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Unit-I

INTRODUCTION & DEVELOPMENT OF MANAGEMENT THOUGHTS

MANAGEMENT

Management is the process of reaching organizational goals by working with people and other organizational resources.

Management has three characteristics:

1. It is a process or series of continuing and related activities.
2. It involves and concentrates on reaching organizational goals.
3. It reaches these goals by working with the people and other resources.

MANAGEMENT FUNCTIONS

The four basic management functions that make up the management process are described in the following sections:

1. Planning
2. Organizing
3. Influencing
4. Controlling.

Planning: Planning involves choosing tasks that must be performed to attain organizational goals, outlining how the tasks must be performed, and indicating when they should be performed.

Planning activity focuses on attaining goals. Managers outline exactly what organizations should do to be successful. Planning is concerned with the success of the organization in the short term as well as in the long term.

Organizing: Organizing can be thought of as assigning the tasks developed in the planning stages, to various individuals or groups within the organization. Organizing is to create a mechanism to put plans into action.

People within the organization are given work assignments that contribute to the company's goals. Tasks are organized so that the output of each individual contributes to the success of departments, which, in turn, contributes to the success of divisions, which ultimately contributes to the success of the organization.

Influencing: Influencing is also referred to as motivating, leading or directing. Influencing can be defined as guiding the activities of organization members in the direction that helps the organization move towards the fulfillment of the goals.

The purpose of influencing is to increase productivity. Human-oriented work situations usually generate higher levels of production over the long term than do task oriented work situations because people find the latter type distasteful.

Controlling: Controlling is the following roles played by the manager:

1. Gather information that measures performance
2. Compare present performance to pre established performance.
3. Determine the next action plan and modifications for meeting the desired performance parameters. Controlling is an ongoing process.

NATURE OF MANAGEMENT

1. Universal Process: Wherever there is human activity, there is management. Without efficient management, objectives of the company cannot be achieved.

2. Factor of Production: Qualified and efficient managers are essential to utilization of labor and capital.

3. Goal Oriented: The most important goal of all management activity is to accomplish the objectives of an enterprise. The goals should be realistic and attainable.

4. Supreme in thought and action: Managers set realizable objectives and then mastermind action on all fronts to accomplish them. For this, they require full support form middle and lower levels of management.

5. Group Activity: All human and physical resources should be efficiently coordinated to attain maximum levels of combined productivity. Without coordination, no work would accomplish and there would be chaos and retention.

6. Dynamic function: Management should be equipped to face the changes in business environment brought about by economic, social, political, technological or human factors. They must be adequate training so that can enable them to perform well even in critical situations.

7. Social science: All individuals that a manager deals with, have different levels of sensitivity, understanding and dynamism.

8. Important organ of society: Society influences managerial action and managerial actions influence society. Its managers responsibility that they should also contribute towards the society by organizing charity functions, sports competition, donation to NGO's etc.

9. System of authority: Well-defined lines of command, delegation of suitable authority and responsibility at all levels of decision-making. This is necessary so that each individual should what is expected from him and to whom he need to report to.

10. Profession: Managers need to possess managerial knowledge and training, and have to conform to a recognized code of conduct and remain conscious of their social and human obligations.

11. Process: The management process comprises a series of actions or operations conducted towards an end.

SCOPE OF MANAGEMENT

The operational aspects of business management also called as the branches, can be considered as the scope of management:

1. Production Management

2. Marketing Management

3. Financial Management.

4. Personnel Management and

5. Office Management.

1. Production Management:
Production means creation of utilities. This creation of utilities takes place when raw materials are converted into finished products. Production management, then, is that branch of management 'which by scientific planning and regulation sets into motion that part of enterprise to which has been entrusted the task of actual translation of raw material into finished product.'

Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.

2. Marketing Management:
Marketing is a sum total of physical activities which are involved in the transfer of goods and services and which provide for their physical distribution. Marketing management refers to the planning, organizing, directing and controlling the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.

It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants.

3. Financial Management:
Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

The main functions of financial management include:

(i) Estimation of capital requirements.

(ii) Ensuring a fair return to investors.

(iii) Determining the suitable sources of funds.

(iv) Laying down the optimum and suitable capital.

4. Personnel Management:
Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with managerial and operative functions.

Managerial functions of personnel management include:

(i) Personnel planning.

(ii) Organizing by setting up the structure of relationship among jobs, personnel and physical factors to contribute towards organization goals.

(iii) Directing the employees.

(iv) Controlling.

5. Office Management:
The concept of management when applied to office is called 'office management'. Office management is the technique of planning, coordinating and controlling office activities with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments.

IMPORTANCE OF MANAGEMENT

1. It helps in Achieving Group Goals - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort.

Optimum Utilization of Resources - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage.

Reduces Costs - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.

Establishes Equilibrium - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.

Essentials for Prosperity of Society - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of resource. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands.

FUNCTIONS OF MANAGEMENT (PODSCORB)

The full form of POSDCORB is planning, Organising, Staffing, Directing, Coordinating, Reporting, and Budgeting. It was developed by Luther Gulick

Steps of POSDCORB

This essentially refers to the various steps or stages involved in a typical administrative process. POSDCORB can be explained in detail below:

Planning: This essentially refers to establishing a broad sketch of the work to be completed and the procedures incorporated to implement them.

Organizing: Organizing involves formally classifying, defining and synchronizing the various sub-processes or subdivisions of the work to be done.

Staffing: This involves recruiting and selecting the right candidates for the job and facilitating their orientation and training while maintaining a favorable work environment.

Directing: This entails decision making and delegating structured instructions and orders to execute them.

Coordinating: This basically refers to orchestrating and interlinking the various components of the work.

Reporting: Reporting involves regularly updating the superior about the progress or the work related activities. The information dissemination can be through records or inspection.

Budgeting: Budgeting involves all the activities that under Auditing, Accounting, Fiscal Planning and Control.

HENRY FAYOLS 14 PRINCIPLES OF MANAGEMENT

14 principles of Management are statements that are based on a fundamental truth. These principles of management serve as a guideline for decision-making and management actions.

1. Division of Work

In practice, employees are specialized in different areas and they have different skills. Different levels of expertise can be distinguished within the knowledge areas (from generalist to specialist). Personal and professional developments support this. According to Henri Fayol specialization promotes efficiency of the workforce and increases productivity. In addition, the specialization of the workforce increases their accuracy and speed.

2. Authority and Responsibility

In order to get things done in an organization, management has the authority to give orders to the employees. Of course with this authority comes responsibility. According to Henri Fayol, the accompanying power or authority gives the management the right to give orders to the subordinates. The responsibility can be traced back from performance and it is therefore necessary to make agreements about this. In other words, authority and responsibility go together and they are two sides of the same coin.

3. Discipline

This third principle of the 14 principles of management is about obedience. It is often a part of the core values of a mission and vision in the form of good conduct and respectful interactions. This management principle is essential and is seen as the oil to make the engine of an organization run smoothly.

4. Unity of Command

The management principle 'Unity of command' means that an individual employee should receive orders from one manager and that the employee is answerable to that manager. If tasks and related responsibilities are given to the employee by more than one manager, this may lead to confusion which may lead to possible conflicts for employees. By using this principle, the responsibility for mistakes can be established more easily.

5. Unity of Direction

All employees deliver the same activities that can be linked to the same objectives. All activities must be carried out by one group that forms a team. These activities must be described in a plan of action. The manager is ultimately responsible for this plan and he monitors the progress of the defined and planned activities. Focus areas are the efforts made by the employees and coordination.

6. Subordination of Individual Interest

There are always all kinds of interests in an organization. In order to have an organization function well, Henri Fayol indicated that personal interests are subordinate to the interests of the organization (ethics). The primary focus is on the organizational objectives and not on those of the individual. This applies to all levels of the entire organization, including the managers.

7. Remuneration

Motivation and productivity are close to one another as far as the smooth running of an organization is concerned. This management principle of the 14 principles of management argues that the remuneration should be sufficient to keep employees motivated and productive. There are two types of remuneration namely non-monetary (a compliment, more responsibilities, credits) and monetary (compensation, bonus or other financial compensation). Ultimately, it is about rewarding the efforts that have been made.

8. The Degree of Centralization

Management and authority for decision-making process must be properly balanced in an organization. This depends on the volume and size of an organization including its hierarchy.

Centralization implies the concentration of decision making authority at the top management (executive board). Sharing of authorities for the decision-making process with lower levels (middle and lower management), is referred to as decentralization by Henri Fayol. Henri Fayol indicated that an organization should strive for a good balance in this.

9. Scalar Chain

Hierarchy presents itself in any given organization. This varies from senior management (executive board) to the lowest levels in the organization. Henri Fayol 's "hierarchy" management principle states that there should be a clear line in the area of authority (from top to bottom and all managers at all levels). This can be seen as a type of management structure. Each employee can contact a manager or a superior in an emergency situation without challenging the hierarchy.

10. Order

Employees in an organization must have the right resources at their disposal so that they can function properly in an organization. In addition to social order (responsibility of the managers) the work environment must be safe, clean and tidy.

11. Equity

The management principle of equity often occurs in the core values of an organization. According to Henri Fayol, employees must be treated kindly and equally. Employees must be in the right place in the organization to do things right. Managers should supervise and monitor this process and they should treat employees fairly and impartially.

12. Stability of Tenure

This represents deployment and managing of personnel and this should be in balance with the service that is provided from the organization. Management strives to minimize employee turnover and to have the right staff in the right place. Focus areas such as frequent change of position and sufficient development must be managed well.

13. Initiative

Henri Fayol argued that with this management principle employees should be allowed to express new ideas. This encourages interest and involvement and creates added value for the company. Employee initiatives are a source of strength for the organization according to Henri Fayol. This encourages the employees to be involved and interested.

14. Esprit de Corps

The management principle 'esprit de corps' of the 14 principles of management stands for striving for the involvement and unity of the employees. Managers are responsible for the development of morale in the workplace; individually and in the area of communication. Esprit de corps contributes to the development of the culture and creates an atmosphere of mutual trust and understanding.

DEVELOPMENT OF MANAGEMENT THOUGHTS

1.2. SCIENTIFIC MANAGEMENT

Frederick Winslow Taylor investigated the effective use of human resources in the organisation, particularly at the shop level.

Principles of Scientific Management.

Taylor gave the following principles of scientific management.

1. **Replacement of Thumb Rule:** Taylor tried to replace the rule of thumb with scientific management. The rule of thumb emphasizes estimation whereas the scientific approach brings precision. Every work should be planned properly before it is carried out. Taylor suggested that the study to eliminate unnecessary operations.

2. **Co-operation:** The principle of co-operation was suggested to encourage a combined effort not only between workers but also between workers and managers. Taylor suggested the change in thinking of managers and workers.

3. **Development of Workers:** In scientific management workers have an important role to play. All the plans of raising the output can be achieved only with the efforts of workers. He suggested on job training for workers so that they can understand the work methods.

4. **Distribution of Work:** The work and responsibility should be distributed among the management and workers. The management should design the work and supervise the work and the workers are free to work.

1.2.1. INTERNAL AND EXTERNAL ENVIRONMENT

Internal Environment:

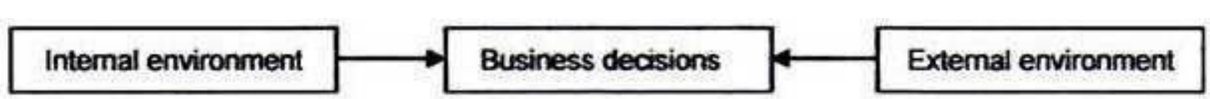
Survival of a business depends upon its strengths and adaptability to the environment. The internal strengths represent its internal environment. It consists of financial, physical, human and technological resources. Financial resources represent financial strength of the company. Funds are allocated over activities that maximise output at minimum cost, that is, optimum allocation of financial resources.

Physical resources represent physical assets such as plant, machinery, building etc. that convert inputs into outputs. Human resources represent the manpower with specialised knowledge that performs the business activities.

The operative and managerial decisions are taken by the human resources. Technological resources represent the technical know-how used to manufacture goods and services. Internal environment consists of controllable factors that can be modified according to needs of the external environment.

External Environment:

The external environment consists of legal, political, socio-cultural, demographic factors etc. These are uncontrollable factors and firms adapt to this environment. They adjust internal environment with the external environment to take advantage of the environmental opportunities and strive against environmental threats. Business decisions are affected by both internal and external environment.



The external environment consists of the micro environment and macro environment

1. Micro Environment:

"The micro environment consists of factors in the company's immediate environment". These factors affect the performance of a company and its ability to serve the customers. Micro environment consists of customers, suppliers, competitors, public and market intermediaries.

A brief discussion of the firm's micro environment is as follows:

(i) Customers:

Customers constitute important segment of the micro environment. Business exists to serve its customers. Unless there are customers, business has no meaning. A company can have different types of customers like, households, producers, retailers, Government and foreign buyers.

(ii) Suppliers:

They supply inputs (money, raw material, fuel, power and other factors of production) and help in smooth conduct of the business. Firms should remain aware of the policies of suppliers as increase in prices of inputs will affect their sales and profits. Shortage of supplies also affects the production schedules. Firms should have more than one supplier so that change in policies of one supplier does not affect their production schedules.

(iii) Competitors:

Competitors form important part of the micro environment. Firms compete to capture big share of the market. They constantly watch competitors' policies and adjust their policies to gain customer confidence.

(iv) Public:

"A public is any group that has an actual or potential interest in or impact on an organisation's ability to achieve its interest". Public can promote or demote company's efforts to serve the market. The term 'public' consists of financial public (banks, financial institutions etc.), media public (newspapers, radio, television etc.), Government public, customer organisations, internal public (workers and managers), local public (neighbourhood or community residents) and general public (buyers at large). Companies observe the behaviour of these groups to make functional policies.

(v) Market intermediaries:

They are the links that help to promote, sell and distribute the products to final consumers. They are the physical distribution firms (transport firm), service agencies (media firms), financial intermediaries (banks, insurance companies) etc. that help in producing, marketing and insuring the goods against loss of theft, fire etc. Firms maintain good relations with them to carry their activities smoothly. All these factors are largely controllable by the firms but they operate in the larger macro environment beyond their control.

2. Macro Environment:

The macro environment consists of the economic and non- economic variables that provide opportunities and threats to firms. This is largely uncontrollable and, therefore, firms adjust their operations to these environmental factors.

The macro-environment consists of the following:

(a) Economic Environment:

The economic environment consists of economic forces that affect business activities. Industrial production, agriculture, infrastructure, national income, per capita income, money supply, price level, monetary and fiscal policies, population, business cycles, economic policies, infrastructural facilities, financial facilities etc. constitute the economic environment.

The economic environment influences the activities of business enterprises. In the capitalist economies, firms have the freedom to choose the occupation. The economic decisions to invest, produce and sell are guided by profit motives. The factors of production are privately owned and production activities are initiated by the private entrepreneurs.

In socialist economies, these decisions are taken by the public sector which is guided more by social welfare than profit maximisation. The economy is controlled by the central master plan prepared by the State. In a mixed economy, public and private sectors co-exist and singly or jointly own the factors of production.

Scarce economic resources are allocated over various business activities. Decisions regarding allocation of resources which respect to what to produce, how to produce and for whom to produce; nature of technology and the techniques of production, timing of production etc. differ in different economies. This constitutes economic environment of the economy.

The economic environment affects business in the following ways:

(i) Complete capitalization or socialism does not exist. Free market economy and centralized planning exist together, though in varying degrees.

"The economy in which a business operates is not exclusively a free enterprise economy using prices and markets, but to some extent directed or in-directed by a system of planning, control, regulation and coordination."

(ii) State controls the economy (or the business enterprises) through planning and regulation. It enforces upon business enterprises the responsibility of social responsiveness (responsibility towards society) by welfare-state principles enacted through legislation that enforce minimum wages, commodity control, fair trade practices etc. Legislative machinery promotes economic growth, efficiency and equity. Social responsibility is the outcome of business interaction with economic environment.

(iii) Some business firms are positively affected by the Government policy while others are negatively affected. A restrictive import policy, for example, protects home industries but liberal import policy can harm the domestic industries.

(iv) The incentives and disincentives provided by the Government affect business enterprises in many ways. To enjoy the economies of scale, firms establish the business in large cities but the Government promotes them to establish their units in backward areas by providing various tax incentives. The economic environment of a country, thus, removes regional disparities and promotes equitable growth of the economy.

(v) By providing incentives in the priority sector that produce essential goods for the economy, the Government promotes industrial sector of the economy.

SUMMARIZED NOTES FOR REVISION

Management:

Management is the process of reaching organizational goals by working with people and other organizational resources.

Functions of Management

1. Planning
2. Organizing
3. Influencing
4. Controlling

Nature of Management

1. Universal process
2. Factor of Production
3. Goal Oriented
4. Supreme in thought and action
5. Group Activity
6. Dynamic Function
7. Social Science
8. Important organ of society
9. System authority
10. Profession

Scope of Management

1. Production Management
2. Marketing Management
3. Financial Management
4. Personnel Management
5. Office Management

Importance of Management

1. Helps in achieving goals
2. Optimum utilization of resources
3. Reduces costs
4. Established equilibrium
5. Essential for society

Henry Fayols 14 Principles

1. Division of work
2. Authority and responsibility
3. Discipline
4. Unity of command
5. Unity of direction
6. Remuneration
7. Individual interest
8. Degree of centralization
9. Scalar chain

10. Stability of tenure
11. Initiative
12. Order
13. Equity
14. Espirits de corps

PODSCORB

Development of Management Thougts

Principles of Scientific Management

1. Replacement of Thumb Rule
2. Co-operation
3. Development of workers
4. Distribution of work

Unit-II
PLANNING

PLANNING

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step. It is a systematic activity which determines when, how and who is going to perform a specific job. Planning is a detailed programme regarding future courses of action.

It is rightly said "**Well plan is half done**". Therefore planning takes into consideration available & prospective human and physical resources of the organization so as to get effective co- ordination, contribution & perfect adjustment. It is the basic management function which includes formulation of one or more detailed plans to achieve optimum balance of needs or demands with the available resources.

STEPS IN PLANNING FUNCTION

Planning function of management involves following steps:-

1. **Establishment of objectives**

    i. Planning requires a systematic approach.

    ii. Planning starts with the setting of goals and objectives to be achieved.

    iii. Objectives provide a rationale for undertaking various activities as well as indicate direction of efforts.

    iv. Moreover objectives focus the attention of managers on the end results to be achieved.

2. **Establishment of Planning Premises**

    i. Planning premises are the assumptions about the lively shape of events in future.

    ii. They serve as a basis of planning.

    iii. Establishment of planning premises is concerned with determining where one tends to deviate from the actual plans and causes of such deviations.

    iv. It is to find out what obstacles are there in the way of business during the course of operations.

    v. Establishment of planning premises is concerned to take such steps that avoids these obstacles to a great extent.

    vi. Planning premises may be internal or external. Internal includes capital investment policy, management labour relations, philosophy of management, etc. Whereas external includes socio- economic, political and economical changes.

    vii. Internal premises are controllable whereas external are non- controllable.

3. Choice of alternative course of action

i. When forecast are available and premises are established, a number of alternative course of actions have to be considered.

ii. For this purpose, each and every alternative will be evaluated by weighing its pros and cons in the light of resources available and requirements of the organization.

iii. The merits, demerits as well as the consequences of each alternative must be examined before the choice is being made.

iv. After objective and scientific evaluation, the best alternative is chosen.

v. The planners should take help of various quantitative techniques to judge the stability of an alternative.

4. Formulation of derivative plans

i. Derivative plans are the sub plans or secondary plans which help in the achievement of main plan.

ii. Secondary plans will flow from the basic plan. These are meant to support and expediate the achievement of basic plans.

iii. These detail plans include policies, procedures, rules, programmes, budgets, schedules, etc. For example, if profit maximization is the main aim of the enterprise, derivative plans will include sales maximization, production maximization, and cost minimization.

iv. Derivative plans indicate time schedule and sequence of accomplishing various tasks.

5. Securing Co-operation

i. After the plans have been determined, it is necessary rather advisable to take subordinates or those who have to implement these plans into confidence.

ii. The purposes behind taking them into confidence are :-

a. Subordinates may feel motivated since they are involved in decision making process.

b. The organization may be able to get valuable suggestions and improvement in formulation as well as implementation of plans.

c. Also the employees will be more interested in the execution of these plans.

6. Follow up/Appraisal of plans

i. After choosing a particular course of action, it is put into action.

ii. After the selected plan is implemented, it is important to appraise its effectiveness.

iii. This is done on the basis of feedback or information received from departments or persons concerned.

iv. This enables the management to correct deviations or modify the plan.

v. This step establishes a link between planning and controlling function.

vi. The follow up must go side by side the implementation of plans so that in the light of observations made, future plans can be made more realistic.

OBJECTIVES OF PLANNING

1. An improvement in the standard of living of the people through a sizable increase in national income within a short period of time;
2. A large expansion of employment opportunities for the removal of unemployment and for creating jobs and incomes;
3. A reduction in all types of social, economic and regional inequalities;
4. An efficient utilization of the country's resources for faster growth;
5. Removal of mass poverty within a definite time limit through land reform, employment creation, and provision of educational and medical facilities;
6. Attainment of self-reliance by reducing dependence on foreign capital and foreign aid.

Strategic Planning Cycle
Goals
Where do we want to go?
Desired Outcomes
How do we get there?
Strategies
How do we measure success?
Measures & Targets
How did we do?
Results
How can we improve?
Mission
6

IMPORTANCE OF PLANNING

1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties:

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:

The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co- ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making:

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling:

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company:

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

MBO (MANAGEMENT BY OBJECTIVE)

Fig: MBO Process

1. **Define Organizational Goals**

   Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed.

   And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. **Define Employees Objectives**

After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives.

The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. Continuous Monitoring Performance and Progress

MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees. For monitoring performance and progress the followings are required;

1. Identifying ineffective programs by comparing performance with pre-established objectives,
2. Using zero-based budgeting,
3. Applying MBO concepts for measuring individual and plans,
4. Preparing long and short range objectives and plans,
5. Installing effective controls, and
6. Designing sound organizational structure with clear, responsibilities and decision-making authority at the appropriate level.

4. Performance Evaluation

Under this MBO process performance review are made by the participation of the concerned managers.

5. Providing Feedback

The filial ingredients in an MBO program are continuous feedback on performance and goals that allow individuals to monitor and correct their own actions. This continuous feedback is supplemented by periodic formal appraisal meetings which superiors and subordinates can review progress toward goals, which lead to further feedback.

6. Performance Appraisal

Performance appraisals are a regular review of employee performance within organizations. It is done at the last stage of MBO process.

FORECASTING

Business forecasting is an act of predicting the future economic conditions on the basis of past and present information. It refers to the technique of taking a prospective view of things likely to shape the turn of things in foreseeable future. As future is always uncertain, there is a need of organised system of forecasting in a business.

Thus, scientific business forecasting involves:

(i) Analysis of the past economic conditions and

(ii) Analysis of the present economic conditions; so as to predict the future course of events accurately.

STEPS OF FORECASTING

1. Developing the Basis:

The first step involved in forecasting is developing the basis of systematic investigation of economic situation, position of industry and products. The future estimates of sales and general business operations have to be based on the results of such investigation. The general economic forecast marks as the primary step in the forecasting process.

2. Estimating Future Business Operations:

The second step involves the estimation of conditions and course of future events within the industry. On the basis of information/data collected through investigation, future business operations are estimated. The quantitative estimates for future scale of operations are made on the basis of certain assumptions.

3. Regulating Forecasts:

The forecasts are compared with actual results so as to determine any deviations. The reasons for his variations are ascertained so that corrective action is taken in future.

4. Reviewing the Forecasting Process:

Once the deviations in forecasts and actual performance are found then improvements can be made in the process of forecasting. The refining of forecasting process will improve forecasts in future.

IMPORTANCE OF FORECASTING

1. Promotion of new business

Forecasting is of utmost importance in setting up a new business. It is not an easy task to start a new business as it is full of uncertainties and risks. With the help of forecasting the promoter can find out whether he can succeed in the new business; whether he can face the existing competition; what is the possibility of creating demand for the proposed product etc.

2. Estimation of financial requirements

The importance of forecasting can't be ignored in estimating the financial requirements of a concern. Efficient utilisation of capital is a delicate issue before the management. No business can survive without adequate capital. But adequacy of either fixed or working capital depends entirely on sound financial forecasting.

3. Smooth and continuous working of a concern

'Forecasting of earnings' ensures smooth and continuous working of an enterprise, particularly to newly established ones. By forecasting, these concerns can estimate their expected profits or losses. The object of a forecast is to reduce in black and white the details of working of a concern.

4. Correctness of management decisions

The correctness of management decisions to a great extent depends upon accurate forecasting. As Meivin, T. Copeland says, "Administration is essentially a decision making process and authority has responsibility for making decisions and for ascertaining that the decisions made are carried out.

5. Success in business

The accurate forecasting of sales helps to procure necessary raw materials on the basis of which many business activities are undertaken. The accurate sales forecasting becomes the basis for several other budgets. In the absence of accurate sales forecasting, it is difficult to decide as to how much production should be done.

6. Plan Formulation

The importance of correct forecasting is apparent from the Key role it plays in planning. It should not go unaccounted that forecasting is an essential element in planning since planning premises include some forecasts. There are forecast data of a factual nature having enormous implication on sound premises.

7. Co-Operation and co-ordination

Forecasting is not one man's job. It needs proper co-ordination of all departmental heads in a company. Thus, by bringing participation of all concerned in the process of forecasting, team spirit and coordination is automatically encouraged.

TYPES OF FORECASTING

There are two types of forecasting

1. Short-term forecasting- Generally forecasting for the period upto one year is called short-term forecasting. It is used in forecasting related to

   i. Scheduling the production policy.
   ii. Regulating the supply of raw materials.
   iii. Deciding the proper price policy.
   iv. Determining the short term economic requirements.

2. Long-term forecasting- Plan for the period more than one year and forecasting of that plan is called long-term forecasting. It is used in study and analysis of production capacity and labour planning.

STRATEGIC FORMULATION

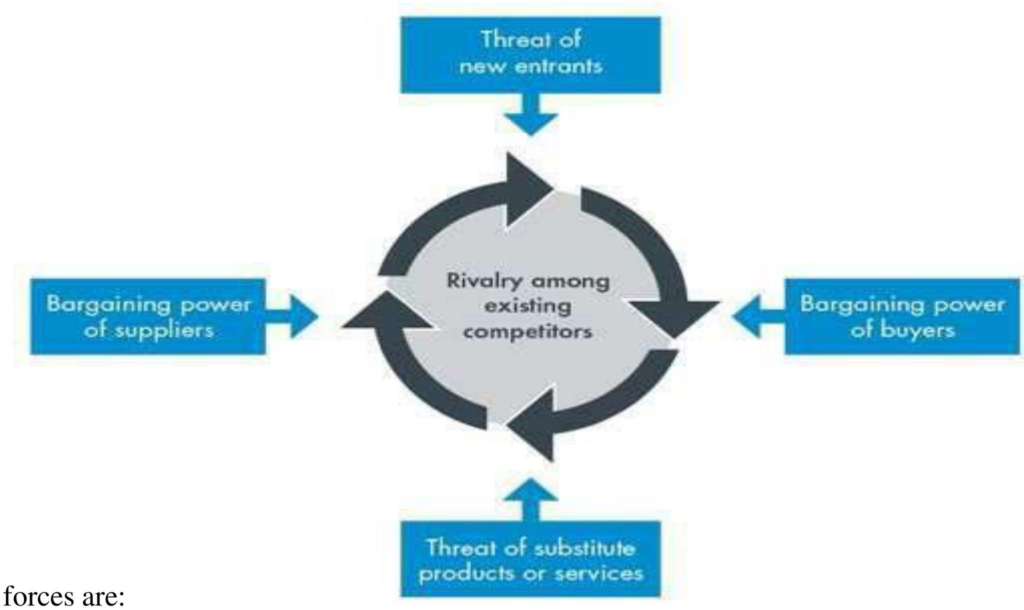
Strategy formulation refers to the process of choosing the most appropriate course of action for the realization of organizational goals and objectives and thereby achieving the organizational vision.

The process of strategy formulation basically involves six main steps.

1. **Setting Organizations' objectives -** The key component of any strategy statement is to set the long-term objectives of the organization. It is known that strategy is generally a medium for realization of organizational objectives. Objectives stress the state of being there whereas Strategy stresses upon the process of reaching there. Strategy includes both the fixation of objectives as well the medium to be used to realize those objectives. Thus, strategy is a wider term which believes in the manner of deployment of resources so as to achieve the objectives.
2. **Evaluating the Organizational Environment -** The next step is to evaluate the general economic and industrial environment in which the organization operates. This includes a review of the organizations competitive position. It is essential to conduct a qualitative and quantitative review of an organizations existing product line. The purpose of such a review is to make sure that the factors important for competitive success in the market can be discovered so that the management can identify their own strengths and weaknesses as well as their competitors' strengths and weaknesses.
3. **Setting Quantitative Targets -** In this step, an organization must practically fix the quantitative target values for some of the organizational objectives. The idea behind this is to compare with long term customers, so as to evaluate the contribution that might be made by various product zones or operating departments.
4. **Aiming in context with the divisional plans -** In this step, the contributions made by each department or division or product category within the organization is identified and accordingly strategic planning is done for each sub-unit. This requires a careful analysis of macroeconomic trends.
5. **Performance Analysis -** Performance analysis includes discovering and analyzing the gap between the planned or desired performance. A critical evaluation of the organizations past performance, present condition and the desired future conditions must be done by the organization. This critical evaluation identifies the degree of gap that persists between the actual reality and the long-term aspirations of the organization. An attempt is made by the organization to estimate its probable future condition if the current trends persist.
6. **Choice of Strategy -** This is the ultimate step in Strategy Formulation. The best course of action is actually chosen after considering organizational goals, organizational strengths, potential and limitations as well as the external opportunities.

MICHAEL PORTER'S COMPETITIVE ANALYSIS

Strategic analysts often use Porter's five forces to understand whether new products or services are potentially profitable. By understanding where power lies, the theory can also be used to identify areas of strength, to improve weaknesses and to avoid mistakes.



The five forces are:

1. Supplier power. An assessment of how easy it is for suppliers to drive up prices. This is driven by the: number of suppliers of each essential input; uniqueness of their product or service; relative size and strength of the supplier; and cost of switching from one supplier to another.

2. Buyer power. An assessment of how easy it is for buyers to drive prices down. This is driven by the: number of buyers in the market; importance of each individual buyer to the organisation; and cost to the buyer of switching from one supplier to another. If a business has just a few powerful buyers, they are often able to dictate terms.

3. Competitive rivalry. The main driver is the number and capability of competitors in the market.
Many competitors, offering undifferentiated products and services, will reduce market attractiveness.

4. Threat of substitution. Where close substitute products exist in a market, it increases the likelihood of customers switching to alternatives in response to price increases. This reduces both the power of suppliers and the attractiveness of the market.

5. Threat of new entry. Profitable markets attract new entrants, which erodes profitability. Unless incumbents have strong and durable barriers to entry, for example, patents, economies of scale, capital requirements or government policies, then profitability will decline to a competitive rate.

SUMMARIZED NOTES FOR REVISION

PLANNING

Planning means looking ahead and chalking out future courses of action to be followed. It is a preparatory step.

Steps in Planning Function

Planning function of management involves following steps:-

Establishment of objectives
Establishment of Planning Premises
Choice of alternative course of action
Formulation of derivative plans Securing
Co-operation
Follow up/Appraisal of plans

Objectives of Planning

- An improvement in the standard of living of the people through a sizable increase in national income within a short period of time;
- A large expansion of employment opportunities for the removal of unemployment and for creating jobs and incomes;
- A reduction in all types of social, economic and regional inequalities;
- An efficient utilization of the country's resources for faster growth;

Importance of Planning

1. Planning provides Direction:
2. Planning Reduces the risk of uncertainties:
3. Planning reduces over lapping and wasteful activities:
4. Planning Promotes innovative ideas:
5. Planning Facilitates Decision Making:
6. Planning establishes standard for controlling:
7. Focuses attention on objectives of the company:

2.1.4. MBO (Management By Objective)

Forecasting

Business forecasting is an act of predicting the future economic conditions on the basis of past and present information.

Thus, scientific business forecasting involves:

(i) Analysis of the past economic conditions and

(ii) Analysis of the present economic conditions; so as to predict the future course of events accurately.

Steps of Forecasting:

1. Developing the Basis
2. Estimating Future Business Operations
3. Regulating Forecasts
4. Reviewing the Forecasting Process

Importance of Forecasting

1. Promotion of new business
2. Estimation of financial requirements
3. Smooth and continuous working of a concern
4. Correctness of management decisions
5. Success in business
6. Plan Formulation
7. Co-Operation and co-ordination

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3. Setting Quantitative Targets.
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5. Performance Analysis
6. Choice of Strategy

Michael Porter's Competitive Analysis

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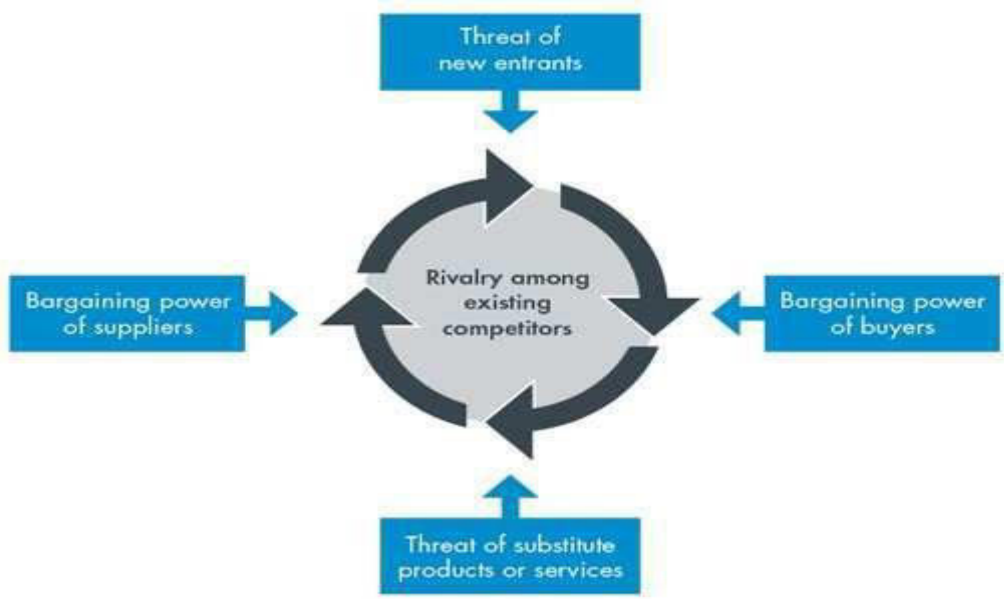

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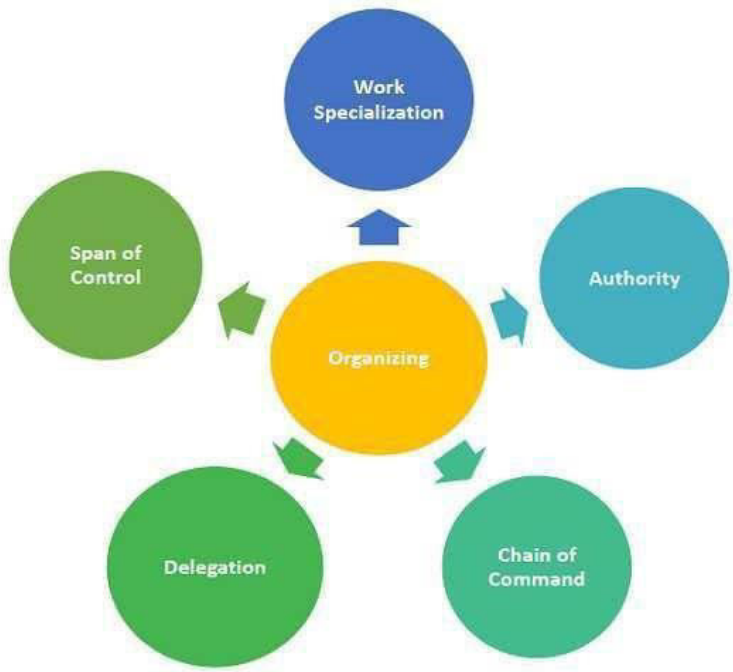
1. Supplier power.
2. Buyer power.
3. Competitive rivalry.
4. Threat of substitution.
5. Threat of new entry.

Unit-III

ORGANIZING & MOTIVATION

3.1. MEANING

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act.



1. Work Specialization

Also called **division of labor**, work specialization is the degree to which organizational tasks are divided into separate jobs. Each employee is trained to perform specific tasks related to their specialized function.

Specialization is extensive, for example running a particular machine in a factory assembly line. The groups are structured based on similar skills. Activities or jobs tend to be small, but workers can perform them efficiently as they are specialized in it.

In spite of the obvious benefits of specialization, many organizations are moving away from this principle as too much specialization isolates employees and narrows down their skills to perform routine tasks.

2. Authority

Authority is the legitimate power assigned to a manager to make decisions, issue orders, and allocate resources on behalf of the organization to achieve organizational objectives.

Authority is within the framework of the organization structure and is an essential part of the manager's job role. Authority follows a top-down hierarchy. Roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

The extent and level of authority is defined by the job role of the manager. Subordinates comply with the manager's authority as it is a formal and legitimate right to issue orders.

3. Chain of Command

The chain of command is an important concept to build a robust organization structure. It is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.

It is an effective business tool to maintain order and assign accountability even in the most casual working environments. A chain of command is established so that everyone knows whom they should report to and what responsibilities are expected at their level. A chain of command enforces responsibility and accountability.

It is based on the two principles of **Unity of command** and **Scalar Principle**.

Unity of command states that an employee should have one and only one manager or supervisor or reporting authority to whom he is directly accountable to. This is done to ensure that the employee does not receive conflicting demands or priorities from several supervisors at once, placing him in a confused situation.

However, there are exceptions to the chain of command under special circumstances for specific tasks if required. But for the most part organizations to a large extent should adhere to this principle for effective outcomes.

Scalar principle states that there should exist a clear line of authority from the position of ultimate authority at the top to every individual in the organization, linking all the managers at all the levels. It involves a concept called a gang plank using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However, the immediate superiors must be informed about the matter.

4. Delegation

Another important concept closely related to authority is delegation. It is the practice of turning over work-related tasks and/or authority to employees or subordinates. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success.

Authority is said to be delegated when discretion is vested in a subordinate by a superior. Delegation is the downward transfer of authority from a manager to a subordinate. Superiors or managers cannot delegate authority they do not have, however, high they may be in the organizational hierarchy.

Delegation as a process involves establishment of expected outcomes, task assignment, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment. Delegation leads to empowerment, as employees have the freedom to contribute ideas and do their jobs in the best possible ways.

5. Span of Control

Span of control (also referred to as Span of Management) refers to the number of employees who report to one manager. It is the number of direct reportees that a manager has and whose results he is accountable for.

Span of control is critical in understanding organizational design and the group dynamics operating within an organization. Span of control may change from one department to another within the same organization.

The span may be wide or narrow. A wide span of control exists when a manager has a large number of employees reporting to him. Such a structure provides more autonomy. A narrow span of control exists when the number of direct reportees that a manager has is small. Narrow spans allow managers to have more time with direct reports, and they tend to spark professional growth and advancement.

CENTRALIZATION AND DECENTRALIZATION

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be :-

1. Reservation of decision making power at top level.
2. Reservation of operating authority with the middle level managers.
3. Reservation of operation at lower level at the directions of the top level.

Under centralization, the important and key decisions are taken by the top management and the other levels are into implementations as per the directions of top level. For example, in a business concern, the father & son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per instruction and orders of the two people. Therefore in this case, decision making power remain in the hands of father & son.

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, “Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

Decentralization is not the same as delegation. In fact, decentralization is all extension of delegation. Decentralization pattern is wider is scope and the authorities are diffused to the lowest most level of management. Delegation of authority is a complete process and takes place

from one person to another. While decentralization is complete only when fullest possible delegation has taken place. For example, the general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralization has taken place. There is a saying that “Everything that increasing the role of subordinates is decentralization and that decreases the role is centralization”. Decentralization is wider in scope and the subordinate’s responsibility increase in this case. On the other hand, in delegation the managers remain answerable even for the acts of subordinates to their superiors.

Implications of Decentralization

1. There is less burden on the Chief Executive as in the case of centralization.

2. In decentralization, the subordinates get a chance to decide and act independently which develops skills and capabilities. This way the organization is able to process reserve of talents in it.

3. In decentralization, diversification and horizontal can be easily implanted.

4. In decentralization, concern diversification of activities can place effectively since there is more scope for creating new departments. Therefore, diversification growth is of a degree.

5. In decentralization structure, operations can be coordinated at divisional level which is not possible in the centralization set up.

6. In the case of decentralization structure, there is greater motivation and morale of the employees since they get more independence to act and decide.

7. In a decentralization structure, co-ordination to some extent is difficult to maintain as there are lot many department divisions and authority is delegated to maximum possible extent, i.e., to the bottom most level delegation reaches. Centralization and decentralization are the categories by which the pattern of authority relationships became clear. The degree of centralization and de-centralization can be affected by many factors like nature of operation, volume of profits, number of departments, size of a concern, etc. The larger the size of a concern, a decentralization set up is suitable in it.

DELEGATION

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. **Authority** - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives. Authority must be well- defined. All people who have the authority should know what is the scope of their authority is and they shouldn't misutilize it. Authority is the right to give commands, orders and get the things done. The top level management has greatest authority. Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it. Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. **Responsibility** - is the duty of the person to complete the task assigned to him. A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person. Responsibility flows from bottom to top. The middle level and lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. **Accountability** - means giving explanations for any variance in the actual performance from the expectations set. Accountability can not be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

For achieving delegation, a manager has to work in a system and has to perform following steps :

1. Assignment of tasks and duties
2. Granting of authority
3. Creating responsibility and accountability

Delegation of authority is the base of superior-subordinate relationship, it involves following steps:-

1. **Assignment of Duties -** The delegator first tries to define the task and duties to the subordinate. He also has to define the result expected from the subordinates. Clarity of duty as well as result expected has to be the first step in delegation.

2. **Granting of authority -** Subdivision of authority takes place when a superior divides and shares his authority with the subordinate. It is for this reason, every subordinate should be given enough independence to carry the task given to him by his superiors. The managers at all levels delegate authority and power which is attached to their job positions. The subdivision of powers is very important to get effective results.

3. **Creating Responsibility and Accountability -** The delegation process does not end once powers are granted to the subordinates. They at the same time have to be obligatory towards the duties assigned to them. Responsibility is said to be the factor or obligation of an individual to carry out his duties in best of his ability as per the directions of superior. Responsibility is very important. Therefore, it is that which gives effectiveness to authority. At the same time, responsibility is absolute and cannot be shifted. Accountability, on the others hand, is the obligation of the individual to carry out his duties as per the standards of performance. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed. Accountability arises out of responsibility and responsibility arises out of authority. Therefore, it becomes important that with every authority position an equal and opposite responsibility should be attached.

EMPLOYEE EMPOWERMENT

Empowerment is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision-making in autonomous ways.

Empowerment has become necessary due to the following reasons:

1. Time to respond has become much shorter.
2. First-line employees must make many decisions.

3. An employee feels much more control in their life since authority is given to individual decision-making.

4. There is great untapped potential among employees, which can be revealed through empowerment.

Definitions:

1. According to Richard Kathnelson, 'empowerment is the process coming to feel and behave as if one is in power and to feel as if they owned the firm'.

2. According to Bowen and Lawler, 'employee empowerment refers to the management strategies for sharing decision-making power'.

Employee empowerment can be done by:

1. Seeking opinions from the employees.

2. Facilitating the employees to try their ideas.

3. Encouraging for sharing of resources and information.

4. Improving the communication skills of the employees.

Importance of Employee Empowerment:

1. The investment in employees can improve productivity, which can reduce the costs.

2. Individual employees experience a feeling of self-esteem, self-efficacy and self-confidence.

3. Employee empowerment also helps in making employees more self-reliant.

4. It allows independent decision-making by the employees.

5. Empowerment of employees helps a firm to assign different projects to hone the competence of employees.

6. More freedom given to employees can be utilized for taking judicious decisions.

7. Assigning proper authority can improve the organizational effectiveness.

8. Independent decision-making can improve self-confidence among the employees.

9. It can boost up the morale of the employees.

10. The overall efficiency of an organization can be multiplied due to empowerment of the employees.

DEPARTMENTATION

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Departmentation, thus, helps in expanding an organisation and also promotes efficiency by dividing the work on the basis of specialisation of activities and appointing people in various departments on the basis of their specialised knowledge.

Departmentation as is defined follows:

Louis A. Allen:

"Divisionalisation is a means of dividing the large and monolithic functional organisation into smaller, flexible administrative units".

Pearce and Robinson:

"Departmentalisation is the grouping of jobs, processes and resources into logical units to perform some organisational task."

Terry and Franklin:

"Departmentalisation is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organisational goals."

Importance of Departmentation:

The following points highlight the importance of departmentation

1. Organisation structure:

Division of work into units and sub-units creates departments. Supervisors and managers are appointed to manage these departments. People are placed in different departments according to their specialised skills. The departmental heads ensure efficient functioning of their departments within the broad principles of organisation (scalar chain, unity of command, unity of direction etc.).

Thus, organisation structure is facilitated through departmentation. If there are no departments, it will be difficult to keep track of who is doing what and who is accountable to whom.
Departmentation creates departments, assigns tasks to people, fixes their responsibility and accountability to their departmental heads, creates a span of management so that work can be easily supervised. This network of authority- responsibility relationships is the basis of designing a sound organisation structure.

2. Flexibility:

In large organisations, one person cannot look after all the managerial functions (planning, organising etc.) for all the departments. He cannot adapt the organisation to its internal and external environment. Such an organisation would become an inflexible organisation. Creating departments and departmental heads makes an organisation flexible and adaptive to environment. Environmental changes can be incorporated which strengthen the organisation's competitiveness in the market.

3. Specialisation:

Division of work into departments leads to specialisation as people of one department perform activities related to that department only. They focus on a narrow set of activities and repeatedly performing the same task increases their ability to perform more speedily and efficiently. Specialisation promotes efficiency, lowers the cost of production and makes the products competitive.

4. Sharing of resources:

If there are no departments, organisational resources; physical, financial and human, will be commonly shared by different work units. Departmentation helps in sharing resources according to departmental needs. Priorities are set and resources are allocated according to the need, importance and urgency regarding their use by different departments.

5. Co-ordination:

"The organisation is a system of integrated parts, and to give undue emphasis to any functional part at the expense of the entire organisation creates organisational islands, thus, resulting in inefficiency and significant behavioural problems". Creating departments focuses on departmental activities and facilitates co-ordination.

6. Control:

Managers cannot control organisational activities if they have to be collectively supervised. Departmentation facilitates control by departmental manager over the activities of his department only. Activities are divided into smaller segments, standards of performance can be framed, factors affecting performance can be identified and control can be more objective in nature.

7. Efficiency:

Flow of work from one level to another and for every department, i.e., vertical and horizontal flow of work in the organisation increases organisational efficiency.

8. Scope for growth and diversification:

In the absence of departmentation, managers can supervise a limited number of activities, depending upon their skills and abilities. Departmentation enables them to expand their area of operation into new product lines and geographical divisions. Departmentation provides scope for organisational growth (along the same product lines) and expansion (adding new product lines).

9. Responsibility:

Since similar activities are grouped in one department headed by departmental managers, it becomes easy for top managers to fix responsibility of respective managers for achieving the desired results. If planned performance is not achieved, the department responsible becomes answerable. When responsibility is clear, authority can also be delegated to managers. Clear identification of responsibility and authority increases efficiency of the departmental activities.

10. Development of managers:

Departmentation enables departmental heads to be creative in making decisions with respect to their departmental activities. Training needs can also be identified because manager's task is clear and specific. There are opportunities to improve performance in their area of specialisation.

MOTIVATION

MEANING

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

One of the most important functions of management is to create willingness amongst the employees to perform in the best of their abilities. Therefore the role of a leader is to arouse interest in performance of employees in their jobs. The process of motivation consists of three stages:-

1. A felt need or drive
2. A stimulus in which needs have to be aroused
3. When needs are satisfied, the satisfaction or accomplishment of goals.

THEORIES OF MOTIVATION MASLOW'S

NEED HIERARCHY THEORY

It is probably safe to say that the most well-known theory of motivation is Maslow's need hierarchy theory Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

In essence, he believed that once a given level of need is satisfied, it no longer serves to motivate man. Then, the next higher level of need has to be activated in order to motivate the man. Maslow identified five levels in his need hierarchy

1. Physiological Needs:

These needs are basic to human life and, hence, include food, clothing, shelter, air, water and necessities of life. These needs relate to the survival and maintenance of human life. They exert tremendous influence on human behaviour. These needs are to be met first at least partly before higher level needs emerge. Once physiological needs are satisfied, they no longer motivate the man.

2. Safety Needs:

After satisfying the physiological needs, the next needs felt are called safety and security needs. These needs find expression in such desires as economic security and protection from physical dangers. Meeting these needs requires more money and, hence, the individual is prompted to work more. Like physiological needs, these become inactive once they are satisfied.

3. Social Needs:

Man is a social being. He is, therefore, interested in social interaction, companionship, belongingness, etc. It is this socialising and belongingness why individuals prefer to work in groups and especially older people go to work.

4. Esteem Needs:

These needs refer to self-esteem and self-respect. They include such needs which indicate self-confidence, achievement, competence, knowledge and independence. The fulfillment of esteem needs leads to self-confidence, strength and capability of being useful in the organisation. However, inability to fulfill these needs results in feeling like inferiority, weakness and helplessness.

5. Self-Actualisation Needs:

This level represents the culmination of all the lower, intermediate, and higher needs of human beings. In other words, the final step under the need hierarchy model is the need for self- actualization. This refers to fulfillment.

The term self-actualization was coined by Kurt Goldstein and means to become actualized in what one is potentially good at. In effect, self- actualization is the person's motivation to transform perception of self into reality.

According to Maslow, the human needs follow a definite sequence of domination. The second need does not arise until the first is reasonably satisfied, and the third need does not emerge until the first two needs have been reasonably satisfied and it goes on. The other side of the need hierarchy is that human needs are unlimited. However, Maslow's need hierarchy-theory is not without its detractors.

The main criticisms of the theory include the following:

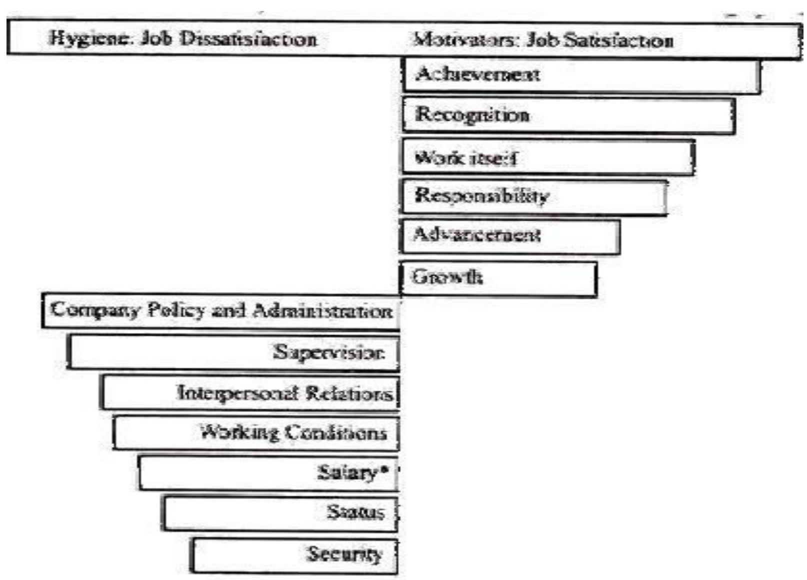
1. The needs may or may not follow a definite hierarchical order. So to say, there may be overlapping in need hierarchy. For example, even if safety need is not satisfied, the social need may emerge.
2. The need priority model may not apply at all times in all places.
3. Researches show that man's behaviour at any time is mostly guided by multiplicity of behaviour. Hence, Maslow's preposition that one need is satisfied at one time is also of doubtful validity.
4. In case of some people, the level of motivation may be permanently lower. For example, a person suffering from chronic unemployment may remain satisfied for the rest of his life if only he/she can get enough food.

Maslow's need hierarchy theory has received wide recognition, particularly among practicing managers. This can be attributed to the theory's intuitive logic and easy to understand. One researcher came to the conclusion that theories that are intuitively strong die hard'.

HERZBERG'S MOTIVATION HYGIENE THEORY

The psychologist Frederick Herzberg extended the work of Maslow and propsed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory.

Herzberg conducted a widely reported motivational study on 200 accountants and engineers employed by firms in and around Western Pennsylvania.



He asked these people to describe two important incidents at their jobs:

(1) When did you feel particularly good about your job, and
(2) When did you feel exceptionally bad about your job? He used the critical incident method of obtaining data.
The responses when analysed were found quite interesting and fairly consistent. The replies respondents gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Reported good feelings were generally associated with job satisfaction, whereas bad feeling with job dissatisfaction. Herzberg labelled the job satisfiers motivators, and he called job dissatisfies hygiene or maintenance factors. Taken together, the motivators and hygiene factors have become known as Herzberg's two-factor theory of motivation

According to Herzberg, the opposite of satisfaction is not dissatisfaction. The underlying reason, he says, is that removal of dissatisfying characteristics from a job does not necessarily make the job satisfying. He believes in the existence of a dual continuum. The opposite of 'satisfaction' is 'no satisfaction' and the opposite of 'dissatisfaction' is 'no dissatisatisfaction'.

According to Herzberg, today's motivators are tomorrow's hygiene because the latter stop influencing the behaviour of persons when they get them. Accordingly, one's hygiene may be the motivator of another.

However, Herzberg's model is labeled with the following criticism also:

1. People generally tend to take credit themselves when things go well. They blame failure on the external environment.
2. The theory basically explains job satisfaction, not motivation.
3. Even job satisfaction is not measured on an overall basis. It is not unlikely that a person may dislike part of his/ her job, still thinks the job acceptable.
4. This theory neglects situational variable to motivate an individual.

Because of its ubiquitous nature, salary commonly shows up as a motivator as well as hygine.

Regardless of criticism, Herzberg's 'two-factor motivation theory' has been widely read and a few managers seem untaminar with his recommendations. The main use of his recommendations lies in planning and controlling of employees work.

TYPES OF MOTIVATION

1. Achievement Motivation:

It is the drive to pursue and attain goals. An individual with achievement motivation wishes to achieve objectives and advance up on the ladder of success.

Here, accomplishment is important for its own sake and not for the rewards that accompany it. It is similar to 'Kaizen' approach of Japanese Management. This motivation is more important for professionals.

2. Affiliation Motivation:

It is a drive to relate to people on a social basis. Persons with affiliation motivation perform work better when they are complimented for their favorable attitudes and co-operation. This motivation is of greater use where money cannot be used to motivate, especially minimum-wage employees and contingent professionals.

3. Competence Motivation:

It is the drive to be good at something, allowing the individual to perform high quality work. Competence motivated people seek job mastery, take pride in developing and using their problem-solving skills and strive to be creative when confronted with obstacles. They learn from their experience. Specialists, like heart surgeons would feel motivated if they get chances to operate upon unique cases.

4. Power Motivation:

It is the drive to influence people and change situations. Power motivated people create an impact on their organization and are willing to take risk to do so. Ms Mayawati, Chief Minister of UP, is power motivated.

5. Attitude Motivation:

Attitude motivation is how people think and feel. It is their self- confidence, their belief in themselves, and their attitude to life. It is how they feel about the future and how they react to the past.

6. Incentive Motivation:

It is where a person or a team reaps a reward from an activity. It is “you do this and you get that”, attitude. It is the type of rewards and prizes that drive people to work a little harder. Most of the unorganized job workers get motivated when they are offered more money.

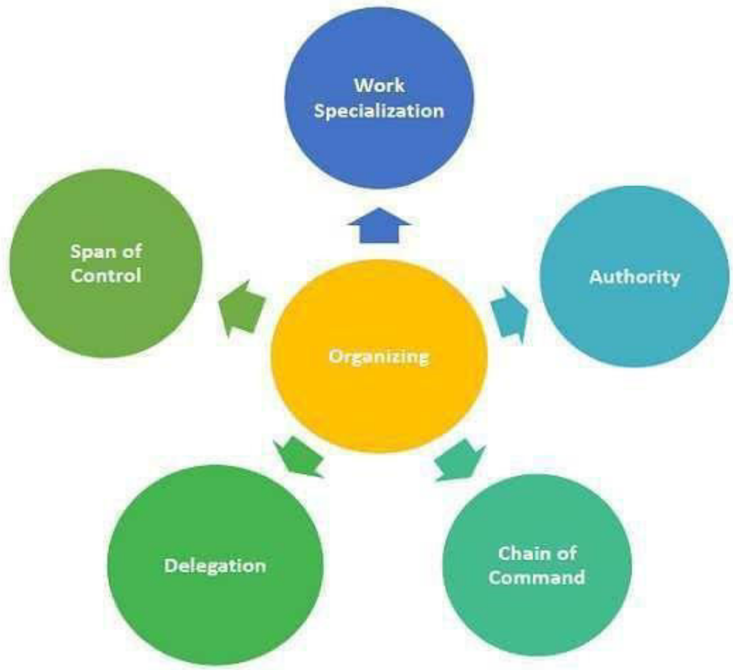
7. Fear Motivation:

Fear motivation coercions a person to act against will. It is instantaneous and gets the job done quickly. It is helpful in the short run. Managers following Theory x come into this category. In Indian army, this kind of motivation is very popular.

SUMMARY for REVISION

MEANING

The organizing process can be done efficiently if the managers have certain guidelines so that they can take decisions and can act.



CENTRALIZATION AND DECENTRALIZATION

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management. According to Allen, "Centralization" is the systematic and consistent reservation of authority at central points in the organization. The implication of centralization can be

On the other hand, **Decentralization** is a systematic delegation of authority at all levels of management and in all of the organization. In a decentralization concern, authority in retained by the top management for taking major decisions and framing policies concerning the whole concern. Rest of the authority may be delegated to the middle level and lower level of management.

The degree of **centralization and decentralization** will depend upon the amount of authority delegated to the lowest level. According to Allen, "Decentralization refers to the systematic effort to delegate to the lowest level of authority except that which can be controlled and exercised at central points.

DELEGATION

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate authority. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results.

Elements of Delegation

1. Authority
2. Responsibility
3. Accountability
4. Assignment of tasks and duties
5. Granting of authority
6. Creating responsibility and accountability

EMPLOYEE EMPOWERMENT

Empowerment is the process of enabling or authorizing an individual to think, behave, take action, and control work and decision-making in autonomous ways.

Empowerment has become necessary due to the following reasons:

1. Time to respond has become much shorter.
2. First-line employees must make many decisions.
3. An employee feels much more control in their life since authority is given to individual decision-making.
4. There is great untapped potential among employees, which can be revealed through empowerment.

DEPARTMENTATION

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Importance of Departmentation:

The following points highlight the importance of departmentation

1. Organisation structure

2. Flexibility

3. Specialisation

4. Sharing of resources

5. Co-ordination

6. Control

7. Efficiency

8. Scope for growth and diversification

9. Responsibility

10. Development of managers

MOTIVATION

MEANING

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

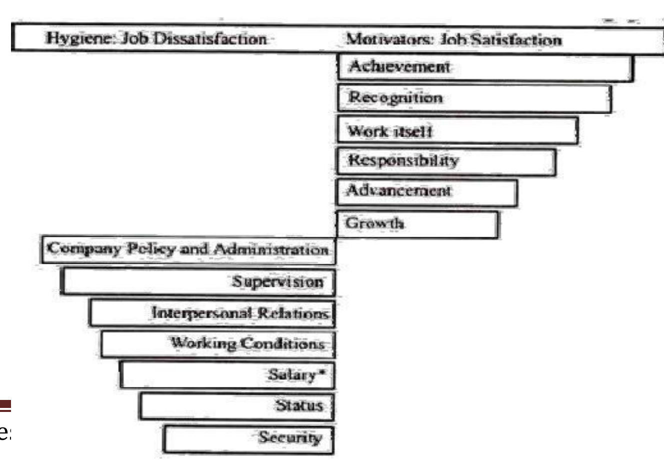
THEORIES OF MOTIVATION MASLOW'S NEED

HIERARCHY THEORY

It is probably safe to say that the most well-known theory of motivation is Maslow's need hierarchy theory Maslow's theory is based on the human needs. Drawing chiefly on his clinical experience, he classified all human needs into a hierarchical manner from the lower to the higher order.

HERZBERG'S MOTIVATION HYGIENE THEORY

The psychologist Frederick Herzberg extended the work of Maslow and propsed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory.



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4. Power Motivation:

5. Attitude Motivation:

6. Incentive Motivation:

7. Fear Motivation:

Unit-IV

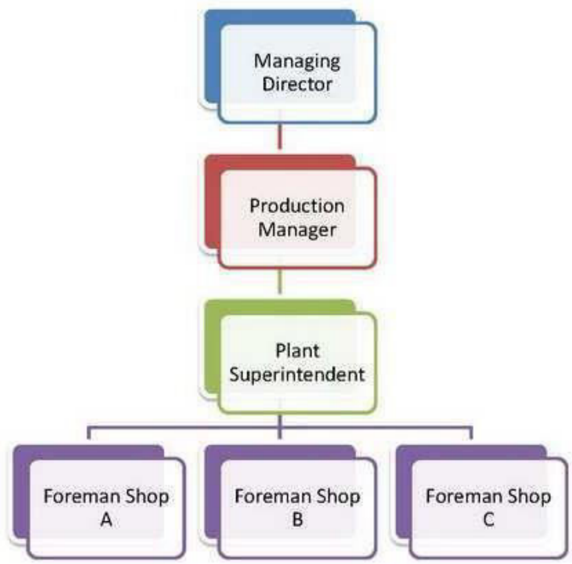
STAFFING CONTROLLING & DIRECTING

STAFFING

LINE AUTHORITY

It is that authority which a superior exercises over his subordinates to accomplish primary objectives of the organization. The superior issues orders and instructions to his sub ordinates to complete the tasks. This authority is delegated to those positions or elements of the organization which have direct responsibility for accomplishing the primary enterprise objectives.

The flow of authority is always in the downward direction from the superior to the subordinate and such relationship is called Line Relationship that exists in all departments of an organization.



Roles Of The Line Relationship:

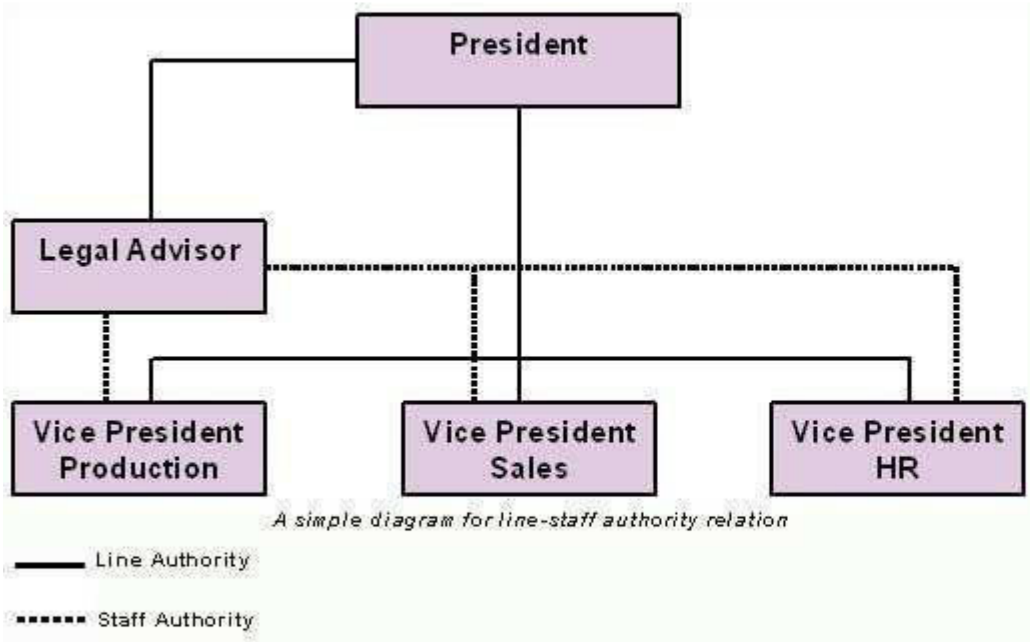
1. As a Chain of Command: Line officials are in the chain of command from the highest position to the lowest position in the organization. Each successive manager exercises command over his subordinates.

2. As a career of accountability: Each executive in the line is accountable for the proper performance of the tasks assigned to him and every subordinate is answerable to his superior.

3. As a Channel of communication: Since the line relationship involves issue of instructions from the authorities and reporting from subordinates, it facilitates and serves as an effective channel of communication.

Line relationship helps the organization to work properly by

- Providing the decisions required for functioning
- Furnishing reference points for the approval of proposals
- Serving as a means of control by setting the limits of authority
- Establishing authentic communication channels to make leadership process effective



STAFF AUTHORITY

Literally staff implies a stick carried in the hand for support. In the context of management, it implies to those elements that help the line authorities to function effectively in accomplishing the primary objectiv1es of the enterprise.

Staff provides

- advice
- assistance and
- information to line managers and they are distinguished into three categories namely, personal, specialized and general staff.

They reduce the burden of line authorities and they too have the right to command and extract work from their subordinates.

According to Henri Fayol "staff is an adjunct, reinforcement and a sort of extension of line manager's personality."

LINE AND STAFF CONFLICTS

As always, functional and decisional conflicts arise between line and staff members. The causes may be attributed to the following reasons.

1. Line managers grudge against the staff personnel:

a) The staff authorities try to encroach upon the line managers and tell them how to do their work

b) Lack of well balanced advice from the staff managers

c) Staff managers are not directly accountable and sport a jealous attitude towards line authorities

Staff managers fail to see the big picture objectively and their interests are confined to specified situations

d) Staff often tend to impose their superiority on line managers

2. Staff personnel complaints against the line managers

a) Line managers don't want to listen to the suggestions of the staff and make it a point to resist new ideas.

b) Lack of authority on the part of staff managers to implement their innovative ideas and hence the dependence on line authorities.

c) Line managers do not utilize the services of staff personnel properly and effectively.

3. The workers' attitude

a) The authority relationships between line and staff specialists are not clearly defined most of the time

b) The basic difference in attitude and perception of the line and staff managers create difficulties for the work force in carrying out orders and instructions.

ORGANIZATIONAL STRUCTURE

Organizational structure refers to how individual and team work within an organization are coordinated. To achieve organizational goals and objectives, individual work needs to be coordinated and managed. Structure is a valuable tool in achieving coordination, as it specifies reporting relationships (who reports to whom), delineates formal communication channels, and describes how separate actions of individuals are linked together. Organizations can function within a number of different structures, each possessing distinct advantages and disadvantages. Although any structure that is not properly managed will be plagued with issues, some organizational models are better equipped for particular environments and tasks.

Building Blocks of Structure

What exactly do we mean by organizational structure? Which elements of a company's structure make a difference in how we behave and how work is coordinated? We will review four aspects of structure that have been frequently studied in the literature: centralization, formalization, hierarchical levels, and departmentalization. We view these four elements as the building blocks, or elements, making up a company's structure. Then we will examine how these building blocks come together to form two different configurations of structures.

Centralization

Centralization is the degree to which decision-making authority is concentrated at higher levels in an organization. In centralized companies, many important decisions are made at higher levels of the hierarchy, whereas in decentralized companies, decisions are made and problems are solved at lower levels by employees who are closer to the problem in question.

Formalization

Formalization is the extent to which an organization's policies, procedures, job descriptions, and rules are written and explicitly articulated. Formalized structures are those in which there are many written rules and regulations. These structures control employee behavior using written rules, so that employees have little autonomy to decide on a case-by-case basis. An advantage of formalization is that it makes employee behavior more predictable. Whenever a problem at work arises, employees know to turn to a handbook or a procedure guideline. Therefore, employees respond to problems in a similar way across the organization; this leads to consistency of behavior.

Departmentalization

Organizations using functional structures group jobs based on similarity in functions. Such structures may have departments such as marketing, manufacturing, finance, accounting, human resources, and information technology. In these structures, each person serves a specialized role and handles large volumes of transactions. For example, in a functional structure, an employee in the marketing department may serve as an event planner, planning promotional events for all the products of the company.

TYPES OF ORGANIZATIONAL STRUCTURE

1. Line Organisational Structure:

A line organisation has only direct, vertical relationships between different levels in the firm. There are only line departments-departments directly involved in accomplishing the primary goal of the organisation. For example, in a typical firm, line departments include production and marketing. In a line organisation authority follows the chain of command.

2. Staff or Functional Authority Organisational Structure

The jobs or positions in an organisation can be categorized as:

(i) Line position:

a position in the direct chain of command that is responsible for the achievement of an organisation's goals and

(ii) Staff position:

A position intended to provide expertise, advice and support for the line positions. The line officers or managers have the direct authority (known as line authority) to be exercised by them to achieve the organisational goals. The staff officers or managers have staff authority (i.e., authority to advice the line) over the line. This is also known as functional authority.

An organisation where staff departments have authority over line personnel in narrow areas of specialization is known as functional authority organisation.

Exhibit 10.4 illustrates a staff or functional authority organisational structure.

3. Line and Staff Organisational Structure:

Most large organisations belong to this type of organisational structure. These organisations have direct, vertical relationships between different levels and also specialists responsible for advising and assisting line managers. Such organisations have both line and staff departments. Staff departments provide line people with advice and assistance in specialized areas (for example, quality control advising production department).

4. Divisional Organizational Structure:

In this type of structure, the organization can have different basis on which departments are formed.
They are:
(i) Function,
(ii) Product,
(iii) Geographic territory,
(iv) Project and
(iv) Combination approach.

5. Project Organizational Structure:

The line, line and staff and functional authority organisational structures facilitate establishment and distribution of authority for vertical coordination and control rather than horizontal relationships. In some projects (complex activity consisting of a number of interdependent and independent activities) work process may flow horizontally, diagonally, upwards and downwards. The direction of work flow depends on the distribution of talents and abilities in the organisation and the need to apply them to the problem that exists. The cope up with such situations, project organisations and matrix organisations have emerged.

6. Matrix Organizational Structure:
It is a permanent organisation designed to achieve specific results by using teams of specialists from different functional areas in the organization.

DIRECTING AND COORDINATING

DIRECTING is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.

Directing initiates action and it is from here actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers is doing work. In field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, “Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned” Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organizational goals.

Direction has got following characteristics:

1. **Pervasive Function -** Directing is required at all levels of organization. Every manager provides guidance and inspiration to his subordinates.
2. **Continuous Activity -** Direction is a continuous activity as it continuous throughout the life of organization.
3. **Human Factor -** Directing function is related to subordinates and therefore it is related to human factor. Since human factor is complex and behaviour is unpredictable, direction function becomes important.
4. **Creative Activity -** Direction function helps in converting plans into performance. Without this function, people become inactive and physical resources are meaningless.
5. **Executive Function -** Direction function is carried out by all managers and executives at all levels throughout the working of an enterprise, a subordinate receives instructions from his superior only.
6. **Delegate Function -** Direction is supposed to be a function dealing with human beings. Human behaviour is unpredictable by nature and conditioning the people’s behaviour towards the goals of the enterprise is what the executive does in this function. Therefore, it is termed as having delicacy in it to tackle human behaviour.

PRINCIPLES OF DIRECTING

1. Principle of Maximum Individual Contribution:
According to this principle, management should adopt that directing policy through which the employees get motivated and give their maximum individual contribution for the achievement of organisational objective.

2. Principle of Harmony of Objectives:
According to this principle, there must be full coordination between organisational and individual objectives. Employees work in an organisation with an objective to get better remuneration, promotion, etc. On the other hand, organisational goal can be to earn more profits and to increase market share.

3. Principle of Unity of Command:
According to this principle, a subordinate should get directions from one officer at a time. If the subordinate gets directions from more than one officer, the subordinate will be unable to priorities his work.

As a result, situation of confusion, conflict and disarrangement is created. By following this principle, effective direction takes place.

4. Principle of Appropriateness of Direction Technique:
According to this principle, appropriate direction techniques should be used, e.g., to supervise effectively, to provide able leadership, to adopt free communication and to motivate through right medium.

5. Principle of Managerial Communication:
According to this principle, it should be monitored by the management that the subordinates get the same meaning for what has been said. This simplifies the job of the subordinates and they need not go to the managers repeatedly for enquiring.

6. Principle of Use of Informal Organisation:
According to this principle, there must be a free flow of information between the seniors and the subordinates. The success of direction depends upon effective exchange of information to a great extent.

7. Principle of Leadership:
According to this principle, while giving directions to the subordinates a good leadership must be provided by the managers. By this, subordinates get influenced by the managers. In this situation, subordinates act according to the wish of the managers.

8. Principle of Follow Through:
According to this principle, it must be monitored by management as to what extent the policies framed and issued directions have been enforced. Thus, it must be seen whether the employees are following the management or not.

LEADERSHIP AND ITS TYPES

- Leadership is not an act or set of acts, it is a process.
- Leadership is not just influence, yet it involves influencing others through the leadership. While between the leader and followers, the influence is mutual, together, they influence the environment around them in some way.
- Leadership goes beyond goals. There is a purpose a cause which a broad enough to create a vision that connects followers who might have different individual goal.

The concept of leadership has been quite visible in areas such as military operations, politics, and management. Within work organization, leadership is no longer exclusively spontaneous or emergent. Leadership can be assigned as a part of the requirement of exclusive jobs of individuals, teams or it can be part of the expectations that members of a role set have from individual teams. Leadership as a managerial function is no longer limited to the top officers. To become a great leader, check out this business speaker.

Types of Leadership

Authentic Leadership
The recent authentic Leadership approach seems to have evolved in the light of majorscams and scandals, a blind race for profits and personal gains and short term prospective, involving the CEO's of top

organizations. It focuses on the charter of the leader as the driver of positive interrelationships. Authenticity is about being genuine and not attempting to play a role; not acting in a manipulative way.

Autocratic Leadership

Autocratic leadership allows autocratic leader to take the ultimate control of taking decisions without consulting others. An autocratic leader possess high level of power and authority and imposes its will on its employees. This type of leadership proves to be useful where close level of supervision is required. Creative employees morale goes down because their output is not given importance and is often detest by employees. Since they are unable to take any part in decision making, this results in job satisfaction and staff turnover.

Laissez-Faire Leadership

Under this type of leadership, a laissez-faire leader do not exercise control on its employees directly. Since employees are highly experienced and need little supervision, a laissez-faire leader fails to provide continuous feedback to employees under his or her supervision. This type of leadership is also associated with leaders that do not supervise their team members, failed to provide continuous feedback resulting in high costs, bad service, failure to meet deadlines, lack of control and poor production.

Transformational Leadership

The Transformational leadership highlights a leader as a facilitator of change occurring, when one or more persons engage with others in such a way that leaders and followers raise one another to higher levels of motivation and morality. The process of transformational leadership aims at influencing changes in attitudes and assumptions held by organizational members and building commitment for organizational goals and objectives. High level of communication exits between managers and employees and it is under the guidance of leaders that employees meet their goals and enhance productivity and efficiency.

Transactional Leadership

Transactional Leadership contrast, involves management –by- exception, intervention, and punishing those who made errors. This can lead to negative emotions and performance on the part of the subordinates. This approach would also require close monitoring of the subordinates, who would surely not like it, and if they felt constrained, their performance might not be best.

Additionally, some of their voluntary behaviors, like citizenship behaviors would be reduced. A manger lead a group of highly motivated individuals who follow his leadership and achieve their goals. Employees are trained or rewarded such as bonuses depending upon their performance.

Bureaucratic Leadership

Under bureaucratic leadership, a leader believes in structured procedures and ensure that his or her employees follow procedures exactly. This type of leadership leaves no space to explore new ways to solve issues and in fact work by book. This type of leadership is normally followed in hospitals, universities, banks (where large amount of money is involved) and government organizations to reduce corruption and increase security. Self motivated individuals who are highly energetic often feel frustrated due to because of organization inability to adapt to changing environment.

Charismatic Leadership

The charismatic leader is visionary and works by infusing high amount of energy and enthusiasm in his team. He sets as role model for his team and drive others to show high level of performance. This type of leader is committed to the organization and believes more in him rather than his team. The presence of charismatic leader works as a boost for rest of the employees and therefore such type of leader should be committed to the organization for the long run.

A charismatic leadership may pose as a risk to the company if he decided to leave to explore new opportunities and it might take lot of time and hard work by the company to win the confidence of its employees.

Participative Leadership

Also known as democratic leadership style, participative leadership consults employees and seriously considers their ideas when making decisions. When a company makes changes within the organization, the participative leadership style helps employees accept changes easily because they had given a big role in the process. Participative Leadership may be required for tasks that are non routine or unstructured, where relationships are non-authoritarian and the subordinate‘s locus of control is internal.

Directive Leadership

Directive Leadership provides guidance about what should be done and how to do it, scheduling work, and maintaining standers of performance. Thus, it may be inferred that directive leadership is effective as the subordinators has an external locus of Control, lacks experience, has a high need for clarity or a low need of achievement. Also, when the task is unstructured, or there is conflict between work groups, a more directive style would be useful.

Supportive Leadership

Supportive Leadership show concern for the needs of the employees, leader is friendly and approachable. Supportive Leadership would be more suitable for highly structured tasks, under bureaucratic and formal authority relationship. In supportive Leadership, leader support to their subordinates officially and some time personally also. Leader always try to fulfill their requirements, it boost employees moral also.

CORPORATE SOCIAL RESPONSIBILITY

The practice of CSR or Corporate Social Responsibility as a paradigm for firms and businesses to follow has evolved from its early days as a slogan that was considered trendy by some firms following it to the present day realities of the 21st century where it is no longer just fashionable but a business requirement to be socially responsible.

This evolution has been necessitated both due to the myriad problems that we as a race face which has changed the environment under which firms operate as well as a realization among business leaders that profits as the sole reason or raison d'être for existence can no longer hold good.

The reason why companies must look beyond profits is also due to the peculiar situation that humanity finds itself in the second decade of the 21st century. Given the political, economic, social and environmental crises that humans as a race are confronting, corporations have a role to play since they contribute the most to the economic well being of humanity and in turn influence the political and social trends.

Corporate Social Responsibility or CSR makes for eminent business sense as well when one considers the knock-on effect that social and environmental responsibility brings to the businesses. For instance, corporations exist in a symbiotic relationship with their environments (the term environment refers to all the components of the external environment and not to ecological environment alone) where their exchange with the larger environment determines to a large extent how well they do in their profit seeking endeavors.

STAFFING

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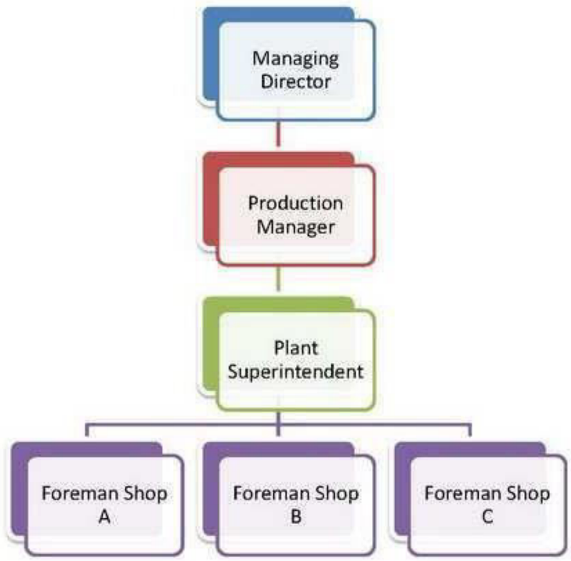
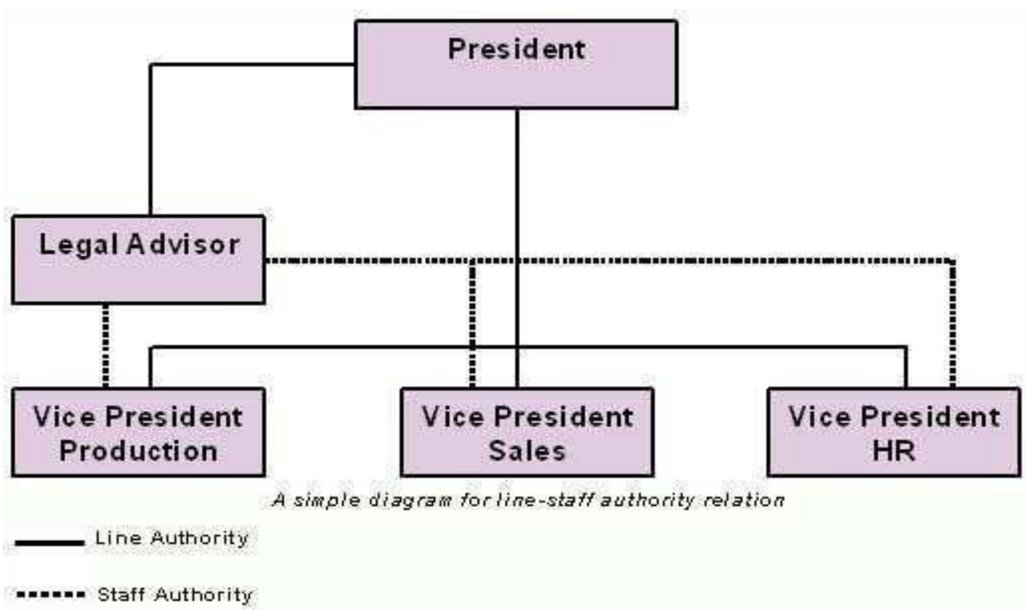


Roles Of The Line Relationship:

1. As a Chain of Command.
2. As a career of accountability
3. As a Channel of communication



A simple diagram for line-staff authority relation

STAFF AUTHORITY

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(ii) Staff position

3. Line and Staff Organisational Structure
4. Divisional Organisational Structure
5. Project Organisational Structure
6. Matrix Organisational Structure

DIRECTING AND COORDINATING

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1. Pervasive Function
2. Continuous Activity
3. Human Factor
4. Creative Activity

5. Executive Function
6. Delegate Function

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LEADERSHIP AND ITS TYPES

Types of Leadership

Authentic Leadership
Autocratic Leadership Laissez-
Faire Leadership
Transformational Leadership
Transactional Leadership
Bureaucratic Leadership
Charismatic Leadership
Participative Leadership
Directive Leadership
Supportive Leadership

Unit-V

CONTROLLING

CONTROLLING

Controlling is one of the managerial functions and it is an important element of the management process. After the planning, organising, staffing and directing have been carried out, the final managerial function of controlling assures that the activities planned are being accomplished or not.

So the function of controlling helps to achieve the desired goals by planning. Management must, therefore, compare actual results with pre-determined standards and take corrective action of necessary. Control can be defined as the process of analysing whether actions are being taken as planned and taking corrective actions to make these to confirm to planning.

According to E.F.L. Brech:

"controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

Ernest. Dale defines as "the modern concept of control envisages system that not only provides a historical record of what has happened and provides data that enable the chief executive or the departmental head to take corrective steps if he finds he is on the wrong track."

NATURE OF CONTROLLING

1. Control is a Function of Management:

Actually control is a follow-up action to the other functions of management performed by managers to control the activities assigned to them in the organisation.

2. Control is Based on Planning:

Control is designed to evaluate actual performance against predetermined standards set-up in the organisation. Plans serve as the standards of desired performance. Planning sets the course in the organisation and control ensures action according to the chosen course of action in the organisation.

3. Control is a Dynamic Process:

It involves continuous review of standards of performance and results in corrective action, which may lead to changes in other functions of management.

4. Information is the Guide to Control:

Control depends upon the information regarding actual performance. Accurate and timely availability of feedback is essential for effective control action. An efficient system of reporting is required for a sound control system. This requires continuing monitoring and review of operations.

5. The Essence of Control is Action:

The performance of control is achieved only when corrective action is taken on the basis of feedback information. It is only action, which adjust performance to predetermined standards whenever deviations occur. A good system of control facilities timely action so that there is minimum waste of time and energy.

6. It is a Continuous Activity:

Control is not a one-step process but a continuous process. It involves constant revision and analysis of standards resulting from the deviations between actual and planned performance.

7. Delegation is the key to Control:

An executive can take corrective action only when he has been delegated necessary authority for it. A person has authority to control these functions for which he is directly accountable. Moreover, control becomes necessary when authority is delegated because the delegator remains responsible for the duty. Control standards help a manger expand his span of management.

8. Control Aims at Future:
Control involves the comparison between actual and standards. So corrective action is designed to improve performance in future.

9. Control is a Universal Function of Management:
Control is a basic or primary function of management. Every manager has to exercise control over the subordinates' performance, no manager can get things done without the process of controlling. Once a plan becomes operational, follow-up action is required to measure progress, to uncover deficiencies and to take corrective actions.

CONTROLLING TECHNIQUES

1. Personal Observation:
This is the most traditional technique of control. It helps a manager to collect first hand information about the performance of the employees. It also creates psychological pressure on the employees to improve their performance as they are aware that they are being observed personally by the manager. However, this technique is not to be effectively used in all kinds of jobs as it is very time consuming.

2. Statistical Reports:
Statistical analysis in the form of percentages, ratios, averages etc. in different areas provides useful information regarding performance of an organisation to its managers. When such information is presented in the form of tables, graphs, charts etc., it facilitates comparison of performance with the standards laid and with previous years' performance.

3. Breakeven Analysis:
The technique used by managers to study the relationship between sales volume, costs and profit is known as Breakeven Analysis. This technique helps the managers in estimating profits at different levels of activities. The following figure shows breakeven chart of a firm.

The point at which the total revenue and total cost curves intersect is breakeven point. The figure shows that the firm will have the breakeven point at 60,000 units of output. At this point, there is neither profit nor loss. The firm starts earning profit beyond this point.

Breakeven Point= Fixed Cost/ (Selling Price per unit- Variable cost per unit).

Through breakeven analysis, a firm can keep a check on its variable cost and can also determine the level of activity at which it can earn its profit target.

4. Budgetary Control:
Under this technique, different budgets are prepared for different operations in an organisation in advance. These budgets act as standards for comparing them with actual performance and taking necessary actions for attaining organizational goals.

COST BENEFIT ANALYSIS

A cost-benefit analysis is a process by which business decisions are analyzed. The benefits of a given situation or business-related action are summed, and then the costs associated with taking that action are subtracted. Some consultants or analysts also build the model to put a dollar value on intangible items, such as the benefits and costs associated with living in a certain town, and most analysts will also factor opportunity cost into such equations.

BREAKING DOWN 'Cost-Benefit Analysis'

Prior to erecting a new plant or taking on a new project, prudent managers conduct a cost-benefit analysis as a means of evaluating all the potential costs and revenues that may be generated if the project is completed. The outcome of the analysis will determine whether the project is financially feasible or if another project should be pursued.

The Cost-Benefit Analysis Process

The first step in the process is to compile a comprehensive list of all the costs and benefits associated with the project or decision. Costs should include direct and indirect costs, intangible costs, opportunity costs and the cost of potential risks. Benefits should include all direct and indirect revenues and intangible benefits, such as increased production from improved employee safety and morale, or increased sales from customer goodwill. A common unit of monetary measurement should then be applied to all items on the list. Care should be taken to not underestimate costs or overestimate benefits. A conservative approach with a conscious effort to avoid any subjective tendencies when calculating estimates is best suited when assigning value to both costs and benefits for the purpose of a cost-benefit analysis.

SUMMARIZED NOTES FOR REVISION

CONTROLLING

Controlling is one of the managerial functions and it is an important element of the management process. After the planning, organising, staffing and directing have been carried out, the final managerial function of controlling assures that the activities planned are being accomplished or not.

According to E.F.L. Brech:

"controlling is checking performance against predetermined standards contained in the plans with a view to ensuring adequate progress and satisfactory performance."

Nature of Controlling:

1. Control is a Function of Management:
2. Control is Based on Planning:
3. Control is a Dynamic Process:
4. Information is the Guide to Control:
5. The Essence of Control is Action:
6. It is a Continuous Activity:
7. Delegation is the key to Control:
8. Control Aims at Future:
9. Control is a Universal Function of Management:

Controlling Techniques

1. Personal Observation:
2. Statistical Reports:
3. Breakeven Analysis:
4. Budgetary Control:

Cost Benefit Analysis

A cost-benefit analysis is a process by which business decisions are analyzed. The benefits of a given situation or business-related action are summed, and then the costs associated with taking that action are subtracted. Some consultants or analysts also build the model to put a dollar value on intangible items, such as the benefits and costs associated with living in a certain town, and most analysts will also factor opportunity cost into such equations.

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