SYLLABUS

BBA I YEAR

Subject – Principles and Practices of Management

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UNIT – I	Management in Indian Knowledge Tradition-Management in Indian ethos, Indian models, spiritual values and management. Modern Concept of Management- Meaning, definitions, importance, and functions.
UNIT – II	Planning- Meaning, Definitions, Importance, Types and Process. Difference between Planning and Forecasting. Management by Objectives (MBO) - Meaning, Definitions, and Process. Strategies and Policies.
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Principles and Practices of Management

UNIT–I

✧ Management in Indian Culture and Tradition

Management in Indian culture is deeply rooted in the country's rich heritage and diverse traditions. Here are some key aspects:

1. Human Values and Ethics: Indian management emphasizes spiritual, ethical, and moral values. These principles guide decision-making and leadership practices.
2. Holistic Approach: The Indian model of management is holistic, integrating various cultural aspects and values. This approach considers the well-being of all stakeholders, including employees, customers, and the community.
3. Spirituality in Management: Spirituality plays a significant role in Indian management. It involves inner truth and intuition, guiding leaders to make decisions that are not only profitable but also ethical and sustainable.
4. Cultural Diversity: India's diverse culture, with its multitude of languages, religions, and traditions, influences management practices. This diversity fosters a unique blend of traditional and modern management techniques.
5. Historical Influence: The historical evolution of business organizations and systems in India has shaped contemporary management practices. Ancient Indian wisdom and practices continue to influence modern management strategies.
6. Indigenous Management Practices: Indian management draws from traditional knowledge systems, integrating them with contemporary management principles. This blend creates a unique management style that is both effective and culturally relevant.

Understanding these elements can provide valuable insights into how management practices in India are shaped by its cultural and traditional values.

Introduction: Management in Indian Knowledge Tradition

Indian knowledge tradition views **management as a holistic approach** to balancing material success with inner peace and ethical governance. It focuses on **Dharma (duty), Karma (action), and Yoga (discipline)**.

◆ **Modern Concept of Management**

Management is the process of managing organizational activities in a way that enables the success rate of achieving organizational goals most efficiently and effectively. The main objective of management is to create a working environment where every organizational member best works and contributes their best effort to the overall organization's well-being.

Management is the art and science of organizing, directing, and coordinating the activities and resources of a business to achieve its goals effectively and efficiently. It involves making informed decisions, planning for the future, creating a harmonious work environment, and ensuring that the organization's resources are utilized optimally.

A successful manager guides and motivates employees sets clear objectives, and monitors progress towards those objectives. They create a structure that supports productivity and fosters collaboration among team members.

Management is not only about overseeing tasks but also about nurturing talent, facilitating communication, and adapting to a changing business landscape. Ultimately, management is about achieving desired outcomes by harnessing the potential of individuals and resources within an organization.

❖ **Management in Indian Ethos**

Management in Indian Ethos refers to the application of ancient Indian wisdom, values, and philosophies in modern management practices. It integrates **spiritual, ethical, and human-centric principles** from Indian culture into organizational management, focusing not only on profit but also on **holistic development, social responsibility, and harmony**.

Key Concepts of Indian Ethos in Management

◆ **Holistic Approach**

- Management is not just about achieving material success but also about ensuring the well-being of employees, society, and the environment.
- Inspired by concepts like *Sarve Bhavantu Sukhinah* (Let all be happy).

- **Purusharthas (Four Aims of Life)**

- **Dharma** – Righteous duty and ethical conduct
- **Artha** – Wealth creation for societal and personal growth
- **Kama** – Desires and emotional fulfillment
- **Moksha** – Liberation and self-realization

  In management, this means balancing economic goals with moral responsibilities.

- **Nishkama Karma (Selfless Action)**

- Derived from the *Bhagavad Gita*, it emphasizes performing duties without attachment to results.
- Encourages managers to focus on quality work rather than being overly result-oriented.

- **Yogic Principles**

- *Karma Yoga* – Work with dedication and without selfish motives
- *Jnana Yoga* – Use wisdom and knowledge in decision-making
- *Bhakti Yoga* – Work with devotion and commitment

- **Trust & Relationships**

- Indian ethos emphasizes long-term relationships over short-term gains.
- Management should build mutual trust among employees, customers, and stakeholders.

- **Corporate Social Responsibility (CSR)**

- Giving back to society is seen as a duty (*Seva Dharma*).
- Profit should be used for the welfare of society.

Principles of Indian Ethos in Management

- **Work is Worship** – Treating work as a sacred duty (*Karma as Puja*).
- **Simple Living, High Thinking** – Avoiding extravagance, focusing on ethical values.
- **Unity in Diversity** – Respecting multiculturalism in the workplace.
- **Balance of Material & Spiritual Goals** – Achieving profits while maintaining ethical and spiritual integrity.
- **Self-Management First** – Leaders must lead by example (*Atmanam Viddhi* – know thyself).

Indian Models of Management

Indian models of management are rooted in **Vedic philosophy, ancient scriptures, and cultural values**. They focus on **holistic development**, balancing **material success with ethical and spiritual values**.

a) The Sadhana Model

Source: Indian philosophy of self-discipline (*Sadhana* = dedicated effort).

Core Idea: Achieving goals through **discipline, dedication, and ethics**.

Managerial Application: Planning with patience, ethical leadership, and continuous improvement.

b) The Purushartha Model

Four Goals of Life:

Dharma – Righteousness, ethics, duty

Artha – Wealth creation for welfare

Kama – Desires & emotional fulfillment

Moksha – Liberation, self-realization

Managerial Application: Balancing profit-making (Artha) with ethical conduct (Dharma), employee satisfaction (Kama), and organizational purpose (Moksha).

c) The Guna Theory (Sattva, Rajas, Tamas)

Sattva – Purity, wisdom, harmony → ethical and stable leadership

Rajas – Action, ambition, drive → entrepreneurial spirit

Tamas – Inertia, ignorance → inefficiency to be reduced

Managerial Application: Encouraging Sattvic qualities for better decision-making.

Spiritual Values in Management

Indian ethos integrates **spiritual wisdom** into business by focusing on inner growth, ethical living, and selfless service.

a) Nishkama Karma (Selfless Action)

Do your duty without attachment to results (*Bhagavad Gita* principle).

Encourages **dedication without greed**.

b) Yogic Management

Karma Yoga – Work with selflessness

Jnana Yoga – Use wisdom and knowledge in decisions

Bhakti Yoga – Work with devotion and sincerity

Raja Yoga – Self-discipline and mental control

c) Trusteeship Principle (Mahatma Gandhi)

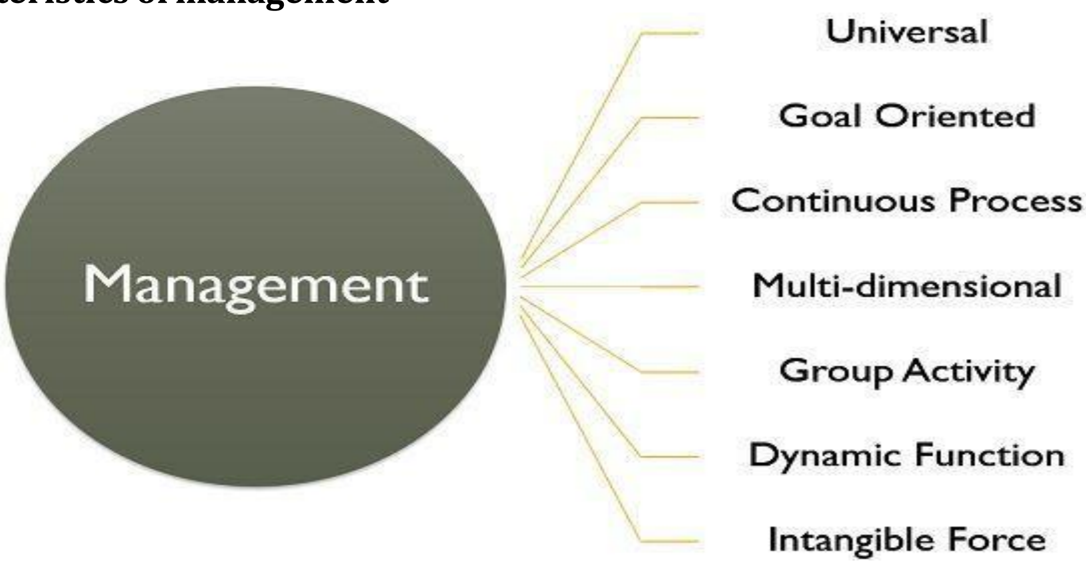
Wealth is a trust given by society → must be used for social good.

Managers are **trustees**, not just owners.

Management Implications

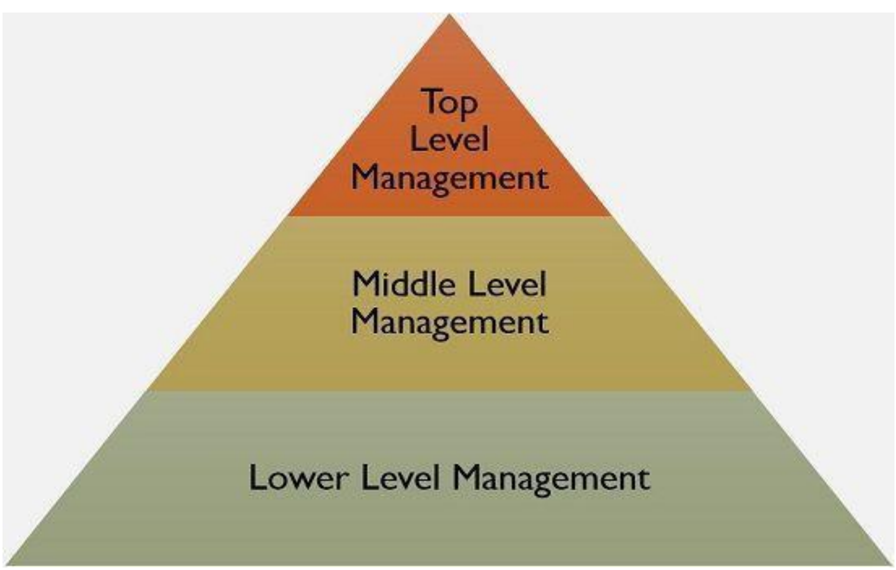
Aspect	Indian Ethos Approach	Managerial Impact
Leadership	**Servant leadership, ethical role model**	**Builds trust, inspires teams**
Decision-Making	**Dharma-guided**	**Ethical, long-term oriented**
Motivation	**Inner fulfillment & purpose**	**Reduces attrition, increases loyalty**
CSR	**Seva (service to society)**	**Strengthens public goodwill**
Work Culture	**Work is Worship**	**Increases commitment & productivity**

Characteristics of management



- **Universal**: All the organizations, whether it is profit-making or not, they require management, for managing their activities. Hence it is universal in nature.
- **Goal-Oriented**: Every organization is set up with a predetermined objective and management helps in reaching those goals timely, and smoothly.
- **Continuous Process**: It is an ongoing process which tends to persist as long as the organization exists. It is required in every sphere of the organization whether it is production, human resource, finance or marketing.
- **Multi-dimensional**: Management is not confined to the administration of people only, but it also manages work, processes and operations, which makes it a multi-disciplinary activity.
- **Group activity**: An organization consists of various members who have different needs, expectations and beliefs. Every person joins the organization with a different motive, but after becoming a part of the organization they work for achieving the same goal. It requires supervision, teamwork and coordination, and in this way, management comes into the picture.
- **Dynamic function**: An organization exists in a business environment that has various factors like social, political, legal, technological and economic. A slight change in any of these factors will affect the organization's growth and performance. So, to overcome these changes management formulates strategies and implements them.
- **Intangible force**: Management can neither be seen nor touched but one can feel its existence, in the way the organization functions.

✧ Levels of Management



- **Top-Level Management**: This is the highest level in the organizational hierarchy, which includes **Board of Directors and Chief Executives**. They are responsible for defining the objectives, formulating plans, strategies and policies.
- **Middle-Level Management**: It is the second and most important level in the corporate ladder, as it creates a link between the top and lower-level management. It includes **departmental and division heads and managers** who are responsible for implementing and controlling plans and strategies which are formulated by the top executives.
- **Lower-Level Management**: Otherwise called as functional or operational level management. It includes **first-line managers, foreman, supervisors**. As lower-level management directly interacts with the workers, it plays a crucial role in the organization because it helps in reducing wastage and idle time of the workers, improving the quality and quantity of output.

Objectives of Management

The main objective of management is to ensure the desired goal achievement of the organization. Let's look at its other major objectives.

- Optimize resources.
- Maintain discipline and morale.
- Ensure regular workflow.
- Mobilize the best talent.
- Minimize risk.
- Improve performance.
- Maintain quality.

Functions of a Management

In the realm of management, the following are the five functions managers are entitled to do. Planning, organizing, staffing, directing, and controlling are the five key functions of management.

■ Planning

Planning involves setting objectives and determining the best course of action to achieve them. It includes analyzing the current situation, forecasting future trends, and developing strategies and plans. Planning provides a roadmap for the organization, guiding decision-making and resource allocation.

■ Organizing

Organizing focuses on structuring the organization to optimize performance. It involves designing the organizational structure, establishing departments and divisions, and allocating resources. Organizing ensures that tasks are divided, roles and responsibilities are defined, and coordination is facilitated for smooth workflow.

■ Staffing

Staffing is about acquiring and maintaining a capable workforce. It includes activities such as recruitment, selection, training, and development of employees. Staffing ensures that the right people are in the right positions, with the necessary skills and competencies to perform their roles effectively.

■ Directing

Directing is the function of guiding and leading employees toward the accomplishment of organizational goals. It involves providing instructions, motivating employees, facilitating communication, and resolving conflicts. Directing ensures that employees understand their tasks, work collaboratively, and remain focused on achieving desired outcomes.

■ Controlling

Controlling involves monitoring performance, comparing it with set standards, and taking corrective actions when necessary. It includes measuring progress, identifying deviations, and implementing adjustments to keep activities on track. Controlling ensures that actual performance aligns with planned objectives and helps in maintaining organizational effectiveness.

✧ Importance of Management to Business

Management is key to ensuring everything is in the right place and working properly. It ensures the placement of organizational resources and employees in the right place.
It is what enables every organization's mechanism including men, machines, methods, money, and materials are work properly or not. Nonetheless, management's importance can be pointed out below:

➢ Ensures Goal Achievement

Management ensures that organizational goals are defined and translated into actionable plans. It helps align efforts and resources toward achieving these goals. Like a conductor of an orchestra, managers coordinate and guide individuals to work together harmoniously towards a common objective.

➢ Resource Optimization

Effective management ensures efficient utilization of resources such as human capital, finances, materials, and technology. It involves strategic planning, organizing, and controlling to make the most of available resources, minimize waste, and maximize productivity.

➢ Decision-Making

Managers are responsible for making critical decisions that impact the organization. They analyze information, assess risks, and choose the best course of action. Their decisions influence all levels of the organization, from strategic choices to day-to-day operations, driving growth and success.

➢ Adaptability and Innovation

In today's dynamic business landscape, adaptability and innovation are crucial for survival. Managers play a key role in identifying market trends, embracing change, and fostering a culture of innovation. They encourage employees to think creatively, experiment with new ideas, and adapt to evolving customer needs.

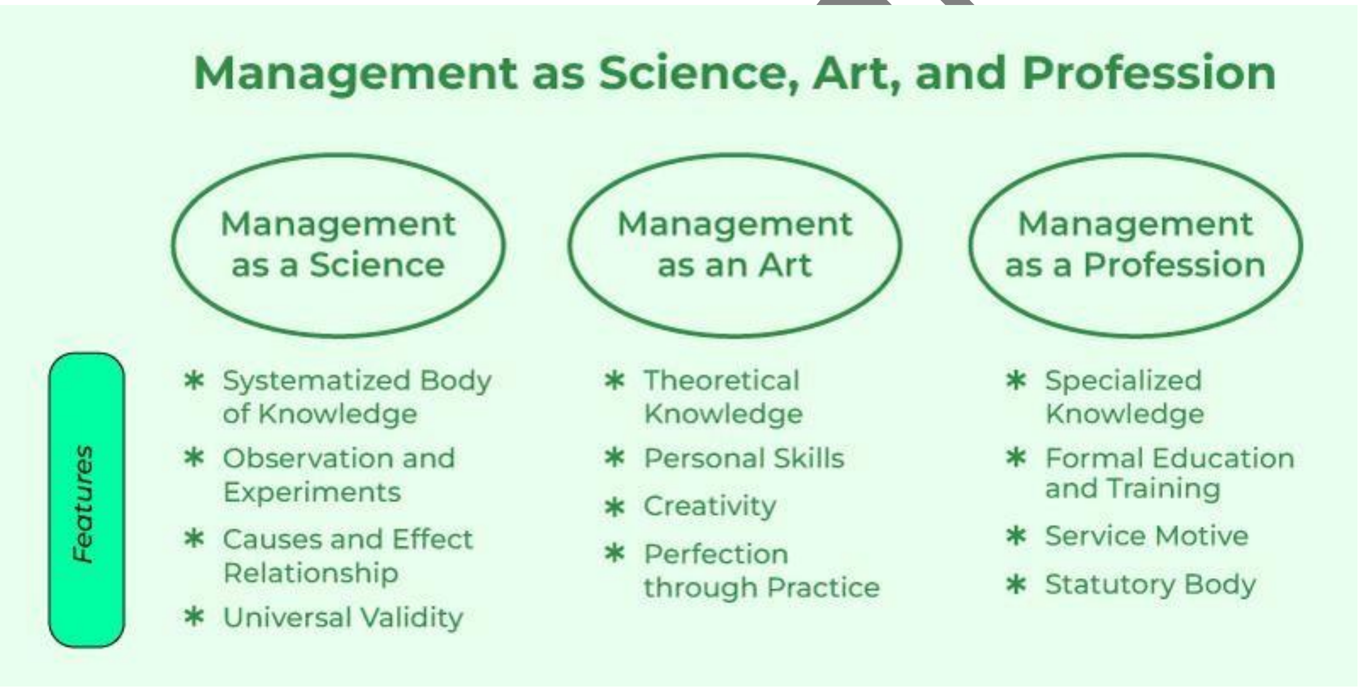
➢ Team Development and Engagement

Effective management fosters a positive work environment where employees feel motivated, engaged, and valued. Managers support employee development, provide guidance, and offer opportunities for growth.They build strong teams, promote collaboration, and nurture a culture of trust, leading to higher job satisfaction and employee retention.

✧ Nature of Management as a Science, Art and Profession

The term *management* is used in various senses. Some consider it as an activity, some treat it as a group, some call it a discipline, whereas some look at it as a process. Management as an activity is getting things done through others. Management as a group is all those who manage. Management as a discipline is a body of knowledge, and as a process is what managers do. We define management as the process of getting things done through and with people to achieve

a common goal effectively and efficiently. The nature of management can be analyzed in the terms of science, arts, and profession.



■ Management as a Science

Science means a systematized body of knowledge that can be acquired through observation and experimentation. It consists of universally accepted principles that establish a relationship between causes and their effects.

The essential features of Management as a science are:

- **Systematized body of knowledge:** Science is a systematic body of knowledge. Its principles are based on a cause-and-effect relationship.
- **Observation and Experiments:** All scientific principles are first developed through observations and then tested through repeated experimentation under controlled conditions.
- **Causes and Effect Relationship:** Science is based on causes and their effects. For example, if a person eats lots of fast food without any physical activity, he will put on extra weight.
- **Universal Validity:** Scientific principles have universal validity and can be applied in all situations and times. basic truths.

We can say management has some features of science as:

1. Management is a systematized body of knowledge in the form of basic principles and concepts. It not only has theories and principles that have developed over time, but it also draws on other disciplines, such as Economics, Sociology, Psychology, and Mathematics. Like all other organized activities, management has its vocabulary of terms and concepts.
2. The knowledge of management has been built up through endless observation and experiments. Management experts and practitioners have developed the knowledge after thorough analysis, inquiry and experience. The principles of management make use of the scientific method of observation and analysis. As management deals with human behavior that cannot be scientifically predicted, the methods of observation used in management are not completely objective.
3. Principles of management establish a cause-and-effect relationship between various factors. If there is a cause or an action, there will be an effect due to that cause. For example, dual subordination leads to confusion.
4. Principle of management is not applicable universally as they are not exactly like the principles of science, only the fundamental principles of management are universally applicable. These results can be tested and verified. The principle of management is modified as per the situation. However, managers are provided with certain fundamental techniques that are used in different situations.

Therefore, management is a science. It can be said that management is a social science because it deals with people and their behaviour.

✧ Management as an Art

Now, what do we mean by arts? Arts means the practical application of knowledge and skills to achieve the desired results. It is personal application of knowledge to achieve results. It is attained through study, observation and experience.

The essentials feature of arts are:

- **Theoretical knowledge:** Art comprises the application of theoretical knowledge. A particular art has its basic principles and theory. Some fundamental principles have been derived by the experts which apply to their particular form of art. For example, painting has its principles and theory to start with.
- **Personal skills:** Every artist has his way of working. The use of basic knowledge varies from individual to individual. Even how they tackle their problems for reaching the result or the goal which they are willing to achieve differs. Applying this basic knowledge with practice, creativity, imagination, initiative, and innovation is a personal skill.
- **Creativity:** Art consists of lots of creativity. The theoretical knowledge should be practiced and applied differently to become more creative and achieve the ultimate goal.
- **Perfection through Practice:** As arts require nonstop practice to gain mastery. By performing the task again and again, the artists gain perfection through practise. For example, a dancer who practices for hours daily will get smooth and perfect with his steps through practice.

➢ We can say management has some features of arts as:

1. There are many texts available in forms of theoretical knowledge for different areas of management, like marketing, finance, and human resources, in which the manager has to specialize. A manager practices the art of management in his everyday job of managing a business based on these studies, observations and experience.
2. Every manager has his unique method of working. He tackles various problems based on his own opinion and understanding of the situation. There are many theories of management introduced by various management thinkers, which define certain universal principles. A manager applies these universal principles and

theoretical knowledge in different situations and problems. So, management is an individual skill.

3. Management is creative, as it converts inputs into outputs. A manager applies this

attained knowledge in his personal and skillful way in the realities of a given situation. Management is goal-oriented and result-oriented. It aims at achieving ultimate productivity and profitability, i.e. at the lowest cost.

4. Management also involves regular practice. An efficient manager can convert a challenge into an opportunity through unceasing decision-making and leadership. Most management practices rely on the same set of principles and theories. The distinction between a successful and a less successful manager is his ability to put these principles into practice.

Therefore, management is an art.

✧ Management as a Profession

What is a profession? Profession means a vocation requiring specialized knowledge, practical training, service motive and a code of conduct. A Profession is an addicted group of individuals who obey ethical standards and hold themselves out and are accepted by the public as having special knowledge and skills.

The essential features of a profession are:

- **Specialized Knowledge:** All professions are based on a well-defined body of knowledge that can be acquired through instruction.
- **Formal Education and Training:** Almost all professions provide specialized education and training in their respective field. The professionals have to complete their education and training to get a job. There are various universities and formal institutions for attaining a complete education. For example, a doctor needs to complete his formal education and training to practice his knowledge before providing his services to the people.
- **Service Motive:** The basic motive of a profession is to serve their client's interests by rendering dedicated and committed service. All professionals are also anticipated to serve society rather than simply earn profit.
- **Statutory Body:** A legally recognized body regulates all professions. All professions are affiliated with a professional association that regulates entry, grants certificates of practice, and formulates and enforces a code of conduct.

We can say management has some features of the profession as:

Management has a transmittable body of specialized knowledge. Management is growing all over the world as a discipline. It is based on a systematic body of knowledge comprising well-defined principles based on a variety of business situations. This knowledge can be attained at different colleges and professional institutes and through several books.

1. Some specialized institutions provide education and training in management. Having completed their education and training, students get placed as managers. Management is taught at different institutions, few of these have been set up with the definite purpose of providing management education, for example, the Indian Institutes of

Management (IIMs) in India.

2. The elementary purpose of management is to help the organization to achieve its stated goal. This may be profit making for a business enterprise and service for a hospital. But, profit maximization as the only objective of management will not help the company. Having a good management team that works effectively and efficiently will serve society by offering a better quality of products at reasonable prices. Alike other professional managers are also anticipated to serve society rather than simply earning profit for the owner.

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4. A legally recognized body regulates all professions. Managers also have their associations (e.g., All India Management Association). There is no compulsion for managers to be members of such an association. However, management associations are not statutory bodies.

Although management does not retain all the essential attributes of a profession, it is no doubt arising as a profession.

UNIT-2

PLANNING

Planning is a blueprint of the course of action to be followed in the future. It is also a mental exercise that requires imagination, foresight, and sound judgment. It is thinking before doing. It is a preparatory step and refers to detailed programs regarding the future course of action. Simply put, planning is the basic management function that involves forecasting, laying down objectives, analyzing the different courses of action, and deciding the best alternative to perform different managerial functions to achieve pre-determined goals. Thus, it is a continuous process that involves decision-making; i.e., deciding the course of action for framing and achieving objectives.

"Planning is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen." ***-Koontz and O'Donnell***

❖ **MEANING OF PLANNNING:**

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

❖ FEATURES OF PLANNING

1. **Planning focuses on achieving objectives:** Organizations set up with general goals and specific goals along with the plans and activities to be undertaken to achieve these goals.

2. **Planning is a primary function of management:** Planning lays down the base for other functions of management.

3. **Planning is pervasive:** Planning is required at all levels of management as well as in all departments of the organisation. The scope of planning is different at different levels and for different departments.

4. **Planning is continuous:** Continuity of planning is related with the planning cycle. It means that a plan is framed, it is implemented, and is followed by another plan, and so on.

5. **Planning is futuristic:** The purpose of planning is to meet future events effectively to the best advantage of an organisation. Planning involves forecasting future events and conditions and drafting the plans accordingly.

6. **Planning involves decision making**: Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice.

7. **Planning is a mental exercise:** Planning requires application of the mind involving foresight. Planning is an intellectual activity, which requires logical and systematic thinking rather than guess work.

❖ NATURE AND PURPOSE OF PLANNING

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 particulardepartment, 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.

❖ Purpose of Planning

As a managerial function planning is important due to the following reasons: -

1. To manage by objectives: All the activities of an organization are designed to achieve certain specified objectives. However, planning makes the objectives more concrete by focusing attention on them.

2. To offset uncertainty and change: Future is always full of uncertainties and changes. Planning foresees the future and makes the necessary provisions for it.

3. To secure economy in operation: Planning involves, the selection of most profitable course of action that would lead to the best result at the minimum costs.

4. To help in co-ordination: Co-ordination is, indeed, the essence of management, the planning is the base of it. Without planning it is not possible to co-ordinate the different activities of an organization.

5. To make control effective: The controlling function of management relates to the comparison of the planned performance with the actual performance. In the absence of plans, a management will have no standards for controlling other's performance.

6. To increase organizational effectiveness: Mere efficiency in the organization is not important; it should also lead to productivity and effectiveness. Planning enables the manager to measure the organizational effectiveness in the context of the stated objectives and take further actions in this direction.

❖ IMPORTANCE OF PLANNING

1. **Planning provides directions:** By stating in advance, how the work is to be done planning provides direction for action. Planning ensures that objectives are clearly stated in order to develop appropriate course of action. If the plans are set, the department and individuals can work in coordination.

2. **Planning reduces the risk of uncertainty:** Planning is an activity, which enables a manager to look ahead and anticipate changes. Changes or events cannot be eliminated but by deciding the plans and course of action in advance managers can anticipate it and adjust the plans according to the situation.

3. **Planning reduces overlapping and wasteful activities:** Planning serves as the basis of

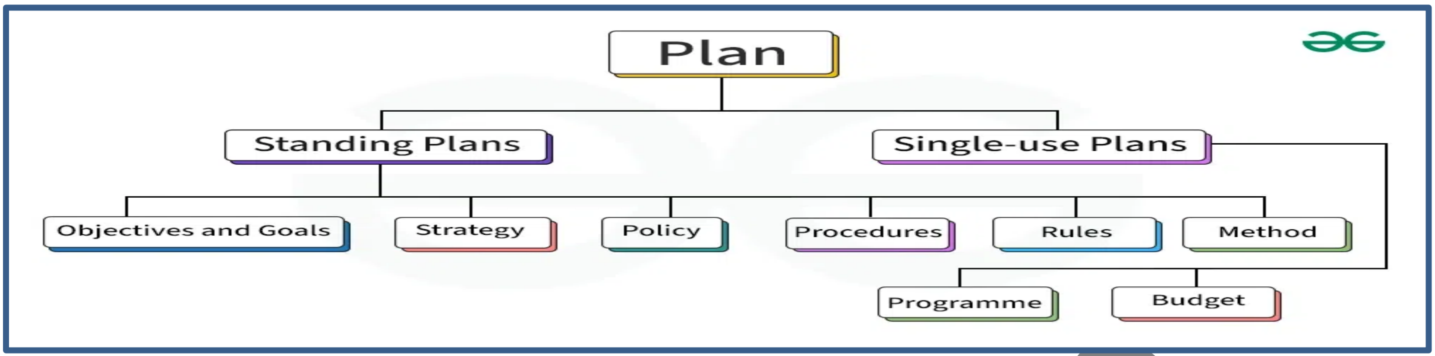
coordinating the activities and efforts of different divisions departments and individuals.It reduces useless and redundant activities, avoids confusion and misunderstanding, and ensures clarity in thought and action.

4. **Planning promotes innovative ideas:** Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of concrete plans. It guides all future action leading to growth and prosperity of the business.
5. **Planning facilitates decision making:** Planning involves setting targets and predicting future conditions, thus helping in taking rational decisions from alternative courses of action.
6. **Planning establishes standards for controlling:** Planning provides the standards against which the actual performance is measured. Therefore, planning is a prerequisite for controlling.

❖ OBJECTIVE OF PLANNING:

1. **REDUSE 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 CO0OPERATION 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 recourses. 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. **ACHIVING 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 Planning



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: Concept and Steps

Planning is the process of setting objectives for a given period and formulating various courses of action to achieve them and selecting the best possible alternatives from the various courses of action available there. According to this application, planning is a choice-making activity because it involves setting up objectives and deciding the appropriate course of action to achieve the objective. It must be remembered that plans are always developed for a given period.

Steps in Planning Process

Following are the steps in the planning process:

1. **Setting Objectives:** The idea behind planning is to achieve desired objectives. Therefore, the first step is to clearly define and describe the objectives of the organization. Firstly,

the major objectives should be specified, and then they should be broken down into individual, sectional and departmental objectives. Objectives serve as guidelines for discussion-making in terms of resource allocation. Work schedule, nature of actions, etc., are kept in mind while setting objectives. All efforts must be made to anticipate the problems and relevant opportunities that are likely to arise in the future.

2. **Developing Planning Premises:** The next step in planning is to establish premises. Planning premises are the anticipated environment in which the plans are expected to operate. These include assumptions and forecasts in the future and knowing conditions that will affect the course of the plan. In short, these provide the environment and the boundaries within which the plans will be executed. Planning premises may be classified as internal and external premises, controllable, semi-controllable, and uncontrollable premises, tangible and intangible premises, and the last foreseeable and unenforceable premises.
3. **Identifying alternative courses of action:** After setting the objectives and making assumptions about the future. The next step is to determine alternative courses of action through which the organization can achieve its objectives. In order to identify the various alternative courses of action, it is required to collect all necessary information from primary and secondary sources. The information collected must be correct and believable. The only information which is directly and strategically related to the achievement of the desired objective should be considered. For every plan, there are several options. All the alternative courses of action should be identified.
4. **Evaluating alternative courses:** After identifying different alternatives the next step is to evaluate each alternative. Evaluation means the study of the performance of various actions. All the possible alternatives should be evaluated keeping in mind their expected cost and benefit to the organization. Comparison among the alternatives should be made in terms of factors, such as the risk involved, planning premises, goals to be achieved, etc. The positive and negative points of each alternative must be thoroughly examined, and thereafter planner should make a choice.
5. **Selecting an alternative:** After evaluating various alternatives, the next step is to select the most suitable force of action. The basic, detailed, and derivative plans, such as policies, rules, programs, and budgets should be formulated. This is because the derivative plans help in the implementation of the basic plans. Most of the plans may not always be subjected to mathematical analysis. In these cases, the subject and the management experience, judgment, and at times institute play an important role in

setting the most suitable alternative. Many times, combination of plans is also selected instead of selecting one best course.

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10. **Implementing the plan:** This step is concerned with transforming the plan into action. The plan must be communicated to the employees in detail. This, in turn, will help to secure cooperation from them. Useful suggestions from employees must be considered, and they should be motivated to execute the plan to the fullest of their abilities. The plan has to be effectively implemented by the real executor. This step would also involve organizing labor and purchasing machinery.

11. **Follow-up- action:** After implementing the plan, the last step is to periodically review the existing plan to ensure that the plan is effective. The plan must be consistently monitored, and in case of any deficiency, it should be modified and adjusted.

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 consideration 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 through and behavior that are hard to change. They look more in terms of present rather than future.

b. **POLICY AND PROCEDURAL INFLEXIBILTY**: 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 vs. Forecasting Objective

➢ What is forecasting?

Forecasting is analyzing and clarifying the future state regarding the operations you plan to undertake. In the process of forecasting, information from both past and present and facts are taken into consideration to foresee future events. Therefore, we can say that forecasting helps us look at past and present performance and forward to predetermining trends and events of the future and their possible impacts on the organization.

Managers working at different levels of an organization perform forecasting. In addition to this, sometimes experts like economists, analysts, and statisticians have also performed forecasts for the organization to forecast future uncertainties.

❖ Purpose of Forecasting

Forecasting is trying to guess what changes, trends, or unforeseen events will happen. It gives businesses the information they need to make plans and take actions that will lead to the results they expect. Forecasts help businesses figure out what their customers want, improve the quality of their products, keep an eye on their stock levels, divide up their assets, and check their financial health. Forecasting, then, is a way to think ahead about how to deal with future changes and lower risks.

❖ Purpose of Planning

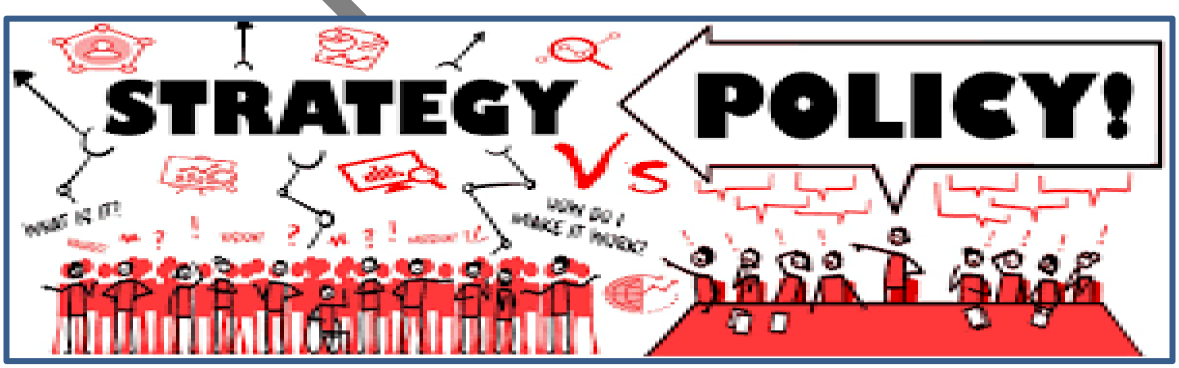
Planning is important in setting goals and organizational objectives and determining the best ways to reach them. It includes having goals, making plans that can be implemented, distributing resources responsibly, and making schedules with important checkpoints.

This process allows businesses to make clear decisions, coordinate their efforts, assign tasks, and monitor progress. It ensures that projects are well-thought-out, focused, and designed to get the desired results.

PLANNING	FORECASTING
➢ Planning is looking into the planned course of action for the future organization and preparing for different departments accordingly.	➢ Forecasting is a process of predicting the performance of an organization in the future based on its performance in the past and present.
➢ Planning is based on pertinent information, objectives, and forecasts.	➢ Forecasting is based on assumptions and speculations, which require a certain degree of guessing.
➢ It is concerned with assessing the future and preparing for it.	➢ It is concerned with approximating future events and trends.
➢ Planning stresses on expectations and facts.	➢ Forecasting stresses on facts only.
➢ It is the responsibility of top level of managers.	➢ It is the responsibility of managers at different level and also experts of different departments.

Difference between Policies and Strategy

Policies and Strategy are two types of Standing Plan. Policies are the general statements that guide thinking and channel energy toward a particular direction. However, Strategies are the unified, structured, and integrated plans that are designed to achieve specific objectives of an organization.



What are Policies?

The general statements that guide thinking and channel energy toward a particular direction are known as **Policies**. Policies are a type of Standing Plan and they provide a basis for interpreting strategy. A manager uses policies at his discretion. E.g. Decisions taken under recruitment policy can be in the case of recruiting employees for a new division, such as whether to recruit from the existing employees or to explore other external sources of recruitment, various policies under it regarding the salary structure, etc. A policy is used by organizations as a guide that avoids confusion and provides a structured and unified framework.

What are Strategies?

The unified, structured, and integrated plans that are designed to achieve specific objectives of an organization are known as **Strategies**. It is a comprehensive plan for achieving the goals of an organization. By 'comprehensive', we mean plans in which we determine long-term objectives, adopt a suitable course of action, and arrange and allocate necessary resources for achieving the objectives. A strategy prepares an organization to meet the changes taking place in the environment. It is usually made by the top-level management.

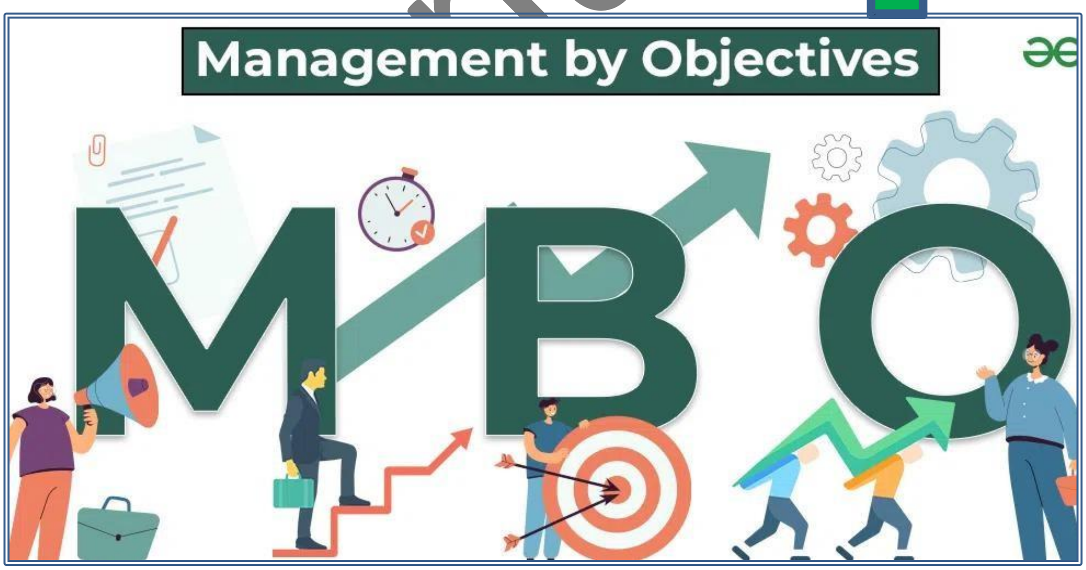
Basis	Policies	Strategy
Meaning	Policies are general statements that guide thinking and channel energy toward a particular direction.	Strategies are unified, structured, and integrated plans that are designed to achieve specific objectives of an organization
Aim	Its main aim is to deal with repetitive issues.	Its main aim is to prepare organizations against unforeseen events or challenges of the business environment.
Validity	They remain valid for situations or events which are recurring in nature.	They are useful for specific purposes.
Role of competitors	They are generally not made on the move of competitors.	They are made after considering the moves of the competitors.

Hierarchy of plans	They have a lower place in the hierarchy of plans and are generally considered to be supportive.	They have a higher place in the hierarchy of plans and are generally considered to be superior.
Example	Organizations have policies for a proper code of conduct	Mc Donald's and Burger King are giant fast-food chains, which make their strategies considering each other

❖ What is Management by Objectives (MBO)?

Management by Objective is a process whereby the superior and the subordinate managers of an enterprise jointly identify its common goals. It is a rational and systematic approach to management wherein measurable goals are set up in consultation with subordinate managers and the contribution of each individual is judged in terms of such goals.

This concept was originated by **"Peter F. Drucker"** in the year 1954 in his book – The Practice of Management and he is also known as the **Father of MBO** (Management by Objectives). MBO guides the subordinates to fulfil the specified objectives within the given time deadline. It critically reviews organizational performance on a regular basis.



- **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 Management by Objectives (MBO)

1. **Goal-oriented:** MBO is goal-oriented rather than work-oriented as it focuses on what must be accomplished rather than on how it is to be accomplished.
2. **Participation of all:** It involves the participation of subordinate managers in the goal-setting process. It requires all key personnel to contribute the maximum to achieve the overall objectives.
3. **Focuses on KRAs:** MBO focuses on measurable and verifiable goals in the key result areas. It helps to balance the goals of all the key personnel.
4. **Dynamic:** MBO is a dynamic system which integrates company's needs to achieve the objective.
5. **Managerial philosophy:** Management by Objectives is a managerial philosophy and not just a simple technique or method. Because a philosophy directs and influences every element of management, whereas a technique is only useful in certain areas. MBO is an approach involving different techniques to finest management.
6. **Serve as a criterion:** To evaluate the complete performance of the organization, corporate, functional and personal goals under Management by Objectives serve as a criterion. Managers will be able to assess the efficiency of subordinates through the comparison of goals and actual results, and in some ways, the top level can assess the efficiency of other managers too.
7. **Continuous process:** MBO is a continuous process of goal setting, periodic appraisals and modification of goals and performance.

❖ Objectives of Management by Objectives (MBO)

The objectives of Management by Objective are:

1. **To aid employees in realizing their responsibilities at work.** Each employee has key result areas customized to their interest, areas of expertise, and academic background. The staff members are aware of what is required of them because of MBO.

2. **To make employees feel valuable in the organization.** Every employee plays a unique role in helping the company achieve its goals and objectives. Each employee plays a different role at work. Each person eventually begins to feel devoted to the group and feels valuable in the organization.

They typically stay with the company for a longer period and provide significant contributions.

3. **To guarantee the effectiveness among employees.** It fosters an encouraging atmosphere at work, allowing people to appreciate their jobs rather than viewing them as an obligation. Employees who use the MBO process are extremely enthusiastic and dedicated.

4. **To produce clearly specified hierarchies.** It guarantees open-mindedness on all fronts. The Managing Director is not approachable directly by any superior in any company. First, he or she would communicate with their reporting boss, who would then convey the information to the senior, and so on. Each person understands where they fit within the company.

5. **To set a benchmark for every employee.** For each member of the team, the managers establish different organizational and personal goals. Detailed job lists are provided to each employee. Eventually, it eliminates unnecessary complications and works incompatibility.

6. **To serve as a device** for organizational control and integration.

7. To serve as a basis for judgment about salary and promotions.

Advantages and Disadvantages of Management by Objectives (MBO)

Advantages	Disadvantages
More Clarity towards Objectives	Goal-Setting Problem
Better Management	Time-Consuming
Enhanced Individual Commitment	More focus on Short-term Objectives
Establishing Controls	Incapable to provide Guidelines to Goal Setters
Improved Communication	Inflexibility
Motivation and Morale	Increased Paperwork

❖ **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 Organization**: MBO helps in clarifying organizational 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 organization.

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 organization 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 set ting 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 strict 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 Management By Objectives

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 Organizational Climate:

It is important in making strategy to work. Organizational 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 organization and the efficiency with which the purpose is translated into results.

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

3. Developing Appropriate Operating Plans:

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

4. Developing Appropriate Organization Structure:

Organization structure is the pattern in which parts of the organization are interrelated or interconnected. It prescribes relationships among various positions and activities. The organization 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 organization who believe in relating themselves with the environments.