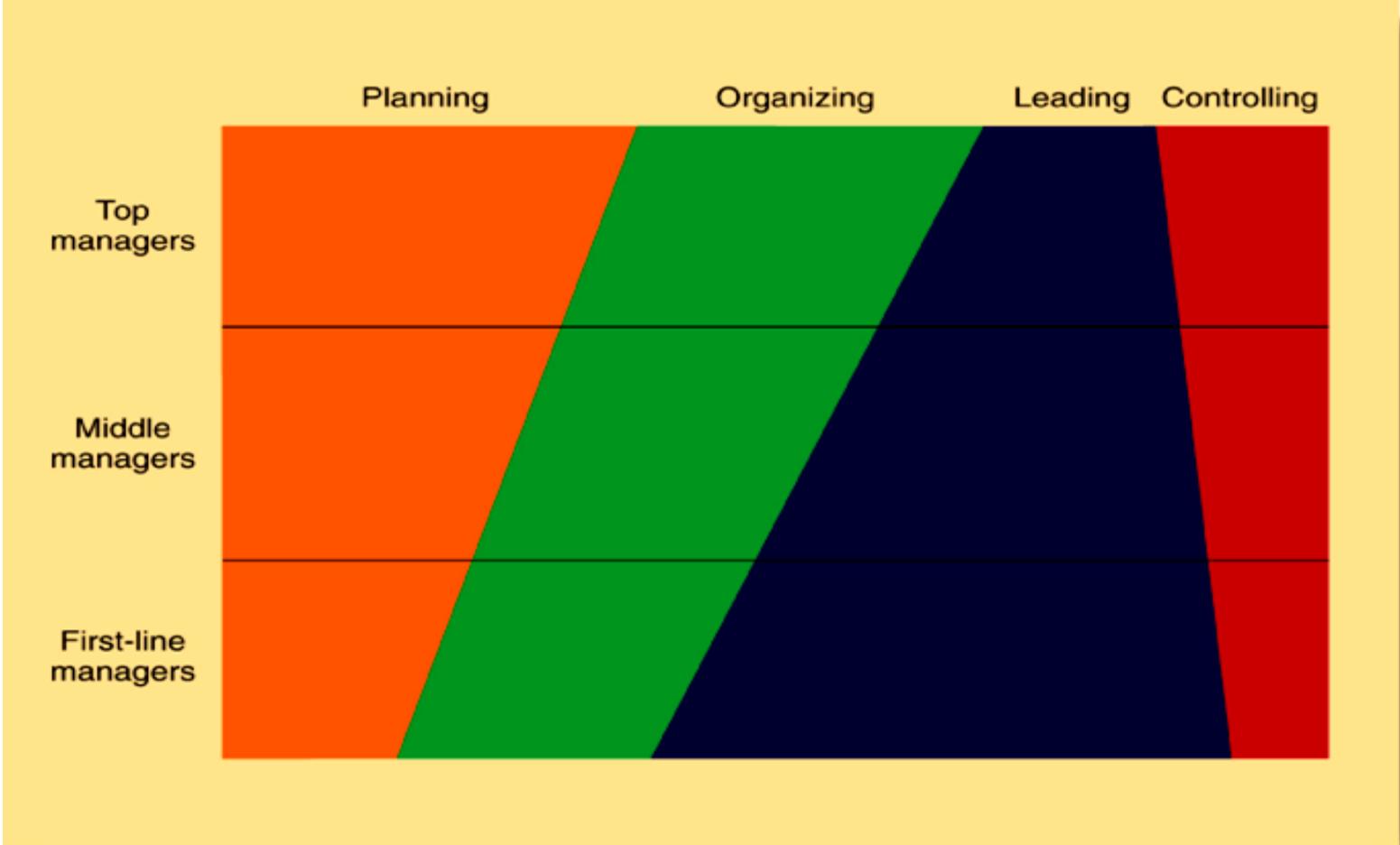
### ***Lower level Management:***

- Responsible for daily supervision of the non-managerial employees who perform many of the specific activities necessary to produce goods and services.
- Includes Foreman, Supervisor, Inspector, Superintendent, Workers

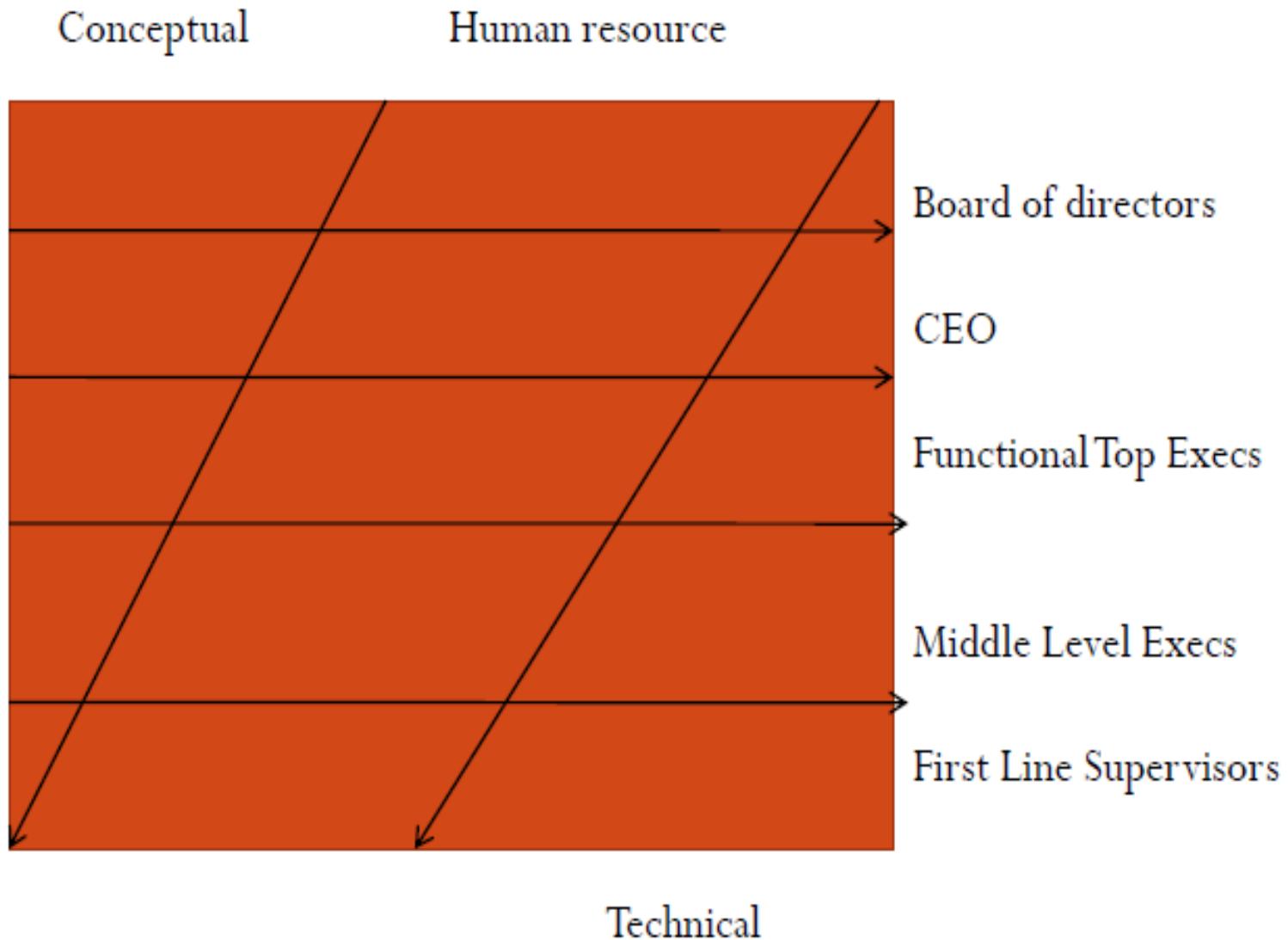
## II. Levels of Management



***Relative Amount of Time That Managers Spend on the Four Managerial Functions***



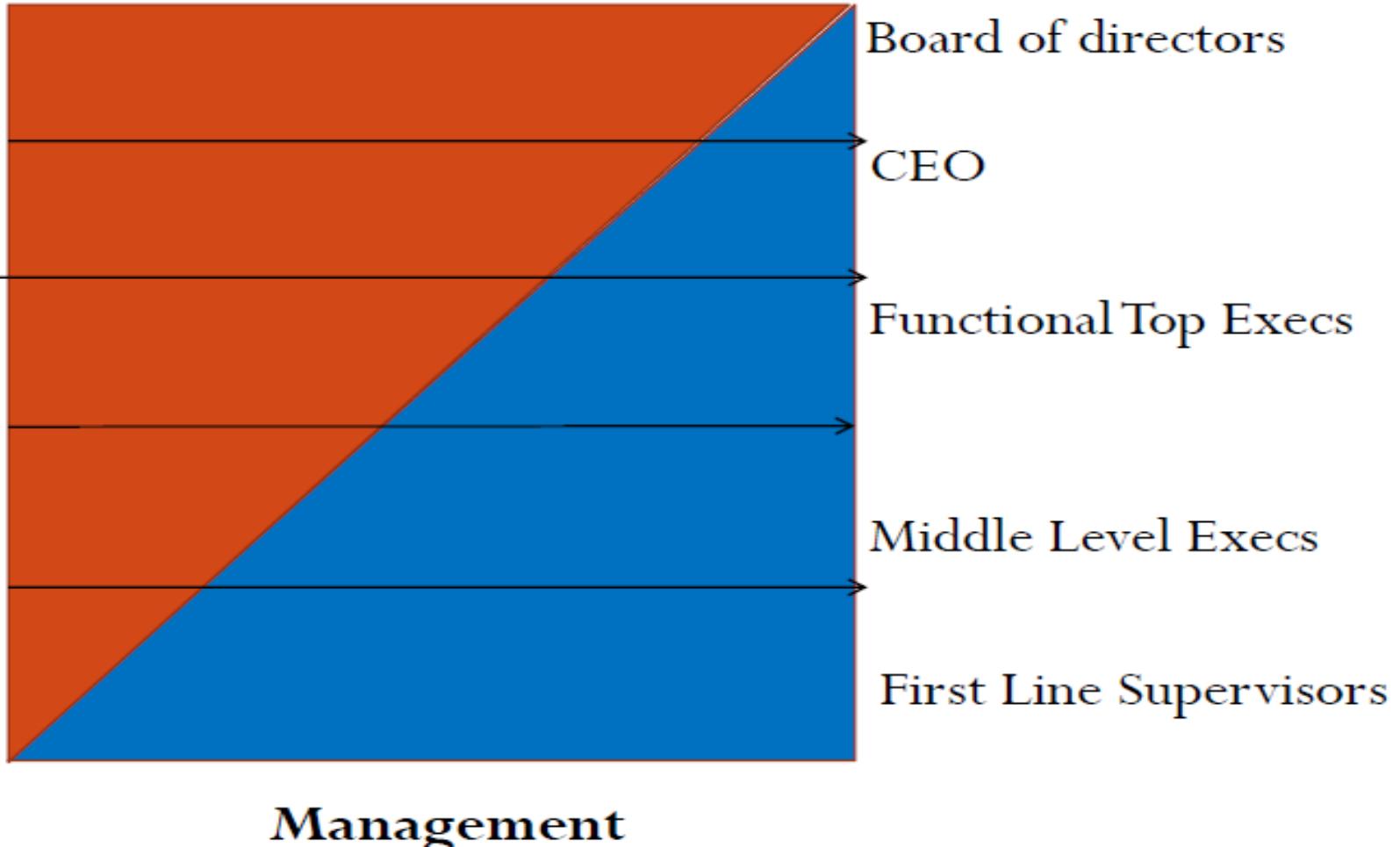
# II. Levels of Management



# II. Levels of Management



## Administrative



# III. Managerial Skills



***Managerial skills*** is the ability of a manager to make a smooth functioning team of people working under him. It involves obligation to make effective utilization of human and material resources. It requires sound judgment to handle complex situations.

The skills required of a successful manager, whether he is working in a business organization, an educational institute or a hospital can be classified as under:

- a. *Technical Skills*
- b. *Conceptual Skills*
- c. *Human Relation Skills*

# III. Managerial Skills

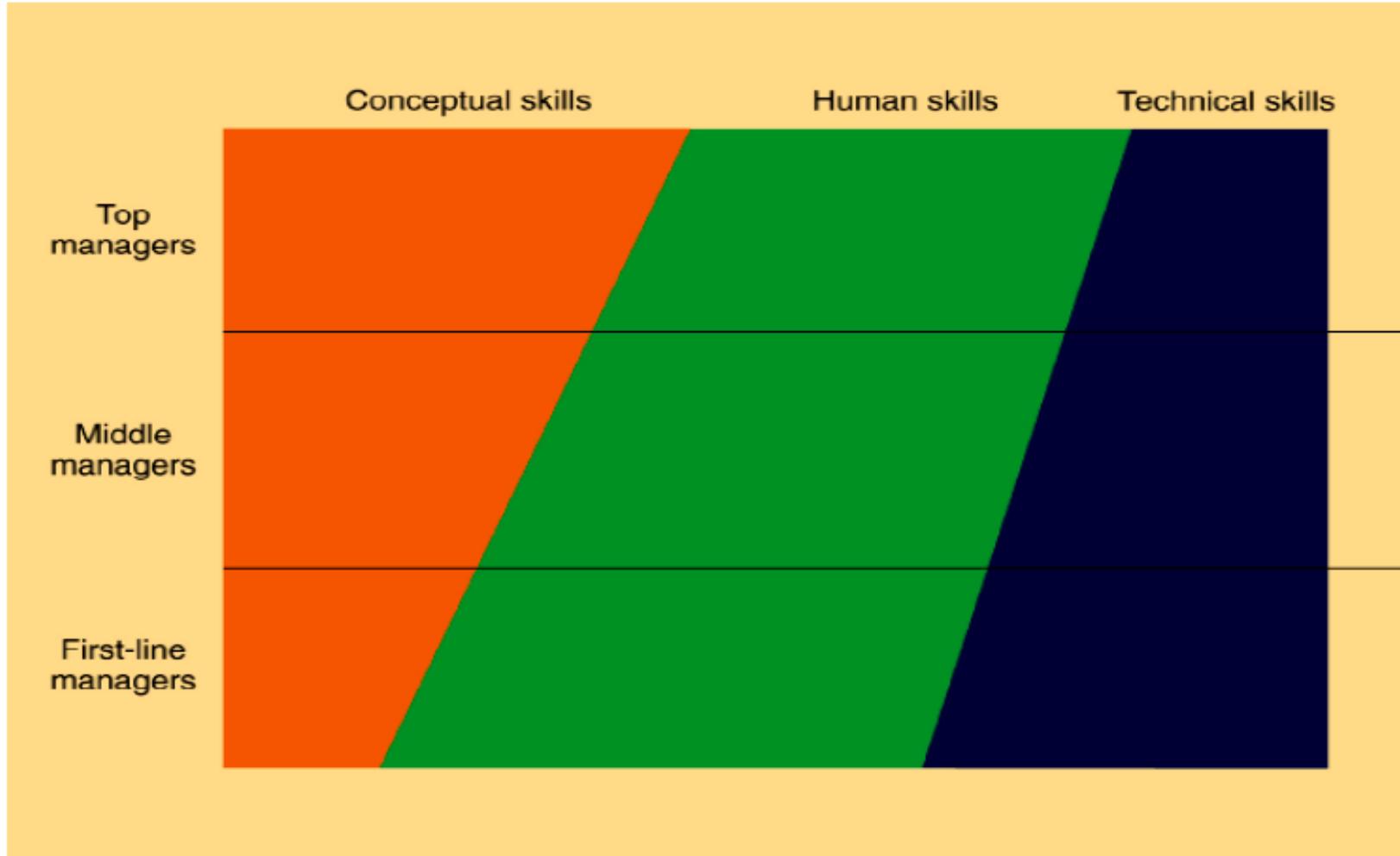


- **Conceptual skills:** The ability to analyze and diagnose a situation and distinguish between cause and effect.
  - *Decision making skills:* ability to take timely and accurate decisions.
  - *Organizational skills:* ability to place right men for the right job.
- **Human skills:** The ability to understand, alter, lead, and control the behavior of other individuals and groups.
  - *Communicating skills:* ability to pass on information.
  - *Motivating skills:* ability to inspire the subordinates.
  - *Leadership skills:* ability to inspire confidence and trust in the subordinates.
- **Technical skills:** Job-specific skills required to perform a particular type of work or occupation at a high level.
  - *ability to use methods, processes, tools, equipment, techniques and knowledge of a specialized field.*

# III. Managerial Skills



## Skill Types Needed



# IV. Importance of Management



- a. *The more efficient and effective use of scarce resources that organizations make of those resources, the greater the relative well-being and prosperity of people in that society.*
- b. *Helps people deal with their bosses and coworkers.*
- c. *Opens a path to a well-paying job and a satisfying career*



# V. Models of Management



Based on the different practices, there are seven different models of management.

1. *Hierarchical management Model*
2. *Task oriented management model*
3. *Allocational management model*
4. *Transactional management model*
5. *Team effort management model*
6. *Knowledge oriented management model*
7. *Goal concentrates management model*

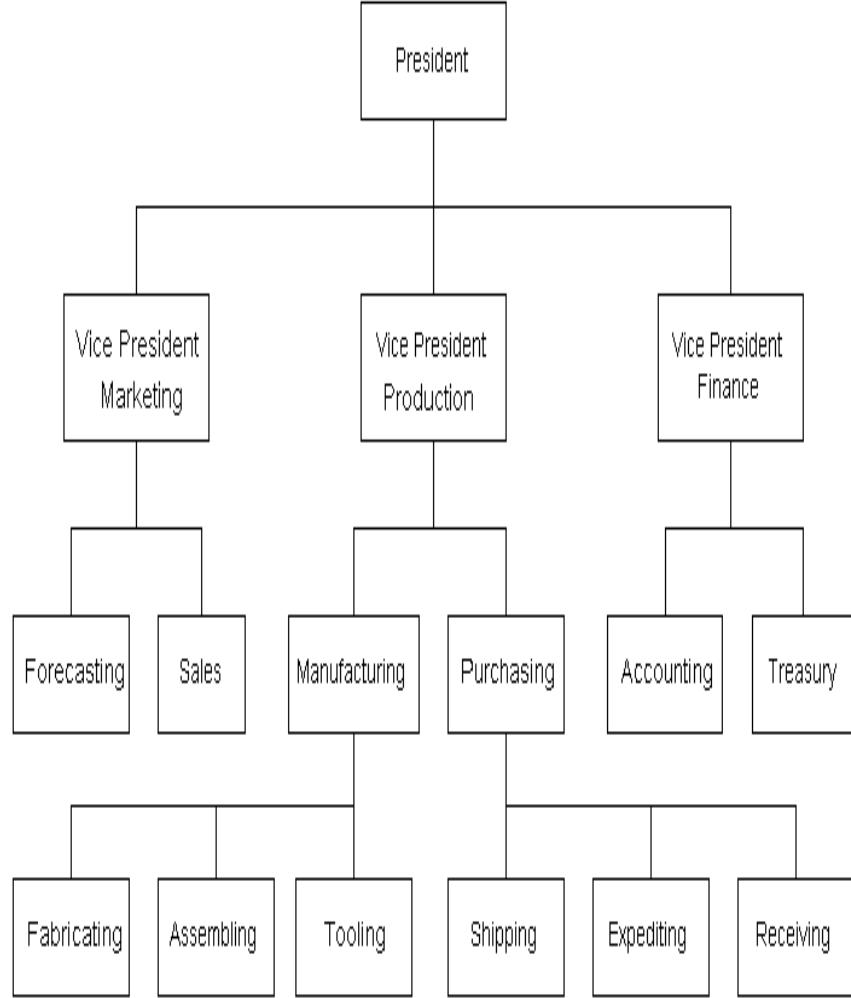
# V. Models of Management



## 1. Hierarchical Management Model

- Emphasizes responsibility and authority.
- Managers receives authority from superior to control the work of subordinates in return of responsibility.

**Limitations:** It cannot explain leadership or role of charisma & it does not account for information connections & communications.

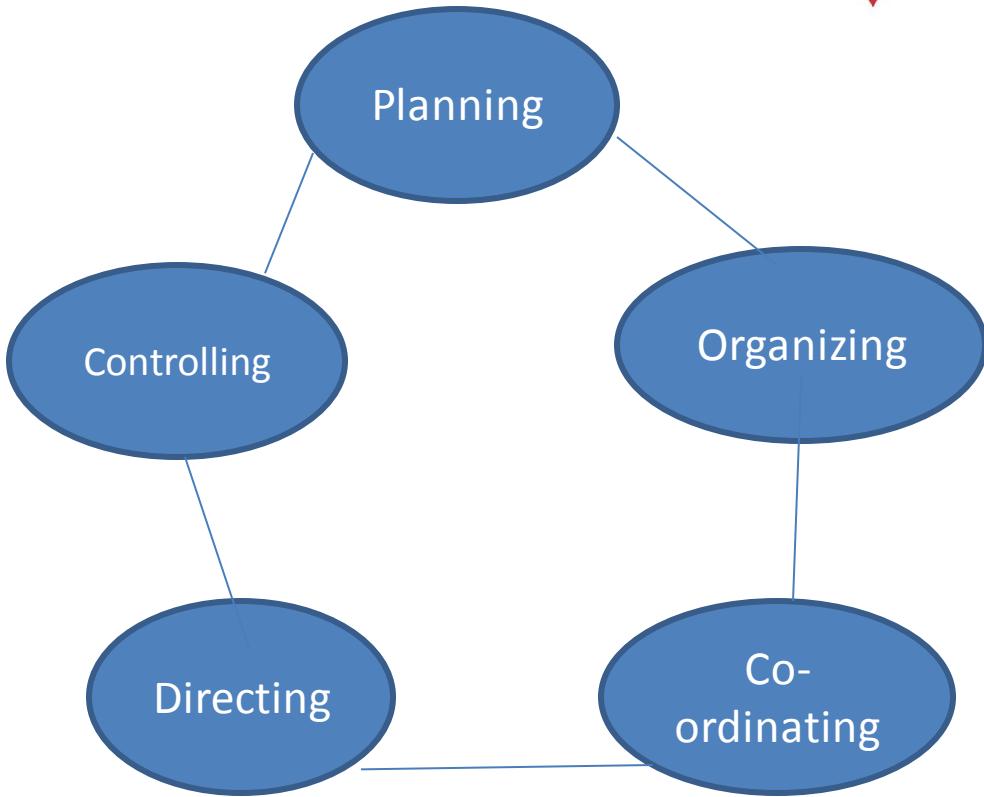


# V. Models of Management



## 2. Task oriented management model

- Managers performs 5 major tasks (planning, organizing, coordinating, directing and controlling).
- The process is not linear and can have cycles and can create arbitrary and possesses artificial links between managers and workers.

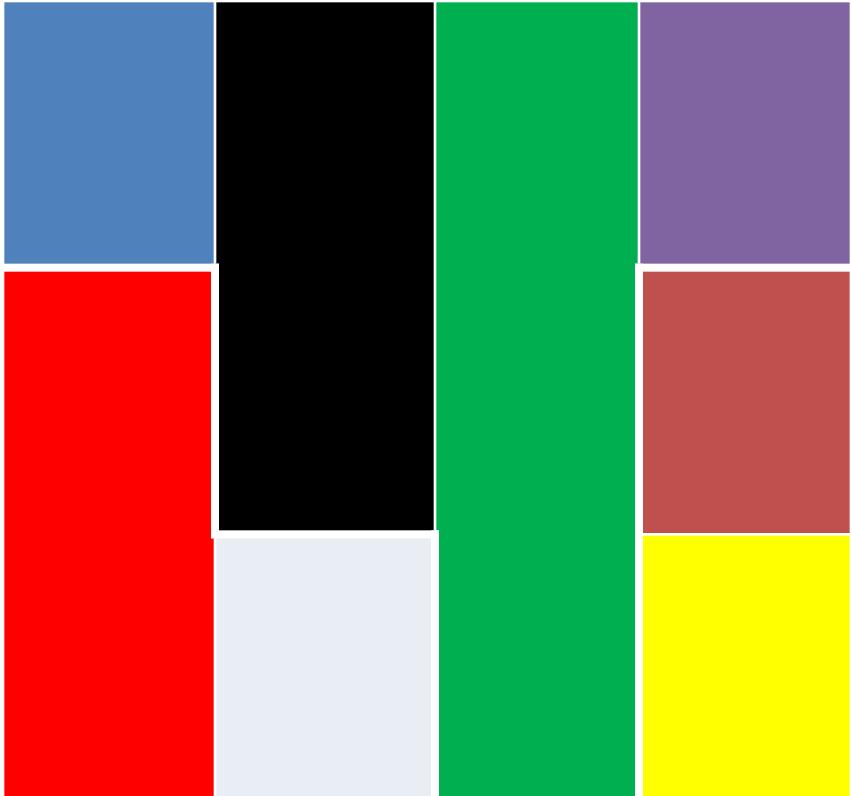


# V. Models of Management



### 3. Allocational management model

- A resource manager obtains, allocates, shares, monitors consumption and return resources keeping the 'cup topped up' as necessary.
- It does not provide a true process view of management.
- It distinguishes among the type of resources and stages of resources and recognizes the nature of the organization.

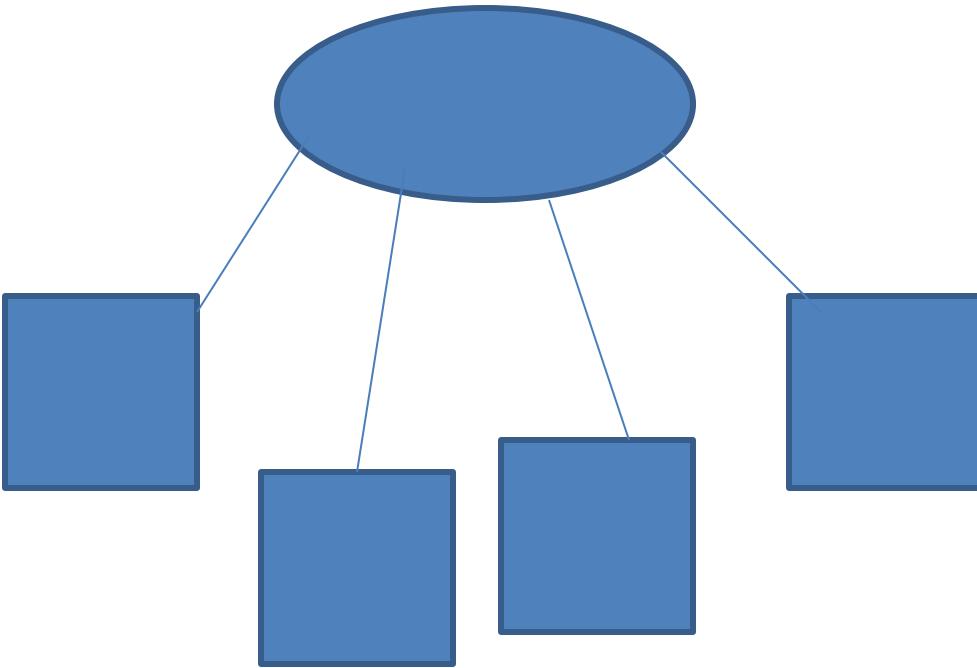


# V. Models of Management



## 4. Transactional management model

- It views management as a stage in value added chains of organizational efforts.
- It stress the role in adding value to the raw resources, an organization uses to produce its products or services.
- It closely examines the process through which management adds value.
- It sees management as integral to the organization rather than just a control.



# V. Models of Management



## 5. Team effort management model

- Managers are concerned with group development and functioning.
- As team leaders, managers are expected to embody the typical characteristics of group in order to motivate the group.
- Complex set of interlocking teams in which managers concentrates on co-operation, leadership and coordination.



# V. Models of Management



## 6. Knowledge oriented management model

- Concentrates on the development and use of management knowledge.
- Management develops knowledge and this knowledge is diffused to the monitoring relationship, teaching, coaching and active training.
- **Advantages:** Organization must learn to adapt and win in changing environment.

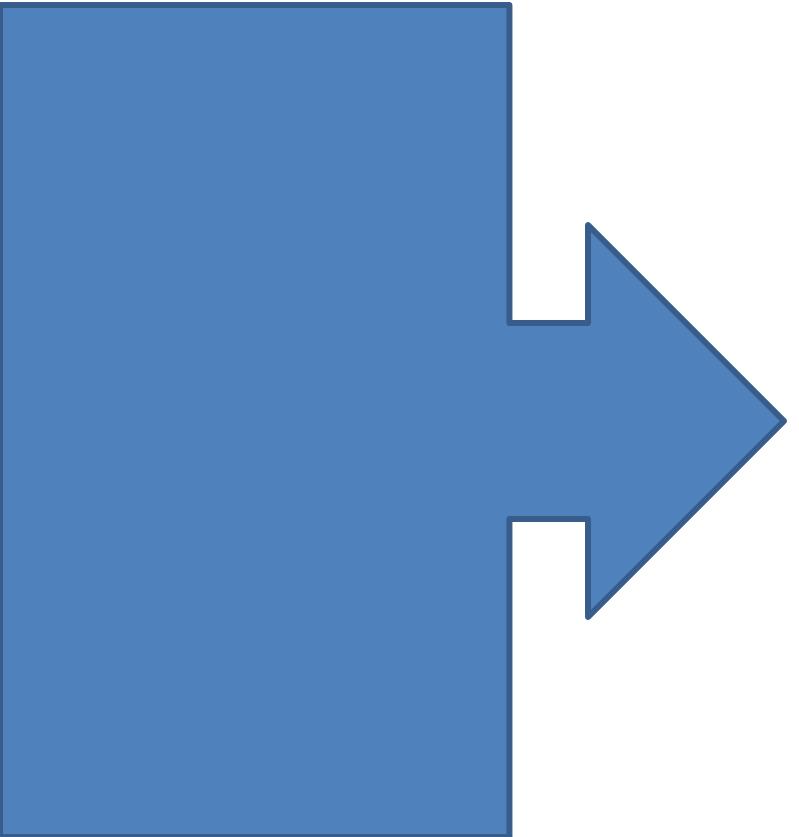


# V. Models of Management

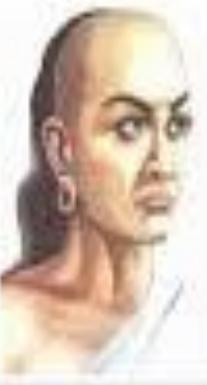


## 7. **Goal concentrates management model**

- Focuses on role management and goals in actions.
- Views management as a control function, incorporates resource management.
- Managers receive information from internal and external environment & order adjustments so that an original plan can be adhered to goals in actions.



A man is great by deeds, not by birth.



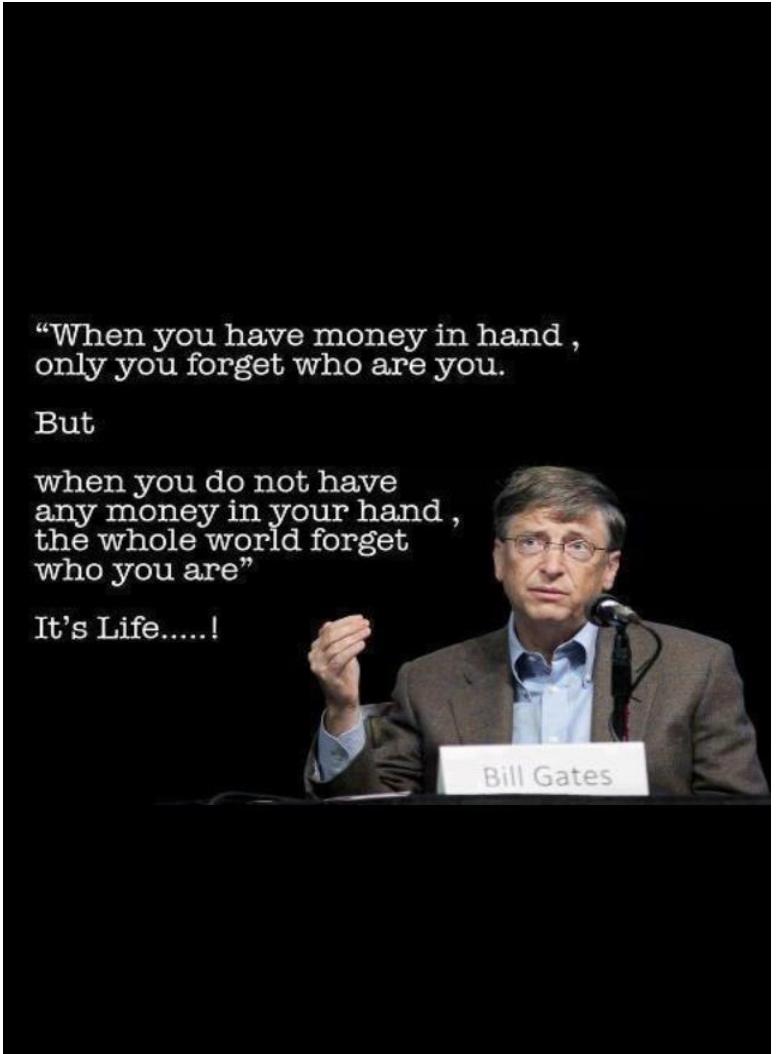
# THANK YOU!!!



### 3. Theory of management – course outline



- Scientific Management Approach
- Administrative Management Approach
- Behavioral Management Approach
- Modern Management Theories



### 3. Theory of Management



Management can be divided into following categories based on the approaches.

- *Scientific Management Approach*
- *Administrative Management Approach*
- *Behavioral Management Approach*
- *Modern Management Theories*

# I. Scientific Management Approach



As a term Scientific Management was first used in USA in 1910 by *Louis Brandies*. As a process, it was first visualized in UK in 1832 by *Charles Babbage*.

The utility of scientific methods to problems of management was first of all introduced by *F.W. Taylor* in America (1865-1915). He is regarded as a “*Father of Scientific Management*”.

**Scientific management** may be defined as ‘*art of knowing exactly what is to be done and the best way of doing it*’.

# I. Scientific Management Approach



*It is the result of applying scientific knowledge and the scientific methods to the various aspects of management and the problems that arise from them. It tries to make the best use of production resources (men, materials, machines, capital etc.)*

## Principles of Scientific Management

- i. Development of science for each element of work.
- ii. Scientific selection, placement and training of workers.
- iii. Division of labor.

# I. Scientific Management Approach



## Principles of Scientific Management (contd...)

- iii. Standardization of methods, procedures, tools and equipment.
- iv. Use of time and motion study.
- v. Differential wage system.
- vi. Co-operation between labor and management.
- vii. Principle of management by exception.

## II. Administrative Management Approach



**Administrative theory of management** was initiated by **H. Fayol**, a French engineer-cum-manager in Europe and his followers contributed a lot to the administrative theory of management.

**H. Fayol** is known as a “**Father of Modern Management**”.

He established the pattern of management and the pyramidal form of organization. He pointed out the technical ability is more dominating on the lower level of management whereas managerial ability is more important on the higher level of management.

## II. Administrative Management Approach



Fayol analyzed the process of management and divided the activities of an industrial undertaking six groups:

- i. ***Technical activities*** (production, manufacture, adaptation)
- ii. ***Commercial activities*** (purchasing, selling and exchange)
- iii. ***Financial activities*** (optimum use of capital)
- iv. ***Security*** (protection of property and persons)
- v. ***Accounting*** (stock taking, balance sheet, costing, statistics)
- vi. ***Managerial*** (planning, organizing, commanding, co-ordinating and controlling)

## II. Administrative Management Approach



### **Principles of Administrative management theory**

- i. Division of work
- ii. Authority and responsibility
- iii. Discipline
- iv. Unity of command
- v. Unity of Direction
- vi. Emphasis on subordination of personal interests to general or common interest.
- vii. Adequate remuneration to personnel.

## II. Administrative Management Approach



### **Principles of Administrative management theory**

- viii. Centralization.
- ix. Scaler chain or line of authority.
- x. Order
- xi. Equity
- xii. Stability of workers
- xiii. Initiative.
- xiv. Team spirit.

## II. Administrative Management Approach



### **Contribution of Frank Gilbreth** (father of motion study)

- He introduced process chart and concluded that fatigue can be reduced considerably by allowing rest periods, planning seating arrangement, improving working conditions and by using principles of motion economy.

### **Contribution of Gantt**

- He developed a Gantt chart which is still used as a scheduling technique to have a immediate comparison between the planned work and the actual progress of the work. So as to enable the management to take corrective action if there is a significant deviation.

### III. Behavioral Management Approach



***Scientific management theory*** concentrated on physical resources rather than human resources. Prof. Elton Mayo has stated that an organization is essentially a social system and not merely technoeconomic system.

Knowledge of human nature can solve many problems of management.

He stressed that successful human relations approach can easily create harmony in an organization, higher employee satisfaction and therefore higher operational efficiency and productivity.

### III. Behavioral Management Approach



**A.H. Maslow** developed a need hierarchy to *explain human behavior within an organization*. The knowledge of individual and group behavior enables to develop suitable work atmosphere or situations which can increase productivity as well as employee satisfaction.

Behavioral approaches have clearly pointed out that job conditions and the job itself are the motivators that can satisfy the needs of both employees and the organization.

These motivators are recognition, sense of belonging, challenging job, independence, participation achievement, enlargement and enrichment of job itself.

### III. Behavioral Management Approach



#### Elements of Behavioral Theory

- i. **The Individual:** This theory stressed that individual difference must be recognized. Each individual has feelings, emotions, perception and attitudes; and ever changing psychology.
- ii. **Work Group:** The management must recognize the importance of informal organization (work group) and it must be integrated intelligently with formal organization. This theory recognizes the vital effect of group psychology and behavior on motivation and productivity.
- iii. **Participative management:** This theory advocated worker participation in management. It allows labor to participate in decision making and problem solving primarily to increase productivity.

# IV. Modern Management Theories



***Modern management theories*** started after 1950.

There are four streams under the modern management theory:

- i. Quantitative approach to management.
- ii. System approach to management.
- iii. Contingency approach to management.
- iv. Operational approach to management.

# i) Quantitative approach to management



The scientific approach of Taylor could be classified as an early form of ***quantitative approach to management***.

The basic approach is the construction of a quantitative model. The construction of the model expresses the effectiveness of the system under study as a function of a set of variables at least one of which is subject to control.

## Essential features of quantitative approach:

- a. Management must make use of ***mathematical tools*** and techniques (e.g.. Use of equations) for problem solving.
- b. Operational research, mathematical tools, simulation and model building are the basic methodologies developed by this approach. It has helped the management in ***systematizing thinking***.

## ii) System approach to management



**The system approach** is the recent contribution to management thought developed in the late 1960s.

The prominent contributors to this approach are Kenneth, Boulding, Johnson, Rosen Zweig and Churchman. In relation to organization, system is defined as, '*an established arrangement of components which leads to accomplishment of particular objectives as per plan*'.

### PLAN

1. Objectives
2. Policies
3. Procedures
4. Programs
5. Schedules
6. Methods

### INPUTS

1. Information (Technology)
2. Energy (motive power)
3. Materials or Goods

### PROCESS

Conversion of inputs to outputs (Men-Machine system)

### OUTPUT

1. Information (for consulting firm)
2. Energy (for power generation comp.)
3. Materials (products)

### iii) Contingency approach to management



The major contributors to this thought are Joan Woodward, Fiedler, Lorsch and Lawrence. ***The contingency approach to management*** is based upon the fact ***there is no one best way to handle any of the managerial problems.***

The application of management principles and practices should be appropriate to specific situations (existing circumstances) in order to achieve best possible result. ***Process, behavioral, quantitative and systems tools of management should be applied situationally.***

There are three major parts of the overall conceptual framework for contingency management:

- Environment.
- Management concepts, principles and techniques.
- Contingent relationship between a) and b) above

## iv) Operational approach to management



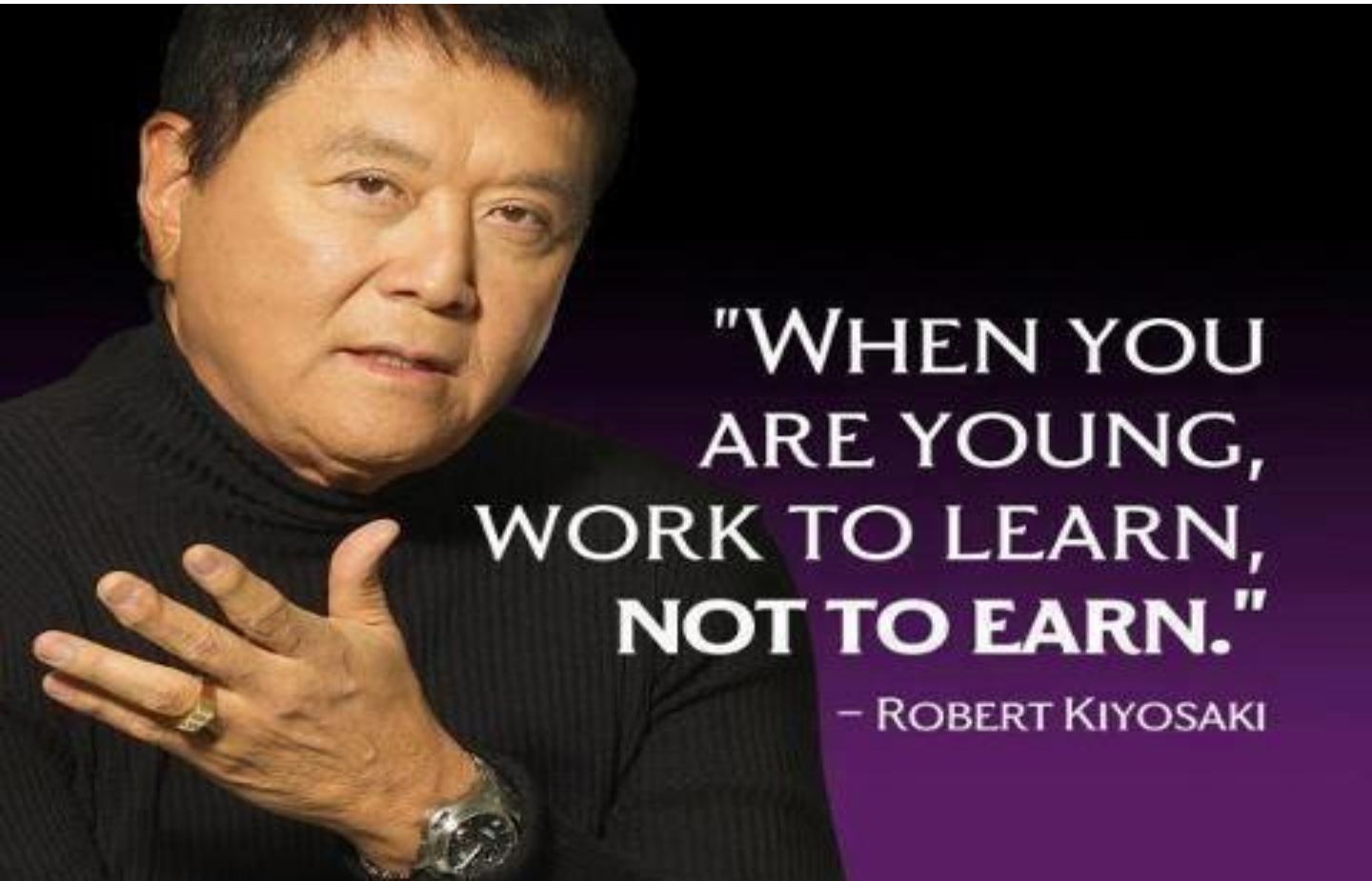
Knootz, O'Donnell and Weihrich eminent writers of management have adopted the ***operational approach to management.***

The operational approach regards management as *a universally applicable body of knowledge that can be brought to bear all the levels of managing and in all types of enterprises.*

*The approach further recognizes that the actual problems which managers face and the environment in which they operate may vary between different enterprises and levels and it also recognizes that the application of science by a perspective practitioner must take this into account in drawing and designing practical problem.*



- i. *The system approach.*
- ii. *Dynamic nature.*
- iii. *Multi-disciplinary.*
- iv. *Multivariable in thought.*
- v. *Multi-motivated in action.*
- vi. *Multi-level and Multi-dimensional.*
- vii. *Adaptive*
- viii. *It is probabilistic in approach.*



**"WHEN YOU  
ARE YOUNG,  
WORK TO LEARN,  
NOT TO EARN."**

— ROBERT KIYOSAKI

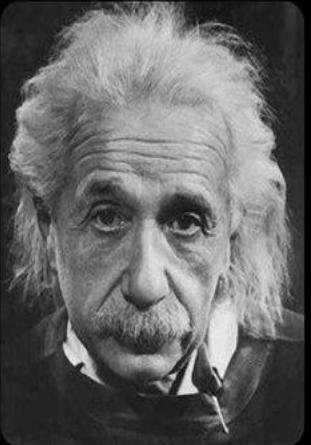
**THANK YOU!!!**

# 4. Forms of Ownership – course outline



- **Single Ownership**
  - Advantages and limitations
- **Partnership**
  - Types of Partners
  - Advantages and limitations
- **Joint Stock Company**
  - Formation of Joint Stock Company
  - Advantages and limitations
- **Co – operative Societies**
  - Types of Co – operatives
  - Advantages and limitations
- **Public Corporations**
  - Advantages and limitations

*“No problem can be solved from the same level of consciousness that created it.”*



*- Albert Einstein*

# 4. Forms of Ownership



A firm is an ownership organization which combines the factors of production (men, materials, and machines) in a plant for the purpose of producing goods or services and selling them at profit.

The types of ownership selected depends upon the following factors:

- i. *Size and nature of the business to be started.*
- ii. *Technical difficulties.*
- iii. *Market competition and scope of the articles in the market.*
- iv. *Capital required to start the business and means to collect funds.*
- v. *Limitations and restrictions put forth by the Govt. in connection with grant of loans, foreign exchange and such other things.*

# 4. Forms of Ownership



The different forms of ownership found in practice are illustrated below:

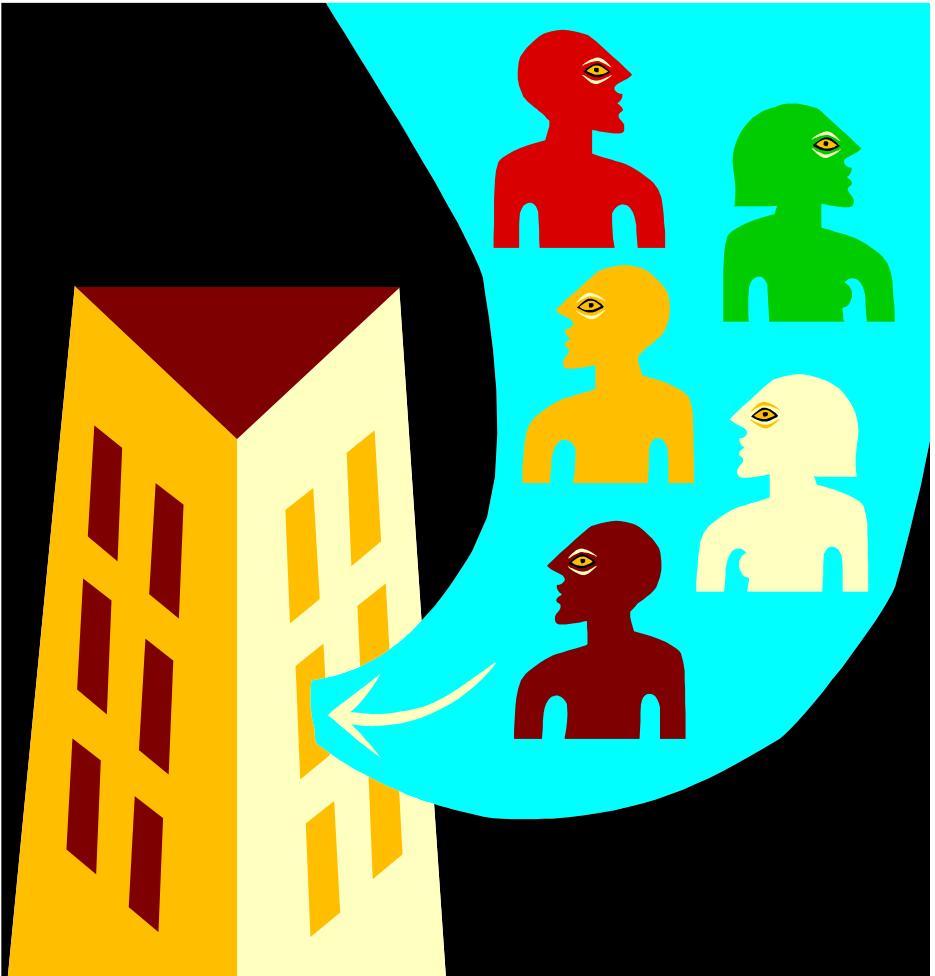
- *Single Ownership*
- *Partnership*
- *Joint Stock Company*
- *Co – operative Societies*
- *Public Corporations*

# 4. Forms of Ownership



## Evaluation Criteria

- Tax consideration
- Liability exposure
- Start-up and future capital requirement
- Control
- Managerial ability
- Business goals
- Management succession plans
- Cost of formation



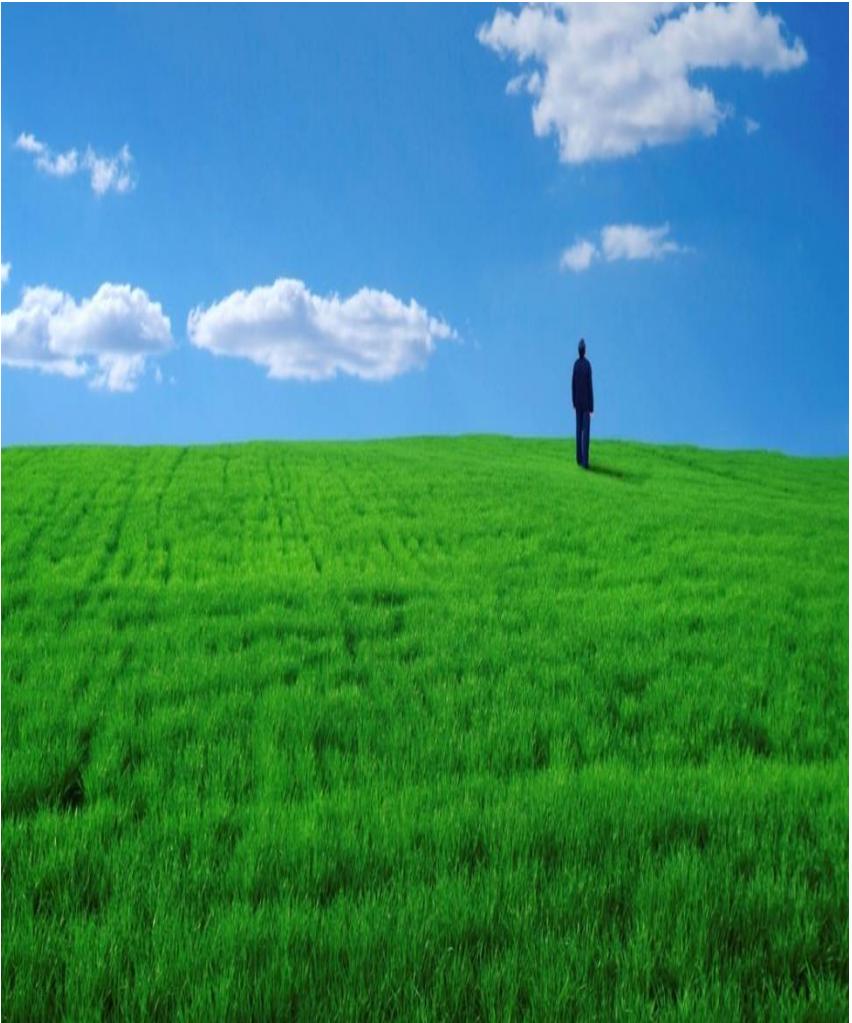
# I. Single Ownership



It is the **simplest** and **oldest** form of organization.

*A business owned and managed by one individual; the business and the owner are one and the same in the eyes of the law.*

This form of ownership is most satisfactory in **small scale industries, agriculture, cottage industries, commercial shops, handicrafts etc.**



# I. Single Ownership



## Advantages

- Simple to create
- Better labor relationship.
- Least costly form
- Profit incentive
- Total decision-making
- No special legal restrictions
- Easy to discontinue
- Flexibility
- Quality production



# I. Single Ownership



## Limitations

- Unlimited personal liability
- Limited skills and abilities
- Feelings of isolation
- Limited access to capital
- Lack of continuity of business
- Small income and short life
- Cannot compete with a big business



## II. Partnership



A person may possess exceptional business ability, experience, talent but no capital, he can have a financing partner.

A financier may need a managerial expert as well as a technical expert and all of them may combine to set up a business with common ownership and management by mutual agreement to form a partnership business.

*An association of two or more people who co-own a business for the purpose of making a profit*



# II. Partnership



## Types of Partners

- **General partners:** partners who participate in the working of the firm and are responsible jointly with other partners, for all liabilities, obligations and defects of the firm are the general partners.
- **Limited partners:** the liability for debts of the limited partners is limited to the extent of their contributed capital. They are not entitled to interfere in the administration of the firm.
- **Active or managing partners:** who take active part in the management and formulation of policies. Sometimes they get salaries in addition to the normal profits as partners

# II. Partnership



## Types of Partners

- **Sleeping and silent partners:** they simply contribute their capital in the business and get their share in the profit of the firm. They are liable for all liabilities of the firm as partners.
- **Nominal partners:** they lend their reputed name for the company's reputation. They do not invest money and do not take active part in the management.
- **Minor partners:** those whose age is below 18.

# II. Partnership



## Advantages

- Easy to establish
- Complementary skills
- Division of profits
- Larger pool of capital
- Ability to attract limited partners
- Little governmental regulation
- Flexibility
- Taxation
- Prompt decisions
- Divisions of labor

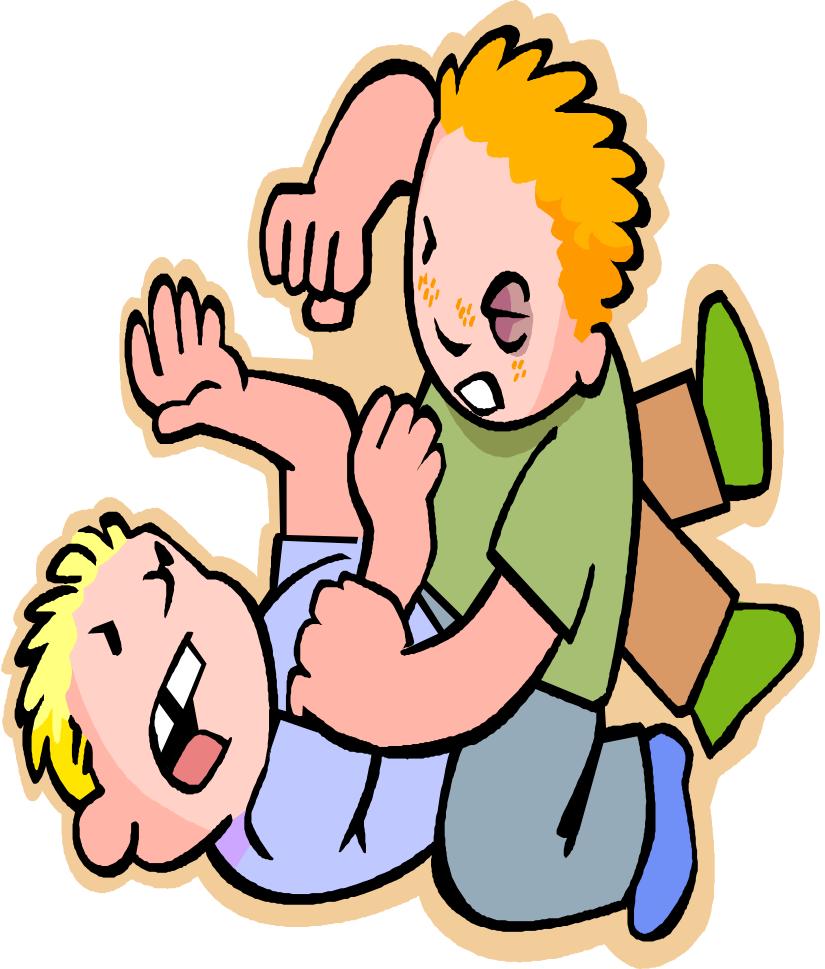


## II. Partnership



### Disadvantages

- Unlimited liability of at least one
- Difficulty in disposing of interest
- Lack of continuity
- Potential for personality and authority conflicts
- Partners bound by law of agency
- Less secrecy
- Short life



# III. Joint Stock Company



*In this type, capital is contributed by a large number of persons, in the form of shares of different values. Persons who purchase the shares are called shareholders, and the managing body known as “Board of Directors” is elected by the shareholders. The shares are transferable.*

## Characteristics of Joint Stock Company

- i. Created by registering under the company act.
- ii. Separate legal existence.
- iii. Perpetual life and stable.
- iv. Common seal.
- v. Limited liability.

## Types of Joint Stock Company

- i. **Private limited company:** Max. number of shareholders 50 generally within friends and relatives where transfer of shares is limited to members only.
- ii. **Public limited company:** Min. number required is 7 and offers shares to general public. Shares are transferable without any prior approval.

# III. Joint Stock Company



## ***Formation of Joint Stock Company.***

An entrepreneur (promoter) prepares a scheme of business, he secures the co-operation of at least six more persons, because the maximum number of persons to form a company is seven. The promoters of the company prepare the following documents.

- a. *Memorandum of association.*
- b. *Articles of association.*
- c. *A list of persons who have consented to be the Directors of the company along with the consent in writing of such persons.*
- d. *A declaration by an advocate to the effect that all the requirements of the Act have been fulfilled.*
- e. *Name and address of promoters*

# III. Joint Stock Company



## Advantages

- i. Limited liability.
- ii. Huge capital.
- iii. Economies of large scale.
- iv. Democratic.
- v. Permanent existence.
- vi. Legal control.
- vii. Share transferable.

## Disadvantages

- i. Exploit shareholders.
- ii. Legal complexities.
- iii. Delay in decisions.
- iv. Favourisms.
- v. Difficult labor relations

# IV. Co-operative Societies



**Co-operative societies** is a form of organization where in persons irrespective of caste, creed, and religion, voluntarily associate together as human beings on the basis of equality for the fulfillment of their common economic interests.

Co-operative spirit is the heart of a co-operative society. *"Each shall work for all and all for each"* is the motto of co-operation.

## Characteristics:

- i. Voluntary organization.
- ii. Open membership.
- iii. Economic and Democratic management.
- iv. Profit is not important.
- v. Spirit of Co-operation.
- vi. Unity.
- vii. Common Interest.
- viii. Co-operative status.

# IV. Co-operative Societies



## Types of Co-operative societies

1. **Producers co-operative society:** the workers wish to be their own masters the business owned by them. E.g. agricultural and cottage industries.
2. **Consumers co-operative society:** a store is opened in which articles of common use are stocked and sold at reasonable prices.
3. **Housing co-operative society:** they are formed for the purpose of getting plots or constructing houses for the needy persons. Government provides facilities for this purpose.
4. **Credit co-operative society:** its objective is to finance the poor cultivators by providing loans at low rate of interest for the development of land, purchase of agricultural machinery, fertilizers etc.

# IV. Co-operative Societies



## Advantages

1. Protect interests of weak people.
2. Elimination of middle man.
3. Services motive.
4. Democratic nature.
5. Sense of co-operation.

## Disadvantages

1. Lack of co-ordination.
2. Chances of undue advantages.
3. Favourism.
4. Limited capital.
5. Inefficient management.
6. Political influence.

# V. Public Corporations



*A separate legal entity apart from its owners which receives the right to exist from the state in which it is incorporated.*

- Domestic
- Foreign
- Alien
- Publicly held
- Closely held



# V. Public Corporations



## Certificate of Incorporation

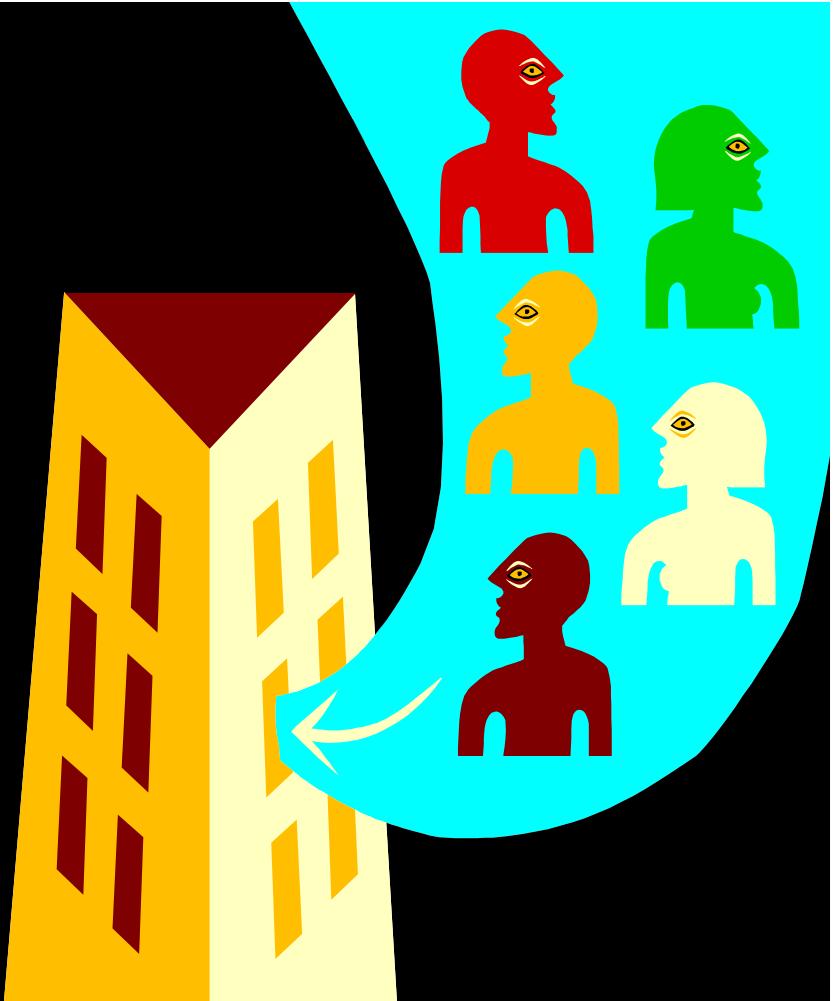
- Name
- Statement of purpose
- Time horizon
- Names and addresses of incorporators
- Place of business
- Capital stock authorization'
- Capital required at time of incorporation
- Provisions for preemptive rights
- Restrictions on transferring shares
- Names and addresses of officers
- By-laws

# V. Public Corporations



## Advantages

- Limited liability of stockholders
- Ability to attract capital
- Ability to continue indefinitely
- Transferable ownership



# V. Public Corporations



## Disadvantages

- Cost and time in incorporating
- Double taxation
- Potential for diminished incentives
- Legal requirements and red tape
- Potential loss of control





The strongest factor  
for success is  
self-esteem: Believing  
you can do it, believing  
you deserve it, believing  
you will get it.



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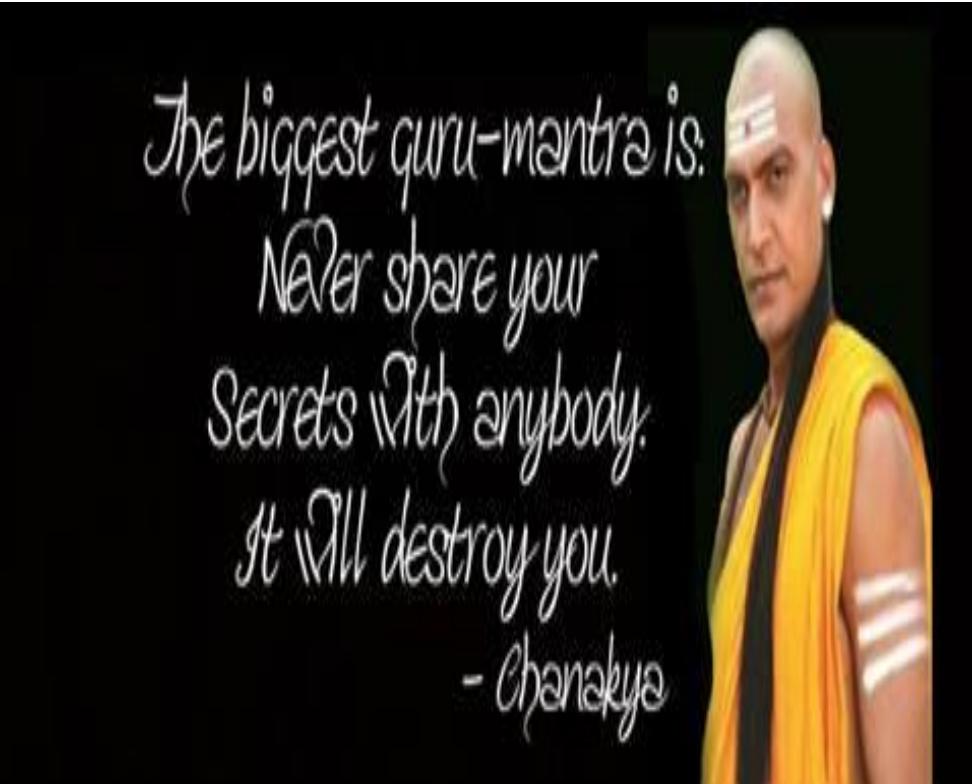
**THANK YOU!!!**



# Organizational Structure – course outline



- Line Organization
  - Advantages and disadvantages
- Functional Organization
  - Advantages and disadvantages
- Line and Staff Organization
  - Advantages and disadvantages
- Committee Organization
  - Advantages and disadvantages



# 5. Organizational Structure



The **organization structure** is a skeleton or a framework that divides the total activities into related groups, develops superior and subordinate relationship among the persons by prescribing the authorities.

Thus, it indicates the hierarchy (**persons arranged according to rank**), authority structure and reporting relationships (**who should report to whom**).

The organizational structure differs from industry to industry. It usually depends upon:

- i. *Size of the organization.*
- ii. *Nature of the product being manufactured.*
- iii. *Complexity of the problems being faced.*

# I. Line Organization



This is the *simplest and earliest* type of organization. It is also called as **Military or Scalar organization**.

In this type of organization, the line of authority flows directly from top to bottom and the line of responsibility from bottom to top in opposite direction.

In line organization, the business activities are divided into three groups:

- i. Finance or accounts
- ii. Production
- iii. Sales (distribution)

# I. Line Organization

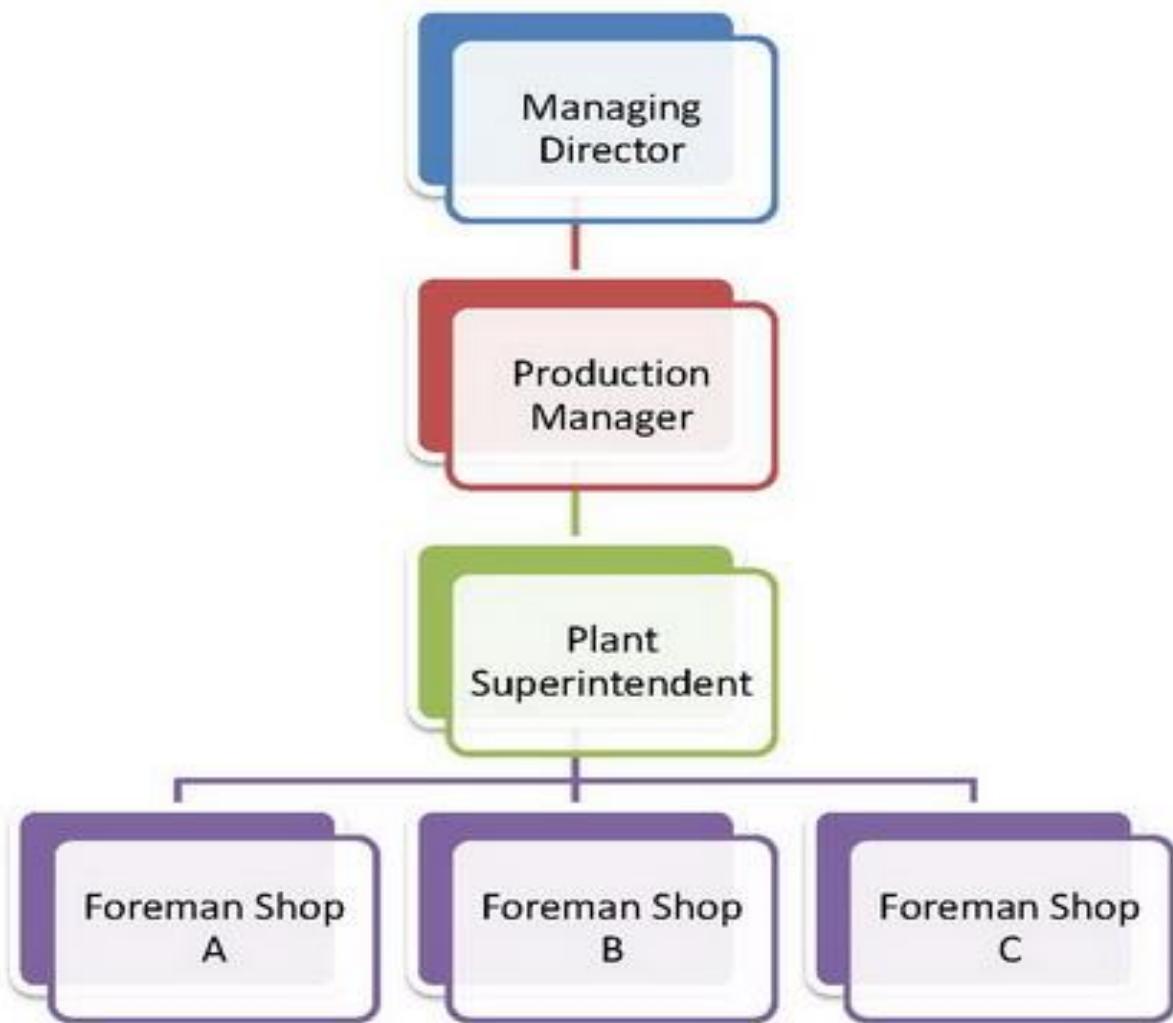


Each of these departments is subdivided into certain self-contained departments or sections.

*Each departmental head has complete control over his section and he is fully authorized to select his labor, staff, purchases of raw materials, stores and to set the standards of output etc.*

The responsibility of each departmental head is clearly defined. Each department works as a self-supporting unit.

# I. Line Organization



# I. Line Organization



## ***Advantages***

1. Simplicity.
2. Clear cut authority and responsibility.
3. Strong in discipline.
4. Unity of command.
5. Quick decisions.
6. Rapid communication.
7. Co-ordination.
8. Development of all-round activities.

## ***Disadvantages***

1. Undue reliance.
2. Personal limitation.
3. Overload of work.
4. Dictatorial way.
5. Duplication of work.
6. Unsuitable for large concerns.
7. Scope of favourism.
8. Wastage of materials and man hours.

## II. Functional Organization



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

*Functional organization divides managerial activities, so that each head from the works manager down has few functions to perform as possible and is able to become specialist in these. Authority from top to down is delegated according to the function.*

*In this type of organization specialists like production engineer, design engineer, maintenance engineer, purchase officer etc. are employed.*

## II. Functional Organization

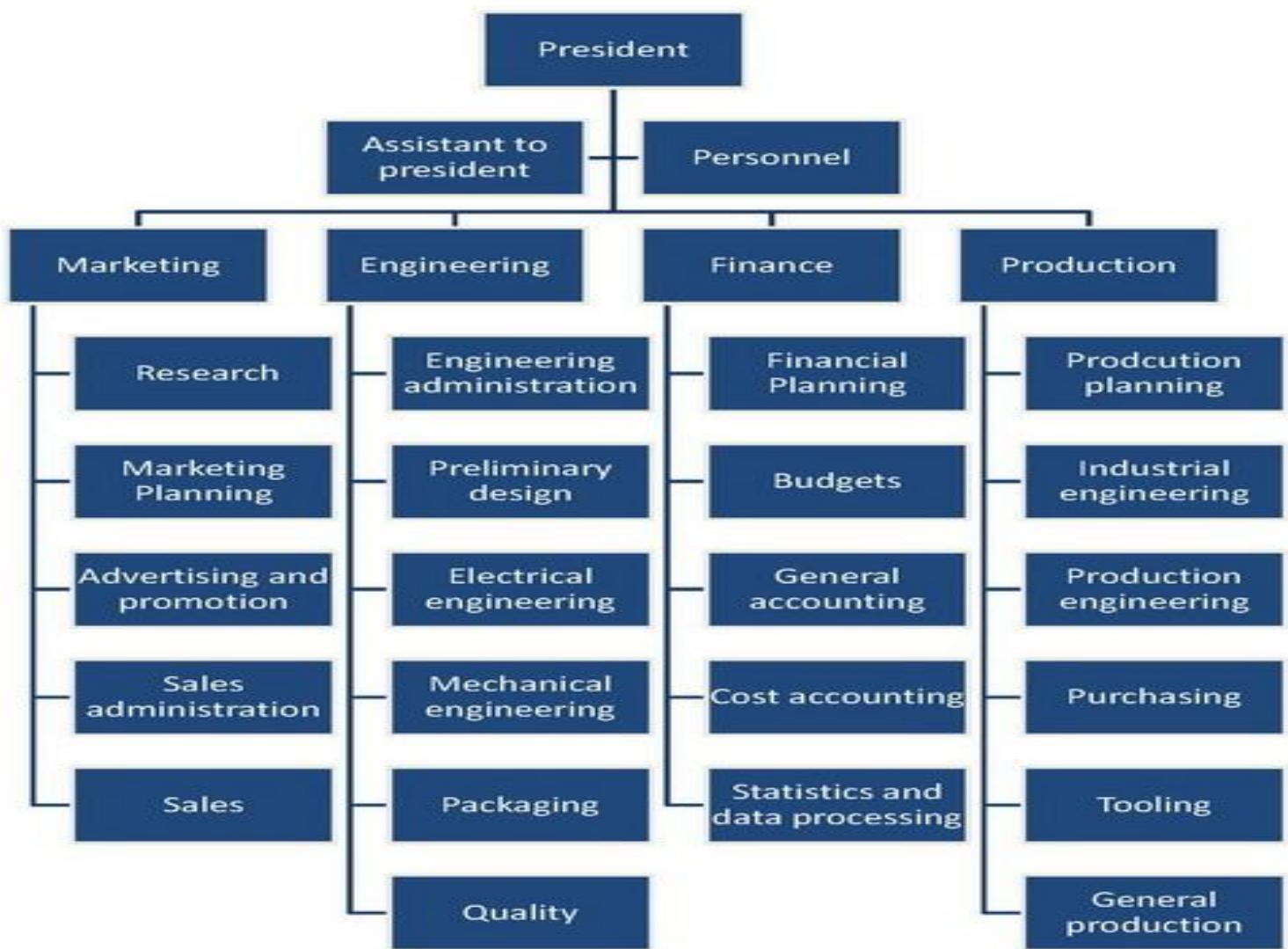


Each specialist is supposed to give his functional advice to all other foreman and workers.

Taylor divided the responsibility of shop supervision among several foreman, each specially qualified and in charge of certain aspect of work.

Each specialist is authorized to give orders to workers, but only in regard of his field of specialization.

## II. Functional Organization



## II. Functional Organization



### ***Advantages***

1. Separation of work.
2. Specialization.
3. Narrow range with high depth.
4. Ease in selection and training.
5. Reduction in prime cost.
6. Scope for growth and development of business.
7. Standardized operations.
8. Standardization.

### ***Disadvantages***

1. Indiscipline.
2. Shifting of responsibility.
3. Kills the initiative of workers.
4. Overlapping of authority.
5. Lack of co-ordination between functions.
6. Increase in cost.

### III. Line and Staff Organization



*Line and staff organization is that in which the line heads are assisted by specialist staff.*

If the firm is too large, managers cannot give careful attention to every aspect of management. They are busy with ordinary task of production and selling.

Hence staff is deputed to do the work of investigation, research, recording and advising to managers. Thus the staff brings specialization by assisting the line officers.

### III. Line and Staff Organization

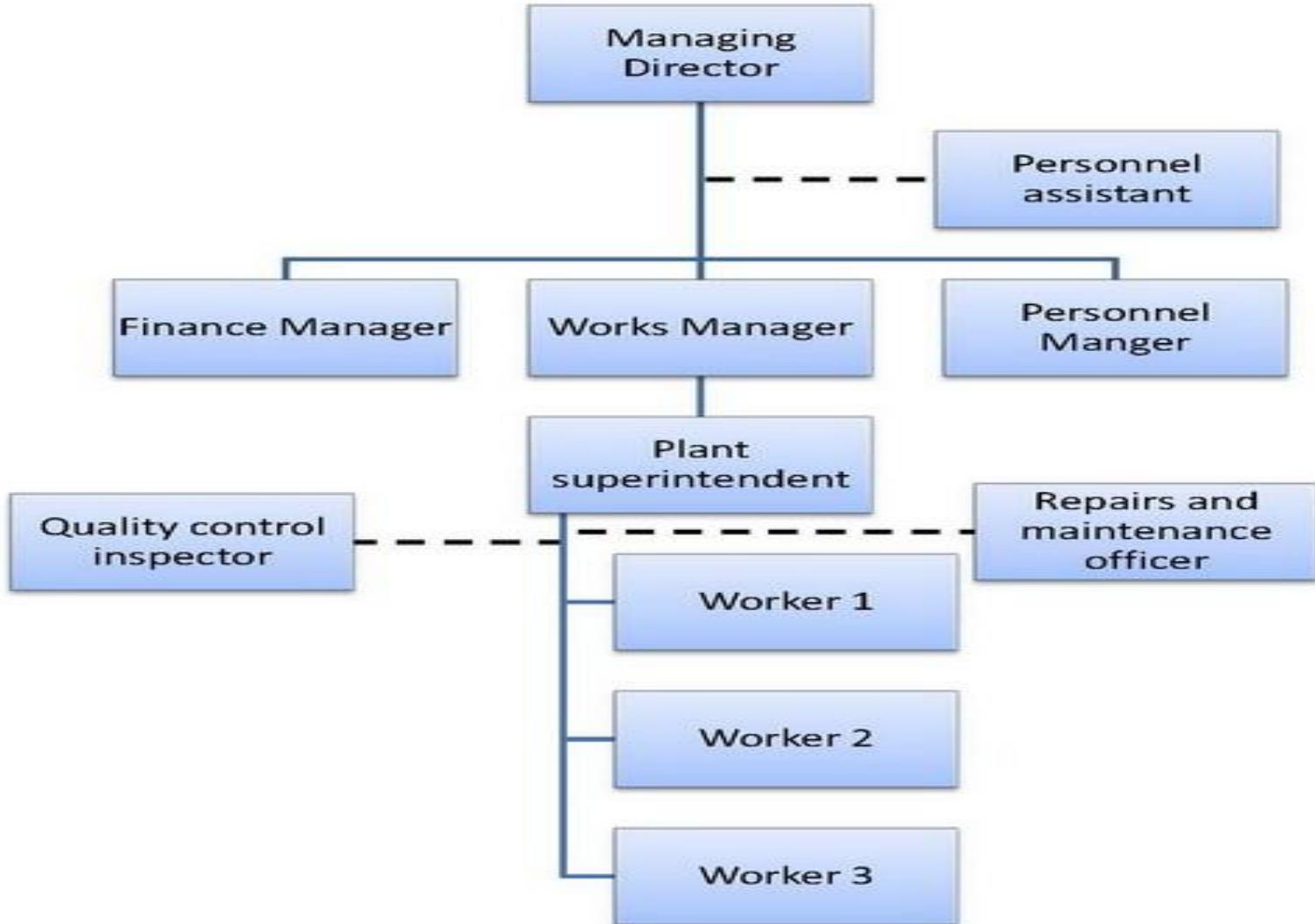


The line maintains discipline and stability, staff provided experts information and helps to improve overall efficiency. Thus *the staff are thinkers while the line are doers.*

Usually the staff has no administrative authority. They serve only in advisory capacity in their field of specialization.

*In big steel plants, heavy electrical electricity boards, large manufacturing plants etc.*

### III. Line and Staff Organization



### III. Line and Staff Organization



#### Advantages

1. Planned specialization.
2. Well defined authority and responsibility.
3. Availability of specialized knowledge.
4. Adaptability to progressive business.
5. Less wastage.
6. Improved quality.

#### Disadvantages

1. Chances of mis-interpretation.
2. Chances of friction.
3. Ineffective staff in the absence of authority.
4. Expensive
5. Lethargic staff officer in the absence of accountability.
6. Loss of initiative by line executive

# IV. Committee Organization



Committees have come to be recognized as a formal part of organization structure and they are found at all levels of management hierarchy in all large companies. Thus committees are not separate type organizations.

*A committee is a formally organized group of individuals formed for the purpose of giving advice on certain important problems, which cannot usually be solved by an individual.*

# IV. Committee Organization



The committee members meet repeatedly, discuss, decide and recommend solution to certain problems of the organization.

The committees may be of different types as follows:

1. **Ad-hoc committee:** formed temporarily for some specific temporary function only.
1. **Permanent committee:** formed when the nature of work is of repetitive type. E.g. research committee, purchase committee etc.

# IV. Committee Organization



## Advantages

1. Problem is looked from more than one point of view.
2. Co-ordination.
3. Helps to adopt new ideas, innovations.
4. Promotes united actions.
5. Democratic and participative management.

## Disadvantages

1. Delay in decision making.
2. Compromise.
3. Non-uniformity in final decision.
4. Costly structure.



***THANK YOU!!!***







- Purchasing – Introduction
- Functions of Purchasing Department
- Methods of Purchasing
- Marketing – Introduction
- Functions of Marketing
- Advertising



**Where there  
is no struggle,  
there is  
no strength.**

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# I. Purchasing- Introduction



**Purchasing** is the first phase of materials management.

**Procurement** is a function responsible for getting the materials, supplies and equipments of right quality, in the right quantities from the right source, at the right prices and at the right time popularly known as the five R's of the art of efficient purchasing.

*'Purchasing is the procuring of materials, supplies, machines, tools and services required for equipment, maintenance and operation of a manufacturing plant.'*

*– Alford and Beatty.*

## II. Functions of Purchasing Department



In a manufacturing firm the purchases can be classified as raw materials, components, consumable stores and supplies, office supplies, spares and tools, machines and equipment.

Duties, functions and responsibilities of purchase department differ from industry to industry. Broadly, they can be stated as below:

1. Maintain records of materials indicating materials that can be used as substitute.
2. Maintain records of reliable source of supply and prices for each type of material required in the organization.

## II. Functions of Purchasing Department



3. Review material specifications with a view to simplifying and standardizing them.
4. Calling quotations.
5. Analyze quotations and making contacts with right sources of supply.
6. Placing order and necessary follow up of supplies.
7. Maintain records of all purchases.
8. To make sure through inspection that right quality of material in right quantity has been purchased.
9. Checking and approving choices.

## II. Functions of Purchasing Department



10. Checking requisitions.
11. To prepare purchase budget.
12. To ensure that the material is purchased at right time and at economical rates.
13. To prepare up-to-date list of materials required for different departments/sections.
14. To maintain uninterrupted supply of materials to various production sections.
15. To act as liaison between the vendors and different departments of the concern such as production, quality control, finance, maintenance etc.

## II. Functions of Purchasing Department



16. To ensure prompt payment to vendors. This will help to improve vendor-vendee relations and increase in reputation of the firm.
17. To handle sub-contracts at the time of high business activity.
18. Develop new sources of supply.
19. To maintain inventory at optimum level.
20. To take decision about disposal of salvage and a scrap.

# III. Methods of Purchasing



The materials, parts, tools, equipment, supplies etc. required in the industry are purchased by different methods.

Depending upon the size of the industry, nature of the material and quantity of the materials required, the different methods of purchasing are:

- 1. Purchasing by requirements:** This method is also called as 'hand-to-mouth buying'. In this method materials are purchased whenever the need arises.

# III. Methods of Purchasing



2. **Purchasing for specified period:** In this method the standard materials like oils, coolants, stationary and other materials required regularly for the operation and maintenance of the plants, offices and other departments are purchased in quantities sufficient for specific future period, production schedules are usually the controlling factors in determination of the period.
3. **Market purchasing:** This method takes the full advantages of prevailing market conditions and price fluctuations. The material requirements based on production planning are calculated and market trends are analyzed before making purchases. *The materials are purchased in advance of future need when the prices are low and likely to rise in future.*

### III. Methods of Purchasing



- 4. Speculative purchasing:** It is an attempt to gain considerable profit by buying an excess of materials when prices are considered to be at low point. *Unlike market purchasing, it makes price trends the primary factor in buying and gives less regard to the strict material requirements of the business.*
- 5. Rate contract purchasing:** *In this method, contracts are given to suppliers to supply the material at agreed prices for a certain period (say 2-3 years). The contract is subjected to review with an appropriate period of notice. Many concerns dealing in large quantities of basic materials like pig iron, steel, coal, coke etc. prefer to supply the materials on the contract basis over a period of time.*

### III. Methods of Purchasing



- 6. Group purchasing:** *In this method, the materials are purchased in groups or lots in one order instead of placing separate orders for each item.*
- 7. Purchasing through Directorate General of supplies and disposal:** This department enters into contract with various firms for supply of certain materials to government departments during the year at agreed rates. These firms have to certify that they are not supplying the same materials at rates lesser than the mentioned in the rate contract. *Whenever the various government departments require the materials under rate contract, they place the orders directly to the concerned firms and purchase the material at rate contract prices.*

# IV. Marketing- Introduction



**Marketing** is the performance of the business activities that direct the flow of goods and services from the producer to the consumer or end user.

It the process of getting right product to the right place in the right quantity at the right price and right time.

*Marketing is the total system of interacting business activities designed to plan, promote and distribute need-satisfying products and services to existing and potential consumers.*

# IV. Marketing- Introduction



It starts with the identification of a specific need on the part of the consumer and ends with the satisfaction of that need.

*The modern concept of marketing gives emphasis on consumer needs and freedom to choose.*

- *customer orientation*
- *customer's satisfaction.*

# V. Functions of Marketing



Marketing adds value to the product by the specific functions it performs. The basic functions of marketing are:

1. Involving ownership transfer.
  - i. Buying
  - ii. Selling
2. Involving physical distribution.
  - i. Transport
  - ii. Storage
3. Facilitating (A and B functions)
  - i. Standardization and Grading.
  - ii. Financing.
  - iii. Risk bearing.
  - iv. Market Information.

# VI. Advertising



The word '**Advertising**' has been derived from Latin term 'adverto'. 'ad' means towards and 'verto' meaning to turn i.e. to turn the attention of the people towards the product.

Advertising and promotion are integral part of the marketing effort.

Advertising is the art of disseminating marketing information through various media of communication (such as newspapers, magazines, radio and T.V.) at the expense of the company for the purpose of increasing or maintaining effective demand and facilitating the sale of specific goods and services.

# VI. Advertising



It informs the customers about the product and the place where they can get it. It promotes trade and creates demand and hence it is the pivot of modern trade, commerce and business.

*The purpose of advertising is to sell something- a product, a service, or an idea or the real goal of advertising is effective communication.*

*The ultimate effect of advertising should be to modify the attitudes and/or behavior of the receiver of the message.*



WHETHER YOU  
THINK YOU CAN,  
OR THINK YOU CAN'T.  
YOU'RE RIGHT.

(HENRY FORD)

**THANK YOU!!!**



# Chapter 2

# PERSONNEL MANAGEMENT

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# Personnel Management- course outline



- ❖ Introduction
- ❖ Functions of Personal Management
- ❖ Development of Personal Policy
- ❖ Manpower Planning
- ❖ Recruitment and Selection of manpower
  - Scientific selection
- ❖ Training and Development of manpower
- ❖ Job Analysis, Job Evaluation and Merit Rating
- ❖ Wages and Incentives

Be kind, for  
everyone you  
meet is  
fighting a  
hard battle.

~ Plato

#001

# 1. Introduction



**Personnel Management** is that part of total management of an organization which specifically deals with human resources of

- i. *their procurement,*
  - ii. *their development in terms in skills, knowledge and attitude,*
  - iii. *their motivation towards the attainment of organizational objectives,*
- by creating and maintaining an organizational climate conducive to such development.

# 1. Introduction



*“Personnel Management is the planning, organizing, directing and controlling of the procurement, development, compensation, integration, and maintenance of personnel of an organization for the purpose of contributing towards the accomplishment of the organizational, individual and social goals.”*

— Edwin B. Flippo

## Aims/Objectives of Personnel Management

- i. Aims at getting the best out of personnel.
- ii. Maximum individual development.
- iii. Improves the services rendered to the society.

## 2. Functions of Personnel Management



Personnel management is a managerial activity involving advisory, executive and administrative responsibilities and functions as given below.

- i. *Development of personnel policy.*
- ii. *Manpower planning.*
- iii. *Recruitment and selection of manpower.*
- iv. *Analysis, description and valuation of the work.*
- v. *Compensation and schemes of appraisal of the work.*
- vi. *Keeping records of personnel.*
- vii. *Welfare and safety programs.*
- viii. *Training and development of manpower.*
- ix. *Wages and salary administration.*
- x. *Collective bargaining (negotiations with trade unions).*
- xi. *Promotions, transfers and retirement of employees.*

# Principles of Personnel Management



Principles of personnel management are the rules which help the personnel managers to conduct and direct the policies in a proper way.

- I. *Principle of Maximum Industrial Development.*
- II. *Principle of Scientific Selection.*
- III. *Principle of High Morale.*
- IV. *Principle of Dignity of Labor.*
- V. *Principle of Team Spirit.*
- VI. *Principle of Effective Communication.*
- VII. *Principle of Joint Management.*
- VIII. *Principle of Fair Award.*
- IX. *Principle of Effective Utilization.*
- X. *Principle of Contribution of national prosperity.*

### 3. Development of Personal Policy



**Personnel policies** serve as a guide to the subordinates in taking quick decisions. Policies are not objectives. They are only means to end. Policies are formulated to achieve personnel and organizational objectives. For example, the policy of promotion from within may be formulated with the objective of individual development.

**The chief objectives of personnel policies are:**

- *maximum development of workers, maximum use of their abilities, skill and talents.*
- *Good labor relations.*
- *safeguard the interest of labor and customers etc.*

### 3. Development of Personal Policy



**A good personnel policy must include the following:**

- i. *Company name, history and structure.*
- ii. *Sources of recruitment, selection procedure.*
- iii. *Training and welfare.*
- iv. *Wages and Incentives.*
- v. *Promotion policy.*
- vi. *Retirement plan.*
- vii. *Collective bargaining.*

# 4. Manpower Planning



**Manpower planning** may be defined as, the scientific process of allocating the right quantity of right men to be required in future at right time on the right job.

Manpower planning is done to fulfill the two main objectives namely,

- i. *To utilize the present employees fully, and*
- ii. *To fill up future manpower requirements.*

**Types of manpower planning can be distinguished:**

- i. **On the basis of the level at which it is done,**
  - a. Macro-level (national level)
  - b. Micro-level (Industrial unit level)
- ii. **On the basis of the period for which it is done.**
  - a. Short period
  - b. Medium period
  - c. Long period.

# 4. Manpower Planning



## Factors affecting Manpower planning.

- i. *Working hours.*
- ii. *Number of shifts.*
- iii. *Nature of production.*
- iv. *Product mix.*
- v. *Performance rate.*
- vi. *Hours lost.*

## Steps in Manpower planning.

- i. *Understanding the business activities.*
- ii. *Identification of tasks.*
- iii. *Manpower forecast.*
- iv. *Job analysis*
- v. *Reviewing the existing manpower.*
- vi. *Anticipating the availability of manpower from external sources.*
- vii. *Manpower management.*

## 5. Recruitment and Selection of manpower



**“Recruitment** is the development and maintenance of adequate manpower resources. It involves the creation of a pool of available labor upon whom the organization can depend when it needs additional employees.”

— Dales S. Beach

*The sources of manpower supply for different categories of workers (unskilled, semi-skilled and highly skilled) can be broadly classified as:*

- i. **Internal** i.e. recruitment from within the industry.
- ii. **External** i.e. recruitment from outside. (former employees, recommendations, employment exchange, advertisement, applications at the gate, educational and academic institutions, labor unions).

# 5. Recruitment and Selection of manpower



## Scientific selection

A scientific selection procedure ensures the selection of suitable candidate for a particular job. *The object of scientific selection is to place on each job a worker who can maintain a given output with minimum expenditure of energy and who will be best fitted to the job, "right person for the right job".*

**The major factors in individual fitness for a job are:**

- I. **Physical characteristics**: sound body, limbs, height, weight, eye sight etc.
- II. **Personal characteristics**: age, sex, marital status, previous experience, place of birth, number of children etc.
- III. **Proficiency or skill and ability**: This is the basic characteristic in fitting worker to a job.
- IV. **Competency**: Potentiality of an individual for learning and becoming proficient in a job. It points out the capacity to acquire knowledge and skill for success on the job.
- V. **Temperament and character**
- VI. **Interest in vocational fitness.**

## 5. Recruitment and Selection of manpower



### Methods of Selection (Selection procedure)

1. *Receipt of applications.*
2. *Scrutiny of applications (preliminary screening)*
3. *Preliminary interview.*
4. *Application blank.*
5. *Employment (intelligence, trade, psychological, aptitude, interest, personality) test*
6. *Employment interviews.*
7. *Reference check.*
8. *Medical examination.*
9. *Final Selection.*

# 6. Training and Development of manpower



Training may be defined as “ *a well thought and well planned processes of conscious learning of new knowledge and skills for improving the learner's ability to perform certain tasks and activities, more efficiently and effectively, in immediate/near future, with active support of some other individuals.*”

Development is a long term educational process utilizing a systematic and organized procedure by which managerial personnel get conceptual and theoretical knowledge. An executive development program aims at increasing the capabilities of the individuals to achieve the desired objectives.

## Objectives of training and development

1. *Disseminating of knowledge.*
2. *Development of skills.*
3. *Change of attitudes.*

## 6. Training and Development of manpower



### **Benefits/advantages of training**

1. *Increased productivity.*
2. *Higher Employee morale.*
3. *Reduced accidents.*
4. *Reduction in spoilage, wastage and optimum utilization of resources.*
5. *Reduced supervision.*
6. *Increased organizational stability and flexibility.*
7. *Self Development versatility and adaptability.*
8. *Reduced turnover and absenteeism.*
9. *Reduction in machine breakdown and maintenance cost.*
10. *Increase in earning of the employees.*

# 6. Training and Development of manpower



## Methods of training workers

1. **Demonstration:** In this, the supervisor/instructor actually demonstrates how to do a certain task which can be seen in small concerns like workshops, auto repair shops etc.. E.g. the instructor shows how to perform a certain job on a center lathe.
2. **On-the-job training:** In this, the supervisor gives instructions to a new worker, explains the nature of work, the use of machine and tools, safety precautions etc. and shows how it is being done by an experienced worker.
3. **Vestibule training:** It is a special training school for training the employees. An attempt is made to duplicate as nearly as possible the actual equipment, material and conditions in a real work situation.
4. **Apprenticeship:** It is used to develop all round craftsmen (machinist, tool makers, millwrights, fitters, welders). It is generally best suited to the large firm with a steady demand for skilled labor.

# 6. Training and Development of manpower



## Methods of training supervisors

1. Induction and Orientation.
2. Lecture (classroom) methods.
3. Conference.
4. Written instructional method.
5. Training within the industry.

## Methods of training executives

### **1. On-the-job training**

- *Understudies (appointment as an assistant to).*
- *Membership of the committee.*
- *Job rotation.*
- *Job enlargement, job enrichment.*
- *Management by objectives.*

### **2. Off-the-job training**

- *Lecture method.*
- *Case study method.*
- *Business games*
- *Role playing.*

## 7. Job Analysis, Job Evaluation and Merit Rating



**A job** may be defined as a *regular assignment to individual employee involving a set of duties, responsibilities and conditions entirely different from those of other assignments.*

**Job analysis** is a *detailed and systematic study of job to determine the tasks, skills, knowledge, abilities and responsibilities required for their successful performance.*

In this procedure the job analyst (or a supervisor properly trained in the technique):

1. *Collects information.*
2. *Prepares job description.*
3. *Works up job specification.*

## 7. Job Analysis, Job Evaluation and Merit Rating



The data collected during job analysis may be classified as:

1. *Job identification.*
2. *Nature of the job (major duties, other duties)*
3. *Operations to be performed.*
4. *Materials and equipments to be used for performing the job.*
5. *Skill involved to determine degree of difficulty (education, training, responsibility, job knowledge, mental capabilities, desired accuracy).*
6. *Physical demands to determine physical effort required (physical activities, working conditions, hazards).*
7. *Relation with other jobs.*



### **Job analysis can be divided into two main groups:**

- I. Job description:** It is an abstract of information received from the job analysis report. It is an organized statement of duties, responsibilities, working conditions, and other essential facts about a job. Job description comprises of three parts: job identification, job summary and work performed.
  
- II. Job specification:** It is an outcome of job analysis and description. The job specification is a statement of qualities or abilities that an employee must posses to perform the job in a satisfactory manner.

## 7. Job Analysis, Job Evaluation and Merit Rating



**Job evaluation:** Its main objectives is to formulate an appropriate and uniform wage structure and determine relative value of different jobs in an organization.

War Man Power Commission, USA proposes four points for accurate and useful job study

1. *What does the worker do?*
2. *How does he do it?*
3. *Why does he do it?*
4. *The skill involved in doing it.*

**Principles of job evaluation are**

1. *Rate the job and not the man.*
2. *Uniformity of understanding.*
3. *Co-operation from employees.*



## Methods of job evaluation

### I. Non-quantitative methods

1. **Ranking method (grading method):** In this, the jobs are ranked from the most important one to least important one. Each departmental head arranges the jobs in their department in the order of importance. The individual departments pass on their rankings to a central committee who groups the jobs into grades/classes.
  
2. **Classification method:** In this, jobs are classified or graded or levels of equal skill, difficulty, responsibility, importance and requirements. It may be production job, a sales job or an office job.



### Methods of job evaluation

#### II. Quantitative methods

1. **Factor comparison method:** In this, detailed analysis of the jobs is carried out by employing following five main factors i.e. skill, mental effort, physical effort, responsibilities, working conditions.
  
2. **The point rating method:** Certain points is assigned to each grade. When such points for all the factors are added they indicate the importance of the job in the organization.

## 7. Job Analysis, Job Evaluation and Merit Rating



**Merit rating** is a systematic and orderly approach to assess the relative worth of an employee working in an organization in terms of job performance, integrity, leadership, intelligence, behavior, aptitude and other qualities which are necessary to carry out his job successfully.

**The differences between job evaluation and merit rating are**

1. *Job evaluation evaluates job, merit rating evaluates the performance of a person doing the job.*
2. *Job evaluation determines suitable wage structure for the job while, merit rating decides the reward an employee should get in addition to his wages depending upon his merit.*

## 7. Job Analysis, Job Evaluation and Merit Rating



The frequently used factors or set of characteristics which determine the merit of the person are:

1. *Quality of work.*
2. *Quantity of work.*
3. *Job knowledge.*
4. *Dependability.*
5. *Attitudes.*
6. *Initiative and judgment.*
7. *Versatility.*
8. *Quality of leadership.*

# 7. Job Analysis, Job Evaluation and Merit Rating



## Methods of merit ranking

1. **Ranking method.**
2. **Paired comparison method:** In this, each man is compared with every other man, one at a time. Comparison is done with one trait (i.e. ability to perform the job).
3. **Man to man comparison:** Comparison is done based on five characteristics (physical qualities, personal qualities, intelligence, general value to service, leadership). Each of the characteristics is sub-divided into five degrees and values assigned to each degree
4. **Check list plan:** These are the lists made up of series of questions or statements which concern the importance of the employees performance on the job.
5. **Scale plan:** There are many variants of a scale plans and all consist of list of attributes or traits, each being accompanied by scale, for rating the workers.

# 8. Wages and Incentives



The remuneration paid to the worker is called **wage**. Wages should be sufficient to satisfy the ordinary needs and necessities of the worker provide him some comforts of life and help him in maintaining his standard of living. **Wages may be classified as**

1. **Nominal wages:** These are paid in the form of a cash and do not include other benefits given to the workers. This is also called as money wage.
2. **Real wages:** In addition to the cash payment real wages include the amount of necessaries, comforts, luxuries and other benefits which a worker gets in return of his effort and work.

**The three concepts (layers) of wages are**

- I. *Minimum wage to improve the standard of living of people who live below the poverty line.*
- II. *Fair wage assuring equal pay for equal work and*
- III. *Living wage assuring maintenance of living standards in a locality*

# 8. Wages and Incentives



## Factors affecting wages

1. *Demand and supply position in labor market.*
2. *Legal or statutory provisions.*
3. *Capacity to bargain.*
4. *Cost of living index.*
5. *The nature of employment/the nature of risk involved.*
6. *Organization's ability and willingness to pay.*
7. *Regularity and irregularity of employment.*
8. *Supplementary incomes.*
9. *Working hours.*
10. *Prospects of promotion.*
11. *Period and cost of training.*

# 8. Wages and Incentives



## Types of wage plans (methods of wage payment)

1. **Time rate system:** In this, the wages are based on the time (number of hours for which the worker works) and not on the number of units produced by the workers. Daily wages, weekly wages, monthly wages or hourly wages are the types which show time duration for which payment is to be made.
2. **Piece rate system:** In this, the wages are based on the quantity of work completed satisfactorily by the worker. A fixed rate per unit produced or operation completed is paid to the worker.
3. **Combined of piece rate and time rate system:** Under this, minimum weekly wages are fixed for each worker, which shall be paid to him irrespective of this output during the week, provided he has worked for the full working hours required in a week. The wages for the period of his absence are deducted from the total amount of his wages.

# 8. Wages and Incentives



**An incentive scheme** may be defined as, '*a system of wage payment under which the earnings of an employee, or a group of employees, or all employees in an organization is directly related to the output of an acceptable quality and over and above a standard laid down by means of predetermined formula.*'

1. **Financial incentives** - Bonus - Profit sharing
2. **Non-financial incentives** (praise of work, service security, training)
3. **Semi- financial incentives** (subsidized lunch, recreational and medical facilities, pension)
4. **Individual incentive scheme** (based on the individual performance)
5. **Group incentive scheme** (based on the collective performance of his work group)

# 8. Wages and Incentives



**Taylor's Differential Piece-rate system:** This incentive plan was developed by Taylor, the father of Scientific Management. This system provides for two piece rates. The workers who produce more than the standard units are paid at a higher piece rate, and those who produce less than the standard output are paid at low piece rate. The scheme thus rewards efficient workers and penalizes sluggish workers.

**Example:** Two workers A and B while working on two identical machines produced respectively 75 and 85 numbers of the same job whose standard production is 80 jobs per day. From the following data calculate the earnings of each worker.

Labor hourly rate Rs. 12/-

Rate differential to be applied = 80% of standard piece rate for below standard performance 120% of the standard piece rate for standard and above standard performance.

# 8. Wages and Incentives



## Solution:

*Standard output per hour =  $80/8 = 10 \text{ jobs.}$*

*Standard piece rate ( $R$ ) =  $12/10 = \text{Rs. } 1.20$*

*Lower piece rate =  $1.20 * 0.80 = 0.96$*

*Higher piece rate =  $1.20 * 1.20 = 1.44$*

*Earning of operator A =  $0.96 * 75 = \text{Rs. } 72/- \text{ per day}$*

*Earning of operator B =  $1.44 * 85 = \text{Rs. } 122.40/- \text{ per day}$*

- **Standard piece rate** = (labor hourly rate)/ (No. of production per hour)
- **Lower piece rate** = (standard piece rate) \* ( given % for below standard performance)
- **Earning of less production operator** = Lower piece rate \* No. of production by him.

# 8. Wages and Incentives



**Hasley Incentive Plan:** The Hasley plan was introduced by Fredrick A. Halsey, an American engineer, in 1891. In this system a minimum wage is guaranteed to the workers. A standard time is fixed for the performance of each job. If a worker completes his job before the standard time, he gets guaranteed wage plus incentive bonus at fixed percentage of earnings for the time saved. The most common percentage is 50 percent.

Let,

$$\text{hourly rate (Rs.)} = R$$

$$\text{Standard time (hrs.)} = Ts$$

$$\text{Time actually taken (hrs.)} = Ta$$

Then,

$$\text{Time saved (hrs.)} = (Ts - Ta)$$

$$\text{Bonus earned} = (Ts - Ta) * R * 50/100 = \frac{1}{2} * R * (Ts - Ta)$$

$$\text{Wages earned by the worker} = Ta * R + \frac{1}{2} * R * (Ts - Ta)$$

# 8. Wages and Incentives



**Example:** The standard time of a job is 8 hours and the hourly rate of payment is Rs. 10/-. The worker completes the job in 6 hours. Calculate the bonus and the total wages earned by the worker.

**Solution:**

Given:  $R = \text{Rs. } 10.00$ ,  $T_s = 8 \text{ hours}$ ,  $T_a = 6 \text{ hours}$

Now,

Time saved =  $(T_s - T_a) = 8 - 6 = 2 \text{ hours}$ .

Bonus =  $\frac{1}{2} * (T_s - T_a) * R = \frac{1}{2} * (8 - 6) * 10 = \text{Rs. } 10/-$

Total wages earned =  $T_a * R + \frac{1}{2} * (T_s - T_a) * R$   
 $= 6 * 10 + 10 = \text{Rs. } 70/-$

# 8. Wages and Incentives



**The Rowan system:** This plan was introduced by James Rowan of Glasgow in 1901. The plan provides each workman guaranteed minimum wage plus incentive bonus for certain portion of the time saved. In this scheme the proportion of the time payable for incentive being the ratio of actual time taken to the standard time.

Therefore, Bonus = ((standard time – actual time)/standard time) \* actual time \* ratio =  $((Ts - Ta)/Ts) * Ta * R$

Earning =  $Ta * R + ((Ts - Ta)/Ts) * Ta * R$

*Example: In a manufacturing firm, the standard time to complete the job is 8 hours and the hourly wage rate is Rs. 10/- per hour. Workers are promised to pay incentive according to Rowan plan. Find out the bonus payable to the operator of time to complete the job is 8,7,6...1 hours respectively.*

# 8. Wages and Incentives



**Solution:** Table below is developed to compute incentive bonus for different values of time taken to complete the job.

Actual time taken (Ta)	Time saved (Ts-Ta)	Incentive bonus $((Ts-Ta)/Ts) * Ta * R$
8	0	0
7	1	$1/8*7*10 = \text{Rs. } 8.75$
6	2	$2/8*6*10 = \text{Rs. } 15.00$
5	3	$3/8*5*10 = \text{Rs. } 18.75$
4	4	$4/8*4*10 = \text{Rs. } 20.00$
3	5	$5/8*3*10 = \text{Rs. } 18.75$
2	6	$6/8*2*10 = \text{Rs. } 15.00$
1	7	$7/8*1*10 = \text{Rs. } 8.75$

*Under Rowan system, incentive bonus earned by the operator is maximum when the operator completed the task in 50% but decreases beyond fifty percent.*

# 8. Wages and Incentives



## Emerson's Efficiency Plan:

The Emerson's efficiency plan was introduced by Harrington Emerson. In this plan wages are calculated on the basis of efficiency of performance. Daily wages are guaranteed irrespective of the output. Less efficient workers are not put to loss, but at the same time workers who prove their efficiency are paid bonus.

A standard of performance is based on past performance (previous records) is taken as 100% efficiency. The actual output of the worker is compared with the standard output to calculate his efficiency for the day. i.e.

*Efficiency = (actual output for the period/standard output for the period) \* 100.*

# 8. Wages and Incentives



In this scheme, an incentive bonus is paid to the worker if his efficiency exceeds two-thirds (66.67%) of the standard performance (100%).

The remuneration under this method is computed as under.

1. **Efficiency below 66.67%** = no bonus. Only time wages
2. **Over 66.67 to 100%** = time wages + bonus at different percentages increasing rapidly to 10% at 90% efficiency and 20% at 100% efficiency.
3. **Over 100%** = time wages + 20% bonus + 1% bonus for each 1% increase in efficiency beyond 100%.

# 8. Wages and Incentives



**Example:** There are three workers X, Y and Z manufacturing steel pins. They are paid at a standard rate of Rs. 40 per day and are supposed to produce 50 pins a day. If they are producing 30, 50 and 60 pins respectively, calculate their earnings on the basis of Emerson's efficiency plan.

Worker	Quantity produced	Standard wage rate (Rs.)	% of standard output	Bonus paid (R)	Total wages (Rs.)
X	30	40/-	$30/50*100 = 60\%$	Nil	40.00
Y	50	40/-	$50/50*100 = 100\%$	$40*20/100 = \text{Rs. } 8.00$	48.00
Z	60	40/-	$60/50*100 = 120\%$	$8 + 20/100 = \text{Rs. } 16.00$	56.00

# 8. Wages and Incentives



**The Scanlon Plan:** The Scanlon plan was developed by Joe Scanlon of United States. This is a group incentive plan wherein all the employees receive a guaranteed time wage. In this method, a standard for the ratio of labor cost to the total sales value is set as an index of total labor effectiveness. For determining the bonus actual labor cost to the total sales is calculated for the assessment period. Then an incentive bonus, equivalent to percentage reduction in the labor to sales ratio, is paid to each employee.

*Let,  $L_b$  = labor cost during the base month,*

*$S_b$  = total sales during the base month,*

*$L_a$  = labor cost for the assessment month,*

*$S_a$  = total sales during the assessment month,*

*Then,*

*% reduction in the labor index =  $((L_b/S_b) - (L_a/S_a)) * 100/(L_b/S_b)$*

# 8. Wages and Incentives



**Example:** A company employs 800 workers and is a job order production unit. The sales during the base month was valued at Rs. 12.40 lakhs. Rs. 1.35 lakhs were sent by as a labor cost to achieve the above mentioned sales figure. Calculate incentive bonus paid to each employee if the net sales during the assessment month was valued at:

- a. Rs. 15.50 lakhs for the expenditure of Rs. 1.45 lakhs towards labor cost.
- b. Rs. 15.50 lakhs for the expenditure of Rs. 2.15 lakhs towards labor cost.

**Solution:**

a) **Standard labor to sales ratio** =  $(Lb/Sb)*100 = (1.35/12.40)*100 = 10.887\%$

Actual labor to sales ratio for the assessment month =  $(1.45/15.50)*100 = 9.355$

Since actual labor to sales ratio is lower than the standard rates each employees is entitled to get incentive bonus

% Inventive bonus payable to each employee =  $(10.887 - 9.355)*100/10.887 = 14.07 \%$

b) **Actual labor cost to sales ratio for the assessment month** =  $(2.15/15.50)*100 = 13.870 \%$

In this case actual labor cost to sales ratio is higher than the ratio of standard labor cost to sales, hence no incentive bonus is payable.

# 8. Wages and Incentives



## The Priestman Production Plan:

It is also a group incentive plan. In this method, standard output to be achieved during the period by the factory (or department) is agreed upon between the employer and employees.

The standard of output may be fixed in terms of units in case of firms manufacturing single product (tractors, fans, lathes etc.) or in terms of points in case of multi-product plants.

The number of workers employed is taken into account to determine the standard output.

The actual output is compared with the standard output and if the actual output exceeds the standard output, each employee is paid production hours in proportion to the increase in the output per worker.

# 8. Wages and Incentives



Let,

*Standard production in the base month = Pb*

*Actual output during the assessment month = Pa*

*Number of workers in employment during the base month = Wb*

*Number of workers in employment during the assessment month  
= Wa*

*Standard production per worker during the base month =  
(Pb/Wb)*

*Actual production per worker during the assessment month =  
(Pa/Wa)*

*Production bonus will be payable.*

*If,  $(Pa/Wa) > (Pb/Wb)$  and*

*% productivity bonus payable to each employee =  $((Pa/Wa) - (Pb/Wb)) * 100 / (Pb/Wb)$*

# 8. Wages and Incentives



**Example:** An automobile manufacturer employs 500 workers. The standard output of production is 1200 cars per month. Each worker is paid incentive bonus as per Priestmen Production Plan. Calculate bonus payable to each worker if the output in the next month is 1400 cars for the employment of a) same number of workers b) 600 workers.

## Solution:

Data: Standard output in the base month( $P_b$ ) = 1200

No. of workers in the base month( $W_b$ ) = 500

Actual production,  $P_a$  = 1400

# 8. Wages and Incentives



a) **No. of workers during assessment month(Wa1)** = 500

Percentage productivity bonus payable to each employee =  
 $((Pa/Wa1)-(Pb/Wb)) * 100/(Pb/Wb) = 16.67\%$

A productivity bonus, equivalent to 16.67% of the employees' basic wage of the month, is payable to each employee.

b) **No. of workers in assessment month(Wa2)** = 600

Percentage productivity bonus payable to each employee =  
 $((Pa/Wa2)-(Pb/Wb)) * 100/(Pb/Wb) = -2.91\%$

There is a decrease in productivity per employee, therefore bonus is not payable.



**THANK YOU!!!**







# Chapter 3

## MOTIVATION, LEADERSHIP AND ENTREPRENEURSHIP

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# Motivation -course outline



- ✓ *Human needs*
- ✓ *Maslow's Hierarchy of needs*
- ✓ *Motivation – Introduction*
- ✓ *Types of Motivation*
- ✓ *Attitude Motivation; Group Motivation; Executive Motivation*
- ✓ *Techniques of Motivation*
- ✓ *Motivation Theories*

**Success trains, Failure complains.**

# 1. Motivation



The term **motivation** is derived from the word ‘motive’ which may be defined as **needs**, **wants**, **drives** or **impulses** within an individual.

*‘Motivation is a general term applying to the entire class of drives, desires, needs, wishes and similar forces that induce an individual or a group of people to work.’*

From the definitions, it is clear that motivation has two aspects:

1. *The knowledge of **human needs**.*
2. *To **inspire** the employees to their best towards the goals of the enterprise. The employers use the finding of the study of motivation in making their employees' work more and better in the accomplishment of the organization 's objectives through satisfaction of the employee' needs.*

# I. Human Needs



## Expectation of the worker:

1. *Certain goals to be fulfilled.*
2. *Right to choose a specific job.*
3. *Responsibility to fulfill his reasonable goals.*

## Understanding human behavior:

1. *Understand the behavior.*
2. *Integrate the interests and needs of the employers with the objectives of the organization.*
3. *Un co-operative, indifferent, unfriendly.*
4. *Have full knowledge of human behavior.*
5. *Know what satisfies the employee.*
6. *Co-operative working environment.*

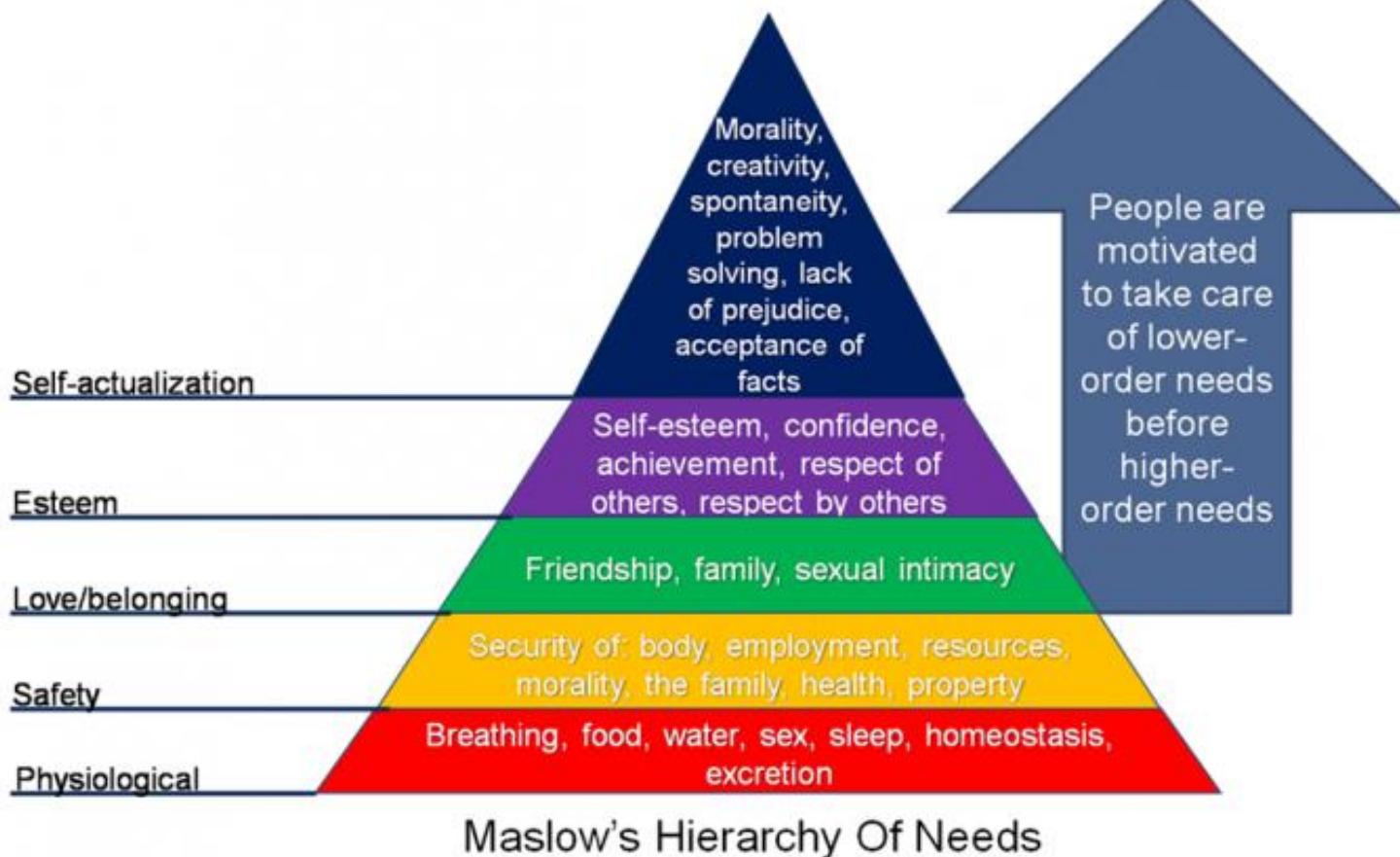
# II. Maslow's Hierarchy of Needs



Maslow advanced three important propositions about human behavior.

1. ***Men are wanting being:*** Their needs are unlimited and continuous. As soon as one need is satisfied, another appears in its place. The process is unending. It continues from birth to death. It keeps man to work continuously.
2. ***Fresh needs can motivate persons to work:*** A satisfied need is not a motivator of behavior, only the needs which are not satisfied are capable of motivating individuals.
3. ***Man's needs have a hierarchy of importance:*** According to Maslow man's needs are arranged in a series of levels. He classified the needs into five ascending levels, in which each level must be satisfied before going on to the next. The lower level needs have priority over higher level needs.

## II. Maslow's Hierarchy of Needs



# II. Maslow's Hierarchy of Needs



Needs can be broadly classified into two categories as follows:

## 1. Primary needs:

- i. *Physiological (basic): Satisfying basic needs for food, shelter, clothing, water, air, sleep, sex etc.*
- ii. *Safety: Safety from physical harm. Protection against deprivation, danger, threat etc.*

## 2. Secondary needs:

- i. *Social: Desire to be accepted, liked and loved.*
- ii. *Ego/esteem: Recognition and need for self-respect, status, independence etc.*
- iii. *Self-realization: Ability to realize one's capabilities and to work for one's interest (self-development, self-advancement).*

# III. Motivation- Introduction



**Motivation**—the forces within the individual that account for the level, direction, and persistence of effort expended at work.

- **Extrinsic rewards** —valued outcomes given to someone by another person.
- **Intrinsic rewards** —valued outcomes that occur naturally as a person works on a task.

**The following characteristics make the study of motivation very complicated:**

1. *One type of need is different individuals produce different behaviors.*
2. *Needs keep on changing absolutely and their intensity changes from time to time.*
3. *People cannot express some of their needs in specific terms for social, cultural and other factors.*
4. *In any situation more than one need may be operating.*

# III. Motivation- Introduction



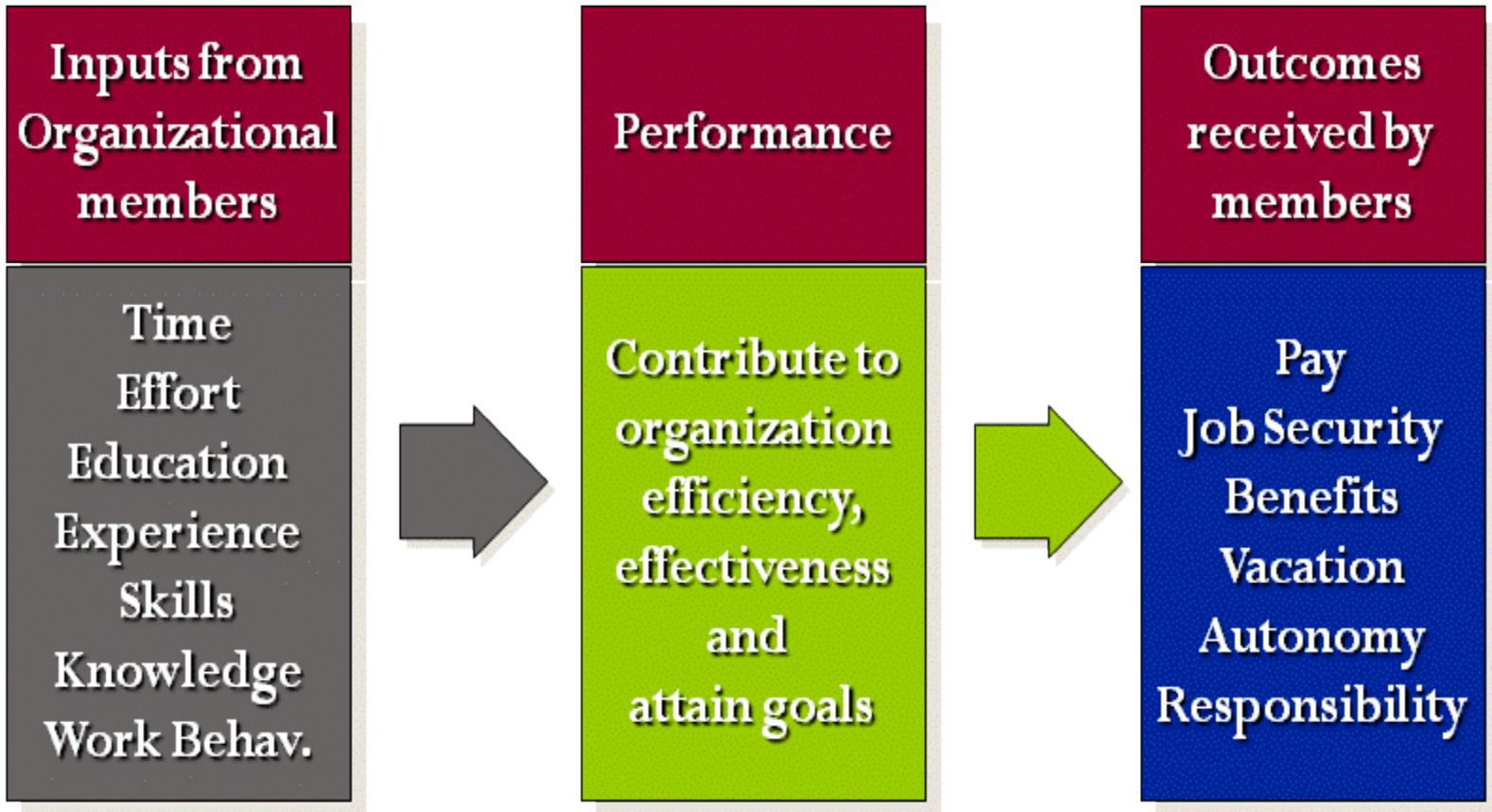
## Outcomes & Inputs

- Regardless of the source of motivation, people seek outcomes.
  - **Outcome:** anything a person gets from a job.
    - Examples include pay, autonomy, accomplishment.
- Organizations hire workers to obtain inputs:
  - **Input:** anything a person contributes to their job.
    - Examples include skills, knowledge, work behavior.
- Managers thus **use outcomes** to motivate workers to provide inputs.

# III. Motivation- Introduction



## Motivation Equation



# IV. Types of Motivation



There are many different forms of motivation. Each one influences behavior in its own unique way. **No single type of motivation works for everyone.** People's personalities vary and so accordingly does the type of motivation, that is most effective at inspiring their conduct.

- **Incentive:** A form of motivation that involves **rewards, both monetary and nonmonetary** is often called incentive motivation. Many people are driven by the knowledge that they will be rewarded in some manner for achieving a certain target or goal. **Bonuses and promotions** are good examples of the type of incentives that are used for motivation.
- **Fear:** Fear motivation involves consequences. This type of motivation is often one that is utilized when incentive motivation fails. In a business style of motivation often referred to as the, "**carrot and stick,**" incentive is the carrot and fear is the stick.

# IV. Types of Motivation



- **Achievement:** Achievement motivation is also commonly referred to as the drive for competency. We are driven to achieve goals and tackle new challenges. We desire to improve skills and prove our competency both to others and to ourselves. Generally, **this feeling of accomplishment and achievement is intrinsic in nature.**
- **Growth:** The need for **self-improvement is truly an internal motivation.** A burning desire to increase our knowledge of ourselves and of the outside world can be a very strong form of motivation. We seek to learn and grow as individuals.

# IV. Types of Motivation



- **Power:** The motivation of power can either take the form of a desire for autonomy or other desire to control others around us. **We want to have choices and control over our own lives.** We strive for the ability to direct the manner in which we live now and the way our lives will unfold in the future.
- **Social:** Many people are motivated by social factors. This may be a desire to belong and to be accepted by a specific peer group or a desire to relate to the people in our sphere or in the larger world. **We have an innate need to feel a connection with others. We also have the need for acceptance and affiliation.**



**Attitude or self motivation:** *Being self-motivated means being ready for driven, focused discussion and behavior. It also means being sharp and smart enough not to be manipulated and to be open to positive learning. Being in this state of mind is the challenge!*

### Causes of decrease in self-motivation.

1. *Monotonous work.*
2. *Driven by boss.*
3. *Bad physical condition.*
4. *Does not get along with associates.*
5. *Financial problem.*



### Effects of decrease in self-motivation.

1. *Unwilling to work.*
2. *Creates sympathy.*
3. *Inferiority complex.*

### Solutions to decrease in self-motivation.

1. *Making the job more interesting.*
2. *Thinking constructively.*
3. *Making the best possible use of one's strong points and not dwelling on weakness.*
4. *Adopting oneself to the situation.*
5. *Acquiring the sensible and worthwhile principle of life.*



### Necessities of Group Motivation

- *Fairness*
- *Truthfulness*
- *Honesty*
- *Loyalty*
- *Stability*
- *Tolerance*
- *Ability to assume responsibility and co-operation*
- *Constructive criticism*
- *Compromise when necessary*
- *Orderliness in mind and action*
- *A sense of humor*



### Executive Motivation

- *Greater degree of the need for achievement.*
- *Concerned more about actualization, esteem and social needs.*

### Techniques

- *They are doing something that they call their own.*
- *They do tasks they have set for themselves.*
- *They can see what they have done.*
- *They feel that their job is important.*
- *They are secure.*
- *Challenge in work.*
- *Belief in the value of the work.*



### Reasons for low executive motivation.

- *Unsatisfactory bosses.*
- *Advancement is limited.*
- *Poor pay.*
- *Security threatened.*

# VI. Techniques of Motivation



## 1. Financial Motivators.

- a. *Money*

## 2. Non-financial motivators.

- a. *Appraisal, praise or recognition.*
- b. *Status and pride.*
- c. *Competition.*
- d. *Delegation of authority.*
- e. *Participation.*
- f. *Job security.*
- g. *Job enlargement.*
- h. *Quality of work life.*

# VII. Motivation Theories



- *McGregor's Theory X - Y*
- *Fear and Punishment Theory*
- *Alderfer's ERG Theory*
- *MacClelland's Theory of learned needs*
- *Herzberg's Hygiene Maintenance Theory*
- *Vroom's Expectancy/ Valency Theory*

# A. McGregor's Theory X - Y



The concept of Theory X and Theory Y managers was first developed by Douglas McGregor. He was able to show that Theory Y managers are better able to create employee engagement.

## **Theory X workers:**

- *Don't like working*
- *Do as little as they can get away with*
- *Don't like things to change*
- *Need to be told what to do*
- *Can't be trusted to make a decision*
- *Are only interested in MONEY*
- *Must be closely watched*
- *Can't be trusted or relied upon*



## Theory Y workers:

- *Enjoy their work*
- *Will work hard to get rewards*
- *Want to see new things happening*
- *Will work independently*
- *Can be trusted to make decisions*
- *Are motivated by things other than money*
- *Can work unsupervised*

# B. Fear and Punishment Theory



**Deterrence** is a theory from behavioral psychology about preventing or controlling actions or behavior through fear of punishment or retribution.

This theory of criminology is shaping the criminal justice system of the United States and various other countries.

*Deterrence can be divided into two separate categories.*

**General deterrence** manifests itself in policy whereby examples are made of deviants. The individual actor is not the focus of the attempt at behavioral change, but rather receives punishment in public view in order to deter other individuals from deviance in the future.

For example, in the Islamic Crime & Punishment system (Hoodoo), applied 1400 years ago, the punishment for crimes was performed in public, and was aimed at general social deterrence.

# B. Fear and Punishment Theory



**Specific deterrence** focuses on the individual deviant and attempts to correct his or her behavior.

Punishment is meant to discourage the individual from recidivating.

At the military level, the principle is expressed in **deterrence theory**. There is some debate over whether deterrence is achieved through the higher probability of arrest and conviction, and/or, severity of punishment, or denunciation, and whether it is aimed at others or the offender themselves or both.

# C. Alderfer's ERG theory



*Clayton Alderfer's ERG (Existence, Relatedness, Growth) theory is built upon Maslow's hierarchy of needs theory. To begin his theory, Alderfer collapses Maslow's five levels of needs into three categories.*

**Existence needs** are desires for physiological and material well-being. (In terms of Maslow's model, existence needs include physiological and safety needs)

**Relatedness needs** are desires for satisfying interpersonal relationships. (In terms of Maslow's model, relatedness corresponds to social needs)

**Growth needs** are desires for continued psychological growth and development. (In terms of Maslow's model, growth needs include esteem and self-realization needs)

# C. Alderfer's ERG theory



*After lower level needs satisfied, person seeks higher needs.  
When unable to satisfy higher needs, lower needs motivation is raised.*

Need Level	Description	Examples
Growth	Self-development, creative work	Worker continually improves skills
Relatedness	Interpersonal relations, feelings	Good relations, feedback
Existence	Food, water, shelter	Basic pay level to buy items

# D. McClelland's Theory of learned needs



*David McClelland's acquired needs theory recognizes that everyone prioritizes needs differently.*

*He also believes that individuals are not born with these needs, but that they are actually learned through life experiences. McClelland identifies three specific needs:*

- **Need for achievement** is the drive to excel.
- **Need for power** is the desire to cause others to behave in a way that they would not have behaved otherwise.

# D. McClelland's Theory of learned needs



**Need for affiliation** is the desire for friendly, close interpersonal relationships and conflict avoidance.

McClelland associates each need with a distinct set of work preferences, and managers can help tailor the environment to meet these needs.

*High achievers differentiate themselves from others by their desires to do things better. These individuals are strongly motivated by job situations with personal responsibility, feedback, and an intermediate degree of risk. In addition, high achievers often exhibit the following behaviors.*

# E. Herzberg's Hygiene Maintenance Theory



Herzberg showed that satisfaction and dissatisfaction at work almost always arose from different factors

According to Herzberg, Man has two sets of needs:

As an animal to avoid pain



As a human being to grow psychologically



# E. Herzberg's Hygiene Maintenance Theory



*Focuses on outcomes that can lead to high motivation, job satisfaction, & those that can prevent dissatisfaction.*

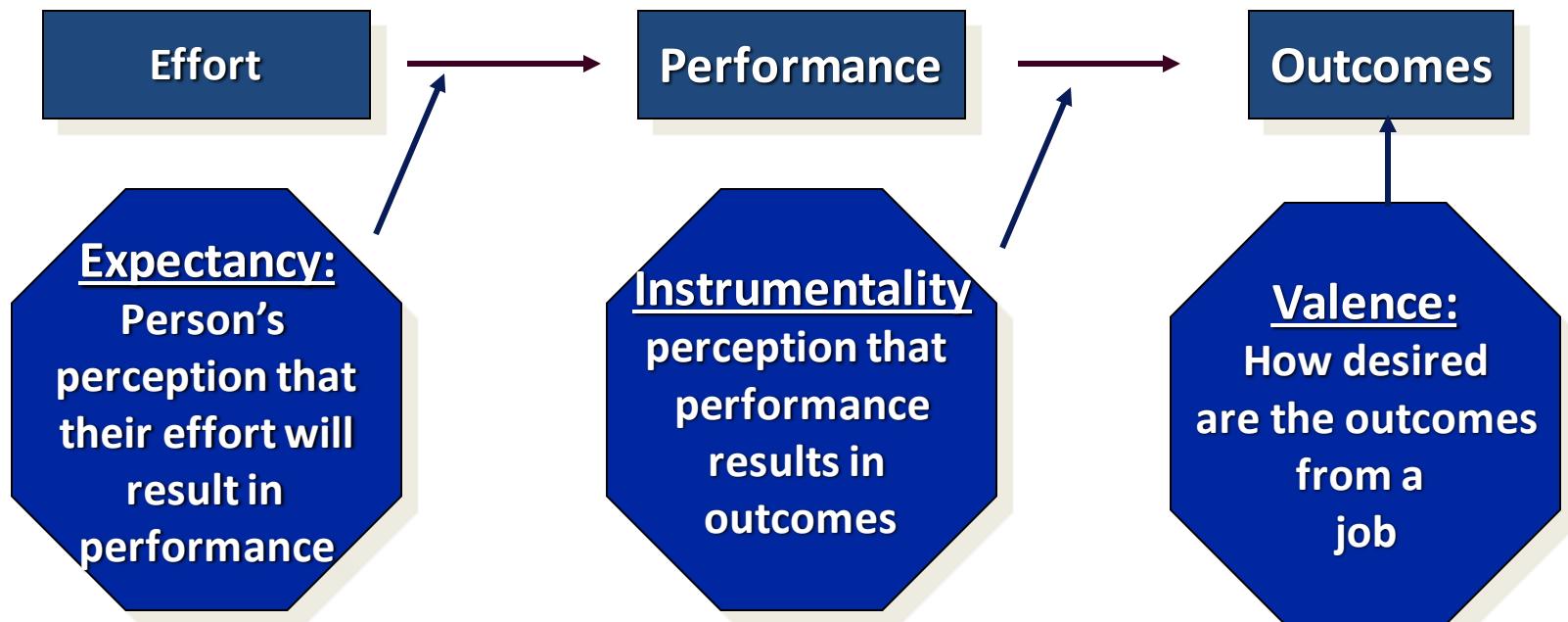
- **Motivator needs:** related to nature of the work and how challenging it is.
  - *Outcomes are autonomy, responsibility, interesting work.*
- **Hygiene needs:** relate to the physical & psychological context of the work.
  - *Refers to a good work environment, pay, job security.*
  - *When hygiene needs not met, workers are dissatisfied. Note: when met, they will NOT lead to higher motivation, just will prevent low motivation.*

# F. Vroom's Expectancy/ Valency Theory



Developed by Victor Vroom and is a very popular theory of work motivation.

- Vroom suggests that motivation will be high when workers feel:
  - High levels of effort lead to high performance.
  - High performance will lead to the attainment of desire outcomes.
- Consists of three areas:
  - ***Expectancy, Instrumentality, & Valence.***



# F. Vroom's Expectancy/ Valency Theory

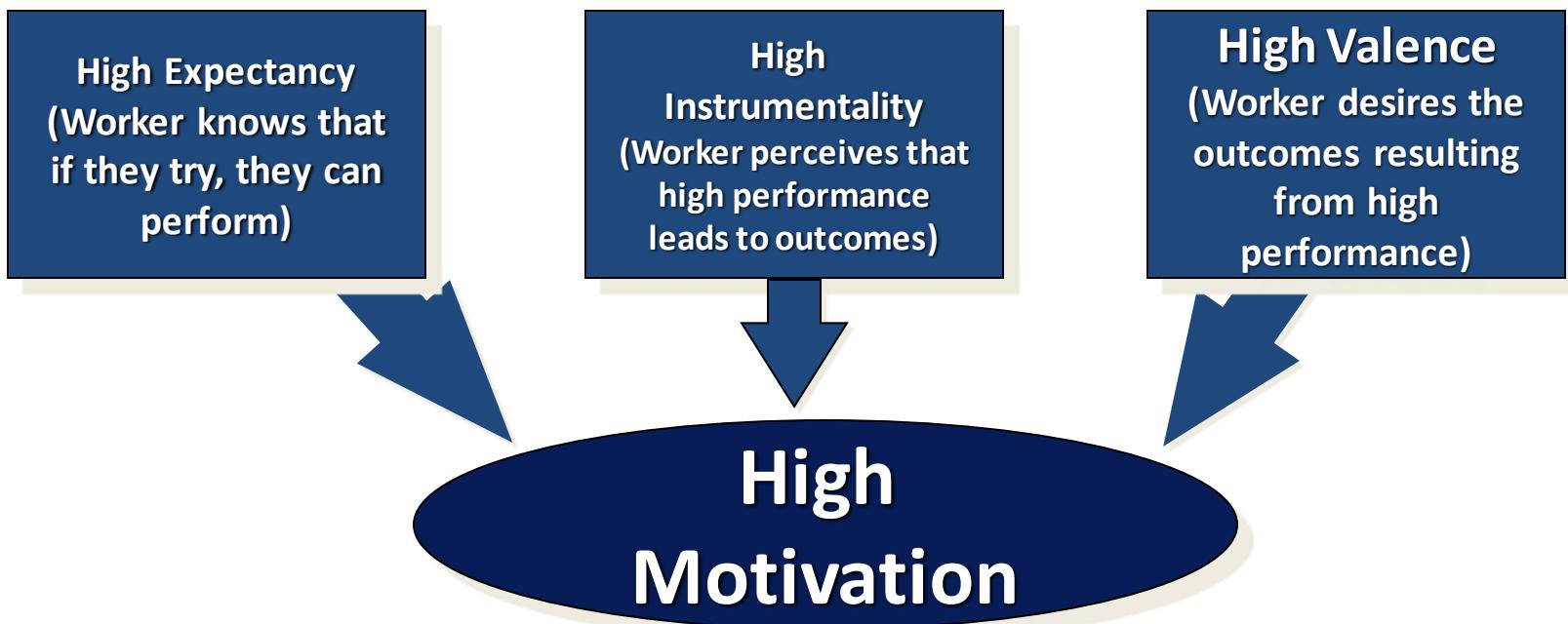


- **Expectancy** is the perception that effort (input) will result in a level of performance.
  - You will work hard if it leads to high performance.
    - *You would be less willing to work hard if you knew that the best you would get on a paper was a D regardless of how hard you tried.*
    - **Instrumentality:** Performance leads to outcomes.
  - Workers are only motivated if they think performance leads to an outcome.
    - *Managers should link performance to outcomes.*
- **Valence:** How desirable each outcome is to a person.
  - *Managers should determine the outcomes workers want most.*

# F. Vroom's Expectancy/ Valency Theory



- According to the Expectancy Theory, high motivation results from high levels of Expectancy, Instrumentality, & Valence.
  - If just one value is low, motivation will be low.
  - This means that even if desired outcomes are closely link to performance, the worker must feel the task is possible to achieve for high motivation to result.
  - Managers need to consider this relationship to build a high performance firm.





**IT TAKES**

**4 WEEKS**

FOR YOU TO SEE YOUR BODY CHANGING

**IT TAKES**

**8 WEEKS**

FOR YOUR FRIENDS AND FAMILY

**IT TAKES**

**12 WEEKS**

FOR THE REST OF THE WORLD

**KEEP GOING**

THENEWNEWYOU.TUMBLR.COM

**THANK YOU!!!**

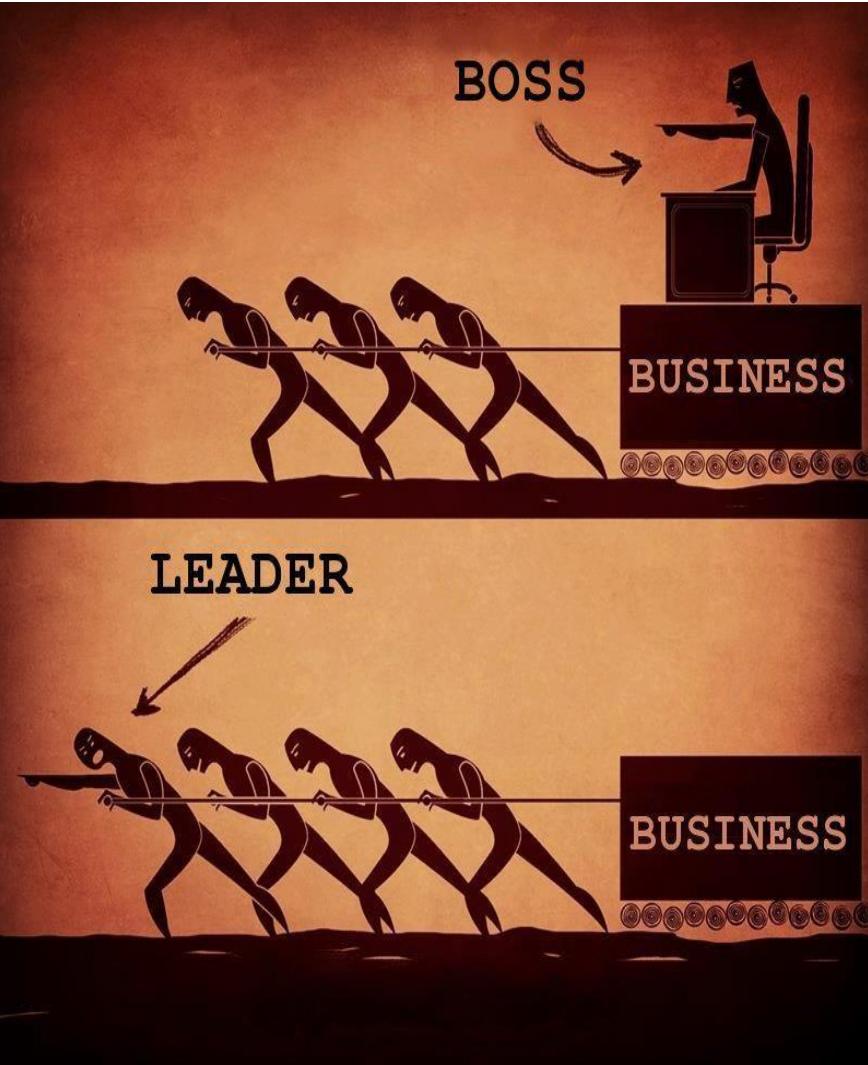




## 2. Leadership – course outline



- *Qualities of a good Leader*
- *Leadership Style*
- *Blakes and Mouton's Managerial Grid*
- *Leadership Approach*
- *Leadership Theories*



## 2. Leadership



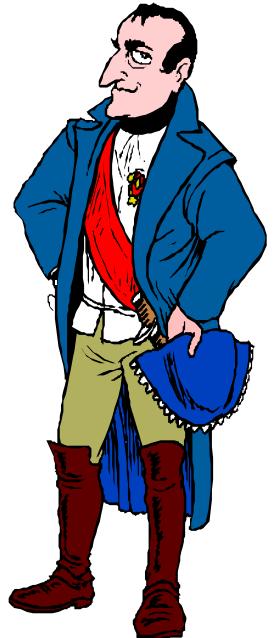
# What is leadership?

Leading people

Influencing people

Commanding people

Guiding people



## 2. Leadership



### Types of Leaders

- *Leader by the position achieved*
- *Leader by personality, charisma*
- *Leader by moral example*
- *Leader by power held*
- *Intellectual leader*
- *Leader because of ability to accomplish things*

# 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*

# Managers vs. Leaders



## Common Activities

- *Planning*
- *Organizing*
- *Directing*
- Controlling*



## Planning

### Manager

- *Planning*
- *Budgeting*
- *Sets targets*
- *Establishes detailed steps*
- *Allocates resources*



### Leader

- *Devises strategy*
- *Sets direction*
- *Creates vision*



## Organizing

### Manager

- *Creates structure*
- *Job descriptions*
- *Staffing*
- *Hierarchy*
- *Delegates*
- *Training*

### Leader

- *Gets people on board for strategy*
- *Communication*
- *Networks*

## Directing Work

### Manager

- *Solves problems*
- *Negotiates*
- *Brings to consensus*

### Leader

- *Empowers people*
- *Cheerleader*





## Controlling

### Manager

- *Implements control systems*
- *Performance measures*
- *Identifies variances*
- *Fixes variances*

### Leader

- *Motivate*
- *Inspire*
- *Gives sense of accomplishment*

# I. Qualities of Good Leader



**Guiding vision:** Effective leaders know what they want to do, and have the strength of character to pursue their objectives in the face of opposition and in spite of failures. The effective leader establishes achievable goals.

**Passion:** Effective leaders believe passionately in their goals. They have a positive outlook on who they are, and they love what they do. Their passion for life is a guiding star for others to follow, because they radiate promise!

**Integrity:** Because they know who they are, effective leaders are also aware of their weaknesses. They only make promises they can follow through on.

# I. Qualities of Good Leader



**Honesty:** Leaders convey an aura of honesty in both their professional and their personal lives.

**Trust:** Effective leaders earn the trust of their followers and act on behalf of their followers.

**Curiosity:** Leaders are learners. They wonder about every aspect of their charge. They find out what they need to know in order to pursue their goals.

**Risk:** Effective leaders take calculated risks when necessary to achieve their objectives. If a mistake is made, the effective leader will learn from the mistake and use it as an opportunity to explore other avenues.

# I. Qualities of Good Leader



**Dedication:** The effective leader is dedicated to his or her charge, and will work assiduously on behalf of those following. The leader gives himself or herself entirely to the task when it is necessary.

**Charisma:** This may be the one attribute that is the most difficult to cultivate. It conveys maturity, respect for your followers, compassion, a fine sense of humor, and a love of humanity. The result is that leaders have the capability to motivate people to excel.

**Listening:** Leaders Listen! This is the most important attribute of all, listen to your followers.

## II. Leadership Style



- **Autocratic**

- *A leadership style where the leader makes all decisions independently or without consulting with others.*
- *Thinks that he is only the competent and capable individual.*
- *When decision must be made & acted on quickly and without questions*
- **Advantages:** good in certain circumstances, such as urgent tasks or military actions
- **Disadvantages:** poor decisions, poor level of employee motivation

## II. Leadership Style



- **Democratic**

- *A leadership style where a leader encourages employee participation in decision-making*
- *Co-operation in attainment of goals.*
- *Delegate as much responsibility as their experience & knowledge will permit.*
- *Takes all the decisions and accepts full responsibility.*
- *persuasive or consultative*
- **Advantages:** better decisions, employee motivation
- **Disadvantages:** delayed decision, long consultation

## II. Leadership Style



- **Laissez-faire**

- *A leadership style where employees are encouraged to make their own decisions within limits.*
- *Expects his sub-ordinates to assume responsibility for their own motivation guidance and control.*
- *Discipline and control are not enforced.*
- *Managers give employees almost total authority in all matters.*
- **Advantages:** more freedom for employees
- **Disadvantages:** few guidelines, little incentive, poor motivation, maybe a mess

## II. Leadership Style



## II. Leadership Style



### Factors affecting leadership styles

- *The task*
- *The tradition of an organization*
- *The type of labor force*
- *The leader's personality*
- *The time*
- *Gender?*

### III. Blakes and Mouton's Managerial Grid



*A popular framework for thinking about a leader's 'task versus person' orientation was developed by Robert Blake and Jane Mouton in the early 1960s. Called the Managerial Grid, or Leadership Grid, it plots the degree of task-centeredness versus person-centeredness and identifies five combinations as distinct leadership styles.*

Understanding the Model The Managerial Grid is based on two behavioral dimensions:

**Concern for People** – This is the degree to which a leader considers the needs of team members, their interests, and areas of personal development when deciding how best to accomplish a task.

### III. Blakes and Mouton's Managerial Grid



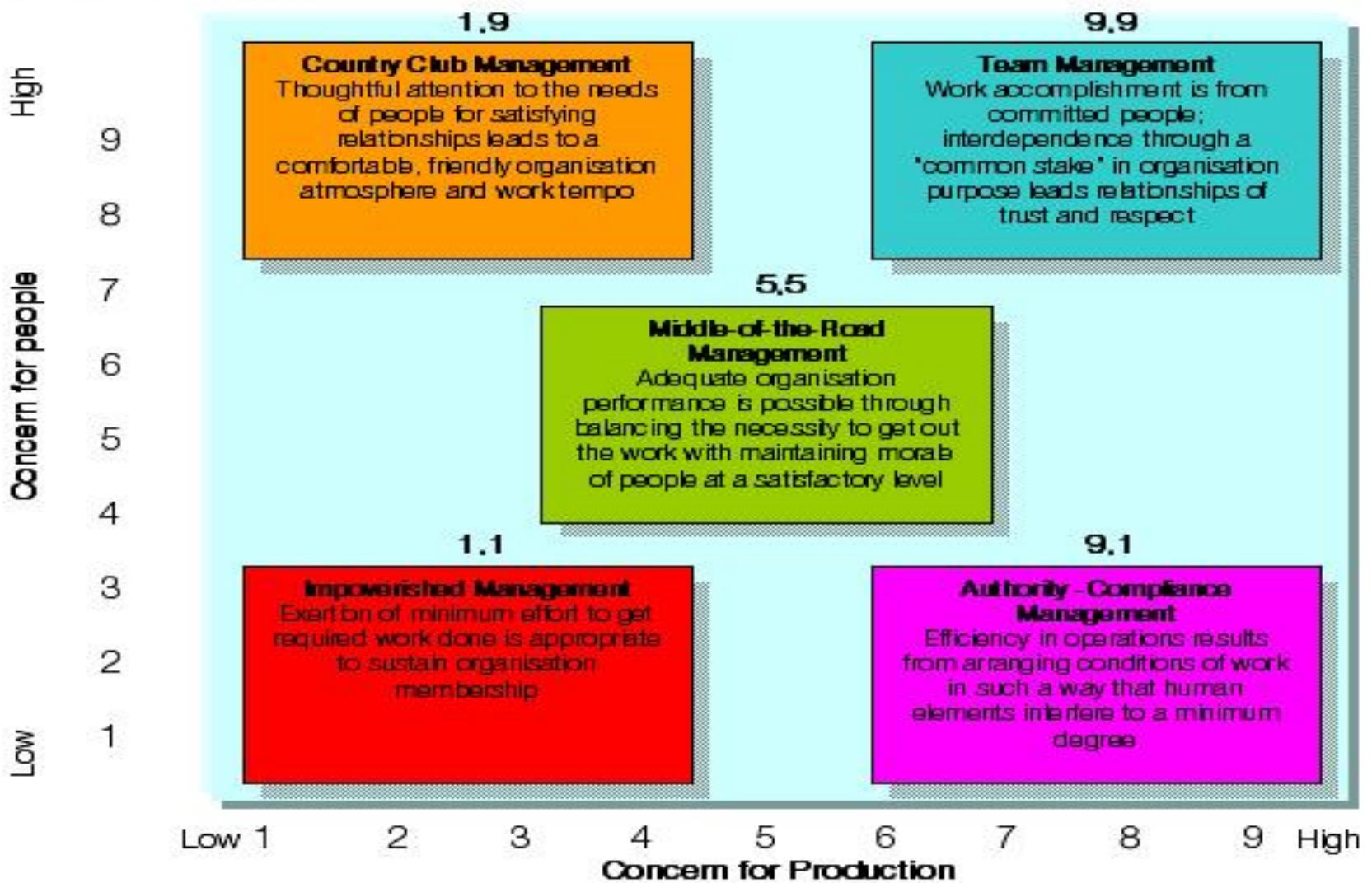
**Concern for Production** – This is the degree to which a leader emphasizes concrete objectives, organizational efficiency and high productivity when deciding how best to accomplish a task.

*Using the axis to plot leadership ‘concerns for production’ versus ‘concerns for people’, Blake and Mouton defined the following five leadership styles:*

### III. Blakes and Mouton's Managerial Grid



The Leadership Grid



# IV. Leadership Approach



## 1. Trait-oriented approach:

- *Leaders are born not made.*
- *Maximum intelligent, better educated, stronger power needs, independent activities, intense thought and some risks, high self actualization.*
- *Hard working, self confident.*

## 2. Situational approach:

- *Specific and always relative to particular situation.*
- *Leadership is a function of situation, the culture, the context and the customs of a group or an organization.*

## 3. Functional approach:

- *It considers both individual and situation.*
- *They most resolve the task problems.*

# V. Leadership Theories



**1. "Great Man" Theories:** Have you ever heard someone described as "born to lead?" According to this point of view, great leaders are simply born with the necessary internal characteristics such as charisma, confidence, intelligence, and social skills that make them natural-born leaders. Great man theories assume that the capacity for leadership is inherent – that great leaders are born, not made. These theories often portray great leaders as heroic, mythic and destined to rise to leadership when needed. The term "Great Man" was used because, at the time, leadership was thought of primarily as a male quality, especially in terms of military leadership.

**2. Trait Theories:** Similar in some ways to Great Man theories, trait theories assume that people inherit certain qualities and traits that make them better suited to leadership. Trait theories often identify particular personality or behavioral characteristics shared by leaders. For example, traits like extraversion, self-confidence, and courage are all traits that could potentially be linked to great leaders.

# V. Leadership Theories



**3. Contingency Theories:** Contingency theories of leadership focus on particular variables related to the environment that might determine which particular style of leadership is best suited for the situation. According to this theory, no leadership style is best in all situations. Success depends upon a number of variables, including the leadership style, qualities of the followers and aspects of the situation.

**4. Situational Theories:** Situational theories propose that leaders choose the best course of action based upon situational variables. Different styles of leadership may be more appropriate for certain types of decision-making. For example, in a situation where the leader is the most knowledgeable and experienced member of a group, an authoritarian style might be most appropriate. In other instances where group members are skilled experts, a democratic style would be more effective.

# V. Leadership Theories



**5. Behavioral Theories:** Behavioral theories of leadership are based upon the belief that great leaders are made, not born. Consider it the flip-side of the Great Man theories. Rooted in behaviorism, this leadership theory focuses on the actions of leaders not on mental qualities or internal states. According to this theory, people can *learn* to become leaders through teaching and observation.

**6. Participative Theories:** Participative leadership theories suggest that the ideal leadership style is one that takes the input of others into account. These leaders encourage participation and contributions from group members and help group members feel more relevant and committed to the decision-making process. In participative theories, however, the leader retains the right to allow the input of others.

# V. Leadership Theories



7. **Management Theories:** Management theories, also known as transactional theories, focus on the role of supervision, organization and group performance. These theories base leadership on a system of rewards and punishments. Managerial theories are often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished.
  
8. **Relationship Theories:** Relationship theories, also known as transformational theories, focus upon the connections formed between leaders and followers. Transformational leaders motivate and inspire people by helping group members see the importance and higher good of the task. These leaders are focused on the performance of group members, but also want each person to fulfill his or her potential. Leaders with this style often have high ethical and moral standards.

Remember the difference  
between a  
boss and a leader;  
a boss says "Go!"  
a leader says "Let's go!"

–E.M. Kelly

[FBStatusUpdates.com](http://FBStatusUpdates.com)

**THANK YOU!!!**





# Entrepreneurship – course outline



- *Entrepreneurship Development*
- *Entrepreneurial Characteristics*
- *Need for Promotion of Entrepreneurship*
- *Steps for establishing small scale unit*



*Don't find fault,  
find a remedy.*

Henry Ford

QuotesHDWallpapers.com

# 1. Entrepreneurship



Dr. D.C. McClelland, a noted psychologist from Howard University in U.S.A., after extensive research has proved that the economic development of any nation does not depend much upon availability of natural resources and other such inputs but solely depends upon the inner desire and entrepreneurial inspiration of the people.

Such inspired entrepreneurs utilize the resources and become instrumental to economic growth of the nation.

# 1. Entrepreneurship



The term entrepreneur is derived from French word originally meant for to designate an organizer of musical or other entertainments. But, in the beginning of the 18<sup>th</sup> century the word was used to refer to business. There are many views in the concept of entrepreneur.

*'Entrepreneurs are business leaders and not simple owners of capital. They are men of vision, drive and talent, who spot out opportunities and promptly grasp them for exploration.'*

Schumpeter

-

# 1. Entrepreneurship



**Entrepreneurship is the function of**

1. *Seeing investment and production opportunity.*
2. *Organizing an enterprise.*
3. *Raising capital.*
4. *Hiring labor.*
5. *Arranging raw materials.*
6. *Selecting top managers and executives for the day to day operation of the enterprise.*

# I. Entrepreneurship development



The myth that entrepreneurs are born and not made no longer holds good. It has been proved that entrepreneurial characteristics can be developed through well-structured Entrepreneurial Development Programs (EDPs). The task of developing entrepreneurship comprises of:

1. *Identify and carefully select those who could be developed as entrepreneurs.*
2. *Develop their entrepreneurial capabilities.*
3. *Ensure that they have selected viable industrial project.*
4. *Equip them with basic administrative, financial and managerial capabilities; and*
5. *Help them to secure necessary financial and other infrastructural assistance.*

## II. Entrepreneurial Characteristics



1. *Administrative capability.*
2. *Creativity.*
3. *Self-confidence.*
4. *Human relations ability.*
5. *Foresight.*
6. *Clarity (clear objectives).*
7. *Communication ability.*
8. *Technical knowledge.*
9. *Secrecy.*
10. *Optimistic attitude.*
11. *Decision making.*
12. *Willingness to take risk.*

## II. Entrepreneurial Characteristics



### Factors influencing entrepreneurship

1. Components of creativity.
  - a. *High need for achievement.*
  - b. *Need for independence.*
  - c. *Need for power.*
  - d. *Family background.*
2. Originality (creativity and innovative spirit).
3. Flexibility.
4. Fluency.
5. Sensitivity to problems and problem redefinition ability etc.

### III. Need for Promotion of Entrepreneurship



Entrepreneurship promotes business i.e., small scale industries. The small scale industries play a dynamic role in accelerating the rate of industrial growth and economic prosperity of the developing nation.

**The small scale industries has played a significant role in achieving the following objectives.**

1. *Employment generation.*
2. *To meet increased demand.*
3. *More equitable distribution of national income.*
4. *Balanced economic development.*
5. *Decentralization.*
6. *Better utilization of resources.*
7. *Self employment etc.*

# IV. Steps for establishing small scale unit



**Small scale industries have a large contribution in the growth of an economy.**

*If we take example of India, the fastest growing economy in the world, the small scale ventures have gained a huge success quotient. Not only these enterprises produce export quality goods, they have also created thousands of job opportunities as well. Another advantage of small scale enterprises is that they are easy to set up and can fulfill one's dream to become an entrepreneur.*

**However, there are some important steps that you must follow to set up a small scale industrial unit. Learn about them from the following discussion.**

First of all, you need to prepare the description for the small scale industry you want to set up. **You have to decide whether you wish to have a corporation, proprietorship or partnership.**

## IV. Steps for establishing small scale unit



Next, **you need to describe the product you wish to manufacture or the service you wish to offer.** While choosing the product or service you want to offer, you must conduct a good market research and learn about the prevailing competition in the market.

The next step is to **choose a location to set up your small scale industry.** Make sure you consider things like availability of raw materials, labor, transportation services and other such things while choosing the location.

The next big step is to **arrange for finance.** If you don't have enough finance, the best way is to borrow a loan. You may learn about financial aid offered by the government of your state or country. However, you must simultaneously plan on how you would repay the loan in future.

## IV. Steps for establishing small scale unit



**Production management is the next step**, once you are able to start your small scale industry. This includes allocating space for different operations and choosing your production methods. Make sure that you follow the practices for quality testing and keep on improving. You have to purchase required machinery and hire employees and workers for different departments.

**Marketing and business advertising** form the next big step of setting up a small scale industry. Online **business directories** and various traditional forms of advertising can be used to gain exposure for your business. You have to decide prices for your products or services, keeping in mind the profit margin.

*Planning in advance is a useful aspect of setting up a small scale venture. Keep on assessing and improving your plan at every stage. All these steps are the integral parts of the process to start up a small scale unit*



***THANK YOU!!!***



# Chapter 4

# CASE STUDIES

**KHEM GYANWALI**

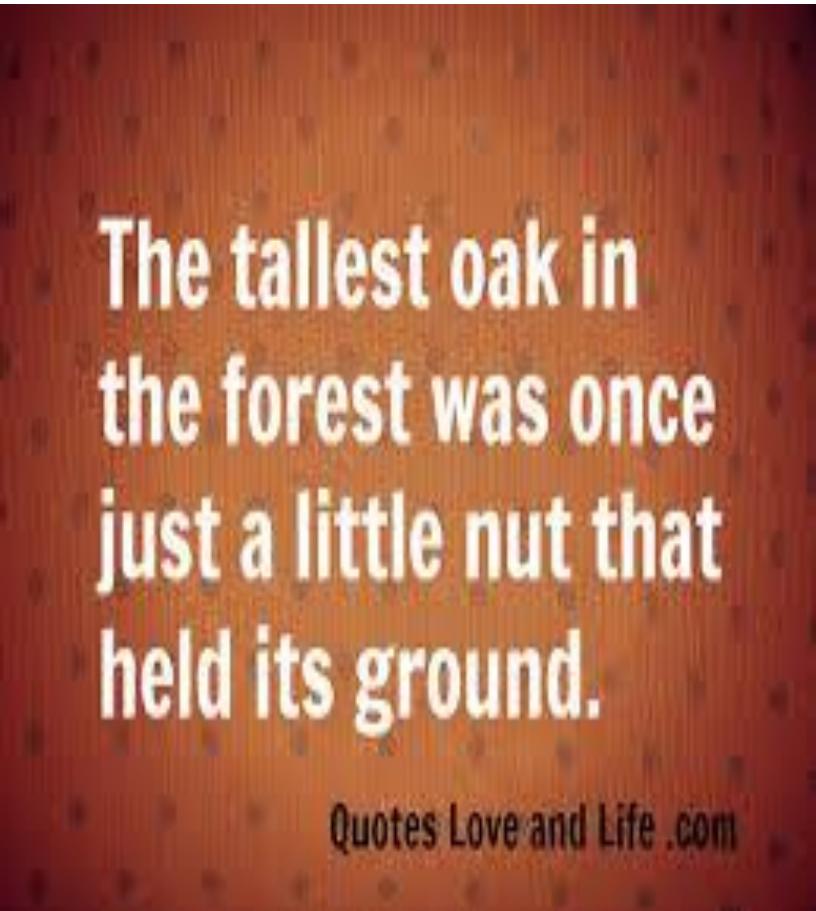
**Lecturer**

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# Case studies – course outline



- ❖ Introduction
- ❖ Objectives of case study
- ❖ Phases of case study
- ❖ Steps of case study
- ❖ Types of case studies



# 1. Introduction



*The **case study** techniques is based on the belief that the trainee can be kept attain managerial understanding & competence through the study, and discussion of actual situations.*

A case study has a different meaning depending on how it is used.

To some people, it will mean same as a legal case; to the research, a case may be appear as a vehicle for testing hypothesis.

# 1. Introduction



We are concerned with the form of case study most suited to our objective in management education.

*This form of case study will present the student with an authentic management problem. It will present reports, facts and even opinions, **but will not evaluate.***

*The aim is to train the student in analysis & decision-making. This aim is ensured by facing the student with a whole series of case situations.*

## 2. Objectives of case study



Case study method accomplishes several objectives of management development programs.

- i. *It distributes knowledge and facts.*
- ii. *It improves participant's skill in problem analysis, communication and decision-making.*
- iii. *It affects attitude formation and student think that nothing is absolutely 'right' or 'wrong' in the field of human behavior.*

### 3. Phases of case study



A case study has five phases.

**First phase:** The first phase is for each member of the group to study the details. Two major questions are:

- a. *What is happening or has happened? and*
- b. *What additional data are essential for classification?*

**Second phase:** *This phase consists of collection of additional facts.* Group members can ask for more details from the discussion leader. When items are collected they need to be organized with particular reference to their applicability to decision-making.

### 3. Phases of case study



**Third phase:** *The group as a whole must consider what the problem is for the organization & what the corrective way is to phrase the critical questions at this stage.* (however, in quite a few cases, questions are provided).

**Fourth phase:** Each member of the group write down his own answers to the questions.

*“How would I handle the incident?”*

*“How would I support my decision?”*

### 3. Phases of case study



If there have been different decisions, smaller groups of people who have taken the same view should be formed. Their task is to present the strongest argument possible to support their joint decision.

- Decisions are discussed.

***Fifth phase: The final phase is to try to learn from the case as a whole. E.g. “How could more have been achieved ?”***

# 4. Steps of case study



- 1. State the problem:** After reading the case thoroughly and after studying the problems at the end of the case, write a statement of the problems – what is the case about, what is there to be done, what action has to be taken, or what questions have to be answered?
- 2. Collection and analysis of data:** In order to analyze & evaluate effectively the data presented in the case, the data must be analyzed and arranged in a systematic manner.

## 4. Steps of case study



**3. Formulate tentative solutions:** It is better to develop the habit of regarding initial conditions as tentative. There are several tentative solutions available. All should be given due consideration.

**4. Select a recommended solution:** From the list of tentative solutions, a single solution has to be selected. The final solution should offer the best answer to the problem as stated, based upon the given data.

## 4. Steps of case study



**5. Preparing written reports:** Results of the case should be presented in a written form.

**6. Checklist:** Following is the criteria to judge whether you are going in a right direction:

- *What is achieved by the solution ?*
- *What difficulties have to overcome to achieve the objective?*
- *What limitations are there in the situations? (eg. Time, money, equipment, manpower etc.)*
- *What is the best alternative?*

# 5. Types of case studies



Under the more generalized category of case study exist several subdivisions, each of which is custom selected for use depending upon the goals and/or objectives of the investigator. These types of case study include the following:

- **Illustrative Case Studies:** These are primarily descriptive studies. They typically utilize one or two instances of an event to show what a situation is like. Illustrative case studies serve primarily to make the unfamiliar familiar and to give readers a common language about the topic in question.
- **Exploratory (or pilot) Case Studies:** These are condensed case studies performed before implementing a large scale investigation. Their basic function is to help identify questions and select types of measurement prior to the main investigation. The primary pitfall of this type of study is that initial findings may seem convincing enough to be released prematurely as conclusions.

# 5. Types of case studies



- **Cumulative Case Studies:** These serve to aggregate information from several sites collected at different times. The idea behind these studies is the collection of past studies will allow for greater generalization without additional cost or time being expended on new, possibly repetitive studies.
- **Critical Instance Case Studies:** These examine one or more sites for either the purpose of examining a situation of unique interest with little to no interest in generalizability, or to call into question or challenge a highly generalized or universal assertion. This method is useful for answering cause and effect questions.

# Case report writing methodology



## 1. **Organizational background:**

- Organizational goals and objectives.
- Formulation of organization.
- Organizational structure.
- Social needs & value.
- Historical relation.
- Financial position.

## 2. **Case study report**

- Identification of problem.
- Developing the hypothesis.
- Preparing case research design.
- Collection and analysis of data.
- Generalization & interpretation of problems.
- Conclusions and Recommendations.

# Case study relevant titles



1. *Acknowledgement.*
2. *Organization (history, objectives, input, process, output)*
3. *Organization structure (organization chart).*
4. *Forms of ownership.*
5. *Personnel policies.*
6. *Manpower planning.*
7. *Recruitment and selection of manpower.*
8. *Training and development of manpower.*
9. *Job evaluation.*
10. *Merit Rating*

# Case study relevant titles



- 11. Wages and incentives.*
- 12. Motivation.*
- 13. Marketing.*
- 14. Leadership.*
- 15. Management information system.*
- 16. Drawbacks.*
- 17. Suggestions and recommendations.*
- 18. Conclusions.*
- 19. References.*



***THANK YOU!!!***









# Chapter 5

# MANAGEMENT INFORMATION

# SYSTEM

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# Management Information System – course outline



- Data and Information
- Need, function and Importance of MIS
- Evolution of MIS
- Organizational Structure and MIS
- Computers and MIS
- Classification of Information Systems
- Information Support for functional areas of management
- Organizing Information Systems



# Management Information System



**Management:** *The direction of enterprises toward the achievement of a predetermined objectives. It is carried out by managers.*

**Information:** *An aggregate of facts so organized as to provide knowledge. It is an output obtained by processing data as input.*

**System:** *An assembly of procedure, processes, methods or techniques united by some form of regulated interaction to form an organized whole.*

**Management Information System (MIS)** can be defined as "*a system of obtaining, abstracting, storing and analyzing data (new facts) to produce information for use in planning, controlling, and decision making by yielding information for managers, at the time they can most effectively use it*".

# 1. Data and Information



## Data:

- *Un interpreted raw statement of facts.*
- *Group of non-random symbols (works, valves, figures) which represent things that have happened .*
- *Obtained by research or observation.*
- Eg. Payroll, bank statement etc.

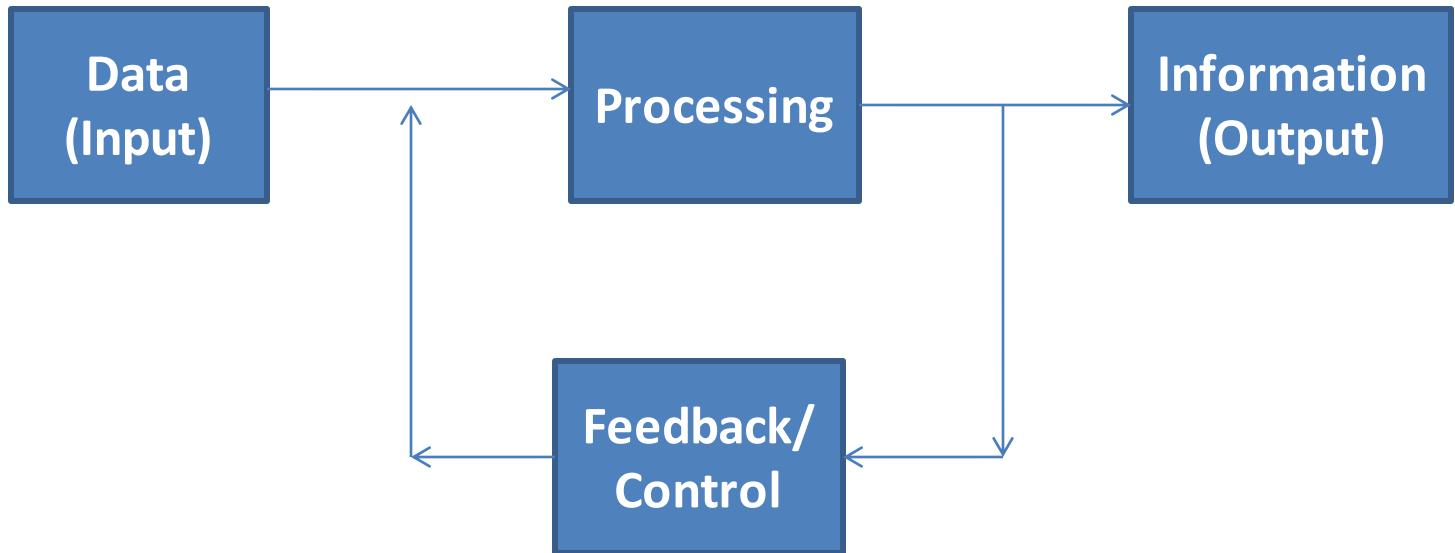
## Information:

- *Aggregate of facts so organized as to provide the desired knowledge.*
- *Data that have been interpreted and understand by the recipient of the message.*
- *Can have different meaning to different people.*

# 1. Data and Information



## Difference between Data & Information



# 1. Data and Information



## Qualities of Good Information

1. *Accuracy*
2. *Timeliness*
3. *Completeness*
4. *Conciseness*
5. *Relevancy*
6. *Frequency*
7. *Understandable*

## 2. Need, Function and Importance of MIS



### Needs:

**Production managers:** *production costs, labor costs, machine costs, overhead costs.*

**Marketing managers:** *new product development, new product sales trend, selling costs, market research.*

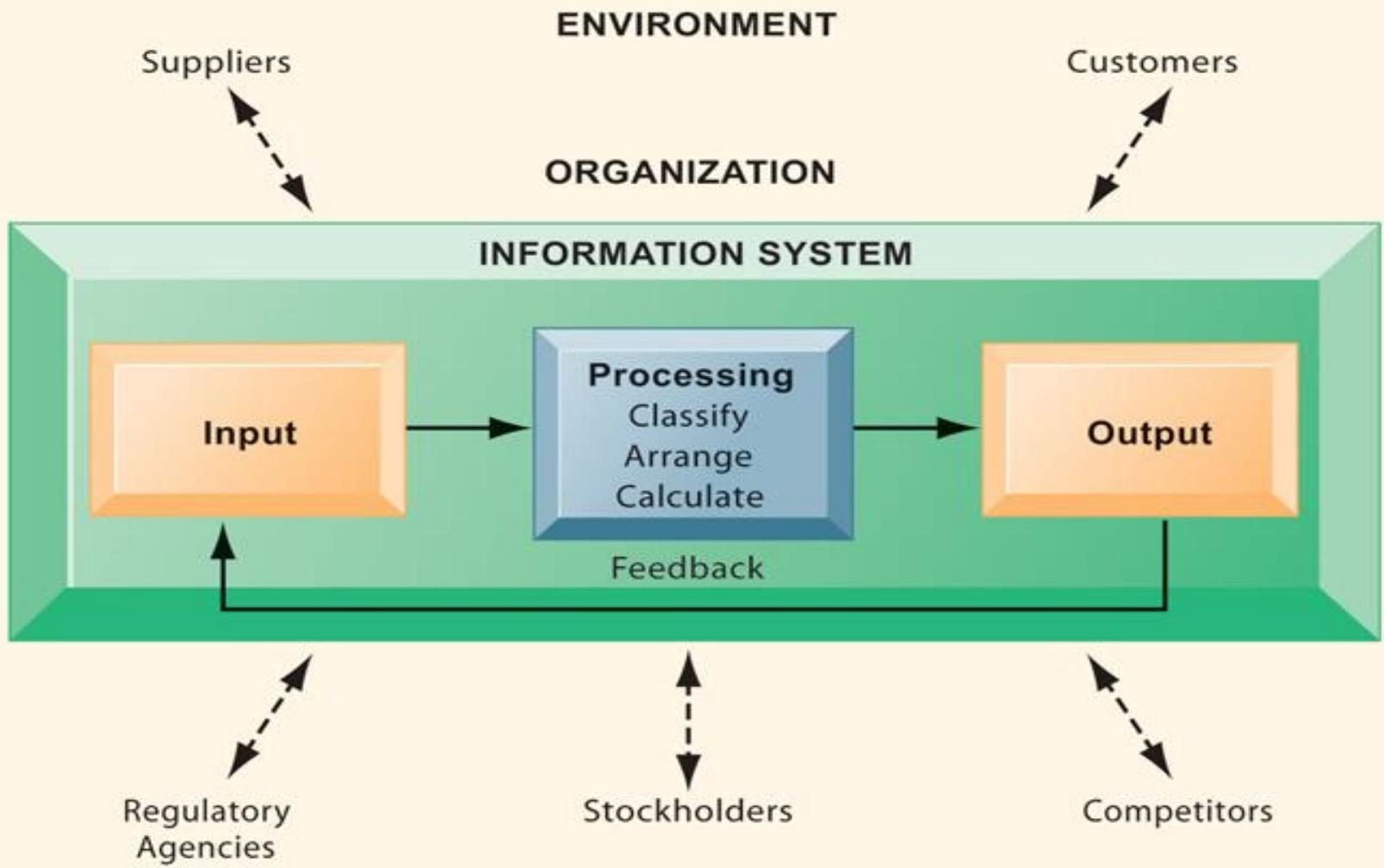
**Personnel managers:** *work forces turnover, absenteeism, employ skill level, labor markets, wage level.*



### Functions:

- 1. Determination of information needs.** (*How much? How, when and by whom? What?*)
- 2. Evaluation.** (*How much confidence?*)
- 3. Abstraction.** (*Editing and reducing incoming information*)
- 4. Dissemination.** (*Getting the right information to the right manager at the right time*)

## 2. Need, Function and Importance of MIS



## 2. Need, Function and Importance of MIS



### **Importance:**

1. *Provides relevant information available in the right form at the right time.*
2. *Bring the new facts to the knowledge of the management.*
3. *Supply the desired information at a reasonable cost.*
4. *Keep the information up to date.*
5. *Store the important and confidential information properly for utilizing it for decision-making whenever required.*
6. *Focus on those decisions where benefit/cost ratio is attractive.*
7. *Supply reliable and logical data.*
8. *Provide data for carrying out the major management functions.*

### 3. Evolution of MIS



- **Digital computers 1959,**
- **Electronic data processing (EDP)**
  - Focus on record keeping
  - Card punching machine
- **Computer languages**
- **Personal computers**
  - Direct end user involvement
  - Steady performance
  - User friendly and graphical user interface.
- **Design support system (DSS)**
  - Operation research
- **Executive information system (EIS)**

# 4. Organizational Structure and MIS



The nature of organizations determines their activities, the information support they need, and the type of information systems they use

- *profit-making business versus not-for-profit organizations exist*
- *manufacture goods versus services are delivered*
- *can be located in one place or in several places, some are global or multinational organizations*

MIS has been described as a pyramidal structure, with four levels of information resources. The levels of information would depend upon the organizational structure.

## 4. Organizational Structure and MIS



*The **top level** supports strategic planning and policy making at the highest level of management.*

*The **second level** of information resources aid tactical planning and decision making for management control.*

*The **third level** supports day-to-day operations and control.*

*The **bottom level** consists of information for transaction processing.*

## 4. Organizational Structure and MIS



It then follows that since decision making is specific to hierarchical levels in an organization, the information requirements at each level vary accordingly.

**Thus, MIS as a support system draws upon:**

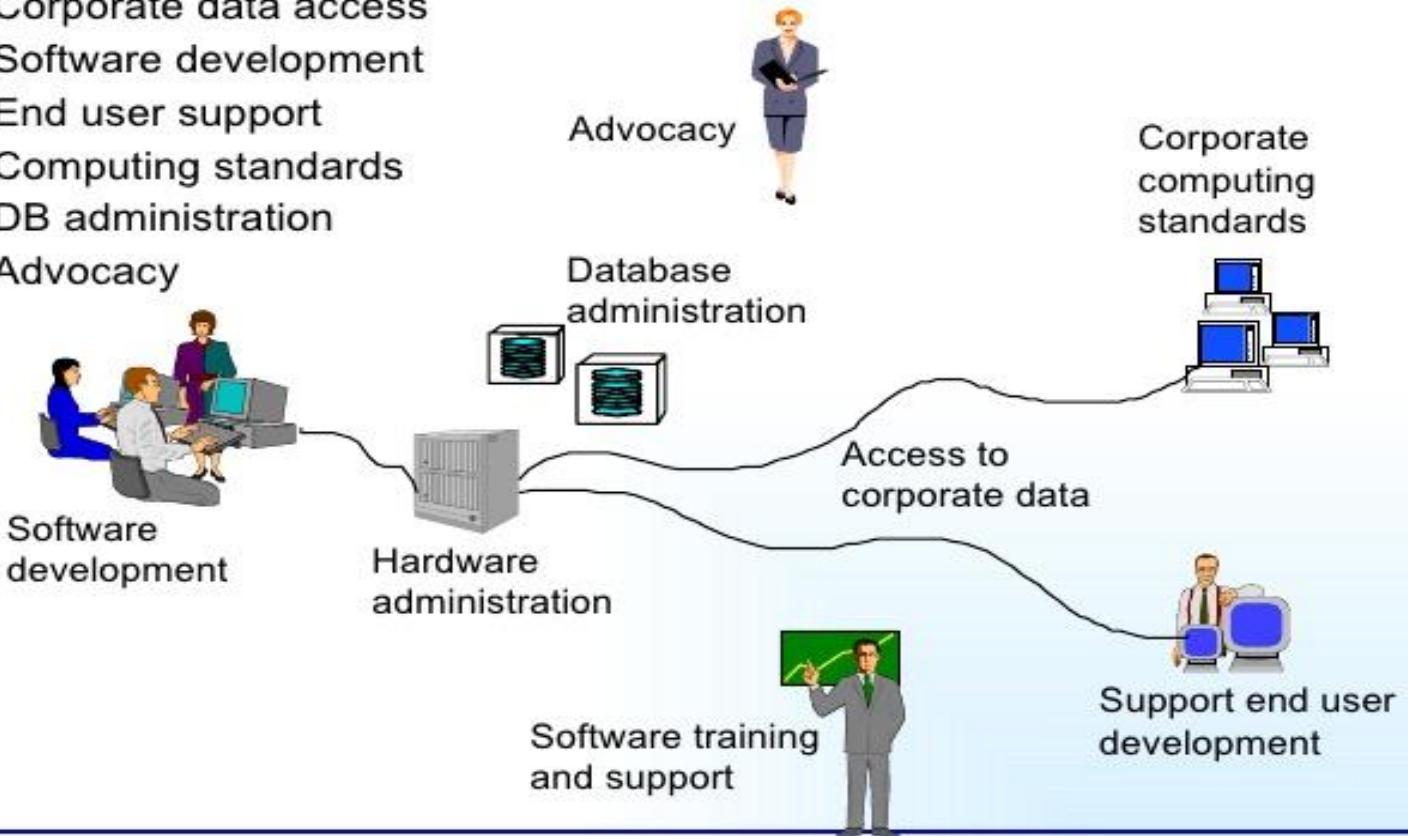
- *concepts of organization;*
- *organizational theories, principles, structure, behavior and processes such as communication, power and decision making; and*
- *motivation and leadership behavior.*

# 4. Organizational Structure and MIS



- Hardware administration
- Software support
- Corporate data access
- Software development
- End user support
- Computing standards
- DB administration
- Advocacy

## MIS Roles



# 5. Computers and MIS



**Computers are means of management information system.**

With the use of computers, MIS will be efficient and effective. But, the mere fact of using a computer does not itself mean that work is done more efficiently.

It is also not necessary that better information is produced. Very often computers are introduced in an attempt to solve technical problem when the real problem is one concerned with management or other things.

It is therefore essential that problems are clearly identified before a computer system is used.

# 5. Computers and MIS



**For clarity, the use of computers will be outlined in two broad categories:**

- 1. The routine processing of day-to-day transactions, known as data processing or transaction processing.*
- 2. The use of computers by the end-users themselves. The end users include managers, accountants, office staff, sales people, executive and others.*

# 5. Computers and MIS



*Both data processing and end-user computing produce management information.*

*The key difference is that data processing systems supply pre determined outputs and reports so there is less flexibility. This means that great care must be taken in analyzing and determining managements real information needs before the system is designed.*

On the other hand with end-user computing there is more flexibility and interaction so that the emphasis becomes one of supporting the end user rather than the production of a specified report.

# 6. Classification of Information Systems



An **information system** is a collection of hardware, software, data, people and procedures that are designed to generate information that supports the day-to-day, short-range, and long-range activities of users in an organization. Information systems generally are classified into four categories:

- **Transaction Processing Systems (TPS)**
- **Management Information Systems (MIS)**
- **Decision-Support Systems (DSS)**
- **Executive Support Systems (ESS)**

# 6. Classification of Information Systems



## Transaction Processing Systems

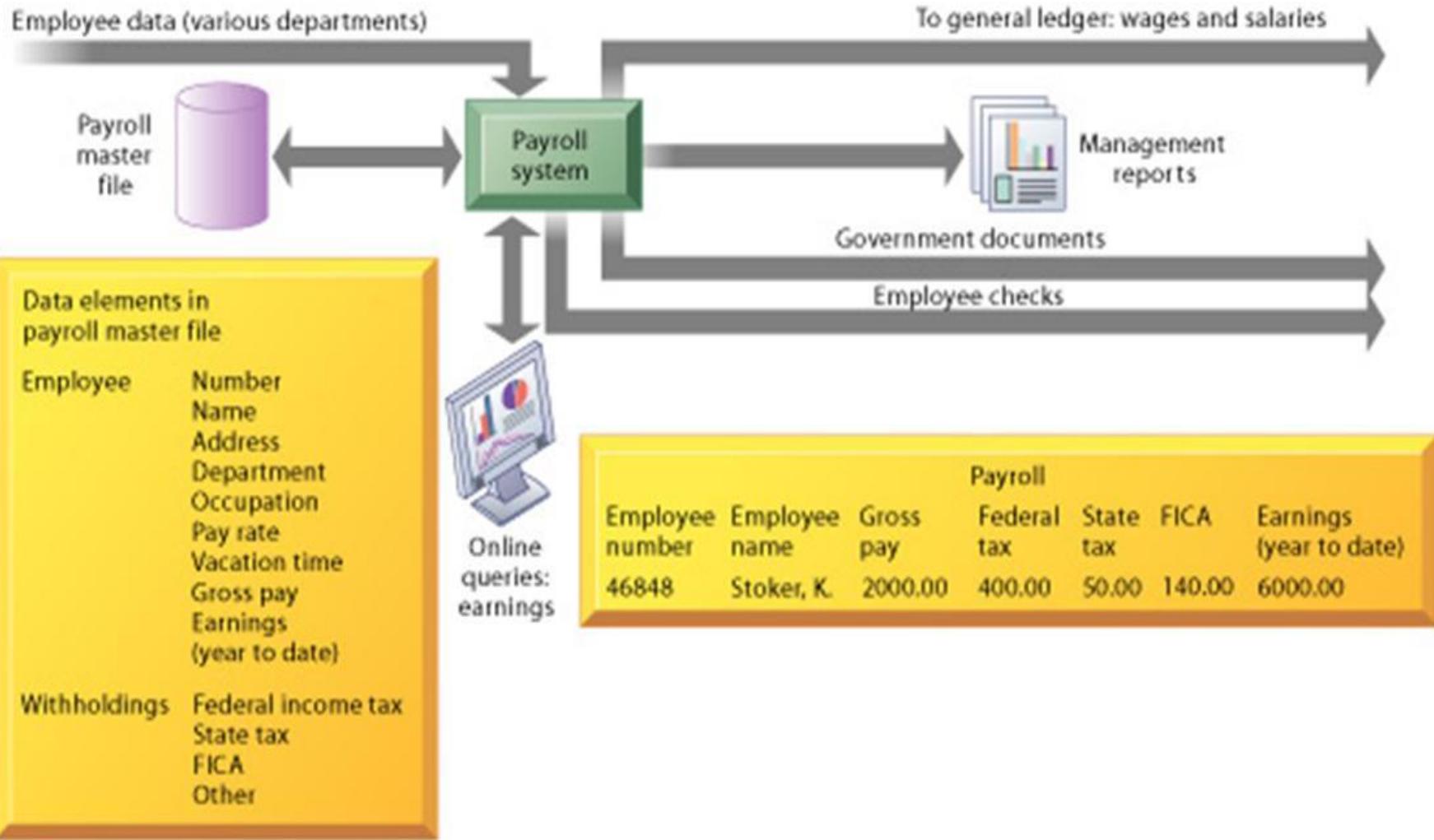
A *transaction processing system (TPS)* is an information system that captures and processes data generated during an organization's day-to-day transactions. A transaction is a business activity such as a deposit, payment, order or reservation.

- Basic business systems that serve the operational level.
- A computerized system that performs and records the daily routine transactions necessary to the conduct of the business.
- Today, most transaction processing systems use online transaction processing. Some routine processing tasks such as calculating paychecks or printing invoices, however, are performed more effectively on a batch basis. For these activities, many organizations still use batch processing techniques.

# 6. Classification of Information Systems



## A Symbolic Representation for a Payroll TPS



# 6. Classification of Information Systems



## Management Information Systems (MIS)

### Management level

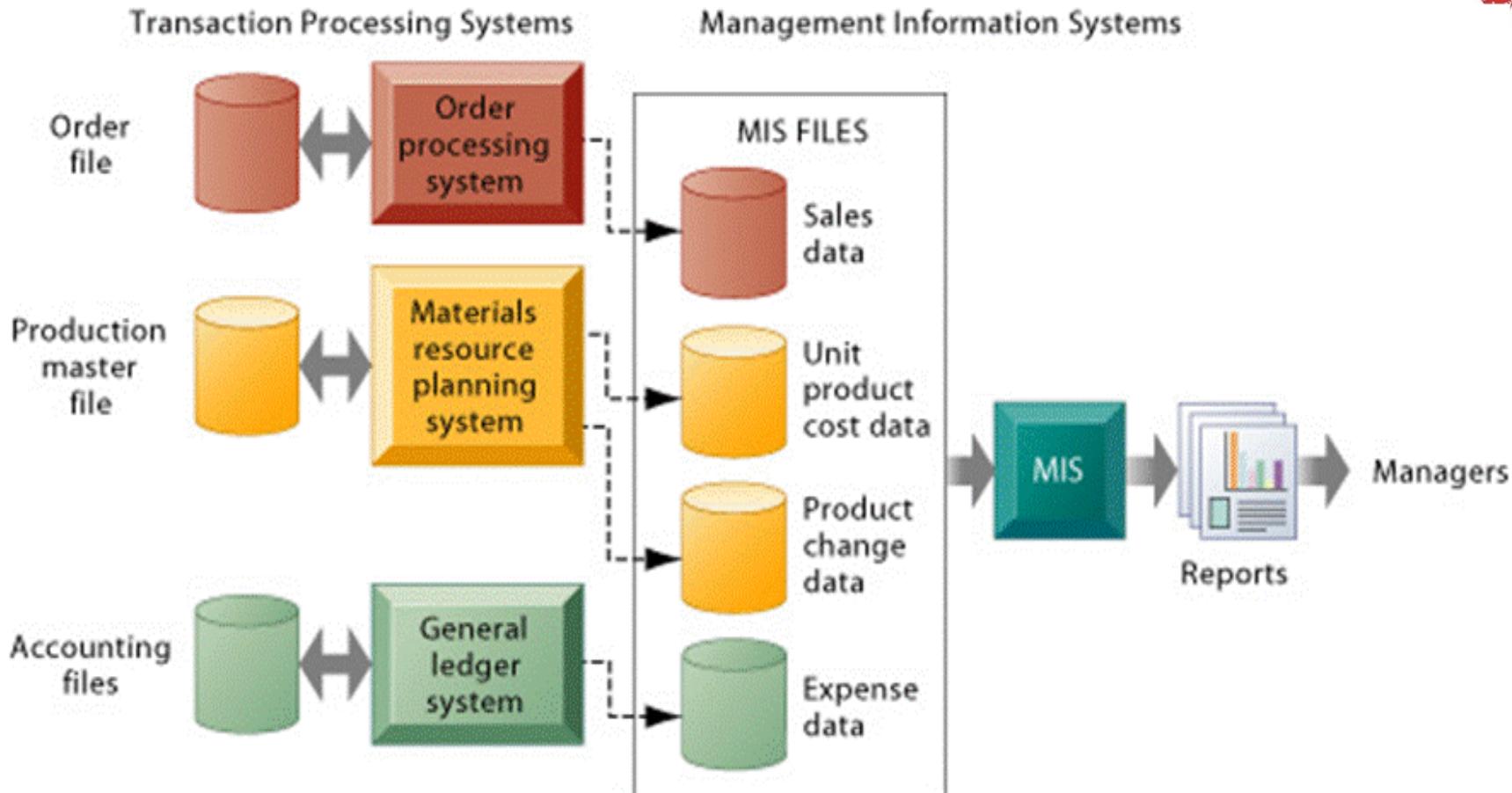
- **Inputs:** High volume transaction level data
- **Processing:** Simple models
- **Outputs:** Summary reports
- **Users:** Middle managers

### Example: Annual budgeting

A **management information system**, or **MIS** (pronounced em-eye-ess), is an information system that generates accurate, timely and organized information so managers and other users can make decisions, solve problems, supervise activities, and track progress. Because it generates reports on a regular basis, a management information system sometimes is called a **management reporting system (MRS)**.

An MIS generates three basic types of information: detailed, summary and exception. **Detailed information** typically confirms transaction processing activities. A Detailed Order Report is an example of a **detail report**. **Summary information** consolidates data into a format that an individual can review quickly and easily. To help synopsize information, a summary report typically contains totals, tables, or graphs. An Inventory Summary Report is an example of a **summary report**.

# 6. Classification of Information Systems



# 6. Classification of Information Systems



## Decision-Support Systems (DSS)

### Management level

- **Inputs:** Transaction level data
- **Processing:** Interactive
- **Outputs:** Decision analysis
- **Users:** Professionals, staff

### Example: Contract cost analysis

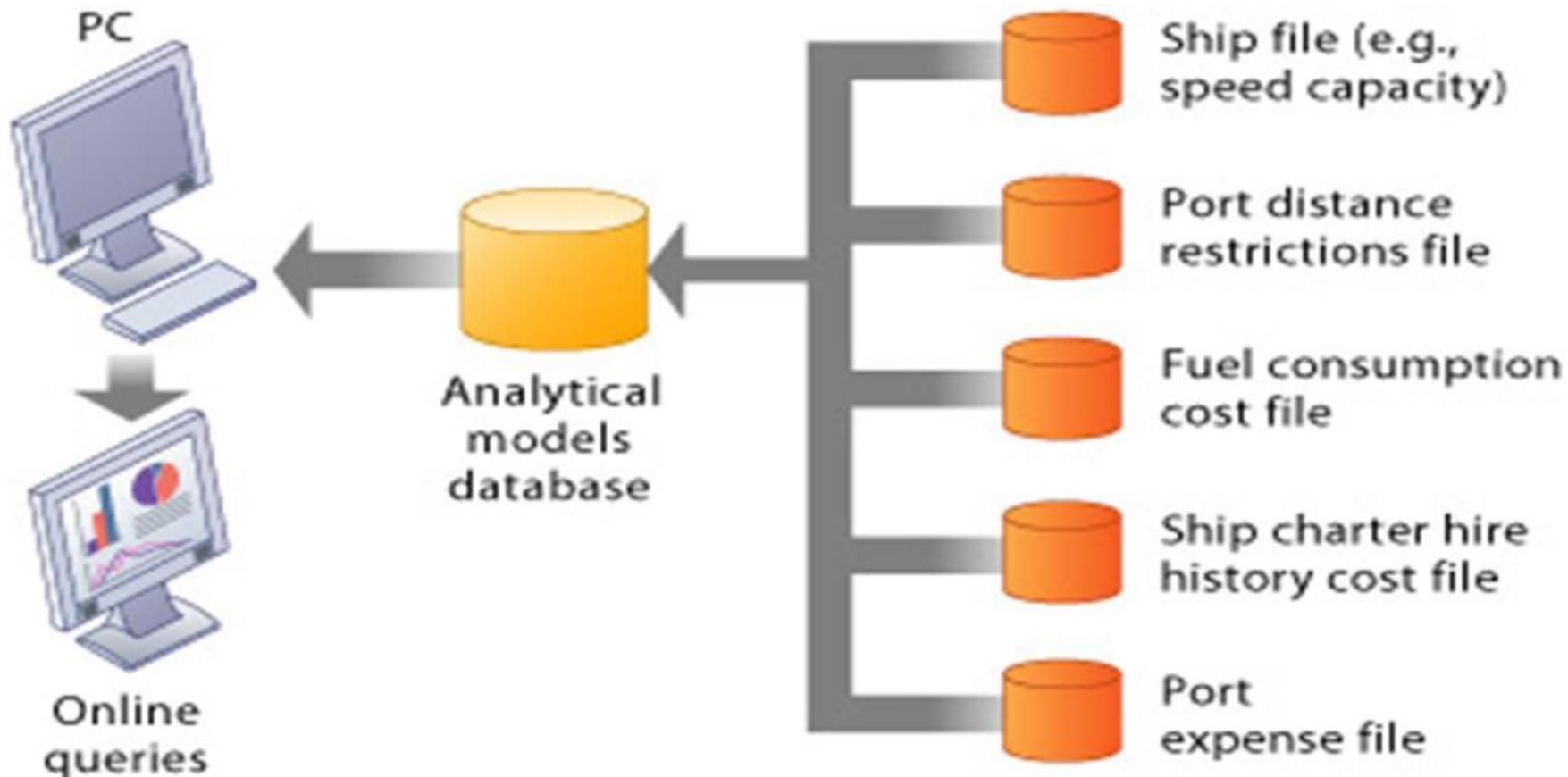
A **decision support system (DSS)** is an information system designed to help users reach a decision when a decision-making situation arises. A variety of DSSs exist to help with a range of decisions. A decision support system uses data from internal and/or external sources.

**Internal sources** of data might include sales, manufacturing, inventory, or financial data from an organization's database. Data from **external sources** could include interest rates, population trends, and costs of new housing construction or raw material pricing. Users of a DSS, often managers, can manipulate the data used in the DSS to help with decisions.

# 6. Classification of Information Systems



## Voyage-estimating decision-support system



# 6. Classification of Information Systems



## EXECUTIVE SUPPORT SYSTEMS (ESS)

### Management level

- **Inputs:** Aggregate data
- **Processing:** Interactive
- **Outputs:** Projections
- **Users:** Senior managers

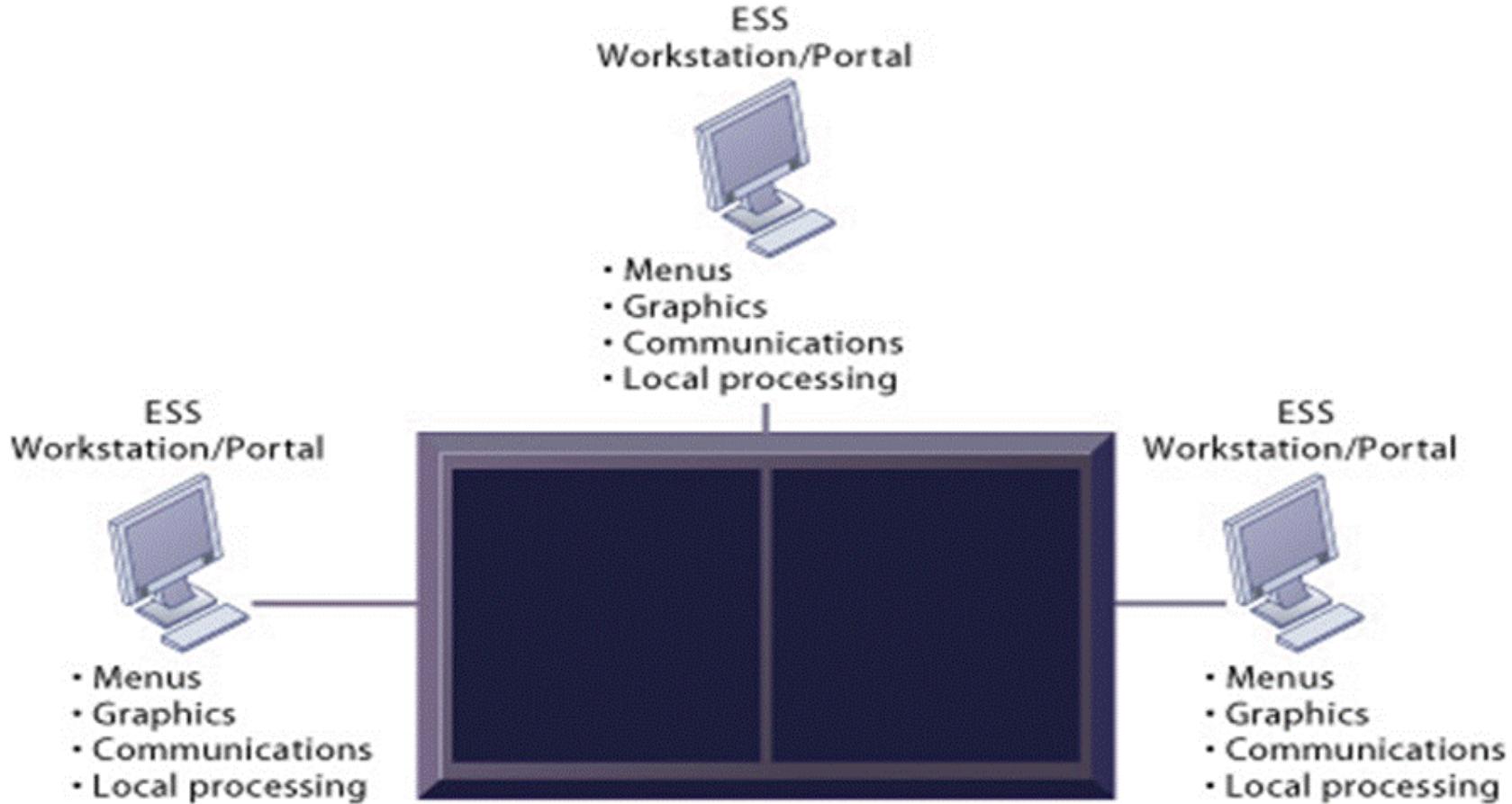
### Example: 5 year operating plan

An **expert system** is an information system that captures and stores the knowledge of human experts and then imitates human reasoning and decision-making processes for those who have less expertise. Expert systems are composed of two main components: a knowledge base and inference rules. A **knowledge base** is the combined subject knowledge and experiences of the human experts. The **inference rules** are a set of logical judgments applied to the knowledge base each time a user describes a situation to the expert system.

# 6. Classification of Information Systems



## Model of a Typical Executive Support System



# 6. Classification of Information Systems



## Integrated Information Systems

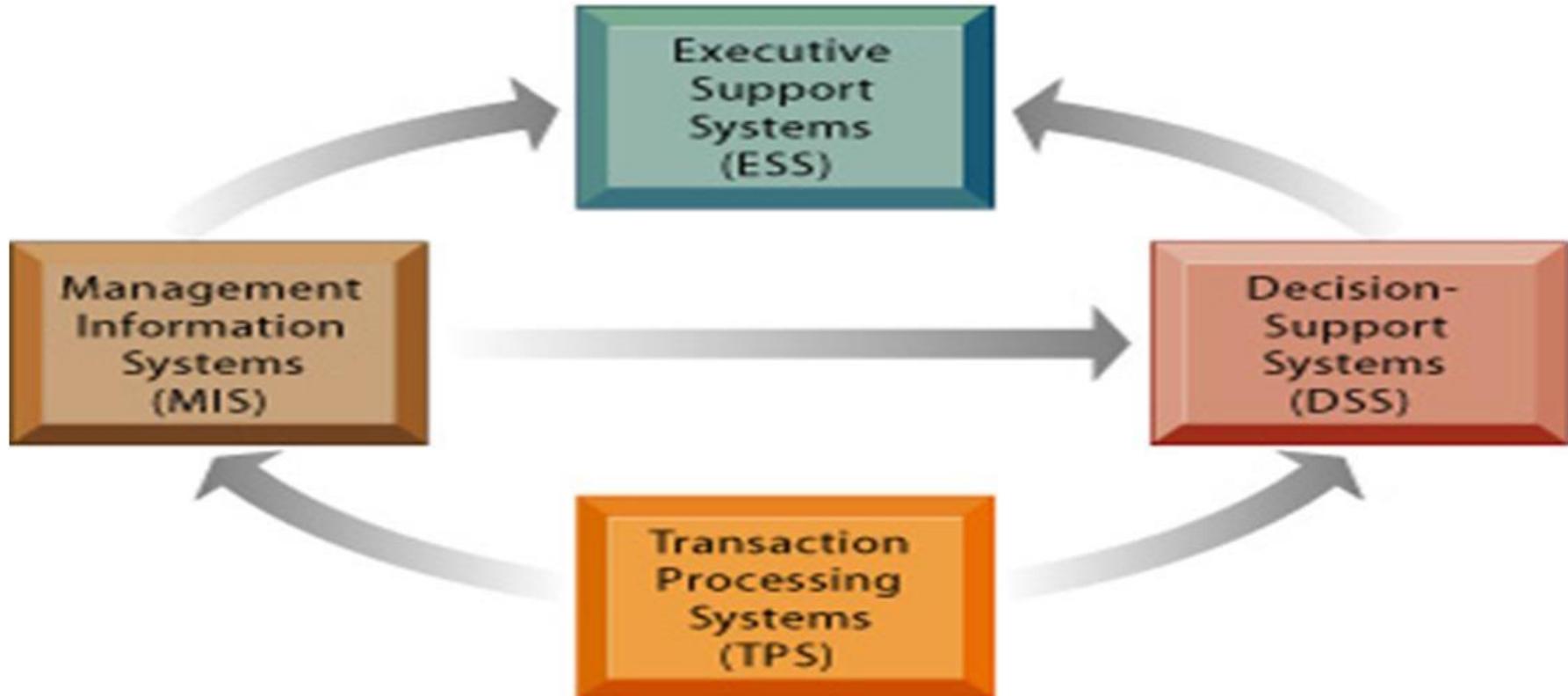
*With today's sophisticated hardware, software and communications technologies, it often is difficult to classify a system as belonging uniquely to one of the five information system types discussed. Much of today's application software supports transaction processing and generates management information.*

Other applications provide transaction processing, management information, and decision support. Although expert systems still operate primarily as separate systems, organizations increasingly are consolidating their information needs into a single, integrated information system.

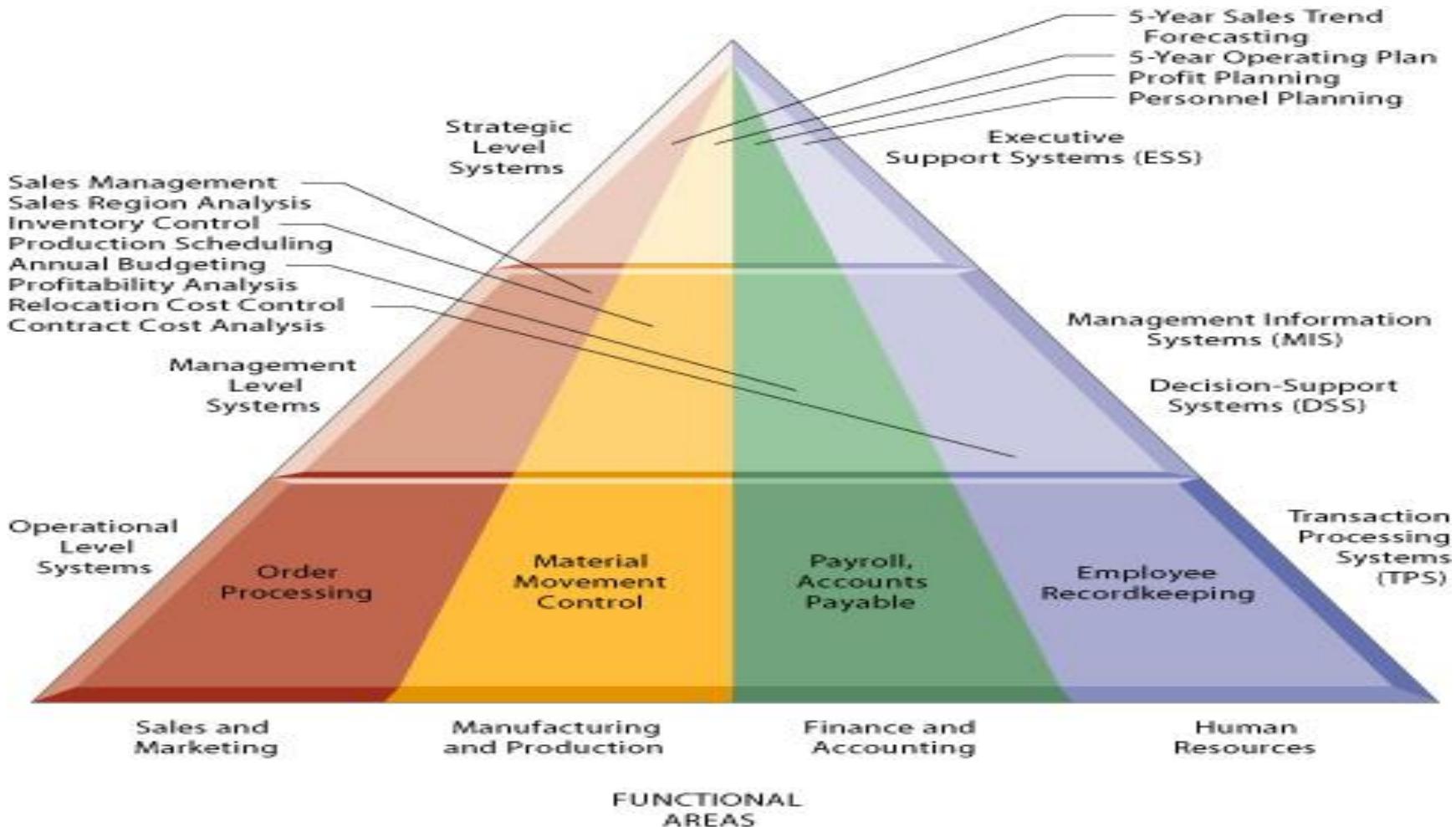
# 6. Classification of Information Systems



## Interrelationships among systems



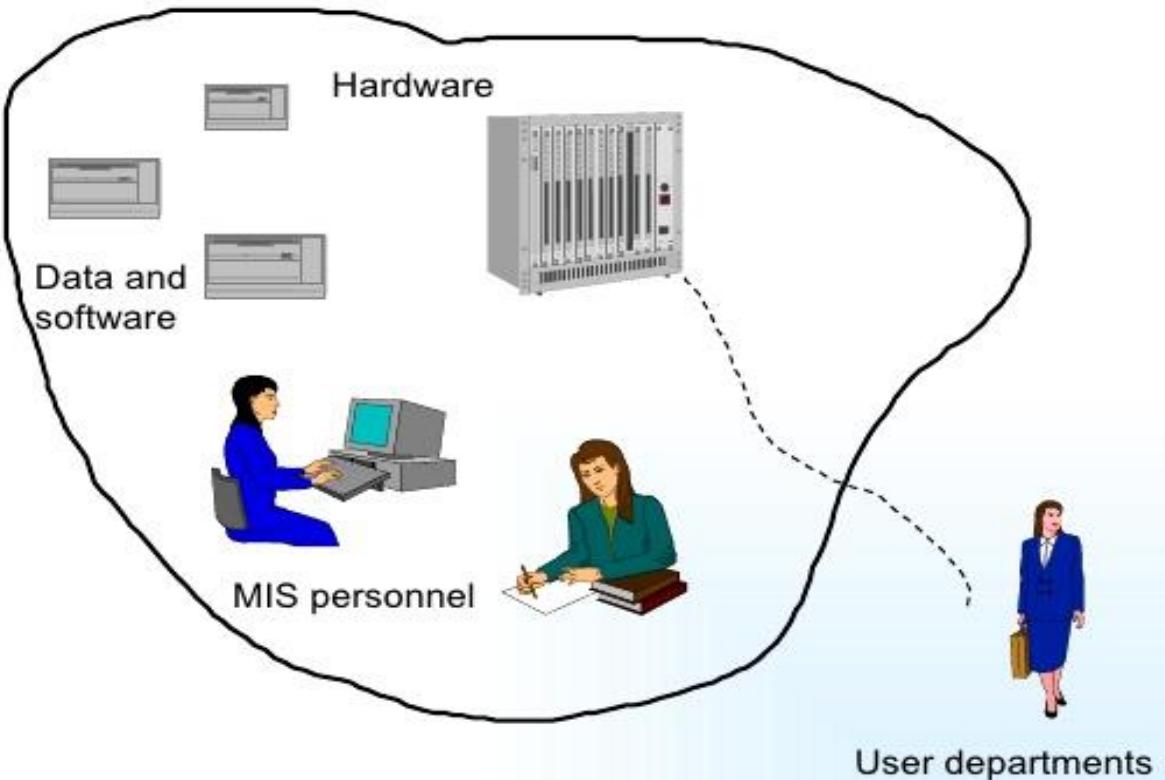
## 7. Information Support for functional areas of management



# 8. Organizing Information Systems



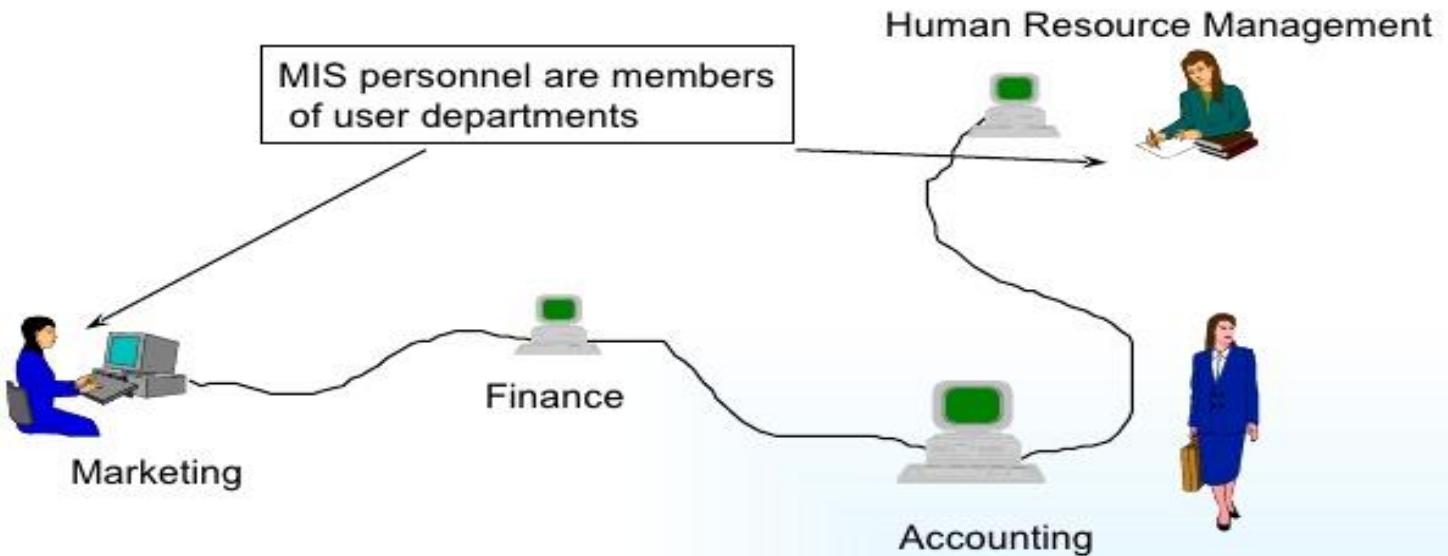
## Complete Centralization

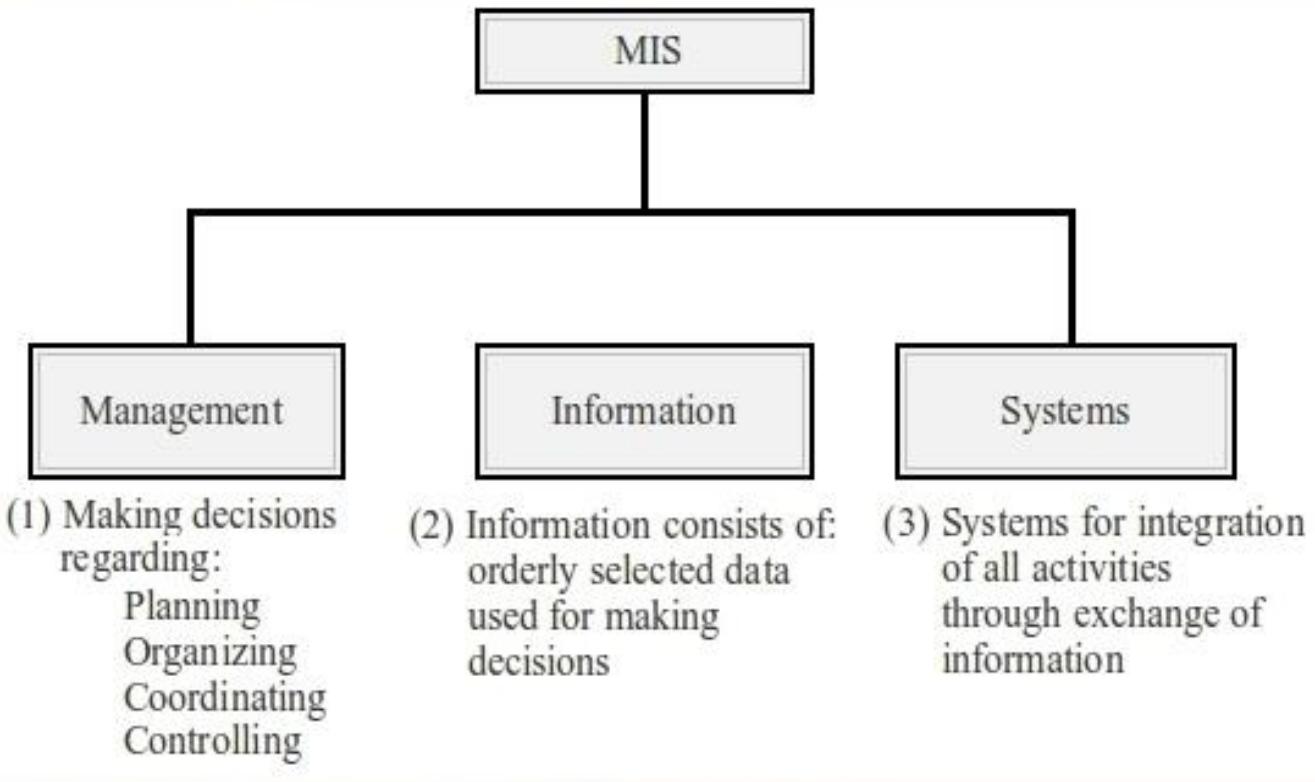


# 8. Organizing Information Systems



*Complete Decentralization*





***THANK YOU!!!***