SYLLABUS

BBA. I YEAR

Subject – Principles and Practices of Management

Unit	Contents
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.

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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).

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- **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**.

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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).

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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**

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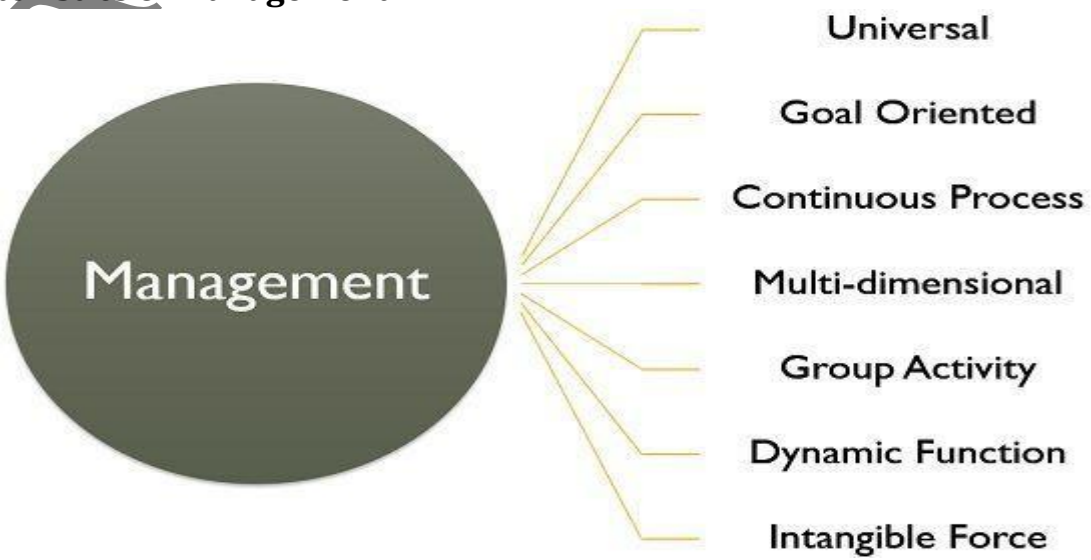
Characteristics of management



- **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

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- **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.

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■ 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.

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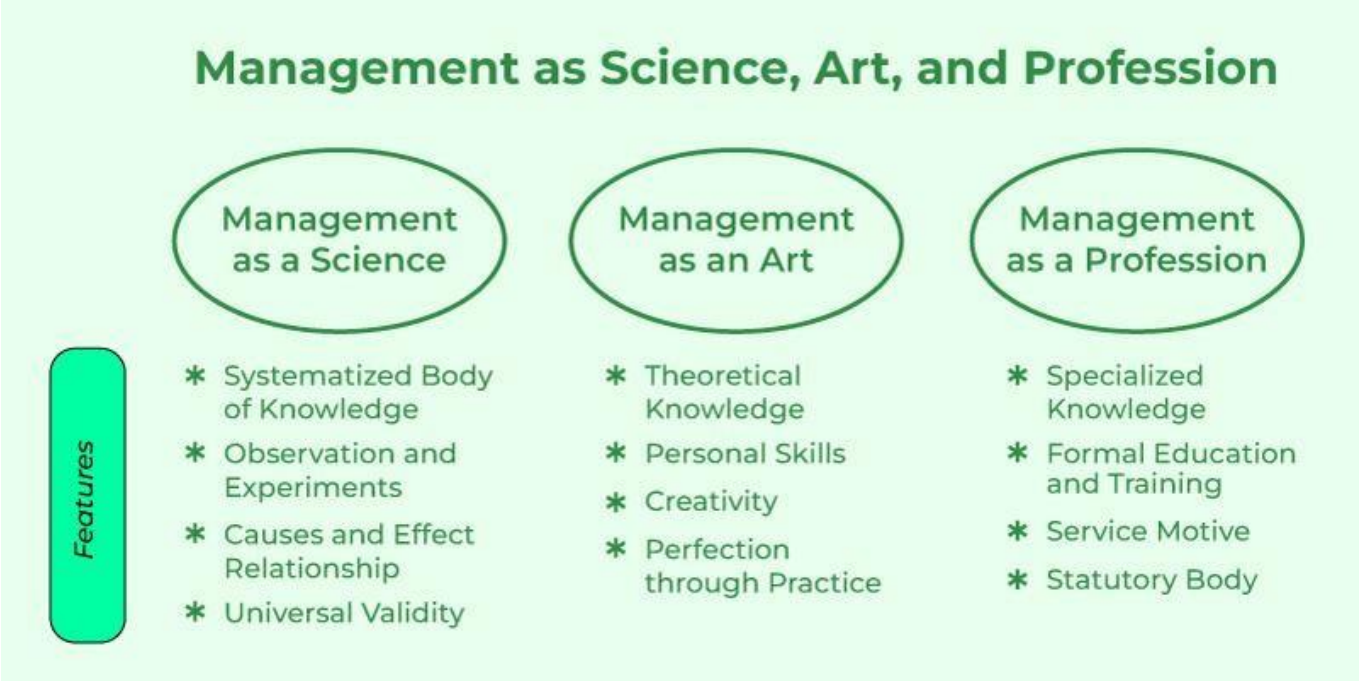
✧ Nature of Management as a Science, Art and Profession

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.

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✧ 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

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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

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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.

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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."

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❖ 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.

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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.

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❖ 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

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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.

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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.

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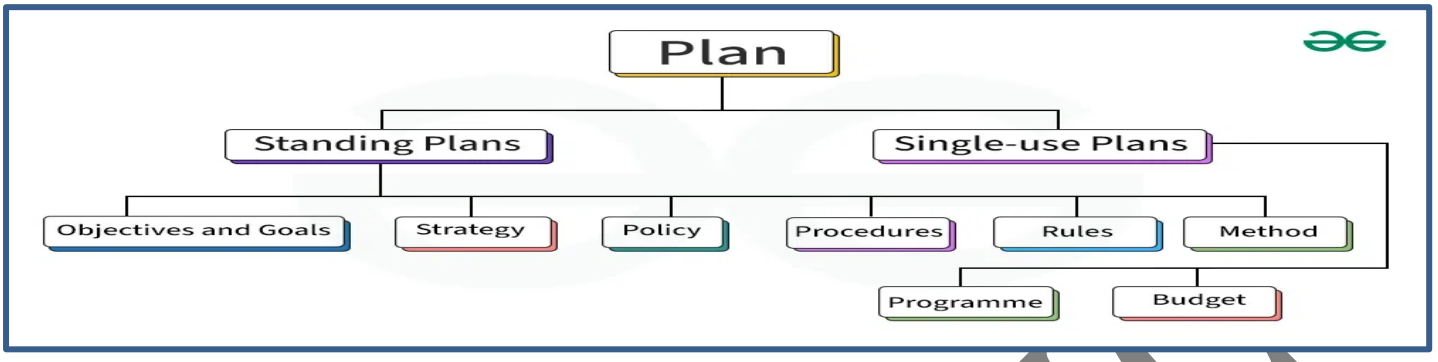
❖ Types Of Planning



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.

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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.

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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

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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

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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.

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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

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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

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➢ 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.

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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.

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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.

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❖ **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

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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.

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

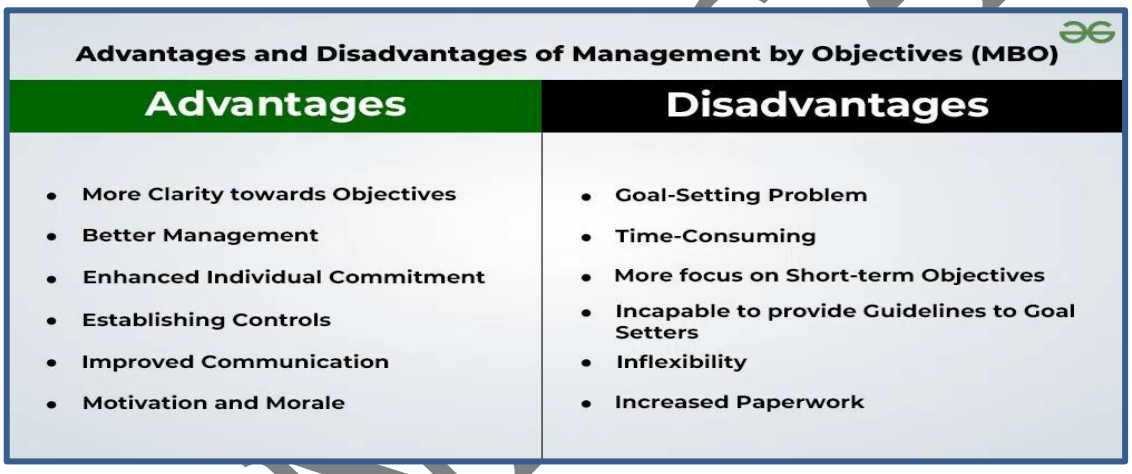
3. **To guarantee the effectiveness among employees.** It fosters an encouraging atmosphere at work, allowing people to appreciate their jobs rather than viewing them as an obligation. Employees who use the MBO process are extremely enthusiastic and dedicated.

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.



❖ **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

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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.

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❖ **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.

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❖ 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

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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.

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❖ 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.

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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.

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❖ **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.

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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.

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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.

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UNIT-III
Organization

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, witha view to achieve specific goals.

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

Introduction: -

Organizing is the second function of management following planning. Organizing process results in a structure of the organization. Organizing in general, means systematic arrangement of activities. Organizing synchronizes and combines human, physical and financial resources. Organizing as a process relates to sub-dividing and grouping of activities. Organizing becomes necessary when more than one person work towards achieving some common objective. In that case, it is important to define the role of each person, define his authority and responsibility and coordinating and synchronizing the team as a whole to attain the objectives. Organizing does this job. Without organizing it would not be possible to attain the objectives since no one would be clear as what he is supposed to do. There would be overlapping and clashes over the work. Organizing determines the work to be done by the employee and give him the right to use materials, machinery, equipment, etc.

The work of the organization is divided into a number of job positions. Relationships are then established among the different positions in the organization. The outcome of the organizing process is a set of formal relationships which is known as organization structure. In this lesson, we shall study about the process of organizing which leads to the setting up of an organization structure.

Meaning and definition of organizing: –

Under organizing, the entire business is divided into different parts and perform their own function but they are all related to the main objectives of the business. Thus, organization means dividing the whole organization into various departments and departmental positions and the relationship between them. Moreover, in order to run their work smoothly, their authority and responsibility have to be prescribed. It must be made clear that the need for an organization arises only when there are a couple of people working in the enterprise. If there is only one person, he is expected to perform all the functions single-handedly and there will be no need to divide the work. In the absence of division of work, organization is meaningless.

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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 beaccomplished."

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".

Definitions of organization: –

Different scholars have been given different views about the meaning of organization.

*According to **Haney**, "Organization is harmonious adjustment of specialized parts for the accomplishments of some common purpose or purposes.*

*According to **Haimann**, "Organization is the process of defining and grouping the activities of the enterprise and establishing the authority relationship among them."*

*According to **Mc Farland**, "An identifiable group of people contributing their efforts towards the attainment of goals is called organization."*

*According to **Chester Barnard**, "Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.*

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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

Characteristics of organizing: –

From the study of the various definitions given by different management experts we get the following characteristics of organizing.

(1) Division of work: Division of work is the basis of an organization. There can be no organization where work is to be done by an individual. Under division of work the entire work is divided into many parts. Each part of it is further sub divided into sub- parts. Individuals are assigned their part of work. This piece of work when performed repeatedly, gradually makes that person an expert. Thus, under organization an effort is made to achieve the objectives successfully by way of division of work.

(2) Coordination: Organizing coordinates the work of different persons for the attainment of objectives. Under it the entire work is divided and subdivided into different job positions and their authority and responsibility is clearly defined. Thus, superior subordinate relationships also get established. Everyone knows his role in the organisation and there are no overlapping and clashes over work responsibilities.

(3) Plurality of persons: Organization is a group of many persons who assemble to fulfil a common purpose. An organization structure cannot be created (or need not be created) when there is only an individual to perform the entire work.

(4) Common objectives: Organisation aims at achieving the common objectives. There are various parts of an organization each performing their own functions. But each function has been designed to achieve common objectives.

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5) **Well-defined Authority and Responsibility:** Under organization, relationships are established between different positions right from the top to the bottom. It is clearly specified as to what will be the responsibility of every position and adequate authority is given to fulfil the responsibility assigned. There should be parity between authority and responsibility. If responsibility is more than authority, work cannot be performed and if authority is more than responsibility, there will be misuse of authority.

Formal and informal organisation

Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships within an enterprise. In other words, two kinds of relationship can be established among the employees, firstly, the relationship that is definite and has been defined beforehand and secondly, those relations which are not definite and have not been defined beforehand. We will now study them in detail.

Formal organization: – A formal organization means an organization in which the responsibilities, authority and mutual relationships among all the employees working in an enterprise are clearly defined. This structure of the organization is created after a lot of deliberation and is based on the division of work. Each individual knows his relationship with others and knows who is his superior and who is his subordinate. Formal organization is bound by rules and procedures and everything is done according to these pre-determined rules and procedures.

According to **Chester Bernard**, "An organization is formal when the activities of two or more persons are consciously coordinated towards a common objective."

Main characteristics of Formal Organization: –

(1) It is deliberated created- This organization is deliberated created for the successful attainment of the objectives of the concern.

(2) It is based on rules and procedures and is Impersonal – Formal organization it is based on rules and procedures and not on personal relationship but working relationships.

(3) Formal Authority- In formal organisation, authority is vested in the office or post for the performance of the responsibility assigned and flows downwards . It can also be delegated.

(4) Based on division of work- The main foundation of formal organization is division of work.

(5) Defined Inter-relationship- A formal organization is a system that clearly explains the inter- relationship between various job positions. Thus, everybody knows his relationship with other organisational positions and also his authority and responsibility.

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(6) It is more stable- Under this organization changes are not introduced as per desires but as per major changes in external environment. Though it is flexible but stable as well.

Informal Organization

According to **Chester Bernard**, "That organization is informal where the mutual relations are established unconsciously for common objectives."

An informal organization is that organization which is not established deliberately but comes into existence because of common interests, likes, dislikes and religious and communal relations within the formal set up. The network of social groups based on friendly relations can be called as informal organization. It emerges from the formal organization and it is not based on any rules and procedures. In this organization an individual does not help another individual in his activities simply because he is responsible for it but because of friendly relationships. For example, in a formal organization a communication follows a prescribed path. Communication flows from foreman to manager through a supervisor but in an informal organization a foreman can directly communicate to manager as they may share a mutual friendly relation which may emerge out of any common interest or friendly relationship. Not only this, a foreman or supervisor can talk directly to the general manager. Thus, in an informal organization no stringent rules or procedures are followed but is completely based on mutual friendly relationships.

Main characteristics of Informal Organization

(1) It is not deliberated created: – An informal organization is not deliberately created but comes into existence on the basis of friendly relationship and common interests.

(2) No written rules and procedures: No written rules and procedures govern informal organisation but gradually some norms do emerge informally like helping the member of their group to find solution to the problems related to his work or his own self, protecting the members of their community from the managerial exploitation etc.

(3) It is Personal: – Under this the feelings of individuals are kept in mind and nothing is imposed upon them.

(4) No formal Authority: – No formal authority relationships exist in an informal organisation. Relationships are based on mutual friendly relationships among members.

(5) No place on organization chart: – An informal organization has no place on the organization chart. Organization chart is a diagram which clarifies the relationship among various posts established in the organization.

(6) Existence: the existence of informal organisation depends upon the formal organisation.

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For a concern both formal and informal organizations are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. They are the two phases of same concern.

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(10) Organization is a structure of relationship: Organising defines the role positions and also relationship between these positions in the organization and defines responsibility and authority for the performance of these functions. It establishes superior subordinate relationships. This way, it establishes a structure for achieving organisational goals.

Importance of Organizing

The importance of organizing becomes clear with the help of the following points:

(1) **Benefits of Specialization:** Under organizing all the activities are subdivided into various works or jobs. Each sub work is assigned to competent persons who become experts by doing a particular job time and again. In this way, division of work leads to specialization.

(2) Clarity in Working Relationship: Organizing clarifies the working relations among job positions. It establishes authority and responsibility. It specifies who is to report to whom. Therefore, communication becomes effective. It also helps in fixing accountability.

(3) Optimum Utilization of Resources: Organizing leads to optimum utilization of resources. Each job positions is clearly defined along with its authority and responsibility. It avoids confusion and duplication of any job. Consequently, there is optimum utilization of all the available resources e.g., material, machine, financial, human resource, etc. in the organization.

(4) Adaptation to Change: Organizing process makes the organization capable of adapting to any change. This becomes possible only because there exists a clear network of relationships right from the top to the lower level. It also makes communication of any sort easy and effective.

(5) Effective Administration: organizing makes administration effective by clarifying the authority of each position and its responsibility. Everyone also knows to whom he is accountable to. In this way, the confusion on authority is put to an end and effective administration becomes possible.

(6) Development of Personnel: Organizing helps develop personnel through delegation of authority. A superior can delegate his authority to subordinate. It provides the subordinates with the opportunity to take higher level decisions. It not only motivates them but also gives them a chance to show their creativity. Consequently, it helps them to grow and develop.

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(7) Expansion and Growth: The process of organizing allows the employees the freedom to take decisions which helps them to grow. They are always ready to face new challenges. This situation can help in the development of the enterprise. This helps in increasing the earning capacity of the enterprise which in turn helps its development.

Principles of organization or Requisites of an Ideal and Sound Organization: –

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1. **Principle of unity of objectives:** All activities in an organization should aim at achieving common goals. All departmental goals must be clearly defined and should aim at achieving the overall goal of organization. Also, efforts must be made to synchronize the individual goals with organizational goals.

2. **Principle of specialization:** Sound and effective organization rests on specialization. When an employee takes special type of knowledge and skill in any area, it is known as specialization. By dividing the work into small tasks, each employee is required to perform a task repeatedly. In this way, he becomes an expert in his area and benefits the organization by specializing in it.

3. **Principle of coordination:** Organization establishes coordination. Coordination is obtained by group efforts with clearly defined roles that emphasize on unity of action.

4. **Principle of parity of authority and responsibility:** Authority is the power or right to give orders, make decisions, and enforce obedience. Responsibility is the obligation to perform the duties assigned. There should a balance between them otherwise more authority than required will lead to abuse of authority. Similarly, without adequate authority, responsibility cannot be fulfilled effectively as the employee will not be having powers to make decisions and enforce his orders.

5. **Principle of delegation:** Process of transferring authority and creation of responsibility between superior and subordinates to accomplish a certain task is called delegation of authority. A superior can delegate authority but not responsibility. Responsibility is absolute. The ultimate responsibility vests with him only. He would be answerable to his superior for non-performance of work by his subordinates. Also, the principle of parity of authority and responsibility should not be disobeyed in delegation as well.

6. **Scalar Principle:** Under this principle all the people working in the organization should be bound with one another from top to bottom in a vertical chain. For example, Board of Directors > General Manager > Departmental Manager > Supervisor > Foreman > Workers.

7. **Principle of unity of command:** Subordinates should receive orders from single superior at a time and all subordinates should be accountable to that superior only. More superiors lead to confusion, delay and shirking of work.

8. **Principle of span of control:** Span of control refers to the number of employees under the direct supervision of the superior. Larger span of control is more difficult to supervise and coordinate. However, it depends upon a number of factors like the ability of the superior and nature of his work etc. Span of control determines the number of levels in the organisation.

9. **Principle of flexibility:** Organizational structure must be flexible considering the environmental dynamism. Sometimes, change may need to be incorporated in the organization structure due to changes in the environmental factors and in that condition, organization structure should have capability to permit the change.

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10. Principle of simplicity: This principle emphasizes the simplicity of organizational structure. The structure of organization should be simple with minimum number of levels so that its employee can understand duties and authority easily. Also, simple structure is cost effective and easy to understand.

Steps in the process of organizing

1. Determining the activities to be performed to achieve the objectives of the organization: After defining the objectives of the organization, as the next step, it necessary to determine the activities to be performed to achieve those objectives. At this step, a list of activities is prepared and each major activity is divided into smaller parts. For instance, manufacturing garments may require activities such as purchase of raw material, purchase of manufactured goods, production, quality control, advertisement, sales, finance, accounting, arrangement of employees and research & development etc.

2. Grouping Similar Activities: The next step is to group the activities on the basis of similarity or relatedness. This is known as classification of activities. The activities of same nature are grouped together and assigned to a particular department. e.g., purchase of raw material, purchase of manufactured parts, etc. are given to the purchase department. Similarly, financial arrangements, maintenance of accounts can be given to finance department.

3. Assignment of Duties: At this stage, the tasks are assigned to each post. e.g., the purchase of raw material and manufactured goods will be assigned under the purchase manager. In the same way the finance manager will be given the responsibility of making financial arrangements. While assigning these duties, it is important to match the nature of the work and the capabilities of the person to whom the work is assigned. Also, necessary authority is assigned to them for the performance of work. This is necessary to avoid conflict and confusion and to ensure that work is performed as planned.

4. Establishing Reporting Relationships: Last step is to define the interrelationships among various positions. When two or more than two persons are required for the attainment of common goals, for proper administration it is important that their interrelationship must be defined very clearly. One should know as to who he is superior to and who is his subordinate. For example, the purchase manager will be the superior for all the employees of the purchase department and subordinate to the general manager. A clear organizational structure is drawn and all the employees are made aware of it. This ensures overall control and a coordinated effort towards the achievements of predetermined goals of business.

Organization can be of two types : formal and informal -

Point	Formal Organization	Information Organization
Origin a ndals	Deliberately created; reflects anizational goals: Basic purpose is achieve organization goals.	Arises spontaneously: reflects individual and up goals: basic purpose is to improve human ations.

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Structure	It has a definite structure and is reflected in an organization chartilt around group positions.	Structure less: organization chart built aroundople.
Integrati ng chanisms	Formal organization is heldether by rules, regulations and edures	Held together by feelings of friendship, mutual p and trust, and so on; it has unwritten rules and ound by group norms rather than organizational goals.
Communication	Formal organization depends on mal official channels of mmunication to sell the deas of t nagement to the organization; oc mmunication is a one-way traffic.	The informal organization designs its own mmunication popularly known as grapevine, for h organizational and social communication ess; communication is a two-way traffic.
Size	Tends to be large in size, generallywieldy 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 whichividuals must adjust.	A highly flexible structure designed to satisfyial and psychological needs of individuals.

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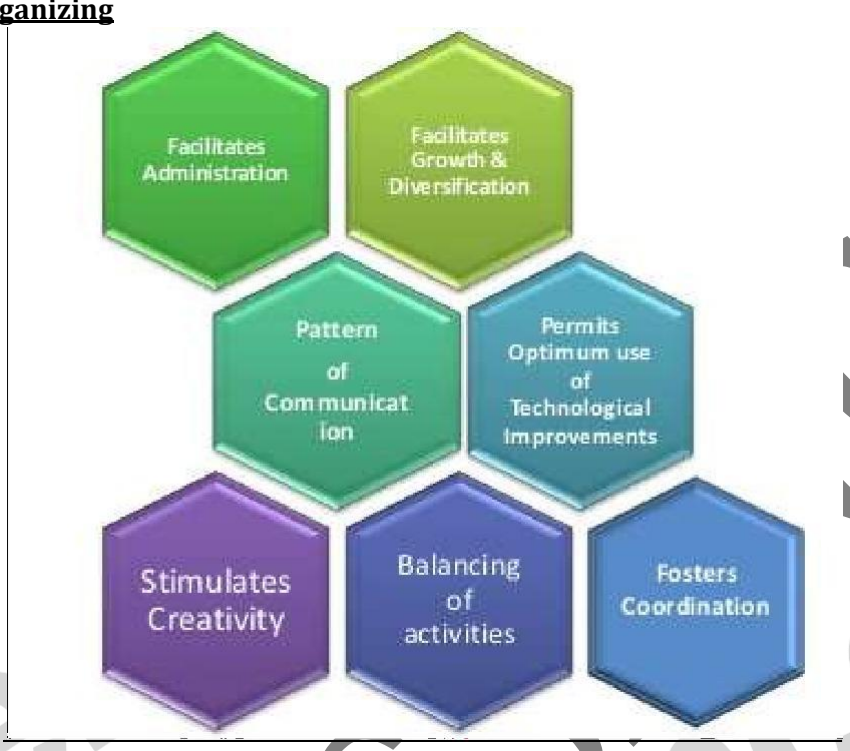
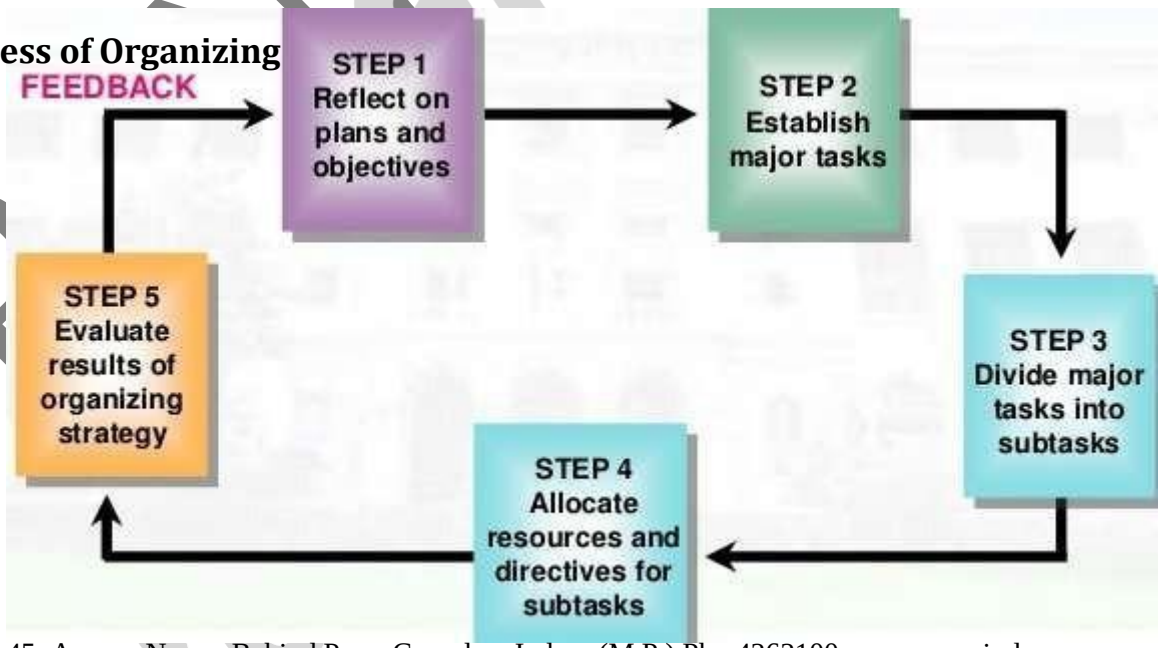
Significance of Organizing



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.

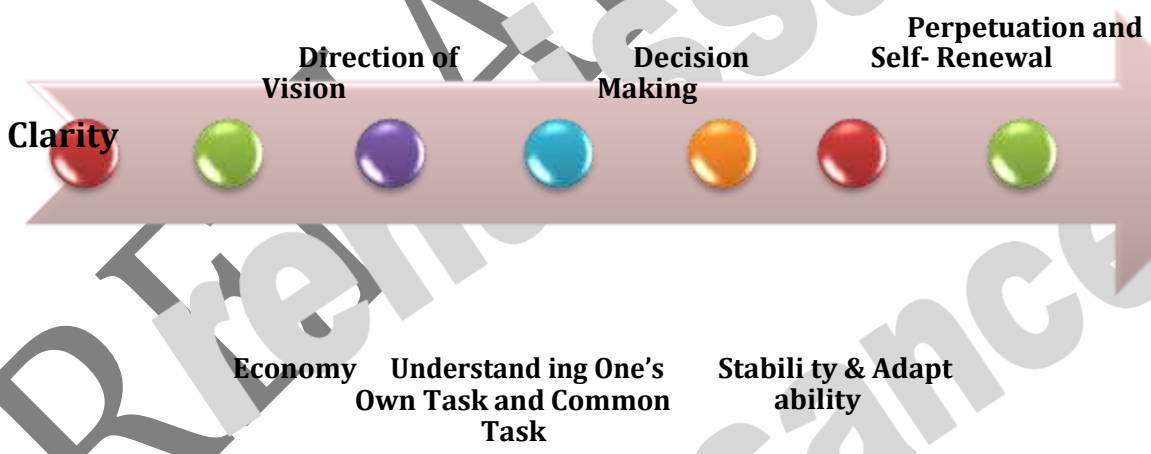
Process of Organizing



- **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 handled.
- **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.

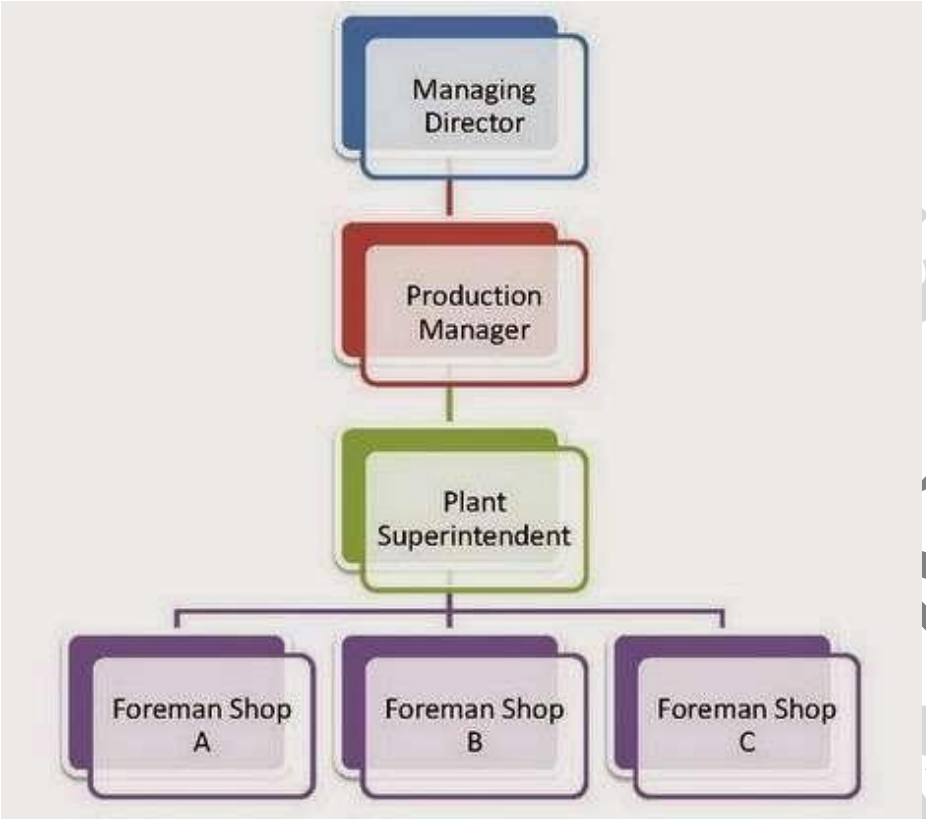
"Organization structure is a set of formalized tasks assigned to individual and work units, formal reporting relationships and the development of integration system."

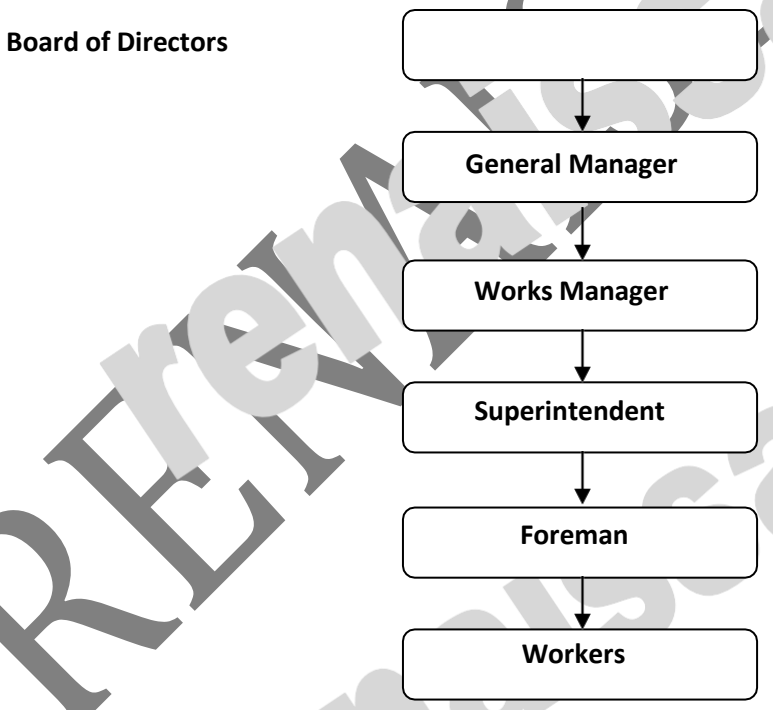
There are various Structures for the organization. As per the suitability of the organization they have to select the appropriate structure for the organization:

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.

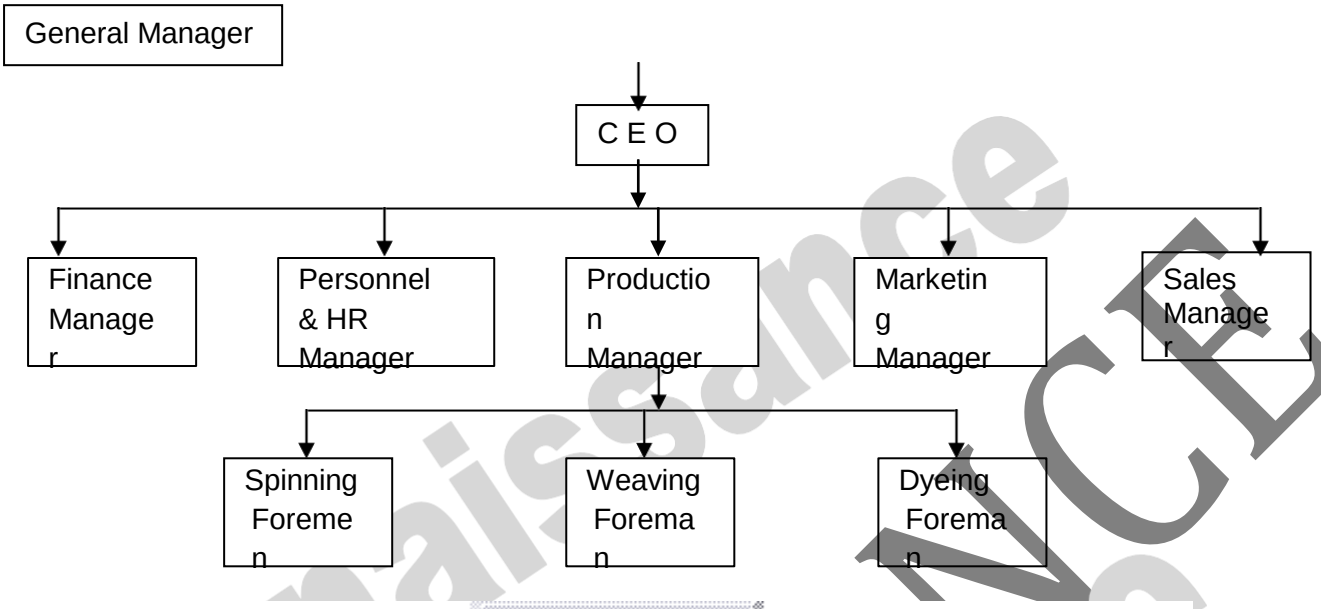
There are two types of line organization:

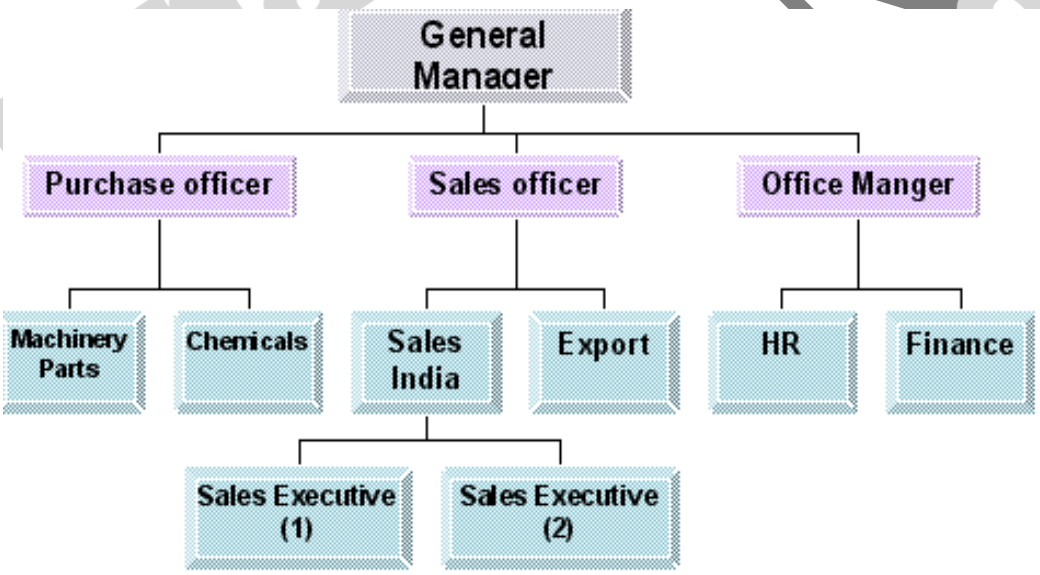
i. **Pure line organization:** All the individuals at any given level perform the same type of work & are divided into groups only to enable effective control & supervision.





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

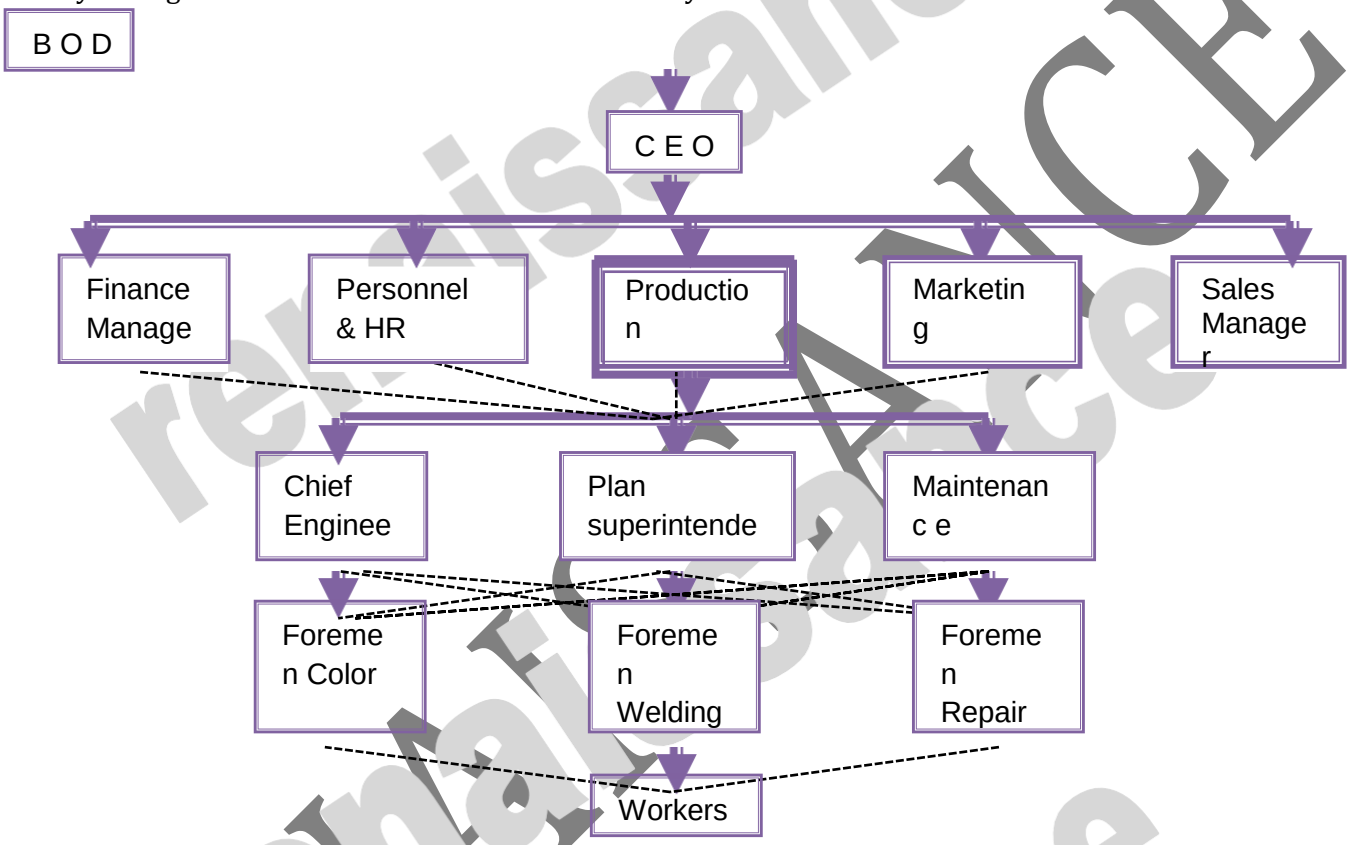
Disadvantages of line organization

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.



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.

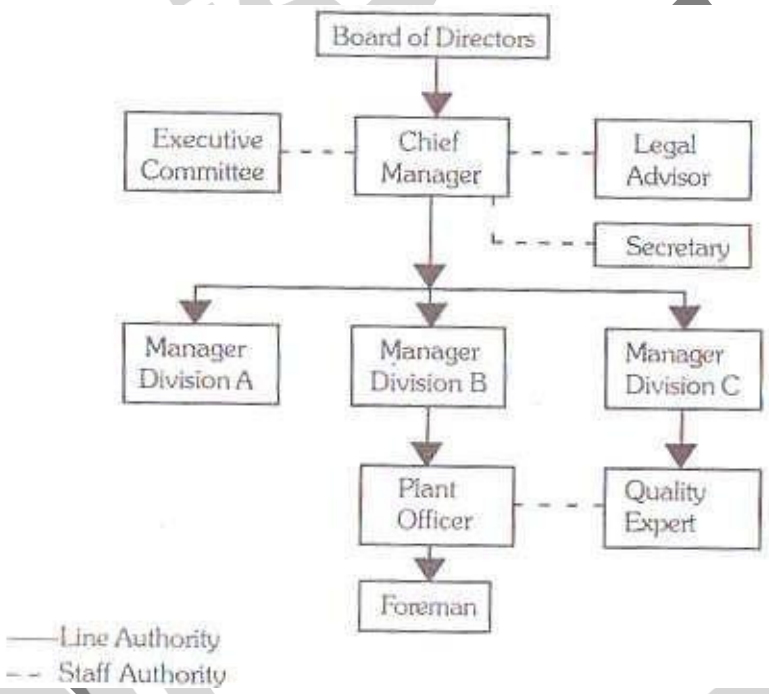
iv. Delay in decision making: Divided control tends to delay the action particularly when more then one specialist is involved. Consulting the staff experts & coming on consensus calls for time & delays in decision making.

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 then. 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.

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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 matrix organization the team members are accountable to both project manager as well as head of functional department to which ther are permanently assigned.

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Disadvantages

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. Eficient 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 of 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.

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Disadvantages

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 issubmitted.
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 ialists. So decisions are not more correct.	The decisions about organization are more strong cause at the time of decision, the advice of expert is taken.
2	The authority is centralized. All decisions are en at top level.	The centralization of authority is comparatively less, departmental management has also the portunity 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 d promotions happens easily.	It has complexity, there is no clear authority from top to below, many problems arises due to ialists.

DIFFERENCE BETWEEN FUNCTIONAL ORGANISATION AND LINE AND STAFF ORGANISATION

S.No.	Functional Organization	Line and Staff Organization
1	In functional organization, decisions are en by specialists.	In line staff organization the decisions are taken line officers, specialists give only advice.
2	In this organization full advantage of ialization is taken.	It this, the advantage of specilisation is not taken ch due to not taking decision by specialists.
3	In the organization the work in divided ording to qualification.	In this, the qualification of workers is not nsidered at the time labour-division.
4	In this organization, there are separate specialists for every work. So there is problem coordination.	The line of authority is predetermined. So co-ination is easy.
5	In this organization, workers get tructions from different specialists.	In this organization, workers get instructions m a single officer.

DIFFERENCE BETWEEN LINE ORGANISATION AND FUNCTIONAL ORGANISATION

S.No.	Basis of ference	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 anization.
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 ponsibility lines	In it, authority and responsibility es are up and down.	In, it authority and responsibility lines up and down and horizontal also.

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6	Specialists	The services of specialists are not en in it.	The services of specialists are taken in s organization.
7	Delegation	In this, delegation is vertical.	In, this delegation may be horizontal.
8	Planning and cution	In this, planning and execution ppens simultaneously.	In this, planning and execution are ne 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 plied.	In this organization, the principals of ny 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.

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 the

subordinates

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-determinegoals.

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 burdenon 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

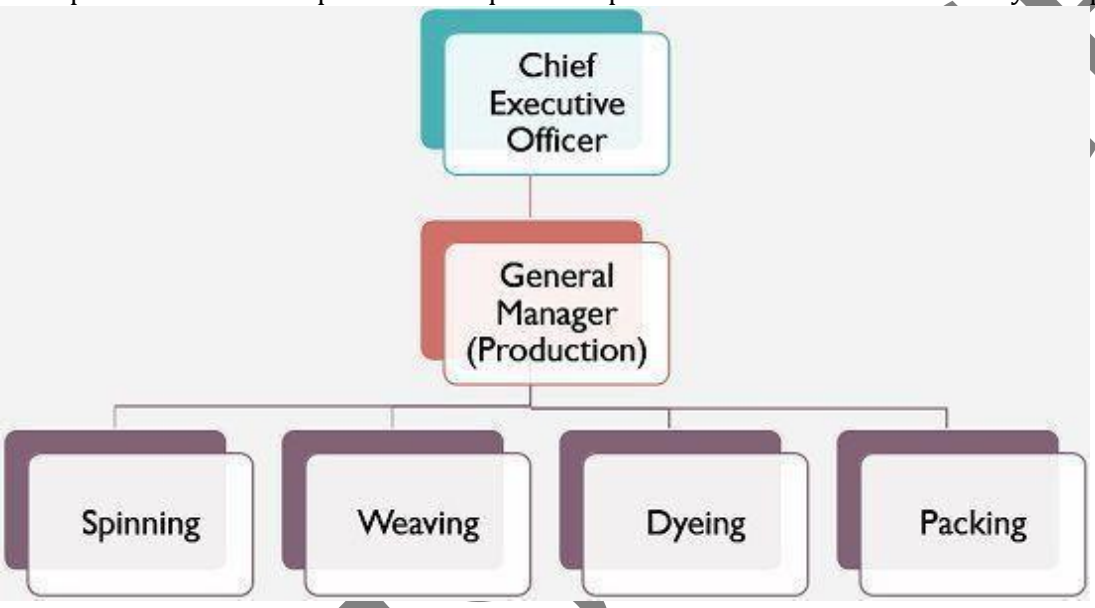
- To specialize activities.

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.



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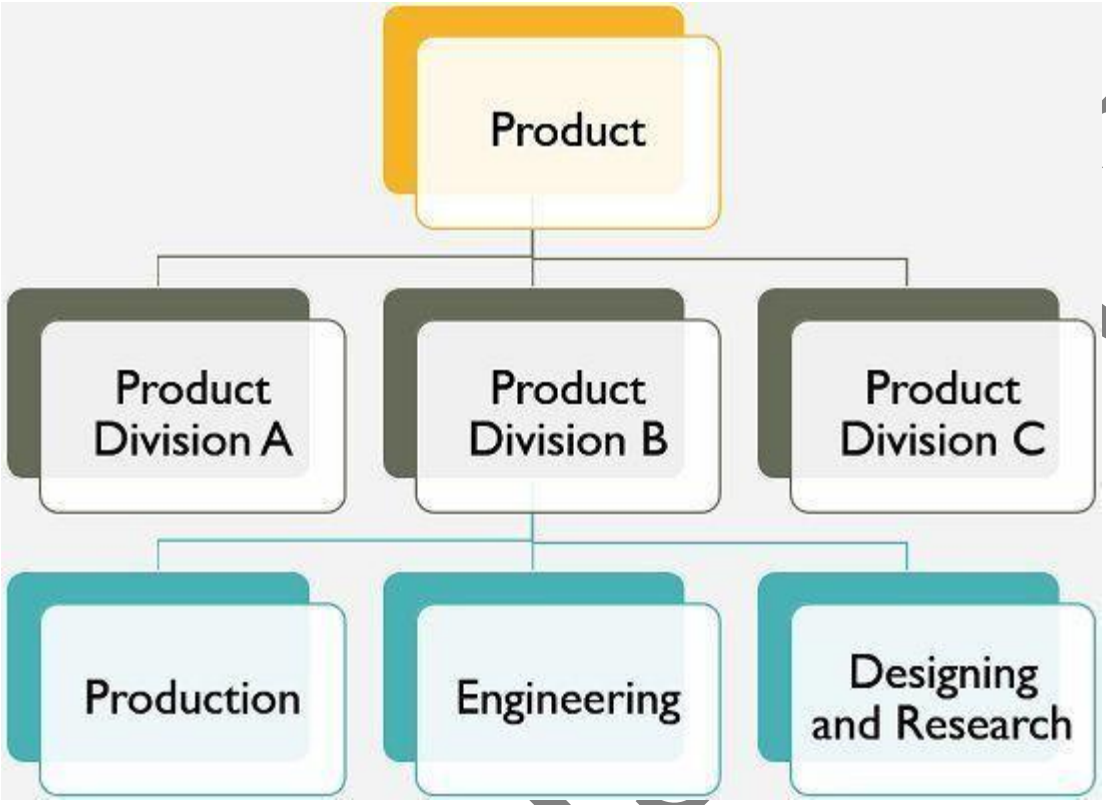
multi-product enterprises.



4. **Departmentalization by Customer**: The grouping of the organization according to the different classesof 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 areclassified 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.

Authority

Authority encompasses the legitimate power and influences that individuals, groups, or institutions possess to make decisions and guide others. It arises from various sources, including legal systems, longstanding customs, personal charisma, specialized knowledge, and adherence to ethical principles.

> *"Authority is the right to give order and the power to exact obedience". – Henri Fayol*

> *"Authority is the power to command, to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental performance". – Koontz and O'Donnell*

Authority can originate from various sources, depending on the context and domain these are some common sources of authority:

1. Legal Authority: Legal authority emanates from laws, regulations, and governing systems. It is vested in individuals or institutions through official designations, such as elected officials, judges, or law enforcement agencies.

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2. Traditional Authority: Traditional authority is rooted in long-standing customs, norms, and cultural practices. It often encompasses inherited or hereditary positions of power, such as monarchies, tribal leadership, or familial hierarchies.

3. Charismatic Authority: Charismatic authority emerges from an individual's exceptional personal qualities, charm, or persuasive abilities. Charismatic leaders inspire followers through their extraordinary traits, magnetism, or visionary perspectives.

4. Expert Authority: Expert authority is derived from specialized knowledge, skills, or expertise in a particular field. Professionals like doctors, scientists, scholars, or industry specialists possess authority due to their recognized competence and proficiency.

5. Moral Authority: Moral authority stems from adherence to ethical principles, values, or a sense of justice. It is often associated with religious leaders, human rights activists, or individuals championing moral causes.

6. Positional Authority: Positional authority is conferred based on an individual's formal position or role within an organization or hierarchy. It encompasses the authority vested in job titles such as managers, supervisors, or team leaders.

7. Collective Authority: Collective authority arises from group consensus or shared decision-making processes. It is prevalent in democratic systems or participatory organizations where authority is distributed among collective members.

Scope of Authority

The scope of authority encompasses a range of factors that impose limitations and constraints on its exercise. These limitations can be categorized into several dimensions:

1. Biological Limitations: Human biology can impose restrictions on the scope of authority. Factors such as age, physical and mental health, and cognitive abilities can impact an individual's capacity to effectively wield authority. These biological limitations define the boundaries of tasks and responsibilities that can be undertaken by individuals in positions of authority.

2. Physical Limitations: Physical attributes or capabilities can also restrict the scope of authority. Factors such as strength, agility, or endurance can determine the extent to which authority can be exercised in physically demanding environments. It is important to recognize and work within these physical limitations when delegating tasks or overseeing operations.

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3. Legal Constraints: Authority operates within the framework of legal boundaries. Laws and regulations set the limits within which authority can be wielded. Those in positions of authority must comply with legal requirements and ensure that their actions align with the applicable legal framework. Adhering to legal constraints is essential to maintain the legitimacy and credibility of authority.

4. Social Constraints: Social norms, values, and expectations shape the scope of authority. Authority must operate within the accepted norms and values of society to gain acceptance from those being governed. It is crucial to consider social constraints in decision-making and communication to ensure the effective exercise of authority.

5. Organizational Limitations: Within organizations, authority is constrained by the structure and policies in place. Job roles, hierarchies, and reporting lines define the scope of authority for individuals. Operating within these defined boundaries and adhering to organizational policies and procedures is necessary to maintain order and effectiveness.

6. Economic Constraints: Economic considerations place constraints on the scope of authority. Financial resources and budgetary limitations impact the decisions and initiatives that can be undertaken. It is essential to factor in economic feasibility and resource constraints when exercising authority in managing projects or making financial decisions.

7. Limited Span: Authority often operates within a limited span of control or influence. The scope of authority may be confined to a specific area, team, or department within an organization. Recognizing and understanding the boundaries of one's span of control is vital for effective management and coordination.

Elements of Delegation

1. Authority - in context of a business organization, authority can be defined as the power and right of a person to use and allocate the resources efficiently, to take decisions and to give orders so as to achieve the organizational objectives.

Authority must be well-defined. All people who have the authority should know what is the scope of their authority is and they shouldn't mis utilize it. Authority is the right to give commands, orders and get the things done. The top-level management has greatest authority.

Authority always flows from top to bottom. It explains how a superior gets work done from his subordinate by clearly explaining what is expected of him and how he should go about it.

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Authority should be accompanied with an equal amount of responsibility. Delegating the authority to someone else doesn't imply escaping from accountability. Accountability still rest with the person having the utmost authority.

2. Responsibility - is the duty of the person to complete the task assigned to him.

A person who is given the responsibility should ensure that he accomplishes the tasks assigned to him. If the tasks for which he was held responsible are not completed, then he should not give explanations or excuses. Responsibility without adequate authority leads to discontent and dissatisfaction among the person.

Responsibility flows from bottom to top. The middle level and lower-level management holds more responsibility. The person held responsible for a job is answerable for it. If he performs the tasks assigned as expected, he is bound for praises. While if he doesn't accomplish tasks assigned as expected, then also he is answerable for that.

3. Accountability - means giving explanations for any variance in the actual performance from the expectations set.

Accountability cannot be delegated. For example, if 'A' is given a task with sufficient authority, and 'A' delegates this task to B and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'.

The top-level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result.

Accountability can't be escaped. It arises from responsibility.

Difference between Authority and Power

The key differences between authority and power can be understood based on their basis or foundation:

Basis	Authority	Power
Source	Authority is derived from formal positions within the organizational hierarchy. It is granted by the organization based on the role and	Power can stem from personal qualities, expertise, relationships, or control over resources.

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Basis	Authority	Power
	responsibilities assigned to individuals	
Legitimacy	Authority is considered legitimate within the organizational structure and is supported by formal rules and policies. It is recognized as the rightful exercise of control and decision-making.	Power may or may not have inherent legitimacy and can be based on personal influence or informal networks.
Decision-Making	Authority grants individuals the right to make decisions within their defined areas of responsibility. It provides a formal framework for decision-making in line with organizational objectives and policies.	Power can enable individuals to influence decisions even if they do not have formal authority. They may use their personal influence or persuasive skills to shape outcomes.
Scope of Influence	Authority typically operates within a specific scope and is limited to the responsibilities associated with the formal position.	Power can extend beyond formal boundaries and impact areas beyond the designated scope of authority. Individuals with power can influence decisions, actions, and behaviours of others in various ways.
Compliance	Authority has the inherent ability to enforce compliance and direct the actions of subordinates. It is backed by the formal power to assign tasks,	Power may rely more on influence, persuasion, and personal relationships to gain compliance from others.

Basis	Authority	Power
	give directives, and enforce organizational policies.	
Stability	Authority tends to be more stable and enduring over time, as it is established within the formal structure of the organization. It remains consistent unless there are changes in organizational roles or hierarchies.	Power can be more dynamic and can change based on personal relationships, shifting alliances, or changes in organizational dynamics.
Relationship with Subordinates	Authority establishes a formal relationship between superiors and subordinates, defining roles, responsibilities, and reporting lines. It provides a clear framework for accountability.	Power can influence relationships beyond formal reporting lines. Individuals with power can have an impact on the attitudes, behaviours, and motivations of others, regardless of their formal position in the hierarchy.

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What is Decentralization?

Decentralization refers to a specific form of organizational structure where the top management delegates decision-making responsibilities and daily operations to middle and lower subordinates. The top management can thus concentrate on making major decisions with greater time abundance. Businesses often feel the requirement of decentralization to continue efficiency in their operation.

Decentralization in management can be understood as the orderly assignment of authority, throughout the levels of management, in an organisation. It describes the way in which power

to take decisions is allocated among various levels in the organisational hierarchy. In other words, it refers to the dissemination of powers, functions and responsibility, away from the central location.

Importance of decentralization in management?

Decentralization in management is crucial for enhancing organizational efficiency and fostering growth. Below are a few key reasons why decentralization is important:

Quick decision making:

In a decentralized management, decision making becomes quicker and better at the same time, by pushing down the power to make a decision to the operational level, which is nearest to the situation.

Executive development:

It encourages self-sufficiency and confidence amongst subordinates, as when the authority is delegated to lower levels, they have to rely on their judgement. By such delegation the executives are constantly challenged, and they have to find solutions, for the problems they face in the day to day operations.

Development of managerial skills:

In a decentralization structure, subordinates get an opportunity to prove their abilities. Management also gets a talent pool of competent manpower, which can be placed at situations that are challenging and breeds responsibility, by way of promotions.

Relieves top management:

It reduces the extent of direct supervision over subordinates by the supervisor, as they are given the liberty to decide and act accordingly, within limits set by the superior. As a result, the top management gets more time to take policy decisions.

Facilitates growth:

It confers greater independence to the lower management levels as it let them perform functions in the way that is most appropriate for their department or division. It propagates a sense of competition among various departments, to outperform others. This ultimately results in the increased productivity level and generates more return to the enterprise.

Better control

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In a decentralized management, the performance of each level can be measured, and the departments are also held accountable separately for their results. The extent to which organisation goals are achieved and the contribution of each department is determined.

7. Effective communication:

The communication system of the organisation becomes more effective, through decentralization. It also builds a strong relationship between superior and subordinates. Decentralization lessens the burden of top-level management and gives actual work experiences to some middle and lower-level executives, which improves their morale.

Types of decentralization in management

Decentralization in management involves distributing authority across various levels of an organization, enhancing efficiency and fostering growth. Here are the key types of decentralization commonly used in companies, along with concise examples:

Functional Decentralization:

Authority is distributed based on specific functions within the organization, such as marketing, finance, production, and HR. Each department is given the autonomy to make decisions relevant to its operations.

Example: At Procter & Gamble, the marketing department independently executes advertising campaigns, allowing quick responses to market trends.

Geographical Decentralization:

Authority is distributed based on geographical locations or regions. Regional offices or branches are empowered to make decisions pertinent to their local markets.

Example: McDonald's regional managers adapt menus to local tastes, meeting diverse customer needs globally.

Product/Service Decentralization:

Authority is distributed based on specific product lines or services. Different product lines or service units operate semi-independently, making decisions related to their production, marketing, and development.

Example: Johnson & Johnson's product lines, like medical devices and pharmaceuticals, each have their own management teams.

Process Decentralization:

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Authority is distributed based on different processes or stages of production. Teams responsible for specific processes are given the power to manage and optimize their own workflows.

Example: Toyota's factory teams can halt the production line to address quality issues immediately.

Project-Based Decentralization:

Authority is distributed to project teams. Teams working on specific projects have the autonomy to make decisions related to project planning, execution, and resource management.

Example: Google's product teams, such as the one for Google Chrome, operate independently to drive innovation.

Client-Based Decentralization:

Authority is distributed based on different client segments or key accounts. Client-focused teams have the power to make decisions that directly impact client relationships and service delivery.

Example: Deloitte organizes consulting teams by industry (e.g., financial services), allowing tailored services for specific client needs.

By implementing these types of decentralization, organizations can enhance their operational efficiency, promote innovation, and improve responsiveness to both market and internal needs. Each type allows for more effective decision-making at the appropriate levels, empowering teams and individuals, including Data Warehouse Consultants, to contribute to the organization's success

Advantages of decentralization:

Quick Decision Making:

Decentralization allows for faster decision-making processes as authority is delegated to operational levels closest to the situation. This ensures that decisions are made promptly and effectively, addressing issues as they arise.

Executive Development:

By empowering subordinates with decision-making authority, decentralization fosters self- sufficiency and confidence. Executives are challenged to rely on their judgment, enhancing their problem-solving skills and overall competence.

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- **Development of Managerial Skills:**
-

Subordinates in a decentralized structure have the opportunity to prove their abilities. This creates a talent pool of competent individuals who can take on challenging roles, leading to promotions and career growth.

Relieves Top Management:

Decentralization reduces the need for direct supervision by top management, allowing them to focus on policy decisions and strategic planning. Subordinates are given the liberty to make decisions within set limits, easing the burden on higher management.

Facilitates Growth:

Greater independence at lower management levels fosters a sense of competition among departments, leading to increased productivity and higher returns for the enterprise. Each department can operate in a manner best suited to its functions, driving overall growth.

Concept of Responsibility

The term responsibility has two different senses in management literature. Some writers explain it as a duty or task which assigned to a subordinate on the basis of his position in the organization. Responsibility is also the obligation of an individual to perform the duty or task assigned to him. Let us understand what is responsibility and its characteristics in a detailed manner.

Concept of Responsibility

Responsibility refers to an obligation to perform certain functions in order to achieve certain results. Following are the main characteristics or features of responsibility:

1. An organization can assign responsibility to human beings only and not to any non-living objects such as a machine, equipment, etc.
2. It arises from a superior-subordinate relationship. A senior possesses the authority to get the required task done from his subordinates. Thus, for this purpose, he assigns duties to subordinates. The subordinates are under a duty to perform the work assigned to them.
3. The management can confine it to the performance of a single function or can be a continuing obligation.

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4. We can also define it in terms of functions, targets or goals. When responsibility is expressed in terms of targets, it enables the subordinates to know by what standards their performance shall be evaluated.
5. The core of responsibility is the obligation of a subordinate to perform the duty or task which the superior assigns to him.
6. Responsibility is coextensive with authority. When a superior delegates authority to his subordinate, the latter becomes responsible to the former for the performance of the task and also for proper use of authority. Thus, responsibility is a derivative of authority.
7. Responsibility is absolute and one cannot delegate it. A subordinate to whom his superior assigns a task, may himself perform it or may get it done from his own subordinate. But, in both cases, he shall only remain responsible to his superior.
8. It always flows upward. A subordinate will only be always responsible to his superior.
9. Accountability arises out of responsibility. The person who accepts responsibility is also accountable for his performance. However, the management can use various techniques to define responsibilities in order to involve members of an organization in its coordination effort.

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UNIT – IV
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 ob 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

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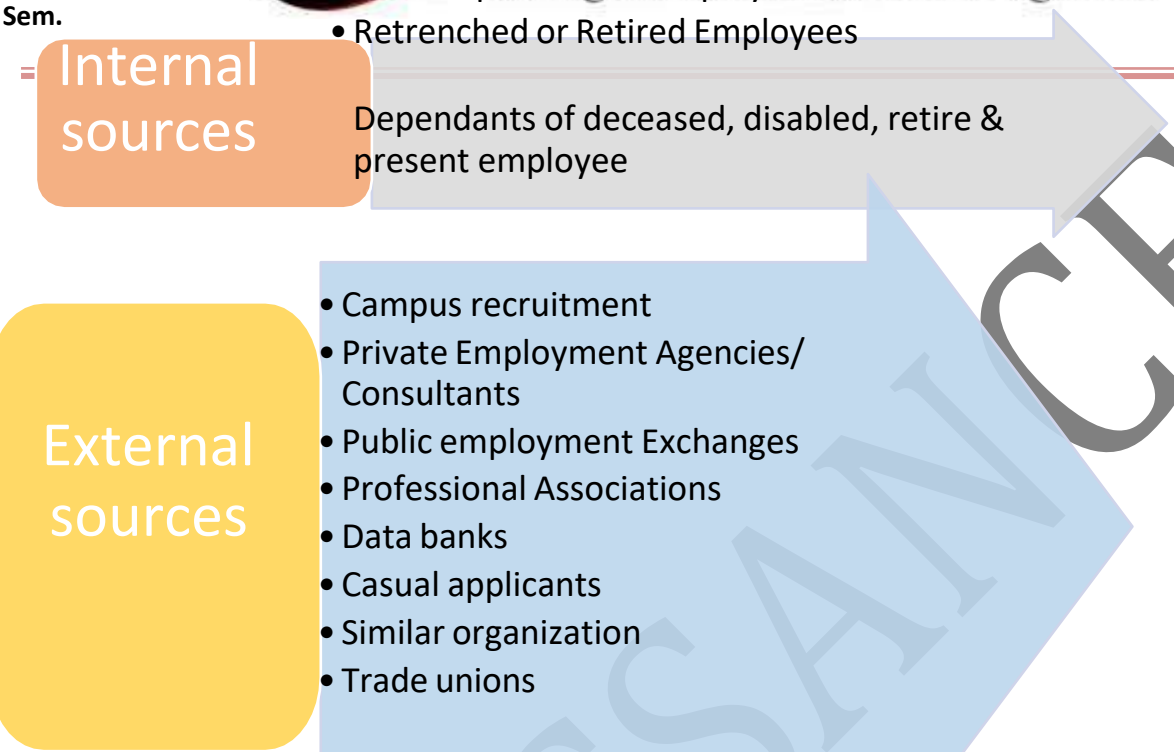

Internal sources –

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

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- 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

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Disadvantages of Internal Recruitment

- The Internal recruitment does not bring new and innovative ideas into the organization
- The organization has to define clear and strict rules for the internal recruitment the cmpolyees do focus on meeting their targets. They should not be allowed to chanbe 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

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Advantages of External Recruitment

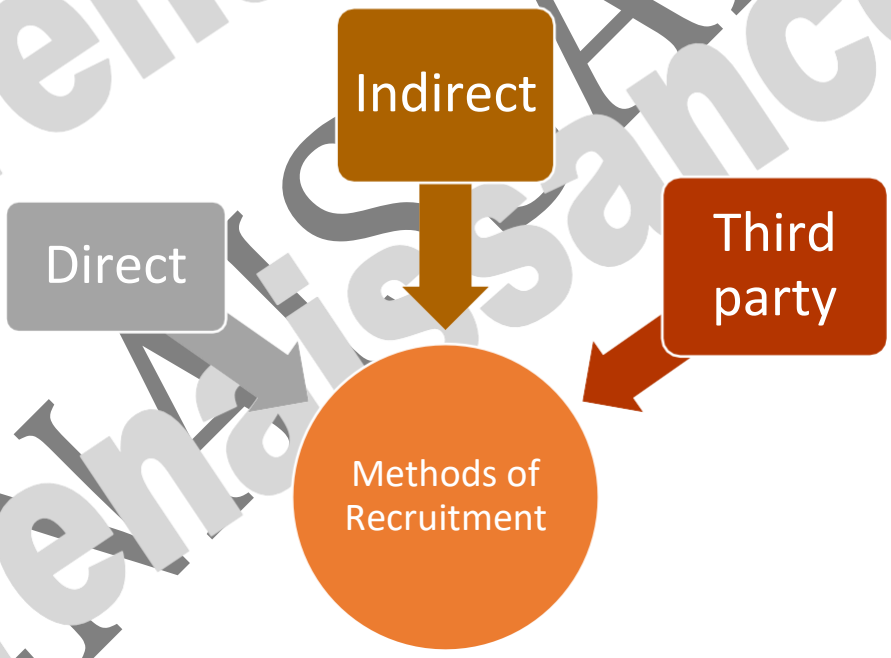
- It can bring fresher skills and inputs to the table
- It promotes better competition
- It is a good way to get ideas from other businesses or industries

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



❖ **<u>SELECTION</u>**

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

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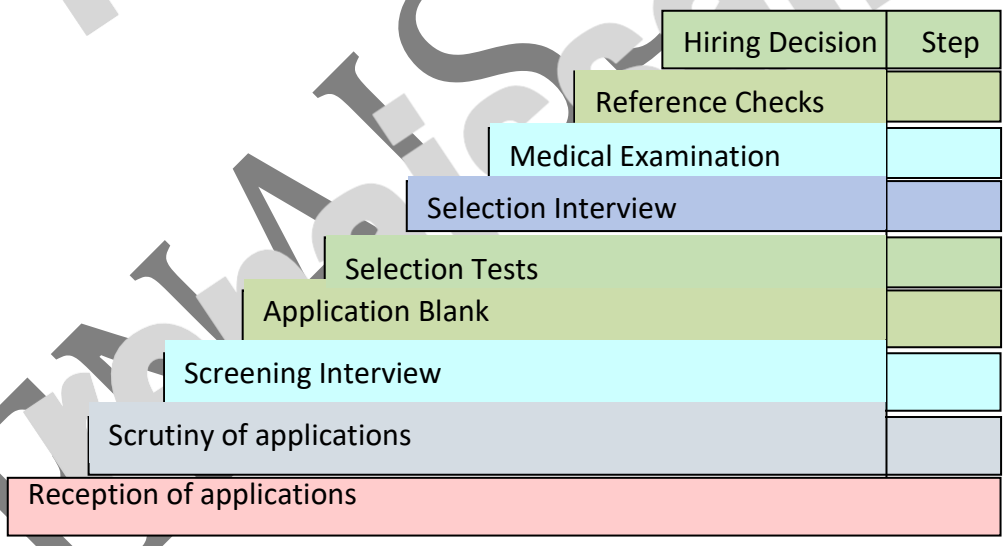
Characteristics of Selection –

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**

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."

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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

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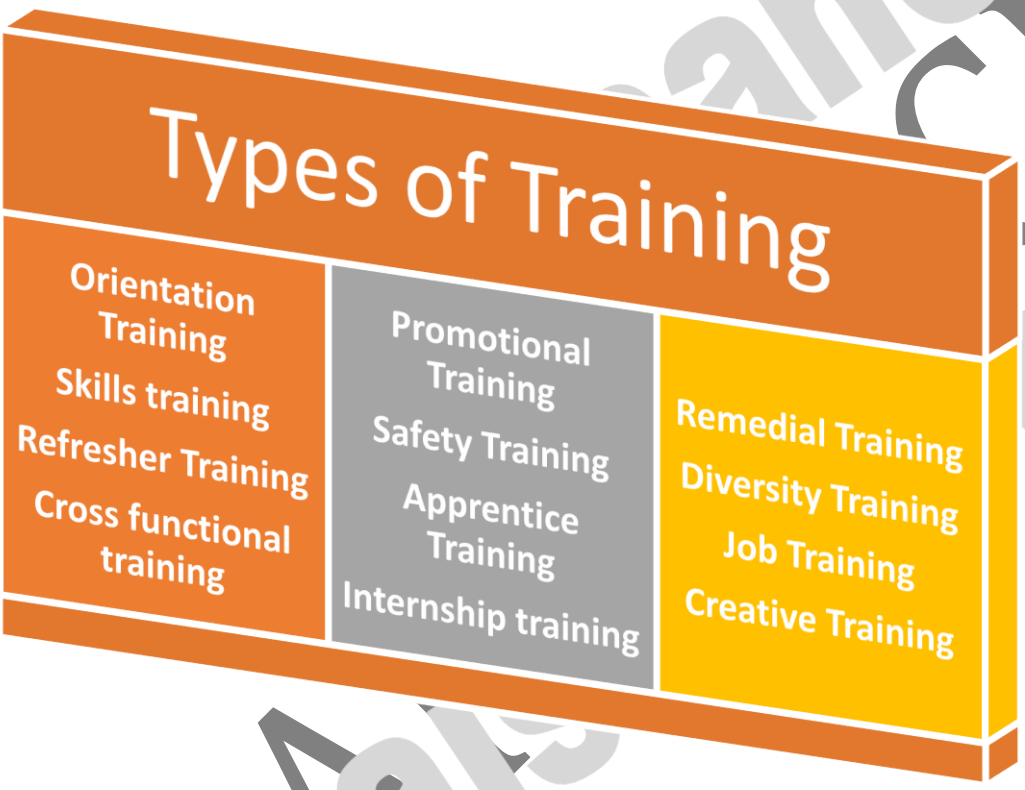
of equal employment opportunity has been accepted nationwide. Minority group members have claim to be recruited. Something these persons may be misfits. But their shortage of skills can be removed by 'training'.

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 king 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.

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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

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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 use 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. It responsibility has to be shared among the top management, personal 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 not 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:

- Rained 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 our 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 jo. They can handle jobs with confidence.

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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.

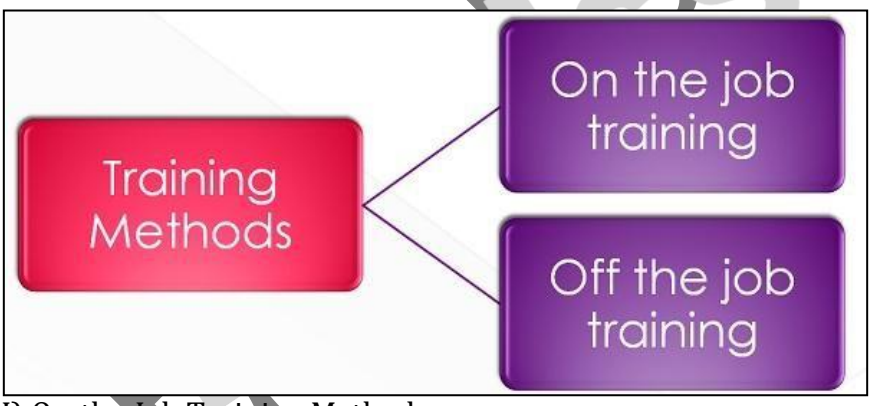
AREAS OF TRAINING

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 o 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 I 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 a 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 tie and money in such relationship building experiences.

6. **Job Rotation:**

This kind of training involves the moment 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 area 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 s 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 in 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 uses 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 ne 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 quite 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 of office during their vacations to get practical knowledge of their job.
6. **Programmed instruction:**

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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 filing 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 Flippo, 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

RENAISSANCE

UNIT-V

DIRECTING AND CONTROLLING

❖ What is Directing?

The process of instructing, guiding, counselling, motivating, and leading people in an organisation to achieve the organisational goals is known as **Directing**.

Directing not only includes order and instructions by a superior to the subordinates but also includes guiding and inspiring them. It encompassed many elements like motivation, leadership, supervision, besides communication. It is a managerial function which is performed throughout the life of an organisation.

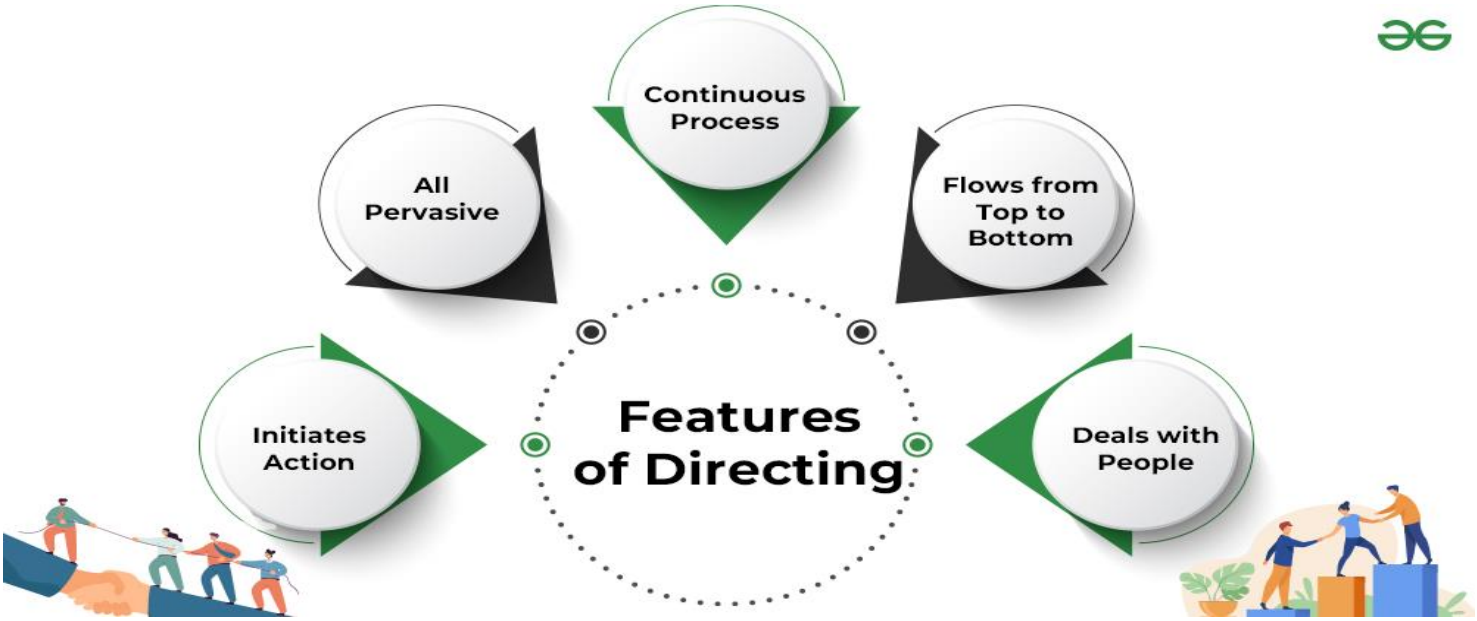
Definitions

In the words of Ernest Dale, *" Direction is telling people what to do and seeing that they do it to the best of their ability".*

In the words of Theo Haimann, *" Directing consists of the process and techniques utilised in issuing instructions and making certain that operations are carried on as originally planned".*

After planning, organising the structure of the organisation and arranging the necessary human force, the next important step is directing. Directing aims to ensure that activities of all the employees are mobilised towards the organisational goals. It is the connecting link between the functions of management, i.e., planning, organising, staffing and controlling.

❖ Features or Characteristics of Directing



The characteristics of Directing are as follows:

- **Directing initiates action:** The other functions of management, i.e., planning, organising, staffing, etc., create conditions for managers to take appropriate actions, whereas directing function initiates actions in an organisation. It converts plans into action. It is the key managerial function performed by the managers.
- **Directing is pervasive:** It is pervasive as it takes place at every level of management. It takes place wherever superior-subordinate relations exist. Every manager has a subordinate who works under him and is responsible for getting things done.
- **Directing is a continuous process:** Directing is an ongoing activity. It takes place throughout the life of an organisation, irrespective of the people in the organisation. Managers give orders to their subordinates, motivate them, and guide them on a continuous basis.
- **Directing flows from top to bottom:** It flows from top to bottom through the organisational hierarchy. In directing, every manager directs his subordinates and takes instructions from his immediate boss. It is a function of a superior, i.e., the superior motivates, guides, and supervises his subordinates to achieve the organisational goals.
- **Directing deals with people:** It is concerned with the direction of human efforts towards organisational goals. It can be said that directing is a delicate function, as it deals with people, and human behaviour is complex and highly unpredictable.

❖ Importance of Directing

The importance of directing are as follows:

- **Directing Initiates action:** Directing sets an organisation into motion, and helps other managerial functions to initiate and activate. It helps the managers to supervise, communicate, lead, guide and motivate the subordinates to achieve the organisational goals. For example, a superior guides his subordinates and explains the task, which will help the subordinates to start the work and achieve the goal.
- **Directing leads to integrated group activity:** The organisational objectives can be achieved only when individual efforts are integrated. Directing integrates employees' efforts in such a way that every individual effort contributes to organisational performance. For example, a leader can convince his subordinates that group efforts will help to achieve organisational goals.

- **Directing attempts to get maximum out of individuals:** Directing helps superiors to realise the potential and identify the capabilities of individuals by motivating and guiding them. By using the elements of directing, i.e., supervision, motivation, leadership, and communication, the efficiency of employees can be raised.
- **Directing helps to implement changes:** Directing helps to introduce changes in an organisation. Generally, people in an organisation resist changes. Effective communication, supervision, motivation and guidance help to overcome such resistance at the workplace. For example, the introduction of a new method of doing a particular task in a factory is resisted by workers, but when managers explain the purpose, guide and provide them training and rewards, it can be easily accepted by the workers.
- **Directing provides stability and balance in the organisation:** Stability and balance are maintained in an organisation with the help of directing because it fosters cooperation and commitment amongst employees, and helps to achieve balance amongst various groups, departments, units, etc. For example, every individual has personal goals, but the managers integrate the efforts of all the individuals towards the achievement of organisational goals through guidance, motivation, supervision and communication.

❖ What is Controlling in Management?

Every organisation aims at achieving some goals from its business activities and it is essential to ensure whether or not the firm is performing activities according to the pre-determined goals. The controlling function of management helps an organisation in ensuring the same. Hence, **Controlling** means comparing the actual performance of an organisation with the planned performance and taking corrective actions if the actual performance does not match the planned performance. Controlling cannot prevent the deviation in actual and planned performance; however, it can minimise the deviations by taking corrective actions and decisions that can reduce their recurrence.

Definitions of Controlling:

- "Managerial Control implies the measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans." **- Koontz and O' Donnell**
- "Control is the process of bringing about conformity of performance with planned action." **- Dale Henning**

❖ Nature of Controlling

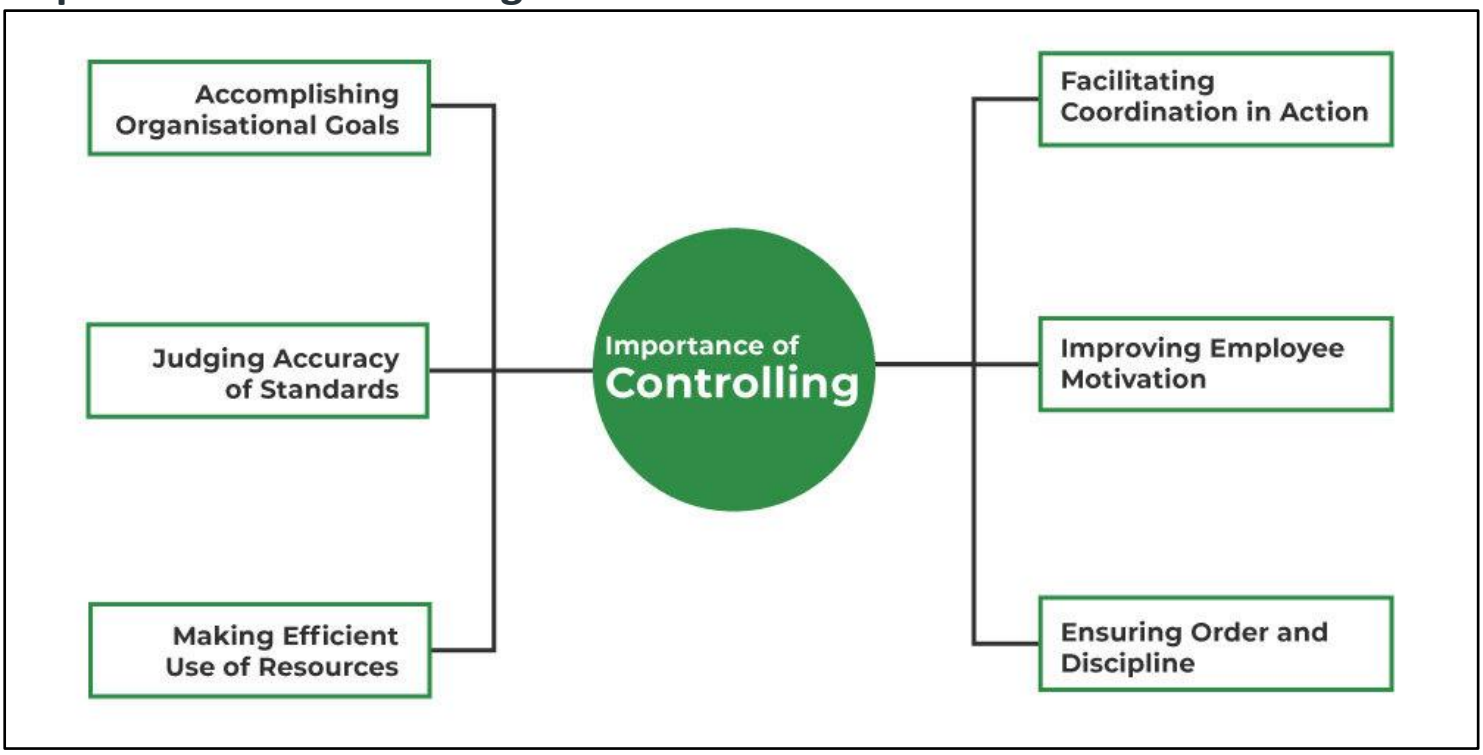
1. Controlling is a **goal-oriented** function of management. It aims at ensuring that the resources of the organisation are used **effectively and efficiently** for the achievement of pre-determined organisational goals.

2. Controlling is a **continuous** process. It means that once the actual performance and standard performance of a business are compared and corrective actions are taken, the controlling process does not end. Instead, the firms have to continuously review the performance and revise the standards.

3. Controlling is **all-pervasive.** It means that the controlling function is exercised by the firms at all levels of management. The extent of control and nature of the function may vary at every level. Also, a controlling process is required in both non-business and business organisations.

4. Controlling process is both a **forward-looking** and **backward-looking** function. As a forward-looking function, it aims at improving the future performance of an organisation on the basis of its past experiences. However, as a backward-looking function, it measures and compares the actual performance and planned performance (fixed in past) of the organisation.

Importance of Controlling



Controlling function is important for every organisation due to the following reasons:

1. Accomplishing Organisational Goals

Controlling is a goal-oriented process as it aims at determining whether the pre-determined plans are being performed accordingly and whether required progress is made towards the achievement of the objectives. With the help of controlling, an organisation can keep the business activities on the right track and can achieve the organisational goals effectively and efficiently, and take the necessary corrective actions if required.

2. Judging Accuracy of Standards

An effective controlling process can help an organisation in verifying whether or not the firm has set the standards accurate. It also helps in keeping a check on the changes taking place in the business environment and making required changes in the standards whenever it is necessary.

3. Making Efficient Use of Resources

Controlling helps an organisation in reducing wastage of resources, as it aims at ensuring that every activity of the firm is performed according to the pre-determined goals.

4. Improving Employee Motivation

As controlling process includes comparing the pre-determined goals of an organisation with its actual performance, it properly communicates the role of employees in advance. It means that the employees know in advance on what standards their performance will be measured, compared, and appraised. This set of pre-determined goals motivates them to give a better performance.

5. Ensuring Order and Discipline

An efficient control system in an organisation can help its managers in creating an atmosphere of discipline and order in the firm. Besides, controlling also helps in keeping a continuous check on the employees so they can minimise undesirable activities, such as theft, corruption, fraud, etc.

6. Facilitating Coordination in Action

Controlling process also helps an organisation in facilitating coordination between different divisions and departments by providing the employees with unity of direction. In other words, every employee and department of the organisation is governed by a pre-determined set of goals. It also motivates employees in achieving these common goals through coordination to avoid duplication of efforts.

Limitations of controllinq

1. Difficulty in setting quantitative standards

Control system loses its effectiveness when standard of performance cannot be defined in quantitative terms and it is very difficult to set quantitative standard for human behavior, efficiency level, job satisfaction, employee's morale etc. in such cases judgment depends upon the discretion of manager.

2. No control on external factors

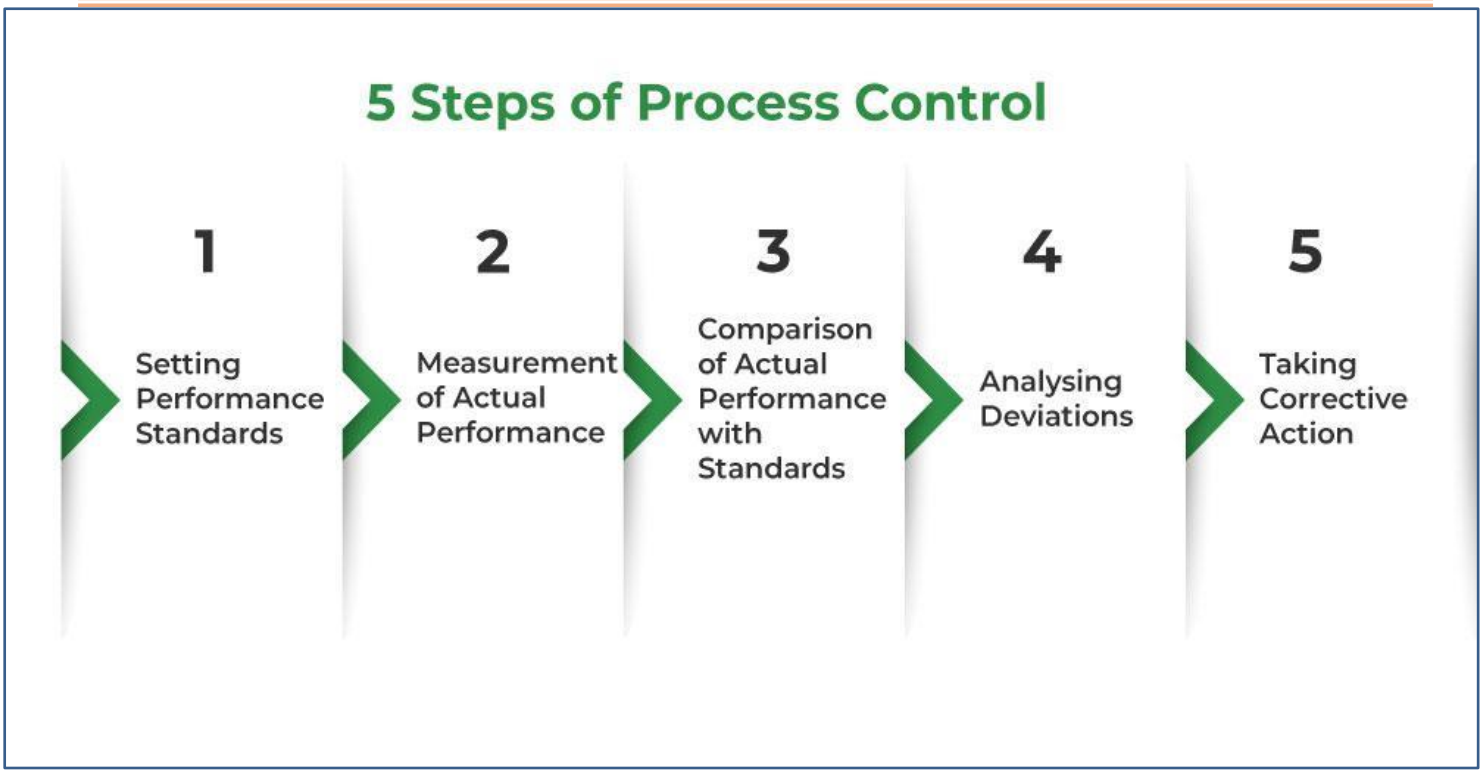
An enterprise cannot control the external factors such as government policy, technological changes, change in fashion, change in competitor's policy etc.

3. Resistance from employees

Employees often resist control and as a result effectiveness of control reduces. Employees feel control reduces or curtails their freedom. Employees may resist and go against the use of cameras, to observe them minutely.

Process of Controlling

Controlling means comparing the actual performance of an organisation with the planned performance and taking corrective actions if the actual performance does not match the planned performance. Controlling cannot prevent the deviation in actual and planned performance; however, it can minimise the deviations by taking corrective actions and decisions that can reduce their recurrence.



Process of Controlling

Different steps involved in the process of controlling are as follows:

1. Setting Performance Standards

The first step of the process of controlling is to establish standards of performance against which the actual performance of the organisation is measured. An organisation should clearly define its standards to the employees and must establish attainable, understandable, and realistic standards to be achieved. Standards can be set in quantitative terms as well as qualitative terms. Under **quantitative terms,** the standards of an organisation are expressed in quantitative terms like units of the product to be produced and sold, revenue to be earned, the cost to be incurred, etc. While setting the quantitative standards an organisation should keep them precise so as to easily compare the actual performance with the standards. However, under **qualitative terms,** the standards of an organisation are expressed in qualitative terms like time taken to serve a customer, motivation level of employees, etc. The qualitative standards should also be set in a way that makes the measurement easy.

Besides, the business environment in which an organisation works is dynamic and keeps on changing. Therefore, the established standards should be flexible so that they have a scope for change whenever the business environment changes.

2. Measurement of Actual Performance

Once the organisation has established the standards, the second step of the process of controlling is to measure the actual performance in a reliable and objective manner. The actual performance of an organisation can be measured through different techniques such as sample checking, personal observation, etc., and should be measured in the same units in which the standards are fixed to make the comparison easy. Usually, the actual

performance is measured at the end of the performance. However, in some cases, organisations measure performance throughout the performance. **For example,** an electrical appliance organisation can check the parts before assembling them together to ensure the final product is not defective.

Also, while measuring the actual performance of an organisation, it should be kept in mind that both quantitative and qualitative aspects are being considered. Sometimes organisations focus more on the quantitative aspects and less on the qualitative aspects, which can be harmful to them. **For example,** the quantitative standard of lowering the cost of a product can be achieved by degrading its quality. This can for sure lower the cost of the product, but can also lose the customers of the organisation. Different departments of an organisation can measure its actual performance differently (like the production department by the number of units produced, the sales department by the number of units sold or customer satisfaction level, etc.).

3. Comparison of Actual Performance with Standards

The third step of the process of controlling is to compare the actual performance of the organisation with the established standards (in the first step). By comparing the actual performance with the standards, an organisation can determine the deviation between them. When the standards are expressed in quantitative terms, it becomes easy for the organisation to make comparisons as there is no subjective evaluation required. **For example,** it is easy for an organisation to compare the number of units sold in a month against the set standard. However, the comparison between the set standard for the motivation of employees with its actual performance is difficult.

> ***If the actual performance of the organisation matches with the set standards, then the controlling process ends after the third step, which means that everything is in control of the firm.***
>
> *However, if the actual performance of the organisation does not matches with the set standards, then there are two more steps in the process.*

4. Analysing Deviations

The actual performance and set standards of an organisation rarely match with each other. Usually, there is always some variation between the expected and actual performance. Therefore, the fourth step of the process of controlling is to analyse the deviations. To do so, an organisation must fix an acceptable range of deviation in performance. Besides, an organisation should focus more on the significant deviation and less on the minor deviations. For this, managers of an organisation usually take the help of **Critical Point Control** and **Management by Exception.**

A) Critical Point Control

Critical Point Control states that the control system of an organisation should focus more on the Key Result Areas (KRAs)**,** which are critical to its overall performance. It is not easy and economical for an organisation to keep a check on every activity with the same attention level. Therefore, it should pay more attention to the key areas on which the performance of the whole organisation depends.

For example, if there is a 2% deviation in the production cost and a 15% deviation in the stationery expenses of an organisation, then it should focus on the deviation in its production cost, as it is a key area and can affect the profitability of the organisation.

B) Management by Exception

Management by Exception is based on *"If you try to control everything, you may end up controlling nothing"*, and states that the manager of an organisation should focus on the significant deviations which go

beyond the set deviation limit. For this, the managers should establish a range of deviations for the performances and any deviation that goes beyond the set range must be given attention.

For example, the manager of an organisation has set the deviation limit in the production cost of 5%. Now, if the production cost of the firm deviates by 2%, then the managers can ignore such deviation. However, if the deviation is 10%, then it needs immediate attention.

Critical Point Control is different from Management by Exception. *According to the former, the managers of an organisation should concentrate on the key activities. However, according to the latter, the managers should give attention to activities with major deviations no matter where the deviation takes place.*

Advantages of Critical Point Control and Management by Exception

1. As an organisation with the help of Critical Point Control and Management by Exception deals with the significant deviations only, it saves its time and efforts.

2. As the attention of the managerial staff is focused on the important areas, their talent is used efficiently.

3. It helps an organisation in identifying the critical problems which needs immediate attention and action.

4. As routine problems are left to the subordinates, delegation of authority is possible. Because of delegation of authority, employee's morale is improved .

Once the organisation has identified the major deviations, it has to analyse its cause. A deviation in the performance of an organisation can be because of many reasons, such as faulty processes, unrealistic standards, business environment, etc. Therefore, it is essential for the organisation to identify the exact cause of the deviation so that proper and corrective measures can be taken for the same.

5. Taking Corrective Action

The last and final step of the process of controlling is to take corrective action. If the deviations are within the acceptable limits set by the managers, then there is no need to take corrective action. However, if the deviations go beyond the set acceptable limit in the key areas, then proper and immediate managerial actions are required. An organisation can easily rectify the defects in the actual performance through the corrective steps.

For example, If the actual performance of the organisation deviates because of the lack of resources, then the managers try to procure them to meet the standards. However, if the actual performance deviates because of the lack of skills in the employees, then the managers might give proper and required training to the employees.

It shows that every deviation does not need the same corrective action. The rule, process, or method of corrective action changes with the requirement of deviation.

Deviation

It means the difference between the actual performance and standard performance can be ***Positive*** *and* ***Negative.***

Positive Deviation: *It is a kind of deviation when the actual performance is better than the standard performance.*

Negative Deviation: *It is a kind of deviation when the actual performance is less than the standard performance.*

RENAISSANCE