Course Name : BCA / MCA

Subject Name:

Principles of Management

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Nature

Scope and process of management, historical evolution of management & its foundation.

Different approaches and systems of management,
Types of skills, roles and modern challenges.

Management Planning Process.

Managerial decision
Making

Introduction to Organizing
Organizational Structure and Its Dimensions.

Different Types of Organizational Design and Their Advantages and Disadvantages.

Nature and types of control in organizations.

Introduction to Controlling
Controlling Techniques, Types and its advantages & disadvantages. Control Process and its constituents.

Introduction to Human Resource Management
HRM planning & steps in planning process.

HRM process
Recruitment, selection, Training and development.

Performance Appraisal and issues in human resources

Leadership concept and some leadership theories.

Leadership theories. Leadership Models.

Leadership Development and Motivation.

Motivational theories

INTRODUCTION TO MANAGEMENT AND DEFINITIONS OF MANAGEMENT

Overview of The Lecture

There's no doubt that the world has changed, is changing, and continues to change. The dynamic nature of today's organizations means both rewards and challenges for those individual who will be managing those organizations. Management is a dynamic discipline and a course pack on the subject must undergo significant changes to prepare you to manage under these conditions.

Management is the organizational process that aids us in creating a service or product from the raw materials we have at hand. It is the sum of the input processes that allow us to mold something useful from what otherwise is a disarray of human resources and raw components. The output of this controlled processing creates a valuable product or service, which someone (a customer) is generally willing to pay for. Simply stated, the manager's job is to help all these processes run smoothly, and to address the roadblocks to successful output.

Objective

- Introduction
- Meaning of Management
- Managerial skills and the organization hierarchy
- Nature of management

management is universal in the modern industrial world and there is no substitute for good management. It makes human efforts more productive and brings better technology, products and services to our society. It is a crucial economic resource and a life-giving element in business. Without proper management, the resources of production (men, machines and materials) cannot be converted into production. Thus management is a vital function concerned with all aspects of the working of an organisation. Management is a must to accomplish desired goals through group action. It is essential to convert the disorganized resources of men, machines, materials, and methods into a useful and effective enterprise. Thus management is the function of getting things done through people and directing the efforts of individuals towards a common objective

Meaning Of Management

Management is relatively a new discipline. Being a new discipline, it has drawn concepts and principles from economics, sociology, philosophy, psychology, statistics, and so on. The result is that each group has defined management differently. For example, economists see management as a factor of production; sociologists see it as a class or group of persons; practitioners of management treat it as a process. In spite of no clear unanimity, it is not difficult to identify the following meanings of the term management.

i. Management is an art or technique of getting things done.

ii. Management is a process of planning, organizing, staffing, directing and controlling.,

i. Management is a distinct activity of any organisation.

ii. Management is a discipline, which represents a body of knowledge.

iii. Management denotes a group of people.

Lets start with the basic definition of management

Management is the process of designing and maintaining an environment in which individual working together in groups efficiently accomplish the selected arm.

The following points explain this definition.

1. Management functions: As Manager, person carry out the managerial function of planning, organizing, staffing, leading and controlling

2. Role of Mgmt: Mgmt is an essential for any kind of organization. Manager are charged with the responsibility taking actions that will make it possible for individuals to make their best contribution to the group objective. Mgmt thus applies to small and large organization, to profit and non-profit organization to manufacturing as well as service industry.

i. Small organization – shop (organizer will be owner itself)

Large organization – hierarchy is maintained separate depts. Like HRD, Account Department

ii. Non-profitable society- charitable trust (used for welfare).

iii. Profit making organization – Escorts industry.

iv. Service industry- Banks, life insurance, Courier, Hotel.

v. Manufacturing – Automobile (Escorts), Refrigeration industry (whirlpool).

3. Levels of Management - Management applies to managers at all organizational levels. All managers carry out managerial function. However the time spent for each function may differ.

Planning – Top level more involved lower level less involvement.

Organizing – Little bit higher in top.

Span of control – No. of persons reporting a manager.

Leading – more in top mgmt.

4. Management Concerned: - Management is concerned with productivity i.e. the effectiveness and efficiency. Successful company creates a surplus three productive open. Productivity can be measured as the Output to Input ratios within a time period with due consideration for quality.

O / P

Productivity = $\frac{}{I/P}$ (within time period and considered) Productivity can be improved by

a. By increasing O/P with same I/P.

b. By decreasing I/P but maintaining same O/P.

c. By Increasing O/P and decreasing I/P to change the ratio favorably.

The I/P can be labour, material capital etc. In the past productivity improvement program were mostly aimed at workers level but now it is for the management also.

Managerial skills and the organization hierarchy Technical Skills:
It is the knowledge of and proficiency in activities involving methods, process and procedures. Thus it involves working with tools and specific work. E.g. supervisor should have the ability to teach, how to use the tools for mechanical work.

Human skills: It is the ability to work with the people. It is the creation of an environment in which person feels secure and free to express their opinion.

Conceptual Skills: Ability to recognize the element in a situation and to understand the relationship among the elements.

Design Skills: It is the ability to solve the problem in such a way that it will benefit the organization.

The importance of these skills may differ at various levels in the organization hierarchy.

1. **Lower level management**: - For lower level managers technical skill are of greatest importance, human skills are also helpful in interaction with subordinate but conceptual skills are normally not critical for them.
2. **Middle management**: - For middle management the need for technical skills decreases, human skills are still essential and the conceptual skills gain in importance.
3. **Top management**: - For top management conceptual and human skills are very valuable but there is very less need for technical abilities.This is true for large companies but in small organization technical skills may still be quite important.

Management is an art of getting things done through and with people
This definition emphasizes the accomplishment of tasks through the efforts of people. It makes a distinction between managers and non – managers. Whereas managers guide and coordinate the efforts of others towards certain specified goals, the non-managers actually perform the task. A manager, whatever may be his level in the organisation, has to get things done through his subordinates. At higher levels, the subordinates are themselves mostly managers. It means ‘management of managers’. At supervisory levels, the subordinates are non-managerial ‘white-collar’ or ‘blue-collar’ workers.

‘Getting things done’ means to get tasks and activities performed. Management gets things done through people both as individuals and as members of the work group.

Getting things done through people is really an art. It comprises a range of skills acquired and refined in the course of practice. The skills which are required to get things done through people consist of conceptual skills, technical skills, administrative skills, social skills, and so on.

With a view to getting things done through people, management has to first plan the things which are to be done. The plans to be performed to attain the objectives are determined and assigned to individuals and work units. Besides planning and organizing tasks, management has to devise the techniques and methods of getting things done. These are effective leadership, team spirit, peoples' participation, appropriate system of cash and non-cash incentives, and so on. Further, the obstacles, the problems and the distortions in the work environment have to be removed or minimised. This art of management is increasingly based on the *Science of management.* Professor Harold Koontz agrees with this concept of management. In the words of Harold Koontz

However, there is danger in defining management in terms of getting things done through people. This definition is subject to the following criticism.

i. The workers are merely treated as means of getting results. It completely ignores the needs of the workers and does not offer them human treatment.
ii. The definition is quite vague. It fails to define the functions which a manager has to carry out to get results from others.
iii. This gives the impression of the manipulative character of the practice of management.
iv. Management is treated as an art. But today, it has satisfied the basic characteristics of science too. Thus management is both an art and a science.

To conclude, let us point out that the techniques of getting things done through and by the people may work for sometime but people cannot be oppressed or befooled all the time. Hence, management may be viewed as a technique of getting things done through others by satisfying their needs. It is not merely getting things done through others.

Nature of Management

The following are the important features or characteristics of management.

1. **Management is getting things done:** A manager does not do any operating work himself but gets it done through others. He must motivate the subordinates for the accomplishment of the task assigned to them.
2. **Management is an activity:** Management is a process of organized activity. It is concerned with the efficient use of resources like men, money and materials in the organisation.
3. **Management is a group activity:** Management cannot exist independent of the group or organisation it manages. It is a cardinal part of any group activity and inspires workers to put forth their best efforts.
4. **Management is a universal activity:** Management is a universal phenomenon. However, management principles are not universally applicable but are modified to suit the given situation and the type of organisation.
5. **Management is purposeful:** Management is a goal-oriented activity. It is concerned with the accomplishment of goals through its various functions like planning, organizing, staffing, directing, and controlling.
6. **Management is a process:** Management is a process which involves planning,

organizing, directing and controlling the efforts of human resources in the use of material resources. These are the basic functions which every manager performs for the accomplishment of certain goals.

7. **Management is an integrating process:** Management integrates men, machines and materials for performing various operations and accomplishing the stated goals. Thus, management acts as a catalytic agent in getting maximum productivity from all the resources.
8. **Management is intangible:** Management is abstract and cannot be seen with the eyes. It is evidenced by the quality of the organisation and the results. Thus, feeling of management is result-oriented.
9. **Management is a profession:** Management is a profession because some of its established principles are being applied in practice.
10. **Management is a science and an art:** Management has developed certain principles and laws which have wide applications. So it is treated as a science. It is also an art, because it is concerned with the application of knowledge for the solution of organisational problems.
11. **Management is dynamic:** Management is dynamic because it adapts itself to the social changes and introduces innovation in methodology.
12. **Management involves decision-making:** Management process involves decision-making at various levels for getting things done by others. It involves selecting the most appropriate alternative out of the several.
13. **Management applies economic principles**. Management is the art of applying the economic principles that underline the control of men and materials in the organisation.
14. **Management is concerned with direction and control:**

2. Management is concerned with the direction and control of the various activities. It deals particularly with the active direction of the human effort.

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MANAGEMENT AN ART OR SCIENCE

Overview of The Lecture

What is Management An art or a Science? Lets start our lecture by finding the fact that what it is.

Management like all other practices, medicine, music composition, engineering etc is an Art. It is doing thing in the light of the realities of the situation.

Yet, managers can work better by using the organized knowledge about management. It is this knowledge that constitutes a science.

Thus management as practice is an art and the organized knowledge about management is referred as science. In this context science and art are not mutually exclusive, they are complimentary.

Objective

- Management as Science
- Management as Art

As a Science

Science has been defined as a body of systematised knowledge, which establishes a relationship between cause and effect. Such systematised knowledge contains concepts, hypotheses, theories, experimentation and principles. Mere knowledge or collection of facts is not science. The knowledge so gathered should be verifiable. A subject to be recognized as a science should have the following features:

i. It should have a systematic body of knowledge.

ii. It should have a scientific method for observation.

iii. Its principles should have been evolved on the basis of continued observation.

iv. Its principles should have universal applicability.

v. Its principles should be verifiable.

vi. Its principles should establish cause and effect relationship.

Now management has been given the shape of an organized body of knowledge. Its study helps in gaining a rational approach to the development of means for accomplishing certain goals. **That is why, management is called a Science**. Although management has been recognized as a science, it is not exact like the biological and physical sciences. It falls in the area of 'Social Science' as it is a social process and deals with complex human beings.

The theories and principles of management are situation bound. It may produce different results in different situations. That is why Ernest Dale has called management a **'Soft Science'**.

As an Art

Art may be defined as "**the technique of applying the principles to actual practice so as to achieve the desired results with efficiency**." It is concerned with the application of knowledge and skills. If science is learnt, an art is practiced. Thus, an art has the following features:

i. It demotes personal skills.

ii. It signifies practical knowledge.

iii. It helps in achieving concrete results.

iv. It is creative in nature.

The principles and techniques of management when applied in the organization to achieve its objects become ‘Art’. In this manner, management is also an art on account of the following reasons:

i. It uses know-how and skills.

ii. Its direction is towards the accomplishment of concrete results.

iii. It creates new situations needed for further improvement.

iv. It is personalized because the success of management task is related to the personality of the manager.

From the above discussion, it is clear that management is both a science and an art. It is considered a science because it has an organized body of knowledge. It is called an art because managing requires certain skills.

Science teaches one ‘to know’ and an art ‘to do’ hence science and art are complementary. A manager is a scientist as well as an artist. As a scientist, he relies heavily on the existing knowledge and develops new knowledge and principles. As an artist, he sometimes solely depends on his intuition, guesswork and judgment. Just as a doctor uses his knowledge to cure is patients; a manager should use his knowledge to solve the problems in managing men, materials, machines, methods, and money.

FUNCTIONS OF MANAGEMENT IN BRIEF

Overview of The Lecture

Management of a modern business organization is a complex process. The term process refers to an identifiable flow of information through interrelated stages of analysis directed for the accomplishment of objectives. Thus management as a process may involve several activities or elements. These activities are called the functions of management. Many management experts have mentioned functions of management by studying different organizations from different angles. But there is no unanimity among them about the nomenclatures of the functions of management. According to C.S. George, “The management process is not a series of separate functions which can be performed independently, it is a complete process made up of these ingredients.”

Henri Fayol is the most outstanding name among those who have tried to analyse the functions of management. According to him, “To manage is to forecast and plan, to organise to command, to coordinate and to control.” Thus, the main activities involved in managerial functions are:

a. Forecasting and planning

b. Organizing

c. Commanding

d. Coordinating

e. Controlling

Luther Gullick coined the word ‘PODSCORB’ to describe the functions of management. Each letter of this word denotes the initial letter of a management function. Thus ‘P’ stands for planning ‘0’ for organizing, ‘D’ for directing, ‘s’ for staffing, ‘CO’ for coordinating, ‘R’ for reporting, and ‘B’ for budgeting. Of these, reporting is covered by the controlling function and budgeting is a part of planning.

Objective is to Learn

 Functions of Management

Functions Of Management

1. Planning.

Planning is a mental process requiring foresight and sound judgement. It involves the laying of objectives and determining the course of action to achieve the objectives. Objectives have to be clarified before taking any other decisions. They provide the basis for the future and for evaluating the performance with the pre-determined standards.

Planning is based on future situations and is a must at all levels of management. The success of a plan, therefore, lies in the manager’s ability to forecast future situations correctly and accurately. Thus planning implies, *deciding in advance what to do, when to do, where to do and how the results are to be evaluated.*

Planning is a continuous process. It is required to ensure effective utilisation of human and non-human resources to accomplish the desired goals. The process of planning thus involves the following activities:

1. Laying down objectives
2. Developing planning premises
3. Searching alternativ-e courses of action
4. Evaluation of various alternatives and formulation of a plan
5. Formulating policies and procedure
6. Preparing schedules, programmes and budgets.

2. Organising.

Once planning is effected, the people in the organization have to be organised. It is an important activity by which management brings together the manpower and material resources for the accomplishment of pre-determined goals. Organising is the process of establishing relationships among the members of the organization. This relationship

is created in the form of authority and responsibility. Each member in ‘ the organization is assigned a specific duty to perform and is granted the corresponding authority to do it.

In the words of Louis A. Allen, “Organization is the process of identifying and grouping the work to be performed and dividing it among the individuals and creating authority and responsibility relationship" among them for the accomplishment of objectives." The process of organising thus involves the following activities:

1. Identifying the activities involved in achieving the objectives
2. Grouping the activities into a logical pattern
3. Assigning the activities to employees
4. Delegating authority and fixing responsibility
5. Coordinating the authority-responsibility relationships of various activities.

3. Staffing.

Staffing is considered as a separate function in view of the need to employ the right types of people and develop them for the well being of the organization. Thus staffing involves manning the positions created by the organization process. It is concerned with the human resources of an organization.

In the words of Harold Koontz and Cyril O'Donnell, "The-managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed in the structure." Staffing function, thus involves the following:

1. Manpower planning, i.e. determining the number and the kind of personnel required
2. Recruitment of personnel
3. Selection of the most suitable personnel
4. Placement and orientation of employees
5. Training and development of employees
6. Proper evaluation of employees
7. Transfer, promotion, termination, and layoff of employees.

4. Directing.

Directing is otherwise called management in action. It is concerned with the actuating of the members of the organization for the accomplishment of the enterprise goals. In the words of George R. Terry, "Directing means moving to action and supplying stimulative power to the group." Directing thus involves issuing instructions (or communication) to subordinates, guiding, motivating and supervising

the process of seeing whether the activities have been them.

5. Controlling.

Controlling is performed in conformity with the plans. It helps the management to get its policies implemented and to take corrective actions if performance is not in accordance with the planned objectives. In the words of E.F.L. Brech, "Controlling is the process of checking actual performance against the agreed standards with a view to ensuring satisfactory performance." The process of controlling thus involves the following:

1. Determination of standards for measuring work performance
2. Measurement of actual performance

3. Comparing actual performance with the standard
4. Finding variance between the actual and the standard and the reasons for the same
5. Taking corrective action to ensure attainment of objective These functions are so interlinked, that in actual practice it is not possible to separate them from another. Planning provides the leases for control and control gives meaning to planning. An efficient system of control helps to predict deviations well in time and to initiate corrective steps before the loss occurs.

MEANING OF PRINCIPLES, NATURE AND NEED OF MANAGEMNT PRINCIPLES

Overview of The Lecture
A principle establishes the cause-and-effect relationship. For instance, the principle of unity of command states that presence of a single superior avoids confusion. Here, the presence of unity of command is the cause and avoidance of confusion is the effect. Management functions are based on certain principles. Principles are basic elements of management theory, which is a systematic grouping of interrelated principles. Lets start our lecture

Objective is to Learn

- Meaning Of Principle
- Nature Of Management Principles
- Need For Management Principles

Meaning Of Principle
A principle can be defined as *a fundamental statement of truth providing a guide to thought and action.* In other words, it is a statement, which reflects the fundamental truth about some phenomenon. A fundamental statement tells what results are expected when the principle is applied.

A principle establishes the cause-and-effect relationship. For instance, the principle of unity of command states that presence of a single superior avoids confusion. Here, the presence of unity of command is the cause and avoidance of confusion is the effect. Management functions are based on certain principles. Principles are basic elements of management theory, which is a systematic grouping of interrelated principles.

Principles are either descriptive or prescriptive. A principle is *descriptive* if it merely describes the relationship between variables. A principle is *prescriptive* if it indicates what a manager should do. The principles of management are both descriptive and prescriptive.

Nature Of Management Principles
The principles of management have the following distinct features

1. **Flexibility:** The principles of management are flexible in nature as they are adjustable in accordance with the situations of the organisation. There are situations where the principles may not be exactly applicable. For example, the principle of division of labour may not be

applicable in small organisations to the same extent as in a large organisation.

2. Universal application: Most of the management principles can be applied to all kinds of organisations. They are applicable to any kind of organisation wherever there is a need of coordinated efforts of human beings. This is because the same managerial functions of planning, organizing, directing and controlling are relevant to all organisations. Moreover, they have utility in all kinds of economics of the world.

3. **Principles are relative, not absolute:** Management principles are relative in nature. They should be applied carefully in accordance with the needs of the organisation. The same managerial principle may differ in strength in different organisations. Thus it may be used in a modified form.
4. **Based on situation:** The application of management principles depends upon the specific situation prevailing in the organisation. Thus, principles can be modified and applied in accordance with the situations faced.
5. **General statements:** Management principles have been derived out of experience in managing organisations. They have not been tested under laboratory or controlled conditions. That is why; these principles have been expressed in the form of general statements.

Need For Management Principles

Managers of business organisations have to deal with a number of problems in their daily work. By following certain principles or guidelines, they can solve these problems smoothly and efficiently. They can also predict the results of their actions with confidence. As said by G.R. Terry, "Principles of management are to a manager as a 'table of strength' of materials is to a civil engineer."

According to Koontz and O'Donnell, the principles of management are important and useful on account of the following reasons:

1. **To increase managerial efficiency:** The principles of management provide guidelines to managers as to how they should function in different situations. This will facilitate better functioning of the organisation and in turn increase managerial efficiency.
2. **To understand the nature of management:** The knowledge of management principles helps to analyse the manager's job and scope of his duties.
3. **To train managers:** In the words of Henri Fayol, "Management principles are necessary to train and educate future managers." Without this organized body of knowledge, it would not be possible to train people for managerial positions.
4. **To improve research:** The principles of management help to increase knowledge and carry out further research in the field of management. It provides new ideas, imaginations and visions to the organisation.
5. **To coordinate material and human resources:** The principles of management help to make optimum utilization of natural resources. They also help to coordinate the material and human resources for the accomplishment of common objectives.
6. **To attain social objectives:** Management itself is a part of society. It takes the input from the society and gives the output to the society. Principles of management help to attain the social goals by efficient utilization of the scarce resources.

Universality Of Management

The principles and concepts of management have universal application. It means that managerial knowledge may be transferred from one country to another and from one firm to another within the same country. The concept of universality of management is, therefore, subject to the following two connotations: (a) Management principles can be successfully applied to different kinds of organisations such as business enterprises, clubs, hospitals, and so on, (b) Management principles are applicable to, different economic systems of the world. They have worldwide utility.

EVOLUTION OF MANAGEMENT, VARIOUS SCHOOLS OF THOUGHT
Overview of The Lecture

Objective is to Learn

· Introduction

· Pre-Scientific Management Era

· Classical Management Era

· Neo-Classical Management Era

· Modern Management Era

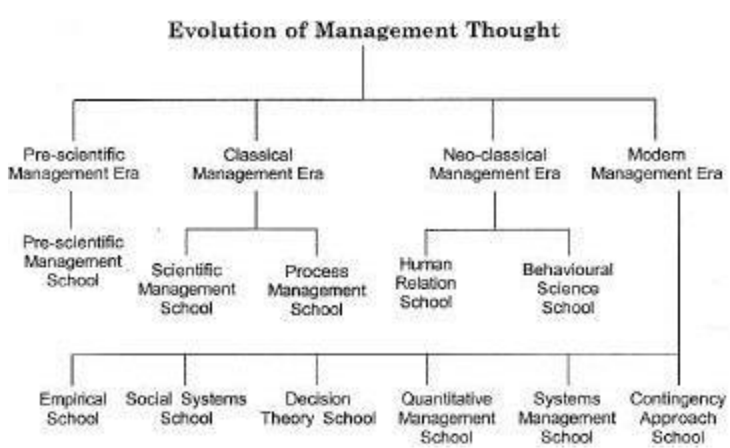
Lets start our lecture with how the management came into evolution.

Introduction

The development *of* management thought has been evolutionary in nature under the following four parts:

1. Pre-Scientific Management Era (Before 1880)
2. Classical Management Era (1880-1930)
3. Neo-Classical Management Era (1930-1950)

Modern Management Era (1950 onwards



I. II. Pre-Scientific Management School

The above periods are not exact and only signify the dominance of different schools of thought. There are so many orientations in the areas of studying and analysing management. But they have neither unanimity over the number of schools of thought nor clarity about what a particular school suggests. This situation has been termed ‘management theory *of* jungle’ by Koontz.

During pre-scientific management era, valuable contributions were made by Churches, Military Organizations and writers like Charles Babbdge and Robert Oven. A school of thought that emerged in this era is known as pre-scientific management school.

The classical theorists like F.W. Taylor and Henri Fayol concentrated on organizational structure for the accomplishment *of* organizational goals. They developed certain principles of management which hold good even today. Scientific management school and process management school gained prominence in classical management era.

The neo-classical writers like Elton Mayo and Chester 1. Barnard tried to improve upon the theories of classical writers. They suggested improvements for good human relations in the organization. The outcome of these developments is the emergence of human relations school and behavioural science school.

The modern management thinkers like Robert Schlaifer and Herbert Simon define organization as a system. They also consider the impact of environment on the effectiveness of the organization. The social system school, the decision theory school, the quantitative management school, the systems management school, etc. are the contributions of modern management era.

Management in some form or the other has been practiced in all organized efforts of man ever since the dawn of civilization. Evidence of the use of principles of management is to be found in the organizations of public life in ancient Greece, the organization of the Roman Catholic Church, and the organization of military forces. However, they were not much used in the conduct of business affair1; till about the second-half of the nineteenth century, as the structure of industry was simple.

In the later period, Robert Owen and Charles Babbage made valuable contributions to the development of management concepts.

Robert Owen was a textile mill manager in Scotland from 1800 to1828. During this period he made some remarkable observations concerning the factors which influenced the productivity of the personnel in his plants. He believed and practiced the idea that workers should be treated as human beings.

Charles Babbage, a British mathematician-teacher, advocated the use of accurate observations, measurements and precise knowledge for taking decisions in business concerns. In his famous essay, “The Economy of Machines and Manufacture”, he perceived that the methods o(science and mathematics could be applied to the solutions of the problems of the factories.

The contributions of the above management thinkers were limited mostly to the field of developing the concept to make resources more effective at the shop floor level. Moreover, they were made bit by bit and failed to stimulate management as a distinct discipline for further study. However, the various ideas stated by them have created an awareness about managerial problems

III. Classical Management Era

- **Scientific Management School**

F.W. Taylor along with his associates Gilberth, Gantt and Emerson made tremendous contributions to the concept of scientific management. Among them, F.W. Taylor suggested for the first time, the need for a scientific approach to the task of managing an enterprise. Thus, he is called the **Father of Scientific Management**.

Meaning of Scientific Management

The term scientific management contains two words-Scientific and Management. Scientific means systematic, analytical and objective approach, but Management means getting things done through others. Hence scientific management means the management based on careful observation, objective analysis and innovative outlook. In other words, scientific management is the art of knowing exactly what is to be done and the best way of doing it. It implies the application of science to the management of a business concern. In the words of F.W. Taylor, "Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way."

- **Process Management School or Operational Approach School**

Process management school is also called the 'traditional' or 'universalist' school. **Henri Fayol** is regarded as the **Father of this School**. He defines management in terms of certain functions and then lays down fourteen principles of management, which have universal applicability.

The process school sees management as a process of getting things done through and with people operating in organized groups. It builds a theory of management and looks at management as a process that remains the same in all kinds of group activities. It also looks upon the management theory as a way of organizing experience so that practice can be improved through further research.

Fayol divided all activities of industrial enterprises into six groups. They are as follows:

1. Technical activities concerning production.
2. Commercial activities of buying and selling.
3. Financial activities intended to seek optimum use of capital.
4. Accounting activities concerning final accounts.
5. Security activities relating to protection of property.
6. Managerial activities.

Unlike Taylor, Fayol considered management from a top manager's viewpoint. He not only recommended formal teaching in management dealing with planning, organizing, commanding, coordinating, and controlling but also practiced it by founding the center for Administrative Studies in Paris. His major contributions are the following:

1. Identification and classification of business activities.

2. Identification of management as a separate set of functions.
3. Classification of functions of management into five elements.
4. Development of universal principles of management.
5. Emphasis on managerial qualities.

Comparison of Taylor and Fayol

F. W Taylor	Henri Fayol
He is known as the father of scientific management.	1. He is known as the father of functional management.
He worked from bottom to top level.	2. He worked from top to bottom level.
He gave more emphasis to shop and factory management.	3. He gave more emphasis to the office the management process as a whole.
His main concern was to increase the efficiency of workers and managers.	4. His main concern was to evolve princi of general management and the function managers.

In short, Fayol's contributions on management are much in tune with the requirements of the present-day world. Thus, they command acceptability even today. He has been rightly called the father of general management.

IV. Neo-Classical Era

- **Human Relations School**

George Elton Mayo is considered to be the founder of this school. The human relationalists (neo-classists) conducted some experiments to investigate informal groupings, informal relationships, patterns of informal relationships, patterns of communications, patterns of

informal leadership, etc. of
industry. In the light of these experiments, they emphasised the importance of human and social factors of industry, while classical writers like Taylor and Fayol gave importance to job content and management of physical resources.

In the 1930s, Elton Mayo and his associates conducted the Hawthorne studies in the Hawthorne Plant of Western Electric Company, Chicago, U.S.A. These studies sought to determine the impact of factors in the physical environment (e.g. lighting intensity) on the worker's productivity. No relationship was found. But the experiments proved that if supervisors had developed effective human relation skills, employees productivity would have got greatly enhanced. Thus, the direct result of the Hawthorne studies was the development in the field of human relations. Human relations may be described as the study of human behaviour at work with a view to developing higher levels of productivity and satisfaction. The study further provides that- an organization is not merely a formal arrangement of men and functions; more than that it is a social system which can be operated successfully only with the application of the principles of psychology and other behavioural sciences.

This theory is criticised on the ground that there is no direct connection between morale and productivity, therefore, the research in the Hawthorne Plant had a management bias.

Moreover, the human relations theory focused attention on the social side of the work and man, as opposed to the economic and technical aspects. In spite of all these criticisms, this theory remains and is being applied even today.

- **Behavioural Sciences School**

Behavioural science movement started after 1940. It is a further refinement of human relations movement and has drawn heavily on the work of Maslow to explain human behaviour and the dynamics of the motivational process. Here, the knowledge drawn from behavioural sciences like psychology, sociology and anthropology is applied to explain and predict human behaviour. F. Herzberg, V. Vroom and D. McGregor are the other important contributors to this field.

While human relationalists emphasised the importance of individuals and their interpersonal relations, behavioural scientists focused on human behaviour and laid emphasis on the study of motivation, leadership, group dynamics, participative management, and so on. Thus, the contribution of behavioural scientists to management practices consists primarily of producing new insights rather than new techniques. The various propositions of this school are as follows:

1. An organization is a socio-technical system.
2. As individuals differ with regard to attitudes, perceptions and value systems, they behave differently under different situations.
3. As individual needs may differ from organizational needs, attempts should be made to achieve fusion between organizational goals and human needs.
4. Interpersonal and group behaviour of people in an organization depends upon a wide range of factors.

Distinction between Human Relations Approach and Behavioural Sciences Approach

Human relations approach

Human relations approach	**Behavioural sciences approach**
1. It focuses on interpersonal relationships.	It focuses on group relationships
2. It lays emphasis on the individual, his needs and behaviour.	It lays stress on groups and group behaviour.
3. It lays emphasis on job satisfaction and morale.	It studies group dynamics, informal organization and motivation
4. Its scope is limited as it is based on the Hawthorne Experiments	It has a wide scope as it is a much more systematic study of human behaviour in organizations.

V. Modern Management Era

Empirical School

Ernest Dale, the founder of this school, identified management
.as a study of experience. The intention of studying experience is to draw generalizations and to develop means of teaching experiences to other practitioners and students. As such, it is also called the *case approach* or *management experience approach.* The unique features of this school are as follows:

1. Managerial experience can be passed from one person to another.
2. Management can be taught best by the case method.
3. Theories of management can be developed by studying a large number of experiences.
4. It is a study of success and failures in the application of management techniques by managers in their practice.

Although the case method helps in developing diagnostic and analytical skills in management students in classroom situations, it may not be useful in dynamic situations.

Social System School

The social school stems from the application of behavioural sciences to management.
Vilfredo Pareto, a sociologist is the real pioneer of the social system, i.e. a system of cultural interrelationship. His ideas were later developed by Chester Barnard who is regarded as the founding father of the social system school. For the adherents of this school, an organization is essentially a socio-cultural system composed of groups of people who work in cooperation with one another.

The broad features of this school are as follows

1. An organization is a social system-a system of cultural relationship.
2. Relationships exist among the external and internal environments of the organization.
3. Cooperation among group members is necessary for the achievement of organizational objectives.
4. For effective management, efforts should be made for establishing harmony between the goals of the organization and the various groups functioning therein.

Barnard in his famous book, *The Functions of an Executive,* has identified the following three types of functions of an executive.

1. Maintenance of organizational communication through formal interaction.
2. Achieving organizational purpose by securing essential services from individuals in the organization.
3. Formulation and definition of the organizational purpose. Barnard has also given a new concept of authority known as the acceptance theory of authority. According to him, a person will accept authority only when the following four conditions are met simultaneously. .

1. He can understand the communication.
2. He believes that it is consistent with the organizational purpose.
3. He believes it to be compatible with his own personal interests.

4. He is mentally and physically able to comply with it.

The concept of informal organization is also a contribution of this school. The supporters of this school advocate that efforts should be directed towards establishing harmony between the goals of the organization and the goals of the groups and individual members.

- **Decision Theory School**

Herbert Simon, Luther Gulick and Lyndall Urwick are the major contributors to this school of thought. Decision theory concentrates on rational approaches to decision making-the selection of a course of action from various possible alternatives. The manager is a decision maker and the organization is a decision-making unit. Hence the basic problem in managing is to make rational decisions. The main features of this theory are as follows:

1. Decision making is central to the study of management.
2. The members of the organization are decision makers and problem solvers. Thus management is the study of the process of decision-making and the personalities and behaviour of the decision makers.
3. The organizational effectiveness depends on the quality of decisions.
4. All factors affecting decision making are the subject matter of the study of management.

Although the decision theory school contributes to the sharpening of managerial tools especially for making suitable decisions in the organization, it does not take the total view of management. As such, its scope is quite limited considering the requirements of management. Decision-making is significant in every school of management. This significant aspect cannot be denied, but management is more than mere decision making.

DIFFERENCE BETWEEN THE TRADTIONAL AND NEW ORGANIZATION

Objective

- Organization concept
- Universality Of Management

Managers work in organizations. If there were no organizations, there would be no need for managers. What is an organization? An **organization** is a deliberate arrangement of people to accomplish some specific purpose. Your college or university is an organization, so are fraternities and sororities, government departments, churches, your neighborhood video store.

First, each organization has a distinct purpose. This purpose is typically expressed in terms of a goal or a set of goals that the organization hopes to accomplish. Second, each organization is composed of people. One person working alone is not an organization, and it takes people to perform the work that's necessary for the organization to achieve its goals. Third, all organizations develop some deliberate structure so that their members can do their work. That structure may be open and flexible, with no clear and precise delineations of job duties or strict adherence to any explicit job arrangements-in other words, it may be a simple network of loose relationships. Or the structure may be more traditional with clearly defined rules, regulations, and job descriptions, and some members may be identified as "bosses" who have authority over other members. But no matter what *type* of structural arrangement an organization uses, it does require some deliberate structure so members' work relationships are clarified. In summary, the term *organization* refers to an entity that has a distinct purpose, includes people or members, and has some type of deliberate structure.

Although these three characteristics are important to our definition of *what* an organization is, the concept of an organization is changing. It's no longer appropriate to assume that all organizations are going to be structured like Procter & Gamble, Exxon Mobil, or General Motors, with clearly identifiable divisions, departments, and work units. In fact, one of GM's subsidiaries, Saturn Corporation, may be more characteristic of what contemporary organizations look like, with its flexible work arrangements, employee work teams, open communication systems, and supplier alliances. Just how is the concept of an organization changing**? Below table lists some differences between traditional organizations and new organizations**. As these comparisons show, today's organizations are becoming more open, flexible, and responsive to changes.

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Traditional Organization New Organization

Traditional Organization	**New Organization**
Stable Inflexible	Dynamic Flexible
Job – focused Individual Oriented	Skill Focused Team Oriented
Command Oriented Rule Oriented	Involvement Oriented Customer Oriented
Managers always take decision Relatively homogeneous workforce	Employees participate in decision making Diverse workforce
Work at specific hours	Work anywhere, anytime

Why are organizations changing? Because the world around them has changed and is continuing to change. Societal, economic, global, and technological changes have created an environment in which successful organizations (those that consistently attain their goals) must embrace new ways of getting work done. Examples of how the world is changing include the increased dependence on e-business models and approaches, continuing spread of information technology and its impact on workplaces, increasing globalization, and changing employee expectations. Even though the concept of organizations may be changing, managers and management continue to be important to organization.

Universality Of Management

Just how universal is the need for management in organizations? We can say with absolute certainty that management is needed in all types and sizes of organizations, at all organizational levels, in all organizational work areas, and in all organizations, no matter in what country they're located. This is known as the **universality of management.** (See Figure A) Managers in all these settings will plan, organize, lead, and control. However, this is not to say that management is done the same way in all these scenarios. The differences in what a supervisor in a software applications testing facility at Cisco Systems does versus what the president of Cisco does are a matter of degree and emphasis, not of function. Because both are managers, both will plan, organize, lead, and control.

issues throughout this text in our "Managing Workforce Diversity" boxes.

Entrepreneurship

Practically everywhere you turn these days you'll read or hear about entrepreneurs. If you pick up a current newspaper or general news magazine or log on to one of the Internet's news sites, chances are you'll find at least one story (and probably many more) about an entrepreneur or an entrepreneurial business. Entrepreneurship is a popular topic! But what exactly *is* it? **Entrepreneurship** is the process whereby an individual or a group of individuals uses organized efforts and means to pursue opportunities to create value and grow by fulfilling wants and needs through innovation and uniqueness, no matter what resources are currently controlled. It involves the discovery of opportunities and the resources to exploit them. Three important themes stick out in this definition of entrepreneurship. First is the pursuit of opportunities. Entrepreneurship is about pursuing environmental trends and changes that no one else has seen or paid attention to. For example, Jeff Bezos, founder of Amazon.com, was a successful programmer at an investment firm on Wall Street in the mid-1990s. However, statistics on the explosive growth in the use of the Internet and World Wide Web (at that time, it was growing about 2,300 percent a month) kept nagging at him. He decided to quit his job and pursue what he felt were going to be enormous retailing opportunities on the Internet. And the rest, as they say, is history. Today, Amazon sells books, music, home improvement products, cameras, cars, furniture, jewelry, and numerous other items from its popular Web site.

The second important theme in entrepreneurship is innovation. Entrepreneurship involves changing, revolutionizing, transforming, and introducing new approaches-that is, new products or services or new ways of doing business. Dineh Mohajer is a prime example of this facet of entrepreneurship. As a fashion conscious young woman, she hated the brilliant and bright nail polishes that were for sale in stores. The bright colors clashed with her trendy pastel colored clothing. She wanted pastel nail colors that would match what she was wearing. When she couldn't find the nail polish colors she was looking for, Mohajer decided to mix her own. When her friends raved over her homemade colors, she decided to take samples of her nail polish to exclusive stores in Los Angeles. They were an instant hit! Today, her company, Hard Candy, sells a whole line of cosmetics in trendy and fashionable stores across the United States-all the result of Mohajer's innovative ideas.

The final important theme in entrepreneurship is growth. Entrepreneurs pursue growth. They are not content to stay small or to stay the same in size. Entrepreneurs want their businesses to grow and work very hard to pursue growth as they continually look for trends and continue to innovate new products and new approaches.

Entrepreneurship will continue to be important to societies around the world.15 For-profit and even not-for-profit organizations will need to be entrepreneurial-that is, pursuing opportunities, innovations, and growth-if they want to be successful. We think that an understanding of entrepreneurship is so important that at the end of each major section in this book we've included a special entrepreneurship module that looks at the topics presented in that section from I the perspective of entrepreneurship.

Managing in an E-Business World

What a difference three years makes! The last time we revised this book, the Internet and World Wide Web were still a novelty to most managers and organizations. E-mail as a form of communication was gaining in popularity, and occasionally you saw Web addresses in company advertisements. Those days are long gone! Now, everywhere you look, organizations (small to large, all types, global and domestic, and in all industries) are becoming e-businesses. Today's managers must manage in an e-business world! In fact, as a student, your learning may increasingly be taking place in an electronic environment. What do we know about this e-business world?

E-business (electronic business) is a comprehensive term describing the way an organization does its work by using electronic (Internet-based) linkages with its key constituencies (employees, managers, customers, suppliers, and partners) in order to efficiently and effectively achieve its goals. It's more than e-commerce, although e-business can include e-commerce.

E-commerce (electronic commerce) is any form of business exchange or transaction in which the parties interact electronically. Firms such as Dell (computers), Varsitybooks (textbooks), and PC Flowers and Gifts (flowers and other gifts) are engaged in e-commerce because they sell products over the Internet.

Not every organization is or needs to be a total e-business. Let us illustrate three categories of e-business involvement? The first type is what we're going to call an e-business *enhanced* organization, a traditional organization that sets up e-business capabilities, usually e-commerce, while maintaining its traditional structure. Many *Fortune 500* type organizations are evolving into e-businesses using this approach. They use the Internet to *enhance* (not to replace) their traditional ways of doing business. For instance, Sears, a traditional bricks-and-mortar retailer with thousands of physical stores worldwide started an Internet division whose goal is to make Sears lithe definitive online source for the home". Although Sears Internet division, Sears.com, represents a radical departure for an organization founded in 1886 as a catalog-sales company, it's intended to expand, not replace, the company's main source of revenue. Many other traditional organizations-for instance, Merrill Lynch, Office Depot, Starbucks, Tupperware, and Whirlpool have become e-business enhanced organizations.

Another category of e-business involvement is an e-business *enabled* organization. In this type of e-business, an organization uses the Internet to perform its traditional business functions better but not to sell anything. In other words, the Internet *enables* organizational members to do their work more efficiently and effectively. There are numerous organizations using electronic linkages to communicate with employees, customers, or suppliers and to support them with information. For instance, Levi Strauss & *Co.* uses its Web site to interact with customers, providing them the latest information about the company and its products, but they can't buy Levis there. It also uses an **intranet,** an internal organizational communication system that uses Internet technology and is accessible only by organizational employees, to communicate with its global workforce. Other organizations are using enterprise-wide software solutions that link together all organizational areas and levels. For example, employees at Silicon Graphics can access over 800 specialized internal Web sites containing more than 144,000 pages of technical information and can access all corporate databases. Information that used to take days to get can now be obtained in a matter of a few minutes simply by linking, pointing, and clicking. These organizations have found that being an e-business enabled organization makes them more competitive.

The last category of e-business involvement is when an organization becomes a total e-business. Many organizations - such as Amazon.com, Yahoo, E*Trade, and eBay-started as total e-business organizations. Their whole existence is made possible by and revolves around the Internet. Other organizations, such as Charles Schwab & Company, have evolved into e-business organizations that seamlessly integrate traditional and e-business functions. When an organization becomes a total e-business, there's a complete transformation in the way it does its work. For instance, at Schwab when managers made the decision to merge its traditional and e-business operations, it had to reprice its core products, retrain all of its employees, and renovate all of its systems. Was it worth it? Analysts describe Schwab as the best positioned of all retail brokerages in an e-business world.

Managing in an e-world, whether as an e-business enhanced, e-business enabled, or total e-business organization requires new insights and perspectives.

RECENT DEVELOPMENTS IN MANAGEMENT

Overview of The Lecture

Where are we today? What current management concepts and practices are shaping "tomorrow's history"? In this lecture, we'll attempt to answer those questions by introducing several trends and issues that we believe are changing the way managers do their jobs: globalization, workforce diversity, entrepreneurship, managing in an e-business world, need for innovation and flexibility, quality management, learning organizations and knowledge management, and workplace spirituality.

Objective

- Current Trends and Issues
- Globalization
- Workforce Diversity
- Entrepreneurship
- Managing In An E-Business World

Globalization

Management is no longer constrained by national borders. BMW, a German firm, builds cars in South Carolina. McDonald's, a U.S. firm, sells hamburgers in China. Toyota, a Japanese firm, makes cars in Kentucky. Australia's leading real estate company, Lend Lease Corporation, built the Bluewater shopping complex in Kent, England, and has contracts with Coca-Cola to build all the soft-drink maker's bottling plants in Southeast Asia. Swiss company ABB Ltd. has constructed power-generating plants in Malaysia, South Korea, China, and Indonesia. The world has definitely become a global village!

Managers in organizations of all sizes and types around the world are faced with the opportunities and challenges of operating in a global market Globalization is such a significant integrate discussion of its impact on the various management functions throughout the text.

Workforce Diversity

One of the major challenges facing managers in the twenty-first century will be coordinating work efforts of diverse organizational members in accomplishing organizational goals. Today's organizations are characterized by **workforce diversity**

– a workforce that's more heterogeneous in terms of gender, race, ethnicity, age, and other characteristics that reflect differences. How diverse is the workforce? A report on work and workers in the twenty-first century, called *Workforce 2020,* stated that the U.S. labor force would continue its ethnic diversification, although at a fairly slow pace.12 Throughout the early years .of the twenty-first century, minorities will account for slightly more than one-half of net new entrants to the U.S. workforce. The fastest growth will be Asian and Hispanic workers. However, this report also stated that a more significant demographic force affecting workforce diversity during the next decade will be the aging of the population. This trend will significantly affect the u.s. workforce in three ways. First, these aging individuals may choose to continue full-time work, work part-time, or retire completely. Think of the implications for an organization when longtime employees with their vast wealth of knowledge, experience, and skills choose to retire, or imagine workers who refuse to retire and block opportunities for younger and higher-potential employees. Second, these aging individuals typically begin to receive public entitlements (mainly Social Security and Medicare). Having sufficient tax rates to sustain these programs has serious implications for organizations and younger workers since there will be more individuals demanding entitlements and a smaller base of workers contributing dollars to the program budgets. Finally, the aging population will become a powerful consumer force driving demand for certain types of products and services. Organizations in industries of potentially high market demand (such as entertainment, travel, and other leisure-time pursuits; specialized health care financial planning, home repair, and other professional services; etc.) will require larger workforces to meet that demand whereas organizations in industries in which market demand faces potential declines (such as singles bars, ski resorts, etc.) may have to make I adjustments in their workforces through layoffs and downsizing.

Workforce diversity is an issue facing managers of organizations in Japan, Australia, Germany, Italy, and other countries. For instance, as the level of immigration increases in Italy, the number of women entering the workforce rises in Japan, and the population ages in Germany, managers are finding they need to effectively manage diversity.

Does the fact that workforce diversity is a current issue facing managers mean that organizations weren't diverse before? No. They were, but diverse individuals made up a small percentage of the workforce, and organizations, for the most part, ignored the issue. Prior to the early 1980s, people took a "melting pot" approach to differences in organizations. We assumed that people who were "different" would somehow automatically want to assimilate. But we now recognize that employees don't set aside their cultural values and lifestyle preferences when they come to work. The challenge for managers, therefore, is to make their organizations more accommodating to diverse groups of people by addressing different lifestyles, family needs, and work styles. The melting pot assumption has been replaced by the recognition and celebration of differences.13 Smart managers recognize that diversity can be an asset because it brings a broad range of viewpoints and problem-solving skills to a company. An organization that uses *all* of its human resources will enjoy a powerful competitive advantage. Many companies such as Levi Strauss, Advantica, Dole Food, Avis Rent A Car, SBC Communications, Avon Products, and Xerox have strong diversity management programs. We'll highlight many diversity-related issues and how companies are responding to those issues throughout this text in our "Managing Workforce Diversity" boxes.

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RATIONALITY, BOUNDED RATIONALITY

Overview of The Lecture

Decision-making is basically a human process and a kind of intellectual activity. But effective decision-making requires a rational choice of course of action. Gross Bertram suggests three dimensions to determine rationality. They are: (i) the extent to which a given action satisfies human interests, (ii) the feasibility of means to the given end, and (iii) the consistency.

Rationality means the ability to follow a systematical, logical and thorough approach in decision-making. Thus, a decision which is taken after thorough analysis and reasoning is called ‘rational’ or ‘objective’ decision.

Rationality is ideal because rational decisions are usually perfect. But it requires a complete knowledge of all the possible alternatives and their consequences. In actual practice, a person takes a decision which involves a combination of intuition (without considering carefully all the alternatives) and rational thinking.

Objective

· To learn about Rationality

· Assumptions of Rationality

· Steps For Rationality In Decision Making

· Bounded / Limited Rationality

Rationality

Means attempting to reach some goal that cannot the achieved without action. Affective decision-making must be nationality. In rationality the

1. Problem is clear and unambiguous.
2. Single goal.
3. All alternatives are known.
4. Clear and constant preferences.
5. Maximum payoff.
6. The decision is in the best interest of the organization—not the manager.

Managerial decision making is assumed to be **rational.** By that we mean that managers make consistent, value-maximizing choices within specified constraints. What are the underlying assumptions of rationality, and how valid are: those assumptions?

Assumptions of Rationality

A decision maker who was perfectly rational would be fully objective and logical. He or she would carefully define a problem and would have a clear and specific goal. Moreover, making decisions using rationality would consistently lead toward selecting the alternative that maximizes the likelihood of achieving that goal.

The assumptions of rationality apply to any decision. Because we’re concerned with managerial decision making, however, we need to add one further assumption. Rational managerial decision making assumes that decisions are made in the best *economic* interests of the organization. That is, the decision maker is assumed to be maximizing the organization’s interests, not his or her own interests.

How realistic are these assumptions about rationality? Managerial decision making can follow rational assumptions if the following conditions are met: The manager is faced with a. simple problem in which the goals are clear and he alternatives limited, in which the time pressures are minimal and the cost If seeking out and evaluating alternatives is low, for which the organizational culture supports innovation and risk taking, and in which the outcomes are relatively concrete and measurable. But most decisions that managers face in the real world don't meet all those tests. So how are most decisions in organizations usually made? The concept of bounded rationality can help answer that question.

Steps For Rationality In Decision Making

1. There must be a clear understanding of alternative course by which a goal can be reached under existing circumstances and limitations

2. There must be an ability to analysis and evaluate the alternative.

3. There must be a desire to come to the best solution by selecting the alternative that most effectively satisfy the achievement of the goal

In rationality for making it 100% more resources are required, so practically it is not possible. But managers cannot achieve complete rationality because fustily decisions must operate for the future and the future involves uncertainty and secondly, I t is difficult to recognize all the alternative that must be followed to reach a goal.

Bounded / Limited Rationality

Bounded rationality is based on behavioural notions and upon observations of the ways in which decisions are actually taken in practice. Criticism of classical rationality led Nobel laureate Herbert Simon (1972) to propose the notion of bounded rationality. Bounded rationality assumes human rationality has its limits, especially when operating in conditions of considerable uncertainty. Bounded rationality has two interlocking components

· **Limitations of the human mind**. Models of human judgement and decision making have to take into account known limitations about the mind's capacities. Because of the mind's limitations, humans "must use approximate methods to handle most tasks" (Simon, 1990: 6). These methods include recognition processes that largely obviate the need for further information search, heuristics (mental shortcuts) that guide search and determine when it should end, and simple decision rules that make use of the information found. **Structure within which the mind operates.**

Environmental structure is of crucial importance because it can explain when and why simple heuristics perform well: if the structure of the heuristic is adapted to that environment. A heuristic is said to be ecologically rational to the degree that it is adapted to the structure of an environment.

A manager must settle for limited or bounded rationality because of the limitation of information and time. Since managers cannot be completely rational in practice, they sometime allow there dislike of risk to interfere with their under the circumstance. They desire to play it safe.

Although many managerial decision are made with a desire to get by as safely as possible, most manager do attempt to make the best decision they can within the limit of rationality and in light of size of the mature risk involved.

Despite the limits to perfect rationality, managers are expected to follow a rational process when making decisions. Managers know that good decision makers are supposed to do certain things: identify problems, consider alternatives, gather information, and act decisively but prudently. Managers, thus, are expected to exhibit the correct decision-making behaviors. By doing so, managers signal to their superiors, peers, and subordinates that they are competent and that their decisions are the result of intelligent and rational deliberation. However, certain aspects of the decision-making process are not realistic with respect to how managers make decisions. Instead, managers tend to operate under assumptions of **bounded rationality;** that is, they behave rationally within the parameters of a simplified decision-making process that is limited (or bounded) by an individual's ability to process information. Because they can't possibly analyze all information on all alternatives, managers **satisfice** rather than maximize. That is, they accept solutions that are "good enough." They are being rational within the limits (bounds) of their information processing ability.

Since most decisions that managers make don't fit the assumptions of perfect rationality, they instead make those decisions using a boundedly rational approach. That is, they make decisions based on alternatives that are satisfactory. However, keep in mind that their decision making also may be strongly influenced by the organization's culture, internal politics, power considerations, and by a phenomenon called **escalation of commitment,** which is an increased commitment to a previous decision despite evidence that it may have been wrong. For example, studies of the events leading up to the *Challenger* space shuttle disaster point to an escalation of commitment by decision makers to launch the shuttle on that fateful day even though the decision was questioned by certain individuals. Why would decision makers want to escalate commitment to a bad decision? Because they don't want to admit that their initial decision may have been flawed. Rather than search for new alternatives, they simply increase their commitment to the original solution.

ALTERNATIVES AND THEIR EVALUATION

Overview of The Lecture

Management without decisions is like a man without backbone. Every aspect of management functions, such as planning, organizations, direction and control is determined by decisions, the result of which is the performance in the organization. In planning, the manager has to decide many things such as what to produce, what to sell, where, when, how, and so on. In an organization, decision-making relates to the structure, nature of organization, division of work, etc. In direction, decisions relate to determining the course of action, deciding the type of motivation, deciding the orders and instructions to be given, and so on, whereas in control, the decisions relate to determining of standards, control points, procedures, etc.

Objective

· Decision Making

· Alternatives In Decision Making And Its Evaluation

· Approaches For Selecting An Alternative

Decision Making

It is the core of planning. The decision making process consist of following steps:

1. Identification of problem.
2. Identification of alternatives to solve the problem.
3. Evaluation of alternatives for solving the problem.
4. Choosing the best alternative.

e.g. (Restaurant menu) . What to eat, money, condition, best food according to money.

Alternatives In Decision Making And Its Evaluation

Once appropriate alternative have been found, the next in decision-making is to evaluate them and select the one that will contribute the best to the goal. Following are the evaluation methods to evaluate the alternatives

1. Quantitative And Qualitative Factors

While comparing the alternatives, manager are likely to think exclusively of quantitatively factors. These are factors that can be measured in Numerical terms such as time, fixed and operating cost, No of resources required do.

This type of analysis is very important but its success would not be possible if intangible or qualitative factors are ignored.

Qualitative factors are those factors that are difficult to measure numerically such as the quality of labour relationship with manager, the political climate et. There are many cases in which an excellent quantitative plan was destroyed because the qualitative factors are not taken care of.

Eg. A fine marketing plan was made unsuccessful by a long transportation borrowing plan was not possible because of the political.

The manager should give attention to both quantitative and qualitative while comparing the alternative. For intangible factors a manager should rate them in terms of their importance, compare their influence on the out then made a decision.

2. Marginal Analysis

This technology is mainly used to compare the additional revenues arising from the additional cost. This techno can also be used in comparing factor other than lost revenues for e.g. To find the rest output of a machine, inputs's could be varied against the O/P, until the additional I/P equals to the additional Output. This would them be the point of maximum efficiency of the m/c.

3. Cost Effectiveness Analysis

Also known as cost benefit analysis. In this technology the rest ratio of benefits cost are matched.

For e.g. finding the minimum costliest way of reading an objective of sales target of Rs 5 lakhs.

Non quantifiable objectives can be given some specific measures of affective ness for the general objective of improving employees moral , a company can measure affectiveness by certain verifiable factors such as employee turnover absenteeism, volume of complaints etc and this can be supplemented by subjective I./P such as the judgment of qualified experts.

The major feature cost effectiveness analysis are that it focus on the result of a program, evaluate the potential benefit of each alternative against its potential cost of involve a comparison of the alternative in term of overall advantage.

Approaches For Selecting An Alternative

There are three approaches, which are used for selecting an alternative. They are

1.Experience

2.Experimentation

3.Research of analysis.

1. Experience

Reliance on the past experience plays a larger part than it deserves in the decision making. Experience is the best teacher to some extent. The very fact that managers have reached their position appears to be justify their past decisions. Moreover the process of thinking problems through making decision seeing program succeed fail does make a degree of good judgment.

Relying on the past experience as a guide for future action can be dangerous because :

Most managers do not recognize the underlying reason for their mistakes or failures . The lesson of experiment may be entirely in applicable to the new problem.

Good decision must be evaluated against future events while experience belongs to the past.

On the other hand if a person carefully analysis experience rather than blindly following it then experience can be useful as a basis for decision making. A successful program , a well managed company, a profitable product promotion or any other decision that turns out well may give useful data for future decision.

3. Experimentation

It is an obvious way to decide among alternatives by trying of them and them see what happen’s. This technology is slightly to he most expensive of all other techniques, specially if a program requires heavy expenditure in capital and personal and if the company cannot afford to by several alternatives besides, after an experiment has been used, there may still be doubt about what is proofed, since the future may not duplicate the present. The technology therefore should be used only after considering other alternatives. On the other hand there are many decisions that cannot be meant until the best course of action can be certained by experiment. A company may list a new product in the its sales Nation wide. Original technologies are often tried in a branch office or plant before being applied over and entire company.

4. Research and Analysis

One of the most effective technologies for selecting from alternative when major decisions are involved i.e. research and analysis. It is the penal and paper approach to decision making. Solving a planning problem require breaking it into its components part and studying the various competitive and qualitative and quantitative factor. Study an analysis are likely to be cheaper than experimentation. Hour of tune and planning on paper is normally less costly them trying the various alternative. Some of the most comprehensive research and analysis approach is to operation research, market research etc.

GROUP DECISION MAKING, DECISION MAKING UNDER CERTAINITY

Overview of The Lecture

Most managers duties involve making decisions of one kind or another. A manager is oriented toward making decisions rather than toward performing the actions personally; the actions are carried out by others. Thus a manager can be viewed as a specialist in the art of decision-making.

We then evaluate the types of decisions often made by groups and state the basic guidelines for use of committees in decision making. The last section of the chapter describes the most generally used techniques for aiding in the decision-making process in business firms. These techniques have been refined by economists, accountants, and specialists in quantitative methods.

All human beings make decisions that affect their own actions. Managers are chiefly concerned with making decisions that will influence the actions of others. Thus, the decision-making process of management is affected by the environment of the decision makers and the role that they assume.

The product of the process is a decision that can be defined as a course of action consciously chosen from available alternatives for the purpose of achieving a desired result. Three ideas are important in this definition. First, a decision involves a choice; if there is but on possible course of action, no decision is possible. Second, a decision involves mental processes at the conscious level. The logical aspects are important; yet, emotional, non-rational, and subconscious factors do influence the process. Third, a decision is purposive; it is made to facilitate the attainment of some objective.

Objective

- Group Decision Making
- Decision Making Under Certainity

Group Decision Making

It is the process of making a decision by group instead by an individual in company. Person may appear to have made the decision but in fact may have performed only, step in the process. Executive normally make decision in a social environment. ‘A’ may provide a fact; ‘B’ may provide a value judgment; ‘C’ may supply one complete alternative; ‘D’ may supply the second alternative men if all are most present at the time of final choice, each has had a defined path in the decision making process.

In large company for complex problem, decisions are emerged from the series of meetings. In such meetings executives jointly takes the decisions. These group meetings are also called conference, comities, boards, task force or staff meetings.

For group decisions making, the group size, general atmosphere and physical layout are the important factors for deciding the effectiveness of decisions making process. For e.g if a committees has only 2 members, it may not have enough
interaction where as if the committee has 35 member it is most possible to each member to participate freely.

Decision Making Under Certainity

When manager are reasonably sure that what will happens, when they make a decision is called decision making under certainty. In such cases the information is available is considered to be reliable. The cause and effect relationship are also known the technology used for such type of decision-making is linear programming.

Characteristic of L.P

1. **Linearity:** all equations are of 1st order i.e. not squares, cubes etc. so all the lines are straight line.
2. **Proportionality:** follows the law of proportionality i.e for e.g. – if , vehicle consume 100 liter of fuel then 2 vehicle consume 200 liter of fuel.
3. **Divisibility:** As all the lines are straight line so the result may be 2.5 etc which does not make a sense.
4. **Deterministic:** Works only on the case of certainty.

Single objective: Deals only with objective, which is generally either to maximize the profit or to minimize the profit.

DECISION MAKING UNDER UNCERTAINITY, DECISION MAKING UNDER RISK

Decision making under uncertainty

In such cases the manager do not know whether the data available to him is reliable or not and he is not very much sure whether the situation changes or remains the same. Moreover they cannot evaluate the interaction of different variable.

In many management decision the probability of the occurrence of event can be assumed to be known even when a particular outcome is unpredictable.

The technique used in such cases is Pay off Matrix

Decision Making Under Risk

For such a cases decision tree approach can be used. In such approaches it is possible to see at least the major alternative and the subsequent decisions may depend upon events in the future. We use Decision tree as a tool.

NATURE OF PLANNING, SIGNIFICANCE OF PLANNING, TYPES OF PLANNING

Overview of The Lesson

Planning is a rational action mixed with a little of forethought. It is seen everywhere. In a business, planning is the primary of all managerial functions as it involves deciding of future course of action. Thus, planning logically precedes the execution of all managerial functions.

Planning is the process of deciding in advance what is to be done, where, how and by whom it is to be done. Planning as a process involves anticipation of future course of events and deciding the best course of action. Thus, it is basically a process of 'thinking before doing'. All these elements speak about the futurity of an action. Koontz and O'Donnell have defined planning in terms of future course of action. They state " that

Planning is the selection from among alternatives for future courses of action for the enterprise as a whole and each department within it.

Objective

- Nature Of Planning
- Significance Of Planning
- Limitation of Planning
- Requirements Of A Good Plan

Nature Of Planning

The nature of planning can be highlighted by studying its characteristics.

They are as follows:

(a) **Planning is a mental activity**. Planning is not a simple process. It is an intellectual exercise and involves thinking and forethought on the part of the manager.

(b)**Planning is goal-oriented**. Every plan specifies the goals to be attained in the future and the steps necessary to reach them. A manager cannot do any planning, unless the goals are known.

(c) **Planning is forward looking**. Planning is in keeping with the adage, "look before you leap". Thus planning means looking ahead. It is futuristic in nature since it is performed to accomplish some objectives in future.

(d)**Planning pervades all managerial activity**. Planning is the basic function of managers at all levels, although the nature and scope of planning will vary at each level.

(e) **Planning is the primary function**. Planning logically precedes the execution of all other managerial functions, since managerial activities in organizing; staffing, directing and controlling are designed to support the attainment of organizational goals. Thus, management is a circular process beginning with planning and returning to planning for revision and adjustment.

Planning is based on facts. Planning is a conscious determination and projection of a course of action for the future. It is based on objectives, facts and considered forecasts. Thus planning is not a guess work.

(g) **Planning is flexible**. Planning is a dynamic process capable of adjustments in accordance with the needs and requirements of the situations. Thus planning has to be flexible and cannot be rigid.

(h) **Planning is essentially decision making**. Planning is a choice activity as the planning process involves finding the alternatives and the selection of the best. Thus decision making is the cardinal part of planning.

Significance Of Planning

According to G.R. Terry, "Planning is the foundation of most successful actions of all enterprises." An enterprise can achieve its objectives only through systematic planning on account of the increasing complexities of modern business. The importance and usefulness of planning can be understood with reference to the following benefits.

(a) **Minimizes u**ncertainty. The future is generally uncertain and things are likely to change with the passage of time. Planning helps in minimizing the uncertainties of the future as it anticipates future events.

(b)Emphasis on objectives. The first step in planning is to fix the objectives. When the objectives are clearly fixed, the execution of plans will be facilitated towards these objectives.

(c) Promotes coordination. Planning helps to promote the coordinated effort on account of pre-determined goals.

(d)Facilitates control. Planning and control are inseparable in the sense that unplanned actions cannot be controlled. Control is nothing but making sure that activities conform to the plans.

(e) Improves competitive strength. Planning enables an enterprise to discover new opportunities, which give it a competitive edge.

(f) Economical operation. Since planning involves a lot of mental exercise, it helps in proper utilization of resources and elimination of unnecessary activities. This, in turn, leads to economy in operation.

(g)Encourages innovation. Planning is basically the deciding function of management. Many new ideas come to the mind of a manager when he is planning. This creates an innovative and foresighted attitude among the managers.

(h)Tackling complexities of modern business. With modern business becoming more and more complex, planning helps in getting a clear idea about what is to be done, when it is to be done, where it is to be done and how it is to be done.

Limitations Of Planning

Although planning is a primary function of management and facilitates various other management functions, it has many barriers and limitations. Some of them are explained below:

(a)Costly process. Planning is a costly process as time, energy and money are involved in gathering of facts and testing of various alternatives.

(b)Rigidity. Planning restricts the individual's freedom, initiative and desire for creativity as it strictly adheres to -pre-determined -policies and Programmes.

(c)Limited scope. The scope of planning is said to be limited in the case of organizations with rapidly changing situations.

(d)Influence of external factors. The effectiveness of planning is sometimes limited because of the external social, political, economical and technological factors which are beyond the control of the planners.

(e)Non-availability of data. Planning needs reliable facts and figures. planning loses its value unless reliable information is available.

(f)People's resistance. Resistance to change hinders planning. Planners often feel frustrated in instituting new plans, because of the inability of people to accept them.

Requirements of a Good Plan

An effective and sound plan should have the following features:

(a)Clear objective The purpose of plans and their components is to develop and facilitate the realisation of organizational objectives. The statement on objectives should be clear, concise, definite and accurate. It should not be coloured by bias resulting from emphasis on personal objectives.

(b) Proper understanding. A good plan is one which is well understood by those who have to execute it. It must be based on sound assumptions and sound_;reasoning.

(c)Flexible. The principle of flexibility states that management should be able to change an existing plan because of change in environment without undue extra cost or delay so that activities keep moving towards the established goals. Thus, a good plan should be flexible to accommodate future uncertainities.

(d)Stable. The principle of stability states that the basic feature of the plan shouldltnot be discarded or modified because of changes in external factors such as population trends, technological developments, or unemployment.

(e)Comprehensive. A plan is said to be comprehensive when it covers each and every aspect of business. It should integrate the various administrative plans so that the whole organization operates at peak efficiency.

(f)Economical. A plan is said to be good, if it is as economical as possible, depending upon the resources available with the organization.

Types Of Planning

Planning is of several kinds depending upon their nature. The various types of plans are as follows:

(a)Financial and non-financial planning. Financial planning relates to the monetary aspect of the concern. On the other hand, non-financial planning relates to the physical resources of the concern.

(b)Formal and informal planning. A planning in black and white is known as formal planning. Informal planning is only thinking about it and nothing more.

(c)Short-range and long-range planning. Short-term planning relates to a period of less than one year. It is to accomplish objectives in the near future. Medium-term planning covers a period of over one year but less than three years. A planning between three to five years is known as long-term planning.

(d)Standing and ad hoc planning. Standing plans are permanent in nature and are meant to be used over and over again. They ensure quick decision and action whenever need arises. On the other hand, ad hoc plans are generally for specific matters and are prepared only when some need arises.

(e)Administrative and operational planning. Planning is generally done at various levels of management like top level, middle level, and lower level. Administrative planning associates with middle level managers and provides guidelines to operational planning. On the other hand, operational planning associates with lower levels of management and deals with actual execution of operations. Top level planning is concerned with fixing of objectives.

MISSION AND OBJECTIVE, STRATEGY AND THE DIFFRENCE BETWEEN THEM

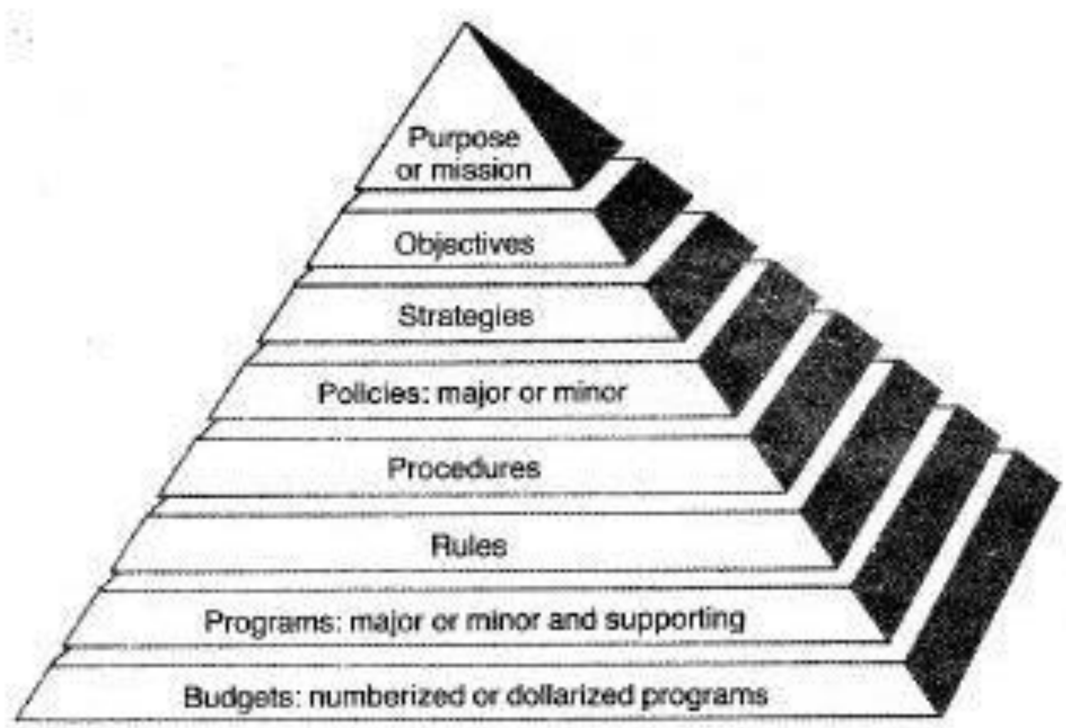
Overview of the Lecture

The overall planning of an enterprise consists of a number of sub-plans or derivative plans. They may be grouped into two broad categories, namely standing plans and single-use plans. The standing plans are made to be used over and over again and lead to the development of objectives, policies, procedures, methods, and rules. Standing plans are also known as 'repeated-use' plans as they are formulated to guide managerial decisions and actions on problems, which are of recurring nature. On the other hand, single-use plans handle specific situations and produce strategies, Programmes, projects, and budget

Objective

- Types of plan
- Mission or purpose
- Objectives
- Characteristics of Objectives
- Strategies

Types of plan



THE HIERARCHY OF PLANS.

1. Mission Or Purpose

Identifies the basic function or task of an organization or any part of it. Mission can be to produce and distribution of goods and services or to serve a particular section of the society.

Eg. Mission of the oil company can be "To search for oil and to produce, refine and market. petroleum and its related variety of products , from diesel fuel to chemicals.

2. Objective Or Goal

They are the ends toward which activity is aimed i.e. they are the results to be achieved.

Organization objectives are the basic plan of the firm where as dept. may also have their own objective, which are inline with organization objective.

Objectives are a general declaration of purposes. They are the ends towards which the activities of an enterprise are directed. In the words of Robert C. Appley, "Objectives are goals, they are aims which management and administration wish organisation to achieve."

Objectives are a part of the planning process. Planning has no meaning unless it is related to objectives. P.F. Drucker states, "Objectives are important in every area where performance and results directly affect the survival and prosperity of business." He suggests eight specific areas in which objectives have to be set in terms of performance and results. These areas are:

Market standing, innovation, productivity, physical and financial performance and development, workers performance and attitude, and public responsibility.

E.g. The objective of the business might be to make certain profit by producing a given line of home entertainment equipment, while the objective of manufacturing dept might be to produce the required no. of T.V. sets of a given design and quality at a given cost.

Characteristics of Objectives

The following are the important characteristics of objectives:

1. ***Hierarchy of* objective**. The objectives of an enterprise can be structured into a hierarchy. Thus, the" objectives at the lower levels are the means for the higher levels. For example, the enterprise objective of earning a certain rate of return on the investment may, in turn, generate objectives for other departments, sections, and individuals.
2. **Multiple in nature:** Objectives are required in all areas of the enterprise on which its survival depends. Hence there should be multiple objectives rather than a single one.
3. **Long-range and short-range objectives**: A business should have both long-range and short-range objectives as it is a continuous activity. Short-range objectives are normally drawn for immediate future and relate to market standing, maximisation of sales, product development, productivity, and so on. On the other hand, long-range objectives are drawn for distant years and relate to the survival and growth of the enterprise. Short-range objectives are set to

accomplish the long-range objectives. Thus, short-range objectives are more specific and detailed than long-range objectives. .

4. **Objectives are interdependent:** Since objectives are interdependent and must support one another, they can be attained simultaneously.
5. **Objectives have priority:** In an enterprise, sometimes the accomplishment of one objective is relatively more important than the other. This is what we call as priority of objectives
6. **Tangible and intangible objectives:** Objectives which are quantifiable are known as tangible objectives. They relate to the areas of productivity, market standing, physical and financial standing. Intangible objectives, on the other hand, are not readily quantifiable and relate to the areas of manager's performance, workers' morale, and so on

3. Strategies

The concept of strategy in business has been borrowed from military. Strategy is the general program of action and deployment of resources to attain the comprehensive objective. It means to counter the movements of the enemy forces. In modern times, the word strategy is also widely used in business for the accomplishment of enterprise goals.

Strategies are single use plans as they change frequently in accordance with the market conditions. They are the plans made in the light of the plans of the competitors.

E.g. If the management sees the price cut by the competitor, it may decide upon a strategy of launching and advertisement campaign to educate the customer and to convince them of the better quality of their product

POLICY,PLAN, PROGRAMS,BUDGET AND THE DIFFERENCE BETWEEN THEM

Overview of The Lecture

Policies are derived from objectives. They are designed to operationalise objectives and hence policies are known as operational objectives. A policy may be defined as, "a guideline that helps in attaining the objectives of the organisation." It is a guide to thinking and action of those who have to make decisions.

In this lecture we will continue with the types pf plan, that is we will study about what is policy, its characteristics and distinction etc. lets start with Policy

Objective

- Policy
- Characteristics of a Good Policy
- Procedure
- Characteristics of Procedures
- Rules
- Programs and Budget

POLICY

Policies are general statement or understanding which guide or channel thinking in decision making. Policies define an area within which a decision is to be made and insure that decision will be consistent with and contribute to an objective. It is useful for manager to delegate authority and still maintain control over what their subordinates do.

Policies are derived from objectives. They are designed to operationalise objectives and hence policies are known as operational objectives. A policy may be defined as, “a guideline that helps in attaining the objectives of the organization.” It is a guide to thinking and action of those who have to make decisions. A policy tells the members of the organization how to deal with a particular situation. It lays down the limits within which decisions have to be made for accomplishing organizational goals. Examples of policy are as follows:

a. An enterprise may adopt a policy of employing only local people.

b. It may have a policy not to employ any person over sixty years of age.

Policy exists – On all levels of the organization, ranging from major company policies their major dept policies to minor policies applicable to the smallest segment of the organization.

E.g. If the management has adopted the policy seniority based promotion, the dept. manager need not to seek guidance from the top management again and again with respect to promotion decisions.

Characteristics of a Good Policy

The following are the features of a good policy:

1. It should help in accomplishing organizational objectives.
2. It should reflect the internal and external business environment.
3. It should be simple, definite, clear and flexible.
4. It should reflect sound judgement.
5. It should be in writing and compiled in a manual form.
6. It should ensure sequence, uniformity arid continuity.
7. It should prove an effective control device.
8. It should ensure elimination of friction and -disagreement between different sections and personnel of the organization.

Distinction between Policies and Strategy

Policy	**Strategy**
Guide to thinking and decision -	Guide for allocation of resources.

making. Standing plan for repitative us	Immediate plan according to circumstances
Formulated to deal with repitative problems. Concerned with a particular dept or company as a whole	Formulate to meet environment threat and opportunities Concerned with the company as a whole.

Distinction between Policies and Objectives

Policies.	**Objectives**
They are guidelines. They determine how the work is to be done.	They are the ends. They determine what is to be done.
They are formulated by the managers of all levels.	They are determined by the managers of top level.
They prescribe the manner in which objectives are to be attained.	They are the end points of planning.

Procedures

It is a chronological sequence of steps to be undertaken to enforce a policy and to attain a specific manner in which a particular activity is to be performed. It is a planned sequence of open for performing repitative activities uniformly and consistently.

Eg. It may be laid down that promotion interview will be taken by committee and executive at 1st and then the final interview will be with the CMD (chief managing director). This may be called the procedure of promotions.

A procedure is a systematic way of handling regular events. It is a guide to action and tells how a particular action is to be carried out. According to Terry, a procedure is a series of related tasks that make up the chronological sequence and the established way of performing the work to be accomplished.

Procedures are clear-cut administrative specifications prescribing the time sequence for work to be done. They can be established for a wide variety of work such as recruitment of staff, termination of staff, wage payment, etc. For example, various steps of the procedure involved in recruiting the employees are:

(a) Preliminary interview

(b)Application blank

(c) Reference check (d)Employment test

(e) Final interview

Medical examination (g)Appointment letter (h)Induction or orientation

Characteristics of Procedures

The following are the important features of procedures:

1. Procedures act as a guide to action.
2. They are established in keeping with the objectives, policies and resource position.
3. They are concerned with establishing the time sequence for work to be done.

Procedures are generally meant for repetitive work

Distinction between Policies and Procedures

Policies	Procedures
1. They are guide to decision making.	1. They act as guide to action only.
2. They have some room for managerial thinking and discretion.	2. They are generally detailed and rigid.
3. They form part of the strategies of the organisation.	3. They are operational as tactical tools.
4. They are basic things and are formulated by the top management	4. They are generally based on policies and are decided at a somewhat lower level of management

Rules

Rules are rigid and defined plan that specify what is to be done or not done in given situation. A rule provides no scope for judgement. No deviation is expected from the rule.

Rules are the specific regulations to be followed by the

employees in an organisation. They are the simplest and the most specific type of standing plans. They are definite and rigid. The breach of rules generally carries a penalty.
A rule may or may not be a part of procedure. E.g.
a) The rule that all orders must be acknowledge within 48 hrs of receipt as a part of the procedure for processing orders.

b) The rule no smoking in the factory is not a part of any procedure.

Program

Steps to be taken, resources, time frame.
A program specifies the steps to be taken resources to be used, time limit for each step and assignment of task. It is a sequence of action steps arranged in the priority necessary to implement a policy and achieve an objective.

It defines the contents and scope of activities. Program are prepared for various activities like development of new product, training of emp's , purchase of m/c etc.

Buget

It is a statement of expected results expressed in numerical terms for a definite period of time in the future. Budget serves as a mean of co-ordination and control.

Budgeting co-ordinates the activities of different depts. By adjusting dept. budgets into master budget. It serve as standard of measuring actual performance.

Budgets may be prepaid for various group of activities like production , sales, personal, advertising etc. Budget may be prepared in term of money, time & / or resources.

Cash budget, production budget, and master budget are the important budgets in business

a senior position in the marketing dept of your current organization or an organization with which you are familiar.

The organization is reviewing its position in the market as charged you with reporting to them on certain area of the business produce a board in which you.

a) State and comment on the mission statement or the main objective of the organization.

b) Review the strength, weakness opportunities and threat that the organization is faced with.

c) Outline the major slake holders in the organization and give a brief analysis of there slakes.

Discuss possible strategy that your organization could employed to influence customer demand

SWOT ANALYSIS

Objective

• SWOT Analysis

It is the analysis of the strength, weakness, opportunity and threat of a company.

Strength

Is the core area of the organization? It may be the strength of the management in a particular functional area like in marketing or in technical area, strength of infrastructures, strength of distribution N/W, strength of R & D etc.

Weakness

Is that area of organization where the management feels that they have certain limitation as compared to their competitors?

E.g. Some organization have the strength in manufacturing the product but do not have the experience of marketing, or do not want to invest for marketing at present, such organization well take the help of other organization for the marketing of the product, or develop the strategy to overcome the weakness in order to take advantage of opportunity.

Opportunity

Locating the area of activities where the organization can diversified or increased area of open. This includes of changes in demand. Competition, technology, financed industrial structure.

Threats

Are the difficulties in achieving the company objective the threat may be from outside or external , like competition, political or may be from the internal, like workers, improper systems.

Goal Setting

Also known as objective setting. For goal setting, First do the SWOT analysis and then identify the opportunity, match it with the strength of company. The company should utilize the strength to take advantage of opportunities. Also use the strength of the company to avoid the threats and try to overcome the weakness to avail the opportunities.

Planning is a rational approach to accomplish the goals.

STEPS IN PLANNING

Steps In Planning

The various steps involved in the planning process are as follows

The various steps involved in the planning process are as follows (Figure 5.1):

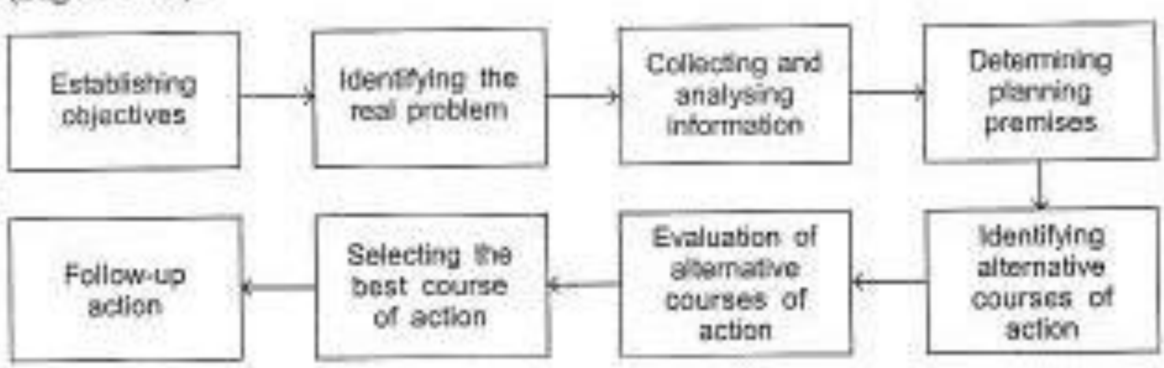


Figure 5.1 Steps in planning.

1. Establishing objectives. They should be established for the organization as a whole and then broken down into departmental and sectional objectives.
2. Identifying and defining the real problem. Every organization has to identify and define the problem which may arise in course of time.
3. Collecting and analyzing information. Before actual planning is initiated all relevant information and data relating to planning problems are collected and analyzed.
4. Determining planning premises (forecasting): The assumptions on which plan are based are known as planning premises. They are a forecast of future conditions. Assessment of future demand, customers taste, and competition in the market can be made with the help of forecasting
5. Identifying alternative course of action: usually, there are several alternative plans. The planner should therefore try to find out all of the possible alternative and their porobable consequence.
6. Evaluation of alternative courses of action: evaluation means the study of performance of various actions. Once alternative action plans have been decided they should be evaluated in the light of cost, speed, quality and so on.

Selecting the best course of action: at this stage, the manger selects the course of action which will prove to be the best in terms of achieving organizational objectives

Follow up action: the last step in the planning process is to put the selected course into practice and develop its derivative plans such as policies, procedures, schedules, methods, budgets etc.

FORECASTING

Overview of the Lecture

Haimann felt that the success of any business is dependent largely on the skills of management in forecasting and preparing for future events, **Fayol** said **Forecasting as the essence of management**. Its techniques are used in every type of organisation may it be government or private, production or service and social or religious.

Each manger must identify how the future condition will effect the open the condition in the external environment are out of, but they must be establish so that the organization can quickly adopt to changes that are occurring rapidly.

E.g. The forecast of demand for a particular product can be viewed as sale of product to New customers, sale of additional product to the old customer, replacement sale for the product of the existing customer and sale effected by recent improved technological development etc.

Objective is to Learn

- Definition
- Steps in Forecasting
- Method of Forecasting

Definition

McFarland feels "forecasts are predictions or estimates of the changes if any in characteristic economic phenomena, which affect one's business plan." Barnes says "Business forecasting is the calculation of reasonable probabilities about the future, based on toe analysis of all the latest relevant information by tested and logically sound statistical and econometric techniques, as interpreted, modified and applied in terms of an executive's personal judgement and social knowledge of his own business and his own industry or trade." Sulton felt that "it is the calculation of probable events".

Steps in Forecasting

Redfield has suggested four steps in the process of forecasting

First is to build a structure on which future estimates can be based. This is done by carrying out a proper investigation of products, company, and industry to judge how each has progressed in the past separately and in relation with each other. **Secondly** the key executives are to sit together and mutually develop a forecast of future expectancies, in the form of mutual understanding, in a step-by-step process. This one will bind them to co-responsibility and also individual accountability for any deviations of actual from estimated results as may occur.

The **third and fourth** steps are simple. Compare the actual with estimated results and then learn from experience, sharpen the approach and refine the procedure. Anticipated status of the business is to be checked periodically to locate the major differences. For this purpose mile stones are to be marked for measuring gains or losses. Reasons can be found out on the spot. One gets proficiency in forecasting only after familiarity and practice of the process and insistence on constant improvement as more experience is gained.

To make forecasting as much a success, the data obtained must be adequate and accurate and it should be prepared properly for use. Then use this data in as many different ways as possible by applying sound judgement and, intuition to make forecasts.

Normally present has a, close causal relation with the future, ego construction expenditure can be forecasted by having data contracts already made earlier. This strategy is known as Deterministic strategy. In addition to this or by itself one can watch the present signs, which show how the future is developing. They will reveal the process of change, which is already taking place. This strategy called Symptomatic, spots the leading indicators whose movements foreshadow rise or decline in business activity. The other Strategy called Systematic, assumes that in even in accidental or chaotic changes in the world one can see underlying regularities.

Method Of Forecasting

Chou has classified these into three categories.

1. **Native method** - The assumption is that the future will resemble the present and the plans are made based on forecasts that lack rigid theoretical basis. It is as simple as throwing a coin up to decide an outcome or mechanical projection of a time series into future.
2. **Barometric method** - It is based on the theory that past historical patterns tend to repeat themselves in future and the future can be predicted from that. The statistics of the past may show regular fluctuations in certain events in series or in general business. There will be use of leads and lags, which are to be found out before the past statistics can be used.
3. **Analytical method** - It requires analysis of all causative forces operating currently on the variables to be predicted. The future can be judged on the pattern shown in this Cause and effect picture, these can be nonmathematical or mathematical, ranging, from simple to most sophisticated ones.

In addition to above we can classify those into short term, midterm and long term forecasts. It will be obvious that short term ones will be more accurate than others, as these are not beyond two years. Yet it is more difficult to make short-term forecasts. Mid term ones may be between two to five years and beyond that will be long term. In long-term forecasts many events, which are slow moving and are nondiscernable are to be considered, like basic trends of population. But all of them need to be linked properly to have consistency. Normally this is achieved by having a forecasting committee and a coordinator. A corporate computer model will be prepared to show relationship between various budgets whose periods will have been extended to cover long term plans.

TYPES/ TECHNIQUES OF FORECASTING

Overview of The Lecture

In this lecture we will study the techniques used in forecasting. Since the prediction has to be done, so there must be some methods available, which will assist in doing it.

Objective is to Learn

- Forecasting Techniques

Forecasting Techniques

1. Quantitative Time series analysis/ Exponential smoothing

In this method, study of past data such as last year sale, last month sale or last year shipment trend are analyzed by the company based on the previous trend. Forecasting can be done by keeping in view the present factors

2. Derived Forecast or Regression method

give stability to figures. This helps in developing of product, territory, customer or salesmen breakdown.

Forecasting is not yet a science and no fool proof method has yet been found. Independent and intuitive appraisal by intelligent and experienced brain is still valid. One cannot get too precise answers in an environment characterized by uncertainty. One should combine all the methods to get answers. If several different forecast indicators based on independent approaches and data, point to same result, forecaster can be assured of fairly reliable future

3. Casual Model

If an underline cause for the variable can determine the forecast can be handled mathematically and produce quite accurate results.

E.g. One might find that sales are the direct result of number of contacts by the sales executive and predict that from every 5 contact 1 sale will result.

4. User's expectations

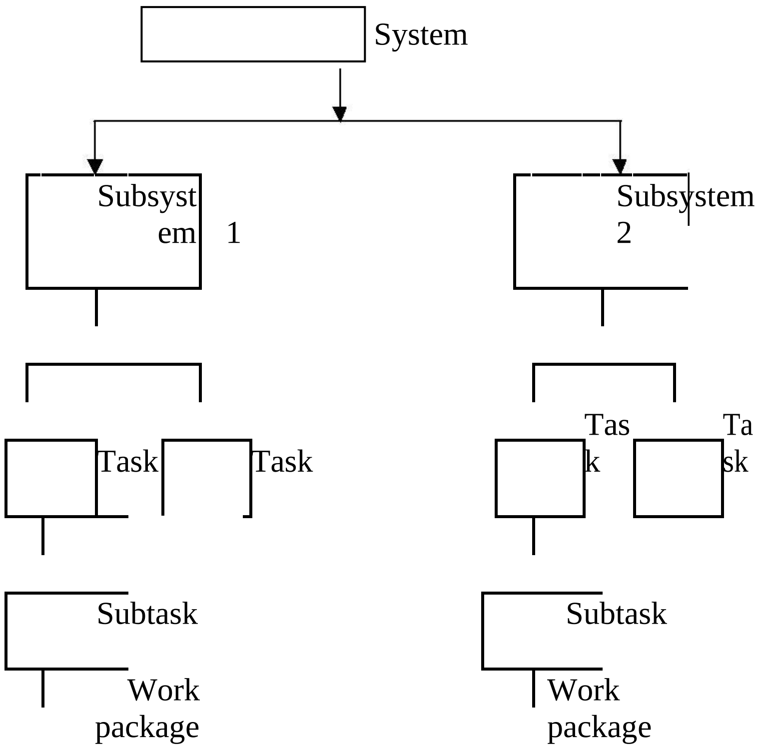
One way to find out about likely sales is to ask the customers themselves as to how much they need. Although it is not a commitment, it is good enough for a small company who can not use other methods because of its costs and customers are few. Also they should be easy to locate and be cooperative.

5. Sales force estimates

Salesmen in the field are the best to know the market conditions as they operate there every minute. All the estimates in various areas are collected and with little adjustment averaged mostly the 'over' and 'under' errors cancel out each other. Although it appears to be perfect, there can be some drawbacks. Salesmen will have to be trained to be forecasters and to influence all the factors that affect the sales. Their participation should be encouraged provided that they are cooperative and unbiased. This will give them more confidence in themselves and they will take the responsibility of proving their worth. As the sample will be large it will.

SCHEDULING, WORK BREAK DOWN STRUCTURE

Work Breakdown Structure



Work breakdown structure is created in a level-by-level breakdown

1. System to Subsystem
2. Subsystem to Task
3. Task to Subtask and
4. Subtask to work package (work package is a paragraph description of the work to be done

The manner in which the system is broken down is into sub system, task etc is shown by the diagram above.

FORMAL AND INFORMAL ORGANIZATION,

ORGANIZATION CHART

Overview of The Lecture

Organizing means insuring that all the activities necessary to accomplish the goal are assigned to a person who can do them best. For this an effective organization structure is required.

In this lecture we will study about the Formal and Informal Organization

Formal organization means the intentional structure or roles in a formally organized company.

Informal organization means a network of personal and social relationships not established or required by the formal organization but arising spontaneously as person associate with each other.

Objective is to Learn

- Meaning and definition
- Significance of organization
- Formal and Informal organization
- Organization Chart
- Benefits of Organization Chart

Meaning and Definition

Organization is the backbone of management and a means of multiplying the strength of an individual. It takes the knowledge of individuals and uses it as the resource. To organize manpower means to build a structure, not of wood and steel, but of human beings. The people are the material for the construction, their loyalty is the foundation and their cooperative spirit the moral that holds the structure together and gives it vitality.

The concept of organization has been perceived differently by different persons. The biologists consider the human body as an organization. The sociologists think of society as an organization and the political scientists think of government as an organization. To a top executive, the term organization means the weaving together of functional components in the best possible combination so that the enterprise can accomplish its objectives. Generally speaking, an organization is the rational coordination of the activities of a number of people for the accomplishment of some common goals, through division of labour and function, and through a hierarchy of authority and responsibility.

Some writers on management have defined organization as a structure of relationship between the various positions in the concern. This relationship is in the form of well-defined authority and responsibility in the formal structure. McFarland has defined organization, “as an identifiable group of people contributing their efforts towards the attainment of goals.” Thus, the term organization represents a particular group ofindividuals engaged in accomplishing common goals.

Organization as a group has certain features. They are as follows:

i. It is a cooperative relationship of two or more persons.

ii. Its purpose is to accomplish certain goals.

iii. Its members can communicate with each other.

iv. The behaviour of the group is regulated through their own bye-laws.

In the words of Koontz and O'Donnell, "Organization involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority delegation and coordination." Organization as a process, therefore, is an executive function that consists of:

i. Breaking up the entire work into different segments

ii. Assigning each segment to the qualified individuals, and

iii. Coordinating the efforts of jobholders to attain the organizational goals.

Formal Organization

The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organization is bound by rules, systems and procedures and is deliberately built by the management to accomplish organizational goals. But the degree of its success depends on the attitudes and capacities of the people within the organization.

The formal organization is built around the key pillars of division of labour, scalar process, structure, and span of control. These may also be called the *principles* of formal organization. Its structure is designed to enable its members to work together for accomplishing common goals. An individual should adjust himself to the formal organization. It tells him to do certain things in a specified manner, to obey orders from designated individuals and to cooperate with others. Coordination also proceeds in accordance with the prescribed pattern.

Formal organization is deliberately impersonal and is based on the ideal relationship between persons in terms of authority and responsibility. The authority and responsibility of each individual is well defined, obviating any chance of overlapping of authority. The basic features of formal organization are as follows:

1. It is a prescribed structure of roles and relationships consciously coordinated towards a common goal.
2. It is based on division of labour and specialization.
3. Its structure is pre-determined by the top management.
4. It does not consider the emotional aspect.
5. The authority and responsibility relationships created by the organization structure need to be honoured by everyone.

Informal Organization

Informal organization refers to the relationships between people in an organization based not on procedures and regulations but on personal attitudes, whims, prejudices, likes, dislikes, etc. It arises from the personal and social relations of the people, which cut across formal channels to communicate with one another. Sometimes, it is afflicted with rumours and offers resistance to the new ideas of management.

Informal organizations are small groups and arise spontaneously along with the formal organizations. The groups can overlap since a person can be a member of ' more than one informal group. A manager cannot abolish the informal organization, as it is not created. Sometimes, informal relations can be used to support the formal organizations. For example, a superior weak in planning may accept the advice of an experienced subordinate. The following are the vital features of informal organization:

1. It arises spontaneously.
2. Its formation is a natural process.
3. It reflects human relationships.
4. Its membership is voluntary.
5. It is based on common taste, whims, prejudices, etc.

Informal organization

1. It originates automatically.
2. It has no pre-determined purposes.
3. Its structure is based on personal attitudes, whims, and friendships.
4. It does not last too long.
5. It reflects human emotions.
6. It does not follow a fixed chain of command.

Formal Organization vs. Informal Organization

Formal organization

1. It is deliberately formed.
2. It has pre-determined purposes.
3. It is a structure of well-defined authority and responsibility relationship.
4. It is usually stable.
5. It does not consider human sentiments.
6. It follows a fixed chain of command.

Organization Chart

An organization chart is **"a diagrammatic representation of the structure of an organization."** In other words, it is a graphic portrayal of positions in the organization and of formal lines of communication among them. The organization chart provides a bird's eye view of the relationship between different departments of an organization as well as the relationship between the executives and the subordinates at various levels. In the words of Louis A. Allen, "The organization chart is a graphic means of showing organization data. Organization charts are snapshots; they show only the formal organization and depict it only at a given moment in time." Thus the main features of an organization chart are as follows

i. It is a diagrammatical presentation.
ii. It shows the relationship between different authorities.
iii. It shows the kind of relationships prevailing in the organization.
iv. It shows the authority and responsibility of various authorities.

Benefits of the Organization Chart

The main advantages of the organization chart are the following

1. It facilitates organizational planning and manpower planning.

2. It helps to avoid overlapping of authority.
3. It enables the executives to know and appreciate their own position vis-a-vis others in the organization.
4. It is a source of authoritative information about the organization.
5. It helps to analyse an organization for effecting improvement

TYPES OF ORGANIZATION

Overview of The Lecture

Objective is to Learn

- Types of Organization
- Choosing the Pattern of Department

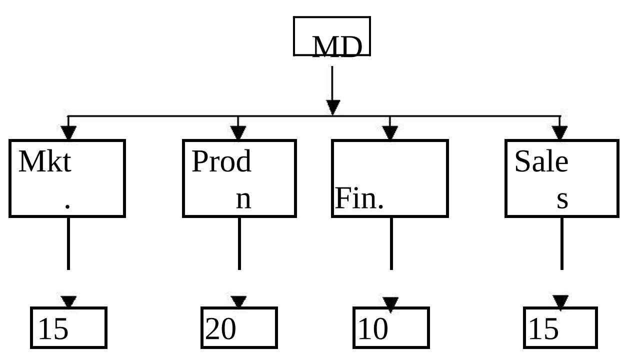
Types of Organization

1. Departmentation by simple number
2. Departmentation by tune
3. Departmentation by function
4. Departmentation by territory
5. Customer Departmentation
6. Process or Equipment Departmentation
7. Departmentation by product
8. Strategic Business Unit (SBU)

1. Departmentation by simple number

This method is used to total the no. of persons who are performing the same duties and are under the supervision of a manager.

In this method the main limitation is that it is assumed that the success of work depends only upon the no of person involved. But actually it also matters that what these people do where they work or what they (workers with computers, pen, clock etc.) work with. Moreover it is important to know how many specialized persons are there on a group instead of (skilled and unskilled) total no. of persons in a group. This method is not used at present.



2. Departmentation by time

In this the activities are grouped on the basis of time the example of this kind of departmentation is Hospital where round the clock patient care is essential.

3. Departmentation by function

In this case activities are grouped according to the similarity within the function of the organisation.

The organisation may be divided into departments on the basis of functions such as production, marketing, finance, personnel, and-so-on. These functions can further be divided into sub-functions in accordance with the need of the organisation.

4. Departmentation by territory

In this case activities in a given area or physical location are grouped and assigned to a manager.

When the activities of an organisation are (physically or geographically) widely dispersed, territorial divisions may be created. Such divisions take the advantage of the intimate knowledge of the local conditions possessed by the executives.

Ex. CBSE (Delhi Zone, Allahabad zone, Chennai zone etc) area wise is divided; function of each zone will be different.

5. Customer Departmentation

In customer-based departmentation, departments are created around the markets served or around marketing channels. Wholesale, retail, and export customers are examples of such departmentation Ex TCS has dealer N/W co-operate marketing (more volume of sale) institutional market (sale related to education), direct marketing (door – to – door).

In this case the activities are grouped on the basis of nature of customer.

6. Process or Equipment Departmentation

In process departmentation, various manufacturing processes are taken as the basis for dividing the activities. Spinning, weaving, dyeing, etc. can form the examples for such a departmentation. In this case the activities are grouped around a process or a type of equipments.

Ex. Fan Blades(cutting, painting, attachment.) Marketing Direct, Tele Marketing, Dealership etc

7. Departmentation by product

When the activities associated with each product or group of closely related products are combined into relatively autonomous and integrated units within the overall framework of the company, such an organisation is described as product departmentation. It enjoys the advantage of specialised product knowledge and promotes coordination of different activities connected with a particular product. Activities are grouped on the basis of product – line.

Bajaj – (Scoter, motorcycle, Auto, Mopeds Divisions)

8. Strategic Business Unit

In this case the product line or a product is promoted and handled as an independent business. Normally this concept is used for large organization to ensure that a product will not get lost among other products.

A SBU must have its own mission, may be different from the mission of other SBU and prepare its own plans to achieve the objective.

E.g. Hindustan Lever (dealing with soaps, food division etc) each division has different targets.

Choosing the Pattern of Department

There is no single best way to organise the most appropriate pattern depends on various factors on a given situation. These factors includes

1. The kind of job to be done (line etc.)
2. The way the last must be done.(repetitive etc)
3. Kind of persons involved/skilled or unskilled persons
4. The technology
5. The customer service type and
6. Other internal and external considerations.

The selection of a specific department pattern should be done so that organisation objectives can be achieved affectively and efficiently

POWER

Overview of The Lecture

Power is the ability to exert influence. When a person is able to change the behaviour or attitudes of other individuals, it is said that he has power. Thus, a manager's power is his ability to cause subordinates to do what he wishes them to do. Lets start our lecture with the basics and then in details about the power

Where does power come from? What is it that gives an individual or a group influence over others? The answer to these questions is a five-category classification scheme identified by John French and Bertram Raven. They proposed five types of bases, or sources, of power: coercive, reward, legitimate, expert, and referent

Objective is to Learn

- What is Power

 Types of Power

Power

POWER refers to a capacity that A has to influence the behavior of B so that B does something he or she would not otherwise do. This definition implies (1) a *potent* that need not be actualized to be effective, (2) a *dependence* relationship, and (3) that B has some *discretion* over his or her own behavior. Let's look at each of these points more closely.

Power may exist but not be used. It is, therefore, a capacity or potential. One can have power but not impose it.

Probably the most important aspect of power is that it is a function of dependence. The greater B's dependence on A, the greater is A's power in the relationship. Dependence, in turn, is based on alternatives that perceives and the importance that B places on the alternatives that A controls. A person can have power over you only if he or she controls something you desire. If you want a university degree, have to pass a certain course to get that degree, and your current instructor is the only faculty member in the university who teaches that course, he or she has power over you. Your alternatives are definitely limited, and you place a high degree of importance on obtaining a passing grade. Similarly, if you're attending university on funds provided entirely by your parents, you probably recognize the power they hold over you. You're dependent on them for financial support. But once you're out of school, have a job, and are making a solid income, your parents' power is reduced significantly. Who among us, though, has not known or heard of the rich relative who is able to control a large number of family members merely through the implicit or explicit threat of writing them out of the will?

For A to get B to do something he or she otherwise would not do means B must have the discretion to make choices. At the extreme, if B's job behavior is so programmed that he is allowed no room to make choices, he obviously is constrained in his ability to do something other thin what he is doing. For instance, job descriptions, group norms, organizational rules and regulations, as well as community laws and standards constrain people's choices. As a nurse, you may be dependent on your supervisor for continued employment. But, in spite of this dependence, you're unlikely to comply With her request to perform heart surgery on a patient or steal several thousand dollars from petty cash: Your job description and laws against stealing constrain your ability to make those choices.

Power is the ability to exert influence. When a person is able to change the behaviour or attitudes of other individuals, it is said that he has power. Thus, a manager's power is his ability to cause subordinates to do what he wishes them to do.

It may be weighed in terms of the manager's ability to

(i) Give rewards,

(ii) Promise rewards,

(iii) Withdraw current rewards,

(iv) Threaten to withdraw current rewards,

(v) Punish, and

(vi) Threaten punishment.

Types of Power

John French and Bertram Raven have identified the following sources of power at all levels of the organisation.

1. Coercive power

It is the ability of the manager to punish the subordinate for not obeying orders. The coercive power base is defined by French and Raven as being dependent on fear. One reacts to this power out of fear of the negative results that might occur if one failed to comply. It rests on the application, or the threat of application, of physical sanctions such as the infliction of pain, the generation of frustration through restriction of movement, or the controlling by force of basic physiological or safety needs.

2. Reward power

It is the ability of the manager to reward the subordinate for obeying orders. e.g. Defense authorities, School Principle, Teacher(marks to be granted in Viva voice) etc.

The opposite of coercive power is reward power. People comply with the wishes or directives of another because doing so produces positive benefits; therefore, one who can distribute rewards that others view as valuable will have power over them. These rewards can be anything that another person values. In an organizational context, we think of money, favorable performance appraisals, promotions, interesting work assignments, friendly colleagues, important information, and preferred work shifts or sales territories.

Coercive and reward power are actually counterparts. If you can remove something of positive value from another or inflict something of negative value on him or her, you have coercive power over that person. If you can give someone something of positive value or re move something of negative value, you have reward power over that person. As with coercive power, you don’t need to be a manger to be able to exert influence through rewards. Rewards such as friendliness, acceptance, and praise are available to everyone in an organization.

RESPONSIBILITY, DELEGATION

Overview of The Lecture

Objective is to Learn

- What is Authority
- Distinction between Authority and Power
- What is Responsibility
- Distinction between Authority and Responsibility
- Delegation of Authority

Authority

Functional authority is the right, which is delegated to an individual or a department to control specified processes, policies or other matters related activities undertaken by persons in other department. It arises from the power of position i.e. from legitimate power.

Distinction between Authority and Power

Authority	Power
(a) It is the right to command.	1. It is the capacity to command.
(b) It is legitimised by certain rules, regulations, laws, and practices. (c) It is institutional and originates because of structural relationships. (d) It exists in the context of organisational relationship. It is a downward flowing concept.	2. In the case of power, there is no such legitimisation. 3. It emerges because of personal factors and varies with the individuals. 4. It may exist between any two persons and organisational relationships may not be necessary. It flows in all directions.

Responsibility

Responsibility means obligation to perform a task. It refers to the mental and physical activities, which should be performed to carry out a task. It originates from the superior-subordinate relationship and cannot be delegated or transferred. According to Koontz and O'Donnell, "Responsibility is the obligation of a subordinate to perform the assigned and implied duties." The duty should be expressed either in terms of functions or in terms of objectives. When a subordinate is asked to control the operations of a machine, the duty is in terms of the function. On the other hand, when a subordinate is asked to produce a particular number of pieces of a product, the duty is in terms of the objective

Distinction between Authority and Responsibility

Authority	Responsibility
It is power to command. It arises on account of a formal position.	It is the obligation of a subordinate to carry out the jobs assigned to him. It arises on account 'of the superior-subordinate relationship.
It can be delegated.	It cannot be delegated.

It always moves downwards.	It always moves upwards**.**

Delegation of Authority

Delegation of authority is an elementary art of management as it has certain working rules or fundamentals. It is the basis of administration in all spheres of life and involves sharing of authority and also the responsibility thereof. Delegation means "devolution of authority on subordinates to make them perform the assigned duties or tasks." Thus, delegation is the process of entrusting part of the work by the superior to his subordinates.

In the words of Theo Haiman, "Delegation means the granting of authority to subordinates to operate within the prescribed limits." L.A. Allen defines delegation as "the ability to get results through others." These definitions indicate that the question of delegation arises when the volume of work to be done is in excess of an individual's capacity. Thus, a chief accountant in an organisation may delegate his duty to prepare the budget to one of his subordinates. He also delegates authority to him consistent with the performance of the duty. Boss-subordinate relationship is the result of delegation. Without delegation, a subordinate may receive orders from many superiors and would not be able to comply with any of them.

STAFFING PRINCIPLES

Overview of The Lecture

An organization requires the services of human beings. They are the dynamic elements of it. Without the right kind of persons, an organisation structure is only an unproductive empty shell. Thus, any person occupying a position should have enough talent to meet its requirements. Staffing basically involves matching jobs and individuals. It involves a number of functions such as planning, selection, training and appraisal of the individuals in the organisation.

Objective is to Learn

- Meaning of Staffing
- Need and importance of Staffing
- Steps in staffing process
- Principles of staffing

Meaning of Staffing

The term staffing stands for manning various positions in the organisation. It is defined as "the process involved in identifying, assessing, placing, evaluating and developing individuals at work." According to Theo Haiman, "Staffing function is concerned with the placement, growth and development of all those members of the organisation whose function is to get things done through the efforts of other individuals." In the words of Koontz and O'Donnell, "The staffing function pertains to the recruitment, selection, development, training and compensation of subordinate managers."

The staffing function of management pertains to the determination of manpower requirements of the organisation and providing it with adequate number of competent people at all its levels. Thus manpower planning, recruitment, training and development, appraisal and remuneration of workers are included in staffing.

Need and Importance of Staffing

Since efficient managers are an asset in every enterprise, the need for them is increasing day-by-day. Several reasons which have increased the importance of the staffing function of management are as follows:

1. **Better performance.** Since performance of an organisation depends on the quality of the persons employed, the function of staffing is very significant.
2. **Use of technology.** With technological changes taking place everyday, the right type of persons are required to make use of the technology.
3. **Development of manpower**. In order to avoid a sudden disruption in the enterprise activities, the manpower requirement should be decided beforehand.

   Optimum use of manpower. Although every concern spends some money on its personnel by way of recruitment, selection, training, wages, and salaries, it can enjoy optimum results only through efficient staffing.
5. **Recognition of human relations**. Human factor determines the success of a business enterprise to a great extent. Thus, the morale of the employees should be kept high through various financial and non-financial incentives and the right kind of working conditions

Steps in the Staffing Process

The various steps in the staffing process are as follows:

1. **Manpower planning.** It is the determination of the future requirement of personnel.
2. **Recruitment and selection.** It involves selecting the best candidates from among the applicants to fill various jobs in the organisation.
3. **Placement.** It is assigning the right job to the right person in the organisation.
4. **Training and development.** Every organization has some special jobs that need certain specialised skills. Thus, the staff appointed has to be trained and their abilities have to be developed commensurate with the organisational objectives.
5. **Compensation or remuneration.** It is concerned with developing a system of adequate and equitable remuneration of personnel commensurate with their contribution to the objectives of the organisation.

Performance appraisal. It deals with the appraisal of the workers' performance.

Principles of Staffing

1. Principle of the Objective of Staffing

The objective of staffing is to ensure that organization roles are filled by those qualified employees who are able and willing to occupy them.

2. Principle of Staffing

The clearer the definition of organization roles and their human requirement and the better the technique of manager appraisal and training employed, the higher the managerial quality.

3. Principle of Job Definition

The more precisely the results expected from managers are identified, the more clearly their position can be defined

4. Principle of Managerial Appraisal

The more clearly, verifiable objectives and required managerial activities are identified the more precise can be the appraisal of mangers against these criteria

5. Principle of Training Objective

The more precisely the training objectives are stated; the more likely are the chances of achieving them

PERFORMANCE APPRAISAL

Overview of The Lecture

Objective

- Performance Appraisal
- Objectives of Performance Appraisal
- Limitations of Performance Appraisal

Performance Appraisal

Performance appraisal is also known as employees appraisal or merit rating. The rating of a person by another person is as old as mankind. But formal merit rating systems are of relatively recent origin. It is a systematic evaluation of the personality and performance of each employee by his supervisors or some other qualified persons. According to Scott and Spriegal, "Merit rating of an employee is the process of evaluating the employee's performance on the job in terms of the requirements of the job." It is a technique of assessing the worth of an employee with reference to the job requirements. In the words of Yoder, "Performance appraisal refers to all formal procedures used in working organisations to evaluate personalities and contributions and potential of group members." Thus performance appraisal is a formal programme in an organisation which is concerned with not only the contributions of the members who form part of the organisation, but also aims at spotting the potential of the people.

Objectives of Performance Appraisal

Merit rating has a wide range of uses in an organisation. It helps management to accomplish the following objectives:

(i) To unify the rating procedure so that all employees are rated on the same qualities by the same method of measurement.

(ii) To maintain a record of each employee’s performance in order to determine wages, incentive pay, salary increase, transfer, and promotion.

(iii) To determine the need for training programmes for employees and to decide the correct placement of workers.

(iv) To let an employee know his performance level so that he can take steps to develop himself.

(v) To provide a check at the end of the probationary period for new employees.

(vi) To eliminate personal prejudices and develop a better knowledge and understanding of its employees.

Limitations Of Performance Appraisal

The major limitations of performance appraisal are:

The results of merit rating will not be accurate unless the factors in the assessment are relevant

Sometimes, proper weightage may not be given to the

different qualities to be rated.

The actual rating of subjective factors like initiative and

Sometimes, supervisors do not possess the scientific lines critical
ability in assessing the staff.
The methods of performance appraisal are unreliable.

CARRER PLANNING, TURNOVER CAUSES

Overview of The Lecture

Objectives

· Career Planning

· Process of formulation of career strategy

· Turnover Causes

Career Planning

Development of contingency Plans

Contingency Plans based on alternative assumption should be prepared. It includes the future, which cannot be predicted with great accuracy.

Implementation of career plans

Career goals and personal ambition can be considered while implementing the career plans Job (at present vs. career (long term) tool is performance appraisal The appraisal performance should identify the strength and weaknesses of an individual. This identification can be the stating point for a career plan.

Affective performance appraisal should also recognize the desire of employee for progress management is one way to integrate organisation demand and individual needs.

Process of formulation of career strategy

1. Preparation of a personal profile

Management should know about themselves and prepare their own achievements. This will help them in decoding their professional career.

2. Development of large range personal and professional goals

Management should know why they need and what they want to be in future. ie. decision about his own goal selling up of performance goal help the managers to identify career goals.

10. Monitoring Progress

Monitoring the progress of evaluating progress towards career goals and making necessary in the career plans.

Turnover Causes

Employee turnover is caused because of

1. Improper environment
2. Better compensation
3. Bad Management
4. Better Job opportunity
5. Better job prospects
6. Better career
7. Better future

Personal ethic’s problem

THEORIES OF MOTIVATION

Overview of the Lecture

Objective is to Learn

- Meaning and definition
- Need and importance of motivation
- Theories of Motivation

Meaning and Definition

Motivation is an integral part of the process of direction and the core of management. In the course of direction, the manager has to try to create in his subordinates the willingness to pursue organisational goals enthusiastically. It is an effective instrument in the hands of management for inspiring the workforce and creating a confidence in it. Motivation deals with actuating the people to work for the accomplishment of enterprise goals. Thus it is a performance factor in an industry. The performance of an industry is determined by two factors. They are:

(a) Level of ability to do certain work

(b) Level of motivation expressed as:

Performance = *Ability* x *Motivation*

The performance level would be high if both these factors are high. While motivation can be enhanced by the factors governing human behaviour in the organisation, the ability to do work is governed by education and training.

Motivation is an act of energising the people to satisfy their needs. It has its roots in motives, which induce a person to behave in a particular manner. Motive is defined more often as needs, wants, drives, impulses, etc. within the individual. Whatever may be the behaviour of a person, there is *some* stimulus behind it. Stimulus depends on the motive of the person concerned. Motive can be known by studying his needs and desires.

On the basis of analysis of these definitions, it is clear that motivation is a process consisting of (i) the motive (ii) the needs, drives, desires, aspirations, etc. and (iii) the Objectives.

Need And Importance Of Motivation

Motivation is an effective instrument in the hands of management for inspiring and creating confidence in the workforce that they are capable of achieving, sparkling results. Only the “will to work” is to be created, which certainly the management has to do. Thus, every superior in the organisation should motivate his subordinates for the right types of behaviour. The need for motivation in an organisation may be summed up as follows:

By Umesh”kabir”

1. **Helps in realising organisational goals:**
motivated employees cooperate voluntarily with the management and thus contribute their maximum towards the organisational goals.
2. **Helps in increasing productivity:** Since motivation brings about satisfaction to employees, they work whole-heartedly. This results in increased productivity.
3. **Helps in reducing employees turnover and absenteeism:**
The rate of turnover and absenteeism comes down on account of the attractive motivational schemes.
4. **Helps in maintaining good industrial relations:** A proper system of motivation reduces friction among the employees and between the employees and the management. This results in good industrial relations between the management and the employees.
5. **Helps in getting right personnel:** Attractive motivational schemes help in attracting highly talented and competent persons from external sources.
6. **Helps in reducing employees grievances:** Good motivational schemes also help in reducing the number of complaints and grievances.

Theories of Motivation

1. Herzberg's Two Factor Theory

According to this theory there are 2 sets of motivation factors. In one set, there are **DISATISFIERS** which are not satisfied related to the job context. In another set, there are **SATISFIERS** or **MOTIVATORS** which are satisfied related to the context of the job
According to Herzberg's for both the set of people, same approach is not useful to motivate them. In case of DISATISFIERS set of people, we have to identify the factors for there dissatisfaction. Try to overcome their problem or dissatisfaction so that they will shift to the set of satisfiers set.

2. Vroom's Expectancy Theory

It suggest that people are motivated to reach a goal if they think that goal is worthwhile and can set that activities which will help them to achieve the goal.

3. Reinforcement Theory

It was developed by "Skinner" who suggested that people are motivated by Praise of Desirable behaviour. People should participate in setting their goals and should receive regular feedback with recognition and praise.

4. Mcclelland's Theory

This theory is based on the need for power and the need for achievement of status. According to this theory the person is motivated if he is getting more power and more status.

5. Equity Theory

It refers to an individual subjective judgement about the fairness of the reward received for input, in comparison with the reward of others