Directorate of Distance and Continuing Education

Manonmaniam Sundaranar University

Tirunelveli – 627012, Tamil Nadu.

M.A.ECONOMICS

(First Year)

Fundamentals of Management

(JEEC11)

Prepared by

Dr. G. Monikanda Prasad
Assistant Professor of Economics
Manonmaniam Sundaranar University
Tirunelveli – 627 012.

Fundamentals of Management

Unit I Introduction

Management- Definition-Scope- Schools of Thought in Management – Levels of Management – Role and Functions of a Manager.

Unit II Planning

Planning – Concepts, Objectives, Nature, Limitation, Process of planning, Importance, Forms, techniques and Process of decision making.

Unit III Organization Levels

Types of Business Organisations - Structure - Span of Control – Departmentalisation – Selection, Training and Development, Performance Management, Career Planning and Management

Unit IV Directing

Creativity and Innovation – Motivation and Satisfaction – Organisation Culture – elements and Types of Culture – Managing Cultural Diversity.

Unit V Controlling

Controlling – Types of Control – Budgetary and non-budgetary, Control Techniques – Managing Productivity – Cost Control – Purchase Control – Maintenance Control- Quality Control – Planning operations.

Text books

1. Stephen A. Robbins & David A. Decenzo & Mary Coulter,(2011) “Fundamentals of Management” 7thEdition, Pearson Education
2. Tripathy PC & Reddy PN, (1999) “Principles of Management”, Tata McGraw Hill.
3. Pillai R.S.N and Kala.S (2013) Principles and Practice of Managements. Chand & Co and Company.
4. Ricky Griffin, “Fundamentals of Management”, Cengage Learning,(2016)
5. Pardeep Kumar and Amanjot Sachdeva, “Fundamentals of Management”, S. Chand Publishing,(2012)

UNIT- I
INTRODUCTION

Management- Definition-Scope- Schools of Thought in Management – Levels of Management – Role and Functions of a Manager.

Introduction

Management is the administration of an organization, whether it be a business, a not-for-profit organization, or government body. Management includes the activities of setting the strategy of an organization and coordinating the efforts of its employees or volunteers to accomplish its objectives through the application of available resources, such as financial, natural, technological, and human resources. The term "management" may also refer to the people who manage an organization.

Management is also an academic discipline, a social science whose objective is to study social organization and organizational leadership.

Definitions on Management:

According to **Harold Koontz**, “Management is the art of getting things done through and with people in formally organised groups.”- in his book “The Management Theory Jungle”.

According to **Henri Fayol**, “To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control.”- in his book “Industrial and General Administration”.

According to **Peter Drucker,** “Management is a multi-purpose organ that manages business and manages managers and manages workers and work.”- in his book “The Principles of Management”.

According to **Mary Parker Follet,** “Management is the art of getting things done through people.”

According to **William F.Glueck**, Management is the effective utilization of human and material resources to achieve the enterprise objective.

Nature of Management

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

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

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.

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.

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.

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.

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

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.

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.

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.

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

Scope of Management

Although it is difficult to precisely define the scope of management, yet the following areas are included in it:

1. **Subject-matter of management:** Planning, organizing, directing, coordinating and controlling are the activities included in the subject matter of management.
2. **Functional areas of management**: These include:

    Financial management includes accounting, budgetary control, quality control, financial planning and managing the overall finances of an organization.

    Personnel management includes recruitment, training, transfer promotion, demotion, retirement, termination, labor-welfare and social security industrial relations.

    Purchasing management includes inviting tenders for raw materials, placing orders, entering into contracts and materials control.

    Production management includes production planning, production control techniques, quality control and inspection and time and motion studies.

    Maintenance management involves proper care and maintenance of the buildings, plant and machinery.

Transport management includes packing, warehousing and transportation by rail, road and air.

Distribution management includes marketing, market research, price-determination, taking market risk and advertising, publicity and sales promotion.

Office Management includes activities to properly manage the layout, staffing and equipment of the office.

Development management involves experimentation and research of production techniques, markets, etc.

3. **Management is an inter-disciplinary approach:** For the correct implementation of the management, it is important to have knowledge of commerce, economics, sociology, psychology and mathematics.

4**. Universal application:** The principles of management can be applied to all types of organizations irrespective of the nature of tasks that they perform.

5. **Essentials of management:** Three essentials of management are:

- Scientific method
- Human relations
- Quantitative technique

6. **Modern management is an agent of change:** The management techniques can be modified by proper research and development to improve the performance of an organization.

Salient Features of Management

Following are the salient features of management

1. Continuous and never ending Process.
2. Art of getting work done from people.
3. Is Result-Oriented.
4. Multidisciplinary in nature.

5. Group and not an individual activity.
6. Follows established principles or rules.
7. Aided but not replaced by computers.
8. Situational in nature.
9. Separate from ownership.
10. Both an art as well as a science.
11. Is all pervasive.
12. Intangible but its impact is felt.
13. Uses a professional approach in work.
14. Dynamic in nature.

Important Characteristics of Management

The following characteristics of management are as follows:

1. Management is Goal-oriented Process:

No goal in the hand no need of management. In other words, we need management when we have some goals to be achieved. A manager on the basis of his knowledge and experience tries to achieve the goals which are already decided. Hence, nothing is wrong to say that management is a goal-oriented process.

2. Management is All-pervasive:

Management is a universal phenomenon. The use of management is not restricted to business firms only it is applicable in profit-making, non-profit-making, business or non-business organisations; even a hospital, school, club and house has to be managed properly. Anything minus management is nothing or zero. If we deduct management out of these activities, the result will be failure or zero. It means management is necessary to conduct any type of activities. Hence, it is pervasive or universal.

3. Management is Multidimensional:

The management is a three-dimensional activity:

(i) Management of Work:

All organisations are set up to perform some task or goal. Management activities aim at achieving goals or tasks to be accomplished. The task or work depends upon the nature of Business for example, work to be accomplished in a school is providing education, in hospital is to treat patient, in industry to manufacture some product. Management makes sure that work is accomplished effectively and efficiently. Every organisation is established for doing some work, like a school provides education, a hospital treats patients, a factory produces, etc. Of these, no work can be completed satisfactorily without management,

(ii) Management of People:

People refer to Human resources and Human resources are the most important assets of an organisation. An organisation can win over competitor with efficient employees only because two organisations can have same physical, technological and financial resources but not human resources. Management has to get task accomplished through people only. Each organisation is established for doing some work and the same is conducted by people. Hence, it is necessary to manage the people so that the work can be accomplished in a better way.

Managing people has two dimensions:

a) Taking care of employee's individual needs.

b) Taking care of group of people.

(iii) Management of Operations:

To achieve the goals of an organisation many operations or activities need to be conducted, such as, production, sale, purchase, finance, accounting, R&D, etc.

Again, management is needed to make sure that operations are accomplished efficiently and effectively.

4. Management is a Continuous Process:

The various managerial activities cannot be performed once for all, but it is a continuous process. A manager is busy sometimes in doing one managerial activity and at other times some other activity.

Operations refer to activities of production cycle such as buying inputs, converting them into semi-finished goods, finished goods. Management of operations concentrates on mixing management of work with management of people, i.e., deciding what work has to be done, how it has to be done and who will do it.

5. Management is a Group Activity:

Management always refers to a group of people involved in managerial activities. The management functions cannot be performed in isolation. Each individual performs his/her role at his/her status and department, and then only management function can be executed.

6. Management is a Dynamic Function:

Management is a dynamic activity as it has to adjust itself to the regularly changing environment. In this context, it can be rightly said that nothing is eternal in management.

It is necessary here to clearly understand that the recognition of management in the form of group is only in reference to big organisations, because in these kinds of organisations many managers are appointed at various managerial levels.

On the other hand, in small organisations only one manager is sufficient as he can himself manage all the affairs of the organisation. For these kinds of organisations it would not be right to call management a group activity.

7. Management is an Intangible Force:

Management is that power which cannot be seen. It can only be felt. If any organisation is heading toward higher levels of achievement, it signifies the existence of good management and vice versa. In other words, achievement reflects the quality of management and its effectiveness.

8. Composite process

Management consists of series of functions which must be performed in a proper sequence. These functions are not independent of each other.

They are inter-dependent on each other. As the main functions of management are planning, organising, staffing, directing and controlling; organising cannot be done without doing planning, similarly, directing function cannot be executed without staffing and planning and it is difficult to control the activities of employees without knowing the plan. All the functions inter-dependent on each other that is why management is considered as a composite process of all these functions.

9. Balancing effectiveness and efficiency

Effectiveness means achieving targets and objectives on time. Efficiency refers to optimum or best utilisation of resources. Managements always try to balance both and get the work done successfully. Only effectiveness and only efficiency is not enough for an organisation: a balance must be created in both.

For example, if the target of an employee is to produce 100 units in one month time and achieving the target by wasting resources and mishandling the machinery, will not be in the interest of organisation. On the other hand, if the employee spends lot of time in handling the machine carefully and managing the resources carefully and fails to complete the target on time, it will also not be in the interest of organisation. Manager sees to it that this target is achieved on time-and with optimum use of resources.

Objectives of Management

The main objectives of management are:

1. Getting Maximum Results with Minimum Efforts

The main objective of management is to secure maximum outputs with minimum efforts & resources. Management is basically concerned with thinking & utilizing human, material & financial resources in such a manner that would result in best combination. This combination results in reduction of various costs.

2. Increasing the Efficiency of factors of Production

Through proper utilization of various factors of production, their efficiency can be increased to a great extent which can be obtained by reducing spoilage, wastages and breakage of all kinds, this in turn leads to saving of time, effort and money which is essential for the growth & prosperity of the enterprise.

3. Maximum Prosperity for Employer & Employees

Management ensures smooth and coordinated functioning of the enterprise. This in turn helps in providing maximum benefits to the employee in the shape of good working condition, suitable wage system, incentive plans on the one hand and higher profits to the employer on the other hand.

4. Human betterment & Social Justice

Management serves as a tool for the upliftment as well as betterment of the society. Through increased productivity & employment, management ensures better standards of living for the society. It provides justice through its uniform policies.

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. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.

2. **Optimum Utilization of Resources**

Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce 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. If employees and machines are producing its maximum there is no under employment of any resources.

3. **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.

4. **Establishes Sound Organization**

No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.

5. 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.

6. **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 scarce resource. It improves standard of living. 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. Organization comes with new products and researches beneficial for society.

Levels of Management

The term "**Levels of Management**' refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top level / Administrative level
2. Middle level / Executory
3. Low level / Supervisory / Operative / First-line managers

Managers at all these levels perform different functions. The role of managers at all the three levels is discussed below:

Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions. The role of the top management can be summarized as follows -

a. Top management lays down the objectives and broad policies of the enterprise.
b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
c. It prepares strategic plans & policies for the enterprise.
d. It appoints the executive for middle level i.e. departmental managers.
e. It controls & coordinates the activities of all the departments.
f. It is also responsible for maintaining a contact with the outside world.
g. It provides guidance and direction.
h. The top management is also responsible towards the shareholders for the performance of the enterprise.

Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management. Their role can be emphasized as -

a. They execute the plans of the organization in accordance with the policies and directives of the top management.
b. They make plans for the sub-units of the organization.
c. They participate in employment & training of lower level management.
d. They interpret and explain policies from top level management to lower level.
e. They are responsible for coordinating the activities within the division or department.
f. It also sends important reports and other important data to top level management.
g. They evaluate performance of junior managers.
h. They are also responsible for inspiring lower level managers towards better performance.

Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to *R.C. Davis*, "Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees". In other words, they are concerned with direction and controlling function of management. Their activities include Assigning of jobs and tasks to various workers.

a. They guide and instruct workers for day to day activities.
b. They are responsible for the quality as well as quantity of production.
c. They are also entrusted with the responsibility of maintaining good relation in the organization.

d. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
e. They help to solve the grievances of the workers.
f. They supervise & guide the sub-ordinates.
g. They are responsible for providing training to the workers.
h. They arrange necessary materials, machines, tools etc for getting the things done.
i. They prepare periodical reports about the performance of the workers.
j. They ensure discipline in the enterprise.
k. They motivate workers.
l. They are the image builders of the enterprise because they are in direct contact with the workers.

Role and Functions of a Manager

Among the many roles and responsibilities of a manager, the most important is motivating others. A manager's success depends not only on the work they do, but their ability to inspire others. A successful manager uses strong leadership traits and excellent people skills to get their team working and focused.

Managers need the cooperation and skills of the people who work for them. The manager "wears many hats" to develop, motivate and drive their team:

- **Leader:** The manager sets the vision and motivation for their team. They develop the plan and drive their team to achieve it. A good manager leads and delegates by earning the respect of employees and motivating them to be their best.
- **Project manager:** A manager turns company goals into actionable project plans. They use budgets, resources and systems efficiently.
- **Coach:** Managers train their employees properly and help them grow within the company. They help employees develop skills and their careers.

- **Resource planner:** Managers hire new employees, address performance issues, and when needed, discipline or terminate employees. This is an integral part of the job, and when they use the proper hiring strategies, a manager can create a successful team of employees.

Becoming a manager

To become a manager, incorporate the behaviors of a manager in your current role. Show a strong sense of initiative and ownership. Learn how to delegate if your job offers the opportunity. Here are some other tips:

1. **Talk to your employer:** Tell your employer you're actively seeking opportunities to grow your management skills. This can alert your employer to your intention and progress. They may also give you start training you for the role.
2. **Hone your skills:** Work on strengthening your knowledge of all aspects of the business.
3. **Be consistent:** By improving your skills and consistently showing a healthy level of leadership, efficiency and creative thinking, you'll smoothly implement the roles of a manager in your daily work, You will need confidence and supportive work relationships that help you manage stress
4. **Get feedback regularly:** Ask for feedback on your progress. This shows that you can take constructive criticism well.

UNIT II
PLANNING

Planning – Concepts, Objectives, Nature, Limitation, Process of planning, Importance, Forms, techniques and Process of decision making.

Planning (also called forethought) is the process of thinking about and organizing the activities required to achieve a desired goal. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills.

Meaning and Concept of Planning

In simple words, planning is deciding in advance what is to be done, when where, how and by whom it is to be done. Planning bridges the gap from where we are to where we want to go. It includes the selection of objectives, policies, procedures and programmes from among alternatives. A plan is a predetermined course of action to achieve a specified goal. It is an intellectual process characterized by thinking before doing. It is an attempt on the part of manager to anticipate the future in order to achieve better performance. Planning is the primary function of management.

Concept of Planning

Planning is based on the theory of "thinking before acting". Planning is an integral part of our life. We make plans in every step of life whether it be to go to school or to buy household goods during shopping. We make plans according to the limitations of our budget and resources to get maximum satisfaction and to fulfil goals from out activities. Planning is the most basic and primary function of management. It is the pre-decided outline of the activities to be conducted in the organization. Planning is the process of deciding when, what, when where and how to do a certain activity before starting to work.

It is an intellectual process which needs a lot of thinking before a formation of plans. Planning is to set goals and to make certain guidelines achieve the goals. Also, Planning means to formulate policies, segregation of budget, future programs etc. These are all done to make the activity successful. Management has been described as a social process involving responsibility for careful and effective planning & regulation of the operation of an enterprise in the fulfilment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to every manger irrespective of his level or status.

Different experts have classified functions of management. According to *George & Jerry*, "There are four fundamental functions of management, i.e. planning, organizing, actuating and controlling".

Definitions of Planning

Different authors have given different definitions of planning from time to time. The main definitions of planning are as follows:

- According to Alford and Beatt, "Planning is the thinking process, the organized foresight, the vision based on fact and experience that is required for intelligent action."
- According to Theo Haimann, "Planning is deciding in advance what is to be done. When a manager plans, he projects a course of action for further attempting to achieve a consistent co-ordinate structure of operations aimed at the desired results.
- According to Billy E. Goetz, "Planning is fundamentally choosing and a planning problem arises when an alternative course of action is discovered."
- According to Koontz and O' Donnell, "Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates."

- According to Allen, “A plan is a trap laid to capture the future.”

Nature / Characteristics of Planning

The main characteristics or nature of planning is given below:

Planning is an Intellectual Process

Planning is an intellectual process of thinking in advance. It is a process of deciding the future on the series of events to follow. Planning is a process where a number of steps are to be taken to decide the future course of action. Managers or executives have to consider various courses of action, achieve the desired goals, go in details of the pros and cons of every course of action and then finally decide what course of action may suit them best.

Planning Contributes to the Objectives

Planning contributes positively in attaining the objectives of the business enterprise. Since plans are there from the very first stage of operation, the management is able to handle every problem successfully. Plan tries to set everything right. A purposeful, sound and effective planning process knows how and when to tackle a problem. This leads to success. Objectives thus are easily achieved.

Planning is a Primary Function of Management

Planning precedes other functions in the management process. Certainly, setting of goals to be achieved and lines of action to be followed precedes the organization, direction, supervision and control. No doubt, planning precedes other functions of management. It is primary requisite before other managerial functions step in. But all functions are inter-connected. It is mixed in all managerial functions but there too it gets precedence. It thus gets primary everywhere.

A continuous Process

Planning is a continuous process and a never ending activity of a manager in an enterprise based upon some assumptions which may or may not come true in the future.

Therefore, the manager has to go on modifying revising and adjusting plans in the light of changing circumstances. According to George R. Terry, “Planning is a continuous process and there is no end to it. It involves continuous collection, evaluation and selection of data, and scientific investigation and analysis of the possible alternative courses of action and the selection of the best alternative.

Planning Pervades Managerial Activities

From primary of planning follows pervasiveness of planning. It is the function of every managerial personnel. The character, nature and scope of planning may change fro personnel to personnel but the planning as an action remains intact. According to Billy E. Goetz, “Plans cannot make an enterprise successful. Action is required, the enterprise must operate managerial planning seeks to achieve a consistent, coordinated structure of operations focused on desired trends. Without plans, action must become merely activity producing nothing but chaos.”

Role, Significance, Importance & Advantages of Planning

An organisation without planning is like a sailboat minus its rudder. Without planning, organisation, are subject to the winds of organizational change. Planning is one of the most important and crucial functions of management. According to Koontz and O’Donnell, “Without planning business becomes random in nature and decisions become meaningless and adhoc choices.” According to Geroge R. Terry, “Planning is the foundation of most successful actions of any enterprise.” Planning becomes necessary due to the following reasons:

Reduction of Uncertainty

Future is always full of uncertainties. A business organisation has to function in these uncertainties. It can operate successfully if it is able to predict the uncertainties. Some of the uncertainties can be predicted by undertaking systematic. Some of the uncertainties can be predicted by undertaking systematic forecasting. Thus, planning helps in foreseeing uncertainties which may be caused by changes in technology, fashion and taste of people, government rules and regulations, etc.

Better Utilization of Resources

An important advantage of planning is that it makes effective and proper utilization of enterprise resources. It identifies all such available resources and makes optimum use of these resources.

Increases Organizational Effectiveness

Planning ensures organizational effectiveness. Effectiveness ensures that the organisation is in a position to achieve its objective due to increased efficiency of the organisation.

Reduces the Cost of Performance

Planning assists in reducing the cost of performance. It includes the selection of only one course of action amongst the different courses of action that would yield the best results at minimum cost. It removes hesitancy, avoids crises and chaos, eliminates false steps and protects against improper deviations.

Concentration on Objectives

It is a basic characteristic of planning that it is related to the organizational objectives. All the operations are planned to achieve the organizational objectives. Planning facilitates the achievement of objectives by focusing attention on them. It requires the clear definition of objectives so that most appropriate alternative courses of action are chosen.

Helps in Co-ordination

Good plans unify the interdepartmental activity and clearly lay down the area of freedom in the development of various sub-plans. Various departments work in accordance with the overall plans of the organisation. Thus, there is harmony in the organisation, and duplication of efforts and conflict of jurisdiction are avoided.

Makes Control Effective

Planning and control are inseparable in the sense that unplanned action cannot be controlled because control involves keeping activities on the predetermined course by rectifying deviations from plans. Planning helps control by furnishing standards of performance.

Encouragement to Innovation

Planning helps innovative and creative thinking among the managers because many new ideas come to the mind of a manager when he is planning. It creates a forward-looking attitude among the managers.

Increase in Competitive Strength

Effective planning gives a competitive edge to the enterprise over other enterprises that do not have planning or have ineffective planning. This is because planning may involve expansion of capacity, changes in work methods, changes in quality, anticipation of tastes and fashions of people and technological changes etc.

Delegation is Facilitated

A good plan always facilitates delegation of authority in a better way to subordinates.

Advantages of Planning

1. **Planning facilitates management by objectives.**

a) Planning begins with determination of objectives.

b) It highlights the purposes for which various activities are to be undertaken.

c) In fact, it makes objectives more clear and specific.

d) Planning helps in focusing the attention of employees on the objectives or goals of enterprise.

e) Without planning an organization has no guide.

f) Planning compels manager to prepare a Blue-print of the courses of action to be followed for accomplishment of objectives.

g) Therefore, planning brings order and rationality into the organization.

2. **Planning minimizes uncertainties.**

a) Business is full of uncertainties.

b) There are risks of various types due to uncertainties.

c) Planning helps in reducing uncertainties of future as it involves anticipation of future events.

d) Although future cannot be predicted with cent percent accuracy but planning helps management to anticipate future and prepare for risks by necessary provisions to meet unexpected turn of events.

e) Therefore with the help of planning, uncertainties can be forecasted which helps in preparing standbys as a result, uncertainties are minimized to a great extent.

3. **Planning facilitates co-ordination.**

a) Planning revolves around organizational goals.

b) All activities are directed towards common goals.

c) There is an integrated effort throughout the enterprise in various departments and groups.

d) It avoids duplication of efforts. In other words, it leads to better co-ordination.

e) It helps in finding out problems of work performance and aims at rectifying the same.

4. **Planning improves employee's moral.**

a. Planning creates an atmosphere of order and discipline in organization.

b. Employees know in advance what is expected of them and therefore conformity can be achieved easily.

c. This encourages employees to show their best and also earn reward for the same.

d. Planning creates a healthy attitude towards work environment which helps in boosting employees moral and efficiency.

5. **Planning helps in achieving economies.**
   a. Effective planning secures economy since it leads to orderly allocation of resources to various operations.
   b. It also facilitates optimum utilization of resources which brings economy in operations.
   c. It also avoids wastage of resources by selecting most appropriate use that will contribute to the objective of enterprise. For example, raw materials can be purchased in bulk and transportation cost can be minimized. At the same time it ensures regular supply for the production department, that is, overall efficiency.
6. **Planning facilitates controlling.**
   a. Planning facilitates existence of certain planned goals and standard of performance.
   b. It provides basis of controlling.
   c. We cannot think of an effective system of controlling without existence of well thought out plans.
   d. Planning provides pre-determined goals against which actual performance is compared.
   e. In fact, planning and controlling are the two sides of a same coin. If planning is root, controlling is the fruit.
7. **Planning provides competitive edge.**
   a. Planning provides competitive edge to the enterprise over the others which do not have effective planning. This is because of the fact that planning may involve changing in work methods, quality, quantity designs, extension of work, redefining of goals, etc.

b. With the help of forecasting not only the enterprise secures its future but at the same time it is able to estimate the future motives of it's competitor which helps in facing future challenges.
c. Therefore, planning leads to best utilization of possible resources, improves quality of production and thus the competitive strength of the enterprise is improved.

8. **Planning encourages innovations.**

a. In the process of planning, managers have the opportunities of suggesting ways and means of improving performance.
b. Planning is basically a decision making function which involves creative thinking and imagination that ultimately leads to innovation of methods and operations for growth and prosperity of the enterprise.

Limitations of Planning

1. Internal Limitations

There are several limitations of planning. Some of them are inherit in the process of planning like rigidity and other arise due to shortcoming of the techniques of planning and in the planners themselves.

Rigidity

a. Planning has tendency to make administration inflexible.
b. Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
c. There is no scope for individual freedom.
d. The development of employees is highly doubted because of which management might have faced lot of difficulties in future.
e. Planning therefore introduces inelasticity and discourages individual initiative and experimentation.

Misdirected Planning

a) Planning may be used to serve individual interests rather than the interest of the enterprise.

a) Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit ones own requirement rather than that of whole organization.

b) Machinery of planning can never be freed of bias. Every planner has his own likes, dislikes, preferences, attitudes and interests which is reflected in planning.

Time consuming

a) Planning is a time consuming process because it involves collection of information, it's analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.

b) Therefore planning is not suitable during emergency or crisis when quick decisions are required.

Probability in planning

a) Planning is based on forecasts which are mere estimates about future.

b) These estimates may prove to be inexact due to the uncertainty of future.

c) Any change in the anticipated situation may render plans ineffective.

d) Plans do not always reflect real situations inspite of the sophisticated techniques of forecasting because future is unpredictable.

e) Thus, excessive reliance on plans may prove to be fatal.

False sense of security

a) Elaborate planning may create a false sense of security to the effect that everything is taken for granted.

b) Managers assume that as long as they work as per plans, it is satisfactory.

c) Therefore they fail to take up timely actions and an opportunity is lost.

d) Employees are more concerned about fulfillment of plan performance rather than any kind of change.

Expensive

a) Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money

b) According to Koontz and O'Donell, ' Expenses on planning should never exceed the estimated benefits from planning. '

2. External Limitations of Planning

a) Political Climate- Change of government from Congress to some other political party, etc.

b) Labour Union- Strikes, lockouts, agitations.

c) Technological changes- Modern techniques and equipments, computerization.

d) Policies of competitors- Eg. Policies of Coca Cola and Pepsi.

e) Natural Calamities- Earthquakes and floods.

f) Changes in demand and prices- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

Steps involved in Planning

Planning is a process which embraces a number of steps to be taken. Planning is an intellectual exercise and a conscious determination of courses of action. Therefore, it requires courses of action. The planning process is valid for one organisation and for one plan, may not be valid for other organizations or for all types of plans, because various factors that go into planning process may differ from organisation to organisation or from plan to plan. For example, planning process for a large organisation may not be the same for a small organisation. However, the major steps involved in the planning process of a major organisation or enterprise are as follows:

Establishing objectives

The first and primary step in planning process is the establishment of planning objectives or goals. Definite objectives, in fact, speak categorically about what is to be done, where to place the initial emphasis and the things to be accomplished by the network of policies, procedures, budgets and programmes, the lack of which would invariably result in either faulty or ineffective planning.

It needs mentioning in this connection that objectives must be understandable and rational to make planning effective. Because the major objective, in all enterprise, needs be translated into derivative objective, accomplishment of enterprise objective needs a concrete endeavor of all the departments.

Establishment of Planning Premises

Planning premises are assumptions about the future understanding of the expected situations. These are the conditions under which planning activities are to be undertaken. These premises may be internal or external. Internal premises are internal variables that affect the planning. These include organizational polices, various resources and the ability of the organisation to withstand the environmental pressure. External premises include all factors in task environment like political, social technological, competitors' plans and actions, government policies, market conditions. Both internal factors should be considered in formulating plans. At the top level mainly external premises are considered. As one moves downward, internal premises gain importance.

Determining Alternative Courses

The next logical step in planning is to determine and evaluate alternative courses of action. It may be mentioned that there can hardly be any occasion when there are no alternatives. And it is most likely that alternatives properly assessed may prove worthy and meaningful. As a matter of fact, it is imperative that alternative courses of action must be developed before deciding upon the exact plan.

Evaluation of Alternatives

Having sought out the available alternatives along with their strong and weak points, planners are required to evaluate the alternatives giving due weight-age to various factors involved, for one alternative may appear to be most profitable involving heavy cash outlay whereas the other less profitable but involve least risk. Likewise, another course of action may be found contributing significantly to the company's long-range objectives although immediate expectations are likely to go unfulfilled.

Evidently, evaluation of alternative is a must to arrive at a decision. Otherwise, it would be difficult to choose the best course of action in the perspective of company needs and resources as well as objectives laid down.

Selecting a Course of Action

The fifth step in planning is selecting a course of action from among alternatives. In fact, it is the point of decision-making-deciding upon the plan to be adopted for accomplishing the enterprise objectives.

Formulating Derivative Plans

To make any planning process complete the final step is to formulate derivative plans to give effect to and support the basic plan. For example, if Indian Airlines decide to run Jumbo Jets between Delhi an Patna, obliviously, a number of derivative plans have to be framed to support the decision, e.g., a staffing plan, operating plans for fuelling, maintenance, stores purchase, etc. In other words, plans do not accomplish themselves. They require to be broken down into supporting plans. Each manager and department of the organisation is to contribute to the accomplishment of the master plan on the basis of the derivative plans.

Establishing Sequence of Activities

Timing an sequence of activities are determined after formulating basic and derivative plans, so that plans may be put into action. Timing is an essential consideration in planning. It gives practical shape and concrete form to the programmes. The starting and finishing times are fixed for each piece of work, so as to indicate when the within what time that work is to be commenced and completed. Bad timing of programmes results in their failure. To maintain a symmetry of performance and a smooth flow of work, the sequence of operation shaped be arranged carefully by giving priorities to some work in preference to others. Under sequence it should be decided as to who will don what and at what time.

Feedback or Follow-up Action

Formulating plans and chalking out of programmes are not sufficient, unless follow-up action is provided to see that plans so prepared and programmes chalked out are being carried out in accordance with the plan and to see whether these are not kept in cold storage. It is also required to see whether the plan is working well in the present situation. If conditions have changed, the plan current plan has become outdated or inoperative it should be replaced by another plan. A regular follow-up is necessary and desirable from effective implementation and accomplishment of tasks assigned.

The plan should be communicated to all persons concerned in the organisation. Its objectives and course of action must be clearly defined leaving no ambiguity in the minds of those who are responsible for its execution. Planning is effective only when the persons involved work in a team spirit and all are committed to the objectives, policies, programmes, strategies envisaged in the plan.

Decision Making

The act of **making** up your mind about something, or a position or opinion or judgment reached after consideration. The process of selecting from several choices, products or ideas, and taking action.

A **decision** can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. **Decision making** process is continuous and indispensable component of managing any organization or business activities.

Decision Making Technique

The following is a list of techniques and tools a manager can use to explore different options to land upon a chosen decision:

Marginal Analysis

Marginal analysis helps organizations allocate resources to increase profitability and benefits and reduce costs. An example from indeed.com is if a company has the budget to hire an employee, a marginal analysis may show that hiring that person provides a net marginal benefit because the ability to produce more products outweighs the increase in labor costs.

SWOT Diagram

This tool helps a manager study a situation in four quadrants:

- Strengths: Where does the organization excel compared to its competition? Consider the internal and external strengths.
- Weaknesses: What could the organization improve?
- Opportunities: How can the organization leverage its strengths to create new avenues for success? How could addressing a specific weakness provide a unique opportunity?
- Threats: Determine what obstacles prevent the organization from achieving its goals.

Decision Matrix

A decision matrix can provide clarity when dealing with different choices and variables. It is like a pros/cons list, but decision-makers can place a level of importance on each factor. According to Dashboards, to build a decision matrix:

- List your decision alternatives as rows
- List relevant factors as columns
- Establish a consistent scale to assess the value of each combination of alternatives and factors
- Determine how important each factor is in choosing a final decision and assign weights accordingly
- Multiply your original ratings by the weighted rankings
- Add up the factors under each decision alternative
- The highest-scoring option wins

Pareto Analysis

The Pareto Principle helps identify changes that will be the most effective for an organization. It's based on the principle that 20 percent of factors frequently contribute to 80 percent of the organization's growth. For example, suppose 80 percent of an organization's sales came from 20 percent of its customers. A business can use the Pareto Principle by identifying the characteristics of that 20 percent customer group and finding more like them. By identifying which small changes have the most significant impact, an organization can better prioritize its decisions and energies.

Decision Making Process (5 Steps)

Decision making is crucial for running a business enterprise which faces a large number of problems requiring decisions.

Which product to be produced, what price to be charged, what quantity of the product to be produced, what and how much advertisement expenditure to be made to promote the sales, how much investment expenditure to be incurred are some of the problems which require decisions to be made by managers.

The five steps involved in managerial decision making process are explained below:

1. Establishing the Objective:

The first step in the decision making process is to establish the objective of the business enterprise. The important objective of a private business enterprise is to maximise profits. However, a business firm may have some other objectives such as maximisation of sales or growth of the firm.

But the objective of a public enterprise is normally not of maximisation of profits but to follow benefit-cost criterion. According to this criterion, a public enterprise should evaluate all social costs and benefits when making a decision whether to build an airport, a power plant, a steel plant, etc.

2. ***Defining the Problem:***

The second step in decision making process is one of defining or identifying the problem. Defining the nature of the problem is important because decision making is after all meant for solution of the problem. For instance, a cotton textile firm may find that its profits are declining.

It needs to be investigated what are the causes of the problem of decreasing profits. Whether it is the wrong pricing policy, bad labour-management relations or the use of outdated technology which is causing the problem of declining profits. Once the source or reason for falling profits has been found, the problem has been identified and defined.

3. Identifying Possible Alternative Solutions (i.e. Alternative Courses of Action):

Once the problem has been identified, the next step is to find out alternative solutions to the problem. This will require considering the variables that have an impact on the problem. In this way, relationship among the variables and with the problems has to be established.

In regard to this, various hypotheses can be developed which will become alternative courses for the solution of the problem. For example, in case of the problem mentioned above, if it is identified that the problem of declining profits is due to be use of technologically inefficient and outdated machinery in production.

4. *Evaluating Alternative Courses of Action:*

The next step in business decision making is to evaluate the alternative courses of action. This requires, the collection and analysis of the relevant data. Some data will be available within the various departments of the firm itself, the other may be obtained from the industry and government.

The data and information so obtained can be used to evaluate the outcome or results expected from each possible course of action. Methods such as regression analysis, differential calculus, linear programming, cost- benefit analysis are used to arrive at the optimal course. The optimum solution will be one that helps to achieve the established objective of the firm. The course of action which is optimum will be actually chosen. It may be further noted that for the choice of an optimal solution to the problem, a manager works under certain constraints.

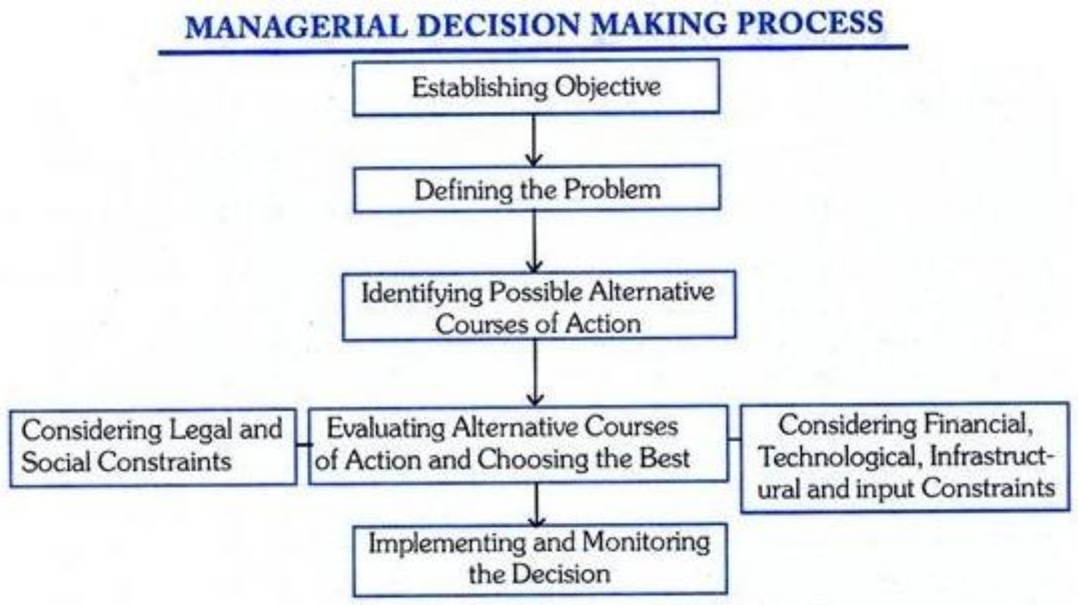
The constraints may be legal such as laws regarding pollution and disposal of harmful wastes; they way be financial (i.e. limited financial resources); they may relate to the availability of physical infrastructure and raw materials, and they may be technological in nature which set limits to the possible output to be produced per unit of time. The crucial role of a business manager is to determine optimal course of action and he has to make a decision under these constraints.

5. Implementing the Decision:

After the alternative courses of action have been evaluated and optimal course of action selected, the final step is to implement the decision. The implementation of the decision requires constant monitoring so that expected results from the optimal course of action are obtained. Thus, if it is found that expected results are not forthcoming due to the wrong implementation of the decision, then corrective measures should be taken.

However, it should be noted that once a course of action is implemented to achieve the established objective, changes in it may become necessary from time to time in response in changes in conditions or firm's operating environment on the basis of which decisions were taken.

The five steps in the decision making process are shown in the following figure.



Process and steps involved in decision making:

Seven most essential steps involved in decision making process are: 1. Define the problem, 2. Analysing the problem, 3. Developing alternative solutions, 4. Selecting the best type of alternative, 5. Implementation of the decision, 6. Follow up, 7. Monitoring and feedback!

Decision-making is concerned with the selection of one alternative course of action from two or more alternative courses of action. Precisely it can be stated as a choice-making activity.

These steps can be explained as under:

1. Define the problem:

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider critical or strategic factors in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

For example, if a machine stops working due to non-availability of screw, screw is the limiting factor in this case. Similarly fuse is a limiting or critical factor in house lighting. While selecting alternative or probable solution to the problem, the more the decision-making takes into account those factors that are limiting or critical to the alternative solutions, the easier it becomes to take the best decision.

Other examples of critical or limiting factor may be materials, money, managerial skill, technical know-how, employee morale and customer demand, political situation and government regulations, etc.

2. Analysing the problem:

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures.

There are three principles relating to the analysis and classification as explained below:

(i) The futurity of the decision. This means to what length of time, the decision will be applicable to a course of action.

(ii) The impact of decision on other functions and areas of the business.

(iii) The qualitative considerations which come into the picture.

Developing alternative solutions:

After defining and analysing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action.

4. Selecting the best type of alternative:

After developing various alternatives, the manager has to select the best alternative. It is not an easy task.

The following are the four important points to be kept in mind in selecting the best from various alternatives:

(a) Risk element involved in each course of action against the expected gain.

(b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.

(c) Proper timing of the decision and action.

(d) Final selection of decision is also affected by the limited resources available at our disposal. Human resources are always limited. We must have right type of people to carry out our decisions. Their calibre, understanding, intelligence and skill will finally determine what they can and cannot do.

5. Implementation of the decision:

Under this step, a manager has to put the selected decision into action.

For proper and effective execution of the decision, three things are very important i.e.,

(a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.

(b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.

(c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

6. Follow up:

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is indispensable so as to modify and improve upon the decisions at the earliest opportunity.

7. Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of "preventive maintenance", so that the problems can be prevented before they occur.

According to Peter Drucker, the monitoring system should be such that the manager can go and look for himself for first hand information which is always better than the written reports or other second-hand sources. In many situations, however, computers are very successfully used in monitoring since the information retrieval process is very quick and accurate and in some instances the self-correcting is instantaneous.

UNIT III
ORGANISATIONAL LEVELS

Types of Business Organisations - Structure - Span of Control – Departmentalisation – Selection, Training and Development, Performance Management, Career Planning and Management

A social unit of people that is structured and managed to meet a need or to pursue collective goals. All organizations have a management structure that determines relationships between the different activities and the members, and subdivides and assigns roles, responsibilities, and authority to carry out different tasks. Organizations are open systems--they affect and are affected by their environment.

Forms of Business Organization

1. Sole Proprietorship

A sole proprietorship is a business owned by only one person. It is easy to set-up and is the least costly among all forms of ownership. The owner faces unlimited liability; meaning, the creditors of the business may go after the personal assets of the owner if the business cannot pay them. The sole proprietorship form is usually adopted by small business entities.

2. Partnership

A partnership is a business owned by two or more persons who contribute resources into the entity. The partners divide the profits of the business among themselves. In general partnerships, all partners have unlimited liability. In limited partnerships, creditors cannot go after the personal assets of the limited partners.

3. Corporation

A corporation is a business organization that has a separate legal personality from its owners. Ownership in a stock corporation is represented by shares of stock. The owners (stockholders) enjoy limited liability but have limited involvement in the company's operations. The board of directors, an elected group from the stockholders, controls the activities of the corporation. In addition to those basic forms of business ownership, these are some other types of organizations that are common today:

4. Limited Liability Company

Limited liability companies (LLCs) in the USA, are hybrid forms of business that have characteristics of both a corporation and a partnership. An LLC is not incorporated; hence, it is not considered a corporation. Nonetheless, the owners enjoy limited liability like in a corporation. An LLC may elect to be taxed as a sole proprietorship, a partnership, or a corporation.

5. Cooperative

A cooperative is a business organization owned by a group of individuals and is operated for their mutual benefit. The persons making up the group are called members. Cooperatives may be incorporated or unincorporated. Some examples of cooperatives are: water and electricity (utility) cooperatives, cooperative banking, credit unions, and housing cooperatives.

Types of Business Organization

It is important that the business owner seriously considers the different forms of business organization—types such as sole proprietorship, partnership, and corporation. Which organizational form is most appropriate can be influenced by tax issues, legal issues, financial concerns, and personal concerns. For the purpose of this overview, basic information is presented to establish a general impression of business organization.

Sole Proprietorship

A Sole Proprietorship consists of one individual doing business. Sole Proprietorships are the most numerous form of business organization in the United States, however they account for little in the way of aggregate business receipts.

Advantages

- Ease of formation and dissolution. Establishing a sole proprietorship can be as simple as printing up business cards or hanging a sign announcing the business. Taking work as a contract carpenter or freelance photographer, for example, can establish a sole proprietorship. Likewise, a sole proprietorship is equally easy to dissolve.
- Typically, there are low start-up costs and low operational overhead.
- Ownership of all profits.
- Sole Proprietorships are typically subject to fewer regulations.
- No corporate income taxes. Any income realized by a sole proprietorship is declared on the owner's individual income tax return.

Disadvantages

- Unlimited liability. Owners who organize their business as a sole proprietorship are personally responsible for the obligations of the business, including actions of any employee representing the business.
- Limited life. In most cases, if a business owner dies, the business dies as well.
- It may be difficult for an individual to raise capital. It's common for funding to be in the form of personal savings or personal loans.
- The most daunting disadvantage of organizing as a sole proprietorship is the aspect of unlimited liability. An advantage of a sole proprietorship is filing taxes as an individual rather than paying corporate tax rates. Some hybrid forms of business organization may be employed to take advantage of limited liability and lower tax rates for those businesses that meet the requirements. These include S Corporations, and Limited Liability Companies (LLC's). Where S-Corps are a Federal Entity, LLC's are regulated by the various states. LLC's give the option for

profits from the business to pass through to the owner's individual income tax return.

Different Forms of organization

When there is one man, there is hardly any need for any organisation. When the enterprise expands, some pattern of organisation should be adopted. Generally, the following are the types of organisation.

1. Line Organization

This is the simplest and oldest form of organisation. It is also referred as the 'Military' or 'Traditional' or 'Scalar' or 'Hierarchical" form of organisation. An important feature of such types of organisation is the superior- sub-ordinate relationship. In this type of organisation authority descends from the top to its bottom level through downward delegation of authority.

Sub-ordinates become responsible to their immediate superiors. All decisions and orders are made by the top executives and handed down to sub-ordinates. This type of organisation is as that of military administration. The topmost management has full control over the entire enterprise. This form is suitable:

(a) If the business is comparatively small.

(b) If the labour management problems are easy to solve.

(c) If the processes are easily directed.

(d) If the work is of a routine nature.

Merits of Line Organization

1. It is simple to work.

2. It is economical and effective.

3. It is easy to fix responsibility.

4. It facilitates quick decisions and prompt actions.

5. Quick communication is easy.

6. Discipline can easily be maintained.

Demerits of Line Organization

1. The organization is rigid and inflexible.

2. It works on a dictatorial basis.

3. Departmental heads act in their own whims and desires; as such it is difficult to secure co-ordination of the activities of workers and department.

4. In big business it does not operate satisfactorily.

2. Functional Organization

The limitations of line organisation have been removed under this system. All types of work of the organisation are grouped and managed by the top executive.

There are separate functional departments for major functions of the enterprise, for example personnel department, sales department, purchase department, finance department, etc. Each department does its function for the entire organisation. Sales department does its function for the whole organisation.

Purchase department does its function for the whole enterprise. The functional organisation works through the line organisation. Functional organisation is based on expert knowledge and makes the greatest use of division of labour resulting in high efficiency and specialisation.

Features (Functional Organization)

1. The whole task of the enterprise is divided into specialized functions.

2. Each function is performed by a specialist.

3. The specialist in charge of a functional department has the authority over all other employees for his function.

4. Specialists operate with considerable independence.

Merits of Functional Organization

1. Greatest use of division of labour is possible.

2. The system is based on expert knowledge.

3. Functional efficiency of the worker can be maintained.

4. Mass production is made by standardization and specialization.

5. Separation of mental and manual functions is possible.

6. Methods and operations can be standardized.

Demerits of Functional Organization

1. Too many experts and bosses (high officials) create confusions in the minds of the worker.

2 It is difficult to fix responsibility on workers.

3. Discipline and morale of the workers are seriously affected, because of contradictory orders from different experts.

4. There are heavy overhead expenses.

3. Line and Staff Organization

In this type, the organisation is based on the line organization and the functional experts advice the line officers as to the functions of the enterprise. The line officers are the executives and the staff officers are their advisors. Though the staff officers do not have the power to command the line officers, their advice is generally adhered to.

The combination of line organisation with this expert staff forms the type of organisation-line and staff. The Tine' keeps the discipline and the staff provides expert information. The line gets out the production and the staff carries on research, planning, fixing standard etc. This type of organisation is suitable for large concerns.

The line officers give orders, decisions etc., to sub-ordinates in consultations or guidance with the staff officers. The underlying idea of this method is that specialised work is to be left to experts, who will give advice on specialised grounds- investigation, research, etc. The staff officers have no executive positions in the concern and are the thinkers, while the line officers are the doers.

Merits of Line and Staff Organization

1. This type is based on specialization.
2. It brings expert knowledge upon the whole concern.
3. Increased efficiency of operations may be possible.
4. Mass production is possible.

Demerits of Line and Staff Organization

1. There arises confusion unless the duties and responsibilities are clearly. Indicated by charts and office manuals.
2. Advice and expert information are given to the workers through the line officers. It is possible that the workers may misunderstand or misinterpret.

4. Committee Organization

Committee organization is widely used for the purpose of discharging advisory functions of the management. Committees are found in different levels of organization. A committee is a group of people who meet by plan to discuss or make a decision on a particular subject.

Because of its advantages, committee organization is preferred. Committee means a body of persons, for example, Management committee consisting of General Manager and Departmental heads.

Committees have become an important instrument of management in modern organisations; they may be used for the following objectives:

1. To secure view-point and consultation of various persons in the organisations.

2. To give participation and representation to different groups or interests;

3. To co-ordinate the activities of different departments;

4. To review the performance of certain units;

5. To facilitate communication and co-operation among diverse groups.

Merits of committee organisation

1. It facilitates co-ordination of activity of various departments.

2. Pooled knowledge and judgment become available to the business thus its efficiency increases.

3. It is a good media of training and educating employees.

4. It helps to improve the motivation and morale of employees.

5. It promotes mutual understanding, teamwork and co-operation among employees.

Demerits of Committee Organisation

1. It is not only costly in terms of time it consumes, but also in terms of money involved.

2. Difficulty in reaching agreement results in indecision.

3. Compromise at the cost of efficiency is often affected.

4. Indecision may lead to a breakdown of group action.

5. Committee management is slower in reaching decisions than a one-man rule.

Structure of business Organisations:

By establishing transparent relationships between departments, organizational structures provide clarity, focus and efficiency to employees so that they know who they report to and their goals.

There are 10 types of organizational structures commonly used by businesses with pros and cons for each:

1. Hierarchical structure

In a hierarchical organizational structure, employees are grouped and assigned a supervisor. It is the most common type of organizational structure. Employees may be grouped by their role or function, geography or type of products or services they provide. This structure is often depicted as a pyramid because there are multiple levels or authority with the highest level of leadership at the top, their direct employees below them and so forth.

Benefits of this type of structure include:

- Establishing clearly defined levels of authority
- Promoting teamwork and department loyalty
- Fostering employee development and promotion opportunities

Potential disadvantages include:

- Limiting collaboration
- Restricting innovation
- Creating bureaucracy that must be managed

2. Functional structure

In a functional structure, the organization is divided into groups by roles, responsibilities or specialties. For example, an organization may have marketing, finance and sales departments that are each overseen by a manager who also has a supervisor that oversees multiple departments. A functional structure can be beneficial because departments can trust that their employees have the skills and expertise to support their goals.

Benefits of this type of structure include:

- Establishing clearly defined roles and expectations

- Facilitating improved performance and productivity
- Allowing for skill development and specialization

Potential disadvantages include:

- Creating barriers, or silos, between functions
- Limiting employees' communication and knowledge with other departments
- Inhibiting collaboration and innovation

3. Matrix structure

The matrix organizational structure resembles a grid in which employees with similar skills are grouped and report to more than one manager. This often includes a functional manager who oversees projects and their progress and a product manager who is responsible for the company's strategy and success regarding product offerings. The matrix structure is typically used by large, multinational organizations and promotes sharing skills and knowledge across departments to complete goals.

Benefits of this type of structure include:

- Enabling a flexible work environment
- Fostering a balanced decision-making process
- Promoting open communication and shared resources across the business

Potential disadvantages include:

- Creating confusion about authority
- Tracking budgets and resources can be difficult
- Limiting efficiency of key performance indicators (KPIs)

4. Flat structure

In a flat organizational structure, most middle-management levels are removed so there is little separating staff-level employees from upper management. Employees are given more responsibility and decision-making power without the usual hierarchical pressures or supervision and can often be more productive. Small companies and early-stage start-ups mostly use this type of structure because they often have fewer employees and projects to manage. It may also be referred to as a "horizontal structure."

Benefits of this type of structure include:

- Reducing budget costs due to lack of middle management
- Building relationships between staff and superiors
- Facilitating a quicker, more straightforward decision-making process

Potential disadvantages include:

- Requiring extensive planning to be effective
- Causing confusion over who makes decisions
- Requiring contingency plans to resolve conflicts

5. Divisional structure

In a divisional structure, organizations are split into divisions based on specific products, services or geographies. For this reason, this structure is typically used by large companies that operate in broad geographic areas or own separate, smaller companies. Each division has its executive leadership, departments and resources. For example, a large software company may separate its organization based on product type, so there's a cloud software division, a corporate software division and a personal computing software division.

Benefits of this structure include:

- Allowing divisions to work independently
- Meeting individual divisions' needs more quickly and specifically
- Promoting focus on specific products or services

Potential disadvantages include:

- Scaling limitations

- Duplicating resources or activities
- Decentralizing decision-making

6. Network structure

In a network structure, managers at an organization will coordinate relationships with internal and external entities to deliver their products or services. For example, a retail company will focus on selling clothing items but will outsource the design and production of these items in a partnership with other companies. This structure focuses more on open communication and relationships than hierarchy.

Benefits of this type of structure include:

- Giving the organization more agility and flexibility
- Allowing the core company to focus on what it's best at
- Helping lower costs through outsourcing

Potential disadvantages include:

- Duplicating services and resources
- Creating confusion about specific roles and job functions
- Growing too complex and challenging to manage

7. Line structure

In a line structure, authority within the organization flows from top to bottom and there are no specialized or supportive services. It is one of the simplest types of organizational structure. The organization is typically divided into departments overseen and controlled by a general manager, and each department has its manager with authority over its staff. The departments work independently to support the organization's primary goal.

Benefits of this type of structure include:

- Fostering effective communication and a stable environment
- Providing clearly defined responsibilities and lines of authority

- Adapting quickly to changing conditions or situations

Potential disadvantages include:

- Limiting specialization
- Becoming rigid and inflexible
- Giving too much power to a manager

8. Team-based structure

In a team-based organizational structure, employees are grouped into skills-based teams to work on specific tasks while working toward a common goal. Often, this is a flexible structure that allows employees to move from team to team as they complete projects. This structure focuses on problem-solving and employee cooperation.

Benefits of this type of structure include:

- Helping streamline an organization's processes by breaking down silos
- Enabling more decision-making power with minimal management
- Increasing flexibility by focusing on experience instead of seniority

Potential disadvantages include:

- Decreasing organization consistency
- Limiting contact with other functions
- Increasing potential for conflict

9. Circular structure

A circular organizational structure relies on a hierarchy to depict higher-level employees within the inner rings of a circle and the lower-level employees on the outer rings. Seated at the center of the organization, leaders do not send orders down the chain of command but rather outward. While many other structure types contain different departments that work independently with individual goals, this structure removes that strict separation. It looks at the bigger picture with all departments being part of the same whole.

Benefits of this type of structure include:

- Encouraging communication across all levels of staff
- Promoting the free flow of information across the business
- Collaborating amongst departments, rather than separation

Potential disadvantages include:

- Causing confusion over who to report to
- Requiring more resources and training
- Causing a slowdown in decision-making

10. Process-based structure

In a process-based structure, the organization is designed around the flow of its processes and how the duties performed by its employees interact with one another. Instead of flowing from top to bottom, this structure outline services from left to right.

An executive at the top of the structure oversees the departments below, representing the different processes, but each process cannot start until the one before it has finished. And each department will have its own management and team working to fulfill its duties so that the business can move on to the next task and eventually reaches its ultimate goal, such as selling a product to consumers.

Benefits of this type of structure include:

- Improving the company's efficiency and speed
- Encouraging teamwork between departments
- Adapting quickly to meet industry changes

Potential disadvantages include:

- Erecting barriers, or silos, between groups
- Limiting communication
- Requiring more resources to achieve process optimization

Span of Control

The span of control or span of management is the number of employees each manager in an organization is responsible for managing. Typically, the modern model of control span's average employees per manager is about 15 to 20 individuals, while the traditional model states about five to six employees for each manager. Modern companies may adhere to a wider control span to help manage costs, employees, and company tasks and goals more effectively and efficiently. Here are common factors affecting the control span:

- **Organization size:** An organization's size can affect the control span because it determines how many employees a manager handles. For example, a large company may have a wider control span compared to a smaller one because it's based on the number of professionals working in an organization.
- **Organization culture:** An organization with a flexible culture may indicate the control span is wider compared to a hierarchal company that may have a narrow control span. To determine a company's control span, it's helpful to determine the type of culture of a company.
- **Work type:** The type of work a company produces can help you determine the control span. For example, a company with more routine work and less complexity in tasks can have a wider control span, while companies with more complex tasks and frequent decisions can have a narrow control span.
- **Manager's skills and competencies:** A manager's skills and competencies, especially experience level, can determine the control span. For example, an experienced manager may have a wider control span compared to a manager starting their career who may have a more narrow control span.

- **Employee's skills and competencies:** An employee's skills and competencies can determine the type of supervisor they may require. For example, an inexperienced employee may require more training and supervision, which is a narrow control span, while supervisors with more experienced employees can delegate more and train less for a wider control span.
- **Interaction type:** The interaction type between managers and employees can determine the company's control span. For example, more frequent interactions between the parties is a more narrow control span, while fewer interactions between the professionals which comprise asking and answering questions is a wider control span.

Departmentalisation

Departmentalisation is an organizational structure that separates people into groups, or departments, based on a particular set of criteria. These departments have their own leadership and work together to complete tasks. With large or complicated projects, multiple departments may work together.

Meaning of Departmentalisation:

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

The administrative units so created may be designated as departments, divisions, units, branches, sections, etc.

The process of organising consists of dividing and grouping of the works to be done in an enterprise and assigning different duties and responsibilities to different people.

Dividing the work naturally means the identification of individual activities which have to be undertaken for the attainment of the organisational objectives. But once the various activities have been identified, it is necessary to group them together on some logical basis so that a team can be organised.

Departmentation can provide a necessary degree of specialisation of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It also provides a basis on which the top managers can co-ordinate and control the activities of the departmental units.

Need for and Importance of Departmentation:

The basic need for departmentation is to make the size of each departmental unit manageable and secure the advantages of specialisation. Grouping of activities and, consequently, of personnel, into departments makes it possible to expand an enterprise to any extent.

Departmentation is necessary on account of the following reasons:

1. Advantages of Specialisation:

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

2. Feeling of Autonomy:

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

3. Expansion:

One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departmentation makes it possible for the enterprise to expand and grow.

4. Fixation of Responsibility:

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

5. Upliftment of Managerial Skill:

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

6. Facility in Appraisal:

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; and the factors affecting the performance can be pointed out more easily. Similarly, the standards for performance can be fixed easily because the factors influencing the work performance can be known clearly. Thus, performance appraisal becomes more effective.

7. Administrative Control:

Departmentation is a means of dividing the large and complex organisation into small administrative units. Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

Types of Departmentation:

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

These are explained below:

(A) Departmentation by Functions:

The enterprise may be divided into departments on the basis of functions like production, purchasing, sales, financing, personnel etc. This is the most popular basis of departmentation. If necessary, a major function may be divided into sub-functions. For example, the activities in the production department may be classified into quality control, processing of materials, and repairs and maintenance.

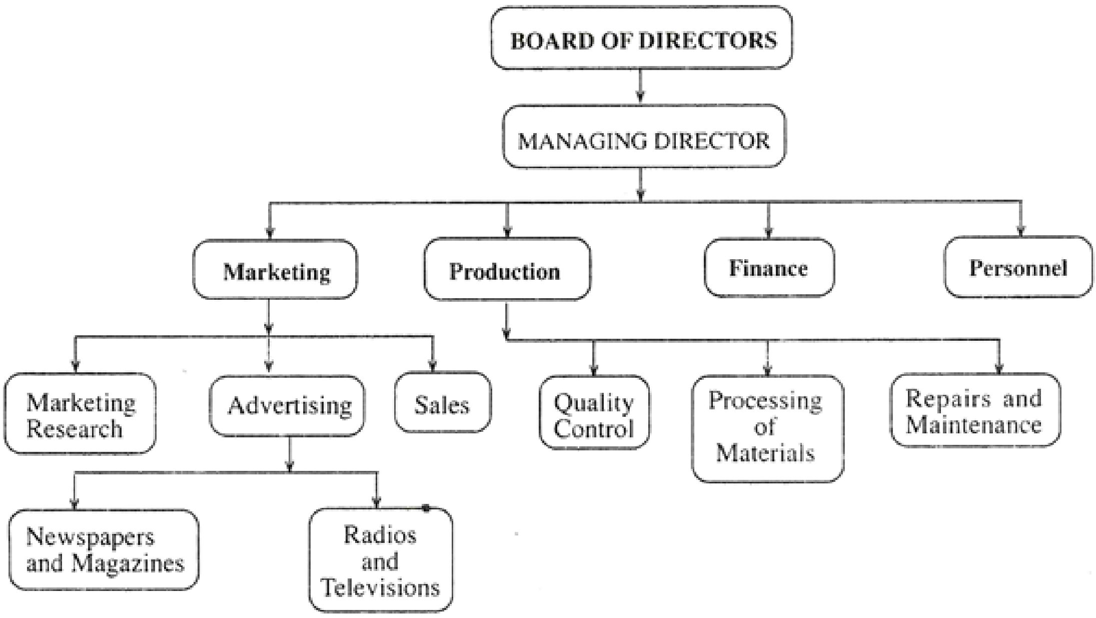


Fig. 4.10: Functional Departmentations.

Advantages:

The advantages of functional departmentation include the following:

(a) It is the most logical and natural form of departmentation.

(b) It ensures the performance of all activities necessary for achieving the organisational objectives.

(c) It provides occupational specialisation which makes optimum utilization of man-power.

(d) It facilitates delegation of authority.

(e) It enables the top managers to exercise effective control over a limited number of functions.

(f) It eliminates duplication of activities.

(g) It simplifies training because the managers are to be experts only in a narrow range of skills.

Disadvantages:

There are some problems associated with functional departmentation. These are mentioned below:

(a) There may be conflicts between departments.

(b) The scope for management development is limited. Functional managers do not get training for top management positions. The responsibility for results cannot be fixed on any one functional head.

(c) There is too much emphasis on specialisation.

(d) There may be difficulties in coordinating the activities of different departments.

(e) There may be inflexibility and complexity of operations.

(B) Departmentation by Products:

In product departmentation, every major product is organised as a separate department. Each department looks after the production, sales and financing of one product. Product departmentation is useful when the expansion, diversification, manufacturing and marketing characteristics of each product are primarily significant.

It is generally used when the production line is complex and diverse requiring specialised knowledge and huge capital is required for plant, equipment and other facilities such as in automobile and electronic industries.

In fact, many large companies are diversifying in different fields and they prefer product departmentation. For example, a big company with a diversified product line may have three product divisions, one each for plastics, chemicals, and metals. Each division may be sub-divided into production, sales, financing, and personnel activities.

(C) Departmentation by Territory:

Territorial or geographical departmentation is specially useful to large-scale enterprises whose activities are widely dispersed. Banks, insurance companies, transport companies, distribution agencies etc. are some examples of such enterprises, where all the activities of a given area of operations are grouped into zones, branches, divisions etc.

It is obviously not possible for one functional manager to manage efficiently such widely spread activities. This makes it necessary to appoint regional managers for different regions.

(D) Departmentation by Customers:

In such method of departmentation, the activities are grouped according to the type of customers. For example, a large cloth store may be divided into wholesale, retail, and export divisions. This type of departmentation is useful for the enterprises which sell a product or service to a number of clearly defined customer groups. For instance, a large readymade garment store may have a separate department each for men, women, and children. A bank may have separate loan departments for large-scale and small- scale businessmen.

(E) Departmentation by Process or Equipment:

In such type or departmentation the activities are grouped on the basis of production processes involved or equipment used. This is generally used in manufacturing and distribution enterprises and at lower levels of organisation. For instance, a textile mill may be organised into ginning, spinning, weaving, dyeing and finishing departments. Similarly, a printing press may have composing, proof reading, printing and binding departments. Such departmentation may also be employed in engineering and oil industries.

SELECTION

Human resources planning and recruiting precede the actual selection of people for positions in an organisation. Recruitment is the process of inviting qualified applicants by way of issuing notification in the newspapers, television media, online and on social networking media so as to fill up job vacancies.

Recruitment of employees is administered by two major sources, which are recruitment of employees through internal sources and recruitment of employees through external sources. Internal recruitment is the process of inviting or giving chance to people relating to concern organization or giving chance to the existing employees.

After the recruitment, **employee selection process** begins for identifying right person by using written test on relevant subjects, oral tests, group discussions, gamifications, final job interview and background verification for checking the genuinity and credentials of the candidates for filling up of the job which is lying vacant in an organization.

TRAINING AND DEVELOPMENT

The training and development is one of the core functions of the human resource management. As it the core function of HR trainer, gives and imparts employees the skills and knowledge to perform their jobs effectively. In addition to providing training for new or inexperienced employees, organizations often provide training programs for experienced employees whose jobs are undergoing change. Large organizations often have development programs which prepare employees for higher level responsibilities within the organization. Training and development programs provide useful means of assuring that employees are capable of performing their jobs at acceptable levels.

- **On-the-job Methods**
    - Job Rotation
    - Coaching
    - Job Instruction
    - Committee Assignments
    - Apprenticeship
    - Internship
- **Off-the-job Methods**
    - Classroom Lectures
    - Audio-Visual
    - Simulation
    - Vestibule Training
    - Case Studies
    - Role Playing
    - Programmed Instructions

Sensitivity Training

Sensitivity training is about making people understand about themselves and others reasonably, which is done by developing in them social sensitivity and behavioural flexibility.

PERFORMANCE APPRAISAL

Performance appraisal function monitors employee performance to ensure that it is at acceptable levels. Human resource managers are usually responsible for developing and administering performance appraisal systems, although the actual appraisal of employee performance is the responsibility of supervisors and managers. Besides providing a basis for pay, promotion, and disciplinary action, performance appraisal information is essential for employee development since knowledge of results (feedback) is necessary to motivate and guide performance improvements.

In order to assess the performance of employees, HR managers have to establish performance standards, communicating established performance standards to their employees, measuring the actual performance of employees by using various methods of performance appraisal and finally comparing actual performance of employees with the established performance standards so as to identify the gaps in the performance of employees. It gives a clear picture of employees performance status thereby HR manager will develop a plan for filling up of gaps in performance of employees by way of providing suitable and focused training for improving the skills in employees.

When it comes to period of conducting performance appraisal of employees, it all varies from organisation to organisation, it could be annually, half yearly, quarterly, monthly and some organisations conduct performance appraisal on regular basis mostly with the support of human resource information systems.

CAREER PLANNING

Career planning is a process of identifying the professional path that would suit your personality, interests and goals. It involves exploring different career options, performing a self-evaluation to test your suitability for these and finding the right ways to get on a career track. For instance, you can find out which educational qualifications you would need for your career, what type of training you can take and what professional opportunities might be available to you later.

Career planning is a strategic and systematic process that involves individuals and organizations working collaboratively to identify and develop career goals, explore growth opportunities, and create actionable plans to achieve desired career outcomes. It is a proactive approach that focuses on aligning an individual's skills, interests, and values with organizational objectives, ensuring a mutually beneficial relationship between employee career progression and organizational success. Career planning encompasses self-assessment, goal setting, career exploration, skill development, and action planning to facilitate continuous learning, professional growth, and long-term career satisfaction.

Why is Career Planning Important in HR?

Career planning holds immense significance in the realm of human resources (HR). It plays a pivotal role in attracting and retaining top talent, enhancing employee engagement, and driving organizational productivity. Here are several key reasons why career planning should be a priority for HR professionals:

1. **Talent Acquisition and Recruitment:** Implementing effective career planning programs showcases the organization's commitment to employee development and growth. This attracts high-potential candidates who value career advancement opportunities, positioning the company as an employer of choice.
2. **Employee Engagement and Retention:** Career planning fosters a sense of purpose and direction among employees, providing them with clear pathways for growth and advancement. This leads to higher levels of job satisfaction, increased employee engagement, and ultimately, improved retention rates.
3. **Succession Planning and Leadership Development:** By identifying and nurturing high-potential individuals within the organization, career planning

contributes to succession planning efforts. It helps identify future leaders, ensuring a smooth transition when key positions become vacant and minimizing disruption to business operations.

4. **Enhanced Employee Performance and Productivity:** When employees have a clear understanding of their career goals and a roadmap for achieving them, they are more motivated, focused, and productive. Career planning provides a framework for employees to develop the necessary skills, knowledge, and competencies required to excel in their roles.
5. **Organizational Adaptability and Flexibility:** Career planning encourages employees to continuously learn and develop new skills, enabling organizations to adapt to changing business needs and market dynamics. It facilitates a culture of innovation, agility, and lifelong learning, positioning the organization for long-term success.
6. **Employee Empowerment and Satisfaction:** Career planning empowers employees by giving them a voice and active participation in their own professional growth. It demonstrates the organization's investment in their development, leading to increased job satisfaction, higher morale, and a stronger sense of loyalty.
7. **Improved Talent Management and Internal Mobility:** Effective career planning allows HR professionals to identify and leverage internal talent for new opportunities within the organization. This reduces the reliance on external recruitment, enhances knowledge sharing and collaboration, and optimizes talent utilization.

In summary, career planning serves as a catalyst for individual and organizational growth, contributing to talent acquisition, engagement, and retention. By proactively investing in career development initiatives, HR professionals can create a dynamic and fulfilling work environment that nurtures employees' potential and drives overall organizational success.

Benefits of Career Planning

Career planning can benefit you in the following ways:

- You may be able to figure out what you want to do in your professional life.
- You can avoid wasting time and resources in trying to enter career options that do not suit you.
- You can choose to get specific educational qualifications and training that would benefit your chosen career.
- You may be more confident about the career choice you have made.
- You can focus on your career goals and work to achieve your desired short-term and long-term results.

Steps Involved In Career Planning

For successful career planning, consider following these steps:

1. Complete a self-evaluation

The first, and sometimes most difficult, step of career planning is to make an informed decision by understanding yourself and what you want to do. For this, you would require to consider your personality, strengths, weaknesses, values, interests, talents, aptitude and goals. You can determine these things by creating a self-evaluation list that includes the following questions:

- What do I enjoy doing the most?
- In what do I excel?
- What are the things that motivate me?
- What are the things I dislike doing?
- What strengths do I have?

- What are my weaknesses?
- What type of lifestyle do I want?
- What kind of work-life balance do I want?
- Do I want to work in an office or outside?
- What is my desired salary level?
- Am I an extrovert or an introvert?
- Do I enjoy frequent interactions with other people?
- Do I work better on my own?
- Do I want to do work that makes a positive difference to society?
- Do I want a career that brings me social prestige?
- What can I do with my educational qualifications and experience?
- Do I have the time and money to get the necessary qualifications and develop new skills?
- Do I have leadership qualities?
- Do I have creative and enterprising qualities?
- Am I able to handle responsibilities?
- Am I able to bounce back from failures and setbacks?
- Am I able to stay calm and focused in stressful situations?
- Am I willing to relocate for the job?
- Am I willing to work night-shifts if the job calls for it?

You can also use online career assessment tools or consult a career counselor to get help in figuring out what kind of occupation and work environment would suit you best. Take your time with the self-evaluation and make sure you are clear about what you want to do in the future before you take the next step.

2. Conduct career research

After you have figured out your interests, aptitude and strengths, research different types of careers that could potentially suit you. If you have consulted a counselor or used online career assessment tools, you may get career suggestions, and you can start with those. Otherwise, you can research the different industries that you find promising and compile a list of the jobs that are possible in them.

You can then research each job separately and gather information about the educational qualifications, skills, training and experience necessary for assuming that role. You can find out what the work responsibilities are, what the work environment is like and what advancement opportunities are available. Additionally, you can gather information about the position's salary levels and benefits. It can also help to discover the advantages and disadvantages of that profession.

Once you understand the practical realities of different jobs, trim down your list to the more suitable options. You can research these further by connecting with experienced professionals and getting their first-hand perspectives on what the work involves. Consider your interest and capability for following in their steps. That would make it easier for you to make your final choice.

3. Perform market research

Before you commit yourself to any career, it is advisable to conduct market research on its current and future viability. You are required to find out if there is a current demand for the job in the industry and if there would still be a demand for it in the next 10 or 20 years. You can also find out how you can adapt and what types of work choices would be available to you if things change in the future.

4. Start skills research

Compile a list of educational qualifications and skills that are essential for the career and find out how you can get them. You may be required to research educational institutes that offer the requisite training. These institutes require to outline the courses you can take, if you can take online, part-time or full-time courses, the course duration and the admission eligibility and fees. It may also help to learn about the continuing education you would need once you get started in the career.

5. Assess your options

After gathering the relevant information about the shortlisted careers, do an honest assessment of how well-suited you are for them. Carefully consider if you can sustain your interest in the job long-term, if you can handle the daily responsibilities of the position and if it can provide you with the lifestyle you want. Determine if you have the time and resources to get the necessary education for your selected career.

6. Consider interview research

Once you have finalised your career choice and decided how to get the education and skills training, you require to plan the steps you can take to get the job. Find out what the interview process is for the profession and prepare thoroughly for it. Look up interview videos online and note how the successful candidates present themselves. Practice answering commonly asked interview questions with a friend and record yourself to get an idea of your confidence level and body language. Pinpoint your weaknesses and work to improve them.

7. Explore work experience options

Find out about the availability of internship opportunities or part-time work positions in your chosen career. If there are any, consider sending in your application letters. While the salary may be minimal for such jobs, you can get invaluable learning experience and be able to develop important professional connections. Having work experience often makes it easier for you to find a full-time job later.

8. Begin your job search

It is a good idea to start looking for jobs before you finish your educational qualifications. You can find out about different companies in your industry, the types of job requirements they have and which skills are in high demand. You can learn how to write effective application letters, cover letters and resumes that would catch the attention of recruiters and hiring managers.

9. Accept a position

After you apply for positions, you may end up getting job offers from different companies. At this juncture, the self-evaluation list you prepared before would prove useful. You can review the company size, job demands, possibility of career advancement, salary, benefits, location and so on and make a decision that is right for you.

Key Components of Career Planning

To implement a successful career planning program, you need to focus on the following key components:

Self-Assessment

1. **Identifying Skills, Interests, and Values:** Encourage employees to reflect on their skills, interests, and values to gain a better understanding of their career aspirations and align them with organizational goals.
2. **Personality and Aptitude Tests:** Utilize personality and aptitude tests to help employees identify their strengths, weaknesses, and areas of potential growth.

Goal Setting

1. **Short-term and Long-term Goals:** Work with employees to set both short-term and long-term career goals that are specific, measurable, achievable, relevant, and time-bound (SMART goals).
2. **Developing Actionable Plans:** Collaborate with employees to create actionable plans outlining the steps required to achieve their career goals.

Career Exploration

1. **Researching Job Roles and Industries:** Encourage employees to explore different job roles and industries to broaden their understanding of potential career paths.
2. **Networking and Informational Interviews:** Promote networking and informational interviews to connect employees with professionals in their desired fields, helping them gather insights and build relationships.

Skill Development and Training

1. **Identifying Skill Gaps:** Conduct skills assessments and performance evaluations to identify areas where employees need to enhance their skills.
2. **Pursuing Professional Development Opportunities:** Provide employees with access to training programs, workshops, conferences, and online courses that align with their career goals.

Action Planning

1. **Creating a Career Development Plan:** Collaborate with employees to create personalized career development plans that outline their goals, strategies, and timelines.
2. **Identifying Resources and Strategies:** Help employees identify the resources, mentors, and strategies required to achieve their career objectives.

UNIT IV
DIRECTING

Creativity and Innovation – Motivation and Satisfaction – Organisation Culture – elements and Types of Culture – Managing Cultural Diversity.

Directing in management refers to the process of leading, guiding, instructing, supervising, and motivating employees in order to achieve the goals of an organization.

"Directing is the interpersonal aspect of managing by which subordinates are led to understand and contribute effectively and efficiently to the attainment of enterprise's objectives." Koontz and O'Donnel

"Directing is the guidance, the inspiration, the leadership of those men and women that constitute the real core of the responsibilities of management."

Urwick and Breach "Telling people what to do and seeing that they do it to the best of their ability. It includes making assignment, explaining procedures, seeing that mistakes are corrected, providing on the job instruction, and of course, issuing order." Earnest Dale

"The heart of administration is the directing function which involves determining the course, giving order and instructions, providing the dynamic leadership."

Marshall E. Dimock "Directing consists of the process and techniques utilizing in issuing instructions and making certain that operations are carried out as originally planned."

Haimann remarks from the above definitions, we can conclude that the directing function of management is the heart of management process as it is concerned with initiating action. It consists of all those activities which are concerned with influencing, guiding or supervising the subordinates in their job.

Nature or Characteristics of Direction:

The following features of direction bring out the nature of directing function of management:

1. It is a Dynamic Function:

Directing is a dynamic and continuing function. A manager has to continuously direct, guide, motivate and lead his subordinates. With change in plans and organizational relationships, he will have to change the methods and techniques to direction.

2. It Initiates Action:

Directing initiates organized and planned action and ensures effective performance by subordinates towards the accomplishment of group activities. It is regarded as the essence of management-in-action.

3. It Provides Necessary Link between Various Managerial Functions:

Directing links the various managerial functions of planning, organizing, staffing and controlling. Without directing the function of controlling will never arise and the other preparatory functions of management will become meaningless. In the words of Haimann, "nothing happens unless and until the business automobile is put into gear and the accelerator pressed."

4. It is a Universal Function:

Directing is a universal function that is performed in all organizations and at all the levels of management. All managers have to guide, motivate, lead, supervise and communicate with their subordinates, although more time is spent on directing at higher levels of management.

5. It is Concerned with Human Relationships:

The direction function of management deals with relationship between people working in an organization. It creates cooperation and harmony among the members of the group. It seeks to achieve orderly arrangement of group effort to provide unity of action in the pursuit of common objectives.

Principles of Effective Direction:

Effective direction leads to greater contribution of subordinates to organization goals. The directing function of management can be effective only when certain well accepted principles are followed.

The following are the basic principles of effective direction:

1. Harmony of Objectives:

It is an essential function of management to make the people realize the objectives of the group and direct their efforts towards the achievement of their objectives. The interest of the group must always prevail over individual interest. The principle implies harmony of personal interest and common interest. Effective direction fosters the sense of belongingness among all subordinates in such a way that they always identify themselves with the enterprise and tune their goals with those of the enterprise.

2. Unity of Command:

This principle states that one person should receive orders from only one superior, in other words, one person should be accountable to only one boss. If one person is under more than one boss then there can be contradictory orders and the subordinate fails to understand whose order to be followed. In the absence of unity of command, the authority is undermined, discipline weakened, loyalty divided and confusion and delays are caused.

3. Unity of Direction:

To have effective direction, there should be one head and one plan for a group of activities having the same objectives. In other words, each group of activities having the same objectives must have one plan of action and must be under the control of one supervisor.

4. Direct Supervision:

The directing function of management becomes more effective if the superior maintains direct personal contact with his subordinates. Direct supervision infuses a sense of participation among subordinates that encourages them to put in their best to achieve the organizational goals and develop an effective system of feed-back of information.

5. Participative or Democratic Management:

The function of directing becomes more effective if participative or democratic style of management is followed. According to this principle, the superior must act according to the mutual consent and the decisions reached after consulting the subordinates. It provides necessary motivation to the workers by ensuring their participation and acceptance of work methods.

6. Effective Communication:

To have effective direction, it is very essential to have an effective communication system which provides for free flow of ideas, information, suggestions, complaints and grievances.

7. Follow-up:

In order to make direction effective, a manager has to continuously direct, guide, motivate and lead his subordinates. A manager has not only to issue orders and instructions but also to follow-up the performance so as to ensure that work is being performed as desired. He should intelligently oversee his subordinates at work and correct them whenever they go wrong.

Aspects or Elements of Direction:

Directing is a very important function of management. It is rightly called the heart of management process as it is concerned with initiating action. It consists of all those activities which are concerned with influencing, guiding or supervising the subordinates in their job.

The main aspects or elements of direction are as follows:

1. Issuing Orders and Instructions;

2. Leadership;

3. Communication;

4. Motivation;

5. Supervision; and

6. Co-ordination.

1. Issuing Orders and Instructions:

A manager is required to issue a number of orders to his subordinates to initiate, modify or halt any action. He is also required to guide and instruct workers in performance of their task towards the achievement of desired goals. Instructions are important in directing subordinates. Orders and instructions reflect the decisions of managers.

A good order or instruction should have the following characteristics:

(a) It should be simple, unambiguous and clear.

(b) It should be brief but complete.

(c) It should be reasonable and enforceable.

(d) It should be convincing and acceptable.

(e) It should invoke co-operation.

(f) It should be compatible with the objectives of the organization.

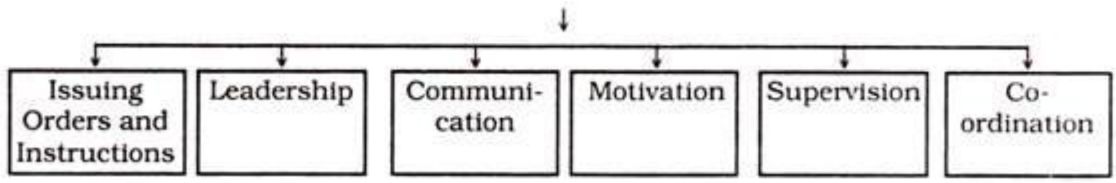
(g) It should “be in written form as far as possible.

(h) It should be backed up by follow-up action.

2. Leadership:

Leadership is "the process by which an executive or manager imaginatively directs/guides and influences the work of others in choosing and attaining specified goals by mediating between the individual and organization in such a manner that both will get maximum satisfaction." It is the ability to build up confidence and zeal among people and to create an urge in them to be led. To be a successful leader a manager must process the qualities of foresight, drive, initiative, self-confidence and personal integrity. Different situations may demand different types of leadership viz., autocratic leadership, democratic leadership and free-rein leadership.

Elements of Direction — The Management in Action**:**



3. Communication:

Communication constitutes a very important element of directing. It is said to be the number one problem of management today. Communication is the means by which the behaviour of the subordinates is modified and change is effected in their action.

The word communication has been derived from the Latin word 'Communis' which means 'common'. Thus, communication means sharing of ideas in common. The essence of communication is getting the receiver and the sender tuned together for a particular message. Communication refers to the exchange of ideas, feelings, emotions, knowledge and information between two or more persons.

In management ideas, objectives, orders, appeals, observations, instructions, suggestions etc. have to be exchanged among the managerial personnel and their subordinates operating at different levels of the organization for the purpose of planning and executing the business policies. Directing will mainly depend upon the effectiveness of communication. In case the orders and instructions are not properly conveyed then these may not be properly implemented.

4. Motivation:

It is an important element of directing function. Motivation encourages persons to give their best performance and help in reaching enterprise goals. It is the degree of readiness for undertaking assigned task and doing it in the best possible way. Directing function tries to make best use of various factors of production available in the organization. This can be achieved only when employees cooperate in this task. Efforts should be made to make employees contribute their maximum.

5. Supervision:

It consists of the process and technique involved in issuing instructions and confirming that operations are carried as originally planned. Supervision is a continuing activity and performed at every level of activity. It is inevitable at every level of management for putting the managerial plans and policies into action. In a way supervision is a sort of control as the supervisor is supposed to take corrective measures if the work is not in line with the plan.

6. Co-ordination:

Co-ordination is an orderly arrangement of group effort to provide unity of action in pursuit of common purpose. The purpose of directing is to get various activities coordinated for achieving common goals. Co-ordination involves the integration of various parts of the organization. In order to achieve goals of an enterprise, both physical as well as mental co-ordination should be secured. Co-ordination is a part of directing exercise and helps in synchronization of various efforts.

Importance of Direction:

Directing various employees in an organization is an important managerial task. It is indispensable for achieving enterprise objectives.

Effective direction provides the following advantages:

1. Initiates Action:

Direction is required to initiate action. The functions of planning, organizing, staffing etc., will be taken up only when direction is given to initiate them. Direction starts the actual work for achieving enterprise objectives.

2. Improves Efficiency:

A manager tries to get maximum work from his subordinates. This will be possible only through motivation and leadership and these techniques are a part of direction.

3. Ensures Co-ordination:

Direction helps in ensuring mutual understanding and team work. The individual efforts are directed in such a way that personal performances help in achieving enterprise objectives. The integration of various activities is possible through direction.

4. Helpful in Implementing Changes:

A business operates in a changing environment. New situations develop every now and then. A proper system of motivation will help employees in taking up new challenges.

5. Provides Stability:

Effective leadership, supervision and motivation will help in the smooth growth of an enterprise. A growing concern will provide stability to its activities.

6. Motivation:

Motivation is an important element of direction. Motivation is a factor which encourages persons to give their best performance and help in achieving enterprise goals. A strong positive motivation will enable the increased output of employees. A key element in direction is motivation. It helps in getting willing co-operation of employees. Every organisation makes efforts that its employees contribute maximum for achieving enterprise goals.

7. Supervision:

Direction involves giving instructions to employees for undertaking some work. In order to see whether employees are doing the things as per targets or not there is a need for supervision. In supervision all the activities of the employees are controlled and efforts are made to ensure proper achievement of targets. In case the performance is less than the targets then remedial steps are taken for improving the performance. So supervision is an integral part of direction.

8. Co-ordination:

Direction will be effective only when there is a proper co-ordination. In direction, different persons are asked to perform specific tasks. In order to see that efforts of every employee are in the direction of achieving organizational goals there is a need to co-ordinate various activities. In the absence of co-ordination every person will go in his own direction without bothering for the enterprise target. When various activities are co-originated then overall enterprise objectives will be easily achieved.

Techniques of Directing:

Directing is an important function carried out by top management. It is the order or instruction to subordinate staff to perform a work or not to perform in a specific way. The techniques of directing are: delegation, supervision, orders and instructions.

(i) Delegation:

Delegation is an important mean of directing. The subordinates are assigned tasks and given powers to recruit them. In delegation, a superior assigns some of his work to the subordinates and gives them rights or powers. The subordinates are authorized to undertake the assigned work. Delegation is a means of sharing authority with the subordinates and providing them with an opportunity to learn. Delegation as a means of directing may bring out some problems.

(a) It may be difficult to spell out exact tasks and assignments of the subordinates. There may be some overlapping and uncertainties in job descript ions. The subordinates should learn to adjust them in such situations.

(b) There may be some contradiction in assignment of task and delegation of authority.

(c) The subordinates may sometimes act beyond the assigned authority taking it as implied from the superiors. The superiors will have to bear with such situations.

(d) An indiscriminate delegation may create an imbalance in the organization since every subordinate may not have the same capacity and maturity.

(e) If the delegation of authority is too rigid then it kills initiative and creativity.

(ii) Supervision:

Supervision is a means to oversee the work performed by subordinates. It should be ensured that work is performed as per the plans and guidelines. Every superior has to supervise the work of his subordinates. At operative level supervision is the job of a manager. A supervisor at the lower level remains in touch with the workers. He guides them for doing the work, maintains discipline and work standards and solves the grievances of workers. Supervision at different levels acts as a directing activity.

(iii) Issuing Orders and Instructions:

The issuing of orders and instructions is essential to undertake the work for achieving the organizational goals. No manager can get a work done without issuing orders and instructions to subordinates. An order, instruction, directing or command is a means of initiating, modifying or stopping an activity. In the words of Koontz and O’Donnel has a directional technique, an instruction is understood to be a charge (command) by a superior requiring a subordinate to act or refrain from acting in a given circumstance. According to this definition an instruction is always given by a superior to a subordinate directing to undertake a work in a specified manner or prohibit him from some activity. The orders and instructions are the primary tools of directing by means of which the activities are started, altered, guided and terminated. While issuing an order a manager should be clear in his mind what he wants the subordinates to do or not to do. The clarity of orders will determine the level of performance of subordinates.

A good order has the following characteristics:

(a) The order should be clear and easily understood.

(b) The order should be complete in all respects. It should not create doubts in the minds of subordinates.

(c) It should be compatible with the objectives of the organisation.

(d) There should be specific instructions as to the time by which the order should be executed or completed.

(e) The order should be so conveyed that it stimulates ready acceptance.

(f) The order should preferably be in writing.

(g) The order should be conveyed through proper chain of command and it should also contain the reasons for issuing it.

Creativity and Innovation

Often used interchangeably, they should to be considered separate and distinct. Creativity can be described as problem identification and idea generation and innovation is considered as idea selection, development and commercialization.

Steps involved in creativity

1. Preparation

This is the first stage at which the base for creativity and innovation is defined; the mind is prepared for subsequent use in creative thinking. During preparation the individual is encouraged to appreciate the fact that every opportunity provides situations that can educate and experiences from which to learn.

2. Investigation

This stage of enhancing entrepreneurial creativity and innovation involves the business owner taking time to study the problem at hand and what its various components are.

3. Transformation

The information thus accumulated and acquired should then be subjected to convergent and divergent thinking which will serve to highlight the inherent similarities and differences. Convergent thinking will help identify aspects that are similar and connected while divergent thinking will highlight the differences. This twin manner of thinking is of particular importance in realizing creativity and innovation for the following reasons:

4. Verification

This is where the entrepreneur attempts to ascertain whether the creativity of thought and the action of innovation are truly effective as anticipated. It may involve activities like simulation, piloting, prototype building, test marketing, and various experiments. While the tendency to ignore this stage and plunge headlong with the breakthrough may be tempting, the transformation stage should ensure that the new idea is put to the test.

Motivation

According to Koontz and O'Donnell, "Motivation is a class of drives, needs, wishes and similar "Motivation" is a Latin word, meaning "to move". Human motives are internalized goals within individuals. Motivation may be defined as those forces that cause people to behave in certain ways. Motivation encompasses all those pressures and influences that trigger, channel, and sustain human behaviour. Most successful managers have learned to understand the concept of human motivation and are able to use that understanding to achieve higher standards of subordinate work performance forces".

Internal and external factors that stimulate desire and energy in people to be continually interested and committed to a job, role or subject, or to make an effort to attain a goal.

Motivation results from the interaction of both conscious and unconscious factors such as the (1) intensity of desire or need, (2) incentive or reward value of the goal, and (3) expectations of the individual and of his or her peers. These factors are the reasons one has for behaving a certain way. An example is a student that spends extra time studying for a test because he or she wants a better grade in the class.

Importance of Motivation in Business

Importance of motivation in a business are as follows:

Rensis Likert, while pointing out the importance of motivation, has called it the ‘core of management’. Similarly, Allen while stressing the need and importance of motivation has observed that ‘poorly motivated people can nullify the soundest organisation.’ The importance of motivation is brought out by the following facts:

(1) Improves Performance Level:

The ability to do work and willingness to do work both affect the efficiency of a person. The ability to do work is obtained with the help of education and training and willingness to do work is obtained with the help of motivation.

Willingness is more important in comparison to ability. For example, a person is highly educated and he is recruited on this very basis. But it is not essential that he will do outstanding work.

(2) Helps to Change Negative or Indifferent Attitudes of Employees:

Some employees of an organisation have a negative attitude. They always think that doing more work will not bring any credit. A manager uses various techniques to change this attitude.

For example, if the financial situation of such an employee is weak, he gives him a raise in his remuneration and if his financial condition is satisfactory he motivates him by praising his work.

(3) Reduction in Employee Turnover:

The reputation of an organisation is affected by the employee turnover. This creates a lot of problems for the managers. A lot of time and money go waste in repeatedly recruiting employees and giving them education and training. Only motivation can save an organisation from such wastage. Motivated people work for a longer time in the organisation and there is a decline in the rate of turnover.

(4) Helps to Reduce Absenteeism in the Organisation:

In some of the organisations, the rate of absenteeism is high. There are many causes for this-poor work conditions, poor relations with colleagues and superiors, no recognition in the organisation, insufficient reward, etc. A manager removes all such deficiencies and motivates the employees. Motivated employees do not remain absent from work as the workplace becomes a source of joy for them.

(5) Reduction in Resistance to Change:

New changes continue taking place in the organisation. Normally workers are not prepared to accept any changes in their normal routine. Whereas it becomes essential to bring in some changes because of the demands of time.

Employees can be made to accept such changes easily with the help of motivation. Motivated people accept these changes enthusiastically and improve their work performance.

Motivational theories

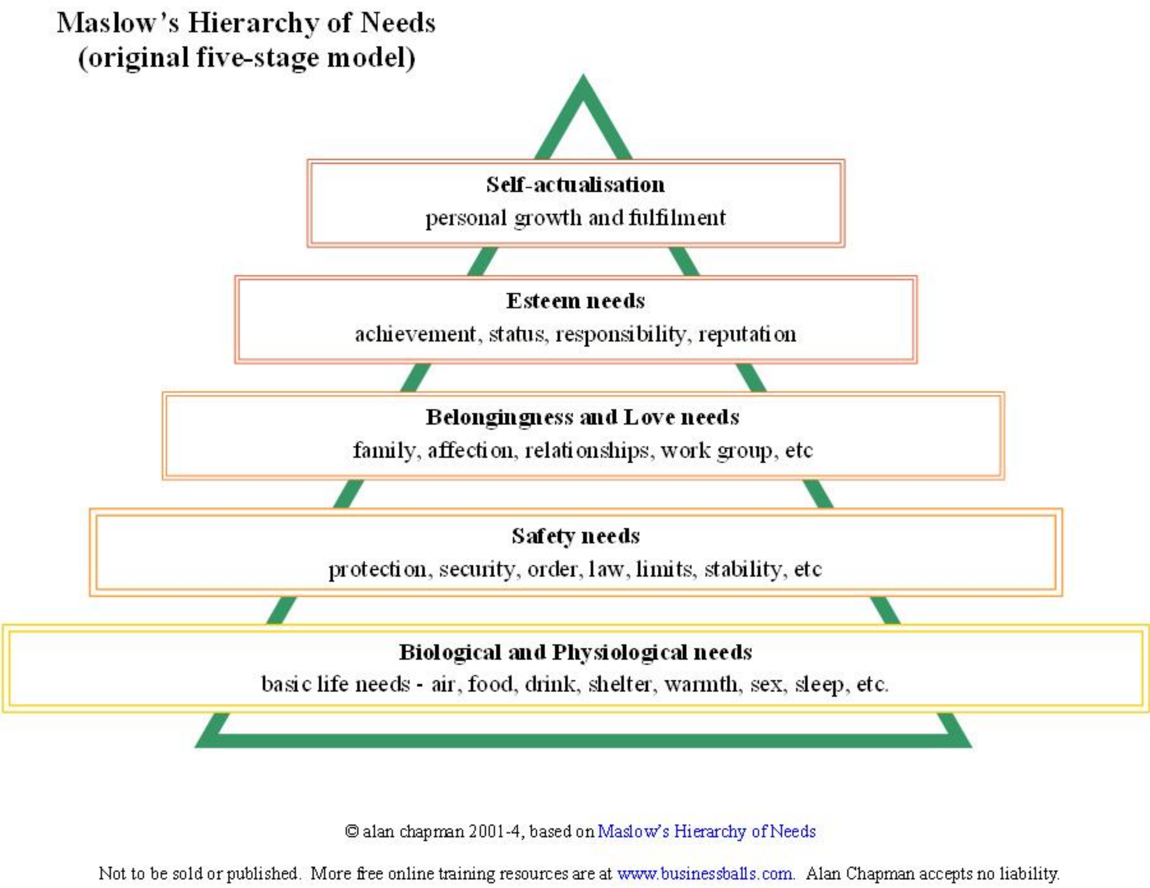
Maslow's Hierarchy of needs

Abraham Maslow developed the Hierarchy of Needs model in 1940-50s USA, and the Hierarchy of Needs theory remains valid today for understanding human motivation, management training, and personal development. Indeed, Maslow's ideas surrounding the Hierarchy of Needs, concerning the responsibility of employers to provide a workplace environment that encourages and enables employees to fulfil their own unique potential (self-actualization), are today more relevant than ever. Abraham Maslow's book Motivation and Personality, published in 1954 (second edition 1970) introduced the Hierarchy of Needs, and Maslow extended his ideas in other work, notably his later book Toward A Psychology Of Being, a significant and relevant commentary, which has been revised in recent times by Richard Lowry, who is in his own right a leading academic in the field of motivational psychology.

The Maslow's Hierarchy of Needs five-stage model below (structure and terminology - not the precise pyramid diagram itself) is clearly and directly attributable to Maslow; later versions of the theory with added motivational stages are not so clearly attributable to Maslow. These extended models have instead been inferred by others from

Maslow's work. Specifically Maslow refers to the needs Cognitive, Aesthetic and Transcendence (subsequently shown as distinct needs levels in some interpretations of his theory) as additional aspects of motivation, but not as distinct levels in the Hierarchy of Needs.

Where Maslow's Hierarchy of Needs is shown with more than five levels these models have been extended through interpretation of Maslow's work by other people. There have been very many interpretations of Maslow's Hierarchy of Needs in the form of pyramid diagrams. The diagrams on this page are my own interpretations and are not offered as Maslow's original work. Interestingly in Maslow's book Motivation and Personality, which first introduced the Hierarchy of Needs, there is not a pyramid to be seen.



Each of us is motivated by needs. Our most basic needs are inborn, having evolved over tens of thousands of years. Abraham Maslow's Hierarchy of Needs helps to explain how these needs motivate us all.

Maslow's Hierarchy of Needs states that we must satisfy each need in turn, starting with the first, which deals with the most obvious needs for survival itself.

Only when the lower order needs of physical and emotional well-being are satisfied are we concerned with the higher order needs of influence and personal development.

Conversely, if the things that satisfy our lower order needs are swept away, we are no longer concerned about the maintenance of our higher order needs.

Maslow's original Hierarchy of Needs model was developed between 1943-1954, and first widely published in Motivation and Personality in 1954. At this time the Hierarchy of Needs model comprised five needs. This original version remains for most people the definitive Hierarchy of Needs.

1. Biological and Physiological needs - air, food, drink, shelter, warmth, sex, sleep, etc.
2. Safety needs - protection from elements, security, order, law, limits, stability, etc.
3. Belongingness and Love needs - work group, family, affection, relationships, etc.
4. Esteem needs - self-esteem, achievement, mastery, independence, status, dominance, prestige, managerial responsibility, etc.
5. Self-Actualization needs - realising personal potential, self-fulfillment, seeking personal growth and peak experiences.

This is the definitive and original Maslow's Hierarchy of Needs.

While Maslow referred to various additional aspects of motivation, he expressed the Hierarchy of Needs in these five clear stages.

Here is a quick simple self-test based on the original Maslow's 5-level Hierarchy of Needs. It's not a scientific or validated instrument - merely a quick indicator, which can be used for self-awareness, discussion, etc.

Theory X and Theory Y (Douglas McGregor)

Douglas McGregor in his book, “The Human Side of Enterprise” published in 1960 has examined theories on behavior of individuals at work, and he has formulated two models which he calls Theory X and Theory Y. Douglas McGregor, an American social psychologist, proposed his famous X-Y theory in his 1960 book 'The Human Side Of Enterprise'. Theory x and theory y are still referred to commonly in the field of management and motivation, and whilst more recent studies have questioned the rigidity of the model, Mcgregor's X-Y Theory remains a valid basic principle from which to develop positive management style and techniques. McGregor's XY Theory remains central to organizational development, and to improving organizational culture.

McGregor's X-Y theory is a salutary and simple reminder of the natural rules for managing people, which under the pressure of day-to-day business are all too easily forgotten.

McGregor's ideas suggest that there are two fundamental approaches to managing people. Many managers tend towards theory x, and generally get poor results. Enlightened managers use theory y, which produces better performance and results, and allows people to grow and develop.

McGregor's ideas significantly relate to modern understanding of the Psychological Contract, which provides many ways to appreciate the unhelpful nature of X-Theory leadership, and the useful constructive beneficial nature of Y-Theory leadership.

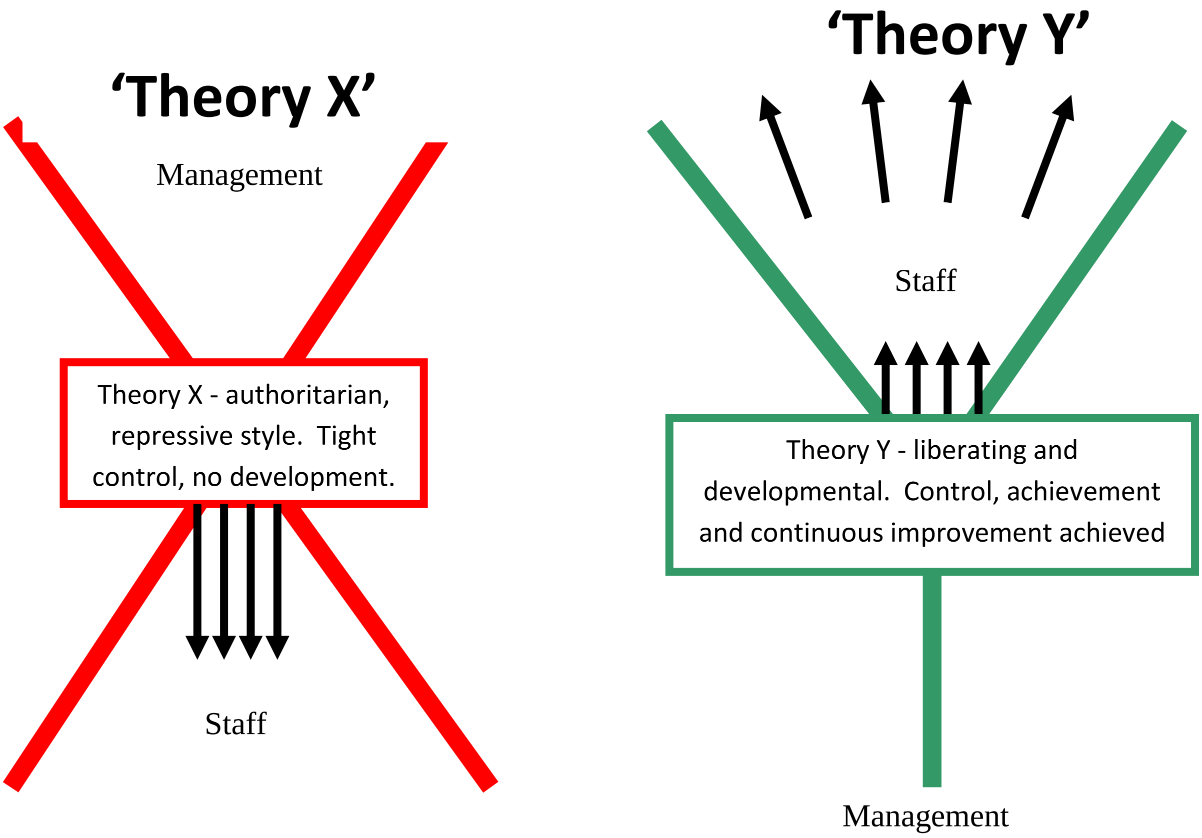
Theory X Assumptions

The average human being has an inherent dislike of work and will avoid it if he can.

- Because of their dislike for work, most people must be controlled and threatened before they will work hard enough.
- The average human prefers to be directed, dislikes responsibility, is unambiguous, and desires security above everything.
- These assumptions lie behind most organizational principles today, and give rise both to “tough” management with punishments and tight controls, and “soft” management which aims at harmony at work.
- Both these are “wrong” because man needs more than financial rewards at work, he also needs some deeper higher order motivation - the opportunity to fulfill himself.
- Theory X managers do not give their staff this opportunity so that the employees behave in the expected fashion.

Theory Y Assumptions

- The expenditure of physical and mental effort in work is as natural as play or rest.
- Control and punishment are not the only ways to make people work, man will direct himself if he is committed to the aims of the organization.
- If a job is satisfying, then the result will be commitment to the organization.
- The average man learns, under proper conditions, not only to accept but to seek responsibility.
- Imagination, creativity, and ingenuity can be used to solve work problems by a large number of employees.
- Under the conditions of modern industrial life, the intellectual potentialities of the average man are only partially utilized.



Comments on Theory X and Theory Y Assumptions

These assumptions are based on social science research which has been carried out, and demonstrate the potential which is present in man and which organizations should recognize in order to become more effective.

McGregor sees these two theories as two quite separate attitudes. Theory Y is difficult to put into practice on the shop floor in large mass production operations, but it can be used initially in the managing of managers and professionals.

In "The Human Side of Enterprise" McGregor shows how Theory Y affects the management of promotions and salaries and the development of effective managers. McGregor also sees Theory Y as conducive to participative problem solving.

It is part of the manager's job to exercise authority, and there are cases in which this is the only method of achieving the desired results because subordinates do not agree that the ends are desirable. However, in situations where it is possible to obtain commitment to objectives, it is better to explain the matter fully so that employees grasp the purpose of an action. They will then exert self-direction and control to do better work - quite possibly by better methods - than if they had simply been carrying out an order which the y did not fully understand.

The situation in which employees can be consulted is one where the individuals are emotionally mature, and positively motivated towards their work; where the work is sufficiently responsible to allow for flexibility and where the employee can see his own position in the management hierarchy. If these conditions are present, managers will find that the participative approach to problem solving leads to much improved results compared with the alternative

Characteristics of the x theory manager

Perhaps the most noticeable aspects of McGregor's XY Theory - and the easiest to illustrate - are found in the behaviours of autocratic managers and organizations which use autocratic management styles.

What are the characteristics of a Theory X manager? Typically some, most or all of these:

- results-driven and deadline-driven, to the exclusion of everything else
- intolerant
- issues deadlines and ultimatums
- distant and detached
- aloof and arrogant
- elitist
- short temper
- shouts
- issues instructions, directions, edicts
- issues threats to make people follow instructions
- demands, never asks
- does not participate
- does not team-build
- unconcerned about staff welfare, or morale
- proud, sometimes to the point of self-destruction
- one-way communicator
- poor listener
- fundamentally insecure and possibly neurotic

- anti-social
- vengeful and recriminatory
- does not thank or praise
- withholds rewards, and suppresses pay and remunerations levels
- scrutinises expenditure to the point of false economy
- seeks culprits for failures or shortfalls
- seeks to apportion blame instead of focusing on learning from the experience and preventing recurrence
- does not invite or welcome suggestions
- takes criticism badly and likely to retaliate if from below or peer group
- poor at proper delegating - but believes they delegate well
- thinks giving orders is delegating
- holds on to responsibility but shifts accountability to subordinates
- relatively unconcerned with investing in anything to gain future improvements
- unhappy

How to manage upwards - managing your X theory boss

Working for an X theory boss isn't easy - some extreme X theory managers make extremely unpleasant managers, but there are ways of managing these people upwards. Avoiding confrontation (unless you are genuinely being bullied, which is a different matter) and delivering results are the key tactics.

- Theory X managers (or indeed theory Y managers displaying theory X behaviour) are primarily results oriented - so orientate your your own discussions and dealings with them around results - ie what you can deliver and when.
- Theory X managers are facts and figures oriented - so cut out the incidentals, be able to measure and substantiate anything you say and do for them, especially reporting on results and activities.
- Theory X managers generally don't understand or have an interest in the human issues, so don't try to appeal to their sense of humanity or morality. Set your own objectives to meet their organisational aims and agree these with the managers; be seen to be self-starting, self-motivating, self-disciplined and well-organised - the

more the X theory manager sees you are managing yourself and producing results, the less they'll feel the need to do it for you.

- Always deliver your commitments and promises. If you are given an unrealistic task and/or deadline state the reasons why it's not realistic, but be very sure of your ground, don't be negative; be constructive as to how the overall aim can be achieved in a way that you know you can deliver.
- Stand up for yourself, but constructively - avoid confrontation. Never threaten or go over their heads if you are dissatisfied or you'll be in big trouble afterwards and life will be a lot more difficult.
- If an X theory boss tells you how to do things in ways that are not comfortable or right for you, then don't questioning the process, simply confirm the end-result that is required, and check that it's okay to 'streamline the process' or 'get things done more efficiently' if the chance arises - they'll normally agree to this, which effectively gives you control over the 'how', provided you deliver the 'what' and 'when'.

And this is really the essence of managing upwards X theory managers - focus and get agreement on the results and deadlines - if you consistently deliver, you'll increasingly be given more leeway on how you go about the tasks, which amounts to more freedom. Be aware also that many X theory managers are forced to be X theory by the short-term demands of the organisation and their own superiors - an X theory manager is usually someone with their own problems, so try not to give them any more.

Frederick Herzberg Motivational Theory

Frederick Herzberg's motivation and hygiene factors

Frederick Herzberg (1923-2000), clinical psychologist and pioneer of 'job enrichment', is regarded as one of the great original thinkers in management and motivational theory. Frederick I Herzberg was born in Massachusetts on April 18, 1923. His undergraduate work was at the City College of New York, followed by graduate degrees at the University of Pittsburgh. Herzberg was later Professor of Management at Case Western Reserve University, where he established the Department of Industrial Mental Health. He moved to the University of Utah's College of Business in 1972, where he was also Professor of Management. He died at Salt Lake City, January 18, 2000.

Frederick Herzberg's book 'The Motivation to Work', written with research colleagues Bernard Mausner and Barbara Bloch Snyderman in 1959, first established his theories about motivation in the workplace. Herzberg's survey work, originally on 200 Pittsburgh engineers and accountants remains a fundamentally important reference in motivational study. While the study involved only 200 people, Herzberg's considerable preparatory investigations, and the design of the research itself, enabled Herzberg and his colleagues to gather and analyse an extremely sophisticated level of data.

Herzberg's research used a pioneering approach, based on open questioning and very few assumptions, to gather and analyse details of 'critical incidents' as recalled by the survey respondents. He first used this methodology during his doctoral studies at the University of Pittsburgh with John Flanagan (later Director at the American Institute for Research), who developed the Critical Incident method in the selection of Army Air Corps personnel during the Second World War. Herzberg's clever open interviewing method gleaned far more meaningful results than the conventional practice of asking closed (basically yes/no) or multiple-choice or extent-based questions, which assume or prompt a particular type of response, and which incidentally remain the most popular and convenient style of surveying even today - especially among those having a particular agenda or publicity aim.

Herzberg also prepared intensively prior to his 1959 study - not least by scrutinizing and comparing the results and methodologies of all 155 previous research studies into job attitudes carried out between 1920 and 1954.

The level of preparation, plus the 'critical incident' aspect and the depth of care and analysis during the 1959 project, helped make Herzberg's study such a powerful and sophisticated piece of work.

Herzberg expanded his motivation-hygiene theory in his subsequent books: Work and the Nature of Man (1966); The Managerial Choice (1982); and Herzberg on Motivation (1983).

Significantly, Herzberg commented in 1984, twenty-five years after his theory was first published:

"The original study has produced more replications than any other research in the history of industrial and organizational psychology." (source: Institute for Scientific Information)

The absence of any serious challenge to Herzberg's theory continues effectively to validate it.

Herzberg's central theory is very relevant to modern understanding employer/employee relationships, mutual understanding and alignment within the Psychological Contract.

It also provided some foundations and basic principles of Nudge theory - a powerful change-management and motivational concept which emerged in the 2000s.

Organizational culture

Organizational culture is generally understood as all of a company's beliefs, values and attitudes, and how these influence the behaviour of its employees. Culture affects how people experience an organization—that is, what it's like for a customer to buy from a company or a supplier to work with it.

Importance of Organizational culture

- **Ensures effective on boarding:** Companies with strong culture give preference to effective on boarding for training new employees. From workplace training and orientation to performance management, on boarding helps new employees excel at work. It also helps employees understand the company's core values.
- **Creates a healthy team environment:** Communicating the core values helps organise the workflows and motivates team members to work together.
- **Recognises top performers:** Everyone loves working in a healthy environment. Employees leave companies where they feel their talent does not receive recognition and their efforts go unappreciated.
- **Increases productivity:** Culture governs a company's structure and brings together team members with similar skill sets. When such people work together, they are more likely to overcome the difficulties of complex projects. This increases workplace productivity and performance.
- **Decreases attrition:** When culture aligns with core values and mission statements, employees are less likely to resign. Employees who feel valued, recognised and respected will put in their best efforts.

Characteristics of Organisational Culture

Every company has its own set of characteristics associated with its culture. While some may prefer teamwork and trust, others may prefer the psychological safety of individuals above everything. Here are a few characteristics of organisational culture you should know to decide whether the company's culture is a good fit when searching for a new job:

Trust and integrity

A culture of trust and integrity impacts corporate administration quality, creates a good work environment and fosters an environment where team members find it easy to express their viewpoints. Both are essential for teams that rely on each other for making decisions and interpreting results. When there is transparency and honesty in the company, trust and integrity will automatically prevail.

Teamwork

It comprises communication, collaboration and respect between team members. When everyone in the team works in cohesion and supports each other, it creates a positive work environment. This translates to happier workplaces, where everyone works toward achieving a common goal.

Precision

This is a distinctive characteristic of organisational culture. Such organisations give keen attention to details for providing an enriching experience to the customers. A culture that gives importance to precision expects the employees to complete work with accuracy.

Innovation

Creating a culture of innovation means providing a work environment where employees have some autonomy to think and come up with new ways of solving a given problem. A culture that supports innovation helps companies get better and move forward.

Performance

The foundation of a performance culture is self-discipline and it means creating a work environment where every employee engages with the business. When employees are engaged, they motivate each other to perform, which results in higher productivity and profitability.

Types of Organisational Cultures

The culture decides how employees behave among themselves and with people outside of the company. As every organisation is unique, so are the cultures. Here are a few types of cultures:

1. Clan culture

This culture is people-focussed because the company feels like a family. The family-like culture ensures a friendly and collaborative work environment. In such a culture, an organisation values employees and gives topmost priority to communication. This type of culture emphasises that employees play an essential role in making business decisions.

Helping each other with work, playing games outside office hours, going for team lunch and celebrating everyone's memories are a few attributes that define a clan culture. Companies with a clan culture give importance to teamwork and mentorship above everything else. Start-ups and small companies exhibit a clan culture.

2. Adhocracy culture

This culture finds its roots in innovation and represents a risk-taking culture. Such a culture creates an innovative, creative and dynamic environment where employees can take chances and experiment with new ideas. The company views the leaders as inspirational innovators and calculated risk-takers ready to challenge assumptions.

Organisations exhibiting an adhocracy culture are always working hard to launch new products and expand their business. For employees, this culture keeps them motivated to outperform and come up with breakthrough innovations. Technology companies often exhibit an adhocracy culture because they develop new products regularly.

3. Market culture

This culture is market-driven and prioritises profitability. Organisations that exhibit a market culture focus on achievement, competition and getting the job done. These organisations use competition to motivate both leaders and employees. These result-oriented organisations measure success based on market and stock results instead of the employees' internal satisfaction. In a market culture, employees work to achieve a defined goal. Larger corporations that are already industry leaders in their market exhibit market culture.

4. Hierarchy culture

The workplace adheres to all rules and regulations of a corporate structure. Leaders expect employees to follow all procedures and formal rules. Such organisations give importance to uniformity and efficiency in everything they do. Hierarchy cultures have a fixed and set way of doing things that makes organisations risk-averse and stable. Moreover, these organisations have well-defined processes that cater to the organisation's primary objective. Hierarchy culture is excellent for organisations where safety is a prime concern. Such organisations hesitate to take risks. These include government organisations, healthcare and aviation companies.

Managing Cultural Diversity in the Workplace

Developing cultural competence results in an ability to understand, communicate with, and effectively interact with people across cultures, and work with varying cultural beliefs and schedules. While there are myriad cultural variations, here are some essential to managing cultural diversity the workplace:

1. Communication: Providing information accurately and promptly is critical to effective work and team performance. This is particularly important when a project is troubled and needs immediate corrective actions. However, people from different cultures vary in how, for example, they react to bad news. People from some Asian cultures are reluctant to give supervisors bad news – while those from other cultures may exaggerate it.

2. Team-Building: Some cultures – like the United States – are individualistic, and people want to go at it alone. Other cultures value cooperation within or among other teams. Team-building issues can become more problematic as teams are comprised of people from a mix of these cultural types. Effective cross-cultural team-building is essential to benefiting from the potential advantages of cultural diversity in the workplace, and is one of the top benefits of diversity training in the workplace.

3. Time: Cultures differ in how they view time. For example, they differ in the balance between work and family life, and the workplace mix between work and social behavior. Other differences include the perception of overtime, or even the exact meaning of a deadline. Different perceptions of time can cause a great misunderstanding and mishap in the workplace, especially with scheduling and deadlines. Perceptions of time underscore the importance of cultural diversity in the workplace, and how it can impact everyday work.

4. Schedules: Work can be impact by cultural and and religious events. The business world generally runs on the western secular year, beginning with January 1 and ending with December 31. But some cultures use wildly different calendars to determine New Years or specific holy days. For example, Eastern Orthodox Christians celebrate Christmas on a different day from western Christians. For Muslims, Friday is a day for prayer. Jews observe holidays ranging from Rosh Hashanah to Yom Kippur.

UNIT V
CONTROLLING

Controlling – Types of Control – Budgetary and non-budgetary, Control Techniques – Managing Productivity – Cost Control – Purchase Control – Maintenance Control- Quality Control – Planning operations.

Controlling

Controlling consists of verifying whether everything occurs in conformities with the plans adopted, instructions issued and principles established. Controlling ensures that there is effective and efficient utilization of organizational resources so as to achieve the planned goals. Controlling measures the deviation of actual performance from the standard performance, discovers the causes of such deviations and helps in taking corrective actions

According to Brech, "Controlling is a systematic exercise which is called as a process of checking actual performance against the standards or plans with a view to ensure adequate progress and also recording such experience as is gained as a contribution to possible future needs."

According to Donnell, "Just as a navigator continually takes reading to ensure whether he is relative to a planned action, so should a business manager continually take reading to assure himself that his enterprise is on right course."

Controlling has got two basic purposes

1. It facilitates co-ordination
2. It helps in planning

Features of Controlling Function

Following are the characteristics of controlling function of management-

1. **Controlling is an end function-** A function which comes once the performances are made in confirmities with plans.

2. **Controlling is a pervasive function-** which means it is performed by managers at all levels and in all type of concerns.
3. **Controlling is forward looking-** because effective control is not possible without past being controlled. Controlling always look to future so that follow-up can be made whenever required.
4. **Controlling is a dynamic process-** since controlling requires taking reviewal methods, changes have to be made wherever possible.
5. **Controlling is related with planning-** Planning and Controlling are two inseperable functions of management. Without planning, controlling is a meaningless exercise and without controlling, planning is useless. Planning presupposes controlling and controlling succeeds planning.

Process of Controlling

Controlling as a management function involves following steps:

1. **Establishment of standards-** Standards are the plans or the targets which have to be achieved in the course of business function. They can also be called as the criterions for judging the performance. Standards generally are classified into two-

a. Measurable or tangible - Those standards which can be measured and expressed are called as measurable standards. They can be in form of cost, output, expenditure, time, profit, etc.

b. Non-measurable or intangible- There are standards which cannot be measured monetarily. For example- performance of a manager, deviation of workers, their attitudes towards a concern. These are called as intangible standards.

Controlling becomes easy through establishment of these standards because controlling is exercised on the basis of these standards.

2. **Measurement of performance-** The second major step in controlling is to measure the performance. Finding out deviations becomes easy through measuring the actual

performance. Performance levels are sometimes easy to measure and sometimes difficult. Measurement of tangible standards is easy as it can be expressed in units, cost, money terms, etc. Quantitative measurement becomes difficult when performance of manager has to be measured. Performance of a manager cannot be measured in quantities. It can be measured only by-

a) Attitude of the workers,
b) Their morale to work,
c) The development in the attitudes regarding the physical environment, and
d) Their communication with the superiors.

It is also sometimes done through various reports like weekly, monthly, quarterly, yearly reports.

3) **Comparison of actual and standard performance-** Comparison of actual performance with the planned targets is very important. Deviation can be defined as the gap between actual performance and the planned targets. The manager has to find out two things here- extent of deviation and cause of deviation. Extent of deviation means that the manager has to find out whether the deviation is positive or negative or whether the actual performance is in conformity with the planned performance. The managers have to exercise control by exception. He has to find out those deviations which are critical and important for business. Minor deviations have to be ignored. Major deviations like replacement of machinery, appointment of workers, quality of raw material, rate of profits, etc. should be looked upon consciously. Therefore it is said, " If a manager controls everything, he ends up controlling nothing." For example, if stationery charges increase by a minor 5 to 10%, it can be called as a minor deviation. On the other hand, if monthly production decreases continuously, it is called as major deviation.

Once the deviation is identified, a manager has to think about various cause which has led to deviation. The causes can be-

a) Erroneous planning,

b) Co-ordination loosens,

c) Implementation of plans is defective, and

d) Supervision and communication is ineffective, etc.

4) **Taking remedial actions-** Once the causes and extent of deviations are known, the manager has to detect those errors and take remedial measures for it. There are two alternatives here-

a) Taking corrective measures for deviations which have occurred; and

b) After taking the corrective measures, if the actual performance is not in conformity with plans, the manager can revise the targets. It is here the controlling process comes to an end. Follow up is an important step because it is only through taking corrective measures, a manager can exercise controlling.

Relationship between planning and controlling

Planning and controlling are two separate fuctions of management, yet they are closely related. The scope of activities if both are overlapping to each other. Without the basis of planning, controlling activities becomes baseless and without controlling, planning becomes a meaningless exercise. In absense of controlling, no purpose can be served by. Therefore, planning and controlling reinforce each other. According to Billy Goetz, "Relationship between the two can be summarized in the following points

1. Planning preceeds controlling and controlling succeeds planning.
2. Planning and controlling are inseperable functions of management.
3. Activities are put on rails by planning and they are kept at right place through controlling.

4. The process of planning and controlling works on Systems Approach which is as follows:

   Planning → Results → Corrective Action

5. Planning and controlling are integral parts of an organization as both are important for smooth running of an enterprise.
6. Planning and controlling reinforce each other. Each drives the other function of management.

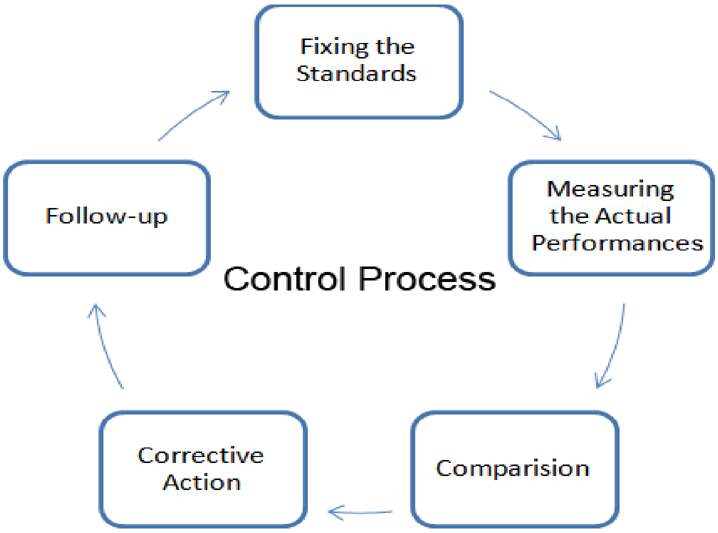
In the present dynamic environment which affects the organization, the strong relationship between the two is very critical and important. In the present day environment, it is quite likely that planning fails due to some unforeseen events. There controlling comes to the rescue. Once controlling is done effectively, it give us stimulus to make better plans. Therefore, planning and controlling are in seperate functions of a business enterprise.

Controlling Process in Business Management

Some of the essential steps of controlling process as studied under Business Management are :

1. Setting Performance Standards
2. Measurement of Actual Performance
3. Comparing Actual Performance with Standards
4. Analysing Deviations
5. Taking Corrective Action.

Controlling Process consists of following systematic steps:



1. Setting Performance Standards:

The first step in the process of controlling is concerned with setting performance standards. These standards are the basis for measuring the actual performance.

Thus, standards act as a lighthouse that warns & guides the ships at sea. Standards are the benchmarks towards which efforts of entire organisation are directed. These standards can be expressed both in quantitative and qualitative terms.

Examples of Quantitative Standards:

(a) Revenue to be earned.

(b) Units to be produced and sold.

(c) Cost to be incurred.

(d) Time to be spent in performing a task.

(e) Amount of inventories to be maintained etc.

Examples of Qualitative Standards:

(a) Improving motivation level of employees.

(b) Improving labour relations.

(c) Improving quality of products.

(d) Improving goodwill etc.

In order to facilitate easy comparison of actual performance with the standards, a manager should try to set these standards in quantitative terms as far as possible. However, in case of qualitative standards, effort should be made to define these standards in such a way that comparison becomes easily understandable. For example, for improving customer satisfaction in a restaurant having self service, standard can be set in terms of time taken to get a table, place the order and collect the order. Moreover, the standards set should be flexible enough so that necessary changes can be made according to varying situations.

2. **Measurement of Actual Performance:**

Once the standards have been determined, the next step is to measure the actual performance. The various techniques for measuring are sample checking, performance reports, personal observation etc. However, in order to facilitate easy comparison, the performance should be measured on same basis that the standards have.

Following are some of the ways for measuring performance:

(a) Superior prepares a report regarding the performance of an employee.

(b) Various ratios like gross profit ratio, debtor turnover ratio, return on investment, current ratio etc. are calculated at periodic intervals to measure company's performance.

(c) Progress made in areas like marketing can be measured by considering the number of units, increase in market share etc.

(d) In small organisations, each unit produced can be checked personally to ensure the quality standards.

(e) In large organisation, the technique of sample checking is used. Under this technique, some pieces are checked at random for quality specifications.

3. Comparing Actual Performance with Standards:

This step involves comparing the actual performance with standards laid down in order to find the deviations. For example, performance of a salesman in terms of unit sold in a week can be easily measured against the standard output for the week.

4. Analysing Deviations:

Some deviations are possible in all the activities. However, the deviation in the important areas of business needs to be corrected more urgently as compared to deviation in insignificant areas. Management should use critical point control and management by exception in such areas.

(a) Critical Point Control:

Since it is neither easy nor economical to check each and every activity in an organisation, the control should focus on Key Result Areas (KRAs) which act as the critical points. The KRAs are very essential for the success of an organisation. Therefore, the entire organisation has to suffer if anything goes wrong at these points. For example, in a manufacturing organisation, an increase of 7% in labour cost is more troublesome than an 18% increase in stationary expenses.

(b) Management by Exception:

Management by exception or control by exception is an important principle of management control. According to this principle, an attempt to control everything results in controlling nothing. Thus only the important deviations which exceed the prescribed limit should be brought to the notice of management. Thus, if plans provide for 3% increase in labour cost, deviations beyond 3% alone should be brought to the notice of the management.

Advantages of Critical Point Control and Management by Exception are as follows:

(i) Since managers deal only with important deviations, it results in saving time and efforts.

(ii) It helps in identifying important deviations which need timely action to keep the organisation at the correct path.

(iii) By handing over the routine problems to the subordinates, management by exception facilitates delegation of authority and helps in increasing morale of employees.

(iv) It ensures better utilization of managerial expertise by focusing managerial attention only on important areas.

After identifying the deviations, various causes for these deviations are analyzed. The main causes can be structural drawbacks, shortage of resources, environmental factors beyond organisational control, unrealistic standards, defective process etc. Exact cause or causes of deviation must be identified correctly in order to take effective corrective measures.

5. Taking Corrective Action:

The last step in the process of controlling involves taking corrective action. If the deviations are within acceptable limits, no corrective measure is required. However, if the deviations exceed acceptable limits, they should be immediately brought to the notice of the management for taking corrective measures, especially in the important areas.

Types of organizational control

There are three main types of organizational control:

1. Output control

Output control is any measure of organizational control that focuses on things that you can directly measure, such as the number of sales, the number of customers you help or how many hours you work. This type of control specializes in the final product or results of an action. Some examples of output control are sales quotas, potential customers you contact in a specific time period and the number of unused ingredients you have at the end of the week.

2. Behavioral control

While output control relates to the results of a particular action, behavioral control describes policies or systems that manage those actions. Behavioral control can provide instructions for how to perform specific tasks or detail guidelines on appropriate conduct in the workplace. Some examples of behavioral control include dress codes, safety procedures and attendance policies.

3. Clan control

Clan control is an indirect form of control that uses shared expectations, values and social norms to encourage people to work toward a company's goals. This form of control often links to company culture and helps the organization reach its goals by motivating the people who work there. Policies that may influence clan control include company retreats, group meetings and company newsletters and opportunities for people to give suggestions about the organization.

Traditional Techniques of Managerial Control

Traditional techniques are those which have been used by the companies for a long time now. These include:

- Personal observation
- Statistical reports
- Break-even analysis
- Budgetary control

1. Personal Observation

This is the most traditional method of control. Personal observation is one of those techniques which enables the manager to collect the information as first-hand information.

It also creates a phenomenon of psychological pressure on the employees to perform in such a manner so as to achieve well their objectives as they are aware that they are being observed personally on their job. However, it is a very time-consuming exercise & cannot effectively be used for all kinds of jobs.

2. Statistical Reports

Statistical reports can be defined as an overall analysis of reports and data which is used in the form of averages, percentage, ratios, correlation, etc., present useful information to the managers regarding the performance of the organization in various areas.

This type of useful information when presented in the various forms like charts, graphs, tables, etc., enables the managers to read them more easily & allow a comparison to be made with performance in previous periods & also with the benchmarks.

3. Break-even Analysis

Breakeven analysis is a technique used by managers to study the relationship between costs, volume & profits. It determines the overall picture of probable profit & losses at different levels of activity while analyzing the overall position.

The sales volume at which there is no profit, no loss is known as the breakeven point. There is no profit or no loss. Breakeven point can be calculated with the help of the following formula:

Breakeven point = Fixed Costs/Selling price per unit – variable costs per unit

4. Budgetary Control

Budgetary control can be defined as such technique of managerial control in which all operations which are necessary to be performed are executed in such a manner so as to perform and plan in advance in the form of budgets & actual results are compared with budgetary standards.

Therefore, the budget can be defined as a quantitative statement prepared for a definite future period of time for the purpose of obtaining a given objective. It is also a statement which reflects the policy of that particular period. The common types of budgets used by an organization.

Some of the types of budgets prepared by an organisation are as follows,

- Sales budget: A statement of what an organization expects to sell in terms of quantity as well as value
- Production budget: A statement of what an organization plans to produce in the budgeted period
- Material budget: A statement of estimated quantity & cost of materials required for production
- Cash budget: Anticipated cash inflows & outflows for the budgeted period
- Capital budget: Estimated spending on major long-term assets like a new factory or major equipment
- Research & development budget: Estimated spending for the development or refinement of products & processes

Modern Techniques of Managerial Control

Modern techniques of controlling are those which are of recent origin & are comparatively new in management literature. These techniques provide a refreshingly new thinking on the ways in which various aspects of an organization can be controlled. These include:

- Return on investment
- Ratio analysis
- Responsibility accounting

- Management audit
- PERT & CPM

1. Return on Investment

Return on investment (ROI) can be defined as one of the important and useful techniques. It provides the basics and guides for measuring whether or not invested capital has been used effectively for generating a reasonable amount of return. ROI can be used to measure the overall performance of an organization or of its individual departments or divisions. It can be calculated as under-

Net income before or after tax may be used for making comparisons. Total investment includes both working as well as fixed capital invested in the business.

2. Ratio Analysis

The most commonly used ratios used by organizations can be classified into the following categories:

- Liquidity ratios
- Solvency ratios
- Profitability ratios
- Turnover ratios

3. Responsibility Accounting

Responsibility accounting can be defined as a system of accounting in which overall involvement of different sections, divisions & departments of an organization are set up as ‘Responsibility centers’. The head of the center is responsible for achieving the target set for his center. Responsibility centers may be of the following types:

- Cost center
- Revenue center
- Profit center

- Investment center

4. Management Audit

Management audit refers to a systematic appraisal of the overall performance of the management of an organization. The purpose is to review the efficiency &n effectiveness of management & to improve its performance in future periods.

5. PERT & CPM

PERT (programmed evaluation & review technique) & CPM (critical path method) are important network techniques useful in planning & controlling. These techniques, therefore, help in performing various functions of management like planning; scheduling & implementing time-bound projects involving the performance of a variety of complex, diverse & interrelated activities.

Therefore, these techniques are so interrelated and deal with such factors as time scheduling & resources allocation for these activities.

COST CONTROL

Cost control is a practice used by finance professionals that analyzes a business's overall expenses and reduces project costs to increase profit. Typically, a company hires finance professionals to monitor their cost performance, plan a budget for each project and change projects that can increase a business's financial performance.

Finance professionals also develop, maintain and organize a project's budget from start to finish to make sure the budget is being followed closely by employees. The goal of using cost control methods is to enhance a project's financial performance while decreasing the project's costs.

Importance of cost control

Cost control allows for businesses to maintain a strict budget, which keeps their finances steady and can help grow the profitability of their projects. Here are some reasons using cost control methods are essential for businesses:

- **Budgets help to stay on track:** Cost control methods often involve setting a strict budget for a team to follow, which is helpful with staying on track during the project. If the budget calls for a project to be completed by a certain time, employees may feel more compelled to complete the project by the budget's deadline.
- **Keeps the project's cost from growing:** Using cost control methods can help keep a project's cost from rapidly growing as the project progresses. Project members can consult a financial professional if they feel the budget doesn't cover enough costs needed for the project.
- **Keeps the profitability high:** Cost control methods allow for the revenue brought in from the projects to be higher than the cost of the project, which keeps the profitability high and increases a company's finances.

PURCHASING TECHNIQUES

Purchasing techniques, or purchasing methods, are the used administrator principles to describe the buying part of the procurement process, as these techniques are used methods to provide goods, supplies, and any requirement for the company's ongoing operations or services.

Types of Purchasing Control

Standard Purchase Orders (PO) Planned Purchase Orders (PPO) Blanket Purchase Orders (BPO) (Also referred to as a “Standing Order”) Contract Purchase Orders (CPO)

MAINTENANCE CONTROL

Maintenance control refers to the set of activities, tools and procedures utilized to coordinate and allocate maintenance resources to achieve the objectives of the maintenance system that are necessary for the following: 1. Work control; 2. Quality and process control; 3. Cost control;

Maintenance department has to excercise effective cost control, to carry out the maintenance functions in a pre-specified budget, which is possible only through the following measures:

First line supervisors must be apprised of the cost information of the various materials so that the objective of the management can be met without extra expenditure on maintenance functions

A monthly review of the budget provisions and expenditures actually incurred in respect of each center/shop will provide guidlines to the departmental head to exercise better cost control.

The total expenditure to be incurred can be uniformly spread over the year for better budgetary control. however, the same may not be true in all cases particularly where overhauling of equipment has to be carried out due to unforseen breakdowns. some budgetary provisions must be set aside, to meet out unforeseen exigencies.

The controllable elements of cost such as manpower cost and material cost can be discussed with the concerned personnel, which may help in reducing the total cost of maintenance. Emphasis should be given to reduce the overhead expenditures, as other expenditures cannot be compromised.

It is observed through studies that the manpower cost is normally fixed, but the same way increase due to overtime cost. however, the material cost, which is the prime factor in maintenance cost, can be reduced by timely inspections designed, to detect failures. If the inspection is carried out as per schedule, the total failure of parts may be avoided, which otherwise would increase the maintenance cost. the proper handling of the equipment by the operators also reduces the frequency of repair and material requirements. Operators, who check their equipment regularly and use it within the operating limits, can help avoid many unwanted repairs. In the same way a good record of equipment failures/ maintenance would indicate the nature of failures, which can then be corrected even permanently.

QUALITY CONTROL

Quality control refers to the technical process that gathers, examines, analyze & report the progress of the project & conformance with the performance requirements

The steps involved in quality control process are

Determine what parameter is to be controlled.

- ✓ Establish its criticality and whether you need to control before, during or after results are produced.
- ✓ Establish a specification for the parameter to be controlled which provides limits of acceptability and units of measure.
- ✓ Produce plans for control which specify the means by which the characteristics will be achieved and variation detected and removed.
- ✓ Organize resources to implement the plans for quality control.
- ✓ Install a sensor at an appropriate point in the process to sense variance from specification.
- ✓ Collect and transmit data to a place for analysis.
- ✓ Verify the results and diagnose the cause of variance.
- ✓ Propose remedies and decide on the action needed to restore the status quo.
- ✓ Take the agreed action and check that the variance has been corrected.

Advantages and disadvantages

Advantages include better products and services ultimately establishing a good reputation for a company and higher revenue from having more satisfied customers.

Disadvantages include needing more man power/operations to maintain quality control and adding more time to the initial process.

PLANNING OPERATIONS

An **operational planning** is a subset of strategic work plan. It describes short-term ways of achieving milestones and explains how, or what portion of, a strategic plan will be put into operation during a given operational period, in the case of commercial application, a fiscal year or another given budgetary term. An operational plan is the basis for, and justification of an annual operating budget request. Therefore, a five-year strategic plan would need five operational plans funded by five operating budgets.

Operational plans should establish the activities and budgets for each part of the organization for the next 1 – 3 years. They link the strategic plan with the activities the organization will deliver and the resources required to deliver them.

An operational plan draws directly from agency and program strategic plans to describe agency and program missions and goals, program objectives, and program activities. Like a strategic plan, an operational plan addresses four questions:

Where are we now?

Where do we want to be?

How do we get there?

How do we measure our progress?

The OP is both the first and the last step in preparing an operating budget request. As the first step, the OP provides a plan for resource allocation; as the last step, the OP may be modified to reflect policy decisions or financial changes made during the budget development process.

Operational plans should be prepared by the people who will be involved in implementation. There is often a need for significant cross-departmental dialogue as plans created by one part of the organization inevitably have implications for other parts.

Operational plans should contain:

clear objectives, activities to be delivered, quality standards, desired outcomes, staffing and resource requirements, implementation timetables, a process for monitoring progress.

References:

Managerial Economics - M. L. Jingan

Pardeep Kumar and Amanjot Sachdeva, "Fundamentals of Management", S. Chand Publishing, (2012)

Pillai R.S.N and Kala.S (2013) Principles and Practice of Managements. Chand & Co and Company.

Ricky Griffin, "Fundamentals of Management", Cengage Learning,(2016)

Stephen A. Robbins & David A. Decenzo & Mary Coulter,(2011) "Fundamentals of Management" 7^{th} Edition, Pearson Education.

Tripathy PC & Reddy PN, (1999) "Principles of Management", Tata McGraw Hill.