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Study Material
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Name of the Faculty: Dr.B.KAVITHA

Department: COMMERCE WITH COMPUTER APPLICATION

M.Com. (COMPUTER APPLICATIONS)

I YEAR – I SEMESTER
COURSE CODE: 7MCC1C1

CORE COURSE I – MANAGEMENT PRACTICE

Unit-I:

aManagement: Definition – Meaning – Characteristics – Functions – Importance – Differences

between Management and Administration – Qualities of a Manager – Management as Art, Science and Profession – Contributions of F.W. Taylor, Henri Fayol, Peter F. Drucker, Herbert A. Simonand Elton Mayo.

Unit II:

Planning: Meaning, Premises, Types, Objectives, Characteristics, Advantages and Limitations – Steps in Planning Process – Difficulties in Planning – Decision Making: Nature and Process- Types: Certainty, Risk, Uncertainty and others - Use of Computers in Planning and Decision processes – case study.

Unit III:

Organisation: Meaning – Functions of Organization – Principles of Organisation – Organisation Structures: Types and Significance – Features and significance of Formal and Informal Organisations – Delegation of authority: Need, Requisites and Evaluation – Centralisation and Decentralisation of Decision making – Relative merits and demerits – case study.

Unit IV:

Directing: Principles and Functions of Direction – Communication – Morale and Motivation –Leadership Styles – Distinguishing Qualities of a Leader and Manager – Coordinating: Need and Methods
– Controlling: Concept and Techniques of Control – Performance Appraisal: Importance, Types andMethods – Use of Computers in Control processes – case study.

Unit V:

Strategic Management: Meaning – Importance – Approaches to dealing with Risk – Models – Strategic Changes – Strategic Leadership and Decision Making–Strategic Alliance – Core Competence – Total Quality Management -Mergers and Acquisition – Managerial Challenges in Global Organizations – Use of Computers in Strategic Management Process – case study.

Books for Reference:

Author(s)	Titl
Ricky W Griffin	Management, South-Western College Publications, 2013

Gareth Jones and Jenifer George	Contemporary Management, McGraw-Hill/Irwin, 2010.
Peter F. Drucker	Management, 2008.
Stephen P. Robbins and MaryCoulter	Management, 9th Edition, 2006.
Kaplan and Norton	The Strategy-Focused HBP, 2000
Stoner, et-al	Management, Prentice Hall, 1989.
Weihrich and Koontz	Management A Global Perspective, McGraw Hill, 1988
Gene Burton and Manab Thakur	Management Today- Principles and Practice, TMH, 2009.
NeeruVasisshth and VibhutiVasishth	Principles of Management Text & CasesPaperback, 2014,Taxmann.
T. Ramasamy	Principles of Management, Himalaya Publishing House

MANAGEMENT
PRACTICE

Learning Outcome

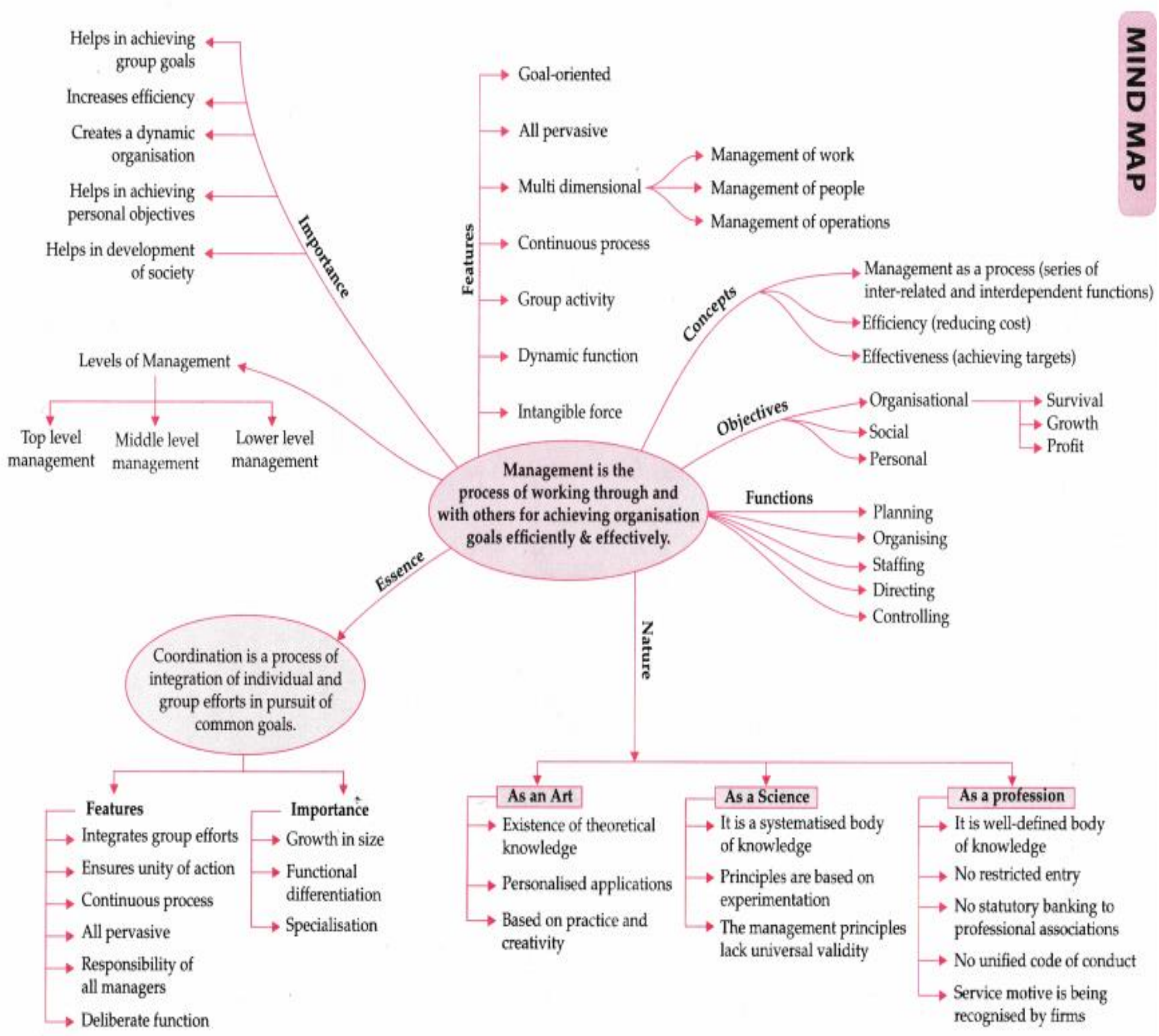
- State the definition of management, evolution of management and different approaches to management.
- determine managerial planning, forecasting, and management by objectives and decision making
- To assess the planning process, forecasting process, MBO process and decision making process

. To explain the concept of organisation with its definition, functions, characteristics, advantages and classification identify the different theories of organization.

. To recall the concept of performance appraisal with its definition, importance, limitations and methods used

UNIT I

MANAGEMENT-AN INTRODUCTION



Introduction

Management is a vital aspect of the economic life of man, which is an organised group activity. A central directing and controlling agency is indispensable for a business concern. The productive resources - material, labour, capital etc. are entrusted to the organising skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership the resources of production remain merely resources and never become production. Under competitive economy and ever-changing environment the quality and performance of managers determine both the survival as well as success of any business enterprise. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

Definitions

Management may be defined in many different ways. Many eminent authors on the subject have defined the term "management", some of these definitions are reproduced below: According to Lawrence A Appley, "Management is the development of people and not the direction of things".

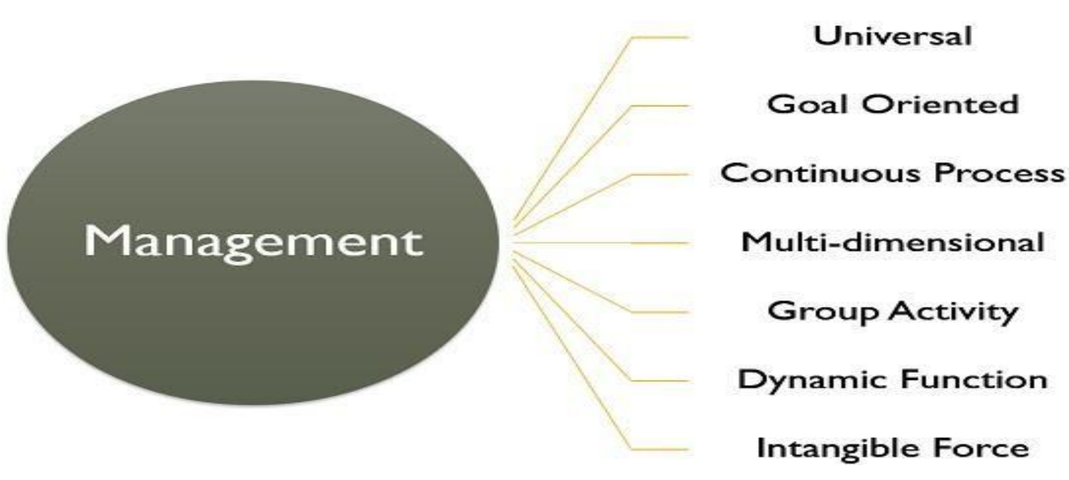
According to Joseph Massie, "Management is defined as the process by which a co-operative group directs action towards common goals". In the words of George R Terry, "Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources".

According to James L Lundy, "Management is principally the task of planning, co-ordinating, motivating and controlling the efforts of others towards a specific objective". In the words of Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to coordinate and to control".

According to Peter F Drucker, "Management is a multi-purpose organ that manages a business and manages managers and manages worker and work". In the words of J.N. Schulze, "Management is the force which leads, guides and directs an organization in the accomplishment of a pre-determined object". In the words of Koontz and O'Donnel, "Management is defined as the creation and maintenance of an internal environment in an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals".

According to Wheeler, "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centered in the administrators of managers of the firm who integrate men, material and money into an effective operating limit". In the words of William Spriegel, "Management is that function of an enterprise which concerns itself with the direction and control of the various activities to attain the business objectives". In the words of S. George, "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others". In the words of Keith and Gubellini, "Management is the force that integrates men and physical plant into an effective operating unit". According to Newman, summer and Warren, "The job of management is to make cooperative endeavour to function properly. A manager is one who gets things done by working with people and other resources". According to John F M, "Management may be defined as the art of securing maximum results with a minimum of effort so as to secure maximum results with a minimum of effort so as to secure maximum prosperity and happiness for both employer and employee and give the Notes public the best possible service".

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.

Precisely, all the functions, activities and processes of the organization are interconnected to one another. And it is the task of the management to bring them together in such a way that they help in reaching the intended result.

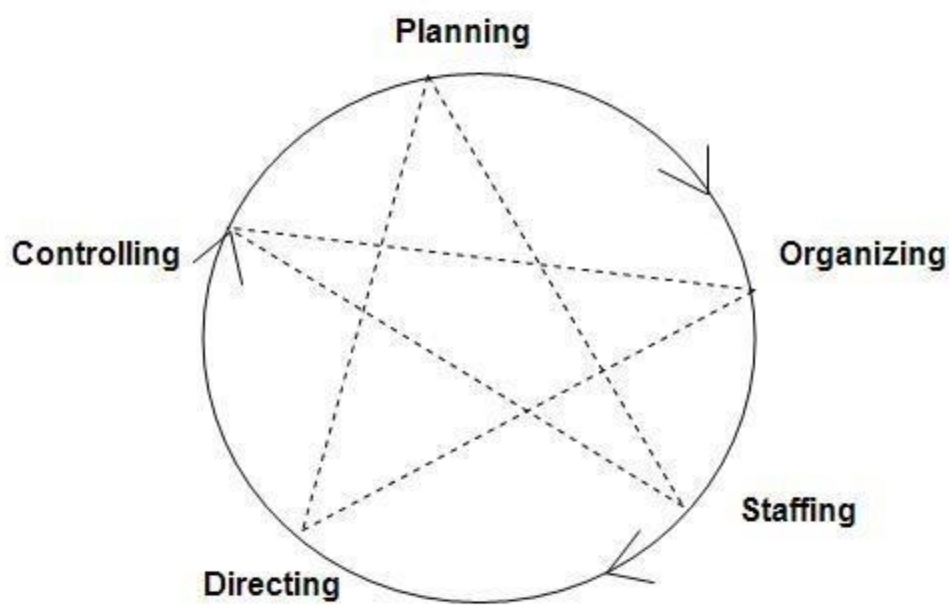
Functions of Management

Management has been described as a social process involving responsibility for economical and effective planning & regulation of operation of an enterprise in the fulfillment of given purposes. It is a dynamic process consisting of various elements and activities. These activities are different from operative functions like marketing, finance, purchase etc. Rather these activities are common to each and every manger irrespective of his level or status.

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

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning**, **Organizing**, **Staffing**, **Directing** and **Controlling**.

For theoretical purposes, it may be convenient to separate the function of management but practically these functions are overlapping in nature i.e. they are highly inseparable. Each function blends into the other & each affects the performance of others.



1. **Planning**

   It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be".

A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose o staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed un the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.

- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

4. Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

Supervision- implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

Motivation- means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

Leadership- may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

Communications- is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to *Theo Haimann*, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished”. Therefore controlling has following steps:

a. Establishment of standard performance.
b. Measurement of actual performance.
c. Comparison of actual performance with the standards and finding out deviation if any.
d. Corrective action.

Importance of Management

1. **It helps in Achieving Group Goals -** It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources -** Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.

3. **Reduces Costs -** It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization -** No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium -** It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing demand of market / changing needs of societies. It is responsible for growth and survival of organization.
6. **Essentials for Prosperity of Society -** Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

Difference between Administration and Management

Sr. No.	Basis of Distinction	Administration	Management
1.	Policy and objectives	Determines policy to be followed and decide the objectives to be achieved.	Implements the policy and achieve the objectives.
2.	Directing of human efforts	Not directly involves in the execution of plan and achievement of objectives.	Directly involves in the execution of plan and achieving objectives.
3.	Main functions	Planning, organising and staffing.	Direction, motivation and control.
4.	Levels of executive	Top level executives (Owners or Board of Directors)	Lower level executives (Manager, Supervisor and workers.)
5.	Position	Acts as a principal.	Acts as an agency.
6.	Knowledge	Requires administrative ability more than technical ability.	Requires technical ability more than administrative ability.

Management as an Art, Science and Profession

To decide whether management is science, art or profession, one has to comprehend the characteristics and definitions of science, art and profession and associate them with management definition and traits.

Management as an Art:

Art is the experienced and personal utilisation of subsisting information to accomplish solicited outcomes. It can be procured via education, research and practice. As art is involved with the personal utilisation of data some kind of inventiveness and creativity is needed to follow the fundamental systems acquired. The essential characteristics of art are as follows:

- **The presence of theoretical knowledge**: Art assumes the presence of specific academic knowledge. Specialists in their particular fields have obtained specific elementary postulates which are appropriate to a specific sort of art. For instance, the literature on public speaking, acting or music, dancing is publicly acknowledged.

- **Personalised application**: The application of this primary information differs from person to person. Art, hence, is a highly personalised notion.
- **Based on custom and creativity**: Art is practical. Art includes the creative practice of subsisting intellectual knowledge. We know that music is based on 7 notes. However, what makes the style of a musician different or distinctive is his performance of these notes in an artistic way that is uniquely his own solution.

Management as a Science:

Science is an organised collection of knowledge that emphasises definite universal truths or the action of comprehensive laws. The central characteristics of science are as follows:

- **The organised body of knowledge**: Science is a precise entity of knowledge. Its systems are based on a purpose and consequence association.
- **Universal validity**: Scientific conventions have global genuineness and application.
- **Systems based on experimentation**: Scientific conventions are originally formed via research and then tested via repeated trial and error under the regulated situations.

Management as a Profession:

The profession can be described as an occupation upheld by specific education and practice, in which entry is limited. A profession has the following features:

- **The well-defined theory of knowledge**: All services are based on a well-defined form of education that can be procured through education.
- **Restricted entry**: The entrance to a profession is defined through an examination or through obtaining an educational degree. For instance, to become a chartered accountant in India an aspirant has to clear a detailed examination regulated by the Institute of Chartered Accountants of India (ICAI).
- **Professional community**: All professions are affiliated to a professional association which controls entry, presents a certificate of training and expresses and supports a system of government. To be qualified to study in India, lawyers have to become members of the Bar Council which monitors and regulates their actions.

Manager

Definitions

Management is a creative process which integrates and uses various available resources effectively to accomplish certain goals. For which, an individual is responsible to develop ideas and get things done through others. The concerned individual is designated as manager. *"Any person who performs the functions of planning, organisation, staffing, directing and controlling for the accomplishment of pre-determined organisation goals is called a manager."*

Functions of a Manager

The following functions are performed by a manager:

- Planning the work
- Taking decisions
- Proper and effective communication
- Getting co-operation of employees
- Encouraging team spirit
- Delegating authority
- Solving the problems
- Co-ordinating various individual efforts
- Better utilisation of resources
- Stimulating workers
- Setting target
- Solving the problems
- Guiding sub-ordinates
- Arranging training and development facilities
- Controlling the deviations
- Maintaining good human relations

Role of a Manager

A manager is responsible to integrate all the activities which are performed in an organisation. Managers playvarious roles as given below:

Director: A manager gives direction to people working under him/her.

Motivator: A manager understands likes and dislikes of people working under him/her and motivates them accordingly. Hence, motivation stimulates their performance of job.

Human being: A manager treats all the people working under him/her equally and without any personal bias. She/He has to mingle with others and understand the feeling of other executives.

Guide: Managers should be well aware of using the equipment, techniques and procedures involved in performing specific tasks. If so, She/He can guide others whenever need arises.

Friend: A manager acts as a friend by coming forward voluntarily and eliminating the misunderstandings.

Planner: A manager has to plan the work and assign the same to the workers working under him/her according totheir position held on a daily basis.

Supervisor: A manager has to supervise and control workers' performance and maintain personal contacts withthem.

Reporter: A manager acts as a reporter by providing the feedback information of the workers to the top management. She/He also acts as a liaison between the low level management and the top level management.

CONTRIBUTION OF F.W.TAYLOR TO SCIENTIFIC MANAGEMENT

Frederick W. Taylor (1856-1915), developer of scientific management. Scientific management (also called Taylorism or the Taylor system) is a theory of management that analyzes and synthesizes workflows, with the objective of improving labour productivity. The core ideas of the theory were developed by Frederick Winslow Taylor in the 1880s and 1890s, and were first published in his monographs, Shop Management (1905) and The Principles of Scientific Management (1911).

Taylor believed that decisions based upon tradition and rules of thumb should be replaced by precise procedures developed after careful study of an individual at work. Its application is contingent on a high level of managerial control over employee work practices. Taylorism is a variation on the theme of efficiency; it is a late 19th and early 20th century instance of the larger recurring theme in human life of increasing efficiency, decreasing waste, and using empirical methods to decide what matters, rather than uncritically accepting pre-existing ideas of what matters. Thus it is a chapter in the larger narrative that also includes, for example, the folk wisdom of thrift, time and motion study, Fordism, and lean manufacturing. It overlapped considerably with the Efficiency Movement, which was the broader cultural echo of scientific management's impact on business managers specifically. In management literature today, the greatest use of the concept of Taylorism is as a contrast to a new, improved way of doing business. In political and sociological terms, Taylorism can be seen as the division of labour pushed to its logical extreme, with a consequent de-skilling of the worker and dehumanisation of the workplace.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Replacing rule of thumb with science

2. Harmony in group action

3. Co-operation

4. Maximum output

5. Development of workers General approach

6. Shift in decision making from employees to managers

7. Develop a standard method for performing each job

8. Select workers with appropriate abilities for each job

9. Train workers in the standard method previously developed

10. Support workers by planning their work and eliminating interruptions

11. Provide wage incentives to workers for increased

Elements

Labor is defined and authority/responsibility is legitimized/official

 Positions placed in hierarchy and under authority of higher level

 Selection is based upon technical competence, training or experience

 Actions and decisions are recorded to allow continuity and memory

 Management is different from ownership of the organization

 Managers follow rules/procedures to enable reliable/predictable behaviour.

While working in Midvale Company as a manager Taylor observed that employees were not performing as per their capacity of productivity. And he considered that this condition was occurring because of no care towards the waste. Taylor worked towards the experiments at his work place to increase the worker’s efficiency so that maximum output could be achieved by utilizing effort at maximum level.

1. Scientific task setting:- Taylor observed that the management does not know exactly

the works – pieces of work- volume of works- which are to be performed by the workers during a fixed period of time- which is called working day. In a working day how much work is to be done by a worker but be fixed by a manager and the task should be set every day. The process of task setting requires scientific technique. To make a worker do a quantity of work in a working day is called scientific task setting

2. Differential payment system:- under this system, a worker received the piece rate benefit which will attract the workers to work more for more amount of wages and more incentives would be created to raise the standardization of output to promote the workers to produce more and perform more task than before and utilize waste time to earn more wages.

3. Reorganization of supervision:- concepts of separation of planning and doing and functional foremanship were developed. Taylor opines that the workers should only emphasize in planning or in doing. There should be 8 foreman in which 4 are for planning and 4for doing. For planning they were route clerk, instruction cord clerk, time and cost clerk and disciplinarian. And for doing they were speed boss, gang boss, repair boss and inspector.

4. Scientific recruiting and training:-staffs and workers should be selected and employed on scientific basis. Management should develop and train every worker by providing proper knowledge and training to increase their skills and make them effective

5. Economy: efficient cost accounting system should be followed to control cost which can minimize the wastages and thoroughly reduced and thus eliminated.

6. Mental revolution: Taylor argued that both management and workers should try to understand each other instead of quarrelling for profits and benefits which would increase production, profit and benefits.

TOOLS OF SCIENTIFIC MANAGEMENT

1. Separation of planning and doing
2. Functional Foremanship
3. Job Analysis
4. Standardization
5. Scientific Selection and training of workers
6. Financial Incentives

7. Economy

8. Mental Revolution

Contribution of Henry Fayol to Management

Henry Fayol (1841-1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management has been built on it.

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. The management principles suggested by him in 1916 are universally accepted by modern authorities on management and are treated as valid even to this day. This is because these principles are practical in nature and also result-oriented. In fact, these principles are the outcome of his long experience as a practicing manager. These basic principals are useful for effective management of business activities. They are related to the basic components of management process such as planning, organizing, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him.The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organisations such as colleges, hospitals, charitable institutions and government departments. Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought. Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book “General and Industrial Management. The functions of management according to Fayol are,

1. Planning
2. Organising
3. Staffing
4. Commanding
5. Coordinating
6. Controlling

The fourteen principles of management suggested by him are related these basic functions of management process and are universally accepted. Fayol has given adequate details of every principle suggested by him. He also made them easily acceptable by others. According to Henry Fayol, managers should be flexible in the application of these principles.

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Fayol divided general and industrial management into following **six groups**:

1. Technical activities (production, manufacture, adaptation).

2. Commercial activities (buying, selling and exchange).

3. Financial activities (search for and optimum use of capital).

4. Security activities (protection of property and persons).

5. Accounting activities (stock taking, balance sheet, cost, and statistics).

6. Managerial activities (planning, organising, command, coordination and control).

Henry Fayol also suggested 14 principles of management. These principles are:

1. Division of work,

2. Authority and responsibility,

3. Discipline,

4. Unity of command,

5. Unity of direction,

6. Subordination of personal interest to organizational interests,

7. Remuneration,

8. Centralization,

9. Scalar chain,

10. Order,

11. Equity,

12. Stability of tenure,

13. Span of co-operation and

14. Initiative

Henry Fayol's contribution to management theory is certainly remarkable. He gave overall concepts of general management and suggested the basic functions of management. He recommended the selection and training of workers and managers. He also advocated the use of organisation charts. He suggested certain qualities of manager's winch include physical, mental, moral, educational technical and experience. Fayol's theory of management was the first complete theory of management as we understand today. It incorporated proven principles, elements, procedures and techniques based on his practical experience.

Contribution of Peter F Drucker to Management

Some of the major contributions of Peter Drucker are as follows:

1. Nature of Management
2. Management Functions
3. Organisation Structure
4. Federalism
5. Management by Objectives
6. Organizational Changes.

Among the contemporary management thinkers, Peter Drucker outshines all. He has varied experience and background which include psychology, sociology, law, and journalism. Through his consultancy assignments, he has developed solutions to number of managerial problems. Therefore, his contributions cover various approaches of management. He has written many books and papers

The more important books are; Practice of Management (1954), Managing by Results (1964), The Effective Executive (1967), The Age of Discontinuity (1969), Management: Tasks, Responsibilities and Practices (1974), and Management Challenges for 2Century (1999),

1. Nature of Management:

Drucker is against bureaucratic management and has emphasised management with creative and innovative characteristics. The basic objective of management is to read towards innovation. The concept of innovation is quite broad. It may include development of new ideas, combining of old and new ideas, adaptation of ideas from other fields or even to act as a catalyst and encouraging others to carry out innovation.

He has treated management as a discipline as well as profession. As a discipline, management has its own tools, skills, techniques and approaches. However, management is more a practice rather than a science. Thus, Drucker may be placed in 'empirical school of management'.

Drucker does not advocate to treat management as a strict profession but only a liberal profession which places more emphasis that managers should not only have skills and techniques but should have right perspective putting the things into practice. They should be good practitioners so that they can understand the social and cultural requirements of various organisations and countries.

2. Management Functions:

According to Drucker, management is the organ of its institution. It has no functions in itself, and no existence in itself. He sees management through its tasks. Accordingly, there are three basic functions of a manager which he must perform to enable the institution to make its contribution for:

(i) the specific purpose and mission of the institution whether business, hospital or university;

(ii) making work productive and the worker achieving; and

(iii) managing social impacts and social responsibilities.

All these three functions are performed simultaneously within the same managerial action. A manager has to act as administrator where he has to improve upon what already exists and s already known. He has to act as an entrepreneur in redirecting the resources from seas of tow or diminishing results to areas of high or increasing results.

Thus, a manager has to perform several functions: setting of objectives, making, organising and motivating. Drucker has attached great importance to the objective setting function and has specified eight areas where clear objective setting is required. These are: market standing, innovation, productivity, physical and financial resources, profitability, managerial performance and development, worker performance and attitude, and public responsibility.

3. Organisation Structure:

Drucker has decried bureaucratic structure because of its too many dysfunctional effects. Therefore, it should be replaced. He has emphasised three basic characteristics of an effective organisation structure.

These are: (i) Enterprise should be organised for performance;

(ii) it should contain the least possible number of managerial levels;

(iii) it must make possible the training and testing of tomorrow's top managers—responsibility toa manager while still he is young.

He has identified three basic aspects in organising activity analysis, decision analysis, and relation analysis. An activity analysis shows what work has to be performed, what kind of work should be put together, and what emphasis is to be given to each activity in the organisation structure.

Decision analysis takes into account the four aspects of a decision: the degree of futurity In the decision, the impact of decision over other functions, number of qualitative factors that enter into it, and whether the decision is periodically recurrent or rare. Such an analysis will determine the level at which the decision can be made. Relation analysis helps in defining the structure and also to give guidance in manning the structure.

4. Federalism:

Drucker has advocated the concept of federalism. Federalism refers to centralised control in decentralised structure Decentralised structure goes far beyond the delegation of authority. It creates a new constitution and new ordering principle. He has emphasised the close links between the decisions adopted by the top management on the one hand and by the autonomous unit on the other.

This is just like a relationship between federal government and state governments. In a federal organisation, local managements should participate in the decision that set the limits of their own authority. Federalism has certain positive values over other methods of organising.

These are as follows:

(i) It sets the top management free to devote itself to its proper functions;

(ii) It defines the functions and responsibilities of the operating people;

(iii) It creates a yardstick to measure their success and effectiveness in operating jobs; and

(iv) It helps to resolve the problem of continuity through giving the managers of various units education in top management problems and functions while in an operating position.

5. Management by Objectives:

Management by objectives (MBO) is regarded as one of the important contributions of Drucker to the discipline of management. He introduced this concept in 1954. MBO has further been modified by Schleh which has been termed as management by results'. MBO includes method of planning, setting standards, performance appraisal, and motivation.

According to Drucker, MBO is not only a technique of management but it is a philosophy of managing. It transforms the basic assumptions of managing from exercising cattalo to self-control. Therefore, in order to practice MBO, the organisation must change itself MBO has become such a popular way of managing that today t is regarded as He most modern management approach. In fact, it has revolutionalised the management process.

6. Organizational Changes:

Drucker has visualised rapid changes in the society because of rapid technological development. Though he is not resistant to change, he feels concerned for the rapid changes and their impact on human life. Normally, some changes can be absorbed by the organisation but not the rapid changes.

Since rapid changes are occurring in the society, human beings should develop philosophy to face the changes and take them as challenges for making the society better. This can be done by developing dynamic organizations which are able to absorb changes much faster than static ones.

Drucker's contributions have made tremendous impact on the management practices. His contributions have been recognised even by the management thinkers of Socialist Bloc.

For example, Vishiani a USSR management thinker writes about Drucker as follows:
"Drucker shows certain foresightedness and understanding of the development prospects of modern production when he opposes the view that worker is no more than an appendage of machine. Moved by a desire to strengthen the position of capitalism, he endeavors to give due consideration also to some objective trends in production management.

Contribution of Elton Mayo to Management

Some of the major contribution of mayo in developing management thought is as follows:

1. Human Relations Approach
2. Non-Economic Awards
3. Social Man
4. Organisationas a Social System.

Mayo was the first person to plead for the understanding of workers' problems the context of growth of science and technology. He wished the management to understand the problems of workers and make efforts to redress them.

His main contributions are discussed as follows:

1. Human Relations Approach:

Mayo is rightly called the father of human relations movement. His ideas were a milestone and a turning point in human relations approach of the management. He recognised the importance of human beings in management. He said that human beings are complex and influential input into organisational performance. The social and psychological needs of human beings cannot be ignored, if management wants to enhance productivity.

2. Non-Economic Awards:

The earlier assumption was that workers will work more if they are offered more monetary incentives. Taylor was the main proponent of this approach. Elton Mayo said that the techniques of economic incentives were not only inadequate but also unrealistic.

He was able to show that humane and respectful treatment, sense of participation and belonging, recognition, morale, human pride and social interaction are sometimes more important than pure monetary rewards.

3. Social Man:

Mayo developed a concept of 'social man'. He said that man is basically motivated by social needs and obtains his sense of identity through relationships with others. He is more responsive to the social forces of the informal group rather than managerial incentives and controls. He also related productivity to a social phenomenon.

4. Organisation as a Social System:

Mayo was of the view that informal relationships in the organisation are more effective than formal relationships. People form informal groups to give a bent to their feelings and seek guidance for action from such groups.

In Mayo's words, "An organisation is a social system, a system of cliques, grapevines, informal status systems, rituals and a minute of logical, non-logical and illogical behaviour." He was of the opinion that managers should maintain an equilibrium between the logic of efficiency' demanded by the formal organisation. He thought that besides logic and facts people are also guided by sentiments and feelings.

Summary

• A business develops in course of time with complexities. With the increasing of complexities, managing the business concern becomes a difficult one. The need of existence of management has increased tremendously.

• Every business unit has objectives of its own. These objectives can be achieved with the co-operative efforts of several personnel. The work of a number of persons is properly co-ordinated to achieve the objectives through the process of management.

• An individual cannot be treated as a managing body running any organisation. A minimum of two persons are essential to form a management. These persons perform the functions in order to achieve the objectives of an organisation.

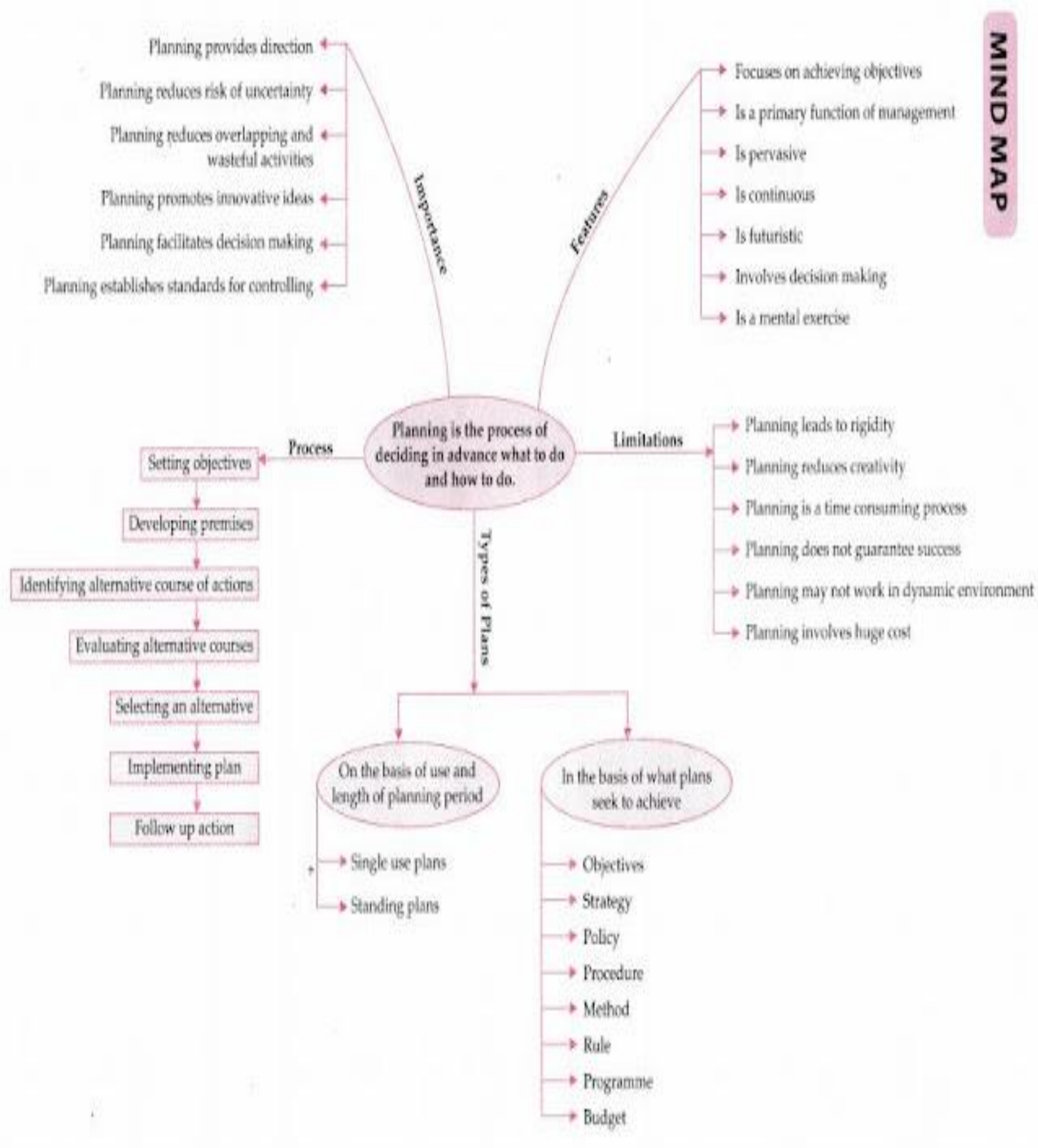
• Management is the group of activities which drafts, plans, prepares policies and arranges men, money, machine and materials required to achieve the objectives.

• Management is concerned with the achievement of objectives of an organisation. These objectives are achieved through the functions of planning, organising, staffing, directing, controlling and decision making. The organisational objectives are clearly defined and explained to every employee.

Sample Questions:

1. Define Management. Explain the importance of Management.
2. Briefly explain the Functions of Management.
3. Explain the concept of Management under Peter F.Drucker.
4. Explain the concept of management under Elton Mayo.
5. Who is Manager? Explain the Functions of Manager.

Unit II
Planning



Definition and Meaning of Planning:

Planning is a major and primary function of management. No organisation can operate properly without planning.

Planning is a preparatory step for action. It means systematized pre-thinking for determining a course of action to achieve some desired result

Planning is essentially a process of deciding in advance what is to be done, when and where it is to be done, and how it is to be done, and by whom. To plan is to look ahead and chalk out the future course of operations of an enterprise.

Through planning, the manager fixes the objectives of the organisation as a whole and, in the light of this, the goals of its various departments. Then he proceeds to prepare a kind of 'blueprint' mapping out the ways of attaining these objectives.

Therefore, planning may be defined as follows:

Planning is the process by which the managers of an organisation set objectives, make an overall assessment of the future, and chart the courses of action with a view to achieving the organisational goals.

According to Koontz and O'Donnell, planning is "an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, facts and considered estimates." "By means of planning management members try to look ahead, anticipate eventualities, prepare for contingencies, map out activities and provide an orderly sequence for achieving the objective."

Henry Fayol views:

"The plan of action is, at one and the same time, the result envisaged, the line of action to be followed, the stages to go through, and methods to use."

Nature and Characteristics of Planning:

Planning is concerned with the establishment of objectives of an enterprise and finding out the way of realisation of those objectives. However, without setting the objectives there is nothing to organise, direct or control. Therefore, every organisation is required to specify what it wants to achieve. Planning is basically related with this aspect.

The nature and characteristics of planning may be stated as follows:

1. Intellectual Process:

Planning is an intellectual and rational process. Planning is a mental exercise involving imagination, foresight and sound judgement. It requires a mental disposition of thinking before' acting in the light of facts rather than guess. The quality of planning depends upon the abilities of the managers who are required to collect all relevant facts, analyse and interpret them in a correct way.

How far into the future a manager can see and with how much clarity he will depend on his intellectual calibre, are chalked out through planning process. In thinking of objectives, alternative courses of action and, above all, in making decision for choosing certain alternatives, the planner goes through an intellectual process.

2. Goal-orientation:

All planning is linked up with certain goals and objectives. It follows, therefore, that every plan must contribute in some positive way to the accomplishment of group objectives. Planning has no meaning without being related to goals and objectives. It must bridge the gap between where we are and where we want to go at the minimum cost.

3. Primary Function:

Planning is said to be the most basic and primary function of management. It occupies first place and precedes all other functions of management which are designed to attain the goals set under planning. This is so because the manager decides upon the policies, procedures, programmes, projects, etc. before proceeding with the work. The other functions of management—organising, direction, co-ordination and control—can be performed only after the manager has formulated the necessary planning.

4. Pervasiveness:

Planning pervades all managerial activities. It is the job of all managers in all types of organisation. It is undertaken at all segments and levels of the organisation—from the general manager to the foreman. Whatever be the nature of activity, management starts with planning. The character and breadth of planning will, of course, vary from one job to another—depending on the level of management.

5. Uniformity:

There may be separate plans prepared in different levels in the organisation, but all the sub-plans must be united with the general plan so as to make up a comprehensive plan for operation at a time. So, uniformity must be there in all levels of planning to match the general plan.

6. Continuity:

To keep the enterprise as a going concern without any break, it is essential that planning must be a continuous process. So, the first plan must follow the second plan and the second plan the third and so on in never-ending series in quick succession.

7. Flexibility:

Plans should not be made rigid. It should be as flexible as possible to accommodate all possible changes in the enterprise with a view to coping with the changing conditions in the market. In fact, planning is a dynamic activity.

8. Simplicity:

The language of the work schedule or programme in the planning should be simple so that each and every part of it may easily be understood by the employees at different levels, specially at the lower level.

9.Precision

Precision is the soul of planning. This gives the planning exact, definite, and accurate meaning in its scope and content. Any mistake or error in planning is sure to upset other functions of management and, thus, precision is of utmost importance in every kind of planning.

10. Feasibility:

Planning is neither poetry nor philosophy. It is based on facts and experience, and thereby realistic in nature. It represents a programme which is possible to execute with more or less existing resources.

11. Choice among Alternative Courses:

Planning involves selection of suitable course of action from several alternatives. If there is only one way of doing something there is no need of planning. Planning has to find out several alternatives, estimate the feasibility and profitability of the different alternatives, and to choose the best one out of them.

12. Efficiency:

Planning is directed towards efficiency. A plan is a course of action that shows promise of optimizing return at the minimum expense of inputs. In planning, the manager evaluates the alternatives on the basis of efficiency. A good plan should not only attain optimum relationship between output and input but should also bring the greatest satisfaction to those who are responsible for its implementation.

13. Inter-dependence:

The different departments may formulate different plans and programmes for their integration in the overall planning. But sectional plans cannot but be inter-dependent. For example, production planning depends upon sales planning—and vice versa.

Again, planning for purchase of raw materials, employment of labour, etc. cannot be an isolated act apart from sales planning and production planning. Planning is a structured process and different plans constitute a hierarchy. Different plans are inter-dependent and inter-related. Every lower-level plan serves as a means towards the end of higher plans.

14. Forecasting:

Above all, no planning can proceed without forecasting—which means assessing the future and making provision for it. Planning is the synthesis of various forecasts—short-term or long-term, special or otherwise. They all merge into a single programme and act as a guide for the whole concern.

Importance of Planning:

Planning is the key to success of an organisation. In fact, most of the company's achievements can be attributed to careful planning. Planning is a function of every manager at every level in an enterprise. Every manager is required to plan first for systematic and orderly performance of his assigned duties.

It is within the planning function that goals are determined, decision-making takes place, forecasts are made and strategies are initiated. Thus, planning has assumed great importance in all types of organisation—business or non-business, private or public sector, small or large.

1. Providing Basis of Decision:

The first and most important reason for planning lies in the fact that it provides a basis on which decisions are made. It is an immense need for the managers of an enterprise to fix up their minds as to what they want to accomplish and then plan the use of time, resources, and efforts towards the achievement of their objectives.

2. Focusing Attention on Objectives:

Planning concentrates attention on the objectives of an enterprise. The first function of planning is to spell out its objectives. The objectives are defined in more concrete, precise and meaningful terms. As a result of such attention, it becomes possible for the planners to determine the policies, procedures, programmes and the rules for an orderly advance towards the ultimate goals desired to be achieved.

3. Minimising Uncertainty and Risk:

The future is uncertain. Planning helps the managers in taking care of future uncertainties and thus minimizes business risk. It anticipates future events and sets the course of action to control these events to one's advantage. With the help of planning, an enterprise can predict future events and make due provision for them. This, no doubt, eliminates or reduces the possibility or jumping into uncertainties.

4. Adapting with Changes:

Business planning has become imperative due to the fact that an enterprise operates in a changing and dynamic environment. The aspects of this changing environment include changes in technology, government policies, the nature of competition, social norms and attitudes etc. As the planning proceeds step by step, it foresees the changes likely to come and accordingly prepares its programme by necessary adjustments and adaptation.

5. Securing Economy:

Planning focuses on efficiency and economy in operation. A plan is a course of action that can take the organisation to its objectives at the minimum cost. Planning prevents wastage of resources by choosing the best course of action from many alternatives. It aims at smooth flow of work. All these steps in planning lead automatically to economy.

6. Helping in Co-ordination:

Planning leads to achieve a coordinated structure of operations. It provides a unifying framework. Sound planning inter-relates all the activities and resources of an organisation. Well-considered overall plans harmonies inter-departmental activities. Thus, various departments work in accordance with the overall plan, and coordination is achieved.

7. Making Control Effective:

The managerial function of controlling is concerned with a comparison between the planned performance and the actual performance of the subordinates and departments of the organisation. Thus, control is exercised in the context of planning action as the standards against which actual results are to be compared are set up through planning. So planning provides the basis for control. Thus, planning and control are inseparable.

8. Increasing Organisational Effectiveness:

Planning ensures organisational effectiveness in several ways. It states the objectives of the organization in the context of given resources; provides for proper utilisation of resources to the best advantage, gives necessary competitive strength for continuous growth and steady progress by foreseeing what the competitors are likely to do and evolving its strategies accordingly.

The process of planning generates the purposeful and orderly setting up of activities to be carried on. It defines the boundaries within which the business should operate. This enables the businessman to concentrate upon those matters which are actually relevant and vital to business success.

Objectives of Planning

(a) An improvement in the standard of living of the people through a sizable increase in national income within a short period of time;

(b) A large expansion of employment opportunities for the removal of unemployment and for creating jobs and incomes;

c) A reduction in all types of social, economic and regional inequalities;

(d) An efficient utilisation of the country's resources for faster growth;

(e) Removal of mass poverty within a definite time limit through land reform, employment creation, and provision of educational and medical facilities;

(f) Attainment of self-reliance by reducing dependence on foreign capital and foreign aid.

Advantages of Planning

Planning is an important per-requisite for attaining the cherished goals of a business enterprise. Of all the managerial activities, it comes first because of the following benefits:

1. Planning leads to more effective and faster achievements in any organization.

2. Since planning foresees the future and also makes a provision for it, it gives an added strength to the business for its steady growth and continuous prosperity.

3. It secures unity of purpose, direction and effort by focusing attention on the objectives. Hence, unnecessary duplication, overlapping and cross-purpose workings are eliminated.

4. It has the effect of minimizing the cost of operations.
5. It ensures an even flow of work minimizes false steps and protects against unwanted deviations.

6. It enhances the efficiency of other managerial functions.

7. It provides an effective basis for control in all organizations whether small or big.

8. It facilitates the process of decision-making.

9. It enables the management to implement future programmes in a systematic way so that the management may get the maximum benefit out of the programmes framed. It enables all the activities to be conducted in an orderly and coordinated manner in order to achieve the common goals of the enterprise.

10. With the rapid growth of technological development, it is essential for a manager to keep abreast of the up-to-date technology. Otherwise, the products are likely to become obsolete. Planning helps in this process.

11. By avoiding waste of men, money, materials and machinery, planning indirectly leads to large-scale economies.

12. Planning encourages the sense of involvement and team spirit. Planned targets provide a basis upon which good performances can be rewarded and poor performances can be improved.

13. Planning is the essence of all management activities. Once it is. done well, other activities automatically follow.

14. It educates people. It orients people. It gives them a sense of direction and the stimulating feeling that their efforts are being put to useful purpose, rather than being wasted. They begin to feel that they are worthy partners in a productive enterprise.

Disadvantages or Limitations of Planning

Planning aims at forecasting and providing a means for examining the future and drawing up a plan of action. The very purpose of planning is to develop creative and innovative policies to guide company's activities in the market place. This is not an easy task. There are many obstacles in the path leading to successful planning. They are:
1. Accuracy of facts and information about the future is one of the limitations of planning.

According to Terry,

Managerial planning can be made accurately only if the events in future are predicted accurately. Often adequate facts may not be available.

2. Time, money and effort are required in the collection and analysis of data and in the formulation and revision of plans. It is a time consuming process. It is an expensive process. Planning is useful only when the expected gains from it exceed its costs. Often it is remarked that the cost of planning is in excess of its actual contribution.

3. Planning takes time i.e., adequate time. Sometimes, it may cause delay in taking decisions. A manager may be bogged down by procedures, rules, etc., when quick decision is essential.

4. Planning may create a false opinion that all problems will be solved if the plans are implemented. In practice, management has to revise the plans continuously and check on their execution.

5. Another major limitation of planning is that there are various alternatives to combat certain problems. Every alternative has its own merits and limitations. Every alternative presents different results also. In this way, diversity of alternatives causes many difficulties in the way of formulating planning.

6. The effectiveness of planning may be greatly influenced by external forces, the controllability of which is not in the hands of planners. Government control, natural calamities, etc., may create hurdles in the implementation of managerial plans.
7 It makes the entire organizational set up extremely rigid.

8 It leads to probable results and not assured goals.

9. Machinery of planning cannot be free from bias. Forecasting methods, statistical data supplied, etc., are all inaccurate and the results of operation research cannot be applied to all cases that come under planning.
10 In the planning process, the quality of the output depends upon the quality of input.

11. Tendency towards inflexibility or reluctance to change is another drawback of planning.

12 It encourages a false sense of security against risk of uncertainty.

13. Standing plans demand repetitive operations, but in the absence of such operations, plans lose their significance.

In spite of the serious limitations, planning is still recognized as the foremost function of the management. It is no doubt that unplanned operations shall produce chaos and disorder everywhere without exception.

Steps in Planning Process in Management:

Planning is important for all the types of organizations irrespective of its size, variety of products, number of employees there is no standard planning process as such. Among which few of crucial steps are listed below

1) Perception of opportunities

This is not an actual step in the planning however before going for the planning process one has to study & find opportunities in the environment. If an opportunity does not exist in the surrounding whole planning process may fail. So to make planning more successful one has to study legal, political framework or existing position, change in customer mindset change in technology competition, the present position of the industry level. Here organization has to analyze its own strengths & weakness if the good opportunity exists in the surrounding organization can proceed to the next step.

For Eg. For Industries like hotels, the market is good nowadays because the income has been increased over the last 5-6 years, the lifestyle of youth has been changed, even females are working more in number these days, etc.

2) Establishment of Objectives

Once the opportunity is perceived in the organization and unit objectives are been set from which specific results are expected at the end of planning. The organizational objectives should be specific to all key result areas.For eg Sales profitability, R& D, quality & so on. Once these objectives are set the objectives of lower units that are department objective setting is a crucial task that guides the organization throughout the planning process. Planning Premises

3) Planning premises

It is nothing but study of external & internal environment i.e SWOT analysis is nothing but the study of external & internal environment i.e **SWOT analysis**

External environment includes the study of following

1. Indian Economy.
2. National income availability of natural resources.
3. Availability of natural resources.
4. Political, social, legal technology.
5. Competitors plan –their status in the market.

While **internal environment** includes

1. Availability of the workforce.
2. Availability Of funds cost-effectiveness.
3. Cost-effectiveness.
4. Brand strength.
5. High market share.

This one will analyze strength/weakness/opportunity & treat in the organization & out of an organization.

4) Identification of alternative

This is an important step where companies find various alternatives to achieve a particular objective. **For eg** If a company wants to launch a new mobile hand, this can be done in various ways

1. Creating mobile for youth
2. Creating for low or high-class income group
3. Whether smartphone including 3g & 4 g features
4. There should be mobile manufactured in India or out of India

5. Evaluation of Alternatives

Various alternatives are evaluated for different criteria like cost, future competition, generation of profit, the requirement of manpower, etc. Out of this best suitable alternative is been selected

6) Choice of alternative

After the evaluation of the various parameter, the best alternative is selected this alternative is selected by keeping in the view of environmental factor. Planning process & objectives

7) Formulation Of Supporting Plan

Once the best alternative or plan is selected a various supporting plan are prepared to support the main plan like as

1. Buying of raw material
2. Recruitment of new staff
3. Training of staff
4. Advertisement plan
5. Buying of equipment's

8) Establishing a sequence of activities

Once the supporting plan was prepared the sequence of actions are decided **for eg** Who will do a specific task when it will be completed what exactly he has to do etc

Decision-making

Decision Making is an important job of a manager. Every day he has to decide about doing or not doing a particular thing. A decision is the selection from among alternatives. "It is a solution selected after examining several alternatives chosen because the decider foresees that the course of action he selects will be more than the others to further his goals and will be accompanied by the fewest possible objectionable consequences. It is the selection of one course of action from two or more alternative courses of action. In the words of Mac Farland, "A decision is an act of choice wherein an executive forms a conclusion about what must be done in a given situation.

A decision represents a course of behaviour chosen from a number of possible alternatives." The way an executive acts or decides the course of action from among various alternatives is an act of decision-making. George Terry says, "Decision-making is the selection based on some criteria from two or more possible alternatives." Though there are many alternatives available for a manager but he has to choose the best out of them.

Characteristics:

Following are the characteristics of decision-making:

1. Decision-making is based on rational thinking. The manager tries to foresee various possible effects of a decision before deciding a particular one.

2. It is a process of selecting the best from among alternatives available.

3. It involves the evaluation of various alternatives available. The selection of best alternative will be made only when pros and cons of all of them are discussed and evaluated.

4. Decision-making is the end product because it is preceded by discussions and deliberations.

5. Decision-making is aimed to achieve organizational goals.

6. It also involves certain commitment. Management is committed to every decision it takes.

Nature of Decision-Making:

A decision is always related to some problem, difficulty or conflict. Decisions help in solving problems or resolving conflicts. There are always differences of opinions, judgments, etc. The managerial decision helps in maintaining group effectiveness. All problems may not require decision- making but merely the supply of information may be sufficient.

For example, when will different groups report for re-orientation? The supply of information about the training program may be enough. Decision problems necessitate a choice from different alternatives. A number of possibilities are selected before making a final selection. Decision-making requires something more than a selection. The material requiring a decision may be available but still, a decision may not reach.

A decision needs some sort of prediction for the future on the basis of past and present available information. The effect of a decision is to be felt in the future so it requires proper analysis of available material and a prediction for the future. If decision premises do not come true, then the decision itself may be wrong. Sometimes decisions are influenced by adopting a follow-the-leader practice.

The leader of the group or an important manager of concern sets the precedent and others silently follow that decision. Whatever has been deciding by the leader becomes a guide for others and they also follow suit. The decisions may also emerge from answers to pertinent questions about the problem. Such answers try to narrow down the choice and help in making a decision.

Types of Decision Making

1. Programmed Decisions:

They are otherwise called routine decisions or structured decisions. The reason is that these types of decisions are taken frequently and they are repetitive in nature. This decision is taken within the purview of the policy of the organisation. Only lower level management takes programmed decision and has short-term impact.

Granting over time work, placing purchase order (for materials) etc., are some of the examples of programmed decisions. There is a clear cut procedure to take programmed decisions. The decision-maker need not ask anything from the Personnel Manager or Board of Directors while taking programmed decisions.

2. Non-Programmed Decision:

They are otherwise called strategic decisions or basic decisions or policy decisions or unstructured decisions. This decision is taken by top management people whenever the need arises. A careful analysis is made by the management before taking a policy decision.

The management may publish its policy in small book which is known as policy manual. Policy decision involves heavy expenditure to management. Starting a new business, whether to export or not, acquisition of a business etc., are some of the examples of non-programmed decisions. This decision has a long-term impact on business. A slight mistake in the policy decision is bound to injure the entire organisation.

3. Major Decision:

Major decision relates to the purchase of fixed assets with more value. The purchase of land and building is an example of major decision. This decision is taken by the top management.

4. Minor Decision:

Minor decision relates to the purchase of current assets with less value. Purchase of pencil, pen, ink, etc., are some of the examples of minor decision. This decision is taken by lower level management people.

5. Operative Decision:

A decision which relates to day-to-day operation of an organisation is known as operative decision. This type of decision is taken by middle level management people normally. The reason is that they are working at supervisory level and have a good knowledge of the operations. The time of payment of overtime wages is fixed by middle level management people. It is an example of operative decision.

6. Organisational Decision:

The decision-maker takes a decision and implements it for effective functioning of organisation and it is called organisational decision. He takes this decision on his authority and capacity.

7. Personal Decision:

The decision-maker takes a decision for his personal life which is known as personal decision. He implements this decision in his home and sets right his personal life. This decision does not reflect the functioning of an organisation. The decision maker is not a member of an organisation while taking a personal decision.

8. Individual Decision:

Confusion exists regarding the difference between individual decision and personal decision. They are not one and the same. The decision-maker is a member of an organisation while taking an individual decision. He can implement it in the organisation. He is delegated with authority to take individual decision. He considers the policy and situation prevailing in an organisation while taking individual decision.

9. Group Decision:

A committee is formed by the top management for specific purposes. Here, the top management feels that no individual can take effective decision to solve a problem. The top management fixes the time within which the committee is expected to submit its report with concrete decisions.

10. Departmental Decision:

Here, the decision-maker is department head or department manager. He takes a decision to run the department. Department decision has no impact on other departments. This decision is implemented within the concerned department itself.

11. Non-Economic Decision:

Non-economic decision refers to a decision which does not incur any expenses. These types of decisions are taken at all levels of management. A decision which relates to setting right the morale behaviour of workers is termed as non- economic decision.

12. Crisis Decision:

A decision is taken to meet unexpected situations. There is no possibility and time for the decision-maker for getting through investigation while taking a crisis decision. It may be otherwise called spot decision. The reason is that whenever a need arises, the decision maker has to take a decision without wasting a second.

13. Research Decision:

A decision is taken after analysing the pros and cons of a particular matter. There is no pressure on the decision-maker to take such a decision. Research decision requires a lot of information. The quality of research decision is fully depending upon the availability of reliable information.

14. Problem Decision:

A decision is taken to solve a problem. The problem may be an expected one or unexpected one. Besides, they arrived decision does not create any more problems to the organisation.

15. Opportunity Decision:

This pertains to a decision taken to make use of the advantages available to the company or organisation. The advantages may be increasing the turnover, introducing a new product, building of another similar unit to avoid competition etc.

16. Certainty Decision:

Here, the term certainty refers to accurate knowledge of the outcome from each choice. For example, ascertaining how much profit will be maximised by introducing a new product or increasing the selling price and the like. There is only one outcome for each choice. The decision-maker himself knows the outcome and consequences of choice.

17. Uncertainty Decision:

The outcome is not accurate or several outcomes are possible whenever a decision is taken. The reason is that the decision-maker has incomplete knowledge and he does not know the consequences. For example, while marketing a new product, the decision (amount of profits) depends upon the prosperity period of that product. If the prosperity period is long, the amount of profit is high and vice versa.Management people take a number of decisions every day. These decisions are aimed at solving the existing problems. No decision creates any new problem to the management. There should be justice in taking a decision.

Techniques or Basis for Decision-Making:

Decision-making has become a complex problem. A number of techniques, extending from guessing to mathematical analyses, are used for decision-making process. The selection of an appropriate technique depends upon the judgment of decision-maker.

Certainty:

Under the conditions of certainty, people are reasonably sure about what will happen when they take a decision. The required information is available and it is reliable and the cause and effect relationships are known. The manager makes decisions under such situations at different times with the same results. Under such situations a deterministic model is used, in which all factors are assumed to be exact with the chance playing no role.

Risk:

In a risk situation, factual information may exist but it may be insufficient. Most of the business decisions are taken under risk conditions. The available information does not answer overall questions about the outcome of the decision. A manager has to develop estimates of the likelihood of the various states of events occurring. The estimates may be based on past experience, other available information or intelligence.

In order to improve decision-making under these conditions, one may estimate the objective probabilities of an outcome by using, for example, mathematical models. On the other hand, subjective probability, based on judgment and experiences, may be used. There are a number of tools available which help a manager in taking decisions under such conditions.

Uncertainty:

Under conditions of uncertainty a manager has only little information and he is not sure about its reliability also. Since the manager does not have proper information on which he can develop, the best he can do is to be aware that he has no chance of predicting the events. The interaction of various variables cannot be evaluated for taking decisions. The decision making under uncertainty is a difficult proposition. For example, if a company wants to enter a foreign market, if may not be sure about the consumer preference for the product, economic situation, above all the political conditions.

The conditions in a new market may so fluctuate that proper decision taking becomes a problem. The use of a number of modern techniques may improve the quality of decisions under uncertain conditions. The use of risk analysis, decision trees and preference theory can help in making proper decisions under those situations.

Use of Computers in Planning and Decision Making

With the advent of technology, computers can now make many well-informed decisions that managers or office workers may deem unnecessary for a human to make. These decisions may include crunching profit numbers to determine future layoffs or gauging whether certain global offices should remain open or not. If you are evaluating whether computerized decision making is right for your organization, there are advantages and disadvantages to implementing the technology into your corporate strategy.

Storage of Data and Information

While human brains can contain a high level of information to use in making a decision, a computer's "brain" can contain even more data and information, depending on the storage space it is connected to. With a higher capacity for more data, especially data that a human brain might not retain, such as complex equations, more information can be incorporated into the "brain" or algorithm of the computer in its decision making, leading to better results.

Speed and Accuracy

Computers can process information much faster than a human brain. One advantage to computers making decisions is that you will have decisions made faster and more accurately than a human brain, which may get hung up with different factors involving the decision, leading to slower overall results. Also, unlike people who can become tired or suffer from a lack of concentration and deliver inaccurate decisions, a well-tuned computer is always alert and can process reams of information without growing bored or tired, leading to more precise results.

High Cost of Equipment

The high cost of purchasing the right computer equipment, including a high amount of computer memory and store, is one disadvantage to computer technology in decision making. Also, the cost of a computer professional to write the algorithm you'll need for your type of decision can come at a high price. By the time your equipment is purchased and your algorithm is written, it may also already be obsolete since technology is constantly advancing and building on what already works to make it better.

Employee Morale and Subjectivity

With a computer making decisions, certain managers may feel that their own decision-making skills aren't seen as important, which can diminish employee morale. Also, unlike people who can be subjective and rational, computers can only be rational. By eliminating subjectivity in the decision-making process, the result may lack certain elements you are concerned about.

Types of Decisions Computers Can Make

Although we haven't quite reached the era in which computers will eliminate all the tasks and decisions that humans make, there are some decisions that computers are well-equipped to make. For example, the healthcare industry is using computerized predictive analysis to provide better services. Some emergency rooms now staff emergency rooms based on the anticipated number of emergencies expected week-to-week.

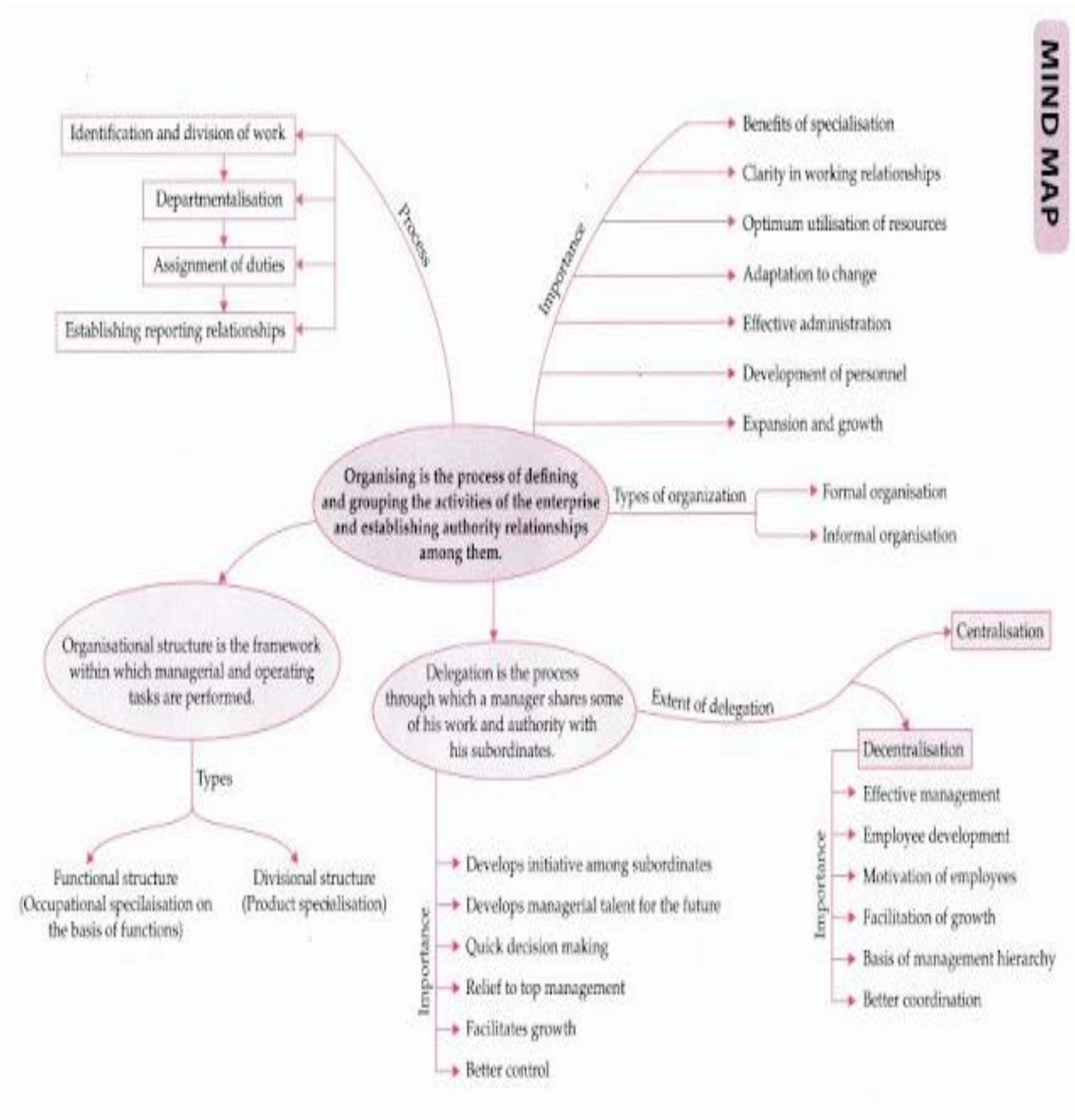
In the investment field, trading bots are now capable of buying and selling shares without human intervention based on complex algorithms that are more accurate than anything humans can develop. Computers are also effective in digital marketing. Through a process known as A/B testing in which two different versions of something are tested to determine which one performs better, computers can decide which web ads are more likely to appeal to a target audience, or which website landing page headlines will keep the interest of a first-time visitor.

Summary

- Planning focuses on the future impact of today's decisions. Without looking to the future, managers will not know the appropriate decision to make today. Planning is often listed as the first managerial function because it is critical to the overall success of the 61rganization.
- Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the pre-determined objectives of the 61rganization in future.
- Forecasting is a systematic guessing of the future course of events with the help of analysis of past and present events. A forecast is a prediction and its purpose is to calculate and predict some future event or condition.
- Many people confuse planning with forecasting. Planning is entirely different from forecasting. Forecasting is nothing but the guessing of the future course of events correctly. It is basically a technique of anticipating events related to future. Planning is a wider term which includes forecasting. Forecasting is a part of planning and is based on the past experience.
- Objectives are the goals, aims or purposes that 61rganization61 wish to achieve over varying periods of time. The clearly defined objectives are interpreted by the executives preferably at the top level and are very useful to them for the right direction of personnel.
- The objectives of an 61rganization specific the purpose of each job and fix the individual goals along with the overall 61rganization61 goals. Whenever the individual accepts the 61rganization's objectives as desirable, the possibility of getting co-ordination is very easy.

Sample Questions:

Unit III
Organization



Meaning:

An entrepreneur organizes various factors of production like land, labour, capital, machinery, etc. for channelizing them into productive activities. The product finally reaches consumers through various agencies. Business activities are divided into various functions, these functions are assigned to different individuals.

Various individual efforts must lead to the achievement of common business goals. Organization is the structural framework of duties and responsibilities required of personnel in performing various functions with a view to achieve business goals through organization. Management tries to combine various business activities to accomplish predetermined goals.

Definitions:

Louis Allen, "Organization is the process of identifying and grouping work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives." In the words of Allen, organization is an instrument for achieving organizational goals. The work of each and every person is defined and authority and responsibility is fixed for accomplishing the same.

Koontz and O'Donnell, says 'The establishment of authority relationships with provision for co-ordination between them, both vertically and horizontally in the enterprise structure." These authors view organization as a coordinating point among various persons in the business.

Characteristics of Organisation:

Different authors look at the word 'organisation' from their own angle. One thing which is common in all the viewpoints is that organisation is the establishment of authority relationship among persons so that it helps in the achievement of organisational objectives.

Some of the characteristics of organisation are studied as follows:

1. Division of Work:

Organisation deals with the whole task of business. The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labour. It is not that one person cannot carry out many functions but specialisation in different activities is necessary to improve one's efficiency. Organisation helps in dividing the work into related activities so that they are assigned to different individuals.

2. Co-Ordination:

Co-ordination of various activities is as essential as their division. It helps in integrating and harmonising various activities. Co-ordination also avoids duplications and delays. In fact, various functions in an organisation depend upon one another and the performance of one influences the other. Unless all of them are properly coordinated, the performance of all segments is adversely affected.

3. Common Objectives:

All organisational structure is a means towards the achievement of enterprise goals. The goals of various segments lead to the achievement of major business goals. The organisational structure should build around common and clear cut objectives. This will help in their proper accomplishment.

4. Co-operative Relationship:

An organisation creates co-operative relationship among various members of the group. An organisation cannot be constituted by one person. It requires at least two or more persons. Organisation is a system which helps in creating meaningful relationship among persons. The relationship should be both vertical and horizontal among members of various departments. The structure should be designed that it motivates people to perform their part of work together.

5. Well-Defined Authority-Responsibility Relationships:

An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organisation. The hierarchy of positions defines the lines of communication and pattern of relationships.

Principles of an Organization

Some of those principles are discussed as follows:

1. Principle of Objective:

The enterprise should set up certain aims for the achievement of which various departments should work. A common goal so devised for the business as a whole and the organization is set up to achieve that goal. In the absence of a common aim, various departments will set up their own goals and there is a possibility of conflicting objectives for different departments. So there must be an objective for the organization.

2. Principle of Specialisation:

The organization should be set up in such a way that every individual should be assigned a duty according to his skill and qualification. The person should continue the same work so that he specialises in his work. This helps in increasing production in the concern.

3. Principles of Co-ordination:

The co-ordination of different activities is an important principle of the organization. There should be some agency to co-ordinate the activities of various departments. In the absence of co-ordination there is a possibility of setting up different goals by different departments. The ultimate aim of the concern can be achieved only if proper co-ordination is done for different activities.

4. Principle of Authority and Responsibility:

The authority flows downward in the line. Every individual is given authority to get the work done. Though authority can be delegated but responsibility lies with the man who has been given the work. If a superior delegates his authority to his subordinate, the superior is not absolved of his responsibility, though the subordinate becomes liable to his superior. The responsibility cannot be delegated under any circumstances.

5. Principle of Definition:

The scope of authority and responsibility should be clearly defined. Every person should know his work with definiteness. If the duties are not clearly assigned, then it will not be possible to fix responsibility also.

Everybody's responsibility will become nobody's responsibility. The relationship between different departments should also be clearly defined to make the work efficient and smooth.

6. Span of Control:

Span of control means how many subordinates can be supervised by a supervisor. The number of subordinates should be such that the supervisor should be able to control their work effectively. Moreover, the work to be supervised should be of the same nature. If the span of control is disproportionate, it is bound to affect the efficiency of the workers because of slow communication with the supervisors.

7. Principle of Balance:

The principle means that assignment of work should be such that every person should be given only that much work which he can perform well. Some person is over worked and the other is under-worked, then the work will suffer in both the situations. The work should be divided in such a way that everybody should be able to give his maximum.

8. Principle of Continuity:

The organization should be amendable according to the changing situations. Everyday there are changes in methods of production and marketing systems. The organization should be dynamic and not static. There should always be a possibility of making necessary adjustments.

9. Principle of Uniformity:

The organization should provide for the distribution of work in such a manner that the uniformity is maintained. Each officer should be in-charge of his respective area so as to avoid dual subordination and conflicts.

10. Principle of Unity of Command:

There should be a unity of command in the organization. A person should be answerable to one boss only. If a person is under the control of more than one person then there is a like-hood of confusion and conflict. He gets contradictory orders from different superiors. This principle creates a sense of responsibility to one person. The command should be from top to bottom for making the organization sound and clear. It also leads to consistency in directing, coordinating and controlling.

11. Principle of Exception

his principle states that top management should interfere only when something goes wrong. If the things are done as per plans then there is no need for the interference of top management. The management should leave routine things to be supervised by lower cadres. It is only the exceptional situations when attention of top management is drawn. This principle relieves top management of many botherations and routine things.

Principle of exception allows top management to concentrate on planning and policy formulation. Important time of management is not wasted on avoidable supervision.

12. Principle of Simplicity:

The organizational structure should be simple so that it is easily understood by each and every person. The authority, responsibility and position of every person should be made clear so that there is no confusion about these things. A complex organizational structure will create doubts and conflicts among persons. There may also be over-lapping's and duplication of efforts which may otherwise be avoided. It helps in smooth running of the organization.

13. Principle of Efficiency:

The organization should be able to achieve enterprise objectives at a minimum cost. The standards of costs and revenue are pre-determined and performance should be according to these goals. The organization should also enable the attainment of job satisfaction to various employees.

14. Scalar Principle:

This principle refers to the vertical placement of supervisors starting from top and going to the lower level. The scalar chain is a pre-requisite for effective and efficient organization.

Organizational Structure

Meaning of Organizational Structure:

An organizational structure is a system that outlines how certain activities are directed in order to achieve the goals of an organization. These activities can include rules, roles, and responsibilities. The organizational structure also determines how information flows between levels within the company. For example, in a centralized structure, decisions flow from the top down, while in a decentralized structure, decision-making power is distributed among various levels of the organization. Having an organizational structure in place allows companies to remain efficient and focused.

Types of Organizational Structures:

All managers must bear that there are two organisations they must deal with-one formal and the other informal. Formal organisational structures are categorised as:

(i) Line organisational structure.

(ii) Staff or functional authority organisational structure.

(iii) Line and staff organisational structure.

(iv) Committee organisational structure.

(v) Divisional organisational structure.

(vi) Project organisational structure.

(vii) Matrix organisational structure and

(viii) Hybrid organisational structure.

These organisational structures are briefly described in the following paragraphs:

Types of Organisations

1.Line Organisation

Line organisation is the simple and the oldest type of an organisation, where the decision making authority flows
from top to bottom. As shown in the Fig 3.1 below:

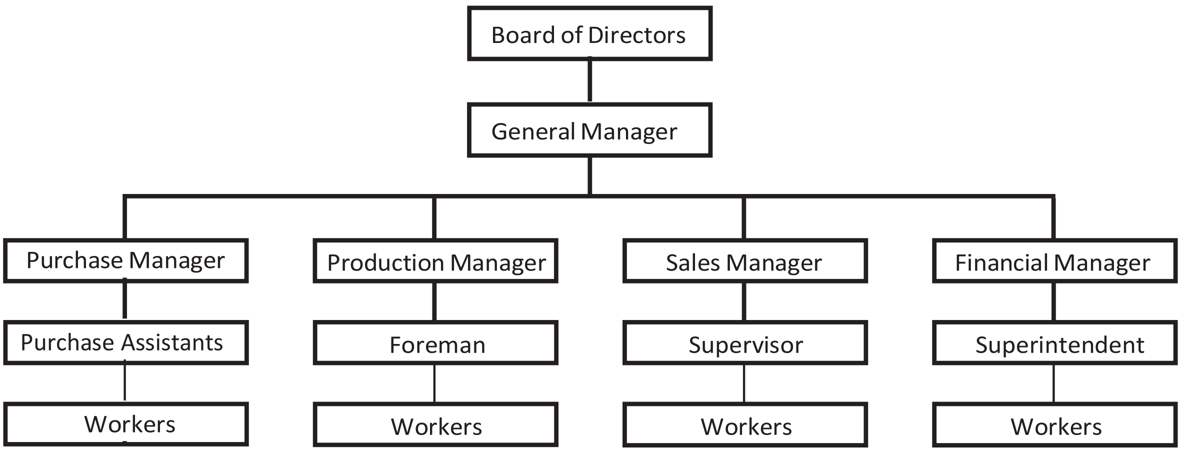


Fig.3.1 Line organisation

Characteristics of line organisation

- Consists of vertical relationships.
- Authority flows from top to bottom level.
- Departmental heads are given full freedom to control their departments.
- Operation of this system is very easy.
- Each member has direct command over his subordinates.
- The superior takes decisions within the scope of his authority.

Advantages of line organisation

- Simplicity
- Division of authority and control
- Unity of control
- Discipline
- Flexibility
- Direct communication
- Coordination

Disadvantages of line organisation

- Lack of specialisation
- Lack of initiatives

- Dictatorial
- Scope of favouritism
- Instability

2.Functional Organisation

Functional organisation was proposed by F. W. Taylor, to overcome the limitations of line organisation. This type of organisation has various specialists for various functions. The directions of work are decided by functions and not mere authority. The workers under a functional unit are accountable not only to the functional specialist but to the other specialists as well as from whom they receive instructions.

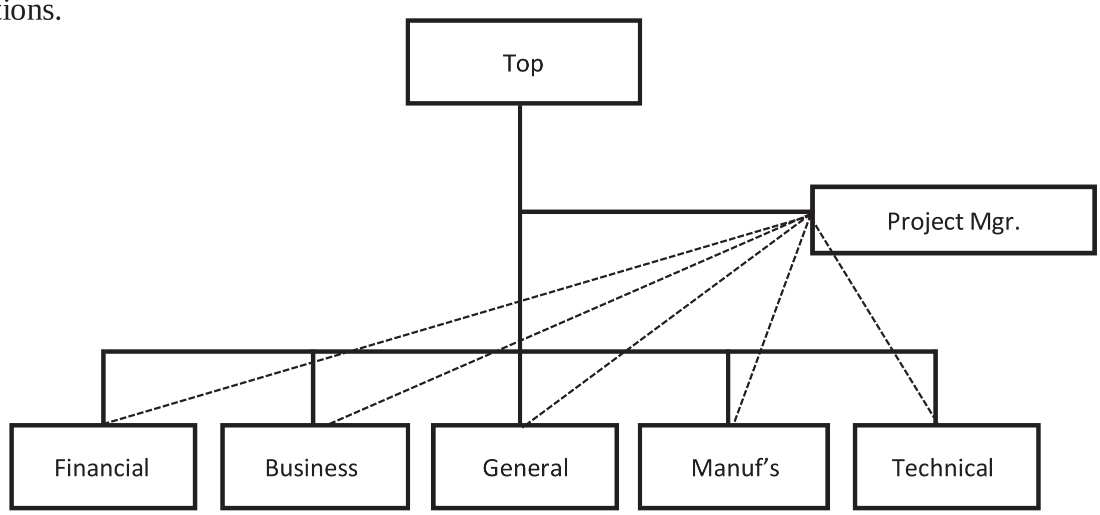


Fig 3.2 Functional organisation

Characteristics of functional organisation

- The work is divided according to the specified functions
- Authority is given to the specialist to give orders to a specific function
- Functional authority can give orders throughout the line with reference to specified area
- The decisions are taken in consultation with the functional authority.

Advantages of functional organisation

- Benefit of specialisation
- Efficiency
- Adequate supervision
- Reduce the work load
- Cooperation

Disadvantages of functional organisation

- Complex relationship
- Centralization
- Ineffective coordination
- Increase overhead expenses
- Lack of responsibility

3.Line and Staff Organisation

Line and staff organisation has tried to use the advantages of both the line and the functional type of organisationto overcome their demerits.

Line and staff organisation have line officers as well as the staff officers.

Line officers have the authority to take decisions and implement them to achieve the objectives of the organisationwhereas staff officers assist line officers in framing the policies, plans and taking decisions.

Types of staff

- **Personal staff**: A person who assists another person in the performance of a work effectively. They are appointedat top level of organisation.
- **Specialized staff**: These officers render services to the line officers at all levels of the organisation.
- **General staff assistant:** These are the groups of people who provide service to top management in specializedmatters.

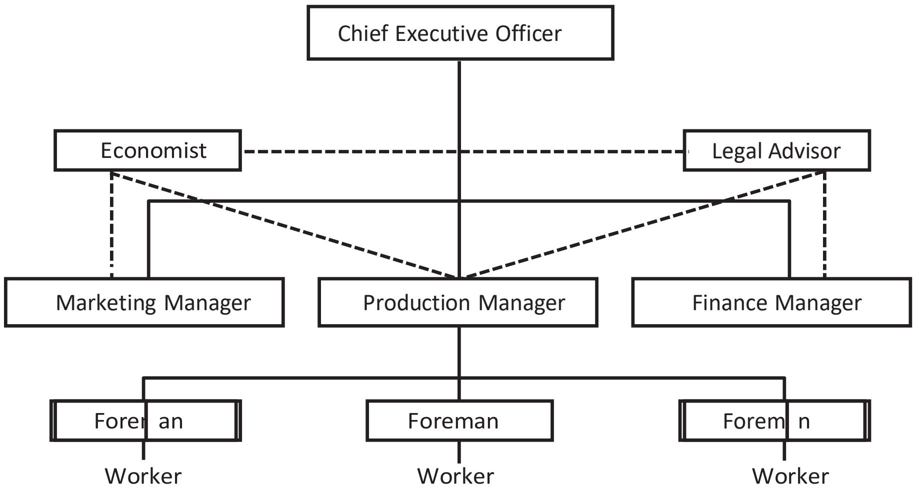


Fig 3.3 Line and staff organisation

Advantages of line and staff organisation

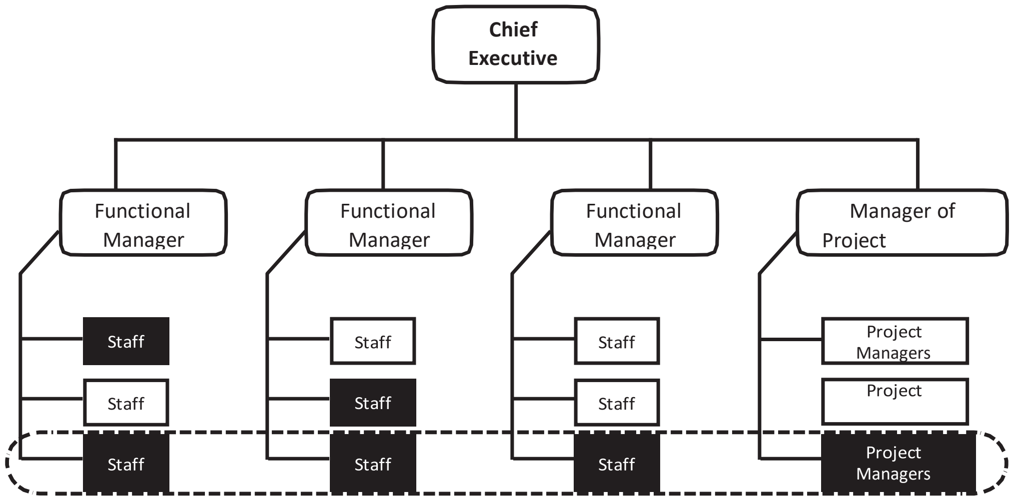
- Promotes efficient working of line officers
- Balanced decisions
- Expert advice
- Benefit of specialisation
- Unity of action

Disadvantages of line and staff organisation

- line and staff conflicts
- in case of communication gap between line and staff officers the degree of cooperation among them decreases
- there is no such authority with the staff officers which can compel line officers to accept their decisions

4.Matrix Organisation

Matrix organisation is defined as "*Any organisation that employs a multiple command structure but also*



*relates support mechanisms and an organisational culture and behaviour pattern***."**

Fig. 3.4 Matrix organisation

Characteristics of matrix organisation

- Project manager should report to more than one of the superiors.
- There should be agreement between the managers regarding the authority of utilizing the available resources.
- There should be common willingness among the authority holders to face the conflicts with a view to resolve them.

Advantages of matrix organisation

- achievement of objectives
- best utilisation of resources
- appropriate structure
- flexibility
- motivation

Disadvantages of matrix organisation

- complex relationship
- struggle for power
- excessive emphasis on group decision-making
- arising conflict resolution
- heterogeneous

The Informal Organisation:

An informal organisation is the set of evolving relationships and patterns of human interaction within an organisation which are not officially presented. Alongside the formal organisation, an informal organisation structure exists which consists of informal relationships created not by officially designated managers but by organisational members at every level. Since managers cannot avoid these informal relationships, they must be trained to cope with it

The informal organisation has the following characteristics

(i) Its members are joined together to satisfy their personal needs (needs for affiliation, friendship etc.)

(ii) It is continuously changing:

The informal organisation is dynamic.

(iii) It involves members from various organisational levels.

(iv) It is affected by relationship outside the firm.

(v) It has a pecking order: certain people are assigned greater importance than others by the informal group.Even though an informal organisational structure does not have its own formal organisational chart, it has its own chain of command:

Benefits of Informal Organisation:

(i) Assists in accomplishing the work faster.

(ii) Helps to remove weakness in the formal structure.

(iii) Lengthens the effective span of control.

(iv) Compensation for violations of formal organisational principles.

(v) Provides an additional channel of communication.

(vi) Provides emotional support for employees.

(vii) Encourages better management.

Disadvantages of informal organisation:

(i) May work against the purpose of formal organisation.

(ii) Reduces the degree of predictability and control.

(iii) Reduces the number of practical alternatives.

(iv) Increases the time required to complete activities.

Delegation of Authority

Meaning of Delegation:

Delegation means to grant or confer. It helps to coordinate activities at various levels to increase efficiency of the organisation. It helps managers to concentrate on important organisational matters and pass the routine matters to subordinates.

If all organisational activities, strategic and routine, could be managed by one person, the need for formal organisation structure with different functional departments, staffed with people of different skills, carrying out different activities would not arise.

Since it is not possible for one person to perform all activities with respect to all functional areas because of physical and mental limitations, it becomes essential that he gives part of his work load to subordinates along with authority to carry out the assigned task.

Any type of task cannot be assigned to subordinates. Managers have to decide the tasks that can be performed by subordinates and those which have to be carried out by them only. Thus, the entire workload is divided into units, a part is assigned to subordinates along with authority to carry out the assigned task. This concept of division of work and assignment to people down the scalar chain is called delegation. “Delegation is a process the manager uses in distributing work to the subordinates.”

Delegation is “the assignment of part of a manager’s work to others along with both the responsibility and the authority necessary to achieve expected results.”

Need of Delegation of authority

Effective Management

Delegation provides a breathing space to managers by sharing their workload. As a result, mangers can concentrate on tasks with higher priority. Further, freedom from routine work allows for exploration of new ideas.

Employee Development

With the help of delegation, we assign new responsibilities to employees. This allows for them to work on a domain which is different from the monotonous routine work, helping them to develop new skills and discover hidden talents. Thus, delegation leads to the development of employees by providing them to expand their area of operation and helping them to grow. Effectively, it increases their future prospects and breeds future managers.

Motivation of Employees

Through the process of delegation, superiors entrust suitable subordinates with the tasks that are assigned to them. This not only leads to the development of talent but also has various psychological benefits. This is because, the faith and trust displayed in the subordinate build his confidence and self-esteem, which ultimately drives him to work harder.

Facilitation of Growth

As mentioned, delegation provides employees with opportunities to develop and effectively trains them as better decision makers and managers. This further aids in the process of expansion of an organisation, as it already has the suitable workforce which is competent enough.

Management Hierarchy

Delegation establishes the superior-subordinate relationship. Also, it directly relates to the extent and flow of authority. This is because authority determines who has to report to whom.

Decision making

Centralization and Decentralization are two modes of working in any organization. In centralization, there is a hierarchy of formal authority for making all the important decision for the organization.

And in decentralization decision making is left for the lower level of organization. Let us learn the difference between centralization and decentralization in detail with their advantages and other factors.

Centralization and Decentralization

A simple way to understand if an organization is working in a centralized or decentralized manner is by looking at two important aspects:

1. The place of the decision-making authority in the hierarchy of the management i.e. Centralized.
2. The degree of decision-making power at the lower echelons in the organization i.e. Decentralized.
3. An organization has a greater degree of decentralization if the number of decisions made and functions affected at the lower level are higher.
4. Further, while decentralization and delegation of authority might seem similar, you must not confuse one with another. A decentralized way of working is more about the philosophy of the organization.
5. Unlike delegation, it is not just about handing over a part of the authority to a subordinate but a way of approaching the decision-making process in the organization.
6. Decentralization is a choice, while delegation is a must. Let's take a quick look at the advantages of centralization and decentralization:
7.

Advantages of Centralization

- The organization can strictly enforce uniformity of procedures and policies.
- It can help in the elimination of overlapping or duplicate activities and save costs.
- The organization has a better chance of utilizing the potential of its outstanding employees.
- It offers a better control over the activities of the organization by ensuring consistency in operations and uniformity in decision-making.

Advantages of Decentralization

- Faster decision-making and better quality of decisions
- Improves the effectively of managers.
- Offers a democratic environment where employees can have a say in their governance.
- Provides good exposure to mid and lower-level managers and creates a pool of promotable manpower with managerial skills.
- Since mangers can see the results of their own actions, they are more driven and have improved morals.

Both centralization and decentralization have their own advantages and disadvantages. Even if an organization is working in a decentralized manner, some functions are usually centralized. Next, let's look at the factors that determine the degree of decentralization.

Summary:

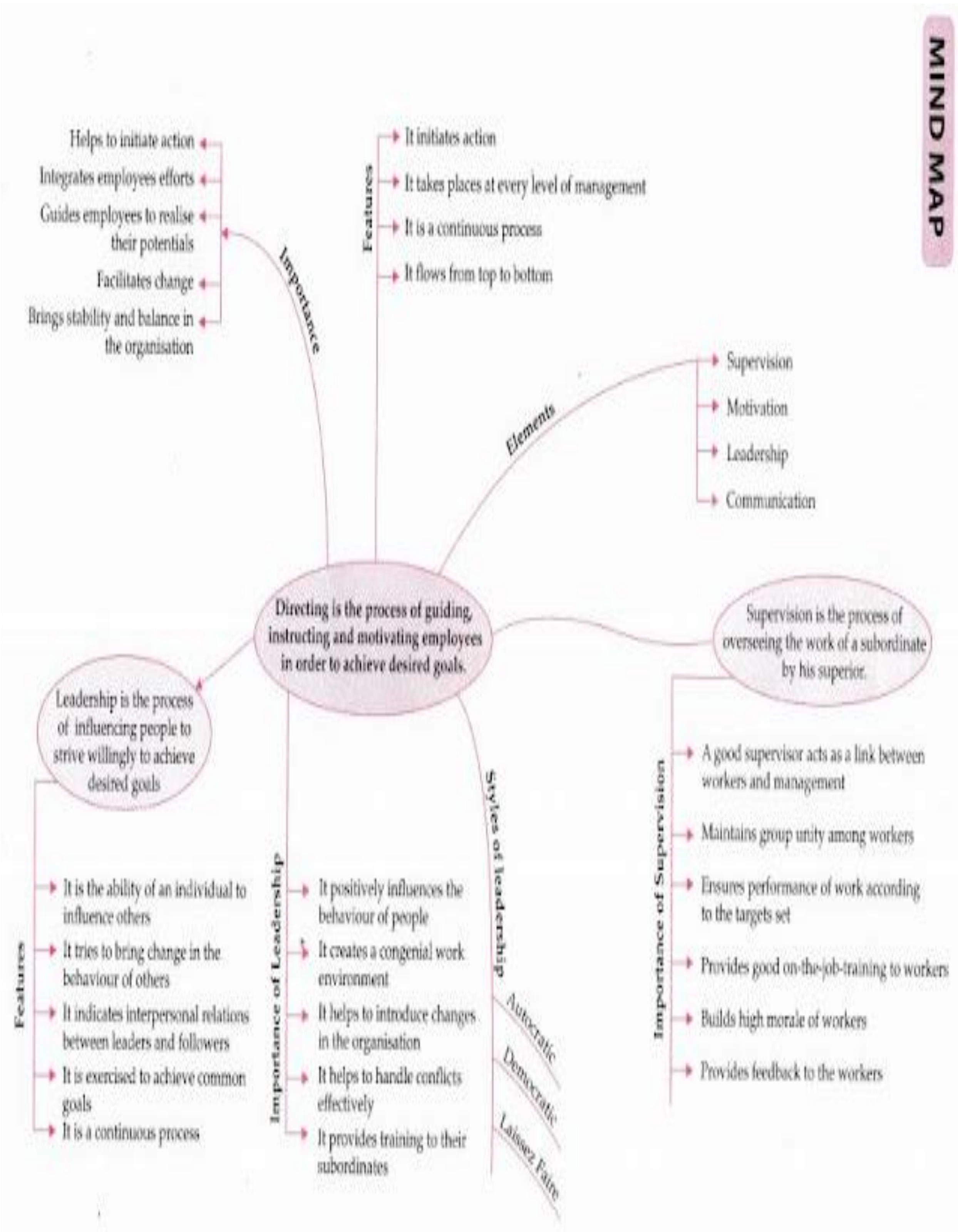
- Planning focuses on the future impact of today's decisions. Without looking to the future, managers will not know the appropriate decision to make today. Planning is often listed as the first managerial function because it is critical to the overall success of the organisation.
- Planning is an intellectual process of thinking resorted to decide a course of action which helps achieve the pre-determined objectives of the organisation in future.
- Forecasting is a systematic guessing of the future course of events with the help of analysis of past and present events. A forecast is a prediction and its purpose is to calculate and predict some future event or condition.

- Many people confuse planning with forecasting. Planning is entirely different from forecasting. Forecasting is nothing but the guessing of the future course of events correctly. It is basically a technique of anticipating events related to future. Planning is a wider term which includes forecasting. Forecasting is a part of planning and is based on the past experience.
- Decision making is a conscious and human process involving both individual and social phenomenon based upon factual and value premises, which concludes with a choice of one behavioural activity from among one or more alternatives with the intention of moving towards some desired state of affairs.

Sample Questions:

1. What is formal organization?
2. Explain the principles of organization.
3. Explain the line and staff organization structure.
4. What are the functions of staff officers?
5. What are the advantages of functional organization

Unit –IV


MIND MAP
Directing is the process of guiding, instructing and motivating employees in order to achieve desired goals.
Importance
Helps to initiate action
Integrates employees efforts
Guides employees to realise their potentials
Facilitates change
Brings stability and balance in the organisation
Features
It initiates action
It takes places at every level of management
It is a continuous process
It flows from top to bottom
Elements
Supervision
Motivation
Leadership
Communication
Supervision is the process of overseeing the work of a subordinate by his superior.
Importance of Supervision
A good supervisor acts as a link between workers and management
Maintains group unity among workers
Ensures performance of work according to the targets set
Provides good on-the-job-training to workers
Builds high morale of workers
Provides feedback to the workers
Styles of leadership
Autocratic
Democratic
Laissez Faire
Importance of Leadership
It positively influences the behaviour of people
It creates a congenial work environment
It helps to introduce changes in the organisation
It helps to handle conflicts effectively
It provides training to their subordinates
Leadership is the process of influencing people to strive willingly to achieve desired goals
Features
It is the ability of an individual to influence others
It tries to bring change in the behaviour of others
It indicates interpersonal relations between leaders and followers
It is exercised to achieve common goals
It is a continuous process

Meaning of Directing

Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. Leadership, motivation, supervision, communication are various aspects of directing. Let us study the importance and principles of directing. Directing is the heart of management function. All other functions of management such as planning, organizing, and staffing have no importance without directing. Leadership, motivation, supervision, communication are various aspects of directing. Let us study the importance and principles of directing.

Directing refers to a process or technique of instructing, guiding, inspiring, counselling, overseeing and leading people towards the accomplishment of organizational goals. It is a continuous managerial process that goes on throughout the life of the organization. Main characteristics of Directing are as follows:

1. Initiates Action

A directing function is performed by the managers along with planning, staffing, organizing and controlling in order to discharge their duties in the organization. While other functions prepare a platform for action, directing initiates action.

2. Pervasive Function

Directing takes place at every level of the organization. Wherever there is a superior-subordinate relationship, directing exists as every manager provides guidance and inspiration to his subordinates.

3. Continuous Activity

It is a continuous function as it continues throughout the life of organization irrespective of the changes in the managers or employees.

4. Descending Order of Hierarchy

Directing flows from a top level of management to the bottom level. Every manager exercises this function on his immediate subordinate.

5. Human Factor

Since all employees are different and behave differently in different situations, it becomes important for the managers to tackle the situations appropriately. Thus, directing is a significant function that gets the work done by the employees and increases the growth of the organization.

Principles of Directing

1. Maximum Individual Contribution

One of the main principles of directing is the contribution of individuals. Management should adopt such directing policies that motivate the employees to contribute their maximum potential for the attainment of organizational goals.

2. Harmony of Objectives

Sometimes there is a conflict between the organizational objectives and individual objectives. For example, the organization wants profits to increase and to retain its major share, whereas, the employees may perceive that they should get a major share as a bonus as they have worked really hard for it.

Here, directing has an important role to play in establishing harmony and coordination between the objectives of both the parties.

3. Unity of Command

This principle states that a subordinate should receive instructions from only one superior at a time. If he receives instructions from more than one superior at the same time, it will create confusion, conflict, and disorder in the organization and also he will not be able to prioritize his work.

4. Appropriate Direction Technique

Among the principles of directing, this one states that appropriate direction techniques should be used to supervise, lead, communicate and motivate the employees based on their needs, capabilities, attitudes and other situational variables.

5. Managerial Communication

According to this principle, it should be seen that the instructions are clearly conveyed to the employees and it should be ensured that they have understood the same meaning as was intended to be communicated.

6. Use of Informal Organization

Within every formal organization, there exists an informal group or organization. The manager should identify those groups and use them to communicate information. There should be a free flow of information among the seniors and the subordinates as an effective exchange of information are really important for the growth of an organization.

7. Leadership

Managers should possess a good leadership quality to influence the subordinates and make them work according to their wish. It is one of the important principles of directing.

8. Follow Through

As per this principle, managers are required to monitor the extent to which the policies, procedures, and instructions are followed by the subordinates. If there is any problem in implementation, then the suitable modifications can be made.

Functions of Directing:

Directing function of management refers to the process of instructing, guiding, counselling, motivating and leading people in the organisation to achieve its objectives. It is one of the key managerial functions performed by every manager.A manager has to deal with people with diverse background, and expectations. Certain guiding principles of directing may help in directing process are briefly explained below:

1. The directing techniques must help every individual in the organisation to contribute to his maximum potential for achievement of organisational objectives. It should bring out untappted energies of employees for the efficiency of organisation
2. The good directing should provide harmony by convincing that employee rewards and work efficiency are complimentary to each other.
3. **Unity of Command**: This principle insists that a person in the organisation should receive instructions from one superior only. If instructions are received from more than one, it creates confusion, conflict and disorder in the organisation. Adherence to this principle ensures effective direction.
4. The appropriate motivational and leadership technique should be used while directing the people based on subordinate needs, capabilities, attitudes and other situational variables
5. Effective managerial communication across all the levels in the organisation makes direction effective. Directing should convey clear instructions to create total understanding to subordinates
6. A manager should spot informal groups or organisations and make use of such organisations for effective directing.
7. While directing the subordinates, managers should exercise good leadership as it can influence the subordinates positively without causing dissatisfaction among them
8. Managers should not give orders but also follow it up by reviewing continuously whether orders are being implemented accordingly or any problems are being encountered.

Communication

Communication is the passing of information. It is necessary for better performance of job. A manager works through the co-operation of others. So, one should communicate the policies, plans, programmes of management to the workers. Communication ends only when it reaches the destination.

Communication is a process through which an information, idea or opinion is transferred to more number of people. The essential element of communication is that the communicated information should be understood correctly andtransferred in the right direction.

According to D.K. Mc Farland, *"Communication may be broadly defined as the process of meaningful interaction among human beings. More specifically, it is the process by which meanings are perceived and understanding is reached among human beings."*

According to Koontz and O' Donnel, *"Communication is an intercourse by words, letters, symbols or messages and is a way that one organisation member shares meaning and understanding with another* **Importance of Communication**

The importance of communication is understood from the following points:

- an aid to managerial performance
- achieving co-ordination
- helps in smooth working
- increase managerial efficiency
- helps in decision making
- maintaining industrial peace
- saves time

- aid to job satisfaction
- aid to leadership
- aid to public relation

Objectives of Communication

The following are the main objectives of communication:

- communicating right information
- co-ordination of efforts
- development of managerial skill
- better industrial relationship
- effectiveness of policies

Elements of Communication

A communication process has following elements:

- Information
- Sender
- Receiver
- Communication channel
- Symbols
- Feedback

Barriers to Communication

The barriers to communication are as follows:

- Noise
- Missing information
- Alteration of information
- Overloading
- Lack of facility
- Inadequate policies, rules and procedures
- Status patterns
- Lack of attention
- Quick conclusion
- Lack of confidence over the communicator
- Improper state of mind
- Lack of time
- Badly expressed messages
- Technical language
- Poor retention

Methods of Overcoming the Barriers

The steps to overcome the barriers are:

- The management should clearly define its policy to the employees
- The management sets up a system through which only essential information could be supplied

- All the information should be supplied through a proper channel
- Every person in the management shares the responsibility of good communication
- Adequate facilities should be provided by the management
- There should be mutual understanding

Characteristics of Effective Communication

The effective communication has the following characteristics:

- complete communication
- understanding in the same sense
- message to have substance
- vital to managerial function
- continuous process
- mutual understanding
- communication may be oral, written or gestural
- communication may be formal or informal

Process of Communication

There are two persons necessary irrespective of the mode of communication.communication process consists of a message being sent from the sender's side and received from the receiver's side. The message may be verbal or non-verbal. A communication process comes to an end only when the receiver understands the message as the sender communicates.

The following are the steps involved in communication process:

- Ideation
- Encoding
- Transmission
- Receiving
- Decoding
- Action

Principles of Communication

The sender should observe the following principles for effective communication in all types of communication:

- Language
- Clarity
- Purpose of communication
- Consultation
- Content of message
- Follow-up action
- Time and opportunity
- Action support communication
- Personnel cooperation
- Physical and human setting
- Training to the communicators
- Listening

Factors Deciding the Communication Programme

The following factors will influence while selecting a communication programme:

- Cost
- Secrecy
- Accuracy
- Speed
- Convenience
- Suitability
- Proper recording
- Expressive

Media of Communication

The following are some of the media of communication:

- Bulletin
- Announcements
- Meeting
- Suggestion/ grievance boxes
- Company publications

Types of Communication

Types of communication can be classified on the following basis:

On the basis of organisational relationship

Formal communication: The communication flows through the formal channel. Formal channel refers to the way

in which the information is passed and it has a recognized position in the organisation structure.

Informal communication: Information is not passed in accordance with any formalities and rules and regulations of an organisation. Most of the informal communication is done verbally.

Personal matters are also discussed and passed under informal communication which is also known as '**Grapevine**'. Grapevine is the primary source of upward communication. Under this system of communication there is no clear cut way for transmitting the information. It operates like a cluster chain as shown below.

On the basis of direction of flow of communication

Downward communication: A communication which starts from the top level executive and ends with the lower functionaries through middle management is known downward communication. While communicating scalar chainis followed, this ensures proper communication.

Upward communication: Upward communication is just the reverse of downward communication. Passing of information starts with the lowest level and ends with the chief-executive. There are two types of upward communication

- There is a feedback of information in response to original communication.
- Information is given by the subordinates voluntarily

Horizontal communication: It is also called lateral communication and refers to the passing of information among the executives who are at equal level in an organisation. Here, the receiver and the sender may be in the same department or different departments in order to coordinate the activities of various departments or persons.

On the basis of way of expression

Oral communication

Oral communication is also known as verbal communication. This mode of communication is generally adopted when there is lack of time to send the written communication. Forms of oral communication are:

- Conferences
- Meetings
- Interviews
- Calling
- Lectures

Written communication

This type of communication is followed to transmit any information. This is an essential form of communicationfor an organisation.

Forms of written communication

- Notes
- Circulars
- Reports
- Bulletin

- Manuals
- Diagrams
- Graphs

Coordination:

Coordination can be described as that invisible cord, which runs through all the activities of the organization and binds them together. It is not a function of the management; rather it is the **essence of management**, which is needed at all levels and at each step of the firm, to achieve the objectives of the organization.

Features of coordination

Coordination is the integration, unification, synchronization of the efforts of the departments to provide unity of action for pursuing common goals. A force that binds all the other functions of management.

The management of an organization endeavours to achieve optimum coordination through its basic functions of planning, organizing, staffing, directing, and controlling.

Therefore, coordination is not a separate function of management because management is successful only if it can achieve harmony between different employees and departments. Here are some important features of coordination:

- It is relevant for group efforts and not for individual efforts. Coordination involves an orderly pattern of group efforts. In the case of individual efforts, since the performance of the individual does not affect the functioning of others, the need for coordination does not arise.
- It is a continuous and dynamic process. Continuous because it is achieved through the performance of different functions. Also, it is dynamic since functions can change according to the stage of work.
- Most organizations have some sort of coordination in place. However, the management can always make special efforts to improve it.
- Coordination emphasizes the unity of efforts. This involves fixing the time and manner in which the various functions are performed in the organization. This allows individuals to integrate with the overall process.
- A higher degree of coordination happens when the degree of integration in the performance of various functions increases.
- It is the responsibility of every manager in the organization. In fact, this is integral to the role of a manager because he synchronizes the efforts of his subordinates with others.

Need for Coordination

The need for coordination arises from the fact that literally all organisations are a complex aggregation of diverse systems, which need to work or be operated in concert to produce desired outcomes. In a large organisation, a large number of people process the work at various levels. These people may work at cross purposes if their efforts and activities are not properly coordinated. To simplify the picture, one could decompose an organisation into components such as management, employees, customers, suppliers and other stakeholders. The components perform interdependent activities aimed at achieving certain goals. To perform these activities, the actors require various types of inputs or resources. It may be difficult to communicate the policies, orders and managerial actions on a face-to-face basis. Personal contact is, rather, impossible and formal methods of coordination become essential. Usually, in an organisation, work is divided along functional lines, resulting in specialists taking care of manufacturing, financing, personnel, marketing functions. Over a period of time, these specialists tend to limit their ability to look beyond their own narrow specialty and become are more interested in developing their own departments. Coordination between such employees is must so as to let them mingle with the others in various departments.

Importance or Necessity of Coordination:

Co-ordination is regarded nowadays as the essence of management function. Need for co-ordination arises out of the fact that different elements and efforts of an organisation are to be harmonized and unified to achieve the common objectives. Without proper coordination among all the members of a group, management cannot bring together the diverse elements into one harmonious whole.

Its significance can be indicated by pointing out its importance or necessity in the following points:

1. Co-ordination is necessary to ensure harmonious and smooth working of an enterprise with its several departments, divisions or subdivisions:

For example, to ensure harmonious functioning of an organisation, it is essential that the functions of purchasing, production and sales departments are co-ordinated. If the sales manager procures a huge order to be executed within a specified time, without reference to the production manager and the purchasing manager, it may turn out that the goods cannot be produced in quantities ordered within the specified time.

Therefore, the inter-relationship among the functioning of purchase department, production department and sales department demands the establishment of co-ordination.

According to Henry Fayol – **"to co-ordinate is to harmonies all the activities of a concern to facilitate its working and its success."**

2. Co-ordination ensures unity in direction in the midst of diversified activities:

By bringing together the different divisions and parts into oneness of the enterprise, coordination enables the management authority to see the enterprise as one unified whole from its different segments. So, co-ordination is necessary to link the functions of different departments, divisions, sections and the like together and assure their contribution to total result.

3. Co-ordination removes the conflict between personal interest of the employees and general interest of the organization:

Individuals join the organization to fulfill their needs. Many times, these needs may be different from the group needs and goals. In such situations, organizational and individual goals are not fully achieved. More the number of individuals in an organization, the higher will be the degree of such incompatibility.

Performance Appraisal

Performance means the degree or extent with which an employee applies his skill, knowledge and efforts to a job, assigned to him and the result of that application. Performance appraisal means analysis, review or evaluation of performance or behaviour analysis of an employee. It may be formal or informal, oral or documented, open or confidential. However, in organizations we find the formal appraisal system in a documented form. It is therefore, a formal process to evaluate the performance of the employees in terms of achieving organisational objectives.

The primary functions of performance appraisal are:

1. To identify and define the specific job criteria. Many organisations at the beginning of the year set key performance areas (KPS) or key result areas (KRAs) for employees based on mutual discussions.
2. To measure and compare the performance in terms of the defined job criteria, KRAs and KPAs are also designed so that they can help in measuring job performance in quantitative or qualitative terms.
3. To develop and justify a reward system, relating rewards to employee performance.
4. To identify the strengths and weaknesses of employees and to decide on proper placement and promotion.
5. To develop suitable training and development programmes for enriching performance of the employees.
6. To plan for long-term manpower requirements and to decide upon the organisational development programmes needed, duly identifying the change areas (for overall improvement of the organisation).

7. To identify motivational reinforcers, to develop communication systems and also to strengthen superior-subordinate relationships.

Methods of performance appraisal:

Different methods of performance appraisal are followed in different organisations to achieve the above objectives. Since some methods of performance appraisal are complicated and call for adequate knowledge in quantitative techniques, many organisations follow traditional methods of appraisal while others consider modern methods as the basis for evaluating job performance of their employees. Traditional methods of performance appraisal are discussed in subsequent subsections.

Straight Ranking Method

This is the oldest and simplest method of performance appraisal by which employees are tested in order or merit giving some numerical rank and placed in a simple grouping. Such grouping separates employees under each level of efficiency, which may vary from most efficient to least efficient. Since, it is a blunt quantification of performance, it does not account for behavioural parameters and only considers an individual employee’s level of efficiency in relation to others.For such obvious deficiency, this system does not provide scientific basis for performance appraisal of employees.

Paired Comparison Techniques

This is a somewhat better method of performance appraisal as each employee is compared with others in pairs at a time. For each performance trait, an individual employee's performance is tallied with others in pairs and then rank order is decided. This system is also not suitable in those cases where the numbers of employees are usually high.

Man-to-Man Comparison

Under this method certain factors are selected for analysis, like; leadership, initiative, interpersonal relationship, etc., and a scale is designed by a rater for each such factor. After rating such factors individually and accordingly, the aggregate performance of an individual employee is decided and such aggregative performance is also given a scale. Likewise an individual employee is considered with others. This method is somewhat like factor comparison method and is widely used in job evaluation. Since developing a uniform rating scale is a complicated task, this factor is not much in use in practice for performance appraisal of employees by organisations.

Grading Method

Under this method certain features, which help in understanding the performance of an employee are identified. Such features may be leadership, communication power, analytic ability, jobknowledge, etc. The raters mark/rate such features here also according to a scale and match an employee's performance compared to his own developed grade definition.

Example: A, B, C, D, E types of grade definitions for each feature may be developed by a rater to indicate, A= Very Significant, B= Significant, C = Moderate, D= Average, E= Poor. Such types of grading are of much use for selection of an employee or grading them in written examinations.

Graphic or Linear Rating Scale

Such a rating scale is normally a continuous scale which enables a rater to mark somewhere along a continuum. Usually a printed form is given to a rater alongwith the factors to be rated, giving a continuous scale against each such factor. This method therefore, enables quantification of performance scores and to analyze its significance using statistical techniques. Since making a rating cluster is difficult for obvious difference in individual characteristics of each job, this system may not always ensure objective appraisal.

Forced Choice Description Method

It is a combination of objective and subjective judgment on an individual employee's performance against each rating element. Positive and negative phrases are given asking the rater to indicate applicability of such phrases as objectives in describing the employee whose performance is rated. For its obvious complexity this system is not much used.

Forced Distribution Method

It is a method to evaluate employees' performance according to a predetermined distribution scale.

Example: Under such a method the rater is asked to distribute 5% of the total employees on top of the scale, indicating their superior performance and promotability, 10% may be put immediately under this level, indicating their good performance and future promotability. This system is easy to understand and can be applied to organisations without much hassles.

Checklist Method

It is a mere process of reporting employees' performance, compiling yes/no responses. Final rating is done by the personnel vis-à-vis HRD department based on such reports. Since this is not an objective method of appraisal, it is not free from bias.

Free Essay Method

It is an open ended qualitative appraisal of employee's performance, giving an opportunity to the rater to put down his impressions on important job factors. Since it is descriptive and essay type, it is likely to be biased and judgmental errors may crop in.

Critical Incident Method

This method measures employees' performance in terms of certain 'events' or 'critical incidents' instrumental for success or failure on the job. Such critical incidents are identified by the rate after in-depth study of the employees' working. As negative incidents get more focused and **Notes** recording such incidents demands utmost care, it is not free from defects.

Group Appraisal Method

It is an evaluation of an employee by multiple judges. The immediate supervisor of the employee and a few others discuss the performance standards and then evaluate the performance of the employee. The greatest advantage of this method is that it is relatively free from bias even though it is time consuming.

Field Review Method

This type of review is conducted by the HR department by interviewing the supervisor of an employee to understand the subordinate employee's performance.

Normally for such type of appraisal, the appraiser, i.e., the representative of the human resource department gets equipped with certain questions and more in the form of an informal interview, asks those questions about the employees, whose performances are to be reviewed, to their respective supervisors. Since this process of appraisal is an indirect method of appraising the performance, it may not always reflect the true performance level of the subordinate employees. Such an interview always has a sensitizing effect on the interviewee, whose responses may be opinionated generalizations. Moreover, this method keeps the key managerial personnel always busy in appraisals. Despite such defects, this centralized process being simple to administer, most of the organisations prefer to have this type of appraisal for lower level employees.

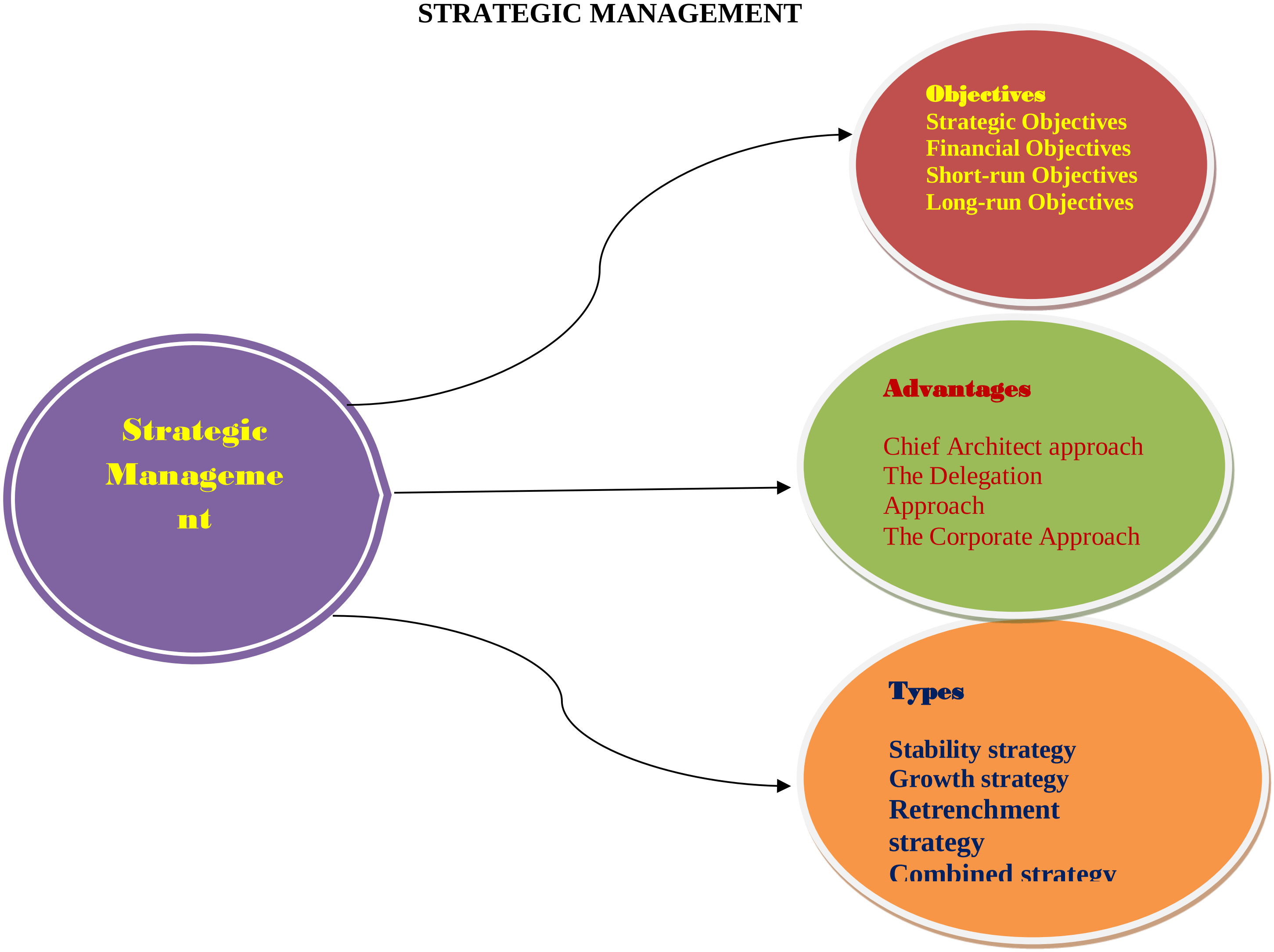
Summary:

- Direction is the guidance, the inspiration, the leadership by those men and women that constitute the real coreof the responsibilities of management.
- The management should adopt a technique of direction which enables maximum contribution by members.
- Motivation is the process of attempting to influence others to do your will through the possibility of gain reward.
- An individual is motivated fully and not partly because motivation is related to psychology. Besides, the basic needs of man determine motivation to a great extent. All these needs are interrelated and cannot be separated from each other.
- Communication, fundamental and vital to all managerial action, is the process of imparting ideas and makingoneself understood by others.
- The basic purpose of any communication is to elicit a behavioural response from the receiver. The next stage is that the order should be accepted by the subordinate. So, the sender must make efforts to achieve the objective of this response.

Sample Questions:

1. Explain the principles of Direction.
2. Enumerate the importance of communication.
3. Explain the barriers of communication.
4. State the requisites of an effective performance appraisal.
5. Explain the necessity of Co-ordination.

UNIT V
STRATEGIC MANAGEMENT



STRATEGIC MANAGEMENT DEFINITION AND MEANING

Strategic Management is all about identification and description of the strategies that managers can carry so as to achieve better performance and a competitive advantage for their organization. An organization is said to have competitive advantage if its profitability is higher than the average profitability for all companies in its industry.

Strategic management can also be defined as a bundle of decisions and acts which a manager undertakes and which decides the result of the firm's performance. The manager must have a thorough knowledge and analysis of the general and competitive organizational environment so as to take right decisions. They should conduct a SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats), i.e., they should make best possible utilization of strengths, minimize the organizational weaknesses, make use of arising opportunities from the business environment and shouldn't ignore the threats.

Strategic management is nothing but planning for both predictable as well as unfeasible contingencies. It is applicable to both small as well as large organizations as even the smallest organization face competition and, by formulating and implementing appropriate strategies, they can attain sustainable competitive advantage. It is a way in which strategists set the objectives and proceed about attaining them. It deals with making and implementing decisions about future direction of an organization. It helps us to identify the direction in which an organization is moving.

Strategic management is a continuous process that evaluates and controls the business and the industries in which an organization is involved; evaluates its competitors and sets goals and strategies to meet all existing and potential competitors; and then reevaluates strategies on a regular basis to determine how it has been implemented and whether it was successful or does it needs replacement.

OBJECTIVES OF STRATEGIC MANAGEMENT

In strategic management, there are strategic objectives and financial objectives. Additionally, all objectives are either short-run or long-run types. When planning a firm's strategy it is important to have objectives in mind and to understand the differences between the types of objectives.

Strategic Objectives

Strategic objectives deal with the firm's position in the model. You might do this, for example, by positioning the firm relative to the external forces – bargaining power of customers, bargaining power of suppliers, threat of new entrants, threat of substitutes, and competition within the industry – that can impact a business. Strategic objectives might include expanding market share, changing market position or under-cutting a competitor's costs.

Financial Objectives

Managers use financial objectives to measure strategic performance. For example, if the firm's strategic objective is to increase efficiency, the financial objective could be to increase return on assets or return on capital. Financial objectives, derived from management accounting, are more concrete.

Short-run Objectives

Financial and strategic objectives can either be short-run or long-run objectives. Short-run objectives deal with the immediate future. They typically focus on tangible goals that management can realize in a short time. An example of a short-run objective might be to increase monthly sales.

Long-run Objectives

Long-run objectives target the firm's long-term position. While short-run objectives focus on a firm's annual or monthly performance, long-run objectives concern themselves with the firm's development over several years. Examples of long-term objectives might be to become the market leader or to attain sustainable growth

CONCEPT OF CORE COMPETENCE IN STRATEGIC MANAGEMENT

Core competencies are the most significance value of creating skills within your corporation and key areas of expertise which are distinctive to your company and critical to the company's long term growth Your company's core competencies are the things that you do better than your competitors in the critical, central area of your company where the most value is added to your products. These areas of expertise may be in any area product development to employee dedication. A competence which is central to your business's operations but which is not exceptional in some way should not be considered as a core competence, as it will not generate a differentiate advantage over rival businesses. It follows from the concept of Core Competencies that resources that are standardized or easily available will not enable a business to achieve a competitive advantage over rivals. The concept of core competencies was developed in the management fieldin1990 by C.K. Prahalad and Gary Hamel in the Harvard Business Review article titled

Core competence diagram Objectives of core competence:-

Core Competence as a Team Sport A core competence is a combination of Complementary Skills and knowledge bases embedded in a group or team that taken together makes it possible to provide a Superior product

The Seven Dimensions of Strategic Innovation

The Strategic Innovation framework weaves together seven dimensions to produce a range of outcomes that drive growth.

Core Technologies and Competencies is the set of internal capabilities,

Organizational competencies and assets that could potentially be leveraged to deliver value to customers, including technologies, intellectual property, brand equity and strategic relationships... Corporation that builds on core competencies utilizes skills that combine to strengthen value chains and build greater competitive advantages. This leads to synergies among business units, whereby they become more productive together than independently strategic management core competence identifying the core competence:

1. Does this competence provide potential access to a wide variety of markets?
2. Does this competence make a significant contribution to the perceived customer benefits of the end product? is this competence difficult for competitors to imitate?
3. Is this competence difficult for competitors to intimate? Developing of core competence: A Core Competence is built through a process of continuous improvement and enhancement It should constitute the focus for corporate strategy Once top management have identified an all embracing Core Competence, it must ask businesses to identify the projects and the people that are closely connected with it A core competency often can be acquired through alliances and licensing agreements. Building for core competence: Invest in needed technologies e.g. Citicorp Adopting the Operating System. Infuse resources throughout business units to outpace rivals in new business development e.g. 3M,Honda won races of brand dominance Forge strategic alliances NEC's collaboration with partners like Honeywell Losses in core competence: Cost-cutting moves sometimes destroy the ability to build core competencies Outsourcing prevents the firm from developing core competencies in those tasks since it no longer consolidates the know-how that is spread throughout the company Failure to recognize core competencies may lead to decisions that result in their loss e.g. Motorola divested itself of its semiconductor DRAM business at 256Kblevel, and then was unable to enter the 1Mbmarket on its own.

CRAFTING A STRATEGY FOR COMPETITIVE ADVANTAGE:

There Are Basically Four Approaches to Crafting a Strategy

1. **The Chief Architect approach** : A single person – the owner or CEO –assumes the role of chief strategist and chief entrepreneur, single handedly shaping most or all of the major pieces of strategy. This does not mean that one person is the originator of all the ideas underlying the resulting strategy or does all the background data gathering and analysis: there may be much brainstorming with subordinates and considerable analysis by specific departments. The chief architect approach to strategy formation is characteristic of companies that have been founded by the company's present CEO. Michael Dell at Dell Computer, Steve Case at America Online, Bill Gates at Microsoft, and Howard Schultz at Starbucks are prominent examples of corporate CEOs who exert a heavy hand in shaping their company's strategy.

2. **The Delegation Approach**: Here the manager in charge delegates big chunks of the strategy making task to trusted subordinates, down-the-line managers in charge of key business units and departments, a high-level task force of knowledgeable and talented people from many parts of the company, self-directed work teams with authority over a particular process or function, or, more rarely, a team of consultants brought in specifically to help develop new strategic initiatives.

3. **The Collaborative** or Team Approach: This is a middle approach when by a manager with strategy-making responsibility enlists the assistance and advice of key peers and subordinates in hammering out a consensus strategy. Strategy teams often include line and staff managers from different disciplines and departmental units, a few handpicked junior staffers known for their ability to think creatively, and near-retirement veterans noted for being keen observers, telling it like it is, and giving sage advice.

4. **The Corporate Intrapreneur Approach**: In the corporate intrapreneur approach, top management encourages individuals and teams to develop and champion proposals for new product lines and new business ventures. The idea is to unleash the talents and energies of promising corporate intrapreneurs, letting them try out business ideas and pursue new strategic initiatives. Executives serve as judges of whom proposals merit support, give company intrapreneurs the needed organizational and budgetary support, and let them run with the ball. W.L. Gore & Associates, a privately owned company famous for its Gore-Tex waterproofing film, is an avid and highly successful practitioner of the corporate intrapreneur approach to strategy making. Gore expects all employees to initiate improvements and to display innovativeness.

TYPES OF STRATEGIES

1. Stability strategy: This type of strategy is used by an organization in cases where the organization is satisfied with the current situation and therefore it does not want to move away from such a position. Consequently, in such a case, the organization goes for the stability strategy. However a stability strategy can prove to be effective when the environment of the organization is also stable. In most of the cases, this type of strategy is used by the organizations. The reason is that it is the least risky course of action. For example, the stability strategy will be adopted by an organization if it is satisfied by dealing with the same product or service, providing its services to the same group of consumers and maintaining the same market share. Sometimes, the organization is not adventurous enough to try new strategies and change its situation. However, the stability strategy can be adopted successfully by the organizations from a mature industry that has a static technology. But as a result of adopting the stability strategy, the managers may become complacent. In the same way, whenever a change arises in such an organization, the managers find it difficult to deal with such changes.

2. **Growth strategy**: growth is related with expansion and diversification of the business operations. Therefore, if the management of the organization is not satisfied with the present status of the company, or when changes are taking place in the environment of the organization, or if favorable opportunities arise, it will be helpful for the organization to adopt growth strategy as it helps in expansion and also in diversification. A growth strategy can be implemented in the organization through market development, product development, merger or diversification. In case of product development, the organization adds new products to the existing products or these new products replace the products that were offered by the organization earlier. On the other hand, in case of vertical integration, the organization may also decide to take backward or forward lines. In such a case, either the company may decide to produce its own raw materials or it may decide that it will process its own output in future. It is very important that the growth strategy should be controlled and planned in a proper way otherwise such a strategy may not be successful in achieving its objectives. Due to the reason that growth indicates effective management, it is always desirable to adopt such a strategy.

3. **Retrenchment strategy**: an organization may decide to retreat or the change from its current position for the purpose of improving its position or sometimes in order to survive. This type of strategy has to be adopted by an organization when the company is going through the times of recession, or the competition is tough, or there is a scarcity of resources and as a result, the resources need to be reorganized in order to reduce waste. In this way, even if the retrenchment or retreat strategy reflects a failure on the part of the organization to some extent, however it is very important that such a strategy should be adopted in order to ensure the survival of the organization.

4. **Combined strategy**: in case of large organizations that are working in a number of industries, there may be a need to adopt the combined strategy. In this way, a combined strategy reflects the mix of the strategies that have been mentioned above. For example, it is possible that a large organization may adopt growth strategy in one area and at the same time it may also adopt the retreat strategy in another particular area. For the purpose of making sure that the combined strategy turns out to be effective, objective decisions should be made by the managers that are taken, keeping in view all the relevant factors.

OFFENSIVE AND THE DEFENSIVE STRATEGY Competitive strategies can be divided into the offensive and the defensive. Companies pursuing offensive strategies directly target competitors from which they want to capture market share. In contrast, defensive strategies are used to discourage or turn back an offensive strategy on the part of the competitor. There are a number of ways in which a company can pursue an offensive strategy: Direct attack: It can slash prices, introduce new features, launch comparison advertisements unfavourable to the competition, or go after parts of the market that the competition has served poorly. For smaller companies, such strategies can be accompanied by low-cost guerrilla marketing campaigns designed to attract attention.

End-run: Companies can avoid direct competition but still pursue an offensive attack by going into unoccupied markets or countries that have been ignored completely by the rest of the industry.

Pre-emption: Sometimes the first company into a market gains a position from which later entrants cannot dislodge it. The first company into a market can secure relationships with the best suppliers, it can acquire the best locations, and it can target and build relationships with the best customers. **Acquisition:** A truly aggressive company with deep pockets can eliminate a rival simply by purchasing it. Acquiring a company in a foreign market can also bring with it a position in the marketplace, geographic coverage, and established relationships. Even so, such a strategy is complex and expensive, and it should not be pursued unless it can be shown to be contributing to the firm's bottom line. It may also run afoul of local competitive or anti-monopoly legislation. On the other side, there are also a number of defensive strategies that managers can adopt to deflect attacks from competitors.

Exclusion: One way of defending a position is to set up exclusive arrangements with key suppliers in the market. Such exclusive arrangements can block the access of rivals to the best suppliers, sources or partners.

Pricing: A simple strategy is to match any price cuts by the competition with similar discounts, as long as the price war does not get out of hand and ruin both sides. Features: Adding new features or capabilities can be a positive and positive and appealing way of countering a competitive challenge.

Service: A company can respond to competitor price-cuts or new features by emphasizing after-sales service or warranties, implicitly demonstrating that it stands by the superiority of its products. Advertising: A strong public campaign demonstrating commitment to the market, confidence in the products, or a willingness to meet the competitor's challenge.

Counter-parry: Companies respond to an attack in their own market from a foreign competitor by moving into the competitor's home market. This can draw off resources and blunt the initial foray. When Fujitsu entered the American market, Kodak responded by marketing in Japan. Goodyear responded to Michelin in North America by marketing in Europe. To do this effectively, the new entry has to establish itself as a good corporate citizen in the new environment. Companies will participate in community and family oriented events to position themselves as friendly and familiar rather than foreign and aggressive. Growth and expansion are the two needs of every firm, irrespective of its size and nature. Firms can grow and expand themselves by way of integration. There are two major forms of integration, i.e. Horizontal Integration and Vertical Integration. Horizontal Integration is a kind of business expansion strategy, wherein the company acquires same business line or at the same level of value chain so as to eliminate competition to a greater extent. Conversely, Vertical Integration is used to rule over the entire industry by covering the supply chain. It implies the integration of various entities engaged in different stages of the distribution chain. Tailoring Strategy to fit specific industry and company situations Strategic leadership refers to a manager's potential to express a strategic vision for the organization, or a part of the organization, and to motivate and persuade others to acquire that vision. Strategic leadership can also be defined as utilizing strategy in the management of employees. The main objective of strategic leadership is strategic productivity. Another aim of strategic leadership is to develop an environment in which employees forecast the organization's needs in context of their own job. Strategic leaders encourage the employees in an organization to follow their own ideas. Strategic leaders make greater use of reward and incentive system for encouraging productive and quality employees to show much better performance for their organization. Functional strategic leadership is about inventiveness, perception, and planning to assist an individual in realizing his objectives and goals.

Resource allocation is a process and strategy involving a company deciding where scarce resources should be used in the production of goods or services. A resource can be considered any factor of production, which is something used to produce goods or services. Resources include such things as labor, real estate, machinery, tools and equipment, technology, and natural resources, as well as financial resources, such as money.

Method of Resource Allocation

In an economist's perfect world, which doesn't exist, of course, resources are optimally allocated when they are used to produce goods and services that match consumers' needs and wants at the lowest possible cost of production. Efficiency of production means fewer resources are expended in producing goods and services, which allows resources to be used for other economic activities, such as further production, savings, and investment. This basically boils down to creating what customers want as cheaply and efficiently as possible.

Definition of TQM

Total Quality Management is defined as a customer-oriented process and aims for continuous improvement of business operations. It ensures that all allied works (particularly work of employees) are toward the common goals of improving product quality or service quality, as well as enhancing the production process or process of rendering of services. However, the emphasis is put on fact-based decision making, with the use of performance metrics to monitor progress. The key principles of Total Quality

Management Commitment from the management:

- Plan (drive, direct)
- Do (deploy, support, and participate)
- Check (review)
- Act (recognizes, communicate, revise)

Employee Empowerment Training

- Excellence team
- Measurement and recognition
- Suggestion scheme

Continuous Improvement Systematic measurement

- Excellence team
- Cross-functional process management
- Attain, maintain, and improve standards

Customer Focus Partnership with Suppliers

- Service relationship with internal customers
- Customer-driven standards

- Never compromise quality

Benefits of Total Quality Management

The benefits arising from the implementation of a Total Quality Management in an organization are: This will increase the awareness of quality culture within the organization

.• A special emphasis on teamwork will be achieved.

- TQM will lead to a commitment towards continuous improvement.

Summary

- The strategic management process is a logical, objective and systematic approach for making major decisions in an organization.
- Objectives of strategic management, there are strategic objectives and financial objectives. Additionally, all objectives are either short-run or long-run types.
- Total Quality Management is defined as a customer-oriented process and aims for continuous improvement of business operations.
- It also explains briefly the objectives of strategic management.

Short Questions:

1. Discuss the advantages of Strategic Management.
2. Explain the objectives of Strategic Management.
3. What are the benefits of Strategic Management?
4. What is Total quality Management?
5. Explain the total quality management.

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