



SYLLABUS

BBA. I YEAR

Subject – Business Management

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Business Management

UNIT-I

Introduction of Management.

Every human being has several needs and desires. But no individual can satisfy all his wants. Therefore, people work together to meet their mutual needs which they cannot fulfil individually. Moreover, man is a social being as he likes to live together with other people. It is by working and living together in organised groups and institutions that people satisfy their economic and social needs. As a result there are several types of groups, eg., family, school, government, army, a business firm, a cricket team and the like. Such formal groups can achieve their goals effectively only when the efforts of the people working in these groups are properly coordinated and controlled. The task of getting results through others by coordinating their efforts is known as management. Just as the mind coordinates and regulates all the activities of a person, management coordinates and regulates the activities of various members of an organisation.

Management is getting things done with effectiveness and efficiency. It is designing and maintaining an environment in which individuals working together accomplish selected aims efficiently.

Management is the first of the modern institutions to shape the society. It plays a vital role in modern world. It regulates man's productive energies. It organizes factors of production. Peter Drucker observes that without the leadership of management, a country's resources of production remain resources and never becomes production. Management converts a mob into an organization, and human efforts into performance. 'Management' is the catalyst which makes possible rapid economic and social development in freedom and with human dignity.

MEANING OF MANAGEMENT

As the term 'management' is used in several contexts, it has different meanings to different people. Management has three different meanings:

1. As a Noun

When used as a noun, management refers to all those who have both responsibility and authority to manage an organization and who are responsible for the work of others at all levels. W.J. Reddin states that "a manager is a person occupying a position in a formal organization who is responsible for the work of at least one other and who has formal authority over that person. Persons, whose work he is responsible for, are his subordinates."

2. As a Process

Management is also tasks, activities and functions. As a process, management refers to what management does, i.e., the function performed by management 'Managing' is considered as a process which may include a variety of functions, principles, techniques, skills and other measures of accomplishing the work and activities of organization. Management as a process implies a series of actions or elements. These are planning, organization, staffing, directing, co-ordination etc.

3. As a Discipline



Sometimes, the word 'management' is used to connote the body of knowledge and practice. In this sense, it becomes a separate subject, a field of learning, and an organized, formal discipline. It is young discipline.

DEFINITION OF MANAGEMENT

Management is the coordination of all resources through the process of planning, organising, directing and controlling in order to attain stated objectives. —Henry L. Sisk.

Management is the art of knowing what you want to do and then seeing that it is done in the best and cheapest way-F.W. Taylor

To manage is to forecast and to plan, to organise to command, to coordinate and to control—Henry Fayol

Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources- George R. Terry

Management is guiding human and physical resources into dynamic organisational units which attain their objectives to the satisfaction of those served and with a high degree of morale and sense of attainment on the part of those rendering service. —American Management Association

Management is a multipurpose organ that manage a business and manages Managers and manages workers and work. —Peter Drucker

NATURE OF MANAGEMENT

To understand the basic nature of management, it must be analyzed in terms of art and science, in relation to administration, and as a profession, in terms of managerial skills and style of managers.

Management as a Science

Science means a systematic body of knowledge pertaining to a specific field of study. It contains general principles and facts which explains a phenomenon. These principles establish cause-and-effect relationship between two or more factors. These principles and theories help to explain past events and may be used to predict the outcome of actions. Scientific methods of observations, and experiments are used to develop principles of science. The principles of science have universal application and validity.

Thus, the essential features of science are as follows:

- (i) Basic facts or general principles capable of universal application
- (ii) Developed through scientific enquiry or experiments
- (iii) Establish cause and effect relationships between various factors.
- (iv) Their Validity can be verified and they serve as reliable guide for predicting future events.

Let us now examine as to what extent management satisfies the above conditions:

(i) *Systematic body of knowledge:* Management has a systematic body of knowledge consisting of general principles and techniques. These help to explain events and serve as guidelines for managers in different types of organisations.

(ii) *Universal principles:* Scientific principles represent basic facts about a particular field enquiry. These are objective and represent best thinking on the subject. These principles may be applied in all situations



and at all times. Exceptions, if any, can be logically explained. For example, the Law of Gravitation states that if you throw an object in the air it will fall on the ground due to the gravitational force of the earth. This law can be applied in all countries and at all points of time. It is as applicable to a football as it is to an apple falling from tree. Management contains sound fundamental principles which can be universally applied. For instance, the principle of unity of command states that at a time one employee should be answerable to only one boss. This principle can be applied in all types of organisation-business or non-business. However, principles of management are not exactly like those of physics or chemistry. They are flexible and need to be modified in different situations.

(iii) *Scientific enquiry and experiments*: Scientific principles are derived through scientific investigation and reasoning. It means that there is an objective or unbiased assessment of the problem situation and the action chosen to solve it can be explained logically. Scientific principles do not reflect the opinion of an individual or of a religious guru. Rather these can be scientifically proved at any time. They are critically tested. For example, the principle that the earth revolves around the sun has been scientifically proved. Management principles are also based on scientific enquiry and investigation. These have been developed through experiments and practical experience of a large number of managers. For example, it has been observed that wherever one employee has two or more bosses simultaneously, confusion and indiscipline are likely to arise, with regard to following the instructions.

(iv) *Cause and effect relationship*: Principles of science lay down cause and effect relationship between related factors. For example, when water is heated up to 100°C, it starts boiling and turns into vapor. Similarly, the principles of management establish cause and effect relationship between different variables. For instance lack of balance between authority and responsibility will cause management to become ineffective.

(v) *Tests of validity and predictability*: Validity of scientific principles can be tested at any time and any number of times. Every time the test will give the same result. Moreover, the future events can be predicted with reasonable accuracy by using scientific principles. For example, the Law of Gravitation can be tested by throwing various things in the air and every time the object will fall on the ground. Principles of management can also be tested for their validity. For example, the principle of unity of command can be tested by comparing two persons, one having a single boss and other having two bosses. The performance of the first person will be higher than that of the second.

Thus, management is undoubtedly a science. It contains a systematic body of knowledge in the form of general principles which enjoy universal applicability. However, management is not as exact a science—Physics, Chemistry, Biology and other Physical sciences. This is because management deals with people and it is very difficult to predict accurately the behavior of living human beings. Management principles are universal but they cannot be expected to give exactly the same results in every situation. That is why management is known as a soft science. Management is a social science. It is still growing, with the growing needs of human organisations.

Management as an Art

Art implies the application of knowledge and skills to bring about the desired results. The essential elements of arts are:

- (i) Practical knowledge
- (ii) Personal skill
- (iii) Result oriented approach
- (iv) Creativity
- (v) Improvement through continuous practice

Let us judge how far management fulfils these requirements:



(i) Practical knowledge: Every art signifies practical knowledge. An artist not only learns the theory but also its application in practice. For example, a person may have adequate technical knowledge of painting but he cannot become a good painter unless he knows how to make use of the brush and colours. Similarly, a person cannot become a successful manager simply by reading the theory and getting a degree or diploma in management. He must also learn to apply his knowledge in solving managerial problems in practical life. A manager is judged not just by his technical knowledge but by his efficiency in applying this knowledge.

(ii) Personal skill: Every artist has his own style and approach to his job. The success of different artists differs even when all of them possess the same technical knowledge or qualifications. This is due to the level of their personal skills. For example, there are several qualified singers but Lata Mangeshkar has achieved the highest degree of success. Similarly, management is personalised. Every manager has his individual approach and style in solving managerial problems. The success of a manager depends on his personality in addition to his technical knowledge.

(iii) Result-oriented approach: Arts seek to achieve concrete results. The process of management is also directed towards the accomplishment of desirable goals. Every manager applies certain knowledge and skills to achieve the desired results. He uses men, money, materials and machinery to promote the growth of the organisation.

(iv) Creativity: Art is basically creative and an artist aims at producing something that had not existed before. Therefore, every piece of art requires imagination and intelligence to create. Like any other art, management is creative. A manager effectively combines and coordinates the factors of production to create goods and services. Moulding the attitudes and behaviour of people at work, towards the achievement of the desired goals is an art of the highest order.

(v) Improvement through people: Practice makes one perfect. Every artist becomes more and more efficient through constant practice. A dancer, for example, learns to perform better by continuously practicing a dance. Similarly, a manager gains experience through regular practice and becomes more effective.

Thus, "management is both a science as well as an art". It is a science because it has an organised body of knowledge consisting of certain universal facts. It is known as an art because it involves creating results through practical application of knowledge and skills. However, art and science are complementary to each other. They are not mutually exclusive. Science teaches one to know and art to do. Art without science has no guide and science without art is knowledge wasted.

For example, a person cannot be a good surgeon unless he has scientific knowledge of human anatomy and the practical skill of applying that knowledge in conducting an operation.

Similarly, a successful manager must know the principles of management and also acquire the skill of applying those principles for solving managerial problems in different situations. Knowledge of principles and theory is essential, but practical application is required to make this knowledge fruitful. One cannot become an effective manager simply by learning management principles by heart. Science (theory) and art (practice) are both essential for the success of management.

CHARACTERISTICS OF MANAGEMENT

An analysis of the definition of management indicates the following features of management:

1. Management is goal-oriented



Management is not an end in itself. It is a means to achieve certain goals. Management has no justification to exist without goals. Management goals are called group goals or organisational goals. The basic goal of management is to ensure efficiency and economy in the utilisation of human, physical and financial resources. The success of management is measured by the extent to which the established goals are achieved. Thus, management is purposeful.

2. Management is an Activity

Management is a process of organized activity. It is concerned with the efficient use of resources of production. This process is made up of some interrelated elements—planning, organizing, leading and controlling. Terry says, “Management is not people, it is an activity.” Those who perform this activity are designated as ‘Managers’.

3. Management is Multidimensional : A single activity of business includes three main acts.

- Management of work- planning, organizing, controlling.
- Management of people- staffing, directing
- Management of operations- production, sales, purchase

4. Management is a continuous Process

Management is a dynamic and an on-going process. The cycle of management continues to operate so long as there is organised action for the achievement of group goals.

5. Management is Intangible

Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

6. Management is multidisciplinary

Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology, etc. The vast body of knowledge in management draws heavily upon other fields of study.

7. It is Dynamic

Management is not a static activity. It adapts itself to the new changes in society. It also introduces innovation in its style and techniques. It accepts environmental changes.

8. Hierarchical Nature

Management has several positions, ranks, authority and hierarchies flowing from top to bottom across all levels in the organization. It has top, middle and bottom levels with superiors and subordinates. Management contains a chain of authority and command with attached responsibility. This is known as the managerial hierarchical system of authority.

9. Group Activity



It is concerned with the efforts of a group. It works in 'cooperative group'. Managers are vital to joint activity. Management is essential wherever people work together for a common cause. Management plans, organizes, go-ordinates, directs and controls the group efforts, not the individual efforts.

10. Management is Universal

Management is needed in all types of organized activities and in all types of organizations. In fact, it is present in all walks of life. Fayol writes, "Be it a case of commerce, industry, politics, religion, war or philanthropy, in every concern there is a management functions to be performed." Also, the techniques and tools of management are universally applicable.

11. Separate Identity

Management represents a separate class of managerial personnel who are quite different from the identity of workers and capitalists. It is a class of administrators and planners. Managers need not to be owners. In modern industrial society Labour, Management and Capital are different entities.

12. It Involves Decision-making

Making decision is a real identity of a manager. He is a planner and thinker. He decides the course of action, strategies, policies and programmes. Drucker states, "Whatever a manager does, he does through making decisions." Thus, management is always a decision-making process,

13. Pervasive at all Levels

Managerial activity pervades all levels of the organization. It is required at top, middle and supervisory levels for getting things done through others. Every manager, whether he works at top or low level, performs the same managerial tasks to do his role.

14. Management is a Social Process

Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relations. Human factor is the most important element in management. According to Appley, "Management is the development of people not the direction of things. A good manager is a leader not a boss. It is the pervasiveness of human element which gives management its special character as a social process".

15. Management is an Integrative Force

The essence of management lies in the coordination of individual efforts in to a team. Management reconciles the individual goals with organisational goals. As unifying force, management creates a whole that is more than the sum of individual parts. It integrates human and other resources.

FUNCTIONS OF MANAGEMENT

Management functions are the activities that a manager must perform as a result of the position held in the organization. The best way to analyses the management process is in terms of what a manager does. Generally the basic functions of management are: planning, organizing, staffing, directing and controlling. As managing is a dynamic and challenging activity, it includes three kinds of functions and tasks which are common to all managerial jobs. The list of management functions can be presented as follows:



I. Basic Functions

1. Planning
2. Organizing
3. Staffing
4. Directing
5. Controlling

II. Dynamic Functions

1. Co-ordinating
2. Decision Making
3. Representation
4. Innovation
5. Administration

BASIC FUNCTIONS

1. Planning

Planning is one of the most important functions because it sets the pattern for the other activities to follow. Planning function for the new era is more broadly described as delivering strategic value. It is a primary and crucial function which determines how to achieve an objective-deciding what is to be done and when to do it. It is looking ahead and preparing for the future.

2. Organizing

Organizing is the process by which the structure and allocation of jobs are determined. To organize a business is to provide it with everything useful to its functioning.

3. Staffing

Staffing is the process of planning, recruiting, developing, compensating and maintaining human resources in an organization. In staffing, a manager recruits and selects suitable personnel for manning the jobs.

4. Directing

The fourth basic function of management is directing. This is also termed leading or actuating. While planning tells us what to do and organizing tells us how to do directing tells us why the employees should want to do it. Directing is concerned with guiding and leading people. It consists of supervising and motivating the subordinates towards the achievement of set goals.

- (i) Communication
- (ii) Command
- (iii) Motivation
- (iv) Leadership
- (v) Supervision
- (vi) Controlling

5. Controlling

Controlling is evaluating the performance and applying corrective measures so that the performance takes place according to plans. It is reviewing the performance of the employees in the light of the targets and goals.



DYNAMIC FUNCTIONS

1. **Co-ordinating:** To co-ordinate is to harmonize all the activities, decisions and efforts of an organization so as to achieve the unity of action. It is blending the efforts of all employees for an efficient running of an organization.
2. **Decision Making:** decision making is the process by which a course of action is consciously chosen from available alternatives. Decision making is inherent in every managerial function.
3. **Representation:** the manager's job also includes representing his organization in dealings with outside group-government officials, unions, civic groups, financial institutions, customers, suppliers, and the general
4. **Innovation:** innovation means developing new ideas, new products, new quality or devising new methods of work. In other words, the real manager is always an innovator. Innovation is the specific function of entrepreneurial managers, the means by which they exploit change as an opportunity.
5. **Administration:** this is a new task of manager which is described by Peter F. Drucker. He says, "The manager has to administer. He has to manage and improve what already exists and is already known. He has to redirect resources from areas of low or diminishing results to areas of high or increasing results. He has to slough off yesterday and to render obsolete what already exists. He has to create tomorrow."

CHALLENGING FUNCTIONS

1. **Management of Work:** In an organization, work must be performed. For example, in a factory, the product must be manufactured; in a retail store, the customer's need must be satisfied.
2. **Management of People:** Recently a lot of attention has been given to the 'human factor' in managing the business. Human forces are employed, they need to be unified, coordinated, welded into a team effort and directed towards a given purpose. In this lies the challenging task of management.
3. **Management of Operations:** Every organization has some products or service that it must supply in order to exist. Through operations process, these products are manufactured. To manage these operations, managers ensure the flow of input materials, labour, technology and equipment's regularly. This is inextricably interwoven with their daily task.
4. **Management of Change:** Change is an inevitable feature of organizational life every organization operates under the conditions of continuous change. Good managers exhibit a rational response to changing environment. Managers who undertake appropriate changes at the right time achieve success.
5. **Management of Time:** It can be noted that 'time dimension' is ever-present in every management problem, every decision and every action. Thus, managers must make efforts to administer things within time. They must be conscious of the time element.
6. **Strategy Formulation and Action:** In this age of competitive environment, managers have to take decisions and actions that determine the long-run performance of a company. To maintain the lead in fast-paced industry and global markets, strategy formulation and implementation has become an important function of managers.
7. **Making Work Productive and the Worker Achieving:** According to Drucker, the next task of managers is to make work productive and the worker achieving. He says that business enterprise has only one true resource: man. Manager gets his work done by making human resources productive.
8. **Managing Social Impacts and Social Responsibilities:** The another challenging task of managers, according to Drucker, is managing social impacts and the social responsibilities of the enterprise. Drucker says that none of our institutions exist.



Unit-2

PLANNING

MEANING OF PLANNING:

Planning may be defined as deciding in advance what to be done in future. It is the process of thinking before doing. It involves determination of goals as well as the activities required to be undertaken to achieve the goals. In the planning process managers anticipate the future and accordingly decide what activities must be undertaken. Planning deciding in advance – What to do, How to do, When and by whom.

DEFINITION OF PLANNING:

According to James Lundy: "Planning means the determination of what is to be done, how it is to be done, who is to do it, and how results are evaluated."

According to Henry Fayol: "Planning is deciding the best alternatives among others to perform different managerial operation in order to achieve the predetermined goals."

NATURE OF PLANNING:

1. **PLANNING IS GOAL ORIENTED:** Organization is set up with a general purpose in view. Specific goals are set out in the plans along with the activities to be achieving the goals. Thus, planning is purposeful. Planning has no meaning unless it contributes to the achievement of predetermined organizational goals.

2. **PLANNING IS A PRIMARY FUNCTION:** Planning lays down the base for other functions of management. All other functions are performed within the framework of plans drawn. Thus, planning precedes other function. The other functions of management are interrelated and equally important. However, planning provides the base of all the other functions.

3. **PLANNING IS PERVASIVE:** Planning is required at all levels of management as well as in all departments of the organization. It is neither an exclusive function of top management nor of any particular department, the scope of planning differs at different level and among different departments.

4. **PLANNING IS FLEXIBLE:** Plans are drawn on the basis of forecasts. Since the future is uncertain, planning must cope with change in future condition. Activities planned with certain assumptions about the future may not come true.

5. **PLANNING IS CONTINUOUS:** Plans are prepared for the specific period of time, may be for month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence planning is never ending activity. It is a continuous process.

6. **PLANNING IS FUTURISTIC:** Planning essentially involves looking ahead and future. The purpose of planning is to meet future event effectively to the best advantage of an organization. Through forecasting future events and conditions are anticipated and plans are drawn accordingly.



7. PLANNING INVOLVES CHOICE: Planning essentially involves choice from among various alternatives and activities. If there is one possible goal or only one possible course of action, there is no need for planning because there is no choice.

8. PLANNING IS A MENTAL EXERCISE: Planning requires application of the mind involving foresight, intelligent imagination and sound judgment. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken.

OBJECTIVE OF PLANNING:

1. REDUCE UNCERTAINTY: Future is uncertain. Planning may convert the uncertainty into certainty. This is possible to some extent by, planning which is reducing uncertainty.

2. BRING COOPERATION AND CO-ORDINATION: Planning can bring co-operation and co-ordination among various sectors of the organization. The rivalries and conflicts among departments could be avoided through planning.

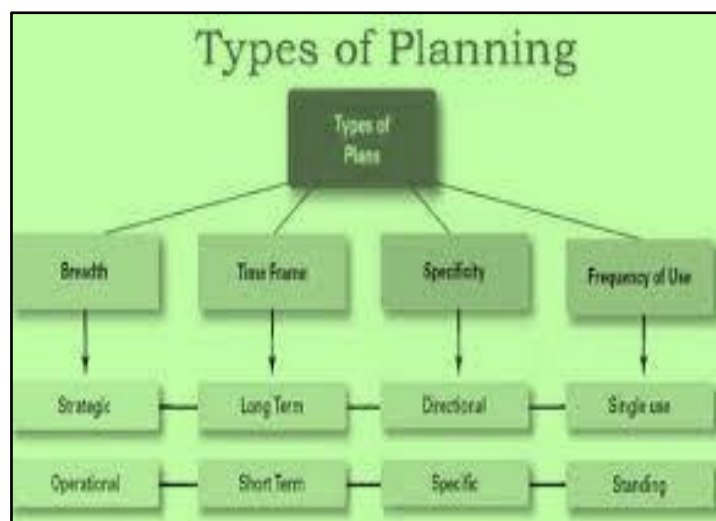
3. ECONOMY IN OPERATION: As already pointed out, planning selected best alternative among various alternatives this will lead to the best utilization of resources. The objectives of the organization are achieved easily.

4. ANTICIPATE THE UNPREDICTABLE CONTINGENCIES: Some events could not be predictable. These events are termed as contingencies. These events may affect the smooth functioning of an enterprise.

5. ACHIEVING THE PRE-DETERMINED GOALS: Planning activities are aimed at achieving the objectives of the enterprise. The timely achievements of objectives are possible only effective planning.

6. REDUCE COMPETITION: The existence of competition enables the enterprise to get a chance for growth. At the same time, stiff competition should be avoided. It is possible, to reduce competition through planning

TYPES OF PLANS:



1. STANDING OR REPEATED USE PLAN:- These plans are prepared by managers at different levels. They are intended for repeated use and are designed to deal with recurring problems. When a particular and familiar problem arises, a standing plan provides a ready guide to action. They form one of the



important means for building predictable patterns of behaviour in a business firm. When a group of people live together or work together, they must be able to anticipate each other's action. This is especially necessary for interdependent activities which require such ability to anticipate. It includes:

a. OBJECTIVE: Effective management implies management by objective. Objectives are goal established to guide of the enterprise. So, all planning work must spell out in clear terms the objectives to be realized from proposed business activities.

b. POLICIES: Planning also requires laying down of policies for the easy realization of the objectives of business. Policies provide a standing answer to recurring questions and problems. They are basic guides to action.

c. PROCEDURES AND METHODS: Objectives and policies will lose much of their significance, if the planning is cannot lay down the procedure and methods for work performance. Procedures will indicate and outline a series of task for a specific course of action. Method is the manner of work performance and follows the set procedures.

d. RULES: A rule specifies necessary course of action in respect of a situation. It acts as a guide and is in the nature of a decision made by the management. This decision lays down what is to be done and what is not to be done In a particular situation. The rules prescribe a definite and rigid course of action without any scope for deviation or discretion entails penalty.

e. STRATEGY: They are device formulated from the competitive standpoint by being fully informed somehow about the planning secrets of the competitors. They are a kind business spying and are applied as Types of Plans Standing or Repeated use Single Use or Operating Contingency Plans the situation demands. So, the success of the plan requires that it should be strategy oriented.

2. SINGLE - USE OR OPERATING PLANS: Standing plan established a structure of customary behaviour for the desired results. They are highly useful devices for managerial decision-making. However, besides these standing plans, a manager can resort to single- use plans to decide in advance the action to be taken to meet a particular problem or a problems arising within a given period. Once the problem is over or met or the time is passed, a new plan is devised for the next period or problem. This type of planning is called single-use plans. It includes:

a. PROGRAMMES: Programmes are precise plans of action followed in proper sequence in accordance with objectives, policies and procedures. Thus, a programme lays down the principle steps to be undertaken to accomplish an objective and sets an approximate time for its fulfillment. A programme may accordingly be a major or a minor one, a long-term one or a medium or short-term one. It is included in a single-use plan because it will not be used in the same form once its task is over.

b. BUDGETS: Budget estimates the men, money, material and equipment, in numerical terms, required for the implementation of plans and programmes. It covers a particular period and when the period is over, a fresh budget comes into being. Budget, thus, is the main instrument of a single-use plan.



c. PROJECTS: A project is particular job that need to be done in connection with a general programme. So, a single step in a programme is set up a project. A period has a distinct object and a clear cut termination. So, it is include In a single-use plan. The task of management is made easier by setting up the work in a project.

3. CONTINGENCY PLANS: Contingency plans as the name suggest are the plans which are formulated in some contingency. The plan is short term and time is deciding factor in the implementation of this plan. These are most important and prior in nature. Decision taken during this is generally non- programmed but some time programmed decisions are also taken. Organizations usually plan in advance to face any contingency to avoid chance to bear losses. These plans are extremely risky in nature. **EXAMPLE:** In most organization contingency fund and contingency stock of inventory are maintained in advance in order to face any contingency in a near future. Sometimes government makes some plans to control the market price of the commodity in contingency like natural calamities like earthquake, flooding etc. And manmade contingencies like strikes, wars, and riots etc.

PLANNING PROCESS:

1. PERCEPTION OF OPPORTUNITIES: Perception of opportunities is not strictly a planning process. However, this awareness is very important for planning process because it leads to formulation of plans by providing clue whether opportunities exist for taking up particular plans. From this point of view, it can be considered as the beginning of planning process. Perception of opportunities and the ability to see them clearly and completely, knowledge of where the organization stands in the light of its strengths and weaknesses, an understanding of why the organization wants to solve uncertainty, and a vision of what it expects to gain.

2. ESTABLISHING OBJECTIVES: At this stage, major organizational and unit objectives are set. Objectives specify the results expected and indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the various types of plans.

3. PLANNING PREMISES: After determination of organizational goals, the next step is establishing the planning premise that is the condition under which planning assumptions – the expected environmental and internal condition. Thus planning premises are external and internal. External premises includes total factor in task environment like political, social, technological, competitors plans and actions, government policies, etc. Internal factors include organizations policies, resources of various types and the ability of the organization to withstand the environmental pressure.

4. IDENTIFICATION OF ALTERNATIVES: Based on the organizational objectives and planning premises, various alternatives can be identified. The concepts of various alternatives suggest that a particular objective can be achieved through various actions. **EXAMPLE:** If an organization has set its objectives to grow further, it can be achieved in several ways like expanding in the same field of business or



product line, diversifying in other areas, joining hands with other organizations, or taking over another organization and so on.

5. EVALUATION OF ALTERNATIVES: Various alternatives which are considered in terms of preliminary criteria may be taken for detailed evaluation. At this stage, an attempt is made to evaluate how each alternative contributes to the organizational objectives in the light of its resources and constraints.

6. CHOICE OF ALTERNATIVE: After the evaluation of various alternatives, the fit one is selected. Sometimes evaluation shows that more than one alternative is equally good. In such a case, a planner may choose more than one alternative. There is another reason for choosing more than one alternative. Alternative course of action is to be undertaken in future which is not constant. A course of action chosen keeping in view the various planning premises may not be the best one if there is change in planning premises. Therefore, planner must be ready with the alternative, normally known as contingency plan, which can be implemented in changed situations.

7. FORMULATION OF SUPPORTING PLANS: After formulating the basic plan, various plans derived so as to support the main plan. In an organization there can be various derivative plans like planning for buying equipments, buying raw materials, recruiting and training personnel, developing new product, etc. these derivative plans are formulated out of the main plan and therefore, they support it.

8. ESTABLISHING SEQUENCE OF ACTIVITIES: After formulating basic and derivative plans, the sequence of activities is determined so that plans are put into action. Based on plans at various levels, it can be decided who will do what and at what time. Budgets for various periods can be prepared to give plans more concrete meaning for implementation.

LIMITATIONS OF PLANNING:

1. RIGIDITY: The existence of a plan puts managerial activities in a rigid framework. Programmes are carried out according to the plan and deviations are considered to be highly undesirable. This attitude makes managers and employees inflexible in their operations.

2. MISDIRECTION: Planning may be used by a particular individual and groups to serve their own interest. Attempts are made by them to influence setting of objectives, formulation of plans and programs to suit their limited aims and objects, ignoring the interest of the organization. As a result planning may not serve any useful purpose.

3. TIME CONSUMING: Planning is a time consuming process. It requires collection of information, its analysis and interpretation. The process may take considerable time. Thus, planning is not practicable during emergencies and crisis when quick decisions are needed.

4. LACK OF ACCURATE INFORMATION: Planning is concerned with future activity and hence, its quality will be determined by the quality of forecast of future events. As no manager can predict completely and accurately the events of future, the planning may pose problems in operation. This problem is further increased by inaccurate planning premises.



5. PROBLEMS OF CHANGE: The problem of change is often complex in long-range planning. Present conditions tend to weigh heavily in planning and overshadowing future needs, may sometimes result in error of Perception of Opportunities Establishing Objectives Planning Premises Identification of Alternatives Evaluation of Alternatives Choice of Alternatives Formulation of Supporting Plans Establishing Sequence of Activities Prof. Komal Kumbhar Page 8 Swaraj Institute of Management Principle and Practices of Management judgments. Such factors as technology, consumer tastes and desires, business conditions and many others change rapidly and often unpredictably. In such conditions, planning activities taken in one period may not be relevant for another period because the conditions in the two periods may be quite different.

6. INTERNAL INFLEXIBILITIES: Managers while going through the planning process have to work in a set of given variables. These variables often provides less flexibility in planning which is needed to cope up with the change in future events.

a. **PSYCHOLOGICAL INFLEXIBILITIES:** Psychological inflexibility is in the form of resistance to change. Managers and employees in the organization may develop patterns of thought and behavior that are hard to change. They look more in terms of present rather than future.

b. **POLICY AND PROCEDURAL INFLEXIBILITY:** Another internal inflexibility emerges because of organizational policies and procedure. Once these are established, they are difficult to change. Though these policies, procedures, and rules are meant to facilitate managerial action by providing guidelines, they often tend to be too exacting and numerous that they leave very little scope for managerial initiative and flexibility.

c. **CAPITAL INVESTMENT:** In most cases, once funds are invested in fixed assets, the ability to switch future course of action becomes rather limited, and investments itself becomes a planning premises. During the entire life of the fixed assets, this inflexibility continuous unless the organization can reasonably liquidate its investment or change its course of action, or unless it can afford to write off the investment.

7. EXTERNAL INFLEXIBILITIES: Besides the internal inflexibilities, managers are confronted with much external inflexibility and they do not have these. **EXAMPLE:** Managers have little or no control over social economic, technological and political forces. Whether these change quickly or slowly, they do stand in the way of effective planning.

a. **POLITICAL CLIMATE:** Every organization, to a greater or lesser degree, is faced with the inflexibility of the political climate existing at any given time. Attitudes of government towards business, taxation policy, regulation of business etc. generate constraints on the organizational planning process. Government being major supplier or certain raw materials, finance institution through financial institution may affect the business organization considerably.

b. **TRADE UNION:** The existence of trade union, particularly those organized at the national level, tends to restrict freedom of planning. Apart from wages and other associated benefits, they affect the planning



process by putting limitations and the work that can be undertaken by the organization. They set up the work rule and productivity. To that extent, managers are not free to make decisions of their choice.

c. **TECHNOLOGICAL CHANGES:** The rate and nature of technology changes also present very definite limitations upon planning. An organization is engaged in its process with a given technology. When there is a change in technology, it has to face numerous problem resulting into higher cost of production and less competitive competence in the market. However, the organization cannot change its technology so frequently. Thus, higher rate of technology changes more would be the problem of long- range planning.

Forecasting:

Forecasting is process of using past and present data and analysis of trends for predictions of the future. It helps the organization to cope with the future uncertainties. It is more advanced term of prediction. Forecasting is done with certain assumption based on the experience of management, their knowledge, and judgment. An error in assumptions may result in forecasting error.

Steps in forecasting:

- Analyzing and understanding the problem
- Developing strong foundation
- Collecting and analyzing relevant data
- Estimating future events.
- Finding reason for poor performance.
- Continuous follow up



PLANNING VERSUS FORECASTING

Basis for comparison	Planning	Forecasting
Meaning	Planning is the process of identifying future goal and looking ahead for the future course of action.	Forecasting is prediction of future performance of a firm, taking into account past and present data.
Related with	Future course of action.	Prediction of future performance.
Based on	Objective, performance, and relevant information.	Certain degree of guess and assumption.
Responsibility of	Top level managers, CEO or president	Experts, Analysts or different level of managers employed by the firm.
Stresses on	Facts and Expectation	Facts

Difference Between.net

Decision Making

Meaning:

Decision making may be reviewed as the process of selecting a course of action from among several alternatives in order to accomplish a desired result. The purpose of decision making is to direct human behaviour and commitment towards a future goal. If there are no alternatives, if no choice is to be made, if there is no other way-out, then there would be not need for decision making. It involves committing the organisation and its resources to a particular choice of course of action thought to be sufficient and capable of achieving some predetermined objective.

Managers at all level in the organisation make decision and solve problems. In fact, decision-making is the process of reducing the gap between the existing situation and the desired situation through solving problems and making use of opportunities. A decision is a course of action consciously selected from available alternatives, with a view to achieving a desired goal. It is an outcome of the judgement and represents a choice and commitment to the same. It is a final resolution of a conflict of needs, means or goals made are the face of uncertainty, complexity and multiplicity. A decision is conclusion reached after consideration it occurs when one option is selected to the exclusion of others – it is rendering of judgement.

Definition:-



George Terry : -Decision making is the selection based on some criteria from two or more alternatives.

Heinz Wehrick and Harold Koontz :-

Decision making is defined as the selection of a course of action among alternatives, it is the care of planning.

Nature Or Characteristics of Decision Making :-

The nature of decision-making may be clearly understood by its following characteristics features:

1. Decision making is an intellectual process, which involves imagination, reasoning, evaluation and judgement.
2. It is a selection process in which best or most suitable course of action is finalized from among several available alternatives. Such selected alternative provides utmost help in the achievement of organizational goals. The problems for which there is only one selection are most decision problems.
3. Decision making is a goal oriented process. Decisions are made to attain certain goals. A decision is rated good to the extent it helps in the accomplishment of objectives.
4. It is a focal point at which plans, policies, objectives, procedures, etc., are translated into concrete actions.
5. Decision making is a continuous process pervading all organizational activity, at all levels and in the whole universe. It is a systematic process and an interactive activity.
6. Decision making involves commitment of resources, direction or reputation of the enterprise.
7. Decision making is always related to place, situation and time. It may be decision not act in the given circumstances.
8. After decision making it is necessary and significant to communicate its results (decisions) for their successful execution.
9. The effectiveness of decision-making process is enhanced by participation.

Importance of decision-making :

1. Implementation of managerial function: Without decision-making different managerial function such as planning, organizing, directing, controlling, staffing

can't be conducted. In other words, when an employee does, s/he does the work through decision-making function. Therefore, we can say that decision is important element to implement the managerial function.

2. Pervasiveness of decision-making: the decision is made in all managerial activities and in all functions of the organization. It must be taken by all staff. Without decision-making any kinds of function is not possible. So it is pervasive.

3. Evaluation of managerial performance: Decisions can evaluate managerial performance. When decision is correct it is understood that the manager is qualified, able and efficient. When the decision is wrong, it is understood that the manager is disqualified. So decision-making evaluate the managerial performance.



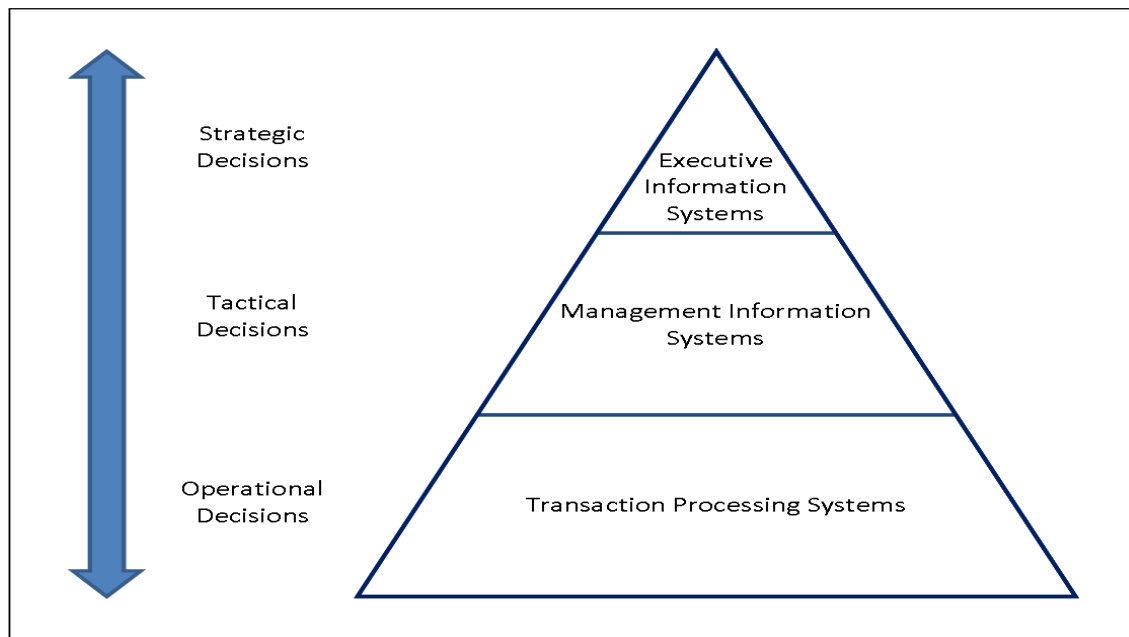
4. Helpful in planning and policies: Any policy or plan is established through decision making. Without decision making, no plans and policies are performed.

In the process of making plans, appropriate decisions must be made from so many alternatives. Therefore, decision making is an important process which is helpful in planning.

5. Selecting the best alternatives: Decision making is the process of selecting the best alternatives. It is necessary in every organization because there are many alternatives. So decision makers evaluate various advantages and disadvantages of every alternative and select the best alternative.

6. Successful operation of business: Every individual, departments and organization make the decisions. In this competitive world; organization can exist when the correct and appropriate decisions are made. Therefore, correct decisions help in successful operation of business.

Types of decisions :



Strategic Decisions and Routine Decisions

As the name suggests, routine decisions are those that the manager makes in the daily functioning of the organization, i.e. they are routine. Such decisions do not require a lot of evaluation, analysis or in-depth study. In fact, high-level managers usually delegate these decisions to their subordinates. On the other hand, strategic decisions are the important decisions of the firm. These are usually taken by upper and middle-level management. They usually relate to the policies of the firm or the strategic plan for the future. Hence such



decisions require analysis and careful study. Because strategic decisions taken at this level will affect the routine decisions taken daily.

Programmed Decisions and Non-Programmed Decisions

Programmed decisions relate to those functions that are repetitive in nature. These decisions are dealt with by following a specific standard procedure. These decisions are usually taken by lower management. For example, granting leave to employees, purchasing spare parts etc are programmed decisions where a specific procedure is followed. Non-programmed decisions arise out of unstructured problems, i.e. these are not routine or daily occurrences. So there is no standard procedure or process to deal with such issues. Usually, these decisions are important to the organization. Such decisions are left to upper management. For example, opening a new branch office will be a non-programmed decision.

Policy Decisions and Operating Decisions

Tactical decisions pertaining to the policy and planning of the firm are known as policy decisions. Such decisions are usually reserved for the firm's top management officials. They have a long term impact on the firm and require a great deal of analysis. Operating decisions are the decisions necessary to put the policy decisions into action. These decisions help implement the plans and policies taken by the high-level managers. Such decisions are usually taken by middle and lower management. Say the company announces a bonus issue. This is a policy decision. However, the calculation and implementation of such bonus issue is an operating decision.

Organizational Decisions and Personal Decisions

When an executive takes a decision in an official capacity, on behalf of the organization, this is an organizational decision. Such decisions can be delegated to subordinates. However, if the executive takes a decision in a personal capacity, that does not relate to the organization in any way this is a personal decision. Obviously, these decisions cannot be delegated.

Individual Decisions and Group Decisions

When talking about types of decisions, let us see individual and group decisions. Any decision taken by an individual in an official capacity it is an individual decision. Organizations that are smaller and have an autocratic style of management rely on such decisions. Group decisions are taken by a group or a collective of the firm's employees and management. For example, decisions taken by the board of directors are a group decision.



Steps of decision making :

Problem Detection

The first and foremost step in good decision making is to identify the problem. This is the basic requirement of every decision making process. Unless and until the business is able to recognise its problems properly, it can't handle them. If the business is not able to handle its problems timely and properly, it can have adverse effects on business. So, it is very important that problems are identified by the decision making process.

Understanding The Problem

The next step is to do properly diagnosis of problem. It involves properly understanding the nature of the problem. Root causes of problems are identified for better understanding. Attempts are made to find out why problem have occurred, who all are affected by it, what are its causes and what are its effects if not handled timely.

Acquiring Information

After understanding the real causes and nature of problems, information is collected from different sources. Information is collected both internally and externally from the organisation to properly study the factors relating the problems.

This information gather is used for better understanding and find out the proper solution timely. Business use tools like 'Check Sheet' for effective collection of relevant and useful information.

Establish Different Solutions

The next step is concerned with finding out the different possible ways of handling the problems. It aims at creating possible solutions for particular problem. Once information is gathered, now the collected information is properly studied to arrive at conclusion.

Here, ultimately solutions to the particular issues of organisation are developed from different perspectives. Here creativity of peoples involved in decision making has an important role. It helps them in developing numerous solutions. More are the solution developed; more are the chances of having good decision making.

Analysing Alternatives

This involves properly evaluating each and every solution developed to handle the problems. All the alternatives already established in previous step are analysed from different perspectives. Strong and weak points of each and every solution developed is checked properly. It helps in easily judging the most



effective alternative for managing problems. This is the most important and supportive step in good and effective decision making process.

Choosing The Best Solution

In this step, best and the most convenient solution among large number of alternatives available is shortlisted. Attempts are made to choose the one which can effectively handle the problem. It is the core of good decision making.

If proper solution is not selected then it can have long term adverse effects. The solution that is best suited in accordance with company needs and objectives are chosen. Methodologies used for evaluating alternatives make it easy and convenient to choose the best alternative.

Applying The Decision

This step simply involves implementing the shortlisted alternatives. Decision is of no use if it is not applied timely as it will lose its effectiveness. Once the best solution is determined using different methodologies, it should be implied properly and timely. Everything should go as per your decisions taken to arrive at effective conclusion.

Evaluate The Results

This is the last step in the process of decision making. It is here where the performance and effectiveness of decisions made by are analysed. It checks the outcomes of the decision and whether it is able to solve the problem properly or not.

Efforts are made to find out the shortcomings of decision in tackling the problems and then correcting them. If decision is found inaccurate in handling the problem, then the different alternative is chosen and implied.

Management by objectives (MBO)

Meaning and definition of Management by objectives (MBO) : The origins of MBO can be traced back to 1954, when management expert Peter Drucker first introduced the term and the concept in his book, entitled "The Practice of Management". Basically, he described it as an environment where management and employees join forces and work together to set and monitor the goals of the organization for a certain period.

Management by objectives (MBO) is a strategic management model that aims to improve the performance of an organization by clearly defining objectives that are agreed to by both management and employees. According to the theory, having a say in goal setting and action plans encourages participation



and commitment among employees, as well as aligning objectives across the organization. It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace. Management by Objectives defines roles and responsibilities for the employees and help them chalk out their future course of action in the organization.

Need for Management by Objectives (MBO) :-

- The Management by Objectives process helps the employees to understand their duties at the workplace.
- KRAs are designed for each employee as per their interest, specialization and educational qualification. The employees are clear as to what is expected out of them.
- Management by Objectives process leads to satisfied employees. It avoids job mismatch and unnecessary confusions later on.
- Employees in their own way contribute to the achievement of the goals and objectives of the organization. Every employee has his own role at the workplace. Each one feels indispensable for the organization and eventually develops a feeling of loyalty towards the organization. They tend to stick to the organization for a longer span of time and contribute effectively. They enjoy at the workplace and do not treat work as a burden.
- Management by Objectives ensures effective communication amongst the employees. It leads to a positive ambience at the workplace.
- Management by Objectives leads to well defined hierarchies at the workplace. It ensures transparency at all levels. A supervisor of any organization would never directly interact with the Managing Director in case of queries. He would first meet his reporting boss who would then pass on the message to his senior and so on. Every one is clear about his position in the organization.
- The MBO Process leads to highly motivated and committed employees.
- The MBO Process sets a benchmark for every employee. The superiors set targets for each of the team members, each employee is given a list of specific tasks.

Features of MBO :-



1. Goal Orientation: MBO focuses on the determination of unit and individual goals in line with the organizational goals. These goals define responsibilities of different parts of the organisation and help to integrate the organisation with its parts and with its environment. MBO seeks to balance and blend the long term objectives (profit, growth and survival of the firm with the personal objectives of key executives. It requires that all corporate, departmental and personal goals will be clearly defined and integrated.

2. Participation: The MBO process is characterized by a high degree of participation of the concerned people in goal setting and performance appraisal. Such participation provides the opportunity to influence decisions and clarify job relationships with superiors, subordinates and peers. It also helps to improve the motivation and morale of the people and results in role clarity. Participative decision-making is a prerequisite of MBO. MBO requires all key personnel to contribute maximum to the overall objectives.

3. Key Result Areas: The emphasis in MBO is on performance improvement in the areas which are of critical importance to the organisation as a whole. By identification of key result areas (KRAs), MBO ensures that due attention is given to the priority areas which have significant impact on performance and growth of the organization

4. Systems Approach: MBO is a systems approach of managing an organisation. It attempts to integrate the individual with the organisation and the organisation with its environment. It seeks to ensure the accomplishment of both personal and enterprise goals by creating goal congruence.

5. Optimization of Resources: The ultimate aim of MBO is to secure the optimum utilization of physical and human resources of the organisation. MBO sets an evaluative mechanism through which the contribution of each individual can be measured.

6. Simplicity and Dynamism: MBO is a non-specialist technique and it can be used by all types of managers. At the same time it is capable of being adopted by both business and social welfare organizations. MBO applies to every manager, whatever his function and level, and to any organisation, large or small.

7. Operational: MBO is an operational process which helps to translate concepts into practice. MBO is made operational through periodic reviews of performance which are future-oriented and which involve self-control.

8. Multiple Accountability: Under MBO, accountability for results is not centralized at particular points. Rather every member of the organisation is accountable for accomplishing the goals set for him. Multiple



centers of accountability discourage 'buck-passing' and 'credit-grabbing'. MBO establishes a system of decentralized planning with centralized control.

9. **Comprehensive:** MBO is a 'total approach'. It attaches equal importance to the economic and human dimensions of an organisation. It combines attention to detailed micro-level, short range analysis within the firm with emphasis on macro-level, long range integration with the environment.

Benefits of MBO :-

1. **Better Managing:** MBO results in improved and better managing. Better managing requires setting goals for each and every activity and individual and ensuring that these are achieved. MBO not only helps in setting objectives but also ensures balancing of objectives and resources. For establishing objectives there is a need for better and result oriented planning. Management by objectives forces managers to think about planning for results, rather than merely planning activities or work. Managers will devise ways and means for achieving objectives. The objectives also act as controls and performance standards. So MBO is helpful in improving management.

2. **Clarifying Organisation:** MBO helps in clarifying organisational roles and structures. Responsibility and authority are assigned as per the requirements of the tasks assigned. There is no use of fixing objectives without delegating requisite authority. The positions should be built around the key results expected of people occupying them. Implementation of MBO will help in spotting the deficiencies in the organisation.

3. **Encouraging Personal Commitment:** The main benefit of MBO is that it encourages personnel to commit themselves for the achievement of specified objectives. In a normal course people are just doing the work assigned to them. They follow the instructions given by the superiors and undertake their work as a routine matter. In MBO the purpose of every person is clearly defined with his or her own consent. People in the organisation have an opportunity to put their own ideas before superiors, discuss the pros and cons of various suggestions and participate in setting the final objectives. When a person is a party for setting objectives then he will make honest endeavor to achieve them. He will feel committed to reach the goals decided with his consent. A feeling of commitment brings enthusiasm and helps in reaching the goals.

4. **Developing Controls:** MBO mechanism helps in devising effective controls. The need for setting controls is the setting of standards and then finding out deviations if any. In MBO, verifiable goals are set and the actual performance will help in finding out the deficiencies in results. Every person is clear about what is expected from him and these standards act as clear cut controls. So controls can easily be devised when MBO is followed.



Drawbacks of MBO :-

1. **Failure to Teach MBO Philosophy:** The success of MBO will depend upon its proper understanding by managers. When managers are clear about this concept only then they can explain to subordinates how it works, why it is being done, what will be the expected results, how it will benefit participants, etc. This philosophy is based on self direction and self control and aims to make managers professionals.

2. **Failure to Give Guidelines to Goal setters:** If the goal setters are not given proper guidelines for deciding their objectives then MBO will not be a success. The managers who will guide in goal setting should themselves understand the major policies of the company and the role to be played by their activity. They should also know planning premises and assumptions for the future. Failure to understand these vital aspects will prove fatal for this system.

3. **Difficulty in Setting Goals:** The main emphasis in MBO technique is on setting objectives. The setting of objectives is not a simple thing. It requires lot of information for arriving at the conclusions. The objectives should be verifiable so that performance may be evaluated. Some objectives may not be verifiable, precaution should be taken in defining such objectives. The objectives should not be set casually otherwise MBO may prove liability for the business.

4. **Emphasis on Short Term Objectives:** In most of the MBO programs there is a tendency to set short-term objectives. Managers are inclined to set goals for a year or less and their thrust is to give undue importance to short term goals at the cost of long term goals. They should achieve short term goals in such a way that they help in the achievement of long term goals also. There may be a possibility that short term and long term objectives may be incompatible because of specific problems. So proper emphasis should be given to both short term and long term objectives.

5. **Danger of Inflexibility:** There is a tendency to stick to the objectives even if there is a need for modification. Normally objectives will cease to be meaningful if they are often changed, it will also be foolish to strive for goals which have become obsolete due to revised corporate objectives or modified policies.



Process of MBO :-



1. Define Organizational Goals- Goals are critical issues to organizational effectiveness, and they serve a number of purposes. Organizations can also have several different kinds of goals, all of which must be appropriately managed. And a number of different kinds of managers must be involved in setting goals. The goals set by the superiors are preliminary, based on an analysis and judgment as to what can and what should be accomplished by the organization within a certain period.

2. Define Employees Objectives-After making sure that employees' managers have informed of pertinent general objectives, strategies and planning premises, the manager can then proceed to work with employees in setting their objectives. The manager asks what goals the employees believe they can accomplish in what time period, and with what resources. They will then discuss some preliminary thoughts about what goals seem feasible for the company or department.

3. Continuous Monitoring Performance and Progress- MBO process is not only essential for making line managers in business organizations more effective but also equally important for monitoring the performance and progress of employees. For monitoring performance and progress the followings are required; i. Identifying ineffective programs by comparing performance with pre-established objectives, ii. Using zero-based budgeting, iii. Applying MBO concepts for measuring individual and plans, iv. Preparing long and short-range objectives and plans, v. Installing effective controls, and vi. Designing a sound organizational structure with clear, responsibilities and decisionmaking authority at the appropriate level.

4. Performance Evaluation- Under this MBO process performance review is made by the participation of the concerned managers.



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

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

Strategy

Meaning of Strategy:

The term strategy has been derived from Greek work “**Strategies**” which means general. So, the word strategy means the art of general. Thus strategy may be defined as gamesmanship or an administrative course of action designed to achieve success in the face of difficulties. It is the grand design or an overall plan, which a company chooses in order to move or reach the mission and objectives.

Candler defined strategy as “**the determination of basic long-term goals and objectives of an enterprise, and the adoption of course of action and the allocation of resources necessary for carrying out these goals.**”

Features of Strategy:

The following feature can be identified based on the above definitions:

1. Strategy is a dynamic or relative concept as it is designed to meet the demands of a particular situation. Every situation requires a different strategy. Strategies may have to be revised frequently because of changes in the situation.

2. Strategies are a complex plan encompassing other plans in order to achieve organisational objectives.

3. Strategy is forward looking: It has to do orientation towards the future. Strategic action is required in a new situation, nothing new requiring solutions can exist in the past so strategy is relevant only to future. It may take advantages of the past analysis.

4. Strategy provides the direction in which human and physical resources will be allocated and deployed for achieving organisational goals in the face of environmental pressure and constraints.

5. Strategy is the right combination of factors both external and internal. In relating an organisation to its environment, management must also consider the internal factors too, particularly in terms of its strengths and weakness, that is, what it can do and what it cannot do.



6. Strategy may involve even contradictory action. Since, strategic action depends on environmental variables, a manager may take an action today and may revise or reverse his steps tomorrow depending on the situation.

Importance of Strategy:

1. Strategies provide the framework for plans by channeling operating decisions. If strategies are developed carefully and understood properly by managers, there will be more consistent framework by managers. Therefore, strategies help to ensure efficiency and consistency in the allocation and employment of resources.

2. A business strategy sets the direction for the activities required to achieve the objectives of the organisation. It is the catalyst and thrust of the business.

3. Strategy formulation is essential for the long-term survival and growth of an organisation.

4. It enables the enterprise to take advantage of environmental opportunities and to combat environmental pressures. It provides useful framework for guiding, thinking and action.

Essentials of a Sound Strategy:

The basic guidelines of an effective strategy are as follows:

1. The strategy should be consistent with the objectives, policies and other strategies of the organisation.

2. The strategy should be workable. It must be able to meet the needs of the particular situation. It must contribute to the progress of the organisation.

3. A sound strategy must be suitable to the environment of the business. A strategy, which is not consistent with the environment, can put the organisation in danger.

4. The strategy should be designed in the light of available resources. A strategic decision involves commitment of right amount of resources to the opportunity and reservation of sufficient resources for unanticipated demands.

5. The risk involved in the strategy must be reasonable in view of its expected pay-offs. A high-risk strategy may threaten the survival of the enterprise, if things go wrong.



Types of Strategy:

Strategies may be classified into the following categories:

1. Stability strategy,
2. Growth strategy,
3. Retrenchment strategy, and
4. Combination strategy.

1. Stability Strategy:

Stability strategy implies, “to leave the well enough along”. If the environment is stable and the organisation is doing well, then it is better to make no changes. This strategy is exercised most often and is less risky as a course of action.

2. Growth Strategy:

Growth means expansion of the operations of the company and addition of new areas of operations. Growth strategy can be very risky and involves forecasting and analysis of many factors that affect expansion like resource availability and market availability. However, growth is necessary due to volatility of business and industries. For the success of an organisation, growth must be properly planned and controlled.

3. Retrenchment Strategy:

Retrenchment primarily means reduction in product, services and personnel. This strategy is many times useful in the face of tough competition, scarcity of resources and re-organisation of the company to reduce waste. Retrenchment strategy, though reflecting failure of the company to some degree becomes highly necessary for the very survival of the company.

4. Combination Strategy:

Combination strategy means using a combination of other strategies and is primarily used by large complex organisations who may want to cut back in some areas and expand in others. Also, in time of financial difficulties, a company may employ entrenchment strategy and resort to growth strategy, if the economic situation improves.

In order to make strategic planning effective, it is necessary to have the right people involved who would objectively and intelligently look at all angles and all factors involved in the success of these plans and strategies.



Implementation of Strategies:

Implementation of strategy is the process through which a chosen strategy is put into action. It involves the design and management of systems, it achieve the best integration of people, structure, processes and resources in achieving organisational objectives.

Important factors in strategy implementation are given below:

1. Institutional of Strategy:

The first basic action that is required for putting a strategy into operation is its institutionalization. Since strategy does not become either acceptance or effective by virtue of being well designed and clearly announced, the successful implementation of strategy requires that the strategy framer act as its promoter and defend.

Often strategy choice becomes a personal choice of the strategist because his personality variables become an influential factor in strategy formulation.

2. Setting Proper Organisational Climate:

It is important in making strategy to work. Organisational climate refers to the characteristics of internal environment, which conditions the corporation, the development of the individuals the extent of commitment and dedication of people in the organisation and the efficiency with which the purpose is translated into results.

Organisations whose strategy is implemented with matching climate are more effective than whose are not. People are the instruments in implementing a particular strategy and organisational climate is basically people-oriented.

3. Developing Appropriate Operating Plans:

Operating plans means action plans, operational programmes and decisions. If they are made to reflect desired of organisational objectives by focusing attention on those factors, which are critical to the success of the organisation as spelled out during the strategy formulation process.

4. Developing Appropriate Organisation Structure:

Organisation structure is the pattern in which parts of the organisation are interrelated or interconnected. It prescribes relationships among various positions and activities. The organisation structure should be designed according to the needs of the strategy for the implementing strategy.

The relationship between strategy and structure can be thought of in terms of utilizing structure for the strategy implementation because structure is a means to an end, that is to provide facilities for implementing strategy. Therefore both should be integrated.



5. Periodic Review of Strategy:

There should be periodic review of strategy to find out whether the given strategy is relevant. This is required because even the carefully developed strategies might cease to be suitable if events change, knowledge becomes more clear, or it appears that the environment will not be as originally thought.

Thus strategies should be reviewed from time to time. Major strategies should be reviewed at least once a year. In fact this is done by most of the organisations who believe in relating themselves with the environments.



UNIT-III

Introduction

The term 'organization' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

- A group of people united by a common purpose.
- An entity, an ongoing business unit engaged in utilizing resources to create a result.
- A structure of relationships between various positions in an enterprise.
- A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

The dynamic interpretation of the term organization as a process is used in this unit.

Organizing

After the objective of enterprise are determined and the plans and policies formulated for the achievement of this objective. Next step is to organize. It means to make arrangement of the things, which are required to achieve the plans.

Definition of Organization

Organization is a complete entity of management involved in arranging people; task and resources creating inter relations between them with a purpose to achieve long term and short term goals.

“Organizing is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them. In performing the organizing function the manager defines, departmentalizes, and assigns activities so that they can be most effectively executed.”

“Organizing is the process through which managers identify what work needs to be done to accomplish the goals laid out in the planning process, divide work among units and individuals, and then coordinate the divided efforts so that the goals can be accomplished.”

According to Robins, “Organizing means determining what task are to be done, who is to do them, how tasks are to be grouped, who is to do them, who reports to whom and where decisions are to be made”.





Characteristics & Elements of Organization

1. Group of Persons
2. Departmentalization
3. Hierarchy of Authority
4. Common goals
5. Division of Labor
6. Resources
7. Co-ordination of activities
8. Co-operative efforts
9. Communication

Organization can be of two types : formal and informal -

Point	Formal Organization	Information Organization
Origin and Goals	Deliberately created; reflects organizational goals: Basic purpose is to achieve organization goals.	Arises spontaneously: reflects individual and group goals: basic purpose is to improve human relations.
Structure	It has a definite structure and is reflected in an organization chart. It is built around group positions.	Structure less: organization chart built around people.
Integrating Mechanisms	Formal organization is held together by rules, regulations and procedures	Held together by feelings of friendship, mutual respect and trust, and so on; it has unwritten rules and is bound by group norms rather than organizational goals.
Communication	Formal organization depends on formal official channels of communication to sell the ideas of management to the organization; communication is a one-way traffic.	The informal organization designs its own communication popularly known as grapevine, for which organizational and social communication process; communication is a two-way traffic.
Size	Tends to be large in size, generally unwieldy and unmanageable.	Tends to be small and manageable.
Durability	Tends to be permanent and stable.	Characterized by instability.
Orientation	It is more or less, an impersonal and arbitrary structure, to which individuals must adjust.	A highly flexible structure designed to satisfy social and psychological needs of individuals.

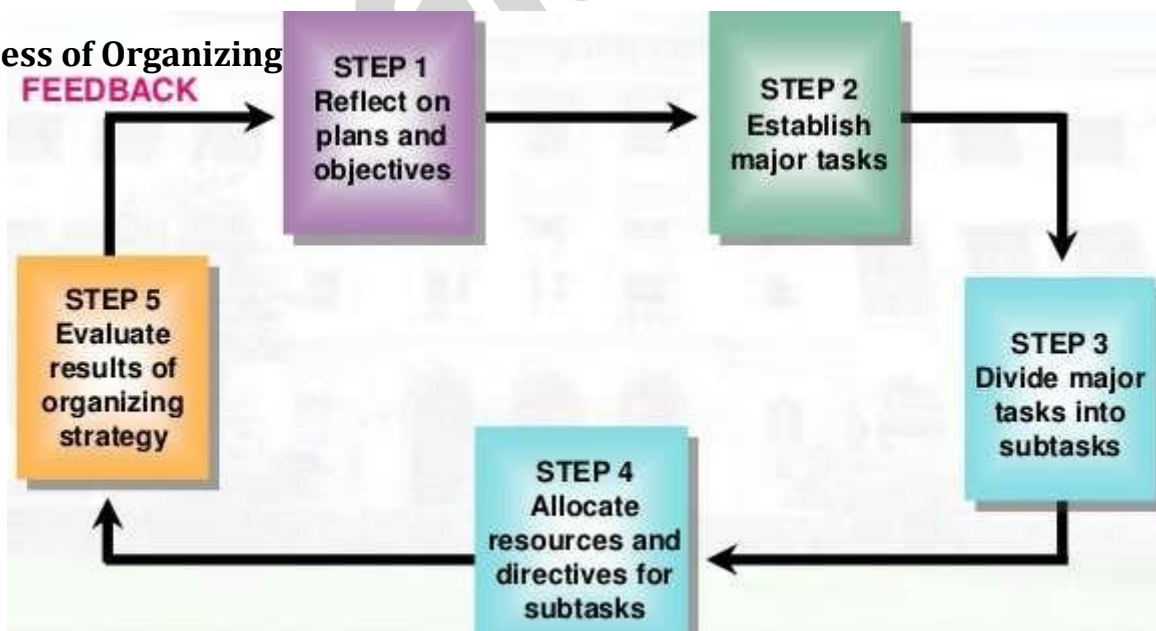


Significance of Organizing



1. The organizing defines every employee's task, duties, responsibilities and goals
2. It establishes the authority, responsibility relationship for cooperative and coordinated efforts.
3. It provides a framework of decision making
4. It creates a network of communication for the purpose of achieving the enterprise objectives with optimum efficiency and effectiveness.
5. It facilitates administration
6. Facilitates growth diversification.

Process of Organizing

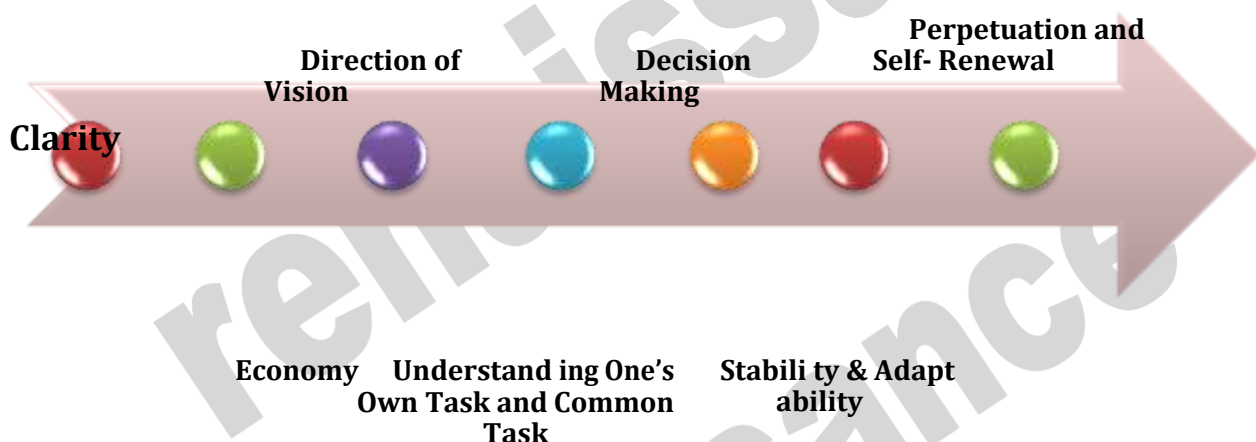




- **Identifying the work:** We organize to achieve objectives. So, it is essential to identify the total work necessary to achieve the goals. The work must be classified in a systematic way so that each person in the organization gets a separate and distinct task. Work must be divided and distributed because no one can handle the total work in an organization single handed.
- **Grouping the work:** Division of work creates the need for coordination. In order to provide for a smooth flow of work all closely related and similar activities must be grouped together. Thus, departments and divisions are crated under the direction of a manger.
- **Establishing relationships:** In order to secure compliance to organizational directives, reporting relationships must be specified. Once formal relationships are established, it would help individuals know what must be done, how it must be done, to whom the matters must be referred and how particular jobs related to one another, etc.
- **Delegating authority:** Authority is the right to act, to issue orders and exact obedience from others. Without authority, a manager may not be able to perform the tasks with confidence and show results.
- **Providing for coordination and control:** The interrelationships between various positions must be specified clearly. The activities and efforts of various individuals must be coordinated. The performance must be measured, evaluated and controlled at frequent intervals. If deviations occur, they must be spotted early and appropriate remedial steps taken immediately.

Principles of organizing

Peter Drucker advances the following principle for designing the organization. The principles are as follows –





1. **Clarity** - Every manager and every part of organization must know its place in the system. He/She should know how he/she is related to other, what contribution he/she has to make to enable others to perform and what contribution he/she should expect from others to perform his/her own task. Clarity is needed in all kinds of organization. It only means that everyone must know its takes authority, position etc. in the organization.
2. **Economy** - People should be encouraged to take initiative and responsibility, execute judgment in taking decision and taking required actions. It requires minimum control and supervision of sub-ordinates.
3. **Direction of Vision** - The pattern of interaction and communication should be design so as to direct to employees vision towards goals rather than towards the task and activities. The vision should be directed not only towards his/her own goal but also towards the goal of the enterprise.
4. **Understanding One's Own Task and Common Task** - It should enable the employee to understand the common task and the contribution. His task is expected to make the performance against organization task. There should be communication, running through out the organization.
5. **Decision - Making** - The organizational structure should be design so as to permit decision to be made at appropriate level. The decision should be made at that particular level itself. The organization structure should strength the right decision at the right time.
6. **Stability & Adaptability** - Every organization needs a certain degree of stability. The reasonable stability enables an organization to plan, introduce and accept the change. The stability should not be related to rigidity, a balance between stability and change should be maintained, also the organization structures inbuilt an ability to adopt a new situation in internal & external environment.
7. **Perpetuation and Self-Renewal** - In order to perpetuate the organization should be capable of renewing itself continuously. The internal forces should be capable to introduce new things and discard the old or useless things. It should provide motivation to its employees to learn and develop use their existing capabilities for achieving the objectives. A self-renewing organization should have quality of open mindedness and receptiveness of new ideas.

Organization Structures

Organization structure is the way work is divided among units of the organization. It is concerned with the establishment of positions and authority relationships. It is the framework within which managerial and operating tasks are performed.

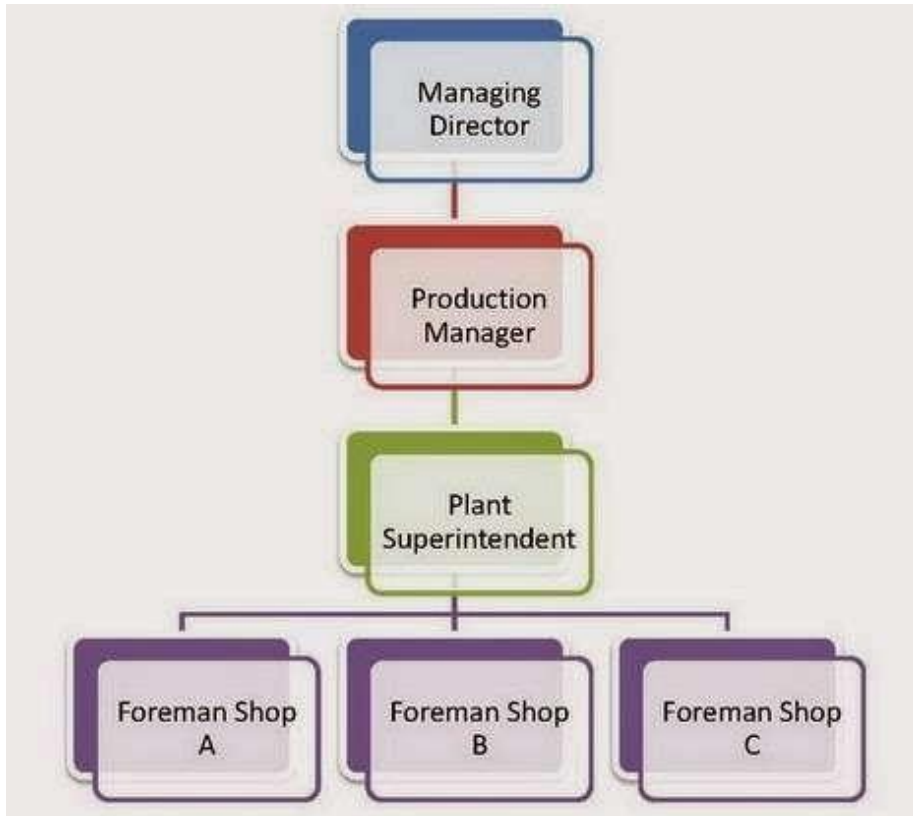
“Organization structure is a set of formalized tasks assigned to individual and work units, formal reporting relationships and the development of integration system.”

There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

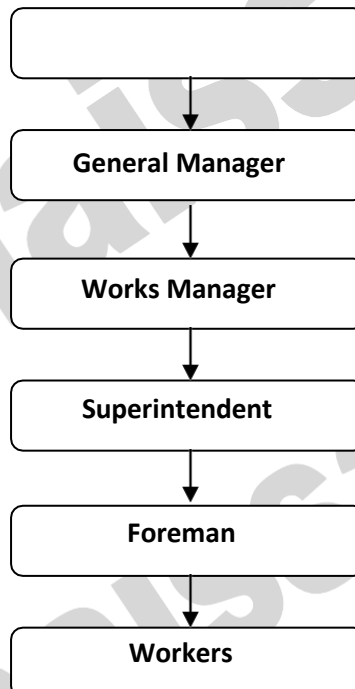
1. **Line Organization:** Line organization is the oldest type of organization which is also known as military organization. It is characterized by direct lines of authority flowing from top to bottom levels of organizational hierarchy and the lines of responsibility and accountability flowing in a opposite but equally direct manner. More specifically, in line organization lines of authority & commands runs from top managers (Ex-Board of directors) to the lowest level of managers (Ex-Supervisor) through the Process of Delegation & redelegation of authority & line of responsibility flows vertically upward from bottom to top organization.

There are two types of line organization:

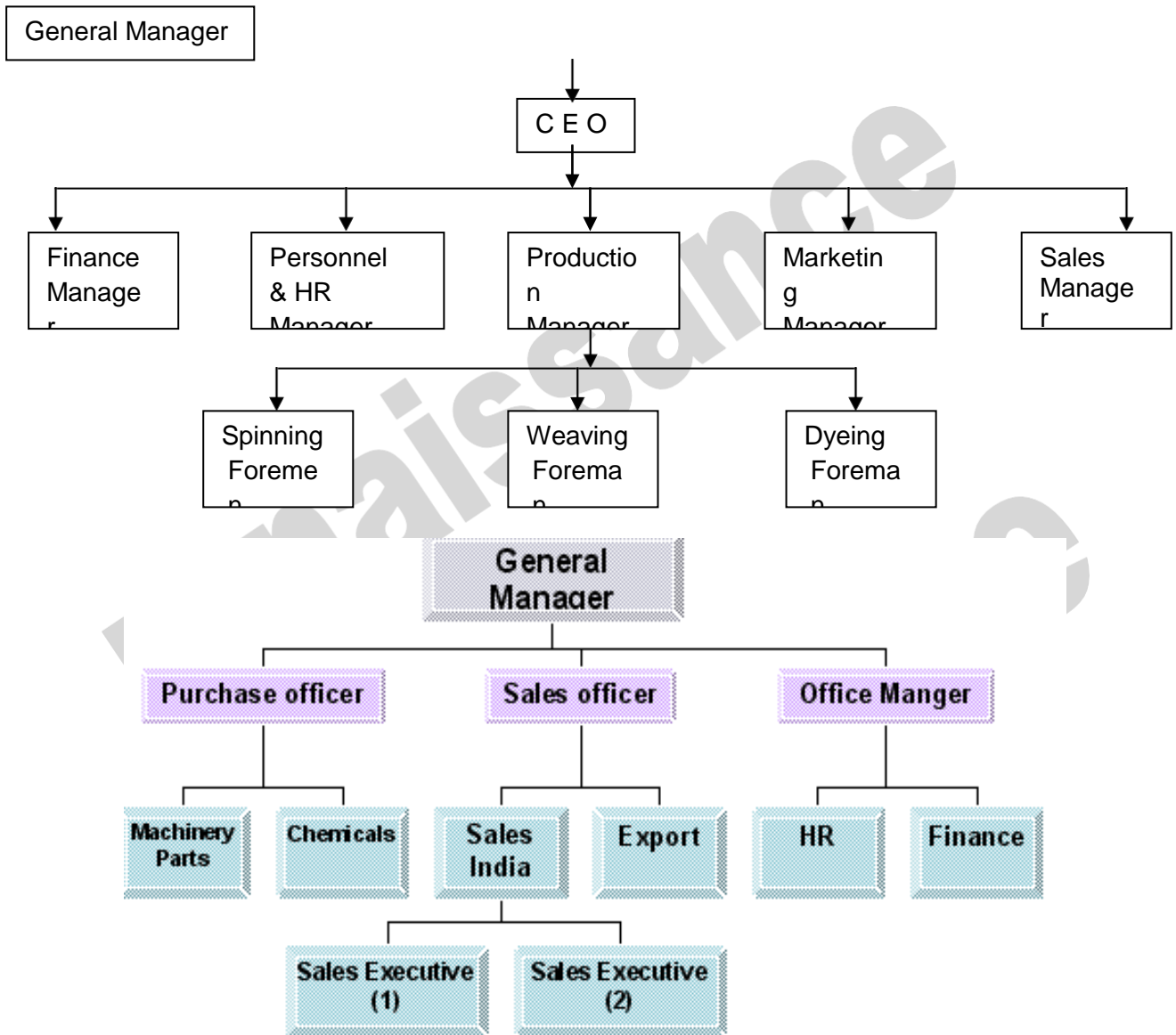
- i. **Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.



Board of Directors



ii. **Departmental line Organization:** The business is broadly divided into departments which are put under charge of various departmental heads. Each departmental head derives authority from chief executive & has complete control over his own departments. All departmental heads enjoys equal status, authority & their function independently. No departmental head can issue orders & instruction to subordinate of any other department.



Advantages of line organization

- i. Simple to establish, understand & operate
- ii. Speedy action
- iii. Proper Discipline
- iv. Fixation of Responsibility
- v. It is less costly

Disadvantages of line organization

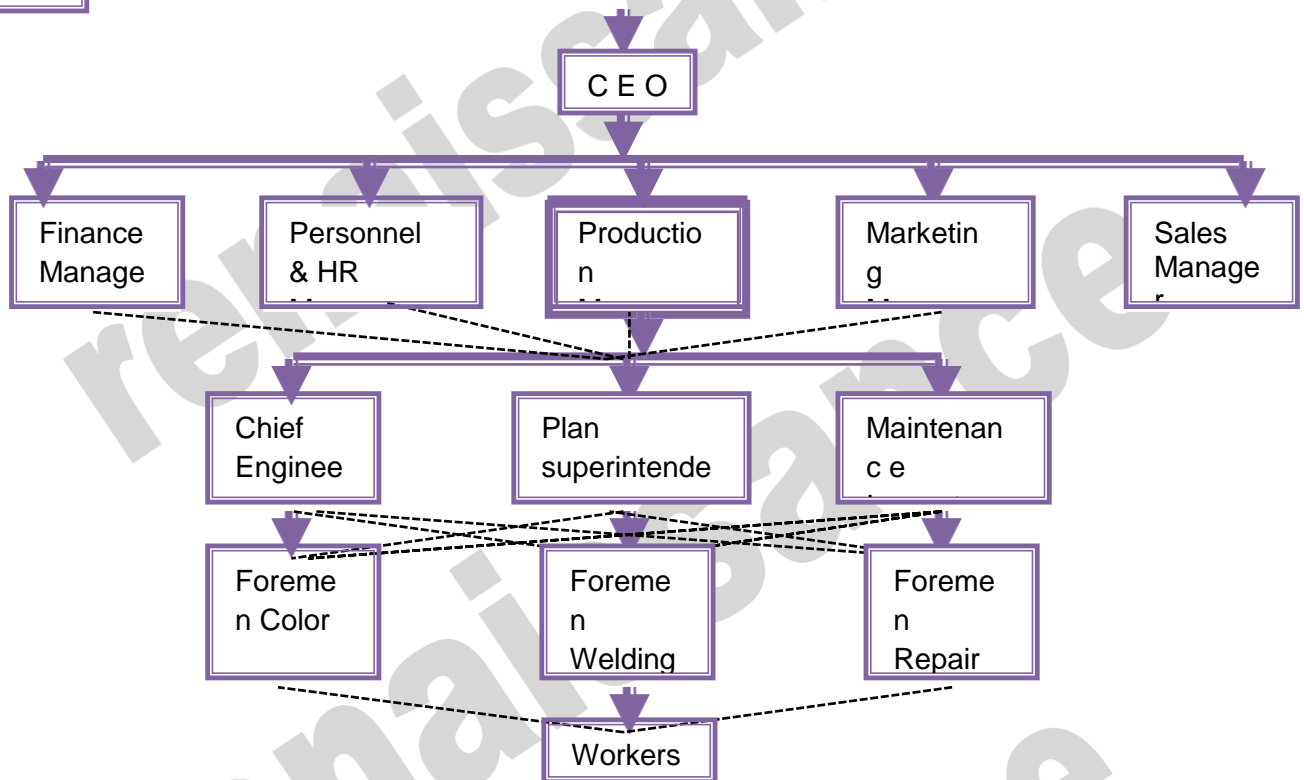
- i. Overloading
- ii. Lack of specialization
- iii. Autocratic leadership
- iv. Lack of stability
- v. Inefficiency of Decision Making
- vi. Not suitable for large enterprises
- vii. Communication Gap.



2. **Functional Organization:** It refers to the organizational in which activities are classified into a number of functions such as Production, Marketing, Finance, HR etc. A functional specialists directs the subordinates throughout the organization in the field of his Particular function i.e. subordinates are accountable to different functional specialist for performance of different functions. Functional authority is limited form of line authority given to functional experts over employees in other departments.

For Ex-Finance Manager is given the authority to directly issued orders and instructions to branch manager & factory manager to ensure effective utilization of money.

B O D



Advantages of functional organization

- i. Specialization
- ii. Efficiency
- iii. Simplified staffing
- iv. Growth & Development
- v. One man control is replaced by joint control
- vi. Relief to executives: It relief's the top executives from the burden of operating and they can focus on strategic planning

Disadvantages of Functional Organization

- i. Complexity: It creates confusion and overlapping of authorities and it is difficult to fix up the responsibility for the final results. "Passing the buck" is very common.
- ii. Lack of Co-ordination: Conflicts between different staff specialist makes co-ordination & co- operation difficult.
- iii. Costly: hiring of experts calls for large salaries and so to the increased clerical work.
- iv. Delay in decision making: Divided control tends to delay the action particularly when more then one specialist is involved. Consulting the staff experts & coming on consensus calls for time & delays in decision making.



- v. Overburdening of Operating Subordinates
- vi. Indiscipline: due to no unity of command their exist dual subordinate leading to conflicting orders & divided loyalty & other problems as to discipline.

3. **Line & Staff Organization:** Line organization involves complete centralization while functional organization involves too much division of control. Line & staff organization is designed to maintain a proper balance between centralization & division of control.

Line & Staff organization is one that has line managers with direct vertical relationships between different levels in the organization in addition to the specialist responsible for advising and assisting the line managers. Line managers are one who are responsible for making decisions & accomplishing the objectives set for them. While staff means “support” & is intended to provide technical advice or service to the manger their relation is purely advisory and they cannot issue instructions to subordinates outside their own departments.



Suitability :

1. Suitable for medium to large enterprises.
2. Organization which can afford high investment.
3. Production of goods & services which required specialized knowledge.

Advantages of Line & Staff Organization

1. Better utilization of resource; Line executives can concentrate fully on execution of work as the function of investigation & advise is taken over staff also departmental staff are not overburden by technical details.
2. Sound & Efficient decision making
3. Planned specialization: As per the skill requisite activities are divided between line & staff while line is focusing & advisory activities.
4. Better co-ordination: Co-ordination of information & activities gets easy.
5. Scope of growth & expansion
6. Easier to maintain discipline & control because it does not hamper unity command like in functional organization.



Disadvantages of Line & Staff Organization

1. Costly: Two separate time of execution line & staff
2. Time Consuming
3. Line & Staff Conflicts: Line manger may advice thinking it impractical while staff may tender half baked ideas because it is not held responsibility.
4. Lack of understanding between line & staff is common.
5. Confusion: Relation between line & staff is not clear which makes authority & responsibility relation very complex & people at lower level get confused who is to do what & how.
6. Overdependence: Line manger may depend too much on staff experts for ideas & information as a result they may loose their own initiative, thinking & judgment.

4. Project Organization:

Project organization is a temporary structure designed to accomplish a specific task or project with the help of specialist drawn from different functional departments within the organization. It consists of number of horizontal & diagonal relationships to accomplish a specific project goal of a long duration. When project is completed all members moves on to a new project or return back to their home departments in the organization or may lead to parent organization. A project manager is given line authority over the team members during the life of project.

Project manager is a person who is responsible for coordinating the activities of several departments & completion of target within specified time, cost & quality framework.

Advantages of Project Organization

1. Specialist Services
2. Timely work
3. It increases the co-ordination between different departments.
4. Flexible Structure
5. There is set unity of command & direction.

Disadvantages of Project Organization:

1. Costly
2. There are lot of Physical, financial & human constraints.
3. There is divided loyalty or there is overburden of company job & Project work.
4. There are chances of conflicts.
5. There is chance of over specialization & it will lead to delay in decision making & work will go beyond time & cost.
6. Project manager have very limited line authority

Suitability of Project Organization

1. Organization which deals with projects for definite goal & time period and when work activity is interdependent.
2. When work is of temporary nature
3. When expected profit or loss can be measured.

5. **Matrix & Grid Organization:** It is a mixture of functional & project organization. Matrix or grid organization is a hybrid organization which combines project structure with functional structure. It is a permanent organization structure design to accomplish specific project (or to achieve specific result) by using teams of specialists drawn from different functional departments within the organization & externals are also there. Functional managers are in charge of specialized resources such as production, quality



control, Marketing, Inventories & finance. Project manager is in charge if ~~Subject: Business Management~~
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~~matrix organization the team members are accountable to both project manager as well as head of~~
functional department to which they are permanently assigned.

Suitability

1. When there is a complex rapidly changing environment in which needs to be flexible & adaptable?
 2. When there is a pressure for shared resources
 3. Presence of intense external competition.
- It is particularly suitable for aerospace, construction, industrial plans, Advertising, Hospital, College project within the specified time & cost framework.

Advantages

1. Efficient use of human resources
2. Interdisciplinary cooperation
3. Enhanced communication both laterally and vertically
4. Customisation of organizational and customer needs
5. Training and team work

Disadvantages

1. Violatin of traditional organizational principles
2. Dual reporting relations and role ambiguity
3. Cannibalization- competition between scarce resources within the system
4. More meetings and discussions than action
5. Costly

6. **Committee Organization:** A committee is a group of two or more appointment, nominated or elected persons to consider discussing, to decide recommend or report on some issue or matters assigned to it. Committees differ in number of dimensions such as purpose, membership, decision making authority or nature of work.

It can be:

- i. Advisory or Executive committee
- ii. Line or Staff committee
- iii. Formal or Informal Committee
- iv. Coordinating Committee
- v. Standing Committee

Suitability

1. This kind of organization structure is commonly used in government organization where they create specific committee to resolve social issues.
2. Where issues in question requires experts opinion & coming to a consensus.

Advantages

1. Experts Opinion
2. Broad Picture to the issue
3. Democratic way of decision groups
4. Representation of interested groups
5. Sharing of information & promotion of new ideas.



1. Reports submitted by committee members are only recommendations or probable solutions to the issue. Their implementation is subject to authority approval to whom report is submitted.
2. Waste of Money, Time & Energy.
3. No one supreme authority to decision making: All representatives are there & they all do not have decision making authority.
4. Lack of Secrecy.
5. A Committee mostly consist of 3 men, 2 of whom are absent.

DIFFERENCE BETWEEN LINE ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Line Organization	Line and Staff Organization
1	This form of organization has lack of specialists. So decisions are not more correct.	The decisions about organization are more strong because at the time of decision, the advice of expert is taken.
2	The authority is centralized. All decisions are taken at top level.	The centralization of authority is comparatively less, departmental management has also the opportunity to take decisions.
3	This organization is fit for small enterprise.	This organization is fit for bigger enterprises.
4	This organization has simplicity because there is clear authority line from top to below and promotions happens easily.	It has complexity, there is no clear authority from top to below, many problems arises due to specialists.

DIFFERENCE BETWEEN FUNCTIONAL ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Functional Organization	Line and Staff Organization
1	In functional organization, decisions are taken by specialists.	In line staff organization the decisions are taken by line officers, specialists give only advice.
2	In this organization full advantage of specialization is taken.	In this, the advantage of specialisation is not taken much due to not taking decision by specialists.
3	In the organization the work is divided according to qualification.	In this, the qualification of workers is not considered at the time labour-division.
4	In this organization, there are separate specialists for every work. So there is problem of coordination.	The line of authority is predetermined. So coordination is easy.
5	In this organization, workers get instructions from different specialists.	In this organization, workers get instructions from a single officer.

DIFFERENCE BETWEEN LINE ORGANISATION AND FUNCTIONAL ORGANISATION

S.No.	Basis of Difference	Line Organization	Functional Organization
1	Simplicity	This is the simplest form of organization.	This is the complex form of organization
2	Expenses	This is less expensive.	Much money is to be spent in this organization.
3	Utility	This is useful for small units.	This is useful for big units.
4	Specialization	This is not based on specialization.	This is used on specialization.
5	Authority and responsibility lines	In it, authority and responsibility lines are up and down.	In, it authority and responsibility lines are up and down and horizontal also.



6	Specialists B.B.A. 1 st Sem.	The services of specialists are not given in it.	The services of specialists are taken in organization.
7	Delegation	In this, delegation is vertical.	In, this delegation may be horizontal.
8	Planning and execution	In this, planning and execution happens simultaneously.	In this, planning and execution are done separately.
9	Authority	The authority lies only in hands of line officers.	In, this authority is given to specialists.
10	Headism	In it, principle of single heads is applied.	In this organization, the principals of many heads is implied.

Delegation of Authority

Delegation is the mechanism through which organization work is distributed among its employees; authority is distribute in them for the performance of assigned task and accountability is imposed on them to perform adequately. A manager is responsible for doing a large variety of task and activities, which he can't do himself. Therefore he assigns some of his work to his subordinates. He helps with himself those tasks, which are for goal attainment and transfer the less important work to his subordinates. After assigning them the work he transfers to the subordinate adequate authority so as to enable them to make decision and take actions required for the achievement of goals. The assignment objective of work and delegation of authority creates on obligation on part of subordinate to perform adequate and efficiently.

Nature of Delegation

- Two-sided relationship
- Act of trust
- Freedom to think and act
- Dependency relationship
- A challenging task
- Forward-thinking principle

PROCESS OF DELEGATION

According to Management expert Newman, the delegation process is compared of four inter related steps.

Process of Delegation of Authority



1. **Assignment Of Duties** – The process being with the assignment of task. The manager should analyse the task involved in his job. He breaks the job into different activities and decides which part of it he bounds to do himself and which part he bounds to assign others. Then he assigns the task depending upon the knowledge, competence of the subordinates. After assigning the task he makes it clear at what result are expected from



2. **Delegation Of Authority** - The subordinate should have adequate authority according their job responsibility so that they can perform their job effectively. As the job responsibility changes there should be change in the extant of the delegated authority.

3. **Creation Of Obligation** - Along with the assignment of task and delegation of authority it is necessary to have certain obligation or accountability from the subordinates for judicious use of authority and effective performance. Reading to the attainment of the pre-determine goals.

4. **Establishment Of Effective Control System** - Fourth step is establishing an adequate control system for evaluating the results of delegation. The managers have to evaluate the progress of subordinate time to time to ensure that authority is utilized effectively and desired results are achieved. The manager establishes control through feedback system that will provide him information on subordinate activities and progress. He may gather information or may ask for written or oral reports form his subordinates. This help in keeping a record of progress and problems sand enables him to take corrective actions.

Principles of Effective Delegation.

1. **Authority Should Be In Coordination With Responsibility** - the authority should be closely related to the responsibilities. There should be adequate coordination between authority and responsibility, which will help to make the required decision and take appropriate action that are required of reflective job performance.

2. **Interfere Should Be Minimize** - One's the authority has been delegated to a subordinate to make decisions he should be allowed to do so even if the superior feels that he can take a better decision himself. He should resist the temptation of interfering the guiding the subordinate, one's the authority is delegated. However when there are complex problem the superior should help and guide the subordinate. He should make decision if required.

3. **Tolerance Of Mistake** - Subordinates may make wrong decision sometime but if his decision is strongly disapproved he will avoid taking decision and than start relaying on his superior for decision. If this happens the subordinate will never learn to make decision and also the superior will be over burden. The minor mistakes should be ignored whereas the superior should correct the serious mistake.

4. **Adequate Control Should Be Established** - It is necessary to establish proper control to ensure that his subordinate exercise authority properly and achieve pre-determined goals. But this control should not be exercised too frequently that it obstructs the subordinate performance & initiative.

5. **Upward Delegation Should Not Be Allowed** - Sometimes the subordinate are uncertain reluctant to use authority. In such situations they follow the policy of awkward delegation. It means that they will refer their problems to their superior rather than talking at their own level, this increase the burden on superior times therefore superior should not allow subordinate to delegate awkward and should insist that they themselves take job related decisions.

Departmentalization

Definition: Departmentalization or Departmentation is a process wherein jobs/teams are combined together into functional units called as departments on the basis of their area of specialization, to achieve the goals of the organisation. So, in this way, the entire organization is divided into parts, i.e. **departments** which comprise of a group of employees, who carry out activities of similar nature.

It determines the functions/activities which are to be housed together and coordinated at the same place. Further, it groups the personnel, who will undertake the delegated functions/tasks.

In a corporate ladder, every level below the top is departmentalized, and each subsequent level is further differentiated into departments.

The top-level executives, groups activities in various departments, such as production, marketing, finance, human resource, research and development, etc. These departments are headed by senior executives, called as managers of the respective department. The departmental managers can delegate tasks and duties to the subordinates, and they are accountable to the chief executive for the performance of the department.

Objectives of Departmentalization

- To specialize activities.



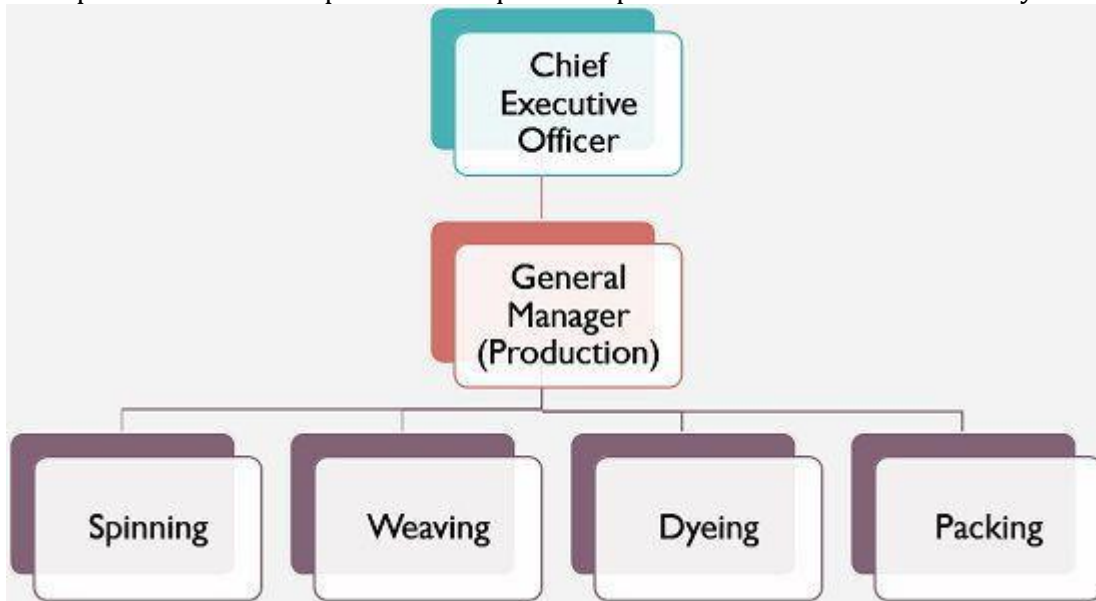
- To simplify the process and operations of the organization
- To maintain control

Departmentalization of activities results in the increase in efficiency of the management and ultimately the enterprise. It is helpful in fixing responsibilities and accountability.

Methods of Departmentalization

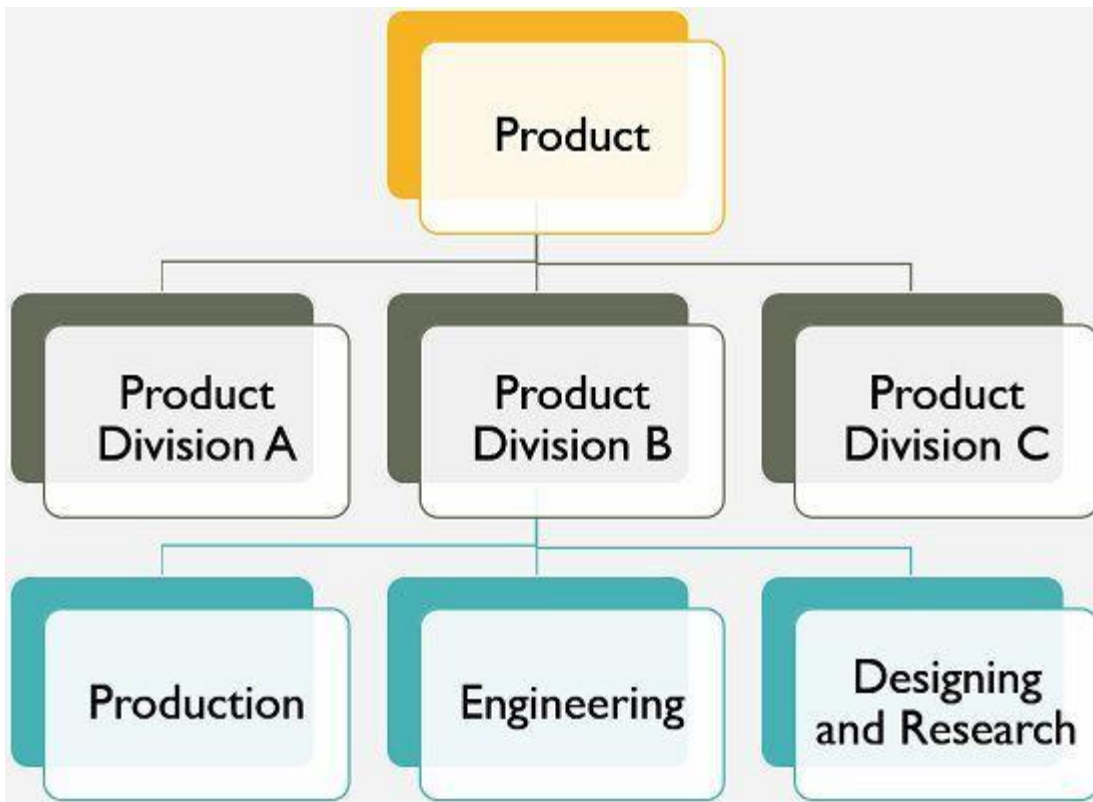
1. **Departmentalization by Function:** When the creation of department is on the basis of specified functions, such as production, marketing, purchase, finance etc. In this method, all the activities related to a function or which are of similar nature are combined in a single unit, to give proper directions to the entire group in one go.

2. **Departmentalization by Process:** In departmentation by the process, the activities are grouped as per the production processes. These departments require manpower and material so as to carryout operations.





3. **Departmentalization by Product:** When the activities related to product development and delivery are combined into a particular division, it is called as product departmentalization. It is appropriate for large-scale multi-product enterprises.



4. **Departmentalization by Customer:** The grouping of the organization according to the different classes of customer or clients. It focuses on special customer needs.



4.5. **Departmentalization by Territory:** When the division is based on the geographical area, it is called as territorial departmentalization. This is suitable for the organizations, that have widespread operations at different locations.

5.6. **Departmentalization by Project:** In project departmentalization, the organizational activities are classified by differentiated or special ventures or activities.

The choice of departmentalization basis is influenced by the factors such as the degree of specialization, coordination, control, cost consideration, adequate attention to key areas, etc.



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RECRUITMENT

Recruitment is defined as “a process of searching for prospective employees & stimulating them to apply for jobs in the organization.”

The function of recruitment precedes the selection function & its includes only finding, developing, the sources of prospective employees & attracting them to apply for jobs in an organization, whereas the selection is the process of finding out the most suitable candidate to the job out of the candidates attracted (i.e. recruited)

Characteristics –

- Positive Process
- Group of Activities (Not a single task)
- Pervasive
- Complex
- Linking Activity

Need and Objectives of Recruitment –

- a) Vacancies created due to transfer, promotion, retirement, termination, permanent disability or death.
- b) Vacancies created due to expansion, diversification, and growth of business.
- c) The normal population growth, which requires increased goods and services to meet the needs of the people.
- d) A rising standard of living, which requires more of the same goods and services as well as the creation of new wants to be satisfied.
- e) An increase in the competitive advantage of certain concerns, enabling them to get more of the available business than formerly.
- f) An increase in business arising from an upswing during the recovery period of a business cycle.

Process of Recruitment –

- 1) Recruitment process begins when the personnel department receives requisitions for recruitment from any department of the company.
- 2) The next step is assessment of personnel requirement through job descriptions and job specifications.
- 3) Locating and developing the sources of required number and type of employees.
- 4) Identifying the prospective employees with particular combinations of skill, experience, education, and other personal attribute.
- 5) Communicating the information about the organization, the job, the terms and conditions of service, and the applicable laws and regulations.
- 6) Encouraging the identified candidates to apply for jobs in the organizations.
- 7) Evaluating the effectiveness of recruitment process.

Sources of Recruitment –

The sources of recruitment are broadly divided into –

- a. Internal sources
- b. External source



Internal sources

- Present permanent employees
- Retrenched or Retired Employees
- Dependants of deceased, disabled, retire & present employee

External sources

- Campus recruitment
- Private Employment Agencies/ Consultants
- Public employment Exchanges
- Professional Associations
- Data banks
- Casual applicants
- Similar organization
- Trade unions

Internal sources –

Internal sources are the sources within an organizational pursuit, internal sources included –

- 1) **Present permanent employees** – Organization considers the candidates from this sources for higher level jobs for ex. Promotion, transfers.
 - **Promotions** – Most of the internal candidates would be submitted to take up higher responsibilities & express their willingness to be engaged in the higher level jobs if management gives them assurance that they will be promoted to the next higher level.
 - **Transfers** – Employees will be stimulated to work in new sections or places if management wishes to transfer to the places of their choice.
- 2) **Retrenched or Retired Employees** – Organization retrenches the employees due to layoff. The organization takes the candidates for employment from the retrenched employee due to obligation trade union pressure etc. sometimes the organization prefer to reemploy their retires employees as a token of layoff to the organization.
- 3) **Dependants of deceased, disabled, retire & present employee** – Some organization with a view to developing the commitment & loyalty of not only the employees but also his family members & to build up image provide employment to the dependant(s) of deceased, disabled & present employees.

Advantages of Internal Recruitment

- The internal recruitment is an excellent tool for the retention of employees, who are not identified as key employees, top performers or high potentials
- The internal recruitment can be much quicker than the external recruitment
- The internal recruitment has a huge impact on loyalty and the engagement of employees
- The internal recruitment is cheap and helps to increase the productivity and performance of the organization

Disadvantages of Internal Recruitment

- The internal recruitment does not bring new and innovative ideas into the organization



- B.B.A. 1st Sem.** **Subject: Business Management**
- The organization has to define clear and strict rules for the employees do focus on meeting their targets. They should not be allowed to change the position too often
 - Managers do not like to allow their employees change the position. They have to find the replacement, and they have difficulties to meet their goals

External Sources

External sources are the sources which are outside the organization pursuit –

External sources include –

- a. Campus recruitment
- b. Private Employment Agencies/
Consultants
- c. Public employment Exchanges
- d. Professional Associations
- e. Data banks
- f. Casual applicants
- g. Similar organization
- h. Trade unions



Advantages of External Recruitment

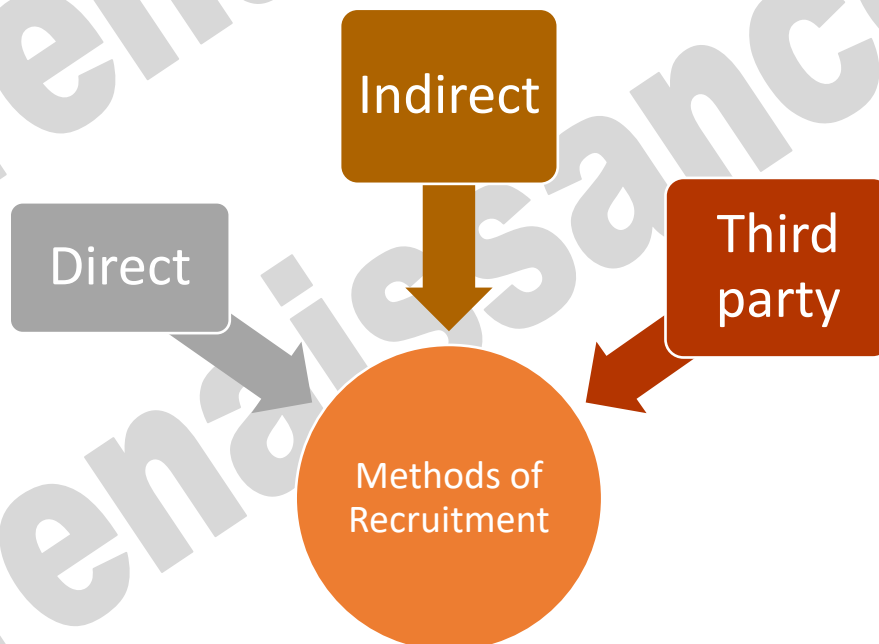
- It can bring fresher skills and inputs to the table
- It promotes better competition
- It is a good way to get ideas from other businesses or industries

Disadvantages of External Recruitment

- It recruits candidates with limited understanding of your company
- It is time-consuming
- It comes with issues of maladjustment

Methods of Recruitment

- 1) Direct Methods
- 2) Indirect Methods
- 3) Third Party Methods



SELECTION

Definition – Selection is the process of picking individuals who have relevant qualifications to fill job in an organization. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates.

“Selection is the process by which candidates for employment are divided into two classes- those who will be offered employment and those who will not.” – Dale Yoder

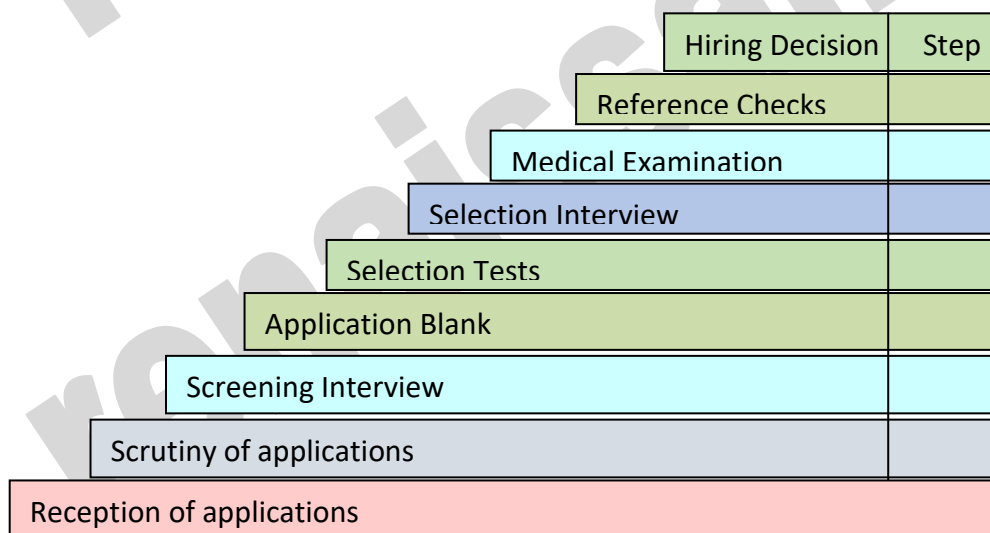


Characteristics of Selection –

- 1) Sorting process
- 2) Negative process
- 3) Sequence of hurdles
- 4) Based on standard pattern
- 5) Process of picking out best suited men.

The process

- 1) **Receiving of Applications** – Various job-seekers send their applications to the employment office or Personnel Department of the company in response to the advertisement made by it.
- 2) **Scrutiny of Applications** – All applications received are scrutinized by the Personnel Department in order to eliminate those applicants who do not fulfill required qualifications.
- 3) **Screening/preliminary Interview** – A preliminary interview is generally planned by large organizations to cut the cost of selection by allowing only eligible to go through the further stages in selection. A junior executive from the HR Department may conduct the interview & take responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience etc.



3. **Application Blank** – application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social demographic, work related background and references.
4. **Selection Testing** – A test is a sample measurement of an individual's job-related abilities and skills. It provides a basis for comparing the behavior, performance and attitudes of two or more persons. There are various types of test:
 - a. Intelligence Tests.



- b. Aptitude Tests
 - c. Personality Tests
 - d. Achievement Tests
 - e. Simulation Tests
5. **Selection Interview** – Interview is the oral examination of candidates for employment.
- Types of Interviews**
- 1) **The non-directive interview** – The recruiter asks question as they come to mind.
 - 2) **The directive or structured interview** – The recruiter uses a predetermined set of questions that are clearly job related.
 - 3) **The situational interview** – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
 - 4) **Stress interview** – The interviewer attempts find how applicants would respond to aggressive, embarrassing and insulting questions.
 - 5) **Panel Interview** – The applicant meets with three to five interviewers who take turns asking questions.
6. **Medical Examination** – Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance level etc. which are ensured through medical examination.
7. **Reference checks** – Candidates are required to give the names of two or three references in their application forms.
8. **Hiring Decision** – The line Manager concerned has to make the final decision-whether to select or reject a candidate. After taking the final decision the organization sends the offer letter to the successful candidates.

TRAINING

INTRODUCTION

Training is a specialized function of human resource management. Every organization needs to have well defined trained people to perform the activities. As job have become more complex it s necessary to raise the skills level of employees.

MEANING & DEFINITION OF TRAINING:-

It is true in many organizations that before an employee is fitted into a harmonious working relationship with other employees, he is given adequate training. Training is the act of increasing the knowledge & skills of an employee for performing a particular job. A trainee learns new habits, refined skills and useful knowledge during the training that helps him improve performance. It is a systematic procedure for transferring technical knowhow to the employees.

According to Edwin B. Flippo. “Training is the act of increasing the knowledge & skills of an employee for doing particular job.”



According to Dale B. Beach, training is “the organized procedure by which people learn knowledge and skill for a definite purpose”.

Thus training refers to the teaching and learning activities directed at helping employees acquire & apply the knowledge skills, abilities & attitudes needed by a particular job & organization.

CHARACTERISTICS or NATURE OF TRAINING

1. Training is an act of increasing the knowledge, skills of an employee for doing a particular job.
2. Training is a continuous process.
3. It involves changing of skills, knowledge, attitudes or social behavior.
4. It is learning process & experience.
5. It seeks relatively permanent change in an individual that will improve.
6. Training is an aid to self development.
7. Essential part of management development.
8. Focus attention on the current job and it is job specific & addresses particular performance defeats or problems.
9. Concentrates on individual employees.
10. Training complement selection if well qualified candidates are selected, there will be less need of training inside the organization.

NEEDS & OBJECTS OF TRAINING

Training is needed to serve the following purpose

1. **Job requirements**–Newly recruited employee require training so as to perform their tasks effectively.
2. **Promotion**- Training is necessary to prepare existing employees for higher level jobs.
3. **Transfers**-Training is necessary to when a person moves from one job to another job. After training the employee can change job quickly, improve his performance levels & achieve career goals compatibly.
4. **Technological changes**-Technology is chaining very fast. New jobs require new skills. No organization can miss the advantages of latest technology without well trained employees.
5. **Increasing competition**-Due to economic liberalization & globalization the firms are experiencing & expansion & diversification of business & products. The kin competition has increased uncertainties & complexities in the market. Thus, in order to face such challenges the firms has to improve their capabilities.
6. **Organizational Viability** – Trained employees are the valuable assets of a company. But the skills of men become outdated due to fast changing conditions in the market and economy. Over the passage of time, employees suffer from personal obsolescence. Their knowledge becomes old. Hence, existing employees need refresher training to keep them abreast of new knowledge.
7. **Hiring Misfits** – Today, public welfare, reservation policy or social responsibility have made it necessary to employ those generally regarded as unemployables. The social goal



of equal employment opportunity has been accepted nationwide. Minority group members have claim to be recruited. Something these persons may be misfits. But their shortage of skills can be removed by 'training'.

TYPES OF TRAINING OR APPROACHES OF TRAINING



1. **Orientation Training** – It is also known as pre job induction training. This training provides new employees with information about company policies, history, procedure pay & benefits, conditions of employment etc. This training adjusts newly appointed employees to the work environment.
2. **Skills training** – This type of training is most common in organizations. The need for training in basic skills such as reading, writing, computing, peaking, listing problem solving, leading etc. is identified through assessment.
3. **Refresher Training** – Rapid changes in technology may force companies to go in for this kind of training organizing short term courses which incorporate the latest knowledge developments in a particular field, the company may keep its employee up to date and ready to take emerging challenges.
4. **Cross functional training-** Involves training employees to perform operations in areas other than their assigned jobs. There are many approaches to cross functional training job rotation can be used to provide a manager in one functional area with a broader perspective than they would otherwise have departments can exchange personnel for a certain period so that each employee how other departments are functioning.



5. **Training for promotion-** employees of high potential are selected & they are given training before promotion. This training is provided when vacant posts are filled up by internal recruitment i.e. by promotion.
6. **Safety Training-** This training is being provided to minimize accidents & damage to machinery. It involves instruction in use of machinery & safety devices.
7. **Apprentice Training-** It is used to prepare employees for a variety of skilled occupations & crafts for examples it is provided to tailor electrotyper, machinist, printing pressman, designer etc.
8. **Internship training-** It refers to joint programme of training educational institutions & business corporate selected students carry on regular school studies for period ranging from 3 to 12 months & then work in the factory or office for a designed period of time.
9. **Remedial Training-** This training has the object to overcome the short coming in the behavior and performance of old employees. Such employees are indentified and correct work methods and procedures are taught to them.
10. **Diversity Training-** Considers all of the diverse dimension in the work place, such gender, age, disability, lifestyle, culture education, idea etc. while designing a training programme. It concentrates on awareness building & skills building.
11. **Job Training-** This training is a conducted with a well increase the knowledge & skills of an employee for improving job performance.
12. **Creative Training-** Involves employees to think unconventionally, go out of the box & give unexpected solutions.

Difference between Training & Development

Learning Dimension	Training	Development
Meant for	Operatives	Executives
Focus	Current job	Current and future job
Scope	Individual employee	Work group or organization
Goal	Fix current skill deficit	Prepare for future work demands
Initiated by	Management – External motivation	The individual – Internal motivation
Content	Specific job related information	General knowledge
Time-frame	Immediate	Long term



The Training Process:-

In order to achieve the objectives, an approximate training programme is necessary

The process is as follows-



1. **Organizational objectives:** - An organization first assesses its objective. What business are we using in what product do we wish to provide to customers? These questions will decide what skills, knowledge, attitudes & other personnel attributes are necessary for employees.
2. **Training Policy:** - A training policy presents the commitment of top management to employee training. It consists of rules & procedures concerning training. A training policy is required to guide the design & implementation of training programme.
3. **Responsibility of training:-** Training is a joint process. Its responsibility has to be shared among the top management, personnel department, the line supervisor & the employees.
4. **Training needs assessment:-** It is the most important step in the process. It is from this needs assessment that the entire training process will flow.



5. **Selection of trainees:** - It is necessary to decide who are to be trained new or old employees.
6. **Training goals:** - The Training goals should ensure that the assessed needs will be served.
7. **Prepare the trainees:** - The source of training depends to a great extent upon the instructors or the resource persons.
8. **Developing Training Package:** - It involves deciding the content of training, designing support materials & choosing appropriate training techniques.
9. **Presenting the operation:** - This is action phase of training. The instructor uses explanation & demonstration for training.
10. **Performance Tryout:** - The trainee is asked questions in order to endure that he really knows & understands the job. He is also asked to do the job several times.
11. **Overall evaluation:** - At the end of training, formal evaluation of the training programme is necessary. This evaluation must be directly related.

IMPORTANCE

Training offers innumerable benefits to both employees and employers. It makes the employee more productive and more useful to an organization. The importance of training can be studied under the following heads:

Benefits to the business:

- Trained workers can work more efficiently. They use machines, tools and materials in a proper way. Wastage is thus eliminated to a large extent.
- There will be fewer accidents. Training improves the knowledge of employees regarding the use of machines and equipment. Hence, trained workers need not be put under close supervision, as they know how to handle operations properly.
- Trained workers can show superior performance. They can turn out better performance. They can turn out better quality goods by putting the materials, tools and equipment to good use.
- Training makes employees more loyal to an organization. They will be less inclined to leave the unit where there are growth opportunities.

Benefits to the employees:

- Training makes an employee more useful to firm. Hence, he will find employment more easily.
- Training makes employees more efficient and effective. By combining materials, tools and equipment in a right way, they can produce more with minimum effort.
- Training enables employees to secure promotions easily. They can realize their career goals comfortably.
- Training helps an employee to move from one organization to another easily. He can be more mobile and pursue career goals actively.
- Employees can avoid mistakes, accidents on the job. They can handle jobs with confidence.



They will be more satisfied on their jobs. Their morale would be high.

- Thus, training can contribute to higher production, fewer mistakes, greater job satisfaction and lower labour turnover.

AREAS OF TRAINING

The area of Training in which training is offered may be classified into the following categories.

1. Knowledge

Here the trainee learns about a set of rules and regulations about the job, the staff and the products or services offered by the company. The aim is to make the employee fully aware of what goes on inside and outside the company.

2. Technical Skills

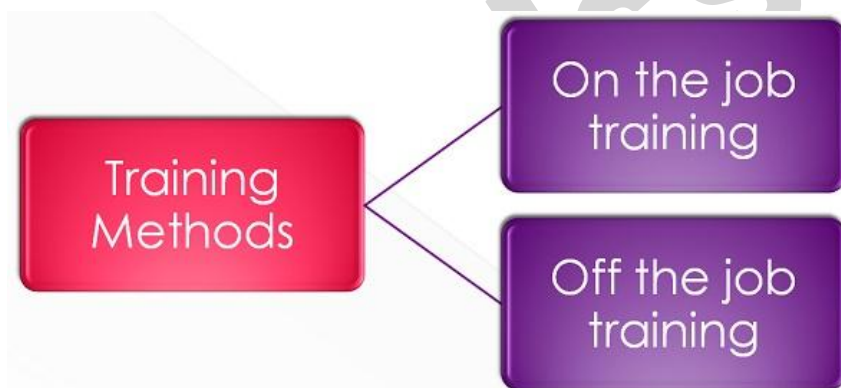
The employee is taught a specific skill (e.g., operating a machine, handling computer etc.) so that he can acquire that skill and contribute meaningfully.

3. Social Skills

The employee is made to learn about himself and others, and to develop a right mental attitude towards the job, colleagues and the company. The principal focus is on teaching the employee how to be a team member and get ahead.

TRAINING METHODS

Training methods are usually classified by the location of instruction. On the job training is provided when the workers are taught relevant knowledge, skills and abilities at the actual workplace; off-the-job training, on the other hand, requires that trainees learn at a location other the real work sot. Some of the widely used training methods are listed below.



I) On-the-Job Training Methods

II) Classroom Approach, or Informational or Presentation Methods

III) Experiential or Hands-on Methods

IV) Self-Paced or Computer-Based Methods

I) ON THE JOB TRAINING METHODS:



1. On-the-Job Training (OJT)

This method places the employees in an actual work situation and makes them appear to be immediately productive. It is learning by doing. Individuals are trained on the same machines, while doing the same work expected of them. The employee learns in the same environment where he will be working at his regular tasks.

2. Job Instruction Training

It is a form of OJT. Many jobs consist of a logical sequence of steps and are best taught step-by-step. It is listing each job's basic tasks along with key points, in order to provide step-by-step training for employees. The steps show what is to be done. Key points show how it is to be done and why.

3. Just-Do-It Training

This approach is a combination of Job Instruction Training and Japanese philosophy of continuous improvement. This JDIT approach begins with instruction on basic principle and then moves to the job where a need for improvement has been identified.

4. Coaching

Coaching is a kind of daily training and feedback given to employees by immediate supervisors. It may be defined as an informal, unplanned training and development activity provided by supervisors and peers. In coaching, the supervisor explains things and answer questions; he throws light on why things are done the way they are; he offers a model for trainees to copy; conducts lot of decision making meetings with trainees; procedures are agreed upon and the trainee is given enough authority to make decisions and even commit mistakes. Of course, coaching can be a taxing job in that the coach may not possess requisite skills to guide the learner in a systematic way. Sometimes, doing a full day's work may be more important than putting the learner on track.

5. Mentoring:



Mentoring is a relationship in which a senior manager in an organization assumes the responsibility for grooming a junior person. Technical, interpersonal and political skills are generally conveyed in such a relationship from the more experienced person. A mentor is a teacher, spouse, counselor, developer of skills and intellect, host, guide, exemplar and most importantly, supporter and facilitator in the realization of the vision the young person (protégé) has about the kind of life he wants as an adult.

The main objective is to help employees attain physiological maturity and effectiveness and get integrated with the organization. In a work situation, such mentoring can take place at both formal and informal levels, depending on the prevailing work culture and the commitment from the top management. Formal mentoring can be very faithful, if management invests time and money in such relationship building experiences.

6. Job Rotation:

This kind of training involves the movement of trainee from one job to another. This helps him to have a general understanding of how the organization functions. The purpose of the job rotation is to provide trainees with a larger organizational perspective and a greater understanding of different functional areas as well as a better sense of their own career objectives and interest. Apart from relieving boredom, job rotation allows trainees to build rapport with a wide range of individuals within the organization, facilitating future cooperation among departments. The cross-trained personnel offer a great amount of flexibility for organizations when transfers, promotions or replacements become inevitable.

II) Classroom Approach, or Informational or Presentation Methods





1. Vestibule training:

In this method, actual work conditions are simulated in a classroom. Material, files and equipment – those that are used in actual job performance are also used in the training. This type of training is commonly used for training personnel for clerical and semi-skilled jobs. The duration of this training ranges from a few days to a few weeks. Theory can be related to practice in this method.

2. Lecture method: The lecture is a traditional and direct method of instruction. The instructor organizes the material and gives it to a group of trainees in the form of a talk. To be effective, the lecture must motivate and create interest among the trainees. An advantage of lecture method is that it is direct and can be used for a large group of trainees. Thus, costs and time involved are reduced. The major limitation of the lecture method is that it does not provide for transfer of training effectively.

3. Conference approach: In this method, the trainer delivers a lecture and involves the trainee in a discussion so that his doubt the job gets clarified. When big organizations use this method, the trainees use audio-visual aids such as black boards, mockups and slides; in some cases the lectures are videotaped or audio taped. Even the trainee's presentation can be taped for self confrontation and self assessment.

The conference is thus, group-centered approach where there is a classification of ideas, communication of procedures and standards to the trainees. Those individuals who have a general educational background and whatever specific skills are required such as typing, shorthand, office equipment operation, filing, indexing, recording etc. may be provided with specific instructions to handle their respective jobs.

4. Apprenticeship Training

Most craft workers such as plumbers and carpenters are trained through formal apprenticeship programmes. Apprentices are trainees who spend a prescribed amount of time working with an experienced guide, coach or trainer. Assistantship and internships are similar to apprenticeships because they also demand high levels of participation from the trainee. An internship is a kind of on-the-job training that usually combines job training with classroom instruction in trade schools, colleges or universities. Coaching, as explained above, is similar to apprenticeship because the coach attempts to provide a model for the trainee to copy. One important disadvantage of the apprenticeship methods is the uniform period of training offered to trainees. People have different abilities and learn at varied rates. Those who learn fast may quit the programme in frustration. Slow learners may need additional training time. It is also likely that in these days of rapid changes in technology, old skills may get outdated quickly. Trainees who spend years learning specific skills may find, upon completion of their programmes, that the job skills they acquired are no longer appropriate.

5. Internship

It is a joint programme of training in which educational institutions and business houses cooperate. In this method, students are given practical training while they study. Selected candidates carry on regular studies and they are also sent to factory or office during their vacations to get practical knowledge of their job.

6. Programmed instruction:



This method has become popular in recent years. The subject matter to be learned is presented in a series of carefully planned sequential units. These units are arranged from simple to more complex levels of instruction. The trainee goes through these units by answering questions or filling the blanks. This method is thus, expensive and time-consuming.

III) Experiential or Hands-on Methods

- 1. Case Method:** The case is an actual situation which is written for discussion purposes. Case presents an in-depth description of a particular problem an employee might encounter on the job. Here, the trainee attempts to find and analyze the problem, evaluate alternative courses of action, and decide what course of action would be most satisfactory.
- 2. Role playing:** It is defined as a method of human interaction that involves realistic behavior in imaginary situations. This method of training involves action, doing and practice. The participants play the role of certain characters, such as the production manager, mechanical engineer, superintendents, maintenance engineers, quality control inspectors, foreman, workers and the like. Method is mostly used for developing interpersonal interactions and relations.
- 3. Management Games:** This is group exercise in decision-making as regards an administrative problem situation. It is similar to role playing. But while role playing seeks to emphasize feelings and relationships between people, management games are more concerned with administrative problems.
- 4. In-Basket Exercise:** This method is designed around the "incoming mail" of a manager. It involves simulation of a series of decisions a trainee might have to make in real life. A variety of decision situations are presented to trainee. Like an executive, trainee is presented with pack of papers and files in a tray containing administrative problems. He is asked to take decisions within specified time limit. Thus, decisions taken by several trainees are recorded and compared with one another. This method is useful in identifying executive potential.
- 5. Sensitivity Training:** The aim of this training is to develop awareness and sensitivity to behavioral patterns of oneself and others. According to Flipppo, the goals of this training are: (1) increased openness with others, (2) Greater concern for other, (3) Increased tolerance for individual differences, (4) enhanced listening skills (5) understanding of group processes, and (6) increased trust and support.

IV) Self-Paced or Computer-Based Methods

1. Computer-Based Training (CBT)
2. Distance and Interest-Based Training
3. E-learning
4. Virtual Classroom



UNIT-V

MOTIVATION

Motivation in simple terms can be understood as the set of forces which causes people to behave in certain desired way. Motivation is an “urge” that drives us towards the road leading to our goal.

Every organization needs competent people for accomplishing its goals and objectives. But only competence or skill of the people alone is not enough for fulfilling this purpose. There has to be a willingness or desire or internal drive in the people to achieve the objectives and motivation means process of creating zeal, confidence and to stimulate people to work in the desired direction which leads to the achievements of organization as well as individuals goals and objectives.

DEFINITION OF MOTIVATION

The term motivation has been derived from Latin word “MOVERE” which means to move. Thus the word motivation stands for movement.

“Motivation is the process that account for an individual is intensity, direction and persistence of efforts towards attaining a goal.” [ROBBINS]

“Motivation is the willingness to exert high level of effort towards organizational goal, conditional by the effort and ability to satisfy some individual needs.”

NATURE OF MOTIVATION

1. Motivation is an inner feeling which energizes a person to work more.
2. The emotions or desires of a person prompt him for doing a particular work.
3. There are unsatisfied needs of a person which disturb his equilibrium.
4. A person moves to fulfill his unsatisfied needs by conditioning his energies.
5. There are dormant energies in a person which are activated by channelizing them into actions.

TYPES OF MOTIVATION

1. **Positive Motivation:** Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work etc.
2. **Negative Motivation:** Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or layoffs. The fear acts as a push mechanism.



TECHNIQUES TO INCREASE MOTIVATION

1. Financial Motivator
2. Non-financial Motivator
 - a. Recognition
 - b. Participation
 - c. Status
 - d. Competition
 - e. Job Enrichment



IMPORTANCE OF MOTIVATION

1. Increase employee productivity.
2. Greater satisfaction
3. Enhances job involvement



4. Reduce stress
5. Good human Relations
6. Reduces turnover and absenteeism
7. Reduces employee's grievances.
8. Efficient utilization of physical and human resources.

THEORIES OF MOTIVATION

MASLOW'S NEED HIERARCHY MODEL THEORY

This theory has been developed by Prof. A.H. Maslow. According to which human beings have wants and desires which influence their behaviour. Only unsatisfied needs influence behaviour, satisfied needs cannot. The needs are arranged in order of importance from basic to the complex. Person advances, to the next level of needs only after the lower level need is satisfied.

Basic five needs which are describes in this theory are:

1. **Physiological needs:** these are the basic needs related to the survival and maintenance of human life. These are food, clothing, air, water, shelter and other biological needs which are Primary in nature.
2. **Safety needs:** These needs include safety and protection from physical and emotional harm. It includes job security, personal bodily security, security of source of income, provision of old age, insurance against risk etc.
3. **Social needs:** It includes affection belongingness, acceptance and friendship. It focuses on conversation, sociability, exchange of feelings and grievances, recognition, belongingness etc.
4. **Esteem needs:** These needs are also known egoistic needs. Needs includes self confidences independence, achievement. Knowledge and success, attention, self respect, status etc.
5. **Self-Actualization needs:** The drive to become what one is capable of becoming or want to achieve in their life. It is consider as primary mission of one's life.

Maslow separated the five needs into a higher and lower order. Physiological and safety needs are described as lower order needs. Social esteem and self –actualization are classified as higher order needs. Higher order needs are satisfied internal and lower order needs are satisfied externally.



THEORY X & THEORY Y

This is the participation model theory of motivation given by Douglas Mc Gregor. He argued that a manager's view about the nature of human beings (subordinates) is based on certain assumptions which are grouped as theory X and theory Y. A manager is required to mould their behaviour towards employees according to these assumptions to motivate them to work.

THEORY X- In this theory autocratic managers assume that employees are-

- Inherently lazy and avoid work.
- Avoids taking responsibility and power.
- Indifferent to organizations goals.
- Little ambitious, Prefer to security above all other factors.

So managers according to this theory need to follow the traditional method of closely supervising and establishing a comprehensive system of command and control along with a hierarchical structure to supervise workers and to motivate them to work.

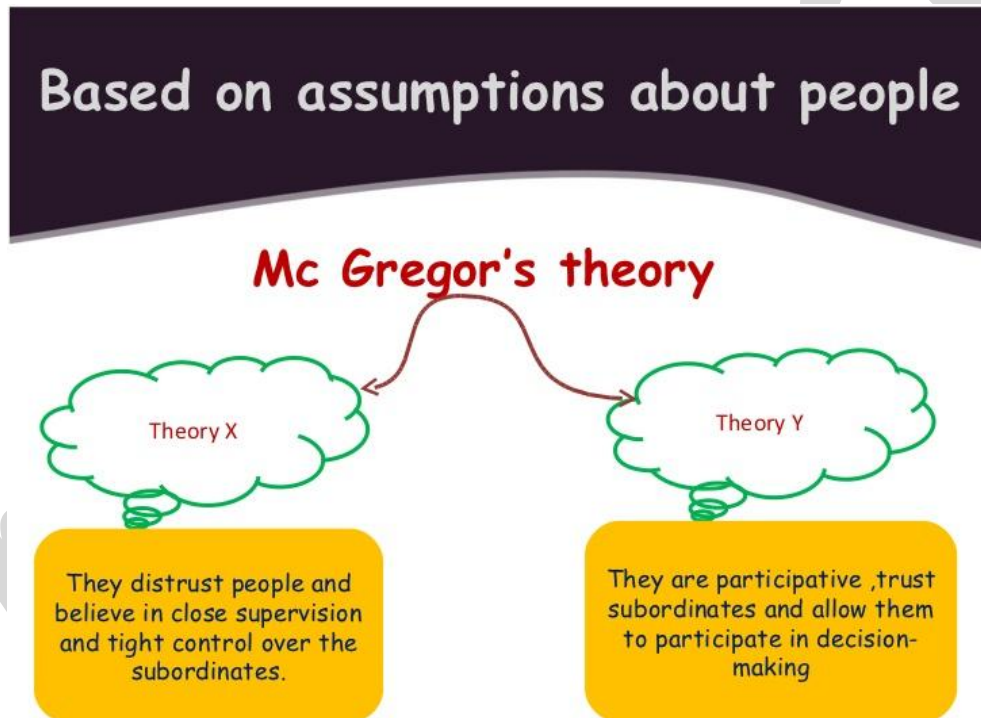
THEORY Y- Managers with theory Y orientation make following assumptions about their subordinates-

- Employees are ambitious, self-motivated anxious to accept greater responsibility.
- Exercise self control, self-direction autonomy and employment.
- Enjoy their mental and physical work duties.
- Desire to be creative and forward thinking at work place.
- Can be more efficient and productive if given freedom and participation to show their abilities and to give their views.

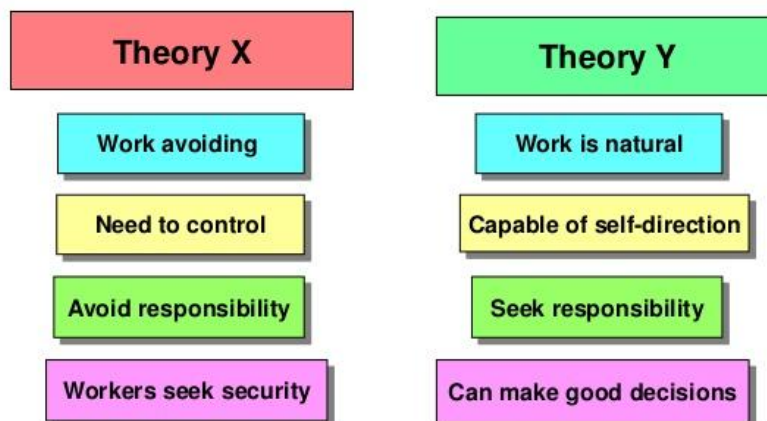
So managers follow a supportive and participative method of motivating these employees by providing them chance to explore themselves and their ability.



Theory x assumes that lower order needs are the basic needs for which individuals are motivated to satisfy and theory y assumes that individuals are also motivated to satisfy higher order needs of self-esteem and self actualization along with lower order needs.



MCGREGOR'S THEORY X & Y





HERZBERG'S TWO FACTOR THEORY

This theory was given by Herzberg (1959). This theory is also called as Motivation Hygiene model theory. This theory constructed a two-dimensional paradigm of factors which affects people attitude towards work. These two factors are Motivators and hygiene factors.

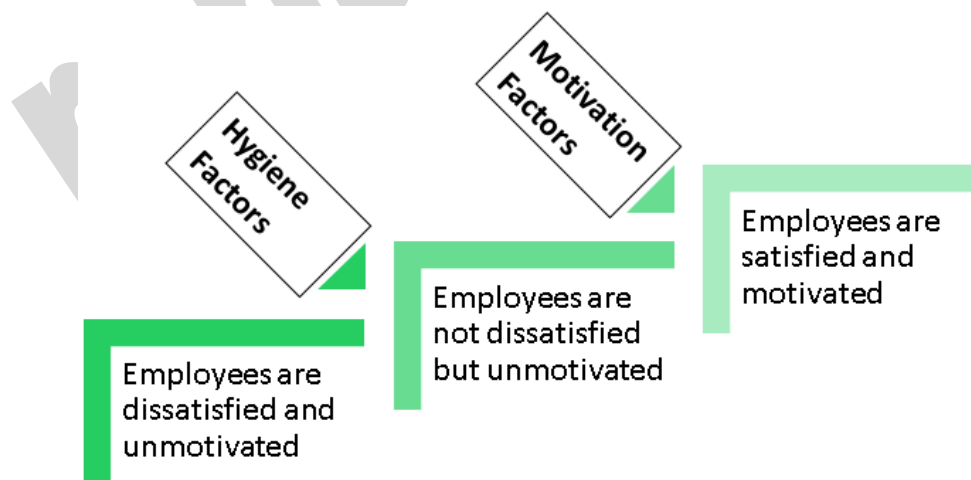
Motivators are intrinsic factors related with work (job) such as advancement recognition, responsibility and achievement. Presence of these factors ensures job satisfaction internally.

Hygiene factors are the extrinsic factors related to work (job) such as company policy, supervision, interpersonal relations, working conditions, salary etc.

Absence of hygiene factors can create job dissatisfaction, but their presence does not motivate or create satisfaction.

So it is stated that motivators describe the person's relationship with what she or he does related with job performed whereas hygiene factors describe a person's relation in context to environment in which she or he perform the job. Removing dissatisfying characteristics from a job does not necessarily make job satisfying. Job satisfaction factors are separate and distinct from job dissatisfaction factors.

Presence of hygiene factors will not dissatisfied people but also cannot satisfy them. It is only the motivators i.e. intrinsic factors which are associated with work derived from individuals itself can satisfy and motivate individuals.





ERG – THEORY

This theory of motivation was given by Alderfer (1972). This theory classifies needs into three categories in hierarchical order.

1. **The Existence Needs-** These needs include all our basic material existence requirements. It includes all the basic biological needs and shelter needs. They include Maslow's Physiological and safety needs.
2. **The Relatedness Needs-** These needs include the desire for having good and important interpersonal relationships, social interrelation and good image in between others in external environment. It includes Maslow's social needs.
3. **The Growth Needs-** These needs include an intrinsic desire for personal growth development, status, recognitions advancement, achievement etc. It includes Maslow's esteem and self actualization needs.



This theory differs from Maslow's theory in following arguments:

1. Maslow's said that needs are divided in 5 categories hierarchal from basic to complex and only one need is been work on one time whereas Alderfer said that more than one need may be operative at the same time.
2. ERG Theory does not assume the rigid hierarchy for the satisfaction of needs i.e. it is not necessary that when one need is satisfied them only another need can be satisfied. Person



can be working on growth, existence or relatedness needs at same time or on existence and relatedness needs even if growth need is unsatisfied.

MC CLELLAND'S THEORY OF NEEDS

This theory was given David Mc Clelland (1961) which mainly focuses on three kinds of needs namely-

McClelland's Motivational Needs



- Need for achievement (NACH)** - This need includes a drive to excel, advance and grow. It includes desire of individual to achieve something different from others in a different manner in relation to a set of standards.
- Need for power (NPOW)** - This need to have command and control to make other behaviour in a way that they have never behaved otherwise to change the situation accordingly.
- Need for affiliation (NAFF)** - This included desire for being friendly and to have a close interpersonal relations with others. People with this need want to have a good image & relationship with others.

People with high need for achievement have a compelling drive to succeed. They strive to do something better and more efficiently that it has been done before by others. This is called achievement need. High achievers differentiate themselves from others by their desire of doing things better and differently. They seek situations in which they can attain personal responsibilities for finding solutions to problems. People with high need for power enjoy being “in-charge” of any situation. They strive to have influence over others and prefer to be placed into a competitive and status-oriented situation. They believe to change the situations and thoughts of the people accordingly by influencing them.

People with high need for affiliation strive for maintaining friendship. Prefer co-operative situations and desire for a relationships that involve a high degree of mutual understanding.

Based on this theory following assumptions can be made-

- Individuals with a high need to achieve prefer job situations with personal responsibility, feedback and an intermediate degree of risk. In these situations high achievers will be strongly motivated.



- b. A high need to achieve does not necessarily lead to being a good manager, especially in large organizations. These people are interested in their personal development rather than influencing others to do well.
- c. The needs for affiliation and power are closely related to managerial success. A good manager needs to be high in need of power, moderate in need of affiliation and low in need of achievement.

VICTOR VROOM'S EXPECTANCY THEORY

It is given by Victor Vroom (1964) and is one of the most widely accepted explanations of motivation. According to this theory, motivation is based on people's beliefs, goals, and the linkage between effort, performance, and reward, and reward and individual goal satisfaction.

Determinants of motivation according to this theory are as follows-

Expectancy (Performance)- It is also called the effort and performance determinant, which shows the extent to which a person believes that a particular level of efforts will lead to an expected level of performance.

Instrumentality- It is called the performance determinant, which shows that a particular level of performance will lead to a desired reward. Ex: - superior performance leads to promotion in a job. Superior performance is the first level of outcome; promotion is the second level of outcome.

Valence Reward value or Preferences- It refers to the value a person places on the rewards that he or she expects to receive from an organization. The value attached to a reward is subjective and varies from person to person. Ex: - A young and dynamic employee wants a promotion and values it. Similarly, a retiring employee may have high valence for re-employment.

These determinants are expressed through the following formula-

Motivation = Expectancy (Performance) x Instrumentality x Valence.

Effort – Performance linkage
(How hard will I have to work?)

Performance – Reward linkage
(What is the reward?)

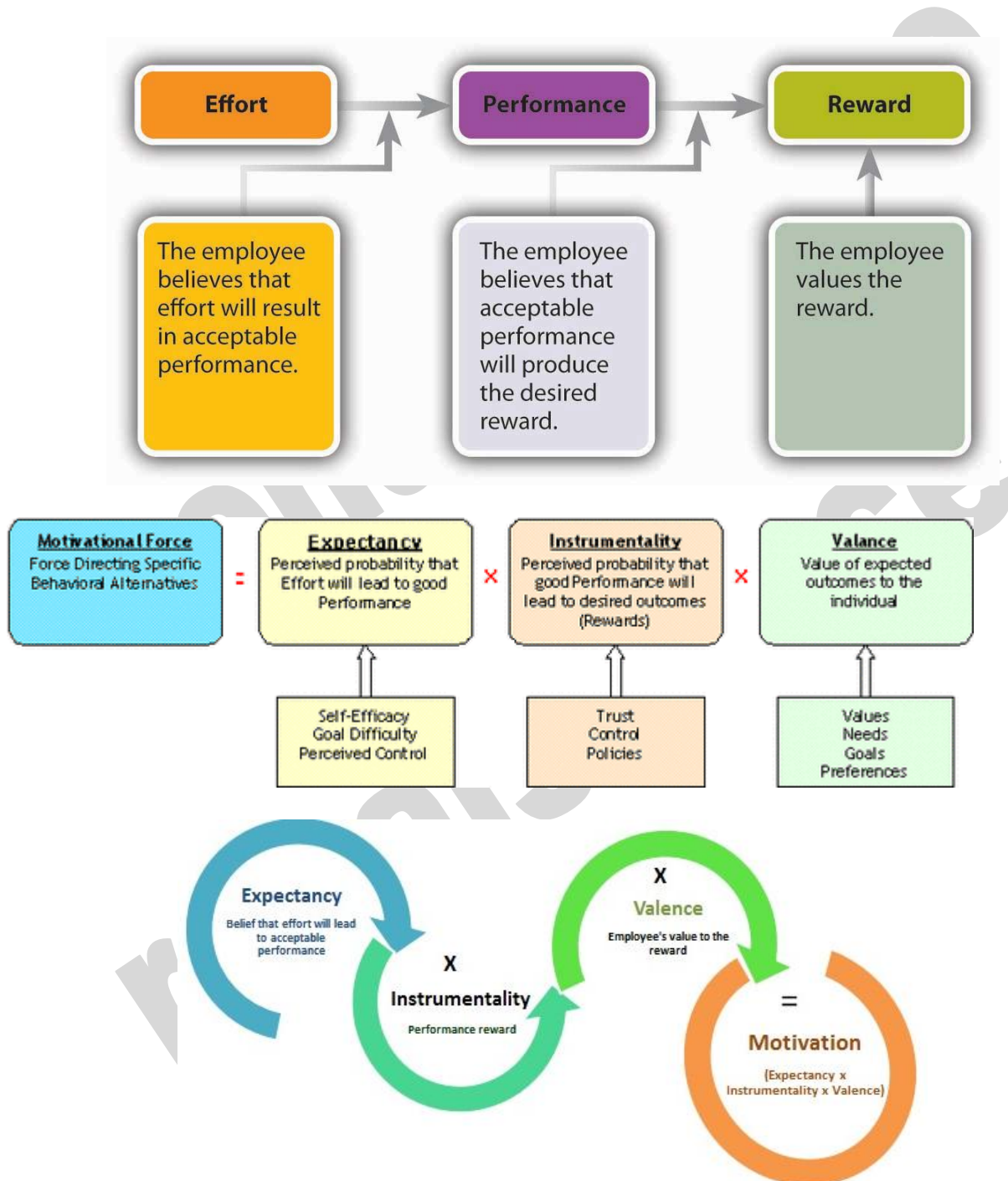
Attractiveness
(How attractive is the reward?)

Values may range from

Expectancy → 0 to 01

Instrumentality → 0 to 01

Valence → -01 to 01



GOAL – SETTING THEORY

Goals are targets which are to be achieved in future. Goals play an important role in influencing the behaviour and motivational level of employee. This theory was given by Edwin Locke. He stated that



when employees participate in goal setting they are more motivated that leads to efficient performance, rewards and also personal satisfaction.

The four essential elements of goal setting model explained below:-

1. **Goal Acceptance:** It states that employees should accept the goals assigned to them. If difficult goals are assigned to employees they may not feel attached to goals and this leads to non-acceptance low motivation and performance on the part of employees. Managers should follow participative approach in setting goals for subordinates.
2. **Goal Specificity:** goals should be specific, measurable, fixed and clear to the subordinates. It is be understandable by them. This enables the worker to evaluate his/her performance and to judge themselves.
3. **Goal Challenge:** goals must be feasible but challenging in nature. It should be competitive but achievable. All the directions, efforts and resources required to achieve a goal must be communicated and made available to subordinates.
4. **Performance Feedback:** Employees should be informed about how well they are doing and how successful they are. Proper feedback can motivate them further. It encourages better job performance and self generated feedback is a very powerful motivational tool.



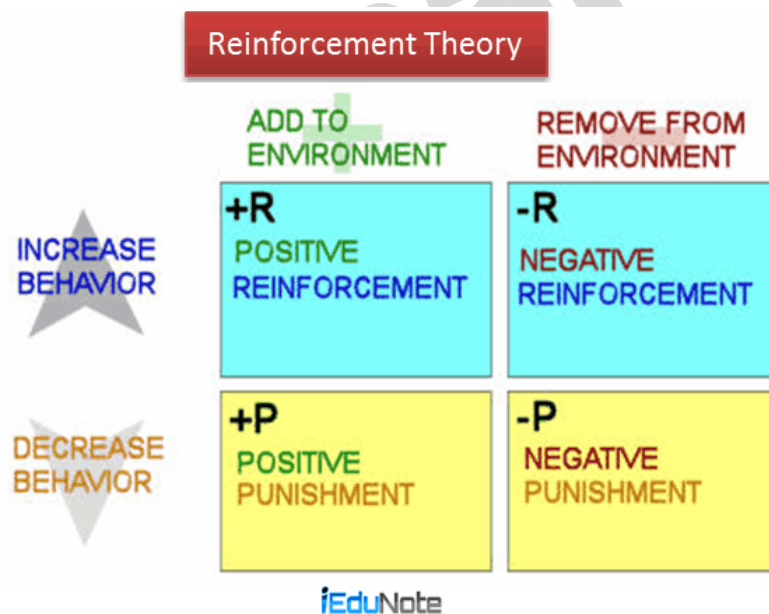
REINFORCEMENT THEORY

Reinforcement theory is developed initially by the well-known psychologist B.F. Skinner. It is based on behaviour and learning of an individual. This theory basically states that behaviour is determined by its consequences i.e. positive or pleasant consequences leads to repetition of action and negative or unpleasant consequences are not likely to be repeated again. Reinforcement also influences our motivational level to door not to do certain things. Reinforcement is of four types:

- a. **Positive Reinforcement:** It is the used of Rewards that stimulates the desired behaviour and strengthen the probability of repetition of such behaviour in future. It includes reinforces such as money, praise, promotion, recognitions etc.

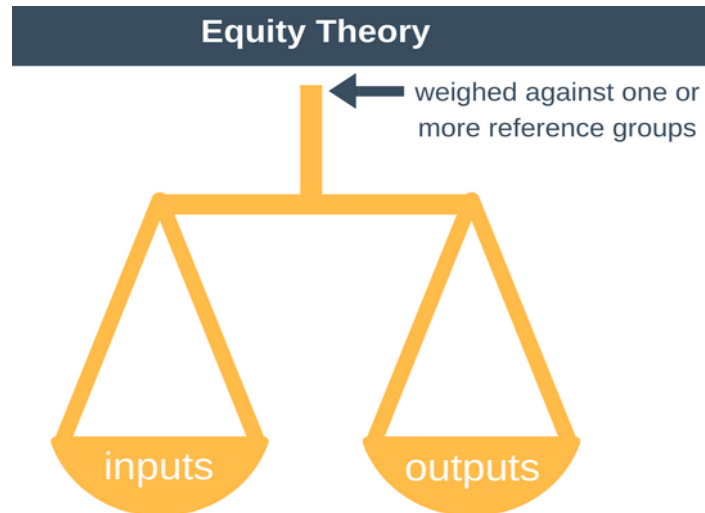


- b. **Negative Reinforcement:** This strategy is also called “avoidance learning”. It implies use of unpleasant rewards to avoid the undesirable behaviour of an individual. It includes warnings, penalty alert counselling etc.
- c. **Extinction:** To avoid the undesirable behaviour to extinguish it completely. It is to withdraw all far of reinforcement to completely dissolve undesirable behavior.
- d. **Punishment:** This tool is used when an unpleasant or undesirable behaviour needs to reduced or eliminated. For ex: worker’s wages may be deducted if performance is not done.



Equity theory of motivation:

According to this theory, employees make comparisons of their job inputs and outcomes relative to those of others. If, an individual perceives the input-outcome ratio to be equal to that of the input-outcome ratios of others a state of equity exists.

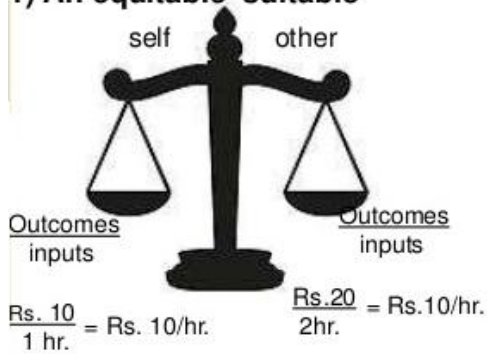


Person perceives the situation to be fair. If the ratio appears to be unequal, the individual experience inequity. There are four referent comparisons that an employee can make to find out the ratio of equity or inequity:

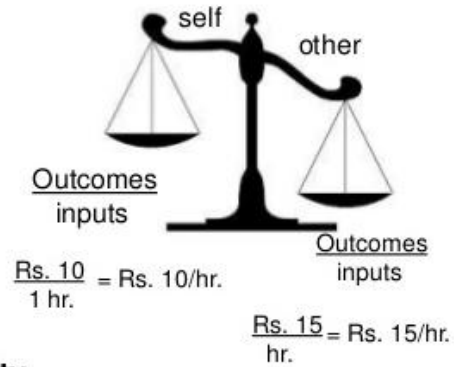
- 1) **Self- Inside:** An employee's experiences in a different position inside his or her current organization.
- 2) **Self- outside:** An employee's experience in a situation or position outside his or her current organization.
- 3) **Other – inside:** position of another individual or group of individuals inside the organization.
- 4) **Other- outside:** position of another individual or group of individuals outside the organization.



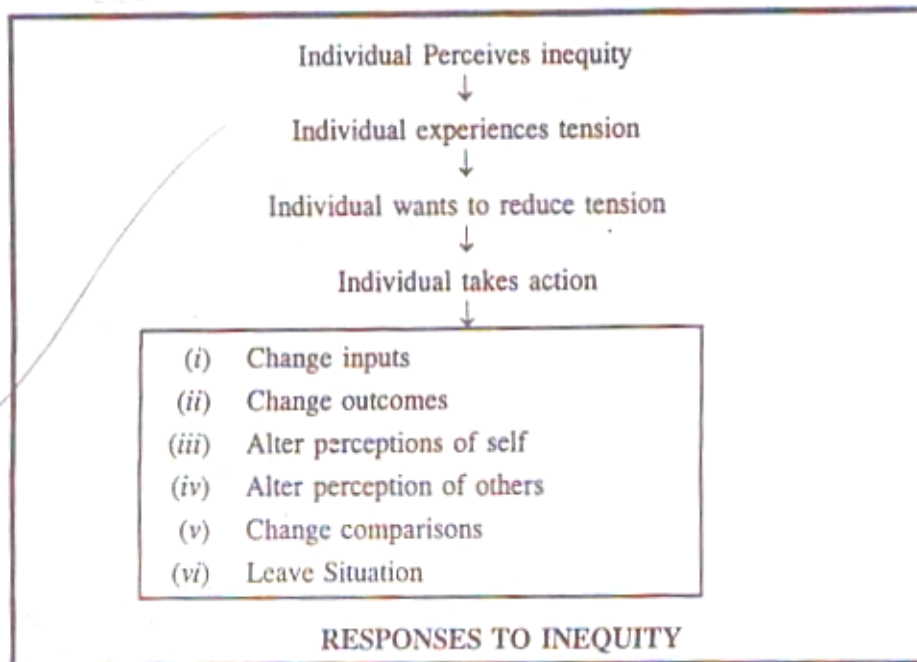
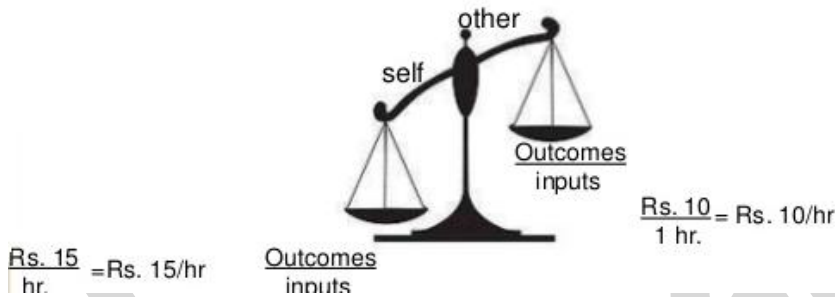
1) An equitable suitable



2) Negative inequity



3) Positive equity



When employee perceives inequity, they can make one of the following six choices of behavior:

- a) **Change their inputs:** Increase or decrease their inputs. Ex- can work hard or work less hard.



- b) **Changing outcomes:** Person can request to ask his or her outcome. Ex- ask for salary, office, recognition etc.
- c) **Changing perception of self:** Can leave that situation and to focus on other. Ex- if a person feels that he was not given proper rewards for the work he done and state of inequity is existing in a person's mind then person can focus on the other task where he got the equality in terms of rewards or can get equal rewards.
- d) **Change the comparison person:** To compare with a person who is equal to or less than the person who is making comparison.
- e) **Changing the inputs outcomes of others:** Ask other person to reduce his or her inputs to the task or to reduce their outcomes. Distort the perception of others.
- f) **Leave the situation:** Can transfer, change location, leave the job to avoid uncomfortable feelings and inequity.

Motivating employees in an organization:

- 1) Recognizing individual differences: managers need to understand the different and important needs of the individual employee and should try to connect it with the organizational goals. This results into high level of involvement and motivation of employees.
- 2) Use goals and feedbacks: employees should have the specific and achievable goals. Feedbacks should be provided regularly to inform the employees about their performance in pursuit of those goals.
- 3) Include employees in decision making: participation of employees in the decision making to choose their benefits, solving productivity and quality problems.
- 4) Link rewards to performance: rewards should be contingent on performance and employee must perceive a clear linkage.
- 5) Maintain equity: rewards should be perceived as equal by the employees according to their inputs to the job. This motivates the employees.
- 6) Motivating professionals: professionals likely to seek more intrinsic satisfaction than extrinsic rewards. Proper intrinsic rewards like challenging jobs, problem solving situations, growth and development should be provided to them.
- 7) Motivating low skilled and temporary workers: temporary workers can be motivated if proper training and permanent job opportunity is provided to them and low skilled workers will be motivated if proper work schedules, environment and higher pay package will be provided.

Practical Application of Motivational Techniques

Management by Objectives (MBO)

Management by objectives emphasis participative set goals that are tangible, verifiable and measurable. Four ingredients common to MBO programs are: Goal specificity, participative decision-making, an explicit time period and performance feedback.



- a) **Goal Specificity:** The objectives in MBO should be concise statements of expected accomplishments.
- b) **Participative decision making:** The manager and employee jointly choose the goals and agree on how they will be measured.
- c) **An explicit time period:** Each objective has a specific time period in which it is to be completed.
- d) **Performance feedback:** Continuous feedback on progress towards goals is provided so that workers can monitor and correct their own actions.

Employee Recognition Programs

Employee recognition program consist of personal attention, expressing interest, approval and appreciation for a job well done. They can take numerous forms. Employee Recognition Programs has close link with Reinforcement Theory.

Employment Involvement

Employee involvement includes participative management, workplace democracy, and empowerment and employee ownership. Employees' involvement in the decision making would positively affect them and by increasing their autonomy and control over their work lives, employees will become more motivated, more committed to the organization, more productive and more satisfied with their jobs.

Participative management

The logic behind participative management is:

- a. Managers often do not know everything their employees do.
- b. Better decisions
- c. Increased commitment to decisions
- d. Intrinsically rewarding employees make their jobs more interesting and meaningful.

The two common forms of participative management are:

- a. **Work councils-** They are groups of nominated or elected employees who must be consulted when management makes decisions.
- b. **Board representatives-** They are employees who sit on a company's board of directors and represent the interests of the firm's employees.

Quality circles (QC)

QC consists of a work group of eight to ten employees and supervisors who have a shared area of responsibility. Key components of QC are (Robbins, 2003):

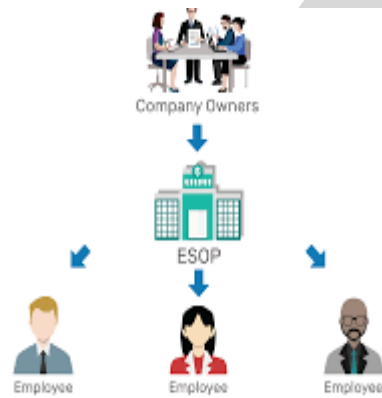
- They meet regularly on company time to discuss their quality problems, investigate causes of the problems, recommend solutions, and take corrective actions.
- They take over the responsibility for solving quality problems and they generate and evaluate their own feedback.



- Management typically retains control over the final implementation decision.

Employee stock ownership plans (ESOPs):

In the typical ESOP, an employee stock ownership trust is created. Companies contribute either stock or cash to buy stock for the trust and allocate the stock to employees. Employees usually cannot take physical possession of their shares or sell them as long as they are still employed at the company.



LEADERSHIP

Leadership is an integral and important part of management and plays a very vital role in managerial process.

Leadership is the ability to build up confidence and zeal among people and to create an urge in them to be led. Leadership is the practice of influence that stimulates subordinates or followers to do their best towards the achievement of desired goals.

Leadership





The ability to lead effectively is a key to better managerial performance. There is not magic formula of becoming a good leader. Effective leaders are not created by simply attending a one-day leadership workshop, yet it is not totally in their genes either. One can become an effective leader if a person has willingness to invest the time and energy to develop all the “right-stuff”.

Leadership is the activity of influencing the behavior of people to work willingly and with determination for the accomplishment of specific goals & objectives. A person who attempts to influence the behavior of others become a potential leader and the people he is attempting to influence are called as potential followers.

“Leadership is a ability to influence a group of people so that they strive willingly and enthusiastically towards the achievement of goals.”

Elements of willingness is very important in the definition of leadership this elements differentiates leadership (leaders) from the managers. Motivating and influencing people to move towards a common goal are the elements of management but the “willingness” of the followers to be led, highlights the special quality of leaders that puts them above the managers. Leadership is a function of-

$$L = F (F \times G \times W \times S)$$

L = leadership

F = Functional Relationship

G = Goal

W = Willingness of subordinates

S = Situation

NATURE OR CHARACTERISTICS OF LEADERSHIP

1. **Personal Ability:** Leadership is basically a person ability and skill. It is a personal power which arises out of knowledge, expertise and personality. According to Koontz and others, it is the ability induces subordinates to work with confidence and zeal towards the achievements of organizational goals.
2. **Followership.** Leadership requires followers. It is inseparable from followers. Involves other people, usually in the form of subordinates. It cannot exist without group of followers. Koontz and D’Donnel say, “The essence of leadership is followership. It is the willingness of people to follow that makes a person a leader.”
3. **Influencing Behaviour:** Leadership envisages “the power of influence.” It involves an attempt to influence another group member.
4. **Interpersonal Relationship:** Leadership involves group behaviour. It is interaction between a leader and one or more followers. It is a reciprocal relationship.
5. **Mutual Goals:** Leadership involves a community of interest between the leader and his followers. It exists from the realization of common goals.
6. **Its Essence is Performance.** Leadership depends on doing. Most people agree that leadership is not a personality trait, but doing something-guiding, directing, influencing or mobilizing actions. Peter Drunker has rightly remarked, “Leadership has little to do with ‘leadership qualities’ and



even less do with 'charisma'. It is mundane, unromantic and boring. It is work. Its essence is performance."

7. **Exemplary conduct:** Leaders not only but also influence by their behaviour. They put example in their actions before the subordinates. Urwick has rightly said, "It is not what a leader says, still less what he writes, that influences subordinates. It is what he is. And they judge what he is by what he does and what he behaves."
8. **Leadership is Situational:** It assumes that leaders are the product of given situations. Leader emerges out of situation. Leadership is dynamic art. The most effective way to lead is a dynamic and flexible process that adapts to the particular situation.
9. **Assumption of Responsibility:** The leader assumes full responsibility for all actions of his followers. He remains responsible in all situations.
10. **Importance of Communication:** Leadership is established through the communication process. Communication affects the behaviour and performance of followers. The inability to communicate is a serious deficiency in influencing people.
11. **All Managers are not Leaders:** Manager are appointed and have legitimate power that allows them to reward and punish. In contrast, leaders may either be appointed or emerge from within a group. Leaders can influence others to perform beyond the actions dictated by formal authority. They have personal capabilities to influence others. However, not all leaders necessarily hold managerial positions.
12. **Leadership may be Formal or Informal:** Managers who influence the behaviour of their assigned group are the formal leaders of organizations. Their ability to influence is founded upon the formal authority inherent in their positions. Within the organization, informal groups develop, and within those groups informal leaders who influence the behaviour of other group members.
13. **Four-faceted Concept:** Leadership involves four elements - leader, followers, organization and the environment (social, economic and political conditions.) These affect one another in determining appropriate leadership behaviour. To Terry, it implies that "almost everyone can at times show leadership behaviour."
14. **Process:** Leadership is a process engaged in by certain individual. It is an ongoing activity in an organization. Its outcome is some form of goal accomplishment.

In brief, some important functions of a leader are as follows:

1. **Formulate Purpose:** A leader defines institutional mission and role. He not only formulates the purpose of the group, he also advances it. His approach is goal-oriented.
2. **Inspire and Initiate Actions:** A leader inspires individuals to make their optimum contribution to organization goals. According to Urwick, the leader initiates all those measures necessary to keep the undertaking healthy and progressive within a competitive economy.
3. **Administer the Organization:** To administer and undertake, a leader performs the functions of forecasting planning, organizing, direction, coordination and control.
4. **Interpret Reasons:** Leaders make sense of dynamic environment and interpret it to employees. They redirect their efforts to adapt to changing conditions. Urwick says, "Leaders interpret the reasons for everything to everybody."



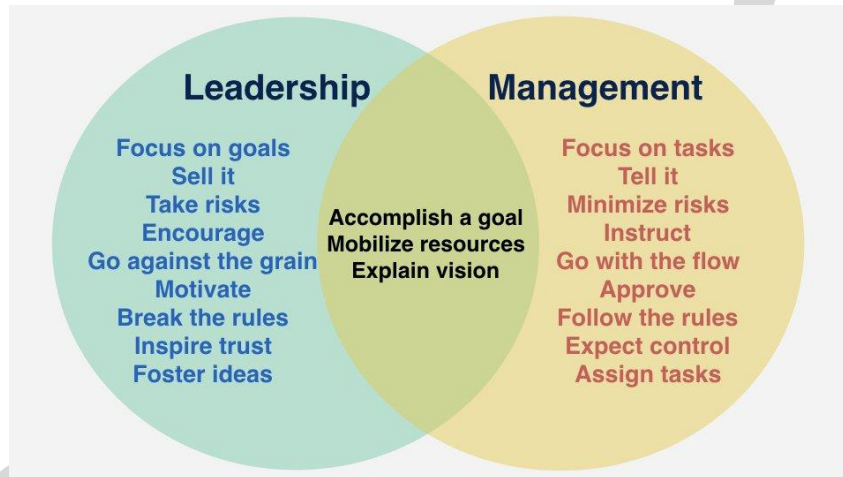
5. **Represent the Institution.** Representing his institution in dealings with outside groups: government officials, suppliers, customers and the public in general is another function of a leader.
6. **Group Interaction:** The leader facilitates interaction and exchange of idea among organization members. This is done through communication system, which is maintains in the organization.
7. **Goal Accomplishment:** The leader persuades all subordinates to contribute to organizational goals in accordance with their maximum capability and zeal.
8. **Develop Teamwork:** A good leader always attempts to gain an understanding of group dynamics and to develop and nurture voluntary co-operation. He develops trust and friendliness by bringing consistency and fairness in his actions.
9. **Direct and Discipline the Employees:** The leader gives necessary instructions and guidance to the individuals in a formal way. He develops devoted and loyal followers and maintains obedience through discipline.
10. **Ordering of Internal Conflict:** The leader seeks to maintain harmony among the members of the organization. He tries to prevent his group breaking up into opposing factions.
11. **Defend the Organization's Integrity:** The leader integrates the group with the organization. He protects the ethical values, human ideals and working principles.
12. **Maintain Stability.** The leader also helps maintain the stability of an organization in a turbulent environment. He assists in internal coordination and maintains a stable work force.

Distinction between Leadership and Management

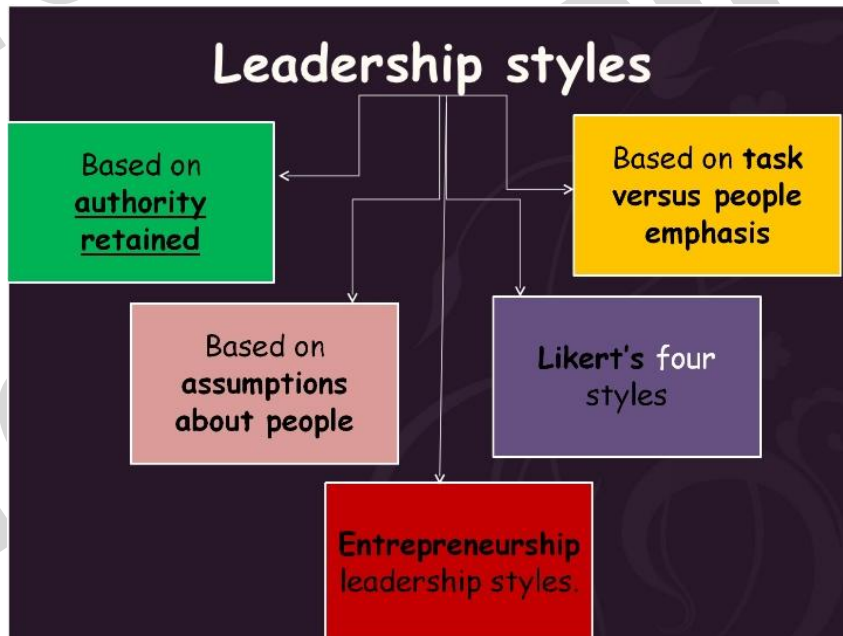
	Management	Leadership
1	Management cannot function without formal organization structure and roles.	Leadership can exist in both organized and unorganized group.
2	A manager directs people through the use of normal authority.	But a leader may or may not have formal authority. He directs people through the use of informal and personal power.
3	Management is a special kind of leadership in which achievement of organizational goals is important.	Leadership is a broader concept than management. It occurs any time one attempts to influence the behaviour of others regardless of the reasons.
4	Management is related to the attainment of organizational goals.	It may be for one's goal or for those of others. It may or may not be congruent with organizational goals.
5	A manager has to perform five functions of management – planning, organizing, staffing directing, and controlling	Leadership functions come under directing. A leader directs followers by influencing their behaviour. Thus, from a functional angle, leadership is a part of management but not all of it.
6	Management implies the existence superior-subordinate relationships.	Leadership behaviour can occur anywhere. It does not require manager-managed relationship.
7	Its authority arises out of a job position.	Its power arises out of personal ability, knowledge, expertise, performance or situations.
8	Managers are accountable for the job behaviour of their subordinates.	A leader is not accountable for the behaviour of followers.



9	The manager administers.	The leader innovates.
10	The manager is copy. He imitates.	The leader is original. He originates.
11	The manager accepts the status quo.	The leader challenges it.



Styles and Patterns of Leadership



a. Style based on attitude

1. **Positive Leadership-** In this style of leadership leader use positive rewards like recognition, pride & Praise as well as extrinsic rewards like salary hike, promotion, increase of perks & allowances to get the work done from people. Positive leader has a mindset that rewards will make employees happy & satisfied and will motivate them to work effectively and efficiently

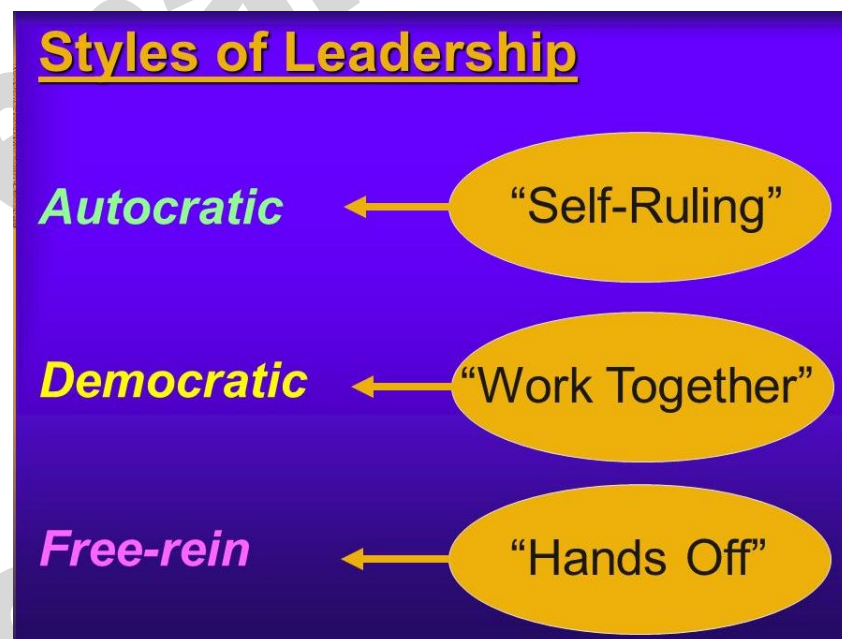


as desired from them. People will always focus on improving their performance for getting more rewards. This style of leadership leads to higher job satisfaction and performance.

2. **Negative Leadership-** In this style of leadership leaders use negative rewards like fear loss of job, reprimand, demotion, fear of suspension, force, threats penalties or a few days off without pay on people to get the work done from them. This style can help in getting good results in many situations but it is not human in nature and creates a negative & non-acceptable image of a leader in the mind of followers. It leads of more of bossism than leadership.

b. Style based on use of Authority

c.



1. **Autocratic style-** This style of leadership is also known as authoritarian or directive style. This style involves retention of full authority by the leader. Leader makes all the decisions without even consulting and involving employees. In this style of leadership leader only gives order & instructions to their subordinates for getting the work done and also expects from subordinates to follow the orders and instructions. Leaders assume full responsibility for all the actions. There are basically four types of autocratic leaders.
 - i. **Pure Autocrat-** Pure autocrat is a dictator and decides everything without consultation from his subordinates. He uses negative motivation, criticism, penalties coercion etc to get work done. This type of leader is ineffective in democratic organization & people remain insecure and uninformed under him.



- ii. **Benevolent Autocrat-** This type of leaders centralizes decision making power in their hands and used positive rewards and manipulative styles to get the work done from their subordinates.
- iii. **Paternalistic Autocrat-** Such leaders plays the role of father for their subordinates such leaders provide benefits but do not respect their employees. They do not treat their subordinates as mature & responsible. This style of leadership is considered as unsuccessful in many work organizations.
- iv. **Incompetent Autocrat-** Such leaders adopts an autocratic style of leadership just to hide their incompetence before their subordinates. This style cannot be adopted for long time.

Advantages

- i. This style of leadership leads to quick decision making as leaders does not need to consult their group members.
- ii. It allows the use of less competent subordinates.
- iii. It provides security & structure to employees.
- iv. It provides strong motivation to self-centered leaders.
- v. It is useful to those subordinates who are not interested to assume responsibility.

Disadvantages

- i. It creates fear & frustration & provides less freedom of work & self development to employees.
- ii. It gives adverse effect on productivity.
- iii. It restricts the development of future leaders.
- iv. It leads to defensive behavior from subordinates.

2. **Democratic or Participative Style-** A participative or democratic style of leadership is one in which managers involve their subordinates in decision making. There is decentralization of authority by leaders and they consult & encourage subordinates for participation in decision making process. There is high regard for people and sufficient freedom is allowed to people to work. Participative leaders are basically of three related types-

- i. **Consultative leaders-** This type of leader takes the opinion from group before making a decision but they do not have the obligation to accept the group's thinking and these leaders make it clear that they alone have final authority to make final decisions.
- ii. **Consensual leaders-** this type of leaders encourage a group discussion on an issue and then make a decision that reflects the general opinion (consensus) of all group members. Consensual leaders delegate more authority to the group than consultative leaders.
- iii. **Democratic leaders-** Democratic leaders delegate full authority to their subordinates for decision making. They function as collectors of opinion and take a vote before making a decision.

Advantages



- i. This leadership leads to qualitative decision making as number of people are encouraged to express their ideas.
- ii. A positive & human relationship is established between the leader and followers.
- iii. It creates job satisfaction motivation and morale & also reduces employees' grievances.
- iv. It creates an environment of trust, confidence, mutual co-ordination & loyalty.
- v. It improves talent, productivity employees and also increases their acceptances to management ideas & actions.

Limitations

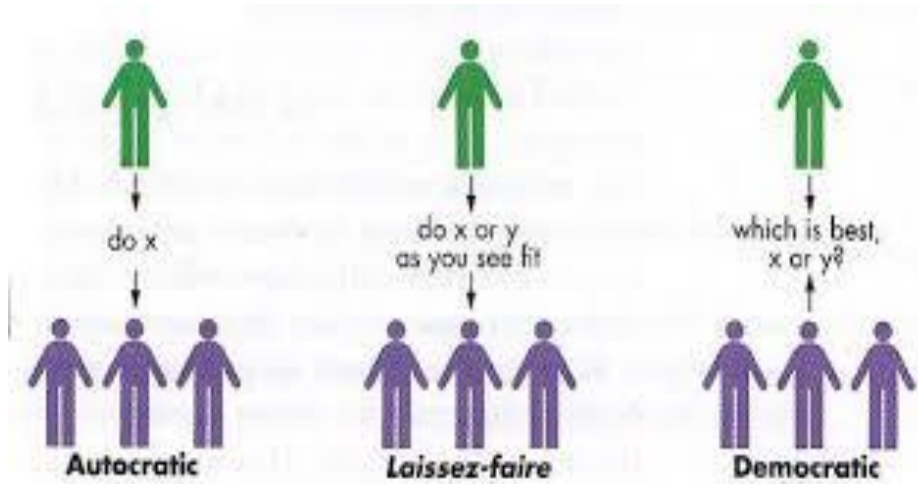
- i. It leads to delay in decision making.
 - ii. This style works well if employees are skilled & well informed about organizational problems.
 - iii. This style can result into complete loss of leaders control over the employees.
3. **Free-rein Style-** This style of leadership is also called as laissez- faire. In this style of leadership leaders abdicates from leadership position and depends mostly upon the group to establish its own goals and to solve their own problems. Subordinates are given high degree of freedom in their operations. They are their own trainees and source of motivation. Free rein leader avoids power & responsibility and only provides information & represents the group to outsiders. This type of leadership is effective only when the group members are highly knowledgeable, independent, motivated and fully dedicated to the firm.

Advantages-

- i. It helps in the personality development of subordinates.
- ii. It gives the feeling of responsibility among group members
- iii. It creates climate of work freedom & team spirit.

Disadvantages-

- i. It may result in disorganized activities.
- ii. It leads to absence of centralized authority which results in group conflict & loss of group cohesiveness.
- iii. Some leaders use this style to avoid responsibility.
- iv. It leads to "non-leadership" and lack of control of leaders over employees.



C) **Style based on Behaviour of leader-** This type of leadership focus on behavior of leader towards the task as well as the people who are performing the task. A four combination style of leadership can be based on behavior of leader.

- i. **High-task and Low-Relationship-** This type of leadership leader has the main emphasis on the accomplishment of tasks and spends very less time to maintain relations & to provide psychological support to employees. This is more of work-oriented approach and is suitable where the employees are in experiences with the work to be performed. This type of leaders is not necessarily rude or discourteous.
- ii. **High-Task and High Relationship-** In this type of leadership style a leader gives high emphasis to both task accomplishment as well as Relationship building with employees. Leader spends considerable time to get work done and provide psychological support to employees. This leadership style is best in situations where people need an active & involved leader as well as in case of lack of self-confidence, or technical in employees.
- iii. **High Relationship and Low Task-** A leader using this type of leadership style gives much encouragement & psychological support to employees but gives a minimum guidance about the task accomplishment.
- iv. **Low Relationship and Low Task-** These leaders have a free-rein leadership style and give very little support, encouragement, praise as well as guidance to do work to employees. This style can be followed where subordinates are highly skilled & mature.

D) **Style based on assumptions about people-** Here leadership style depends upon the assumption which a leader has about his subordinates. This two way classification of leadership is based on MC Gregor's theory X & theory Y of motivation. This style is basically of two types-

- i. **Job-Centered Leadership-** This is a task oriented style of leadership where by a leader focus on getting work done effectively by employees. It is concerned with work designing, production, planning, development of incentives, resource allocation to increase work productivity. This type of leaders focus on making employee work and plan out for



worker's job tasks and job out comes. This style of leadership is suitable for theory X leaders who distrust people and believe in close supervision.

- ii. **Employee- Centered Leadership-** This is people where leaders treat subordinates as person, avoids close supervision, and actively considers needs of employees and encourages them to glow, develop. This leadership style is for theory y leaders who trust their subordinates and encourage their participation and development.

E) **Style based on decision making** - Renises likert classified four styles of leadership-



System 1	System 2	System 3	System 4
Exploitive Authoritative	Benevolent Authoritative	Consultative Authoritative	Participative Authoritative

- i. **Exploitive Authoritative-** He is highly autocratic, little trust on subordinates; limits decision-making at the tap, avoid upward communication & motivate people through fear.
- ii. **Benevolent authoritarian-** This kind of leader has a patronizing attitude towards employees, invites new ideas from subordinates allow some delegation and motivate then by rewards and some use of punishment.
- iii. **Consultative Authoritarian-** Leaders have substantial but not complete trust in employees. They invite ideas from subordinates, allow for decision making by subordinates in some case but act consultatively in various matters.
- iv. **Participative authoritarian-** Leaders have complete trust in decision-making of employees in all matters. He involves high level participation of subordinates, set high performance of goals & act a source of knowledge & guidance for subordinates. According to Likert those who apply 4th style of leadership are more successful as leaders.

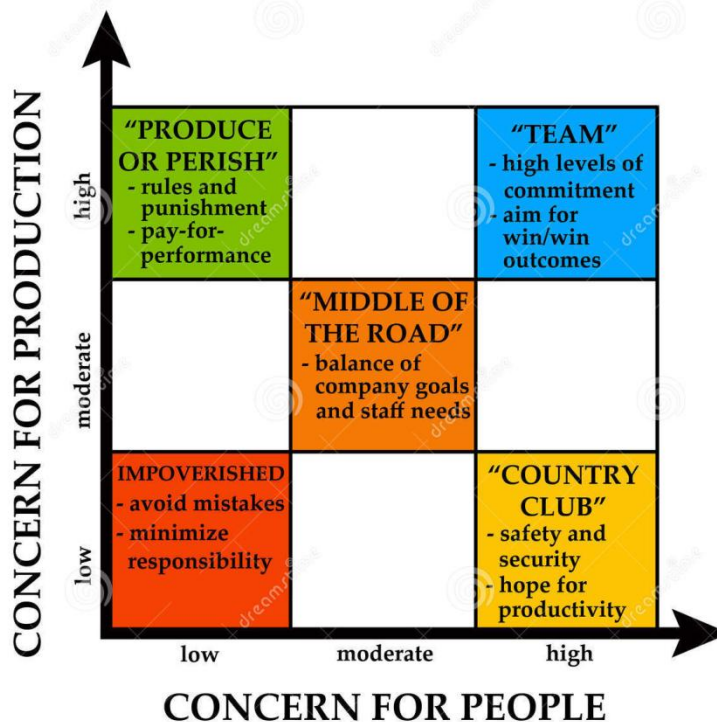
F) **Style based on concern for production versus concern for people:**



Managerial Grid Style- This leadership style was given by Blake & Mouton. This grid classifies leaders as having five dimensions- concern for people and concern for production. Grid shows five combination of leadership style.

- i. **Impoverished Management-** It has low concern for both people and production. The leader has minimum involvement in his job and only act as a messenger for communicating information from superiors to subordinates.
- ii. **Country club Management-** Under this style a leader has no concern for production but has only concern for people. He concentrates on warm human relations.
- iii. **Task Management-** Under this style leads is highly concern for task management and little or no concern for subordinates needs & motivation
- iv. **Team Management-** Leaders has strong regard for both people and production. Team leader’s leads to high morale and high efficiency.
- v. **Middle Road Management-** Leader give medium concern for production and for people and leader attains adequate level of performance by balancing efficiency with reasonable goods human relations. Blake & Mouton suggests that the team leaders’ style (9, 9) is most effective because it combines a high degree of concern for people as well as production.

MANAGERIAL STYLES



Theories of Leadership

Trait Theory



Trait theory of leadership focus on the individual characteristics or set of trait or features which all the successful leaders have and which make them distinct from their followers. The criteria for becoming a leader depends on the set of features or personality traits which a person posses. A broad category of traits of successful leaders are as under-

1. Physical characteristics such as age, weight, height.
2. Background characteristics such as education, social status, motivation and experience.
3. Intelligence- ability, judgment, knowledge.
4. Task-oriented characteristics-achievement needs responsibility, initiative and persistence.
5. Social characteristics-popularity, Prestige, tact, diplomacy acceptance of social responsibility.
6. Maturity, human relations attitude, fairness, adaptability and open-mindedness.



Merits of Trait Theory

1. This theory focus on certain traits which a leader should have which make them differentiated from non-leaders.
2. This theory relate to the influence of personality on one's effectiveness.
3. This theory has certain practical implications. If proper leadership traits could be identified be able to get good leaders. This theory differentiates leaders from non-leaders on the basis of personality traits.

Limitations of Trait Theory

1. List of personality traits of successful as not specific.
2. This theory assumes that a leader is born and not trained.
3. Leadership effectiveness does not depend on personality of a leader alone.

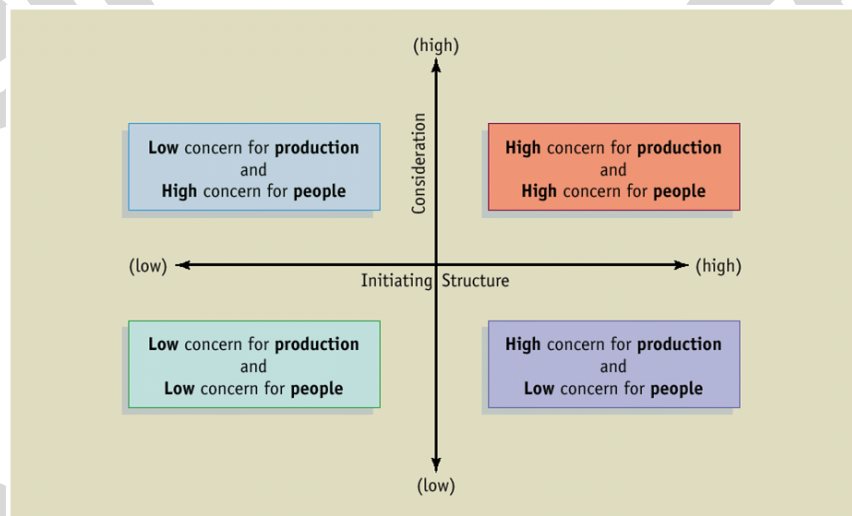
Behavioural Theories

Behavioural theories give an emphasis on the behaviour of leaders rather than on the traits or personality features of a leader. This approach differs from trait approach is two ways-

1. Emphasis is made on leaders' behaviour instead of personal traits.



2. Trait studies separate leaders from non-leaders where as behavioural studies where as behavioural studies emphasize on impact of leaders behavioural on employees' performance & satisfaction. There are two important Behavioural theories-
- a. **OHIO STATE UNIVERSITY STUDIES-** These studies were stated shortly after World War II. The main objective of this study was to determine the major dimensions of leadership and to investigate on employee performance & satisfaction. Two dimensions of leadership were identified in this study to identify the behaviour of leaders-
- The initiating Structure-** It refers to leader behaviour that defines & organizes the group tasks, assigns the task to employees and supervises their activities. Leader follows task-oriented behaviour.
 - Consideration-** It refers to leaders' behaviour characterized by friendliness, respect, supportiveness, opens, trust and concern for welfare of people. This study states that both consideration and initiating structure are not been seen as being placed continuously. A leader can be high or low on both the dimensions or could be high on one & low on other dimensions.



People	High	High Relationship & low task (Supporting Style)	High task & High Relationship (Participation style)
	Low	Low task & Low Relationship (Free-rein)	High task & Low Relationship (Autocratic)
		Low	High
		Task Emphasis	

Main findings of Ohio state studies are-



1. Consideration was positively related to low absenteeism and grievance, but it was negatively or neutrally related to performance.
 2. Initiating structure was positively related to employee performance but was also associated with such negative consequences as absenteeism and grievances as absenteeism and grievances.
 3. When both consideration & structure were high, performance and satisfaction was high but in some cases high productivity was accompanied by absenteeism and grievances.
- b. **THE UNIVERSITY OF MICHIGAN STUDIES-** These studies were conducted during same period as at Ohio state and resulted in identical conclusions. Researchers at university of Michigan distinguished between two dimensions of leadership.
1. **Production centered-** Where leader set rigid tasks, standards describe work methods & closely supervise subordinates.
 2. **Employee centered-** Where leaders encourage employee participation in goal setting & work decisions, have respect and trust and ensure high performance from employee.

Michigan study's findings were same like Ohio studies analysis that employee and work orientation are two separate dimensions and that a leader can be either high or low one the dimension or both and these dimensions cannot be placed continuously in leader.



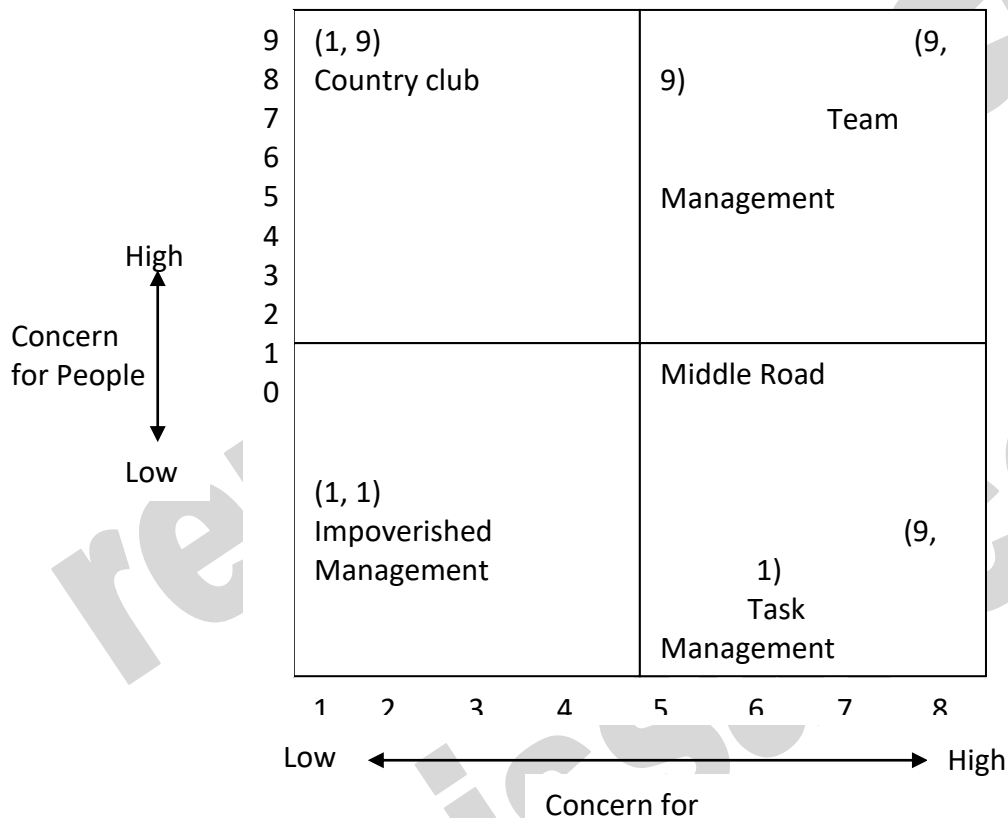
Two styles developed by Michigan researchers were similar to Ohio state people.
Production centered → initiating structure. Employee centered → consideration.

Managerial Grid Theory- This leadership theory is given by Blake & Mouton. This grid classifies leaders as having five dimensions- concern for people and concern for production. Grid shows five combination of leadership style.

- i. **Impoverished Management-** It has low concern for both people and production. The leader has minimum involvement in his job and only act as a messenger for communicating information from superiors to subordinates.
- ii. **Country club Management-** Under this style a leader has no concern for production but has only concern for people. He concentrates on warm human relations.
- iii. **Task Management-** Under this style leads is highly concern for task management and little or no concern for subordinates needs & motivation
- iv. **Team Management-** Leaders has strong regard for both people and production. Team leader's leads to high morale and high efficiency.
- v. **Middle Road Management-** Leader give medium concern for production and for people and leader attains adequate level of performance by balancing efficiency with reasonable goods human relations. Blake & Mouton suggests that the team leaders' style (9, 9) is



most effective because it combines a high degree of concern for people as well as production.



Evaluation of Behavioural Theory

Behaviour theories focus on what leader did, how they delegate task, communicate & motivate subordinates and how they carry on their work. They focus that behaviour can be learnt and individual having appropriate behaviour can become a effective leader.

Leader- member Exchange (LMX) Theory- This theory is also called vertical dyad model. This approach also focuses on leader behaviours. A vertical dyad consists of two persons who are linked hierarchically such as superior & a subordinate and a leader’s behaviour depends upon who is a subordinate. According to LMX theory a leader form two groups-

1. **In-GROUP-** Consist of those subordinates or group members who are similar to the leader and get greater responsibilities, more attention and more rewards. They work within the leaders inner circle of communication.

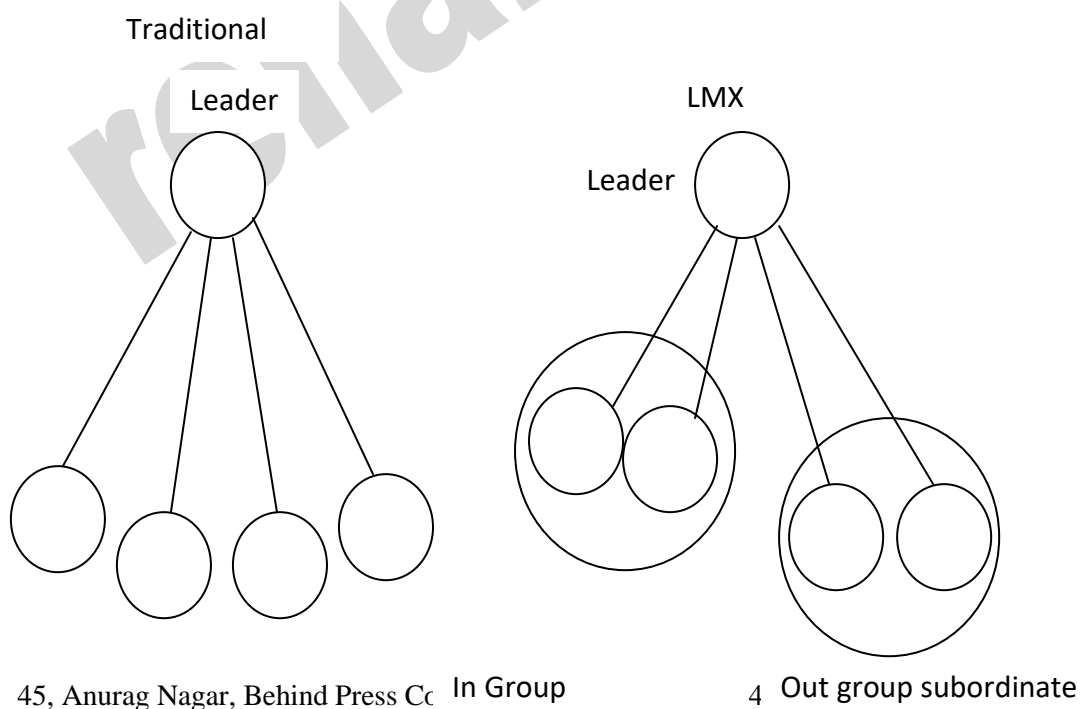


2. **Out-Group-** Consist of those members who are outside the circle and receive less attention and fewer rewards. They are managed by formal rules & policies. In –group members are more satisfied have lower turnover and have high organizational commitment & vice-versa.



Implication of the Theory

1. Leadership can be better understood by farming & examining dyads (Pair of relationship) model by leader & member rather than focusing on average leadership style.
2. Theory focused that average leadership style (same or average behaviour of leader to all the group members) is impractical & traditional in approach.
3. Theory focus that leader behave differently with in-group members & out group members.





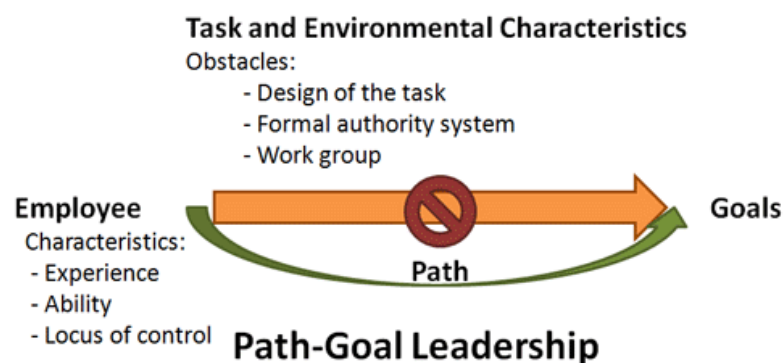
Subordinate

Panel A

In this figure (Panel a) shows the traditional view of leaders & Subordinates where equality in behaviour of leader to subordinate is shown. (Panel b) reflects the vertical dyad where in-group members enjoy a better relationship with leader than out group members which can be shown by differing distances as well as differences in equality of working relationship, influence, authority and access to information.

Path-Goal Theory of Leadership- This approach to leadership was developed by Robert House. The essence of this theory is that leader uses organizational structure, rewards, resources and support to create a favorable work environment where subordinates can work to achieve organizational goals and also clear the path for the goal achievement for subordinates. The theory is called as path goal theory because its major concern is how the leader influence the subordinates perception regarding their work goals, personal goals and path to achieve goals.

Theory suggests that a leader's behaviour is motivating or satisfying to the degree that the behaviour increases the goal attainment and clarifies the path to these goals. Path -goal theory is one of the contingency models. The leader's effectiveness, according to the path goal theory in influencing rewards and expectancies depends on the characteristics of the environment and subordinates.



Consider:

- Employee characteristics
- Task & environment characteristics

Select Leadership Style:

- Directive
- Supportive
- Participative
- Achievement-oriented

Focus on Motivation:

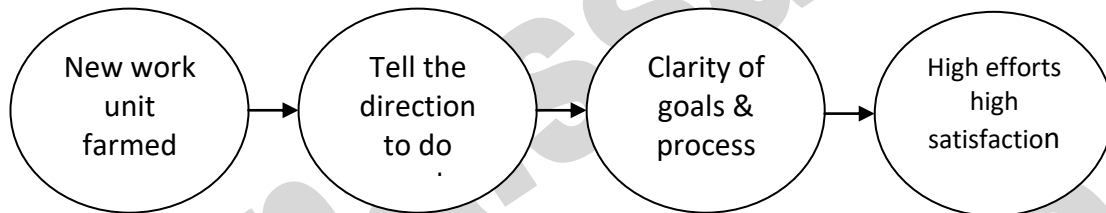
- Define goals
- Clarify path
- Remove obstacles
- Provide support



In figure the ultimate effect of leadership behaviour on motivation and satisfaction is contingent upon the characteristics of environment and of subordinates and follower perceptions about effort reward linkage.

Evaluation of Theory- The path-goal theory deserves appreciation as the theory suggest that leader should first assess the situation and then select a leadership behaviour appropriate to situation for linking effort to performance expectancies performance to reward expectancies or valance to outcome.

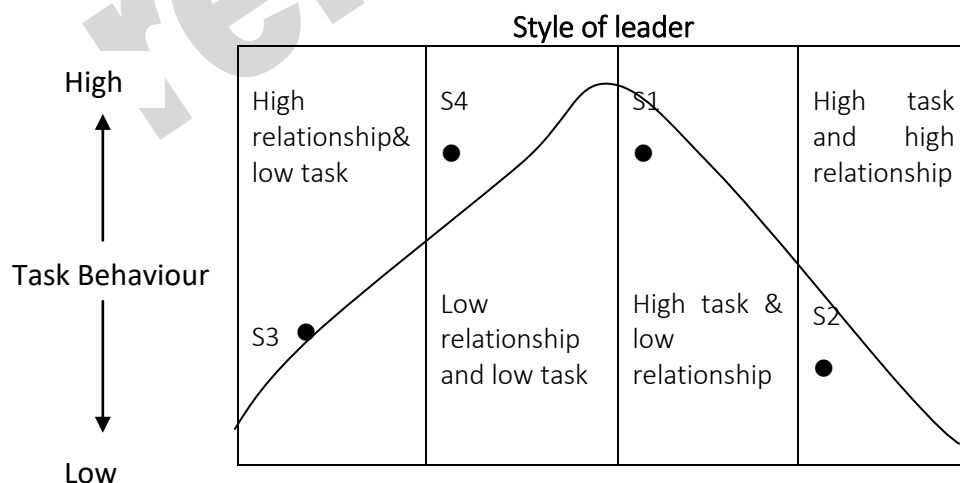
Example-situation leader follower outcomes



The situational leadership Theory

This theory of leadership was developed by Paul Hersey & Kenneth Blenchard. This theory focusses on 'maturity' of followers for deciding the appropriate leadership style. Theory focus on that situational leadership requires adjusting the leader's emphasis on task behaviour (guiding & direction) and relationship behaviour (offering socio-emotional support) according to the maturity of followers in performing their tasks. Maturity according to this theory means desire for achievement, willingness to accept responsibility etc.

Herey and Blachard believe that the relation between leader and subordinates moves through four phases like a life cycle as subordinates develop and mature. Leaders or managers need to change their leadership styles with each phase.





- S1 = Telling
- S2 = Selling
- S3 = Participating
- S4 = Delegation

1. In first stage in a figure i.e. at initial phase subordinates enter in a organization so manager should follow the directive or task oriented approach to clear the goals, task, rules & procedures in an organization to subordinates. This style is also called as "Telling" approach of leadership
2. In the second stage subordinates start learning their tasks but task-orientation still remains essential as subordinates are not yet willing or able to accept full responsibility. Managers become familiar with subordinates so that can follow employed oriented behaviour. This is called as 'selling' or coaching approach to leadership.
3. In third phase subordinates involvement, ability and achievement motivation are increases so managers is not required to be directive manager will trust subordinates. This is called as 'participating' style.
4. In fourth phase manager can reduce the amount of support & encouragement as subordinates gradually become more confident, self-directing & experienced. Subordinates are 'on their own' and no longer need to expect a directive relationship with their manager. This is also called as 'delegating style'.

S STRENGTHS	W WEAKNESSES	O OPPORTUNITIES	T THREATS
<ul style="list-style-type: none">• Things your company does well• Qualities that separate you from your competitors• Internal resources such as skilled, knowledgeable staff• Tangible assets such as intellectual property, capital, proprietary technologies etc.	<ul style="list-style-type: none">• Things your company lacks• Things your competitors do better than you• Resource limitations• Unclear unique selling proposition	<ul style="list-style-type: none">• Underserved markets for specific products• Few competitors in your area• Emerging need for your products or services• Press/media coverage of your company	<ul style="list-style-type: none">• Emerging competitors• Changing regulatory environment• Negative press/ media coverage• Changing customer attitudes toward your company

WordStream



SWOT is an acronym for Strengths, Weaknesses, Opportunities and Threats. By definition, Strengths (S) and Weaknesses (W) are considered to be internal factors over which you have some measure of control. Also, by definition, Opportunities (O) and Threats (T) are considered to be external factors over which you have essentially no control.

SWOT Analysis is the most renowned tool for audit and analysis of the overall strategic position of the business and its environment. Its key purpose is to identify the strategies that will create a firm specific business model that will best align an organization's resources and capabilities to the requirements of the environment in which the firm operates.

In other words, it is the foundation for evaluating the internal potential and limitations and the probable/likely opportunities and threats from the external environment. It views all positive and negative factors inside and outside the firm that affect the success. A consistent study of the environment in which the firm operates helps in forecasting/predicting the changing trends and also helps in including them in the decision-making process of the organization.

An overview of the four factors (Strengths, Weaknesses, Opportunities and Threats) is given below-

1. **Strengths** - Strengths are the qualities that enable us to accomplish the organization's mission. These are the basis on which continued success can be made and continued/sustained.

Strengths can be either tangible or intangible. These are what you are well-versed in or what you have expertise in, the traits and qualities your employees possess (individually and as a team) and the distinct features that give your organization its consistency.

Strengths are the beneficial aspects of the organization or the capabilities of an organization, which includes human competencies, process capabilities, financial resources, products and services, customer goodwill and brand loyalty. Examples of organizational strengths are huge financial resources, broad product line, no debt, committed employees, etc.

2. **Weaknesses** - Weaknesses are the qualities that prevent us from accomplishing our mission and achieving our full potential. These weaknesses deteriorate influences on the organizational success and growth. Weaknesses are the factors which do not meet the standards we feel they should meet.

Weaknesses in an organization may be depreciating machinery, insufficient research and development facilities, narrow product range, poor decision-making, etc. Weaknesses are controllable. They must be minimized and eliminated. For instance - to overcome obsolete machinery, new machinery can be purchased. Other examples of organizational weaknesses are huge debts, high employee turnover, complex decision making process, narrow product range, large wastage of raw materials, etc.

3. **Opportunities** - Opportunities are presented by the environment within which our organization operates. These arise when an organization can take benefit of conditions in its environment to plan and execute strategies that enable it to become more profitable. Organizations can gain competitive advantage by making use of opportunities.

Organization should be careful and recognize the opportunities and grasp them whenever they arise. Selecting the targets that will best serve the clients while getting desired results is a difficult task. Opportunities may arise from market, competition, industry/government and technology. Increasing demand for telecommunications accompanied by deregulation is a great opportunity for new firms to enter telecom sector and compete with existing firms for revenue.



4. **Threats** - Threats arise when conditions in external environment jeopardize the reliability and profitability of the organization's business. They compound the vulnerability when they relate to the weaknesses. Threats are uncontrollable. When a threat comes, the stability and survival can be at stake. Examples of threats are - unrest among employees; ever changing technology; increasing competition leading to excess capacity, price wars and reducing industry profits; etc.

Advantages of SWOT Analysis

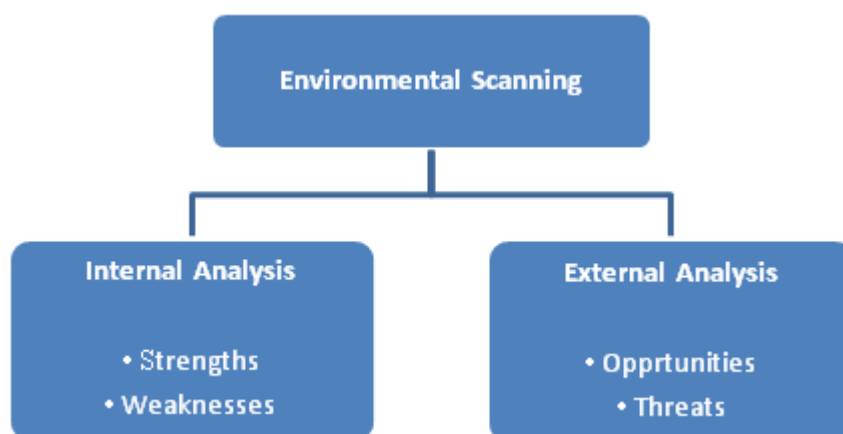
SWOT Analysis is instrumental in strategy formulation and selection. It is a strong tool, but it involves a great subjective element. It is best when used as a guide, and not as a prescription. Successful businesses build on their strengths, correct their weakness and protect against internal weaknesses and external threats. They also keep a watch on their overall business environment and recognize and exploit new opportunities faster than its competitors.

SWOT Analysis helps in strategic planning in following manner-

- It is a source of information for strategic planning.
- Builds organization's strengths.
- Reverse its weaknesses.
- Maximize its response to opportunities.
- Overcome organization's threats.
- It helps in identifying core competencies of the firm.
- It helps in setting of objectives for strategic planning.
- It helps in knowing past, present and future so that by using past and current data, future plans can be chalked out.

SWOT Analysis provide information that helps in synchronizing the firm's resources and capabilities with the competitive environment in which the firm operates.

SWOT ANALYSIS FRAMEWORK



Limitations of SWOT Analysis

SWOT Analysis is not free from its limitations. It may cause organizations to view circumstances as very simple because of which the organizations might overlook certain key strategic contact which may occur. Moreover, categorizing aspects as strengths, weaknesses, opportunities and threats might be very subjective as there is great degree of uncertainty in market. SWOT Analysis does stress upon the significance of these four aspects, but it does not tell how an organization can identify these aspects for itself.



There are certain limitations of SWOT Analysis which are not in control of management. These include-

- a. Price increase;
- b. Inputs/raw materials;
- c. Government legislation;
- d. Economic environment;
- e. Searching a new market for the product which is not having overseas market due to import restrictions; etc.

Internal limitations may include-

- a. Insufficient research and development facilities;
- b. Faulty products due to poor quality control;
- c. Poor industrial relations;
- d. Lack of skilled and efficient labour; etc