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STUDY MATERIAL FOR B.B.A

PRINCIPLES OF MANAGEMENT

SEMESTER –I

Academic Year 2022-2023

Prepared by

BBA DEPARTMENT

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CMBA11 / CMSL11 - PRINCIPLES OF MANAGEMENT **No.of Credits: 4**

Course Objectives: To acquaint students with the fundamentals of management and the basic functions of modern management.

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Definition of Management – managerial roles and skills- Science or Art – Manager Vs Administrator – Evolution of Management – Scientific, human relations, system and contingency approaches (contributions of F.W Taylor, Henry Fayol, Elton Mayo, Glberth and McGregor) - Levels and Functions of Management.

(15 hrs)

UNIT II PLANNING

Nature and purpose of planning – planning process – types of planning – objectives – setting objectives – policies – Planning premises – Planning Tools and Techniques – Decision making steps and process.

(15 hrs)

UNIT III ORGANISING

Nature and purpose – Formal and informal organization – organization chart – organization structure – types – Line and staff authority – departmentalization – delegation of authority – centralization and decentralization —Span of Management-Job design- Recruitment, selection, Training and Compensation.

(15 hrs)

UNIT IV DIRECTING

Foundations of individual and group behaviour – motivation – motivational techniques – job enlargement – job enrichment – leadership – types and theories of leadership – communication – process of communication – barrier in communication – effective communication. (15 hrs)

UNIT V CONTROLLING

System and process of controlling – budgetary and non-budgetary control techniques – use of computers and IT in Management control – Productivity problems and management – control and performance – direct and preventive control – reporting. (15 hrs)

Reference books:

1. Principles of Management- T. Ramasamy.
2. Principles and Practices of Management- L.M. Prasad.
3. Essentials of Management – KOONTZ AND O‟DONNEL
4. Principles of Management – SHERLEKAR S. A.
5. Business Management – DINKAR PAGARE
6. Principles of Management – TRIPATHI AND REDDY

UNIT I

INTRODUCTION TO MANAGEMENT

Management

Definition

According to **Peter Drucker**, "Management is a multi-purpose organ that manages business and manages managers and manages workers and work."

According to **Harold Koontz**, "Management is the art of getting things done through and with people in formally organised groups."

Meaning

Management is the coordination and administration of tasks to achieve a goal. Such administration activities include setting the organization's strategy and coordinating the efforts of staff to accomplish these objectives through the application of available resources. Management can also refer to the seniority structure of staff members within an organization.

Managerial Roles

Mintzberg published his Ten Management Roles in his book, "Mintzberg on Management: Inside our Strange World of Organizations," in 1990. The 10 roles are then divided up into three categories, as follows:

Category	Roles
Interpersonal	Figurehead Leader Liaison
Informational	Monitor Disseminator Spokesperson
Decisional	Entrepreneur Disturbance Handler Resource Allocator Negotiator

Figurehead – As a manager, they have social, ceremonial and legal responsibilities.

Leader – This is where they provide leadership for their team, their department or perhaps their entire organization; and it's where they manage the performance and responsibilities of everyone in the group.

Liaison – Managers must communicate with internal and external contacts.

Monitor – In this role, they regularly seek out information related to their organization and industry, looking for relevant changes in the environment.

Disseminator – This is where they communicate potentially useful information to their colleagues and their team.

Spokesperson – Managers represent and speak for their organization.

Entrepreneur – As a manager, they create and control change within the organization.

Disturbance Handler – When an organization or team hits an unexpected roadblock, it's the manager who must take charge.

Resource Allocator – the manager will also need to determine where organizational resources are best applied.

Negotiator – manager may be needed to take part in, and direct, important negotiations within his team, department, or organization.

Management Skills

Management skills can be defined as certain attributes or abilities that an executive should possess in order to fulfill specific tasks in an organization. According to American social and organizational psychologist Robert Katz, the three basic types of management skills include:

1. Technical skills involve skills that give the managers the ability and the knowledge to use a variety of techniques to achieve their objectives.
2. Conceptual Skills involve the skills managers present in terms of the knowledge and ability for abstract thinking and formulating ideas.
3. Human or the interpersonal skills are the skills that present the managers' ability to interact, work or relate effectively with people.

Management as a Science

Science is a systematic body of knowledge pertaining to a specific field of study that contains general facts which explains a phenomenon. It establishes cause and effect relationship between two or more variables and underlines the principles governing their relationship.

Universally acceptance principles - Scientific principles represents basic truth about a particular field of enquiry.

Management also contains some fundamental principles which can be applied universally like the Principle of Unity of Command i.e. one man, one boss.

Experimentation & Observation - Scientific principles are derived through scientific investigation & researching i.e., they are based on logic.

Management principles are also based on scientific enquiry & observation and not only on the opinion of Henry Fayol. E.g., it is observed that fair remuneration to personal helps in creating a satisfied work force.

Cause & Effect Relationship - Principles of science lay down cause and effect relationship between various variables. E.g. when metals are heated, they are expanded.

The same is true for management, therefore it also establishes cause and effect relationship. E.g. lack of parity (balance) between authority & responsibility will lead to ineffectiveness.

Test of Validity & Predictability - Validity of scientific principles can be tested at any time or any number of times i.e. they stand the test of time. E.g. H_2 & O_2 will always give H_2O.

Principles of management can also be tested for validity. E.g. principle of unity of command can be tested by comparing two persons - one having single boss and one having 2 bosses. The performance of 1st person will be better than 2nd.

Management as an Art

Art is the experienced and personal utilization of subsisting information to accomplish solicited outcomes. It can be procured via education, research and practice. The essential characteristics of art are as follows:

The presence of theoretical knowledge: Art assumes the presence of specific academic knowledge. Specialists in their particular fields have obtained specific elementary postulates which are appropriate to a specific sort of art. For instance, the literature on public speaking, acting or music, dancing is publicly acknowledged.

Personalized application: The application of this primary information differs from person to person. Art, hence, is a highly personalized notion.

Based on custom and creativity: Art is practical. Art includes the creative practice of subsisting intellectual knowledge. We know that music is based on 7 notes. However, what makes the style of a musician different or distinctive is his performance of these notes in an artistic way that is uniquely his own solution.

Administrator Vs Manager

The "science" of business is however more evident in the administration of business. Essentially administration is concerned with the process around which a business operates.

Administration is the establishment of procedures, policies, plans, objectives, goals and enforcing not only rules but also regulations. It comes up with an important organizational framework through which the organization management functions. And this is where the relationship between management and administration exists.

Broadly speaking management is focused on managing resources, in particular people, and how they are utilized by an organisation in order to achieve a common goal or outcome.

- Management consists of actions and plans whereby administration entails setting objectives and policies.
- Management aims at managing not only people but also their work. Whereas Administration focuses on how best the resources of an organization can be utilized.
- Administration typically has a role in all management decisions, whereas not all administrative decisions require the input of management.
- Administration is focused on setting and creating policies and procedures. Management however is more likely to deal with the broader functions of an organisation and how tasks are executed.
- Administrative functions typically are more defined, whereas how managers act and operate in an organisation can differ person to person.
- The management style of an organisation can also change with the removal or installation of a new Manager/Leader. Administrative policies or procedures however are slower to change and may remain in place for many generations of management.
- The administrative functions of a business can often be guided or influenced by legislation or law. Whereas how a manager chooses to guide or lead their team is often a function of their experience and the company culture.

Evolution of Management

Taylor's Scientific Management

Fredrick Winslow Taylor (1856-1915) was a person who within a very short duration (1878-1884) rose from ranks of an ordinary apprentice to chief engineer in Midvale Steel Company, U.S.A. Taylor conducted a number of experiments and came to conclusion that workers were producing much less than the targeted standard task. Also, both the parties – Management and workers are hostile towards each other. He gave a number of suggestions to solve this problem and correctly propounded the theory of scientific management to emphasize the use of scientific approach in managing an enterprise instead of hit and trial method. For his contributions, he is well known as the "Father of the Scientific Management". Scientific Management attempts to eliminate wastes to ensure maximum production at minimum cost.

Principles of Scientific Management

i. Science, not rule of Thumb: There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method. We should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

ii. Harmony, Not discord: It implies that there should be mental revolution on part of managers and workers in order to respect each other's role and eliminate any class conflict to realize organizational objectives.

iii. Cooperation not individualism: It is an extension of the Principle of Harmony not discord whereby constructive suggestions of workers should be adopted and they should not go on strike as both management and workers share responsibility and perform together.

iv. Development of each and every person to his or her greatest Efficiency and Prosperity: It implies development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase the productivity by utilizing the skills of the workers to the fullest possible extent.

Fayol's Management

About Henry Fayol: Henry Fayol (1841-1925) got degree in Mining Engineering and joined French Mining Company in 1860 as an Engineer. He rose to the position of Managing Director in 1988. When the company was on the verge of bankruptcy. He accepted the challenge and by using rich and broad administrative experience, he turned the fortune of the company. For his contributions, he is well known as the "Father of General Management".

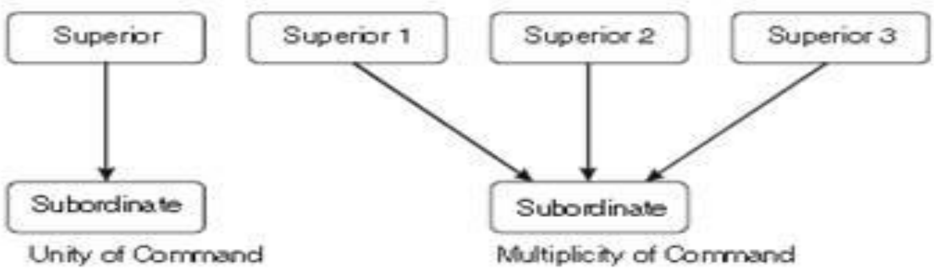
Principles of Management developed by Fayol

1. Division of work: Work is divided in small tasks/job and each work is done by a trained specialist which leads to greater efficiency, specialization, increased productivity and reduction of unnecessary wastage and movements.

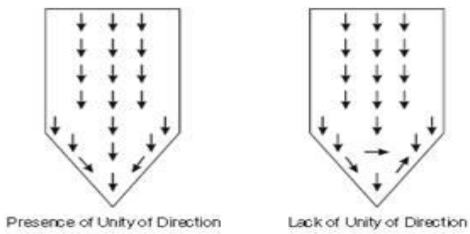
2. Authority and Responsibility: Authority means power to take decisions and responsibility means obligation to complete the job assigned on time.

3. Discipline: It is the obedience to organizational rules by the subordinates.

4. Unity of Command: It implies that every worker should receive orders and instructions from one superior only, otherwise it will create confusion, conflict, disturbance and overlapping of activities.



5. Unity of Direction: Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.

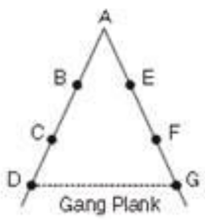


6. Subordination of Individual Interest to General Interest: The interest of an organization should take priority over the interest of any one individual employee.

7. Remuneration of Employees: The overall pay and compensation should be, fair to both employees and the organization. The wages should encourage the workers to work more and better.

8. Centralization and Decentralization: Centralization means concentration of decisions making authority in few hands at top level. Decentralization means evenly distribution of power at every level of management. Both should be balanced as no organization can be completely centralized or completely decentralized.

9. Scalar Chain: The formal lines of authority between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in emergency employees at same level can contact through Gang Plank by informing their immediate superiors.



10. Order: A place for everything and everyone and everything and everyone should be in its designated place. People & material must be in suitable places at appropriate time for maximum efficiency.

11. Equity: The working environment of any organization should be free from all forms of discrimination (religion, language, caste, sex, belief or Basis Unity of Command Unity of Direction nationality) and principles of justice and fair play should be followed. No worker should be unduly favored or punished.

12. Stability of Personnel: After being selected and appointed by rigorous procedure, the selected person should be kept at the post for a minimum period decided to show results.

13. Initiative: Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

14. Espirit De Corps: Management should promote team spirit, unity and harmony among employees. Management should promote a team work.

The management theory of Elton Mayo

Elton Mayo's contribution to management theory helped pave the way for modern human relations management methods. Based on his well-known Hawthorne experiments, Mayo's management theories grew from his observations of employee productivity levels under varying environmental conditions. His experiments drew a number of conclusions about the real source of employee motivation, laying the groundwork for later approaches to team building and group dynamics. Mayo management theory states that employees are motivated far more by relational factors such as attention and camaraderie than by monetary rewards or environmental factors such as lighting, humidity, etc.

Elton Mayo developed a matrix which he used to illustrate the likelihood that a given team would be successful. His matrix demonstrates the role that varying combinations of group norms and group cohesiveness play in team effectiveness.

The following are the four combinations of Mayo theory and the effect of each on team dynamics:

1. Groups with low norms and low cohesiveness are ineffective; they have no impact, since none of the members are motivated to excel, according to Mayo's theory.

2. Groups with low norms and high cohesiveness have a negative impact, since fellow members encourage negative behavior (e.g., gangs).

3. Groups with high norms and low cohesiveness have some degree of positive impact through individual member accomplishments.

4. Groups with high norms and high cohesiveness have the greatest positive impact, Mayo's theory predicts, since group members encourage one another to excel.

Management Theory of Frank and Lillian Gilbreth

Frank and Lillian Gilbreth valued efficiency by identifying and replicating one best way to complete a task. Husband and wife Frank and Lillian Gilbreth believed in regulation and consistency in the workplace. Rather than encouraging a company of many working parts, they valued efficiency above all else. The couple believed that there is one best way to get any job done, and the specific process should, when identified, be replicated through the manufacturing process, eliminating individual steps and producing the most efficient results. Frank stated, "The greatest misunderstandings occur as to the aims of scientific management. Its fundamental aim is the elimination of waste, the attainment of worthwhile desired results with the least necessary amount of time and effort."

The couple placed high value on efficiency when managing an organization. Their management theory outlined three main points:

Reduce the number of motions in a task: Frank and Lillian coined the term "therbligs," or elemental motions required for tasks in the workplace. They used these 18 units to analyze how tasks were completed – searching for an object with eyes or hands, grasping an object with hands, assembling and disassembling two parts, etc. From there, they'd figure out which motions were necessary, then eliminate any unnecessary motions to increase efficiency.

Focus on the incremental study of motions and time: As engineers, Frank and Lillian closely studied motion and time to calculate the most efficient way to complete a given task. Taking the scientific approach, they measured time and motion to 1/2000 of a second to understand what works best. Their insight was unlike that of most other theorists, as they channeled physical science rather than psychology.

Increase efficiency to increase profit and worker satisfaction: Main goal as a leader should be increasing efficiency in each individual employee, and in the organization as a whole. Not only will this method save time, it will also afford you a higher profit and happier workers.

X and Y Management Theory of Douglas McGregor

In 1960, Douglas McGregor formulated Theory X and Theory Y suggesting two aspects of human behaviour at work, or in other words, two different views of individuals (employees): one of which is negative, called as Theory X and the other is positive, so called as Theory Y. According to McGregor, the perception of managers on the nature of individuals is based on various assumptions.

Assumptions of Theory X

- An average employee intrinsically does not like work and tries to escape it whenever possible.
- Since the employee does not want to work, he must be persuaded, compelled, or warned with punishment so as to achieve organizational goals. A close supervision is required on part of managers. The managers adopt a more dictatorial style.
- Many employees rank job security on top, and they have little or no aspiration/ ambition.
- Employees generally dislike responsibilities.
- Employees resist change.
- An average employee needs formal direction.

Assumptions of Theory Y

- Employees can perceive their job as relaxing and normal. They exercise their physical and mental efforts in an inherent manner in their jobs.
- Employees may not require only threat, external control and coercion to work, but they can use self-direction and self-control if they are dedicated and sincere to achieve the organizational objectives.
- If the job is rewarding and satisfying, then it will result in employees' loyalty and commitment to organization.
- An average employee can learn to admit and recognize the responsibility. In fact, he can even learn to obtain responsibility.
- The employees have skills and capabilities. Their logical capabilities should be fully utilized. In other words, the creativity, resourcefulness and innovative potentiality of the employees can be utilized to solve organizational problems.

Thus, we can say that Theory X presents a pessimistic view of employees' nature and behaviour at work, while Theory Y presents an optimistic view of the employees' nature and behaviour at work. If correlate it with Maslow's theory, we can say that Theory X is based on the assumption that the employees emphasize on the physiological needs and the safety needs; while Theory X is based on the assumption that the social needs, esteem needs and the self-actualization needs dominate the employees.

McGregor views Theory Y to be more valid and reasonable than Theory X. Thus, he encouraged cordial team relations, responsible and stimulating jobs, and participation of all in decision-making process.

Quite a few organizations use Theory X today. Theory X encourages use of tight control and supervision. It implies that employees are reluctant to organizational changes. Thus, it does not encourage innovation.

Many organizations are using Theory Y techniques. Theory Y implies that the managers should create and encourage a work environment which provides opportunities to employees to take initiative and self-direction.

Levels of Management

Top level management:- It includes board of directors, chief executive or general managers , senior strategist, decision-making, directors. Corporate level goals, missions and objectives are determined.

Middle level management:- It includes departmental managers, divisional heads and section officers. It acts as a bridge between top-level management and lower level management.

Lower level management:- It includes supervisors, foremen and workers. it is also known as supervisory level of management in which the supervisors or foreman like sales officers, account officers etc take responsibilities of the implementation and control of the operational plans developed by the middle level managers.

Functions of Management

The most widely accepted functions of management are given by KOONTZ and O'DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

Planning: It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals.

Organising: It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals.

Staffing: It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc.

Directing: It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes.

Controlling: It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals.

UNIT – II

PLANNING

Definition

According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals.

Meaning

Planning is nothing but thinking before the action takes place**.** It helps us to take a peep into the future and decide in advance the way to deal with the situations, which we are going to encounter in future. It involves logical thinking and rational decision making.

Nature of Planning

Managerial function: Planning is a first and foremost managerial function provides the base for other functions of the management.

Goal oriented: It focuses on defining the goals of the organisation, identifying alternative courses of action and deciding the appropriate action plan.

Pervasive: It is pervasive in the sense that it is present in all the segments and is required at all the levels of the organisation.

Continuous Process: Plans are made for a specific term, say for a month, quarter, year and so on. Once that period is over, new plans are drawn.

I**ntellectual Process**: It is a mental exercise at it involves the application of mind, to think, forecast, imagine intelligently and innovate etc.

Futuristic: In the process of planning, it takes a sneak peek of the future.

Decision making: Decisions are made regarding the choice of alternative courses of action that can be undertaken to reach the goal.

Purpose of Planning

- It helps managers to improve future performance, by establishing objectives and selecting a course of action, for the benefit of the organisation.
- It minimizes risk and uncertainty, by looking ahead into the future.
- t facilitates the coordination of activities.
- It states in advance, what should be done in future, so it provides direction for action.
- It uncovers and identifies future opportunities and threats.

- It sets out standards for controlling.

Planning Process

Planning involves setting the goals of the company and then managing the resources to achieve such goals. It is a systematic process involving eight well thought out steps.

1. Recognizing Need for Action: An important part of the planning process is to be aware of the business opportunities in the firm's external environment as well as within the firm. A realistic look must be taken at the prospect of these new opportunities and SWOT analysis should be done.
2. Setting Objectives: There is to establish the objectives for the whole organization and also individual departments. Organizational objectives provide a general direction, objectives of departments will be more planned and detailed.
3. Developing Premises: Planning is always done keeping the future in mind; however, the future is always uncertain. So in the function of management certain assumptions will have to be made. Such assumptions are made in the form of forecasts, existing plans, past policies, etc.
4. Identifying Alternatives: It is to identify the alternatives available to the managers. There is no one way to achieve the objectives of the firm, there is a multitude of choices. All of these alternative courses should be identified.
5. Examining Alternate Course of Action: It is to evaluate and closely examine each of the alternative plans. The alternative plans need to be evaluated in light of the organizational objectives.
6. Selecting the Alternative: Finally, It reach the decision making stage of the planning process. Now the best and most feasible plan will be chosen to be implemented.
7. Formulating Supporting Plan: Once you have chosen the plan to be implemented, managers will have to come up with one or more supporting plans.
8. Implementation of the Plan: And finally, implementation of the plan. This is when all the other functions of management come into play and the plan is put into action to achieve the objectives of the organization.

Types of Planning

The process of planning may be classified into different categories on the following basis

(i) Nature of Planning:

Formal planning: Planning is formal when it is reduced to writing. It is aims to determine and objectives of planning. It is the action that determine in advance what should be done.

Informal Planning: An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

(ii) Duration of Planning

Short term Planning: It is the planning which covers less than two years. It must be formulated in a manner consistent with long-term plans.

Long-Term Planning: It usually converse a period of more than five years, mostly between five and fifteen years.

(iii) Levels of Management

Strategic Planning: It is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objective.

Intermediate Planning: It covers time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line mangers.

Operational planning: It deals with only current activities. It keeps the business running.

(iv) Use

Standing plan: It is one, which is designed to be used over and over again. Objectives, policies procedures, methods, rules and strategies are included in standing plans.

Single use plan: It is one, which sets a course of action for a particular set of circumstances and is used up once the particular goal is achieved.

Objectives

Definition

Objective refers to the specific steps a company will take to achieve a desired result. The result is the goal. hence, the term 'goals and objectives.' In other words, my goal is what I want to become, while my objective is how I plan to get there.

Meaning

Objectives may be defined as final result of an organisation tries to achieve. Moreover, the objectives are a future oriented and results in state of affairs. It helps in providing to make an organisation in its attention and effort, basically focused on a certain way.

Objectives are the results, profit, and aims, Goals, through the proper consideration of the organisation or wish to achieve in the certain periods of time.

Setting Objectives

1. Objective must be performed or defined in exactly right terms. Ambiguity should be avoided in the setting of objectives.

2. The statement must be qualitative so that the objectives must be essential. Only then accomplishment of measures will become easy.

3. Objectives must be truthful and procedural manner. So as to maintain the availability of resources, extent of competition and government regulation etc.

4. Certain policies, procedures programmes and strategies must be supported the objectives so as to depends on the existence.

5. It is also necessary to make the objectives very soft. Hard objectives may cause the work very heavy and tough.

Policies

Definition

Business Policy defines the scope or spheres within which decisions can be taken by the subordinates in an organization. It permits the lower level management to deal with the problems and issues without consulting top level management every time for decisions.

Meaning

Business policies are the guidelines developed by an organization to govern its actions. They define the limits within which decisions must be made. Business policy also deals with acquisition of resources with which organizational goals can be achieved. Business policy is the study of the roles and responsibilities of top level management, the significant issues affecting organizational success and the decisions affecting organization in long-run.

Planning Premises

Definition

According to Koontz O'Donnell, "Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions that will affect the course of plans such as prevailing policies and existing company plans that controls the basic nature of supporting plans."

Meaning

Planning is made for the future. Future is uncertain the management makes certain assumptions about the future. The assumptions are not to be based on hunch or guess work. It should be developed through scientific forecasting of future events. The assumptions derived from forecasting and used in planning are called as planning premises.

Internal premises are those which exist within the business enterprise. This may include men, material, money and methods.

External premises centre round the markets and derived from the external environment surrounding the business.

Tangible premises are those which can be measured quantitatively. They may be quantified in terms of money, time and units of production.

Intangible premises are those which cannot be measured quantitatively.

Planning Tools and Techniques

The useful tools and techniques of managerial planning include the following:

Forecasting: Forecasting is the process of predicting what will happen in the future. Almost every plan involves forecasts of some sort. The economist regularly reports forecasts of economic conditions interest rates, unemployment, and trade deficits. among other issues.

Contingency Planning: It identifies alternative courses of action that can be implemented to meet the needs of changing circumstances. Although it is not possible for anyone to predict when things will go wrong, it can be expected that they will. It is unlikely that any plan will ever be completely perfect. Contingency plans contain "trigger points" that indicate when pre-selected alternative plans should be activated.

Scenario Planning: It involves identifying several alternative future scenarios that may occur. Plans are then made to deal with each scenario as it occurs.

Benchmarking: It is a technique that uses external comparisons to better evaluate one's current performances and identify possible actions for the future. The purpose of it is to find out what other people and organizations are doing well at and plan how to incorporate these ideas into one's own operations.

Participation and Involvement: Includes, in all planning steps, the people who will be affected by the plans and/or who will be asked to help implement them. This process brings many benefits to the organization. Participation can increase creativity and information available for planning.

Use of Staff Planners: Staff planners are employed to help coordinate planning for the organization as a whole or for one of its major components. They help bring focus and energy to accomplish important planning tasks.

Decision Making

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Steps and Process

Step 1: Identify the decision

It is realized that need to make a decision. Try to clearly define the nature of the decision you must make.

Step 2: Gather relevant information

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external "work."

Step 3: Identify the alternatives

As collect information, it will probably identify several possible paths of action, or alternatives. They can also use your imagination and additional information to construct new alternatives.

Step 4: Weigh the evidence

Draw on information and emotions to imagine what it would be like if carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative.

Step 5: Choose among alternatives

Once they have weighed all the evidence, you are ready to select the alternative that seems to be best one for us. It may even choose a combination of alternatives.

Step 6: Take action

It is now ready to take some positive action by beginning to implement the alternative chose in Step 5.

Step 7: Review your decision & its consequences

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need identified in Step 1. If the decision has not met the identified need, they may want to repeat certain steps of the process to make a new decision.

UNIT III

ORGANISING

Definition

A definition of organisation suggested by Chester Barnyard, an organisation is "a system of consciously coordinate activities or efforts of two or more persons".

Meaning

"Organising" is the function of gathering resources, establishing orderly uses for such resources and structuring tasks to fulfill organizational plans. It includes the determination of what tasks are to be done, how the tasks are to be grouped, who is going to be responsible to do these tasks and who will make decisions about these tasks.

Nature

Division of Work: Under division of work the entire work of business is divided into many departments .The work of every department is further sub-divided into sub-works.

Coordination: Under organizing different persons are assigned different works but the aim of all these persons happens to be the some - the attainment of the objectives of the enterprise. It is thus, clear that it is in the nature of an organization to establish coordination among different works, departments and posts in the enterprise.

Plurality of Persons: Organization is a group of many persons who assemble to fulfill a common purpose. A single individual cannot create an organization.

Common Objectives: There are various parts of an organization with different functions to perform but all move in the direction of achieving a general objective.

Well-defined Authority and Responsibility: Under organization a chain is established between different posts right from the top to the bottom. It is clearly specified as to what will be the authority and responsibility of every post.

Organization is a Structure of Relationship: Relationship between persons working on different posts in the organization is decided.

Organization is a Universal Process: Organization is needed both in business and non-business organizations. Not only this, organization will be needed where two or mom than two people work jointly. Therefore, organization has the quality of universality.

Purpose

Efficient Administration: A properly designed organisation facilitates administration.

Prompt Accomplishment: It adds definiteness to the activities to be accomplished by allocating the duties and responsibilities to the individual members of the enterprise.

Growth and Diversification: It promotes growth and facilitates diversification. Expansion of business and diversification of production process depend on sound organisation.

Optimum Use of Advanced Technology: Present technical development greatly influences the need for more adequate organisation structure and for understanding the proper form of organisation best designed to accommodate the new factors.

Stimulating Creativity: Good organisation stimulates independent creative thinking and initiative by providing well-defined areas of work with provision for development of new and improved ways of doing things.

Informal and Formal Organization

Formal organizations are oriented toward reaching specific goals. Often, formal organizations are more publicly visible than informal organizations.

Informal organizations are more oriented toward human psychological needs. Informal organizations can form within formal organizations and also become formal over time.

The primary differences between an informal and formal organization are levels of structure and hierarchies that determine how members interact. Formal organizations are more structured and rely on authority based upon chains of command. Informal organizations do not require hierarchies of authority or structured internal processes. They are not formed in order to reach specific goals like a formal organization.

Differences between an Informal and Formal Organization

There are key differences between formal and informal organizations.

Authority: Formal organizations have clear hierarchies of leadership. These hierarchies and power relationships are clearly documented. Informal organizations typically do not follow hierarchies for authority. There is less emphasis on established authorities or multiple levels of hierarchy.

Structure: Formal organizations are very structured in order to reach stated goals. A formal structure enables members to work together toward the same objectives. Informal organizations often are not very structured because their goals might be temporary or entirely social. There is no need for the extensive requirements of a formal organization.

Influence: Formal organizations rely on status through predetermined authority roles for influence. Members of a formal organization look to leadership roles to provide guidance. Informal organizations tend to have more subtle norms that are expressed through customs, morals or beliefs that are often not written. Members are not pressured to perform by superiors.

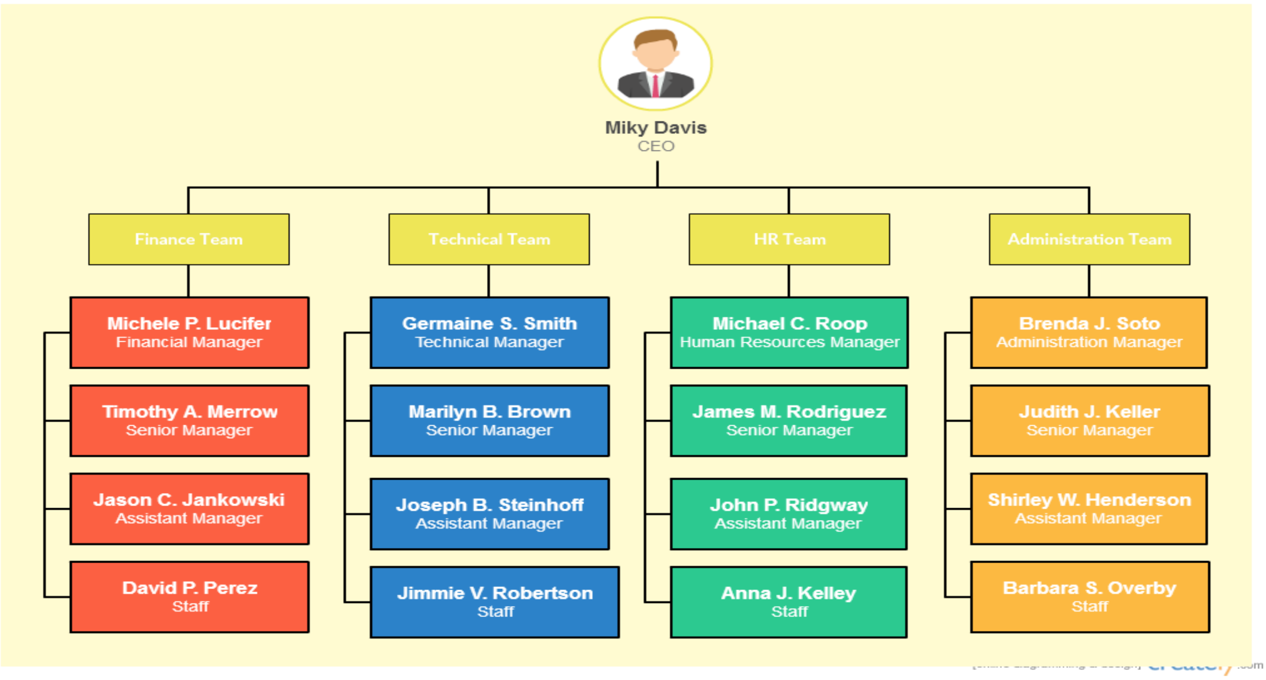
Members: Formal organizations possess involved rules and laws regarding behavior and the outcomes of labor. There are also processes in place for hiring, firing and replacing members. Informal organizations provide a psychological or social benefit for members. Relationships among members are more personal than role-related.

Communications: Formal organizations may have rules regarding the flow of information and communication. Informal organizations do not have specific guidelines for communication.

Purpose: Formal organizations are formed to serve a specific purpose or meet set goals. There is a constitution or plan and extensive guidelines directing the organization toward its purpose. Informal organizations serve the needs of individuals and can be created spontaneously with a purpose that is not well-defined.

Organisation Chart

The definition of an organization chart or "org chart" is a diagram that displays a reporting or relationship hierarchy. The most frequent application of an org chart is to show the structure of a business, government, or other organization. An organizational chart shows the internal structure of an organization or company.



Types of Organisation Chart or Structure

Hierarchical Structure: It is the most popular organizational chart type. In a hierarchical organization structure, employees are grouped with every employee having one clear supervisor. The grouping is done based on a few factors, hence many models derived from this. Below are few of those factors

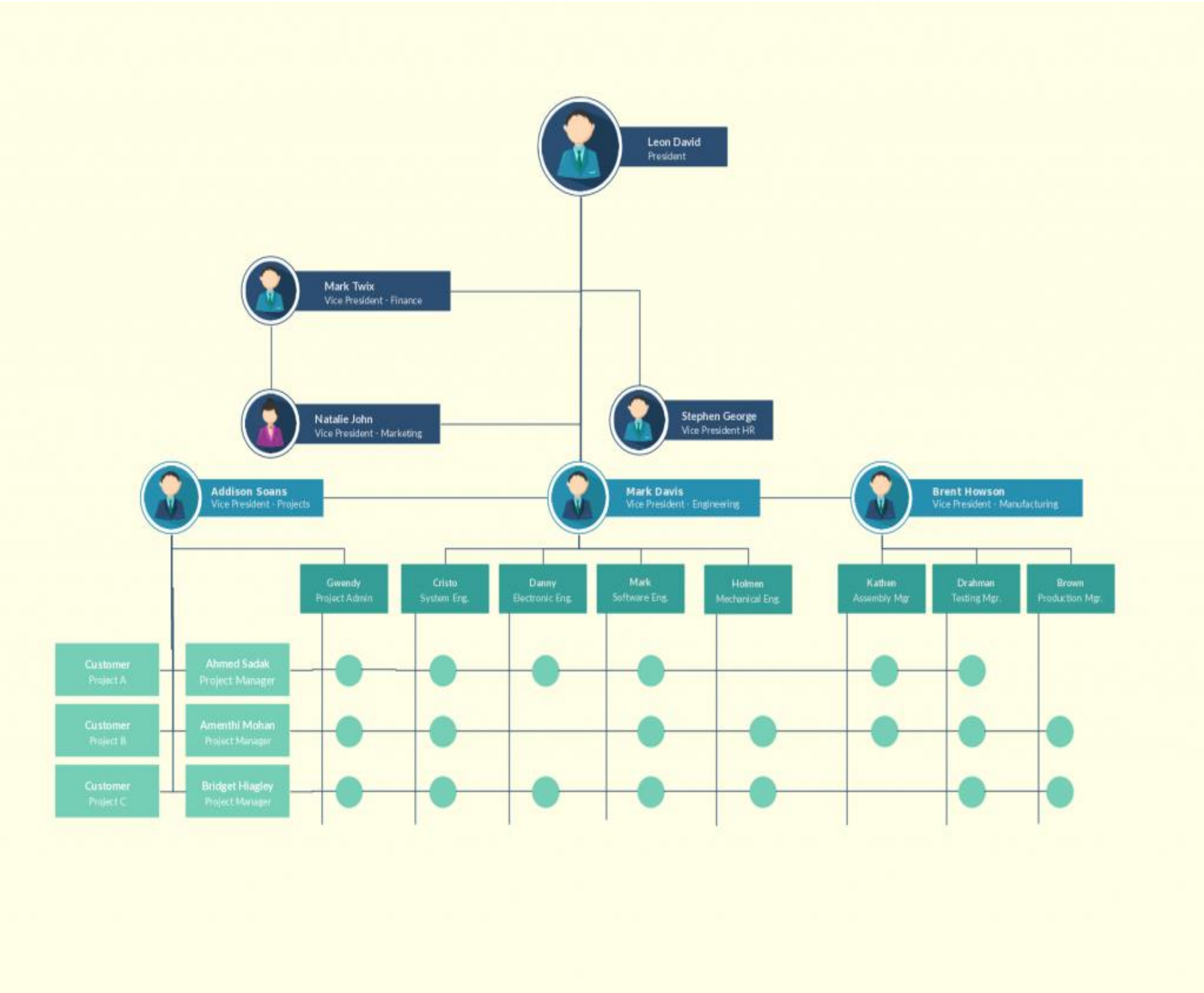
Function – employees are grouped according to the function they provide. The below image shows a functional org chart with finance, technical, HR and admin groups.

Geography – employees are grouped based on their region. For example in USA employees might be grouped according to the state. If it’s a global company the grouping could be done according to countries.

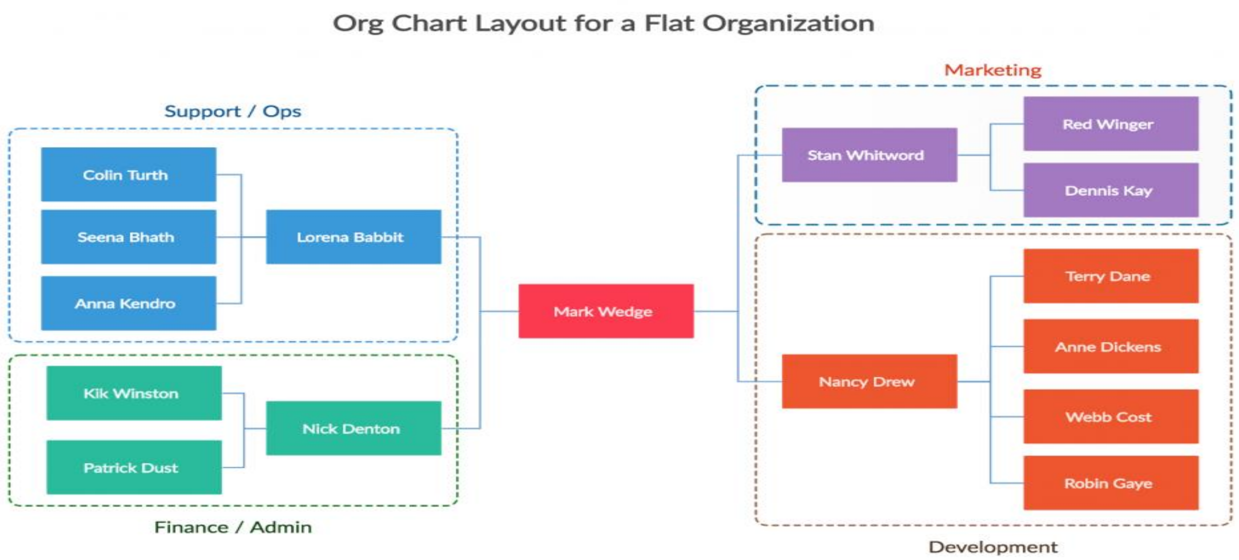
Product – If a company is producing multiple products or offering different services it can be grouped according to the product or service.

Matrix organizational structure:

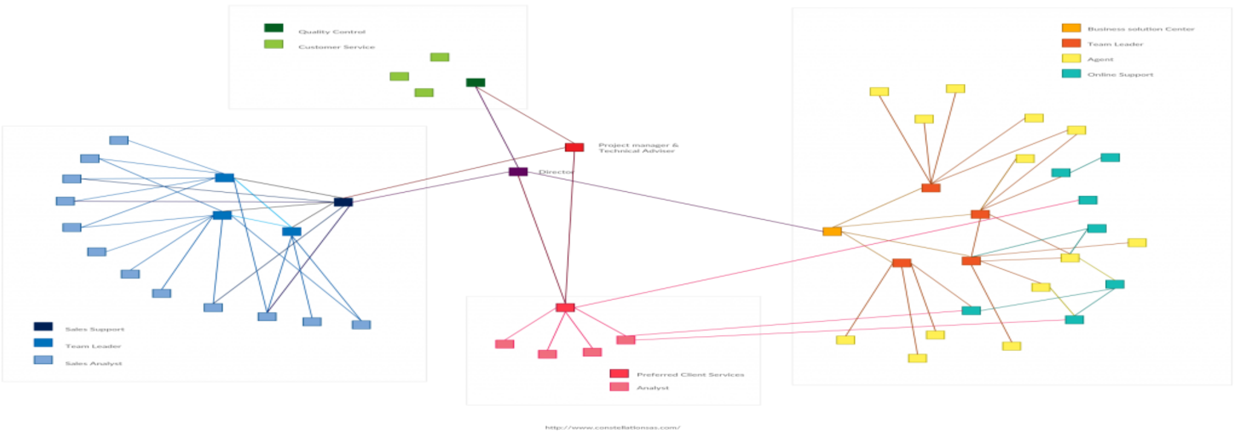
The reporting relationships are set up as a grid, or matrix, rather than in the traditional hierarchy. It is a type of organizational management in which people with similar skills are pooled for work assignments, resulting in more than one manager to report (sometimes referred to as solid line and dotted line reports, in reference to traditional business organization charts).



Horizontal/Flat Structure: This is an organizational chart type mostly adopted by small companies and start-ups in their early stage. It's almost impossible to use this model for larger companies with many projects and employees. The most important thing about this structure is that many levels of middle management are eliminated. This enables employees to make decisions quickly and independently. Thus a well-trained workforce can be more productive by directly getting involved in the decision-making process.

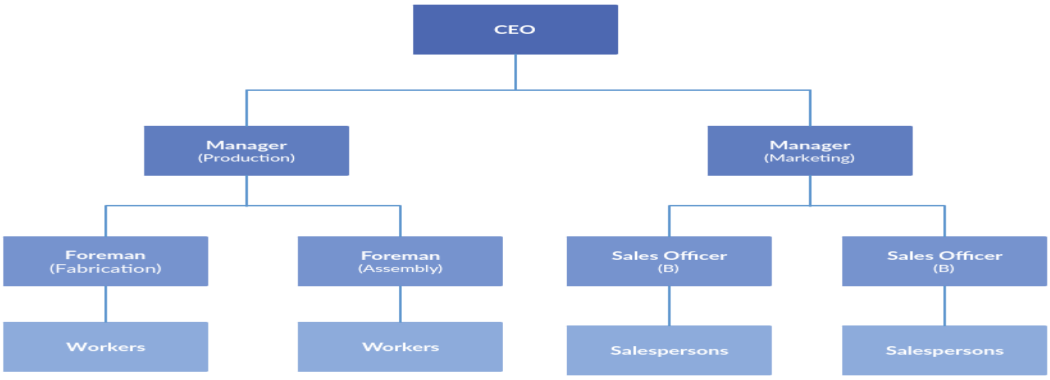


Network organizational structure: It helps visualize both internal and external relationships between managers and top-level management. They are not only less hierarchical but are also more decentralized and more flexible than other structures. The idea behind the network structure is based on social networks. Its structure relies on open communication and reliable partners; both internal and external. The network structure is viewed as agiler than other structures because it has few tires, more control and bottom flow of decision making.



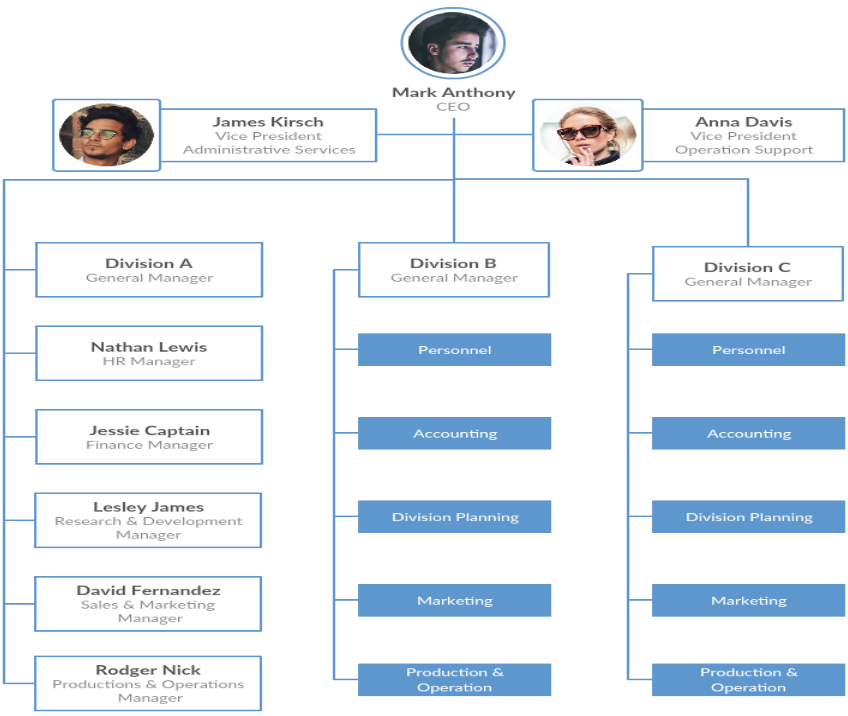
Divisional structure: Within it, each organizational function has its own division which corresponds to either products or geographies. Each division contains the necessary resources and functions needed to support the product line and geography. Another form of divisional org chart structure is the multi-divisional structure. It's also known as M-form. It's a legit structure in which one parent company owns several subsidiary companies, each of which uses the parent company's brand and name.

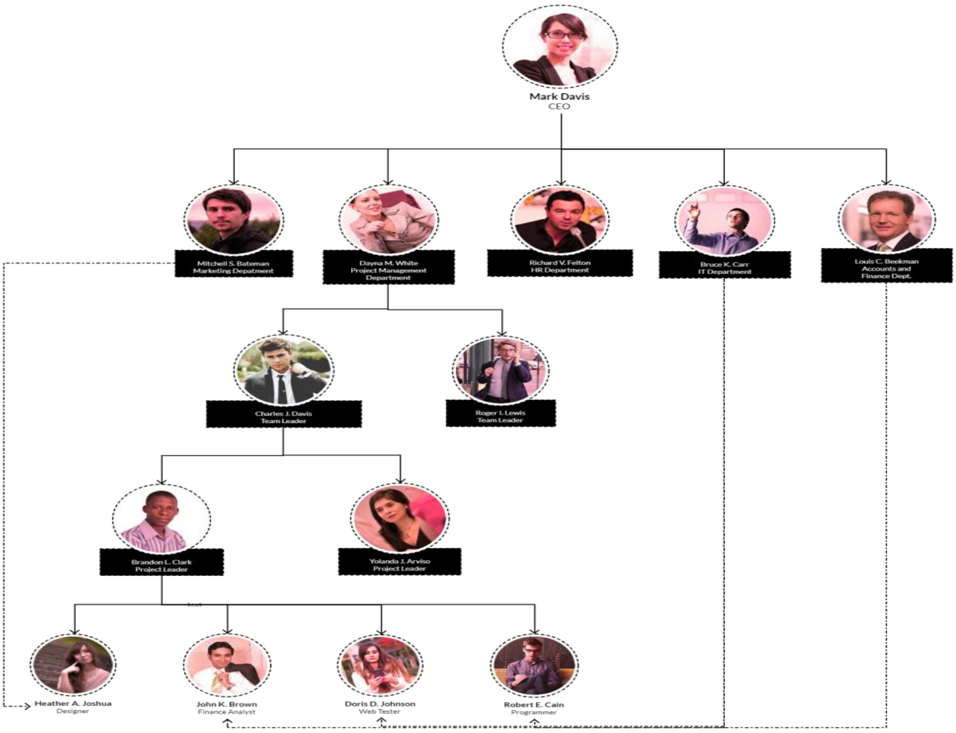
Line organizational structure: It is one of the simplest types of organizational structures. Its authority flows from top to bottom. Unlike other structures, specialized and supportive services do not take place in these organizations. The chain of command and each department head has control over their departments. The self-contained department structure can be seen as its main characteristic. Independent decisions can be taken by line officers because of its unified structure.



The main advantage of a line organizational structure can be identified as the effective communication that brings stability to the organization.

Team-based organizational structure: It is made of teams working towards a common goal while working on their individual tasks. They are less hierarchical and they have flexible structures that reinforce problem-solving, decision-making and teamwork. Team organization structures have changed the way many industries work. Globalization has allowed people in all industries around the world to produce goods and services cooperatively. Especially, manufacturing companies must work together with the suppliers around the globe while keeping the cost to a minimum while producing high-quality products.





Line and Staff Authority

In an organization, the **line authority** flows from top to bottom and the **staff authority** is exercised by the specialists over the line managers who advise them on important matters. These specialists stand ready with their specialty to serve line mangers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organization as they are employed to provide expert advice to the line officers. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carry on the research, planning, scheduling, establishing of standards and recording of performance.

Departmentalization

‘Departmentation’ or ‘Departmentalization’ is the process of grouping the activities of an enterprise into several units for the purpose of administration at all levels.

The administrative units so created may be designated as departments, divisions, units, branches, sections, etc. Departmentation can provide a necessary degree of specialization of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It also provides a basis on which the top managers can co-ordinate and control the activities of the departmental units.

Types of Departmentalization

There are several bases of Departmentation. The more commonly used bases are—function, product, territory, process, customer, time etc.

Departmentation by Functions: The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc.

Departmentation by Products: In product departmentation, every major product is organized as a separate department. Each department looks after the production, sales and financing of one product.

Departmentation by Territory: Territorial or geographical departmentation is especially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises.

Departmentation by Customers: In such method of departmentation, the activities are grouped according to the type of customers. For example, a large cloth store may be divided into wholesale, retail, and export divisions. This type of departmentation is useful for the enterprises which sell a product or service to a number of clearly defined customer groups.

Departmentation by Process or Equipment: In such type or departmentation the activities are grouped on the basis of production processes involved or equipment used. This is generally used in manufacturing and distribution enterprises and at lower levels of organisation.

Departmentation by Time and Numbers: Under this method of departmentation the activities are grouped on the basis of the time of their performance. For instance, a factory operating 24 hours may have three departments for three shifts.

Delegation of Authority

Delegation of authority is procedure of distributing tasks or responsibilities with their associated decisions to a subordinate employee on a temporary or long-term basis. All medium and large corporations have a hierarchy of positions. Usually, the managing director or chief executive officer holds the overall responsibility for the daily operations. However, it is not feasible to expect them to perform all the tasks of the organisation themselves. So, leaders assign the work along with the responsibilities and authority to make decisions to their employees. However, delegation always takes place top-down, and juniors cannot pass tasks on to their seniors.

<u>Ways to delegate authority effectively</u>

Prepare a plan. The first step in delegating authority is to divide a big project into smaller, achievable tasks. Then, review the workforce and time constraints.

Provide clear instructions. Make your expectations clear from the beginning. Set the deadlines, milestones and furnish all details of the expected results.

Grant proper authorization. Some processes require adequate permissions and decision-making power. For example, suppose your acquisition manager wishes to procure raw materials to perform a certain duty. To be able to do that, the manager needs to know your suppliers.

Follow up on tasks. However, autonomy can backfire at times when employees end up making wrong decisions. Ensure that the job is proceeding according to your expectations by asking for periodic updates.

Analyse the results and provide feedback. Good leadership requires scouting for potential candidates who can take your place once you've moved on to other roles. A great way to do this is by analysing the results of delegated tasks to gauge the effectiveness of your team members.

Centralization and Decentralization

Centralization and Decentralization are two modes of working in any organization. **Centralization** is a hierarchy of formal authority for making all the important decision for the organization.

In **decentralization** decision making is left for the lower level of organization. A simple way to understand if an organization is working in a centralized or decentralized manner is by looking at two important aspects:

- ❖ The place of the decision-making authority in the hierarchy of the management i.e. Centralized.
- ❖ The degree of decision-making power at the lower echelons in the organization i.e. Decentralized.

Purpose of Centralization

- The organization can strictly enforce uniformity of procedures and policies.
- It can help in the elimination of overlapping or duplicate activities and save costs.
- The organization has a better chance of utilizing the potential of its outstanding employees.
- It offers a better control over the activities of the organization by ensuring consistency in operations and uniformity in decision-making.

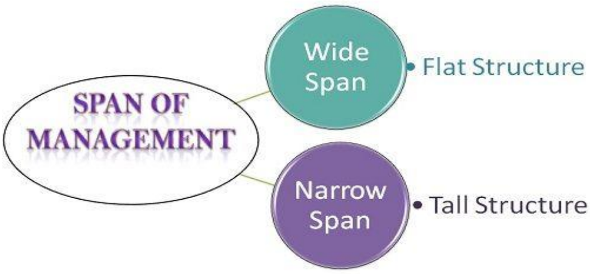
Purpose of Decentralization

- Faster decision-making and better quality of decisions
- Improves the effectivity of managers.
- Offers a democratic environment where employees can have a say in their governance.
- Provides good exposure to mid and lower-level managers and creates a pool of promotable manpower with managerial skills.
- Since managers can see the results of their own actions, they are more driven and have improved morales.

Span of Management

The **Span of Management** refers to the number of subordinates who can be managed efficiently by a superior. Simply, the manager having the group of subordinates who report him directly is called as the span of management. The Span of Management has two implications:

- Influences the complexities of the individual manager's job
- Determine the shape or configuration of the Organization



The span of management is related to the horizontal levels of the organization structure. There is a wide and a narrow span of management. With the **wider span**, there will be less hierarchical levels, and thus, the organizational structure would be flatter. Whereas, with the **narrow span**, the hierarchical levels increases, hence the organizational structure would be tall.

Job Design

Definition

Davis (1966) has defined job design as "the specification of the content, methods and relationships of jobs in order to satisfy technological and organizational requirements as well as the social and personal requirements of the job holder".

Meaning

Job design is the logical sequence of the process of job analysis and involves conscious efforts to organize tasks, duties and responsibilities into a unit of work so as to business objectives.

Key factors should be considered

- Identifying the tasks clearly and forming natural work units
- Fixing the responsibility associated with a job clearly
- Allowing an appropriate provision for the autonomy of doing a work in the job design
- Equipping the employees to participate in decision-making
- Including the details about working environment of a job

There are several important methods and techniques that the management uses while designing the jobs. These are:

Job Simplification: It means breaking the job into relatively easier sub-parts with the intention to enhance the individual's productivity by minimizing the physical and mental efforts required to perform a complex job.

Job Rotation: It is the management technique wherein an employee is shifted from one job role to the other, with the purpose of familiarizing him with all the verticals of an organization.

Job Enrichment: It is the job design technique used to increase the satisfaction among the employees by delegating higher authority and responsibility to them and thereby enabling them to use their abilities to the fullest.

Job Enlargement: It refers to the horizontal expansion of jobs wherein more and more activities, and tasks are added to the existing job scope at the same level in the organization.

Recruitment

Recruitment is a process of finding and attracting the potential resources for filling up the vacant positions in an organization. It sources the candidates with the abilities and attitude, which are required for achieving the objectives of an organization.

Recruitment process is a process of identifying the jobs vacancy, analyzing the job requirements, reviewing applications, screening, shortlisting and selecting the right candidate.

Process of Recruitment

The process undergoes a systematic procedure starting from sourcing the resources to arranging and conducting interviews and finally selecting the right candidates.

Recruitment planning: It is the first step of the recruitment process, where the vacant positions are analyzed and described. It includes job specifications and its nature, experience, qualifications and skills required for the job, etc.

Identifying Vacancy: The first and foremost process of recruitment plan is identifying the vacancy. This process begins with receiving the requisition for recruitments from different department of the organization to the HR Department, which contains −

- Number of posts to be filled
- Number of positions
- Duties and responsibilities to be performed
- Qualification and experience required

Job analysis: It is a process of identifying, analyzing, and determining the duties, responsibilities, skills, abilities, and work environment of a specific job. Its purpose is to establish and document the job relatedness of employment procedures such as selection, training, compensation, and performance appraisal.

Job description: It is an important document, which is descriptive in nature and contains the final statement of the job analysis.

Job specification: It focuses on the specifications of the candidate, whom the HR team is going to hire. The first step in job specification is preparing the list of all jobs in the organization and its locations. The second step is to generate the information of each job.

Job evaluation: It is a comparative process of analyzing, assessing, and determining the relative value/worth of a job in relation to the other jobs in an organization. There are several methods such as job grading, job classifications, job ranking, etc.

Selection

Selection is the process of picking or choosing the right candidate, who is most suitable for a vacant job position in an organization. In others words, selection can also be explained as the process of interviewing the candidates and evaluating their qualities, which are required for a specific job and then choosing the suitable candidate for the position.

Selection process

The selection procedure should be perfect. A good selection process should comprise the following steps –

Employment Interview − Employment interview is a process in which one-on-one session in conducted with the applicant to know a candidate better. It helps the interviewer to discover the inner qualities of the applicant and helps in taking a right decision.

Checking References − Reference checking is a process of verifying the applicant's qualifications and experiences with the references provided by him. These reference checks help the interviewer understand the conduct, the attitude, and the behavior of the candidate as an individual and also as a professional.

Medical Examination − Medical examination is a process, in which the physical and the mental fitness of the applicants are checked to ensure that the candidates are capable of performing a job or not. This examination helps the organization in choosing the right candidates who are physically and mentally fit.

Final Selection − The final selection is the final process which proves that the applicant has qualified in all the rounds of the selection process and will be issued an appointment letter.

Training

Training is concerned with developing a particular skill to a desired standard by instruction and practice. Training is a highly useful tool that can bring an employee into a position where they can do their job correctly, effectively, and conscientiously.

According to Edwin Filippo, 'training is the act of increasing the skills of an employee for doing a particular job'.

Need for Training

Environmental Change: Mechanization, computerization, and automation have resulted in many changes that require trained staff possessing enough skills. The organization should train the employees to enrich them with the latest technology and knowledge.

Organizational complexity: With modern inventions, technological upgradation, and diversification most of the organizations have become very complex. This has aggravated the problems of coordination. So, in order to cope up with the complexities, training has become mandatory.

Human relations: Every management has to maintain very good human relations, and this has made training as one of the basic conditions to deal with human problems.

To match employee specifications with the job requirements and organizational needs: An employee's specification may not exactly suit to the requirements of the job and the organization, irrespective of past experience and skills.

Change in the job assignment: Training is also necessary when the existing employee is promoted to the higher level or transferred to another department. Training is also required to equip the old employees with new techniques and technologies.

Compensation

Compensation is a systematic approach to providing monetary value to employees in exchange for work performed. Compensation may achieve several purposes assisting in recruitment, job performance, and job satisfaction.

Purpose of Compensation

- recruit and retain qualified employees.
- increase or maintain morale/satisfaction.
- reward and encourage peak performance.
- achieve internal and external equity.
- reduce turnover and encourage company loyalty.
- modify (through negotiations) practices of unions.

The components of a compensation system

- Job Descriptions
- Job Analysis
- Job Evaluation
- Pay Structures: Useful for standardizing compensation practices. Most pay structures include several grades with each grade containing a minimum salary/wage and either step increments or grade range.
- Salary Surveys: Collections of salary and market data. May include average salaries, inflation indicators, cost of living indicators, salary budget averages.
- Policies and Regulations

UNIT IV

DIRECTING

Definition

Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the organization.

Meaning

Directing means giving instructions, guiding, counseling, motivating and leading the staff in an organization in doing work to achieve Organizational goals. Directing is a key managerial function to be performed by the manager along with planning, organizing, staffing and controlling. Directing is a continuous process initiated at top level and flows to the bottom through organizational hierarchy.

Elements of Directing

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

Fundamentals of Individual and Group Behaviour

Organizational behavior is the study of both group and individual performance and action within an enterprise. This field of study scans human behavior in the working atmosphere. It determines its effect on job structure, performance, communication, motivation, leadership, decision making abilities etc. The way an individual behaves and behavior as a group have two perspectives − internal and external.

Individual Level: Organizational behavior, at this level of analysis massively draws upon psychology, engineering, and medicine. At the individual level of analysis, organizational behavior includes the study of learning, perception, creativity, motivation, and personality. In addition, it also includes the study of turnover, task performance and evaluation, coordinated behavior, deviant work behavior, ethics, and cognition.

Group Level: Organizational behavior, at this level of analysis, draws upon the sociological and socio-psychological discipline. At the group level of analysis, organizational behavior includes the study of group gesture, intra-group and intergroup dispute and attachment. It is further extended to the study of leadership, power, norms, interpersonal communication, networks, and roles.

Motivation

Motivation is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be - desire for money, success, recognition, job-satisfaction, team work etc.

Techniques of motivation

1. **Financial incentives:** First techniques of motivation are financial incentives as money is indicator of success. Therefore, it fulfills psychological safety and status need as people satisfy their needs by money.

2. **Job enlargement:** The task assigned to do job are increased by adding simile task. So the scope of job enlargement is high for the motivation of subordinates. It is also known as horizontally leading of job.

3. **Job enrichment:** Jobs are made challenging and meaningful by increasing responsibility and growth opportunities. In such technique of motivation, planning and control responsibility are added to the job usually with less supervision and more self-evaluation. It is also called vertical leading.

4. **Job rotation:** It refers to shifting an employee from one job to another. Such job rotation doesn't mean hanging of their job but only the employees are rotated.

5. **Participation :** Participation refers to involvement of employee in planning and decision-making. It helps the employees feel that they are an asset of the organization

6. **Delegation of authority:** Delegation of authority is concerned with the granting of authority to the subordinates which helps in developing a feeling of dedication to work in an organization.

7. **Quality of work life:** It is the relationship between employees' and the total working environment of organization. It ensures higher level of satisfaction.

8. **Management by Objectives:** It is used as a motivation and technique for self-control of performance. By this technique supervisor and subordinates set individual and organizational goals.

9. **Behavior modification:** The last technique of motivation is behavior modification. It develops positive motivation to the workers to do the work in desired behavior in order to modify behavior.

Job Enlargement

Job enlargement is a job design technique wherein there is an increase in the number of tasks associated with a certain job. In other words, it means increasing the scope of one's duties and responsibilities. The increase in scope is quantitative in nature and not qualitative and at the same level.

Benefits of Job Enlargement

Reduced Monotony: Howsoever interesting the job may appear in the beginning, sooner or later people complain of boredom and monotony. Job enlargement if planned carefully can help reduce boredom and make it more satisfying and fulfilling for the employees.

Increased Work Flexibility: There is an addition to the number of tasks an individual performs. There is thus an increased scope of carrying out tasks that are versatile and yet very similar in certain aspects.

No Skills Training Required: Since the individual has already been performing the task in the past, there is no great requirement for imparting of new skills. However, people and time management interventions may be required. The job thus gets more motivational for the one performing it.

Job Enrichment

According to Beatty and Schneider, "Job enrichment is a motivational technique which emphasizes the need for challenging and interesting work. It suggests that jobs be redesigned so that intrinsic satisfaction is derived from doing the job. In its best applications, it leads to a vertically enhanced job by adding functions from other organizational levels, making it contain more variety and challenge and offer autonomy and pride to the employee."

Benefits of Job Enrichment

- In the routine jobs, the employees find their jobs very boring and monotonous. The frustration of these employees can be removed by making the job interesting with the help of job enrichment.
- Job enrichment helps in reducing the rates of employee turnover and absenteeism.
- Job enrichment motivates the employees intrinsically by giving them opportunities for growth advancement and self-realization.
- Task enforcement is made easy with the help of job enrichment and the skills of workers are increased.
- The enriched jobs give more job satisfaction to the employees.

Leadership

The term Leadership defines as to influence others in such a manner as to guide them to do what the leader wants them to do. Leadership plays an important role in directing. Only through this leadership skill, a manager can develop trust and zeal among his subordinates. Therefore, it leads to guide and provide overall counselling to subordinates in the best way for achieving their objectives and also for the organization.

Types of Leadership

Authoritarian leadership styles: It allows a leader to impose expectations and define outcomes. A one-person show can turn out to be successful in situations when a leader is the most knowledgeable in the team. Although this is an efficient strategy in time-constrained periods, creativity will be sacrificed since input from the team is limited. The **authoritarian leadership style** is also used when team members need clear guidelines.

Participative leadership styles: This are rooted in democratic theory. The essence is to involve team members in the decision making process. Team members thus feel included, engaged and motivated to contribute. The leader will normally have the last word in the decision-making processes. However, if there are disagreements within a group, it can be a time-consuming process to reach a consensus.

Delegative leadership style: Also known as "laissez-faire leadership", It focuses on delegating initiative to team members. This can be a successful strategy if team members are competent, take responsibility and prefer engaging in individual work. However, disagreements among the members may split and divide a group, leading to poor motivation and low morale.

Transactional leadership styles: It uses "transactions" between a leader and his or her followers - rewards, punishments and other exchanges - to get the job done. The leader sets clear goals, and team members know how they'll be rewarded for their compliance. This "give and take" **leadership style** is more concerned with following established routines and procedures in an efficient manner, than with making any transformational changes to an organization.

Transformational leadership styles: The leader inspires his or her followers with a vision and then encourages and empowers them to achieve it. The leader also serves as a role model for the vision.

Communication

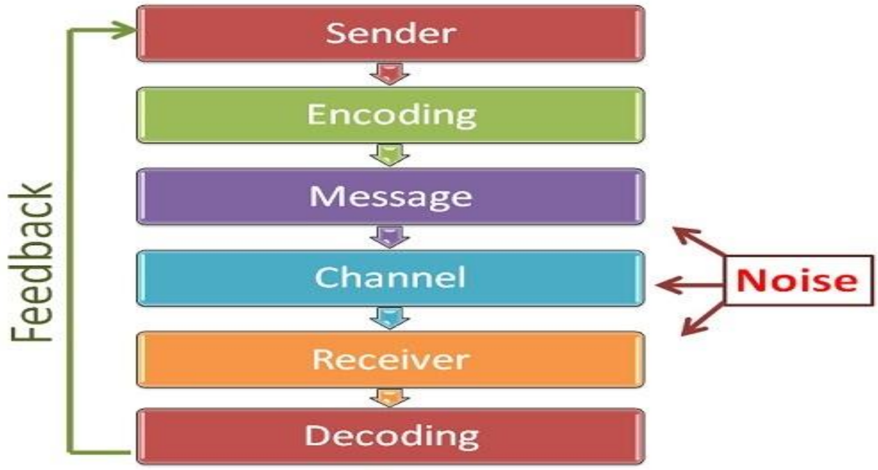
Communications is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings, etc. among the people to reach a common understanding. A manager must communicate his directions effectively to the subordinates to get the work done from them properly.

Communication Process

The elements involved in the communication process are explained below in detail:

1. Sender: The sender or the communicator generates the message and conveys it to the receiver. He is the source and the one who starts the communication
2. Message: It is the idea, information, view, fact, feeling, etc. that is generated by the sender and is then intended to be communicated further.
3. Encoding: The message generated by the sender is encoded symbolically such as in the form of words, pictures, gestures, etc. before it is being conveyed.
4. Media: It is the manner in which the encoded message is transmitted. The message may be transmitted orally or in writing. The medium of communication includes telephone, internet, post, fax, e-mail, etc.
5. Decoding: It is the process of converting the symbols encoded by the sender. After decoding the message is received by the receiver.
6. Receiver: He is the person who is last in the chain and for whom the message was sent by the sender. Once the receiver receives the message and understands it in proper perspective and acts according to the message, only then the purpose of communication is successful.

7. Feedback: Once the receiver confirms to the sender that he has received the message and understood it, the process of communication is complete.
8. Noise: It refers to any obstruction that is caused by the sender, message or receiver during the process of communication. For example, bad telephone connection, faulty encoding, faulty decoding, inattentive receiver, poor understanding of message due to prejudice or inappropriate gestures, etc.



Barriers to Communication

It is essential for a manager to identify such barriers and take appropriate measures to overcome them. The barriers to communication in organizations can be broadly grouped as follows:

Semantic Barriers: These are concerned with the problems and obstructions in the process of encoding and decoding of a message into words or impressions.

Psychological Barriers: Emotional or psychological factors also act as barriers to communication. The state of mind of both sender and receiver of communication reflects in effective communication.

Organizational Barriers: The factors related to organizational structure, rules and regulations authority relationships, etc. may sometimes act as barriers to effective communication.

Personal Barriers: The personal factors of both sender and receiver may act as a barrier to effective communication. If a superior thinks that a particular communication may adversely affect his authority, he may suppress such communication.

Effective Communication

Effective communication is defined as communication between two or more persons in which the intended message is properly encoded, delivered through appropriate channel, received and properly decoded and understood by the recipient(s).

American Management Association (AMA) has defined effective communication based on the following ten points −

- Clear idea regarding topics and receiver of communication.
- Determination of purpose.
- Understanding the environment of communication.
- Planning for communication with consulting others.
- Consider the content of the message.
- To make the receiver aware about the value of communication.
- There must be feedback from the receiver.
- To define properly whether communication messages are of short-run or long-run importance.
- All actions must be suitable with communication.
- Good listening.

UNIT V

CONTROLLING

Definition

Control is a primary goal-oriented function of management in an organisation. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.

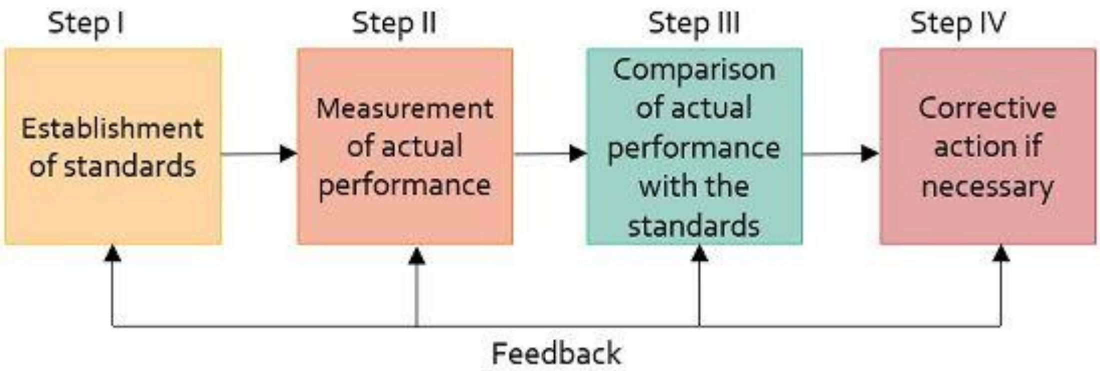
Meaning

Controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

System and Process of Controlling

Controlling and planning are interrelated for controlling gives an important input into the next planning cycle. Controlling is a **backwards-looking function** which brings the management cycle back to the planning function. Planning is a forward-looking process as it deals with the forecasts about the future conditions.

Control process involves the following steps:



Establishing standards: This means setting up of the target which needs to be achieved to meet organizational goals eventually. Standards indicate the criteria of performance. Control standards are categorized as quantitative and qualitative standards. Quantitative standards are expressed in terms of money. Qualitative standards, on the other hand, includes intangible items.

Measurement of actual performance: The actual performance of the employee is measured against the target. With the increasing levels of management, the measurement of performance becomes difficult.

Comparison of actual performance with the standard: This compares the degree of difference between the actual performance and the standard.

Taking corrective actions: It is initiated by the manager who corrects any defects in actual performance.

Budgetary Control Techniques

According to J.Batty, "Budgetary control is a system which uses budgets as a means of planning and controlling all aspects of producing and/or selling commodities or services". Thus, budgetary control is planning in advance of the various aspects of business can be controlled. The important characteristics of budgetary control are: planning of activities of each department, co-ordination among various departmental plans, recording of actual performance, comparison between budgets standards and actual performance, determining the deviations, if any, finding out the reasons for deviations and taking of follow-up action.

Budgeting is the process of preparing budgets whereas budgetary control is a device or technique of managerial control through budgets.

Budgets may be classified on the basis of purposes for which they are prepared. There are the following types of budgets.

(1) Cash budget: Cash budget gives the estimated receipts and payments for the budget period and indicates the position of cash arising from it. It shows the cash requirements at various times of the budget period and helps the management in planning and arranging cash for the business concern.

(2) Capital Budget: Capital budget gives the estimates in respect of the capital resources of the business concern. It also states the plans with the estimated cost for investment, expansion, replacement, etc.

(3) Sales Budget: Sales budget gives a comprehensive sales programmes and plans for a specific period. It states the sales potential in terms of quantity, values, period, product, etc. Sales budget is one of the important budgets because it is the basis for preparing other types of budgets.

(4) Selling and Distribution Cost Budget: This budget gives the cost of selling and distribution of the products during the budget period. It includes costs of selling and distribution such as cost of insurance, packing, storing, transport, advertisement, sales commission, market research etc.

(5) Production Budget: This budget is also known as output budget and is based on sales budget. It indicates the quantity of units to be produced during the budget period.

(6) Production Cost Budget: Production cost budget which is based on the production budget, lays down the estimated cost of carrying out the plans relating to production.

(7) Labour Budget: Labour budget gives the estimated requirements of labour for carrying out the estimated production during the budget period. It may state both direct and indirect labour requirements.

(8) Raw Material Budget: This budget which is prepared by the production department gives the estimated requirements of raw materials of different types for carrying out production during the budget period.

(9) Production Overhead Budget: This budget lays down the estimates of all production overheads to be incurred for carrying out the estimated production during the budget period.

(10) Master Budget: Master budget is summary of all functional budgets and indicates how they affect the business as a whole. A master budget generally includes particulars regarding sales, production, cash position, fixed assets, labour, factory overhead, administration overhead, and selling and distribution overhead, major financial ratios and profit.

Non Budgetary Control Techniques

There are, of course, many traditional control devices not connected with budgets, although some may be related to, and used with, budgetary controls. Among the most important of these are statistical data, special reports and analysis, analysis of break- even points, the operational audit, and the personal observation.

Statistical data: Statistical analyses of innumerable aspects of a business operation and the clear presentation of statistical data, whether of a historical or forecast nature are, of course, important to control. Some managers can readily interpret tabular statistical data, but most managers prefer presentation of the data on charts.

Break- even point analysis: An interesting control device is the break even chart. This chart depicts the relationship of sales and expenses in such a way as to show at what volume revenues exactly cover expenses.

Operational audit: Another effective tool of managerial control is the internal audit or, as it is now coming to be called, the operational audit. Operational auditing, in its broadest sense, is the regular and independent appraisal, by a staff of internal auditors, of the accounting, financial, and other operations of a business.

Personal observation: In any preoccupation with the devices of managerial control, one should never overlook the importance of control through personal observation.

Use of Computer and IT in Management Control

Information technology (IT) has become a vital and integral part of every business plan. From multi-national corporations who maintain mainframe systems and databases to small businesses that own a single computer, IT plays a role. The reasons for the universal use of computer technology in business can best be determined by looking at how it is being used across the business world.

Communication between Employees, Suppliers and Customers: For many companies, email is the principal means of communication between employees, suppliers and customers. Email was one of the early drivers of the Internet, providing a simple and inexpensive means to communicate. Over the years, a number of other communications tools have also evolved, allowing staff to communicate using live chat systems, online meeting tools and video-conferencing systems. Voice over internet protocol (VOIP) telephones and smart-phones offer even more high-tech ways for employees to communicate.

Inventory Management Systems: When it comes to managing inventory, organizations need to maintain enough stock to meet demand without investing in more than they require. Inventory management systems track the quantity of each item a company maintains, triggering an order of additional stock when the quantities fall below a pre-determined amount. These systems are best used when the inventory management system is connected to the point-of-sale (POS) system.

Data Management Systems: The days of large file rooms, rows of filing cabinets and the mailing of documents is fading fast. Today, most companies store digital versions of documents on servers and storage devices. These documents become instantly available to everyone in the company, regardless of their geographical location.

Management Information Systems

Storing data is only a benefit if that data can be used effectively. Progressive companies use that data as part of their strategic planning process as well as the tactical execution of that strategy. Management Information Systems (MIS) enable companies to track sales data, expenses and productivity levels. Managers can track sales on a daily basis, allowing them to immediately react to lower-than-expected numbers by boosting employee productivity or reducing the cost of an item.

Customer Relationship Management: Companies are using IT to improve the way they design and manage customer relationships. Customer Relationship Management (CRM) systems capture every interaction a company has with a customer, so that a more enriching experience is possible. If a customer calls a call center with an issue, the customer support representative will be able to see what the customer has purchased, view shipping information, call up the training manual for that item and effectively respond to the issue. The entire interaction is stored in the CRM system.

Productivity Problems and Management

Productivity Problems

Meetings Free-For-All – Meetings are the biggest time waster in many companies. Anyone can call one. They are too long.

Email Chaos – Do your employees live in their inboxes? Do they spend the majority of their day shuffling through email? The email game has become the modern age version of “paper pushing.”

No Deadlines – Are deadlines more like “guidelines” in your workplace? Project extensions are the norm. Nothing is really delivered on time. And there are no repercussions for late work.

No Work-Life Boundaries – Do your employees know where their job ends and their life begins? If not, they will endure unneeded stress, interruptions, eventual burn-out.

Rewarding Busyness Instead of Productivity – Many companies reward busyness. Why? Because it is easy. It is simple to reward movement, busyness, even commotion. It takes actual effort to determine who is actually having an impact and delivering value to the business.

Accepted Lateness – Meetings are expected to start late. The 9AM meeting becomes known as the 9.20 meeting.

Work Environment – Where your employees work great impacts their ability to get work done. Too many companies ignore this. Noise, clutter, inadequate facilities.

Misguided Policies – Senior leadership (and HR) loves to implement policies without regard as to the productivity impacts, they create. No offices. No closed door policies, etc.

Restrictive Tech – Technology is supposed to be a work enabler. It is supposed to allow workers to get more done, not to hinder them. Yet, many companies continue to struggle with technology.

Rework – "If you don't do it right the first time, you will end up doing it over." This applies from the smallest status update to multi-million dollar corporate projects.

Management of Productivity Problems

Define productivity and direct behavior: The measurement system provides an implicit definition of productivity for the operation. It communicates to the worker, the supervisor, and others the common expectation from the task. The productivity measurement provides specific direction and guides the worker toward productive activities.

Monitor performance and provide feedback: The measurement system provides a means to check progress toward an objective. In addition, it can be a major part of the employee's performance evaluation leading to rewards or disciplinary action.

Diagnose problems: Productivity analysis, particularly the examination of trends, helps identify problems before they become crises and permits early adjustment and corrective action. Like any other indicator, productivity measurements do not necessarily identify the source of the problem, only that one exists.

Facilitate planning and control: Productivity measurement provides information on costs, time, output rate, and resource usage to allow decision making with respect to pricing, production scheduling, purchasing, contracting, delivery scheduling, and many other activities in the industrial cycle. Productivity analysis, together with other elements of a competitive strategy, may determine which products or processes should be expanded and which should be phased out.

Support innovation: Productivity analysis, combined with cost data, aids in the evaluation of proposed changes to existing products or processes and the introduction of new ones. It is one of the primary foundations for the continuous improvement efforts that are both popular and necessary for survival in business firms today.

Control and Performance

Controlling involves ensuring that performance does not deviate from standards. Controlling consists of five steps: (1) set standards, (2) measure performance, (3) compare performance to standards, (4) determine the reasons for deviations and then (5) take corrective action as needed.

Corrective action can include changes made to the performance standards—setting them higher or lower or identifying new or additional standards. Performance standards are often stated in monetary terms such as revenue, costs, or profits

The measurement of performance can be done in several ways, depending on the performance standards, including financial statements, sales reports, production results, customer satisfaction, and formal performance appraisals.

Effective controlling requires the existence of plans, since planning provides the necessary performance standards or objectives. Controlling also requires a clear understanding of where responsibility for deviations from standards lies. Two traditional control techniques are budget and performance audits. An audit involves an examination and verification of records and supporting documents.

A budget audit provides information about where the organization is with respect to what was planned or budgeted for, whereas a performance audit might try to determine whether the figures reported are a reflection of actual performance. Controls also come at a cost. It is useful to know that there are trade-offs between having and not having organizational controls.

Direct and Preventive Control

There are two approaches to prevent negative deviations. These are,

Direct control: the procedure that traces the causes of an unsatisfactory result back to the persons responsible for it and get them to correct their practices.

Preventive control: the procedure that traces the causes of an unsatisfactory result back to managers' management skill and knowledge.

Features of Direct Control

- All performance can be measured
- Personal responsibility exists
- Time expenditure is warranted
- Mistakes can be discovered in time
- Person responsible will take corrective steps

Features of Preventive Control

- Qualified managers make a minimum of errors
- The management fundamentals can be used to measure performance
- Application of management fundamentals can be evaluated
- Greater accuracy is achieved in assigning personal responsibility.
- Preventive control encourages self-control and make corrective action more effective.
- Preventive control may lighten the managerial burden caused by direct controls.
- Employees may be motivated to improve themselves continuously.

Reporting

Definition

"Reporting to Management can be defined as an organized method of providing each manager with all the data and only those data which he needs for his decisions, when he needs them and in a form which aids his understanding and stimulates his action".

Meaning

The reporting to management is a process of providing information to various levels of management so as to enable in judging the effectiveness of their responsibility centres and become a base for taking corrective measures, if necessary.

The term 'Report' normally refers to a formal communication, which moves upwards, i.e., for factual communication by a lower level to a higher level of authority in response to orders received from higher level. Reports provide the means of checking the performance.

Purposes of Reporting

Means of Communication: A report is used as a means of upward communication. A report is prepared and submitted to someone who needs that information for carrying out functions of management.

Satisfy Interested Parties: The interested parties of management report are top management executives, government agencies, shareholders, creditors, customers and general public.

Serve as a Record: Reports provide valuable and important records for reference in the future.

Legal Requirements: Some reports are prepared to satisfy the legal requirements. The annual reports of company accounts are prepared to furnished the same to the shareholders of the company.

Develop Public Relations: Reports of general progress of business and utilization of national resources are prepared and presented before the public.

Basis to Measure Performance: The performance of each employee is prepared in a report form. In some cases, group or department performance is prepared in a report form.

Control: Reports are the basis of control process. On the basis of reports, actions are initiated and instructions are given to improve the performance.