

MODULE – I

MANAGERIAL PRINCIPLES

Basic Concept

What do you mean by Management?

Management is a young developing discipline whose concepts are continuously changing.

Management is concerned with human being, whose behavior is neither consistent nor predictable, especially in an organization where they work in groups. Human being behaves in widely differing and complicated way.

For example

- In a factory when blue-green lighting was introduced to reduce eye strain, the output of males increased but that of females decreased. On investigation, it was found that the latter disliked the change in lighting because they felt that the new lighting made them look simply ghastly.
- To secure promotion, some try to burn their energies, whereas the vast majority might simply try to apple-polish the boss.
- Incentive schemes may spur ordinary workers to give their best to the company. Knowledge workers may find the schemes to be not exciting at all.

State the definition of Management.

The word management emphasizes one common idea: it is concerned with the accomplishment of objectives through the effort of the people performing certain functions.

According to Knootz “Management is the art of getting things done through and with the people in formally organized groups.”

According to Sisk, “It is the coordination of all resources through the process of planning, organizing, directing and controlling in order to attain stated objectives.

According to Draft, “Management is the effective and efficient attainment of organizational goals through planning, organizing, leading and controlling organizational resources.

Discuss the Characteristics of Management.

To achieve goals, managers put the scarce organizational resources- physical, financial and human – to best use. Managerial effort is always goal- oriented. They decide the priorities, clear the hurdles, offer direction, put everything on track and secure extraordinary effort from ordinary people.

1. **Management is intangible:** as pointed out by Terry, management is intangible. It cannot be seen. It is an unseen force. However, its presence can be felt by the results of its efforts in the form of production, sales and profits.
2. **Management is goal- oriented:** management seeks to achieve goals. These goals may be economic or non- economic. In a business organisation, the primary goal is to produce and distribute goods and service in order to earn profit. In a service organisation, the goal might be customer service.
3. **Management is universal:** Management is an all-pervasive activity. The basic principle of management are applicable in business as well as other organisation. These principles, however, need careful application depending on situational demands.
4. **Management is a social process:** according to Newman, management is a social process because it deals with people. To make the best use of human efforts, managers have to create close-co-operation among employees in an organisation. They have to use resources for the benefit of society as whole.
5. **Management is a group activity:** management is concerned with getting things done through people. People join groups in order to achieve results collectively. Management helps people in relating their individual as well as group goals in a coordinated way.
6. **Management is a system authority:** a manager is supposed to get things done, rather than doing things himself, by using authority. Authority is the right to give orders and the power to obtain obedience from subordinates.
7. **Management is Multidisciplinary:** Management has received rich contributions from various discipline like psychology, sociology, anthropology. The insights obtained from these disciplines greatly help managers in understanding the black-box (human-mind) much better. More importantly, management is a creative activity.

Why Management is important to an organisation?

According to Drucker, management is the dynamic life-giving element in every organisation. It is the activating force that gets things done through people. Without management, an organisation is merely a collection of men, machines, money and material. In its absence, the resources of production remain resources and never become production. The importance of management can be understood from the following points:

1. **Optimum use of resources:** Management ensures optimum utilization of resources by attempting to avoid wastage of all kinds. It helps in putting the resources to the best advantage within the limitation set by organisation and its environment. A right climate is created for workers to put in their best and show superior performance.

2. **Effective leadership and motivation:** in the absence of management, the working of an enterprise will become random and haphazard in nature. Employees feel a sense of security when they find a body of individual's working day and night for the continued growth of an organisation.
3. **Sound industrial relations:** management minimizes industrial disputes and contributes to sound industrial relations in an undertaking. Industrial peace is an essential requirement for increasing productivity.
4. **Achievement of goals:** management plays an important role in the achievement of objectives of an organisation. Objectives can be achieved only when the human and non-human resources are combined in a proper way. Management is goal-oriented.
5. **Change and growth:** a business concern operates in a constantly changing environment. Factors such as changes in technology, government policy, competition etc. often threaten the survival of a firm. Managers help an organisation by anticipating these changes (careful planning, forecasting combined with efficient use of resources) and taking appropriate steps.
6. **Improve in standard of living:** management improves the standards of living of people by
 - a) Using scarce resources efficiently and turning out profit.
 - b) Ensuring the survival of the firm in the face of continued changes
 - c) Exploiting new ideas for the benefit of the society as a whole
 - d) Developing employee talents and capabilities while at work and prompting them to show peak performance.

State the distinction between Administration and Management.

Point of distinction	Administration	Management
Nature	Thinking function (what is to be done and when)	Doing function (who should do it and how)
Scope	Determines broad objective and policies	Implements plans and achieves goals through people.
Level	Top level function	Middle and lower level function
Skills needed	Conceptual and human skills	Technical and human skills
Represent	Owners who invest capital and receive profits	Paid individual who work for remuneration.
Usage	Mostly in government, military, educational, social and cultural organisation.	Mostly in business organisations.

Management: Science or Art or both? (extra not in syllabus)

Management as a science

Management as a science, it has systematized body of knowledge, concept and principles. Management deals different problems and issues by using quantitative models and decision making techniques and issues by using quantitative models and decision making techniques to arrive at right decisions. As a science management contains concepts, hypothesis, theories, experimentation all verified and tested accordingly to clarify about cause and effect relationship between many facts or events occurred.

→management is systematic body of knowledge with theories, concepts, principles, experiments and functions which are systematically and logically analyzed

→the theories related to management are applicable and used in all types of organization irrespective of size, type, capital and so on. However, the usage and method may vary according to the situation of organization and time.

→all the managerial knowledge and practices are developed through various observations and experiments which are researched and experiment based

→tests of management theories are applied in situational and judgmental cases which help in prediction of future events.

→management is not a pure science but a social science

→management relates itself to cause and effect relationship. Results of modern management are acceptable to all employees. Good and efficient management system enhances the purity in organization.

Management as an art

Management includes the activities of planning, organizing, direction, decision making, regulating and integration of all resources which requires special skill and art. According to Mary Parker, "management is an art of getting things done through others. Management enables a manager to get things done through employees."

→management performs non programmed and non routine work using creativity and innovations

→management accomplishes any job within time and budget to achieve organizational goals with ease.

→managers apply their interest, ability and skills for solving contemporary issues through decisions which ignite their creativity. They can use their skills in field of job performance, solving exceptional issues, forming objectives etc.

→managers must possess practical knowledge not only theoretical acquired from experiences which helps in working according to situation

→managerial activities are practices by using knowledge, ability and skill to solve the problems.

Management as a profession

In general sense, profession means occupation. Occupation is rendering service. Similarly management is a distinct profession backed up by specialization. As a professional activity all management efficient people should have academic qualification and personal qualification from any body. Here profession is not only an occupation of specialized skill but these skills should be applicable in large scale and interest of society as a whole.

→management is a separate discipline which includes research, observations and practice

→management requires formal education and training with updates of professionalism.

→professional managers must be joined in an association that follow rules and regulation according to the objectives set.

→a professional association requires code of conduct to maintain self discipline ethical behavior. Violation of code must be punishable

→organizations should be responsible towards society. An organization gets its birth in a society, lives and grows in a society and finally liquidates or dissolves in a society. Thu, an organization has responsibility towards members of society such as consumer, investors, employees and shareholders.

Discuss the two Classical Theories.

Contribution of F.W. Taylor: the father of Scientific Management

Scientific management arose, In part, from the need to increase productivity. In the United States, especially, skilled labour was in short-supply at the beginning of twentieth century. To increase productivity, ways had to be found to increase the efficiency of workers.

Could some portions of the work be eliminated or some parts of the operations combined?

Could be sequence of these tasks be improved?

In this pursuit of answers to such questions, Frederick W. Taylor slowly built the body of principles that constitutes the essence of Scientific Management (1890-1930). Taylor did most of his work at the Midvale and Bethlehem Steel Companies in Pennsylvania. He was constantly appealed at the inefficiency of workers. Employees used vastly different techniques to do the same job.

They were prone to taking it easy on the job. Taylor firmly believed that worker did only about one-third of what was possible. There were no effective work standards. Workers had no incentive to produce more because they were paid an hourly rate. Workers were afraid to work fast because they believed their rate of pay would be lowered or they would be laid-off if they completed their tasks too quickly. Workers were asked to take up jobs unrelated to their abilities and aptitudes.

Taylor's Medicine

Taylor set out to correct the situation by employing the scientific method to workers on the shop floor. He emphasized that work would not be taken for granted but should be taken seriously. Productivity is not harder work, but smarter work, that is an understanding and systematic analysis of work. He applies scientific method to workers on the shop floor. He emphasize that productivity is not harder work, but smarter work. Taylor report that the company had about 75 men employed to load pig iron freight cars. He selected one worker and offered him an increase in pay from \$1.15/day-\$1.85/day. He would follow his orders with no back talk. Productivity increased from 12 tones/ day to 47tons. Consequently, on some days he would keep his legs straight and use his back to lift with. Taylor experimented with rest periods, walking speed, carrying positions and other variables. After a long period of scientifically trying various combinations of producers, techniques and tools. Taylor claimed to have trained the other workers until the entire crew had raised their productivity in this manner.

Basics of Scientific Management

The concept of scientific management implies the application of science to management. It is based on four basic principles:

- Each task must be scientifically designed so that it can replace the old, rule-of thumb methods.
- Workers must be scientifically designed so that they can be more productive on their jobs.
- Bring the scientifically deigned jobs and workers tighter so that there will be a match between them.
- There must be division of labour and cooperation between management and workers.

Taylor stress the importance of employee welfare as well as production efficiency to boost up productivity, wage incentive based on performance were introduced. The emphasis was on maximum output with minimum effort through elimination of waste inefficiency at the shop floor level.

Key Concepts of Scientific Management study:

1. Scientific task planning:

- Amount of work an average worker can perform during a day under a normal working condition.
- Management has to decide in advance (5W1H), i.e. what work is to be done, how, when, where and by whom. The ultimate goal is to see that work is done in a logical sequence promoting maximum efficiency.

2. Functional foremanship:

In order to achieve better production control, Taylor advocated functional foremanship where the factory is divided into several components:

Route clerk, Instruction card clerk and time clerk, Gang boss, Speed boss, Inspector, Repair boss, Shop disciplinarian.

3. Job analysis:

- Job analysis is a systematic process of collecting all information about the job.

- The best way of doing a job is one which requires the least movement consequently less time and cost. To do the job in best way , he suggested :
 - **Time study:** Time study would indicate the minimum time required to do a given job. Time taken by workers to do a job is being recorded and this information used to develop a time standard.
 - **Motion study:** Motion study motion study is carried out to find out the best techniques to improve the job. The aim is to eliminate the unnecessary, ill-directed and wasteful motion and find out the best way of doing a job.
 - **Fatigue study:** Fatigue study shows the amount and frequency of rest required in completing the work. After a certain period of time, workers feel fatigue and cannot work with full capacity. So rest is required to put their further full capacity into their work.
4. **Standardization:** Standard has to be set in advance, i.e. Instrument to be use, period of work, amount of work, working conditions, cost of production etc. should be fixed in advance.
 5. **Differential piece rate system:**

It is a motivating technique. Taylor advocated differential piece rate system based on actual performance of the worker. Worker who complete the normal work gets wages at higher rate per piece than a workers fails to do in the same time.

Limitation of Scientific Management

1. Exploitative device:

Scientific management had two objectives:

- Increased fulfilled worker's productivity.
- Not fulfilled worker's economic welfare.

Scientific management helped in realizing the first objective. The second objective was never realized because management did not share the benefits of increased productivity with workers.

2. **Depersonalized work:** scientific management supplied standardized jobs to workers. Workers were made to repeat the same operation daily which feel them boredom and monotony.
3. **Anti-social:** Scientific management is regarded anti-social because workers are treated as glorified economic tools only. They are permitted to participate in matters affecting their lives.
4. **Unrealistic:** Taylor believed that employees are motivated by material benefits. He, therefore, concentrated on physical and financial needs, completely ignoring the social needs of people.

Example of A case of Verdhaman textile (last year it was out in business standard new paper)

(Scientific Management)

- Verdhaman Textile has 7 factories in Punjab. An executive of human resource department of Verdhaman textile makes frequent trips to Bihar, Jharkhand and Odisha to hire workers. By this process 25% of the company's worker requirement fulfill. Rest 25 % of worker requirement fulfill by employee referral process. A existing worker receives a bonus of Rs. 500 for every person hired anywhere in the state. After taking these two initiative , still the acute shortage of labour indicate a sharp drop in migration from Bihar, UP, Jharkhan and Odisha. 26000 employees out of which 10000 are workers. Every year 1500-2000 workers left.

Top management found out the reasons:

1. the drop in migration is largely due to the rural employment guarantee scheme launched a few years ago.
2. Increasing economic activities in the eastern states.

Working to attract workers Verdhaman Textile

Coampnies sending representatives to Bihar, UP, Jharkhan and Odisha to persuade workers to join them. Workers are being offered freebies such as train tickets and mobile sets. Companies planning to start training centers in other states to attract workers. They have introduced referral programmes. Workers being given subsidized accommodation for women employees.

Despite of all short measures companies suffer from large scale of absenteeism

To fill the gap in insufficient of workers in certain months have forced companies to hire women from rual Punjab and Himachal Pradesh.

Administrative Theory

Henry Fayol was revolutionizing managerial thinking in France. He was a trained mining engineer. He joined as junior executive in 1860- retiring as director of the company 1918. Fayol developed the administrative theory, which explained the process of managing organization from top managerial perspective. Henry Fayol was revolutionizing managerial thinking in France. Fayol developed the administrative theory, which explained the process of managing organization from top managerial perspective.

Fayol's 14 Principles of Management

1. **Division of work:** This is the principle of specialization which applies to all kinds of work. The more people specialize, the more efficiency they can perform their work. Specialization increases output by making employees more efficient.

2. **Authority and responsibility:** Authority is the right to give order and the power to obtain obedience. A manager might use both his official authority and personal authority while getting things done. Official authority is derived from the manager's position and personal authority is derived from personal qualities such as intelligence, experience past service.
3. **Discipline:** Employees must obey and respect the rules that govern the enterprise. Good discipline is the result of effective leadership, a clear understanding between management and workers regarding the organization's rules and the judicious use of penalties for violation of the rules.
4. **Unity of command:** An employee should receive commands from only one superior. Dual command, as advocated by Taylor in his principle of functional foremanship where a worker receives orders from a number of functional specialists, undermines authority and puts discipline in jeopardy.
5. **Unity of direction:** This Principle calls for one manager one plan for all operations having the same objective. For example, the personnel department in a bank should not have two directions, each with a different recruitment policy. The unity of direction principle, when applied properly, ensures unity of action and facilities coordination.

6. Subordination of individual interest to the common good:

In any organisation, the interests of employees should not take precedence over the interest of the organisation as a whole. This can be achieved when managers set an example through their good conduct and behaviour. They must be honest and fair in dealing with internal groups.

7. Remuneration of personnel:

Compensation for work done should be fair to both employees and employers. Fayol did not favor profit- sharing plan for workers but advocated it for managers.

8. Order:

Materials and people should be in the right place at the right time. People in particular, should be in the jobs most suited for them. The general principle in this respect should be a place for everything and everything in its place and a place for everyone and everyone in his place.

9. Scalar chain:

The graded chain of authority from top to bottom through which all communication flow is termed as scalar chain. However, if following the chain creates communication delays, cross- communication (gangplank principle) can be permitted, if agreed to by all parties and superior are kept informed.

10. Equity:

Managers should be fair in dealing with employees. Equity is the combination of justice and kindness. The application of equity requires good sense, experience and good nature for soliciting loyalty and devotion from subordinates.

11. Stability of tenure:

Stability of tenure is essential because time is required for an employee to get used to new work and succeed in doing it well. Management must, therefore, implement practices which encourage long-term commitment of employees. Instability of tenure can significantly affect the fortunes of a company.

12. Initiative:

Employees must be encouraged to think through to implement a plan of action, even though some mistakes may result. The opportunity to perform independently is an essential component of employee growth and development.

13. Esprit de corps:

This principle states that union is strength. Promoting team spirit will give the organisation a sense of unity. To Fayol, even small factors could help to develop this spirit. He suggested, for example, the use of verbal communication in place of formal, written communication wherever possible.

14. Centralization :

Decreasing the role of subordinates in decision making is centralization, increasing their role is decentralization. Whether decision making is centralize (to management) or decentralization (to subordinates) is a matter of proper proportion. Fayol felt that managers should retain final responsibility but also need to give their subordinates enough authority to do their jobs properly.

Limitation of Fayol's theory:

- 1. Lack of empirical evidence:** The theory is not supported by empirical evidence. Some of the terms and concepts have not been properly explained by Fayol. For example, the principle of specialization does not tell us the way to divide the tasks.
- 2. Neglect of human factor:** The theory views human being as passive and capable of reacting only to organizational rules and economic incentives. Human attributes such as emotion, attitude, and creativity have been totally ignored.
- 3. False assumption:** The theory assumes that all organisations can be managed by the same set of rules and principles. It does not recognize the difference in tasks and problems that confront organisations. Formal authority, again, is not sufficient for managers to control employees. They must act differently in different situations, assessing their own strengths, organizational needs, union pressures, competitive reactions etc. from time to time.

Pro-management bias: it suffers from pro-management bias. It is more concerned with what managers should know and do rather than with a more general understanding of managerial behaviour. It does not offer guidelines as to when, where and how the principles have to be applied.

State the Difference between Scientific (Taylor) and administrative (Fayol) theory

Basis of	Taylor	Fayol
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Compensation		
Perspective	Operative and shop floor level	Top level
Focus	Technical side of work	Administrative side of work
Attention	Increasing productivity through work simplification, time and motion studies	Improving overall administration by observing certain principle
Techniques used	Scientific measurement of work through experimentation and observation	Personal experiences passed on in the form of universal principles of management
Personality	Scientist	Practitioner
Major contribution	Provided a major basis for accomplishments on the shop floor	Produced a systematic theory of management that can be studied, analyzed and applied.

Discuss about the Neo- classical theories

Elton Mayo (Human Relation Theory)

The scientific management movement analyzed the activities of workers whereas administrative management writers focused attention on the activities of managers. The importance of the man behind the machine, the importance of individual as well as group relationships in the workplace was never recognized. The social aspects of a worker's job were totally ignored; the emphasis was clearly on discipline and control rather than morale.

The human relations theory (called neo-classical theory) tried to compensate for the deficiencies in classical theory modifying it with insights from behavioral science like psychology, sociology and anthropology. This theory gained popularity after the famous studies of human behaviour in work situations conducted at the western Electric Company from 1924 to 1933. The studies eventually became known as Hawthorne studies because many of them were conducted at western Electric's Hawthorne plant near Chicago.

Thus, Mayo concluded that work arrangements in addition to meeting the objective requirements of production must at the same time satisfy the employee's subjective requirement of social satisfaction at his work place. The Hawthorne experiment consists of four parts. These parts are briefly described below:-

1. Illumination Experiment:

This experiment was conducted to establish relationship between output and illumination. When the intensity of light was increased, the output also increased. The output showed an upward trend even when

the illumination was gradually brought down to the normal level. Therefore, it was concluded that there is no consistent relationship between output of workers and illumination in the factory. There must be some other factor which affected productivity.

2. Relay Assembly Test Room Experiment:

This phase aimed at knowing not only the impact of illumination on production but also other factors like length of the working day, rest hours, and other physical conditions. In this experiment, a small homogeneous work-group of six girls was constituted. These girls were friendly to each other and were asked to work in a very informal atmosphere under the supervision of a researcher. Productivity and morale increased considerably during the period of the experiment. Productivity went on increasing and stabilized at a high level even when all the improvements were taken away and the pre-test conditions were reintroduced. The researchers concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. Mass Interview Programme:

The objective of this programme was to make a systematic study of the employees' attitudes which would reveal the meaning which their "working situation" has for them. The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. Initially, a direct approach was used whereby interviews asked questions considered important by managers and researchers. The researchers observed that the replies of the workmen were guarded. Therefore, this approach was replaced by an indirect technique, where the interviewer simply listened to what the workmen had to say. The findings confirmed the importance of social factors at work in the total work environment.

4. Bank Wiring Test Room Experiment:

This experiment was conducted by Roethlisberger and Dickson with a view to develop a new method of observation and obtaining more exact information about social groups within a company and also finding out the causes which restrict output. The experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. It was observed that the group evolved its own production norms for each individual worker, which was made lower than those set by the management. Because of this, workers would produce only that much, thereby defeating the incentive system. Those workers who tried to produce more than the group norms were isolated, harassed or punished by the group. The findings of the study are:-

- Each individual was restricting output.
- The group had its own "unofficial" standards of performance.
- Individual output remained fairly constant over a period of time.
- Informal groups play an important role in the working of an organization.

Contributions of the Hawthorne Experiment:

Elton Mayo and his associates conducted their studies in the Hawthorne plant of the western electrical company, U.S.A., between 1927 and 1930. According to them, behavioral science methods have many areas of application in management. **The important features of the Hawthorne Experiment are:-**

1. A business organization is basically a social system. It is not just a techno-economic system.
2. The employer can be motivated by psychological and social wants because his behaviour is also influenced by feelings, emotions and attitudes. Thus economic incentives are not the only method to motivate people.
3. Management must learn to develop co-operative attitudes and not rely merely on command.
4. Participation becomes an important instrument in human relations movement. In order to achieve participation, effective two-way communication network is essential.
5. Productivity is linked with employee satisfaction in any business organization. Therefore management must take greater interest in employee satisfaction.
6. Group psychology plays an important role in any business organization. We must therefore rely more on informal group effort.
7. The neo-classical theory emphasizes that man is a living machine and he is far more important than the inanimate machine. Hence, the key to higher productivity lies in employee morale. High morale results in higher output.

What are the key contributions from Elton Mayo theory to management principles?

The whole philosophy of human relations is built around the following ideas:

1. The Individual:

The individual according to human relation, each person is unique. Each is bringing to the job situation certain attitudes, belief and ways of life as well as certain skills – technical, social and logical, the individual is not only motivated by economic factors, but is motivated by multifarious social and psychological factors.

2. **The work group:** work is a social experience and most workers find satisfaction in membership social groups. Unless managers recognize this, human relations at work will not improve.

3. The work environment:

Managers have to create work environment where the employee finds it easy to achieve organizational goals as well as his own personal goals. Positive work environments are those where:

- i) The goals are clearly defined
- ii) incentives are properly used to improve performance.
- iii) Decisions are timely and participative.

4. **The leader:** The leader must behave in a way that generates respect. He must be able to adjust to various personalities and situations. He must offer a pleasant work climate where bossism is totally absent and where members are allowed to have a say in the decision making process.

Discuss the Criticism of Human Relation theory.

The Hawthorne studies and the human relations school they spawned have been severely criticized, and the discussion would be incomplete without a brief discussion of this criticism. Several economist claimed that that by encouraging workers to develop loyalties to anything but their own-self-interest and by preaching collaboration instead of competition, human relations would ultimately lead to reduced efficiency. Now wonder, trade union ridiculed it as a form of cow psychology, which transformed factories into unthinking places of comfort. Interest in human relations is equated with tender mildness sentimentality and unrealistic desire to make everyone happy.

Scientific validity:

The research carried out by Mayo and his associates had many weaknesses of design, analysis, and interpretation. Whether the researchers' conclusion is consistent with their data is still a subject of lively debate and considerable confusion.

Short-sighted:

The very fact that the human relation research is concerned with operative employees bears ample testimony to the short-sightedness of the research finding. Further the approach lacks adequate focus on work.it tends to overemphasize the psychological aspects at the cost of structural and technical aspects.

Over concern with happiness:

The Hawthorne studies suggested that happy employees will be productive employees. This, of course, is a native and simplistic version of the nature of man. Studies have failed to show a consistent relationship between happiness and productivity. It is quite possible to have a lot of happy but unproductive employees.

State the Comparison between Human relations and Behavioral Approaches

Human relation approach (Elton mayo)	Behavioral science approach (McGregor , Rensis Likert, Mary parker folate, M.E.Porter, C.K.prahalad, Peter F. Drucker)
This approach is focused on inter-personal relationship.	It is focused on group relations.
It lays emphasis on individual needs and behavior.	It emphasizes group behavior.
Conflict in organisation is taken as negatively and efforts are made to avoid it.	Conflict is considered to be part of modern organisation and it may have positive effect also.

Discuss the Douglas-McGregor X and Y theory (1906-1964):

Mc Gergor was a social psychologist and professor. He is known as development of motivation theory. Mc Gergor is known for the development of a theory on Motivation. He named it as Theory X and theory Y. Theory X is assumes that worker is lazy and dislike work, unambitious ,avoid responsibility. Theory Y is assumes that worker is self-control, self-direction, participative in nature, ambitious, decentralization. There were instances where productivity increased in the absence of control and coercion Mc Gergor gave theory U as an answer to such situations. As per this theory people are not lazy by nature as theory X supposes them top be but the treatment in the organisation makes them so. The work to people is as normal as play and rest. They will exercise self- control and self-direction. People are ready to accept responsibility under proper conditions. This represents a modern and dynamic nature of workers. An organization designed on this basis of theory Y will assumes decentralization, participation of leadership and two-way communication.

MC Gregor believed that the managers normally attempt to motivate employees by one of the two basic approaches:

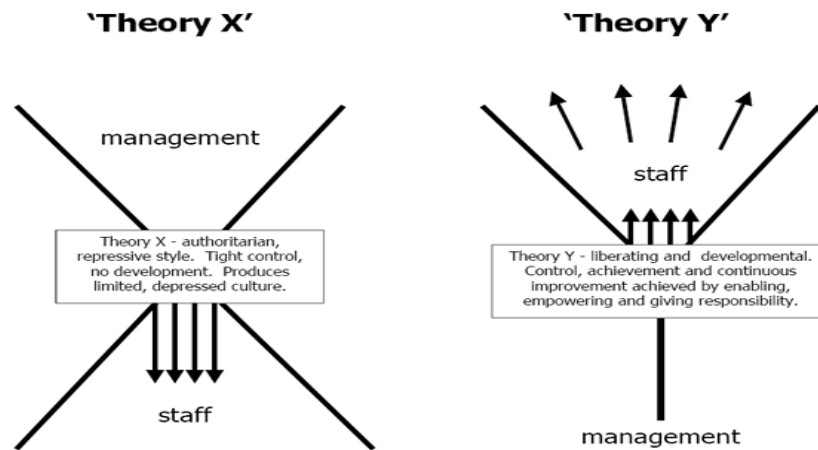
Theory X: Assumption of theory X are:

- The average person inherently dislikes work and will avoid it if possible.
- Because of the dislike of work, most people must be coerced, controlled, directed and threatened with punishment to get them to perform effectively.
- The average human being lacks ambition, avoid responsibility and seeks security and economic rewards above all else.
- Most people lack creative ability and are resistant to change.
- Since most people are self-centered, they are not concerned with the goals of the organization.

Theory Y: Assumptions of Theory Y are:

- The expenditure on physical and mental effort in work is as natural as play or rest.
- People will exercise self-direction and self-control in the achievement of objectives to which they are committed.
- Commitment to objectives is the function of the rewards associated with achievement.
- The average person learns, under proper conditions, not only to accept but to seek responsibility.
- Under the conditions of modern industrial life, the intellectual potentialities of the average person are only partly utilized.

If we talk about management point of view then????????????



Explain the contribution of Chester I. Bernard (1886-1961).

Chester I Bernard wittings had important impact on human organization. In his organization theory he adopted a sociological approach and in dealing with the functions of executives, he emphasized the importance of leadership and communication. Bernard divided organization into formal and informal. He said that informal organization is an important part of formal organization.

Contributions to Management Thought:

Barnard introduced social system approach in management. His main contributions to management thought can be described as follows:

Theory of formal organization:

Barnard gave a theory formal organization. He defined it as “a system of consciously coordinated activities of forces of two or more persons” in his views organization consisted of human beings whose activities were coordinated and therefore because a system: According to Barnard initial existence of organization depends upon three elements:

- The willingness of persons to contribute efforts to the co-operative system
- There should be an objective of co-operation
- Proper communication system is essential

Organizational Equilibrium:

Barnard suggested an equilibrium model to describe the balance achieved between the contributions of the numbers of an organization and return contribution made by the organization to the fulfillment of private goals of the members. Barnard treated organization as separate from the environment where it works. The persons working in the organization have two roles- the personal role and an organizational role. There should be a balance between what employees get out of the organisation (money, status, recognition) and what they contribute in form of time, knowledge.

Acceptance theory of authority:

Barnard did not agree with the classical concept of authority where it comes from top to down. He said that authority from bottom. In his opinion authority is confirmed only when it is accepted by a person to whom it has been addresses. Disobedience of such a communication is a denial of authority. According to Barnard the decision as to whether an order has authority or not lies with the person to whom it is addressed, and does not reside in persons of authority or those who issue these orders. Thus in Barnard's view, if a subordinate does not accept his manager's authority, it does not exist. A person will accept authority under following condition:

- He can and does understand the communication
- At the time of his decision he believes that it is not inconsistent with the purpose of the organization.
- At the time of his decision, he believes it to be compatible with his personal interest as a whole.
- He is able mentally and physically to comply with it.

Functions of the executive:

Barnard postulated three types of functions for the executives in formal organizational set up. These functions are:

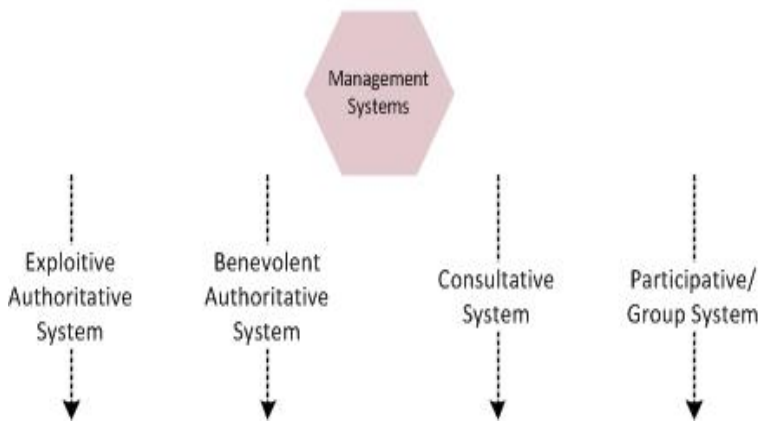
- Maintaining proper communication in the organisation
- Obtaining essential services from individuals for achieving organizational goals
- Formulating purpose and objectives at all levels.

Informal organization:

Barnard was of the view that both formal and informal organizations exist in every business. Informal organization refers to those social interactions which do not have consciously coordinated joint purpose. This organization exists to overcome the problems of formal organization. Barnard suggested that executive should encourage the development of informal organization to bring cohesion in the organization and to serve as a means of communication.

What is contribution of Renesis Likert (1903-1972) to the management?

Dr Renesis Likert has studied human behavior within many organizations. Dr. Renesis Likert concluded that there are four systems of management. According to Likert, the efficiency of an organisation or its departments is influenced by their system of management.



Exploitive Authoritative System (1)

- In this type of management system the job of employees/subordinates is to abide by the decisions made by managers and those with a higher status than them in the organization.
- The subordinates do not participate in the decision making.
- The organization is concerned simply about completing the work. The organization will use fear and threats to make sure employees complete the work set. There is no teamwork involved.

Benevolent Authoritative System (2)

- Just as in an exploitive authoritative system, decisions are made by those at the top of the organization and management.
- However employees are motivated through rewards (for their contribution) rather than fear and threats.
- Information may flow from subordinates to managers but it is restricted to “what management want to hear”.

Consultative System (3)

- In this type of management system, subordinates are motivated by rewards and a degree of involvement in the decision making process.
- Management will constructively use their subordinates ideas and opinions.
- But major decisions are still made by senior management.
- There is a greater flow of information (than in a benevolent authoritative system) from subordinates to management.

Participative/Group System (4)

- Management have complete confidence in their subordinates/employees.
- There is lots of communication and subordinates are fully involved in the decision making process.
- Subordinates comfortably express opinions and there is lots of teamwork.
- Employees throughout the organization feel responsible for achieving the organization's objectives.

Who is C.K.Prahalad? How he has contributed to the management?

- C.K Prahalad is a well-known management educationist from the University of Michigan. He has contributed to the development of management in a number in number of ways.
- His famous contributions include the importance of people's skills and competing for the future. The old organizational structure was based upon the assumption of hierarchy.
- It was presumed that the top leadership knows all the answers and is in-charge of goals and work processes for the organizations.
- The emerging team model. On the other hand, is constructed on new assumptions that knowledge how of all organizational members when brought together in teams.
- Key to success of this approach is the understanding that managers must share both power and responsibility with teams of people who were once disempowered by the rigid bureaucratic lines of authority. According to C.K.Prahalad, the emphasis will be on people skills.

Discuss the Michael E. Porter development in management scenario.

Michael E. Porter, Harvard professor and a renowned expert on competition is one of the important contemporary management thinkers. The theory of competitive strategy, developed by Michael porter, focused on how mangers can influence conditions in an industry when they interact as rival, buyers, suppliers and so on.

The reason is simple, these regulations produce firms which are more competitive on a global basis. The reason is simple, these firms must innovate to find ways to satisfy strict laws while remaining competitive with firms that have no such rules. He has also observed that while many people are talking about competitiveness among nations, they do not always use the same criteria of competitiveness. The two different criteria are useful in understanding globalization and management. Global managers thus operate in a climate marked by more aggressive government efforts to influence how they run their organizations.

According to Porter, those efforts have influenced global competitiveness. With striking regularity firms from one or two nations achieve disproportionate worldwide success in particular industries.

Competitive advantage: crating and sustaining superior performance has classified the industry setting into five categories:

Fragmented industries:

An industry in which no single enterprise has large enough share of the market to be able to influence the industry's direction.

Example:

Barber shop, meat shop, auto repair etc.

Emerging industries:

- A group of companies in a line of business formed around a new product or idea that is in the early stages of development.
- An emerging industry typically consists of just a few companies and is often centred around a new technology.

Also, marketing expenses are high, because the product or service for sale is often unproven and companies in an emerging industry.

- Investing in an emerging industry is considered a high-risk strategy, but it can also bring high rewards.

Example

- Food processing industry: (relation between agriculture and industry). India is the world largest food producer after china. India food product is likely to double in the next coming decade. This opens a large opportunities in food processing area like canning, packaging, frozen food.
- Health care: one of the India's largest sector both in terms of revenue and employment.
- Tourism: government campaign- Incredible India.
- Retail: the Indian Retail Industry is the largest among all the Industry.
- Start -up business – Thoomri.com

Industries undergoing to transition to maturity:

- As the industry approaches maturity, the industry life cycle curve becomes noticeably flatter, indicating slowing growth. Some experts have labeled an additional stage, called expansion, between growth and maturity.
- While sales are expanding and earnings are growing from these "cash cow" products, the rate has slowed from the growth stage. In fact, the rate of sales expansion is typically equal to the growth rate of the economy.
- Some competition from late entrants will be apparent, and these new entrants will try to steal market share from existing products.

- Thus, the marketing effort must remain strong and must stress the unique features of the product or the firm to continue to differentiate a firm's offerings from industry competitors.
- Firms may compete on quality to separate their product from other lower-cost offerings, or conversely the firm may try a low-cost/low-price strategy to increase the volume of sales and make profits from inventory turnover.
- A firm at this stage may have excess cash to pay dividends to shareholders. But in mature industries, there are usually fewer firms, and those that survive will be larger and more dominant. While innovations continue they are not as radical as before and may be only a change in color or formulation to stress "new" or "improved" to consumers.

Example:

- Laundry detergents are examples of mature products.
- Laptops: Laptop computers have been around for a number of years, but more advanced components, as well as diverse features that appeal to different segments of the market, will help to sustain this product as it passes through the Maturity stage.

Decline industries:

- Declines are almost inevitable in an industry. If product innovation has not kept pace with other competing products and/or service, or if new innovations or technological changes have caused the industry to become obsolete, sales suffer and the life cycle experiences a decline.
- In this phase, sales are decreasing at an accelerating rate. This is often accompanied by another, larger shake-out in the industry as competitors who did not leave during the maturity stage now exit the industry.
- Yet some firms will remain to compete in the smaller market. Mergers and consolidations will also be the norm as firms try other strategies to continue to be competitive or grow through acquisition and/or diversification.

Example

- Print Media- out of fashion. it's expensive and kills trees--- two big taboos for modern consumers.
- Traditional CD and DVD Industry
- Typewriters: Typewriters, and even electronic word processors, have very limited functionality. With consumers demanding a lot more from the electronic equipment they buy, typewriters are a product that is passing through the final stage of the product life cycle.

Who is Peter F. Drucker? Discuss his contribution to management.

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.

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

- Nature of Management
- Management Functions
- Organization Structure
- Federalism
- Management by Objectives
- Organizational Changes.

6 Major Contributions of Peter Drucker to Management

1. Nature of Management:

Drucker is against bureaucratic management and has emphasized 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'.

While taking management as a profession. 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 organizations 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:

- the specific purpose and mission of the institution whether business, hospital or university;
- making work productive and the worker achieving; and
- 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 is already known. He has to act as an entrepreneur in redirecting the resources from areas of low or diminishing results to areas of high or increasing results.

Thus, a manager has to perform several functions: setting of objectives, making, organizing 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. Organization Structure:

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

These are:

- (i) Enterprise should be organized 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 to a manager while still he is young.

He has identified three basic aspects in organizing 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 organization 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 centralized control in decentralized structure. Decentralized structure goes far beyond the delegation of authority. It creates a new constitution and new ordering principle. He has emphasized 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 organizing.

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:

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 control 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 it is regarded as the most modern management approach. In fact, it has revolutionised the management process.

6. Organizational Changes:

Drucker has visualized 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 recognized even by the management thinkers of Socialist Bloc.

Discuss the scientific approach with suitable examples. Scientific approach:

Scientific Management was created in the early 1900 and was an improvement on the working practices of the Industrial Revolution.

One guy in particular - Frederick Taylor pioneered this. His motives being - improved:

- Efficiency of workers
- Standardization of job roles/activities
- Discipline - the role of managers and the business hierarchy.

Fast food Restaurant Company (Scientific approach)

- Burger King, often abbreviated as BK, is a global chain of hamburger fast food restaurants headquartered in unincorporated Miami-Dade County, Florida, United States. Burger King is a good one as is every large corporation that now uses the ideas of "Taylorism" in a more advanced form.

Following are the scientific approaches of Burger King

The idea of training, rewarding and providing a stable working environment meant workers work harder under better working conditions.

Regular monitoring of performance and pushing for improvement avoids 'under working'.

Creating supervisors and leaders ensured discipline and a functioning business.

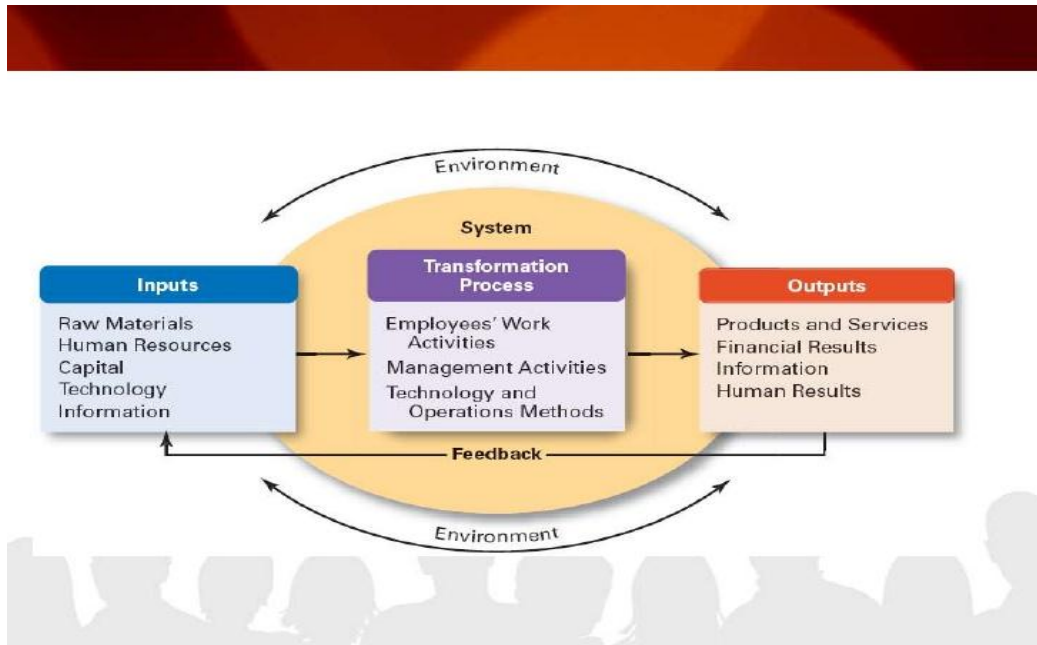
Ford Motor Company

- It's a Automaker company
- The Ford Motor Company is an American multinational automaker headquartered in Dearborn, Michigan, a suburb of Detroit. It was founded by Henry Ford and incorporated on June 16, 1903. Following is the scientific approaches implemented by Ford Company.
- The training, development and expansion of management allowed for a better more productive workforce.

What is System Approach? Discuss with suitable example.

It attempts to view the organization as a single, unified, purposeful entity, composed of interrelated parts. Ludwig Von Bertalanffy is the father of system management. It is a set of interrelated (sub-system) part is system.

Ex- regardless of how efficient the production department might be, if the marketing department does not anticipate changes in consumer tastes and work with the product development department in creating what consumers want, the organization's overall performance will be hampered.



System approach is the connection between input – process—output. As shown in the input the raw material, human resources, capital, technology and information. All these resources will undergo the process which included employees’ activities, managerial activities to produce the output as products and service, financial results, human results.

Classification (types of system)

Sub-system: the parts that make up the whole of a system are called sub- systems. And each system may, in turn, be a sub- system of a still larger whole. Thus, a department may be a sub- system of a plant, which may be a sub- system of a company, which may be a sub- system of an industry. **There are five sub- systems within an organization:**

- Goal sub-system(individual and group goals)
- Technical sub- system (tools, equipment, employee skills, knowledge)
- Structural sub- system(authority layers and relationships)
- Managerial sub- system(managers who plan, led and control)
- Psychological sub –system (psychological and social factors influencing people at work)
- **Synergy:** Synergy means that the it means that the whole is grater the sum of its parts. Getting all of the elements of an organization functioning together so that output is optimal. However, the assembled watch has a pheromone that the disassembled watch lacks- it keeps time: when the parts of an organization are properly interrelated, the output is much greater than it would otherwise be. Synergy represents one of the basic challenges of management, getting all of the elements of an organization functioning tighter so that output is optimal.

Open system and closed system:

- A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. An organization that is not adaptive and responsive to its environment would not survive or grow in any extended period of time.
- It has to be responsive to demands placed on it by both its internal and external environment. In a closed system, the system boundary is rigid; in an open system, the boundary is more flexible. The system boundaries of many companies have become more flexible in recent times. Example- oil companies wishing to engage in offshore drilling have increasingly had to consider public reaction to the potential environmental harm.
- **Entropy:** It is a normal process that leads to system decline.

What is contingency approach? State the difference between system approach and contingency approach.

- Research has shown that management methods used in one circumstance seldom work the same way in others.
- Father of contingency approach- Fred's Fiedler's
- Contingency theory is based on the premise that situations dictate managerial action; i.e. different situations call for different approaches.
- It varies from situation to situation. The contingency approach can be expressed as **"if-then" relationship**. "If" denotes the independent variable - **environment** while then stands for the dependent variables i.e. **management action**.

Difference between Systems vs. Contingency Theory

System Theory	Contingency Theory
Organisation- environment relationship not explained clearly.	Spells out the relationship of organisation to its environment clearly.
Takes a general view of organizational variables(technical, social, personal, structural, external)	Takes a specific view of how the organisation adjusts to its environmental demands.
Considers all organisations to be similar	Each organisation is unique.
Vague and complex	More pragmatic and action oriented.
Emphasizes the synergetic effect of organisations and recognize the external	Relates environment to specific organisation structure and design. It integrates theory with practice in a

inputs.	system's framework.
Merely outlines interdependences among systems and sub- systems.	Tries to identify nature of interdependences between various parts of an organisation and their impact on various other things.

What do you mean by Managerial Competencies?

Competency: A combination of knowledge, skills, behavior and attitudes that contribute to personal effectiveness.

Managerial Competencies: It is a sets of knowledge, skill, behaviour, and attitudes that a person needs to be effective in a wide range of positions and various types of organisations.

Definition: Competent management can be defined as the

- ability to meet organizational objectives,
- use available resources efficiently,
- maintain high levels of employee performance and professionalism,
- and provide excellent service to customers.

Positive Indicators Managerial competency:

- Serves as a role model that other people want to follow.
- Empowers others to translate vision into results.
- Is proactive in developing strategies to accomplish objectives.
- Establishes and maintains relationships with a broad range of people to understand needs and gain support.
- Anticipates and resolves conflicts by pursuing mutually agreeable solutions.

Negative Indicator Managerial Competency:

- Is uncomfortable in the management role.
- Doesn't take a stand.
- Is seen as avoiding/evading the leadership role.
- Does not make goals clear.
- Does not provide direction to group.
- Is not interested in people.
- Is uncomfortable with resolving conflict.

Discuss the types of managerial function.

- 1) **Threshold** - the basic skills and knowledge required to perform work, without which the employee unable to perform specified work. In this case, we can not distinguish the excellent workers from the average employee,
- 2) **Performance (divergent)** - commitment to achieving high performance. Their aim is to emphasize the difference between excellent, above average and average workers

Following factors are essential for effective managerial competencies



Good communication skills

- Good communication skills and the willingness to address difficult situations are critical.
- Your subordinates should clearly understand what you expect of them, and they should receive clear and unambiguous feedback on their performance.
- In addition, they should feel comfortable talking to you and know that you will listen to what they have to say.

Dimensions of Communication Competency:

It refers to the effective transfer and exchange of information that leads to understanding between yourself and others.

- a. Communication competency includes informal communication, formal communication, and negotiation.
- b. Besides speaking and writing, communication involves listening, observing body language, and picking up on the subtle cues that people sometimes use to modify the meaning of their words.
- c. Communication is the most fundamental competency; unless you can express yourself and understand others in written, oral, and nonverbal communication, you can't use the other competencies effectively to accomplish tasks through other people.

- d. Through frequent informal communication, managers in all countries lay the groundwork for collaboration within and outside their organizations.
- e. Formal communications, such as newsletters, often are used to inform people of relevant events and activities and to keep people up to date on the status of ongoing projects.
- f. Formal communication can also take place at a more personal level, as during conversations with suppliers and clients.

Dimensions of Teamwork Competency

It is accomplishing tasks through small groups of people who are collectively responsible and whose job requires coordination.

- a. Managers in companies that utilize teams can become more effective by designing teams properly, creating a supportive team environment, and managing team dynamics appropriately.
- b. Teamwork involves taking the lead at times, supporting others who are taking the lead at other times, and collaborating with others in the organization on projects that don't even have a designated team leader.
- c. Team design involves formulating goals to be achieved, defining tasks to be done, and identifying the staffing needs to accomplish those tasks.
- d. All members of a team should have the competencies needed to create a supportive environment where team members are empowered to take actions based on their best judgment, without always seeking approval first from the team leader or project manager.
- e. Managing team dynamics is necessary for effective teamwork. This includes understanding the strengths and weaknesses of team members and using conflict and dissent to enhance the quality of decisions.

Dimensions of Strategic Action Competency:

It understands the overall mission and values of the company and ensuring that employers' actions match with them.

- a. Strategic action competency includes: understanding the industry, understanding the organization, and taking strategic action.
- b. Managers need to see their organization as a system of interrelated parts that include understanding how departments, functions, and divisions relate to one another and how a change in one can affect others.

Dimensions of Planning & Administration Competency:

It involves deciding what tasks need to be done, determining how they can be done, allocating resources to enable them to be done, and then monitoring progress to ensure that they are done.

- a. The planning and administration competency includes: information gathering, analysis, and problem solving; planning and organizing projects; time management; and budgeting and financial management.
- b. Planning and organizing projects usually means working with employees to clarify broad objectives, discuss resource allocations, and agree to completion dates.

Dimensions of Self- Management Competency

Developing yourself and taking responsibility

Integrity and Ethical Conducts:

- Managers must acknowledge their role in shaping organizational ethics and seize this opportunity to create a climate that can strengthen the relationships and reputations on which their companies' success depends.
- Executives who ignore ethics run the risk of personal and corporate liability in today's increasingly tough legal environment. In addition, they deprive their organizations of the benefits available under new federal guidelines for sentencing organizations convicted of wrongdoing.
- An integrity-based approach to ethics management combines a concern for the law with an emphasis on managerial responsibility for ethical behavior. Though integrity strategies may vary in design and scope, all strive to define companies' guiding values, aspirations, and patterns of thought and conduct.
- When integrated into the day-to-day operations of an organization, such strategies can help prevent damaging ethical lapses while tapping into powerful human impulses for moral thought and action. Then an ethical framework becomes no longer a burdensome constraint within which companies must operate, but the governing ethos of an organization.
- Self-awareness and development includes both task-related learning and learning about yourself.
- Research shows that people who take advantage of the development and training opportunities that employers offer learn much from them and advance more quickly than those who don't take advantage of them.
- A derailed manager is one who has moved into a position of managerial responsibility but has little chance of future advancement or gaining new responsibilities because of failure to develop competencies.

Dimensions of Global Awareness Competency

It refers to performing managerial work for an organization that utilizes human, financial, informational, and material resources from multiple countries and serves markets that span multiple cultures.

- b. This competency includes cultural knowledge and understanding, and cultural openness and sensitivity.

Cultural knowledge and understanding:

- 1. stay informed of political, social and economic trends and events around the world
- 2. Recognizes the impact of global events on the organization.

Cultural openness and sensitivity:

- 1. Sensitive to cultural signals
- 2. Adjusts own behavior when interacting with people of diverse background
- c. Because business is becoming global, many managers are now expected to develop a knowledge and an understanding of at least a few other cultures.
- d. Openness and sensitivity involve recognizing that culture makes a difference in how people think and act. You can't assume that everyone will think and act like you.
- c. An open attitude about cultural differences and sensitivity to them are especially important for anyone who must operate across cultural boundaries.

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Long Questions

- 1. Management is both science and an art. Discuss the statement by giving suitable examples.
- 2. Define management and outline its essential characteristics.
- 3. What do you mean by principles of management? Bring out the essential features of management principles.
- 4. "Management is the development of people, not the direction of things". Discuss.
- 5. What is the difference between administration and management? Examine the implications of the professionalization of management.
- 6. Briefly discuss the scope and nature of management.
- 7. How far do you agree with the following statement, and why? " Management deals with development of men as it involve getting things done by them.
- 8. Give a brief account of evolution of management thought.
- 9. Describe briefly various schools of management thoughts prevalent from time to time.
- 10. Assess the contribution of F.W.Taylor scientific management to the development of management thought. Why is he, regarded as the father of scientific management?

11. Perhaps the real father of modern management theory is the French industrialist, Henry Fayol. Elucidate this statement and mention the general principles of management listed by Fayol.
12. Explain the contribution of Henry Fayol to the management thought.
13. Write brief note on the following:
 - Taylor Vs Fayol contribution
 - Contingency approach
 - System approach
 - functional foremanship
14. “The neo- classical approach to the management has not provided any such things as to replace the classical management theory”. Do you agree with this statement?
15. What are the major contributions of the Hawthorne experiments to the present day organisations?
16. Distinguish between human relation theory and scientific management.
17. What is systems approach to management? Examine the salient features of this approach.
18. Explain the importance of the system approach to the study management.
19. Write an explanatory note on the contribution of Peter Drucker to management thought.
20. What is contingency approach to the study of management? Do you think it is an improvement over the systems approach? Explain.
21. “The contingency approach to management is a common sense approach.” Comment.
22. What is managerial competency? Discuss the dimensions of managerial competencies.
23. “Managerial competencies are essential for a manager”. Examine the statement.

Module – II

Organisation: Formal and Informal:

A **formal organization** is the literal structure of the **organization** including its **organization** chart, hierarchical reporting relationships and work processes. A formal organisation is a group of people working together cooperatively under authority towards goals that mutually benefit the participants and the organisation. It is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability. The manager describes organizational relationships in written and graphic form. Rewards are available for those who achieve the stated goals.

Summary:

- In formal organisations people work towards common goals.
- They constantly communicate with each other in order to achieve targets assigned to them.
- They are willing to abide by rules and regulations and carry out work as dictated by their respective superiors.
- The formal structure, thus, consists of officially designated relationship between people working at various levels. The formal structure is deliberately created to achieve results. According to Chester Barnard, formal organisation is a system of consciously coordinated activities of two or more persons towards a common objective.
- Formal organisations are built around positions and not people. These positions prescribe the duties, activities and authority relationships of each organisation member. Formal structures do not have any room for sentiments, emotions and feelings of people working therein. They talk about goals, target and results only.

The Concept of Group:

A group is a collection of two or more interacting individuals with a stable pattern of relationships between them who share common goals and who perceive themselves to be group. A collection of individuals that constantly undergo a change- for example, the people inside a bank waiting to collect a draft, cash etc. - cannot be thought of as a group.

Features of Formal Organisation:

Two or more persons:

For a group to exist, it must have at least two members. The members are all dependent on one another. In a work situation, each individual is aware that the overall job cannot be achieved without assistance from others.

Interaction:

Each member must interact with one or more members of the group on a regular basis. Some form of communication must take place, i.e. either face to face, over a telephone or through a computer network.

Reasonable size:

Groups could grow to any size. However, from an organizational point of view, we are concerned with groups of reasonable size. It is difficult for group members to interact with each other closely, when the size grows beyond a manageable number.

Shared Goals:

Members of a group must have some common goals or shared interests. They need not agree with all the purpose of a group. If a group has variety of goals or interest, each member of the group must share at least one of the group's interests.

Stability:

Groups must have a stable structure. Groups can change and often they do, but there must be some stable relationships that keep group members together and functioning as a unit.

Collective Identity:

Each member of the group must believe that he is a member of, is participant in some specific group. It is the awareness of each other that clearly differentiates a group from a mere collection of persons.

Informal Organisation:

The informal organisation can be viewed as a shadow organisation. It arises naturally and spontaneously from the interactions of people. It refers to unofficial and unauthorized that inevitably occur between individual and groups within the formal organisation. It exists within the confines of the formal authority structure. Informal groups are those in which membership is voluntary evolve gradually among employees with common interests.

FORMAL ORGANISATION	INFORMAL ORGANISATION
Objectives or Goals: In a formal organisation, the objectives or goals are specific and well-defined.	 In an informal organisation, the objectives are not specific and well-defined.

The main objectives of a formal organisation are productivity, growth, and expansion.	The main objectives of an informal organisation are friendship, security, common interest, individual and group satisfaction, etc.
Channels of Communication: A formal organisation uses formal channels of communication.	An informal organisation uses informal channels of communication (i.e. grapevine)
Benefits for Members: The members of the formal organisation get financial benefits and perks like wages or salaries, bonus, travelling allowances, health insurance, etc.	The members of informal organisation get social and personal benefits like friend circle, community, groups, etc.

Why informal Groups emerge?

Informal groups are those in which membership is voluntary; they evolve gradually among employees with common interests. For instance, in many companies the female executives get together once or twice a month to discuss the particular challenges or problems they are facing in their jobs.

Characteristics of formal and Informal groups:

Characteristics	Formal groups	Informal groups
Objective	Task accomplishment	Member satisfaction
Origin	management	Individual members
Structure	formal	Informal
Orientation	Task-oriented	Relation- oriented
Influence	Formal authority	Personality
Leadership	Formal leader	Informal leader
control	Formal controls	Social sanctions

Reasons of making informal groups:

Warmth and Support:

Groups provide warmth and support to individuals. Man needs others to feel fulfilled. When individuals are deprived of that warmth and support, they suffer. Elton mayo observed that employees who are

isolated from each other because of plant layout find their jobs less satisfying than those group members who are able to socialize on the job.

Power:

In numbers there is considerable strength. What cannot be achieved individual could be obtained through joint, coordinated efforts. Membership in a union, for example, provides worker with the bargaining strength that they lack as individuals employees.

Affiliation:

Regular interaction with members has a tonic effect on the psychology of members in a group. Exchanging smiles, cutting jokes, shaking hands with each other, participation in office politics, gossip, etc. keep the environment lively and most members have a genuine hunger for such lively social interaction on a regular basis.

Security:

It is better to join a group rather than standing alone. Left alone, you can be pushed to a corner. Group or team members often collaborate to protect their interests from outside pressures or threats. Groups can also assist in solving work-related problems and also to militate stressful or demanding work conditions.

Recognition:

The workgroup is a primary source of recognition and esteem for many individual. It gives an individuals, recognition, status and further opportunity to relate to others. Joining a high status group can help an individual acquire esteem in the eyes of persons outside the group whether or not he is a distinguished member of the group.

Proximity:

People tend to form groups with people who either live or work in close proximity to each other, generally belonging to the same work area. The proximity makes it possible for people to learn about the characteristic of others and offers an excellent opportunity to exchange thoughts, ideas, and attitudes reading on-the job and off-the job activities.

What is Group dynamics?

The term “group dynamic” is concerned with the interactions and forces among group members in a social situation. More specifically, it refers to the interactive nature of the groups as to:

- i) How they are formed
- ii) What their structures and process

- iii) How they function and affect individual's members, other groups and the organisation.

Advantages of informal organisation:

The value of the informal organisation which can make a great contribution to organizational effectiveness are outlined below:

Benefit to work groups:

The informal organisation protects the individual against arbitrary treatment by management against harsh work environments. The informal structure counteracts the cold and inhuman qualities of the formal structure by providing a means for developing friendships and being accepted by fellow workers. It provides satisfaction and stability to workgroups.

Support formal Structures:

The formal structure is viewed as one side of the organisation coin while the informal structure is viewed as the other. The informal organisation helps the formal organisation in many ways and without its support, the formal structure would like a house built on sand. Informal system blend with formal system to make a workable system for getting the work done'. Formal plans and policies cannot meet every problem in a dynamic situation because they are pre- established and partly flexible.

Useful communication device:

The informal organisation provides the management with an additional channel of communication in the form of grapevine. By utilizing the grapevine within the formal structure, management can transmit accurate and useful information o employee quickly.

Disadvantage of informal organisation:

Works counter to organisation objectives:

Informal relationships can be employed to pressurize employees to restrict their output, exhibit a disinterest in organizational policies and procedures, cause insubordination, and in general, promote unauthorized actions that work counter to the formal organisation.

Conformity:

Informal organisation exerts strong pressures for conformity. Conformity can make group members reluctant to act independently, creatively or assertively, for fear of losing group approval and membership. Sometimes, informal group leaders manipulate the group toward undesirable needs. They may block positive contributions from capable people.

Social costs:

Informal organisation, undoubtedly, is a safety valve for the frustrations and other emotional problems of workgroup. Studies have also noted the view that social interaction by improving informal on-the-job, may actually contribute to production. Allowing informal groups to engage in gossiping, joke telling and general fun or idle conversation that satisfy some of the members' social needs, results in higher operating costs.

Resistance to change:

Every group promotes certain cultural values and norms, which it considers desirable. In course of time, members zealously guard these values resulting in a perpetuation of the status quo. Any intended change by the management forcing alteration of shared values, real or perceived, is strongly resisted.

How to manage the Informal Organisation?

The informal organisation is an unintended complement to the organisation. It emerges on its own, without conscious intent, as a natural and human consequence of the host/ task organisation. It is an inevitable part of organizational life. Like it or not, managers must understand that the informal organisation exists and can't be worked away.

More specifically a manager should:

- i) Let employees know that he accepts and understands informal organisation.
- ii) Consider possible influences on informal system when taking action.
- iii) Integrate the interests of informal groups with those of the formal organisation.
- iv) Ensure that formal activities do not unnecessarily threaten informal organisation, in general.

Line and staff Relationship

Organisation structure refers to the formal pattern or network of vertical and horizontal authority relationships among different positions in an enterprise and among the personnel occupying these positions. A sound structure is essential for the efficient and effective functioning of the enterprise because organisation structure lays down the pattern of communication, flow of authority and means of co-ordination. There is no ideal structure of organizational relationships which can suit all kinds of organisations.

There are several types of organisation structures, each reflecting a particular pattern of authority relationships. These structures include:

Line organisation:

It is the basic framework for the whole organisation. It represents a direct vertical relationship through which authority flows. This is the simplest and oldest form of internal organisation. This organisation is also known as scalar organisation. The authority flows from the top to the lower level. Every person is in charge of all the persons under him and he himself is accountable to his superior only. The organisation is vertical structure where one person delegates and so on. Authority flows vertically and from top persons

to all the persons responsible for execution of work. Responsibility on the other hand flows upwards. Everybody is responsible for his work and is accountable to his superior.

According to McFarland, "Line structure consists of the direct vertical relationship which connects the positions and tasks of each level with those above and below it." Ex- military organisation, the General has line authority over the Colonel, who has line authority over the major. Line structures are more common in small scale units. Authority flows in a direct line from superiors to subordinates. Each employee knew who his superior is and who has authority to issue orders. The one man one boss principle is strictly applied. Manager has full authority in their own areas of operation and are responsible for final results. Similarly, each subordinate is directly responsible for the performance of assigned duties. If the subordinates fail to carry out reasonable orders or directives, the superior has the right to take disciplinary action.

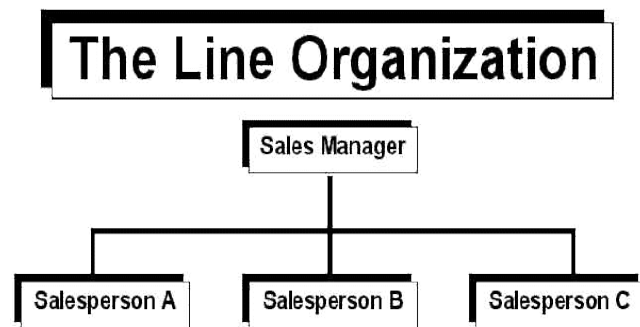


Figure – Line Organisation

Types of Line Organisation

Line organisations are of two types

1. Pure Line organisation:

Here all persons at a given level perform the same type of work. The divisions are solely for the purpose of control and direction. The departmental divisions are made only for the sake of convenience and control. All workers perform the same type of work.

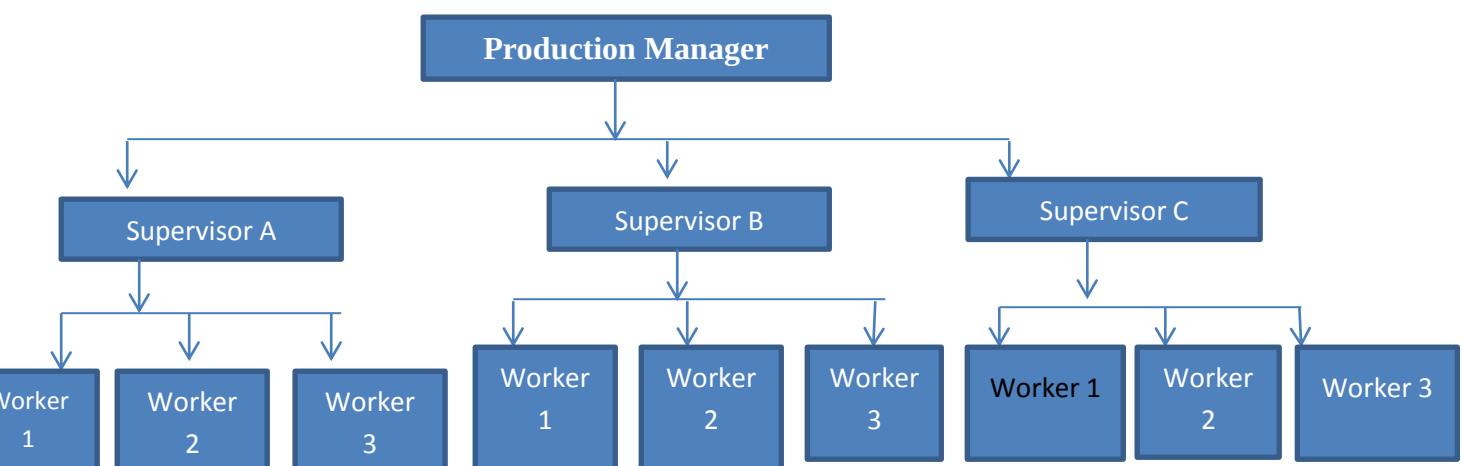


Figure of Pure Line Organisation

2. Departmental line organisation:

Here the enterprise is divided into different departments which are convenient for control purpose. There is a unity of control and line of authority flows from top to bottom. The whole organisation is put under the control of departmental managers. Departmental manager receives orders from chief executive. The managers are not dependent on each other.

Various departmental managers are equal in status and authority. They do not exchange instruction with each other. Any communication between them is routed through their immediate superior.

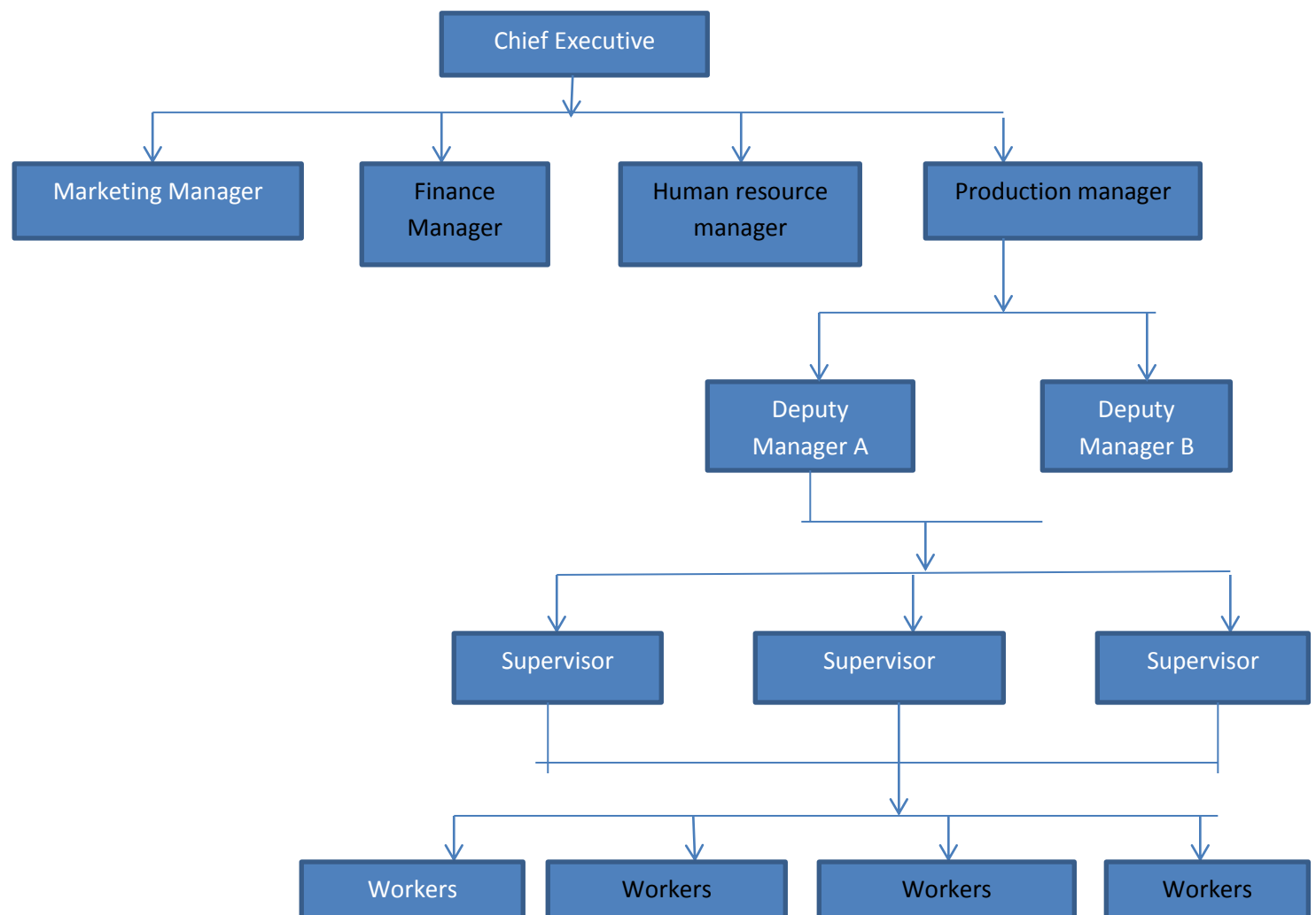


Figure: Departmental Line Organisation

Advantage:

- A line organisation is simple to establish and easy to explain to employees. It is easy to understand and follow.

- Responsibility is fixed. Each employee knew who his superior is and who has authority to issue orders. Each employee known to whom he is responsible and who is or are, in turn, responsible to him.
- In a line organisation, all the activities affecting one department are controlled by one executive.
- The line manager is responsible for results. He is charged with getting things done properly. Non-performance may mean demotion and loss of prestige.
- Each executive has full freedom to make decisions in his area of command. This enables him to adjust policies and procedure to the changing needs.

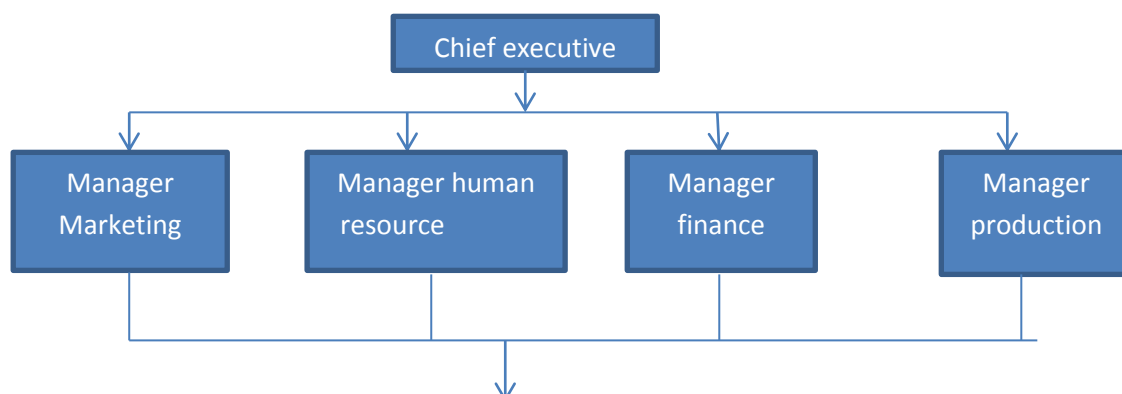
Disadvantage:

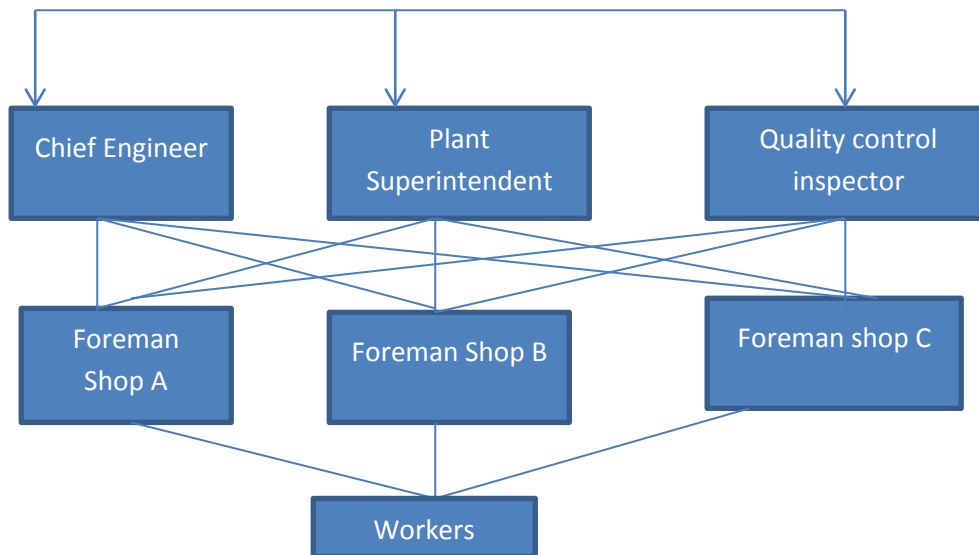
1. There is excessive work. Too much is expected from the executives.
2. The lack of managerial specialization.
3. There is lack of co-ordination among various departments.
4. The ultimate authority for taking all decisions lies with line officers.
5. There is a scope of favoritism in line organisation.
6. The business is dependent on some key persons and sudden disappearance of such persons from the scene may create instability.

Functional organisation:

In this type of organisation there are numbers of specialists each having authority over a particular function or a group of related functions throughout the organisation. Each specialist has a control over the functions under his charge, no matter where that function is performed in the organisation. He controls all the individuals working in that functional area. For instance, a human resource development would recruit, train and develop people required for all other departments of the organisation. Every employee gets orders and is accountable to several specialists.

Functional organisation can be used at higher levels as well as at lower level of management. At higher levels it involves grouping of all functions into major functional departments and placing each department under an expert executive. Each functional head issues orders throughout the organisation with respect to function in questions.





Merits

- There is a complete specialization of work and every person receives expert guidance of several specialists.
- Functions are performed more effectively as each manager is responsible for one functions rather than a multiplicity of functions.
- As each supervisor is an expert in his area of work, supervision and control are likely to be better.
- There is a democratic control. One man control is replaced by joint control.
- The growth and expansion of the enterprise is not limited to the capabilities of few line managers.

Demerits:

- It violates the principles of unity of command as a person receives orders from several specialists. It deals to conflict and poor discipline.
- The responsibility is divided. It is not possible to fix responsibility for result on specific individuals.
- As because of violation of unity of command, there is lack of co-ordination.

Line and Staff Organisation:

The line and staff organisation combines the good features of both the line organisation and functional organisation. Here the staff specialist provides advice and support to the line managers in getting the work done. Their authority is purely advisory, not functional. When the staff organisation is superimposed on the line organisation, the result is a line-staff organisation. The line organisation is paramount and the staff organisation is created to service it. Here the staff authority gives ideas to manager in line organisation whenever required. The role of staff is considered as service to managers. It is characterised by two features: it provides service to the line and it is devoid of the right to command. The staff man advice, but his sole authority lies in the authority of ideas. On the other hand, line authority

is characterised by two important features-the right to decide and right to direct. Line elements have a direct responsibility for the accomplishment of the objective of an enterprise. They have the ultimate authority to command, act, decide, approve or disapprove of all the organisational activities.

Both line and staff department managers exercise line authority over their immediate subordinates.

Two important features of line and staff organisation to remember

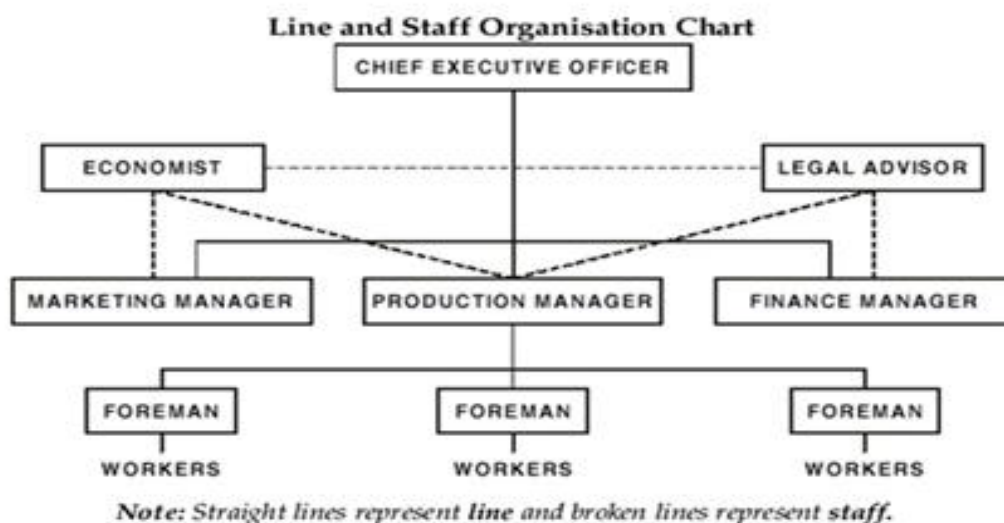
Line organisation:

- 1. The right to decide.
- 2. Right to direct.

Staff organisation:

1. It provides service (in terms of ideas) to the line.
2. It is devoid of the right to command.

Diagram of line and staff organisation



Advantages of line and staff organisation

- While business grows, the pure line organisation may overburden the managers with complex problems, and the need for staff assistance would be felt.
- It brings expert knowledge.

- The unity of command principle is honoured as each individual reports to only one supervisor, while specialised help is available and when needed.

Difference between line organisation and line and staff organisation and functional organisation:

	Line organisation	Line and staff organisation	Functional organisation
Suitability	This is suitable for small enterprise, where the work is simple and routine in nature.	Line and staff organisation is suitable for medium and large enterprise	Suitable for large enterprise
Simplicity and economy	It is simple to understand. The organisation does not require the employment of specialist and experts as staff assistant	This is also very complex. experts and specialist demand high wages. This increases the cost of administration inevitably.	The relationships are complex. Functional organisation is also expensive because of division of activities.
Unity of command	The principle of unity of command is followed because the authority flows vertically	The principle of unity of command is not followed because advice is sought from specialist	Principle of unity of command is not followed because employees
Lack of specialization	Managers are responsible for all the activities of their department. Hence, specialization in one area is not possible	There is specialization and division of labour. Experts and specialist are appointed to give advice to line executive.	There is complete specialization and more importance is attached to specialist working at various levels.
Discipline	There is strict discipline. It is because of well defined chain of command	There is loose discipline because authority and responsibilities of position holders are not clearly defined.	There is loose discipline because authority relationships are not clearly defined.
Division of work	The workload of manager increases because he has to perform a wide variety of function	The workload of managers is relatively less.	Workload of managers is uneven. This is because some managers have only line or staff authority while others have functional authority.

Centralization vs. Decentralization

Centralization:

Decentralization:

Decentralization refers to the degree to which authority is delegated to lower levels. Studies show that poor delegation is a primary cause of managerial conflict and failure. Decentralization is an extension of

the concept of delegation and cannot exist unless authority is delegated. In decentralization a great deal of authority is delegated and more decisions are made at lower levels. It gives added responsibility to managers at all levels below the top.

Types of Decentralization:

Profit center (responsibility center):

- Under profit center decentralization, the organisation is first divisionalised on a product basis; each division is given the management and physical tools, facilities it needs to operate as an integrated as self contained unit called as responsibility center.
- It is a responsibility center whose budgetary performance is measured by the difference between revenues and costs. (material own and sales of its finished products)
- It is a subunit headed by a manager who is responsible for achieving one or more goals.

Cost / expenses center:

- Where it is difficult to find out revenue with a unit but is relatively easy to determine the costs of operation, cost centers are established. In the case of corporate legal staff or accounting staff, it may be quite difficult to determine how much revenue is generated but it can be a cost center since we can determine the costs necessary to run it.
- A manager would be responsible for using resources within the overall cost or budgetary limitations.

Investment centers:

- It is responsibility center whose performance is evaluated on the basis of ROI.
- Investment centers are quite common in the case of multiproduct enterprise, Ex- multiproduct enterprise: GM, GE, HUL.....
- In order to measure product performance, decentralization by investment centers is usually advocated and the managerial response obligations would include responsibilities for the acquisition, use and disposition of fixed use resources.

Difference between delegation and decentralization:

Delegation	Decentralization
Delegation simply means pushing authority down to subordinates	It involves determining what authority to push down to subordinates
Delegation is concerned with sharing of either managerial work or operating work between a manager and subordinate.	It is concerned exclusively with sharing of managerial work, the power of decision making between two manager.

delegation is part of decentralization

Decentralization is a managerial philosophy.

Advantages of decentralization:

1. It reduces the workload of an overburden executive.
2. It brings the decision making process closer to the sense of the action.
3. It facilitates product diversification
4. It gives individuals an opportunity to learn by doing.
5. It often result in effective a control and performance measurements.
6. A final advantage of decentralized management is associated with the profit center principle.

Disadvantage:

1. **Conflict:** it puts increased pressure on divisional heads to realize profits at any cost.
2. **Cost:** it results in a duplication of staff effort.
3. **Some disadvantages of decentralization relate to the profit center concept:** often capable and competent individuals may not be available to run the divisionalised organisation. Freedom of action may lead to diversity of decisions.

Effective decentralization:

Establishment appropriate centralization;

1. If decentralized management is to flourish, it is necessary to provide for a centralized authority which will act as a nerve center of the enterprise
2. Plan would be formulated appropriate organisation structure would be decided and coordination and control mechanism would be provided.

Development of managers;

1. Effective decentralization demands a large number of highly competent managers who are capable of exploiting their mental faculties fully independently, in the service of the organisation.
2. They must be able to look ahead, plan for themselves and run a business

Provide for communication and coordination;

The inherent dangers in decentralized management must be recognized by all managers working in an independent fashion.

Decentralization tends to create rivalry and conflict among operating divisions.

The extremely narrow view point of people who have mental blinders, such as individual biases that restrict the search for a solution to a narrow range of alternatives.

Establish adequate controls:

Any means of ensuring that the person who is supposed to perform a task actually performs it and does, so, correctly.

Centralization: it is the opposite action. Authority and responsibility are tightly held by upper level of the organisation and are not delegated. As Fayol stated “ everything which goes to increase the subordinate’s role is decentralization, everything which goes to reduce it is centralization.

According to Allen, centralization is the systematic and consistent reservation of authority at central points within the organisation. In centralization little delegation of authority is the rule power and discretion are concerted at the top levels. Control and decision making resident at the top. However, absolute centralization is untenable because it would mean that subordinates have no duties, power, or authority. Most organisations start out centralization of authority initially.

Centralization may be essential for small organisations to survive in a highly competitive world. But as the organisation becomes more complex in terms of increasing size, interdependent of workflow, complexity of tasks and spatial physical barriers within and among groups, a functional requisite for efficiency is to move decision making centers to the operating level.

Thus the larger the size of the organisation, the more urgent is the need for decentralization. This does not mean that decentralization is good and centralization is bad. Centralization or decentralization may be , in part, merely the result of circumstances.

Decision-making is about **authority**. A key question is whether authority should rest with senior management at the center of a business (**centralized**), or whether it should be delegated further down the hierarchy, away from the center (**decentralized**)

The choice between centralized or decentralized is not an either/or choice. Most large businesses necessarily involve a degree of decentralization when it starts to operate from several locations or it adds new business units and markets.

The issue is really how much independence do business units or groups within a business have when it comes to the key decisions?

A centralised structure keeps decision-making firmly at the top of the hierarchy (amongst the most senior management)

Advantages

Easier to implement common policies and practices for the whole business

Prevents other parts of the business from becoming too independent

Easier to co-ordinate and control from the centre – e.g. with budgets

Quicker decision-making (usually) – easier to show strong leadership

Disadvantages

More bureaucratic – often extra layers in the hierarchy

Local or junior managers are likely to be much closer to customer needs

Lack of authority down the hierarchy may reduce manager motivation

Customer service does miss flexibility and speed of local decision-making

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Decision-making in decentralisation is spread out to include more managers in the hierarchy, as well as individual business units or trading locations

Advantages

Decisions made closer to the customer = better customer service?

Better able to respond to local circumstances

Should improve staff motivation

Consistent with aiming for a flatter hierarchy

Good way of training and developing junior management

Disadvantages

Decision-making is not necessarily “strategic”

Harder to ensure consistent practices and policies at each location

May be some diseconomies of scale – e.g. duplication of roles

Who provides strong leadership when needed (e.g. in a crisis)?

Harder to achieve tight financial control – risk of cost-overruns

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Basic Issues in Organizing

Organizing, in [companies'](#) point of view, is the management function that usually follows after planning. And it involves the assignment of tasks, the grouping of tasks into departments and the assignment of authority and allocation of resources across the organization.

Importance of organizing

- Organizations are often troubled by how to organize, particularly when a new strategy is developed.
- Changing market conditions or new technology requires change.
- Organizations seek efficiencies through improvements in organizing.

Nature of organizing

- **Specialization and division of work.** The entire philosophy of organization is centered on the concepts of specialization and division of work. The division of work is assigning responsibility for each organizational component to a specific individual or group thereof. It becomes specialization when the responsibility for a specific task lies with a designated expert in that field. The efforts of the operatives are coordinated to allow the process at hand to function correctly. Certain operatives occupy positions of management at various points in the process to ensure coordination.
- **Orientation towards goals.** Every organization has its own purposes and objectives. Organizing is the function employed to achieve the overall goals of the organization. Organization harmonizes the individual goals of the employees with overall objectives of the firm.
- **Composition of individuals and groups.** Individuals form a group and the groups form an organization. Thus, organization is the composition of individual and groups. Individuals are grouped into departments and their work is coordinated and directed towards organizational goals.
- **Continuity.** An organization is a group of people with a defined relationship in which they work together to achieve the goals of that organization. This relationship does not come to end after completing each task. Organization is a never ending process.

Purpose of organizing

- **Helps to achieve organizational goal.** Organization is employed to achieve the overall objectives of business firms. Organization focuses attention of individuals objectives towards overall objectives.

- **Optimum use of resources.** To make optimum use of resources such as men, material, money, machine and method, it is necessary to design an organization properly. Work should be divided and right people should be given right jobs to reduce the wastage of resources in an organization.
- **To perform managerial function.** Planning, Organizing, Staffing, Directing and Controlling cannot be implemented without proper organization.
- **Facilitates growth and diversification.** A good organization structure is essential for expanding business activity. Organization structure determines the input resources needed for expansion of a business activity similarly organization is essential for product diversification such as establishing a new product line.
- **Humane treatment of employees.** Organization has to operate for the betterment of employees and must not encourage monotony of work due to higher degree of specialization. Now, organization has adapted the modern concept of systems approach based on human relations and it discards the traditional productivity and specialization approach.

Applications of organizing as a managerial function

Organizing, in companies point of view, is the management function that usually follows after planning. And it involves the assignment of tasks, the grouping of tasks into departments and the assignment of authority and allocation of resources across the organization.

Structure

The framework in which the organization defines how tasks are divided, resources are deployed, and departments are coordinated.

1. A set of formal tasks assigned to individuals and departments.
2. Formal reporting relationships, including lines of authority, decision responsibility, number of hierarchical levels and span of managers control.
3. The design of systems to ensure effective coordination of employees across departments.

Work specialization

Work specialization (also called division of labour or job specialization) is the degree to which organizational tasks are sub-divided into individual jobs. It may increase the efficiency of workers, but with too much specialization, employees may feel isolated and bored. Many organizations enlarge jobs or rotate assigned tasks to provide greater challenges.

Chain of command

Chain of command is the vertical lines of a command structure that is used for the purposes of overall responsibility and accountability in the achieving of stated goals and objectives through the use of orders one direction and reports of compliance in the other direction. Chain of command differs from horizontal lines in an organization which are basically the communication and coordinating lines of the organization.

Authority, responsibility, and accountability

- **Authority** is a manager's formal and legitimate right to make decisions, issue orders, and allocate resources to achieve organizationally desired outcomes.
- **Responsibility** means an employee's duty to perform assigned task or activities.
- **Accountability** means that those with authority and responsibility must report and justify task outcomes to those above them in the chain of command.

Delegation

Delegation is the process managers use to transfer authority and responsibility to positions below them. Organizations today tend to encourage delegation from highest to lowest possible levels. Delegation can improve flexibility to meet customers' needs and adaptation to competitive environments. Managers often find delegation difficult

Issues in Organizing:

Due to the nature of working in teams, group members can sometimes find that they are not organizing the work effectively, which negatively impacts on their progress, and their ability to be successful. Some **common problems** identified by individuals working in teams are:

Tasks not being completed by deadline

To ensure your task is completed on time it may be beneficial to:

- Discuss and establish timelines that ALL members can agree on.
- Ask each member to present a progress report each meeting on what they have completed since the last meeting.
- Offer to assist one another to complete tasks if necessary.

Difficult to get started

To ensure that your group gets off to a good start it may be beneficial to:

- Take time for all members to introduce themselves, including name, background, specific strengths.

- Develop a shared understanding of the task by brainstorming.
- Ensure each member has an opportunity to speak and make suggestions.
- Develop an agenda and a timeline.
- Nominate someone to act as the manager or leader, either for that team meeting or for the term of the project.
- Exchange names and contact details, including email addresses and phone numbers.
- Decide on jobs or sub-tasks for each member.

Ideas are not thoroughly discussed as a team

To ensure that you have enough information to complete your task it could be beneficial for your group to:

- Engage in more brainstorming, particularly focusing on the ‘What if ...?’ and ‘What else ..?’ type questions.
- Ask each member individually for ideas.
- If few ideas are generated, organize to complete some further research individually and then meet up as a team at a later date.

Members not contributing

To ensure that all members contribute to the group task it may be beneficial to:

- Establish why a member is quiet or not participating.
- Communicate that all opinions will be valued.
- Ensure that each member gets their turn to contribute, this may mean ‘going around the circle’.

Ineffective communication

To ensure effective communication between members it may be beneficial to:

- Identify specific issues which seem to affect communication.
- Consider how to address such issues. For example, if team members seem to be misunderstanding each other, it may be helpful to clarify what is being said.

Conflict between team members

To ensure that disagreements between members are dealt with effectively it is important to:

- Respect the ideas of other group members.
- Show that you have heard other member’s ideas and when disagreeing do so politely and respectfully.
- Understand that working in a team requires some negotiation and compromise.
- Take a break to diffuse the situation and recollect thoughts at a later meeting.

Domineering personalities

To ensure that people do not dominate group discussions it may be beneficial to:

- Create time limits on individual contributions or have a 'talking stick'.
- Ensure that each member has a chance to speak, without interruption.
- Remind all members that it is important to hear all opinions in relation to the topic and respect those opinions.

Inability to focus on task

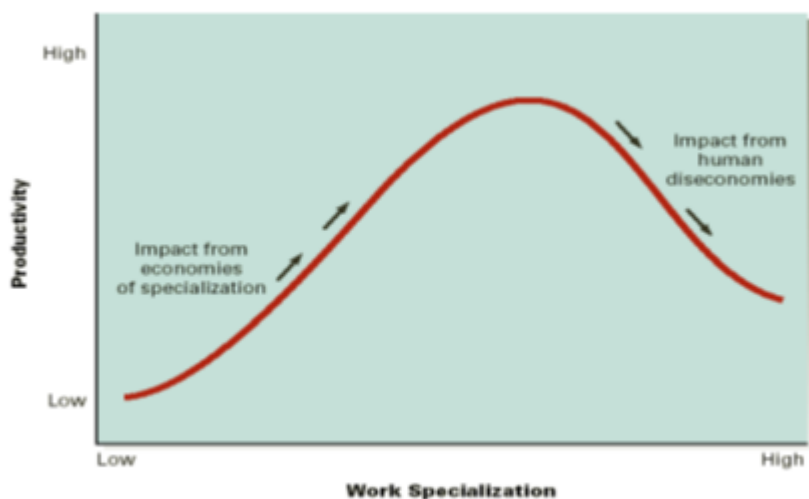
To ensure that your group does not get off task it may be beneficial to:

- Set particular tasks to be completed in each session
- Meet first and then go for lunch after you have completed some work to give yourselves a reward for staying on task
- Ensure that individuals prepare for meetings and talk through what they have completed since the last meeting.

Work Specialization

Work specialization, sometimes called a division of labor, refers to the degree to which an organization divides individual tasks into separate jobs. A component of organization structure that involves having each discrete step of a job done by a different individual rather than having one individual do the whole job.

Economies of Work



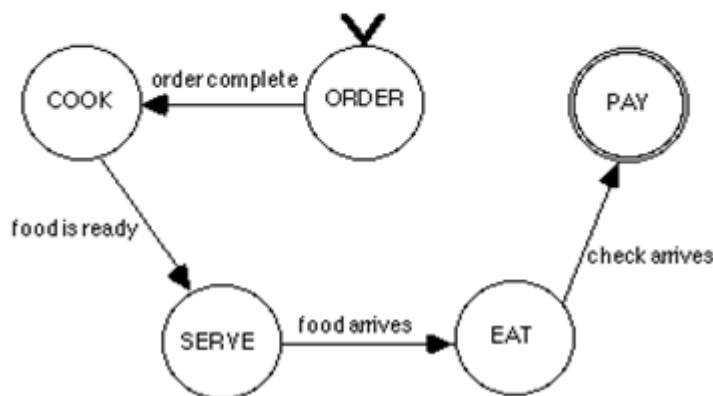
Work specialization depends on economies of scale which are the cost advantages that enterprises obtain due to size, output, or scale of operation, with cost per unit of output generally decreasing with increasing scale as fixed costs are spread out over more units of output.

Example of Work Specialization

Building a Specialization Hierarchy

Food service environments:

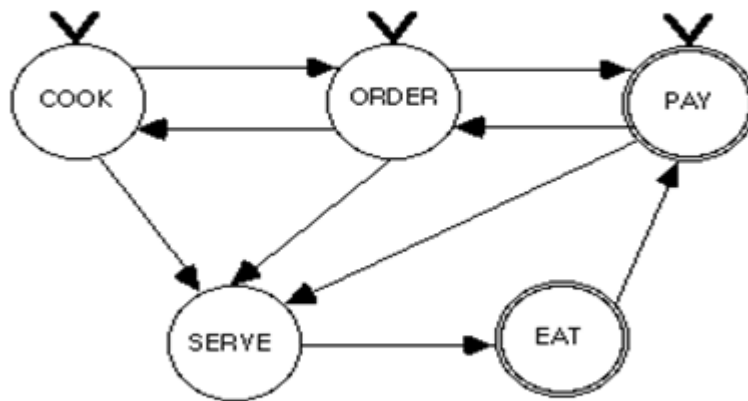
full service restaurant



a fast food restaurant,
a buffet, church supper



*Generalized restaurant transaction(Full service +
Fast food + Buffet + Church supper)*



Chain of Common Delegation

- Process by which a manager assigns a portion of his total work load to others. The requirement to provide satisfactory reasons for significant deviations from duties or expected results.----- accountability

Principles of delegation:

Principle of delegation by result expected:

This principle suggests that work and authority should be delegated to the lowest organizational level commensurate with the ability of subordinates to perform. the superior must state what he expects, when he expects it done and by whom. It is also the superior's responsibility to make sure, that the subordinate knows what is expected of him.

Principle of functional definition:

Effective coordination demands a clear definition, preferably in writing of authority and responsibility for all decisions and work. Clear definition of results expected, activities to be undertaken organisation authority delegated and relationships created are vital. Where task assignments are clear, authority relationships are established in an unambiguous fashion, and where the subordinate has a distinct idea of what is expected of him by the superior, authority delegation is greatly facilitated.

Scalar principle:

The scalar principle states that authority and responsibility should flow in clear and unbroken line from top to the bottom of the organisation. When the line of authority is clear and unbroken line from top

to the bottom of the organisation. When the line of authority is clear, it will be easy for organizational members to understand to whom they can delegate, who can delegate to them and to whom they are accountable.

Authority level principle;

This principle demands that once a subordinate is assigned some work and given authority to do it, he should be allowed to use his judgment and decision making capacity in finding an appropriate way to show performance. He should be given the necessary freedom to operate within his assigned area even at the cost of making mistakes.

Principle of unity of command:

The unity of command principle states that for any given activity an employee should be made accountable to only one superior.

Principle of parity of authority responsibility:

Effective delegation requires that the authority to utilize resources be equal to the responsibility assigned to the subordinate. If a person is going to be responsible for an activity, the person should be given the necessary authority to carry out that activity.

Principle of absoluteness of responsibility:

Delegation in no way implies abdication. The process of delegation does not relieve the superior of any of his authority, responsibility and accountability. The concept of accountability is absolute and cannot be re-delegated.

Advantage:

Superior related advantages: the essence of the delegation process is empowering another person to act for the manager. There are certain practical reasons for this managerial preference:

- To reduce the burden of responsibility carried by him.
- To provide more time for constructive review, or deliberation in the interests of progress.

Subordinate related advantage:

Delegation has a tonic effect on the psychology of subordinates. It allows subordinates to grow, enlarge their understanding and develop their capacities. It causes subordinates to accept responsibility and exercise judgment.

Delegation problem (barriers):

Reluctant to delegate: manager offer numerous explanations in support of their conservative outlook.

- **Better performance:**

Many managers, suffering from an inflated sense of their own worth, believe that if you something done right, do it yourself. The subconscious belief that nobody could possibly do he job as well as he can, compels a manager to bury himself in routine.

- **No trust:**

A manager trapped in this fallacy delegate but continues to breathe so closely down the necks of his subordinates that he makes effective action rather impossible.

- **Subordinate may get credit:**

For managers who are habituated to the constant flattery of subordinates bringing matters to them for approval, turning over a part of their work may difficult choice. Their reasoning is that if subordinates make decisions concerning the work.

- **Continuous guidance difficult:** effective delegation requires that the manager must communicate to his subordinate far in advance, what is to be done. This may prove to be a troublesome exercise for the executive because he is now forced to think ahead and visualize the work situation, formulae objectives, general plans of action and finally, communicate these to his subordinate.

Reluctant to accept delegation:

- **Easy to ask:**

Wise decisions are products of hard mental work.it is better to seek the guidance of the boss. If a subordinate finds that he can take a problem to his superior and get an answer, naturally he will do so. Sharing he burden with the superior is a safe proposition.

- **Fear of critic:**

If there is failure, the superior is likely to direct the arrows of criticism the subordinates. If delegation proves to be a success then the superior is likely to steal the credit away form the subordinates.

- **Lack of information resources:**

Assuming greater responsibilities may be risky in the absence of necessary information and resources. The fears of subordinates I this connection are real.in many case, it is true that their duties are not clearly defined, authority is not specific and instruction are vague.

- **Too heavy:**

In the absence of adequate rewards for satisfactory performance, subordinates are typically reluctant to assume added responsibilities and a subject them selves to emotional pressures. The risk of failure is unpleasant and unless, the inducements are attractive, no one is interested in accepting delegated responsibilities.

Effective delegation guideline

The subordinate:

1. Select subordinates, in the light of the task to be performed. Provide guidance, help and information to them. Maintain open lines of communication.
2. Allow the subordinates to see the big picture. The subordinates need to know why his work is both necessary and important.
3. Provide sufficient authority to subordinates for accomplishing goal assignments.
4. Rewards acceptance of responsibility.

The organisation culture:

1. **Create an atmosphere of trust** and risk-taking.
2. Use constructive criticism to help the subordinate grow.
3. All delegation should be in writing.

The authority structure:

1. Equate authority with responsibility; too much authority may be abused, too little authority may frustrate the subordinates.
2. Restrain any inclination to override interference with or undermine the delegation.

The control systems:

1. Prevent illegitimate usurpation of authority by establishing broad and controls.
2. Provide standards so that the subordinate can measure and evaluate his performances against the standards.

Span of Management

The number of subordinates whose work a manager can effectively manage is termed as span of management or span of control. This number is not something universal but is rather context specific. It depends upon many factors such as organizational level, kind of activity being supervised, kind of personnel being supervised, and finally on the type of organisation. Generally speaking, the span of management is broader at last level of departmentation than it is at the primary or intermediate level. A routine type of activity. However, professions in which individuals work in independently have a broader span of management. This is especially true of knowledge workers. An organisation that has policy of highly centralized decision making will have a narrow span of management.

Other factors being the same the average span of management determines whether an organisation has a tall structure or has a relatively flat structure. A flat structure has few hierarchal levels and a broader span of management, whereas a tall structure has more hierarchal levels and it is narrow span of control.

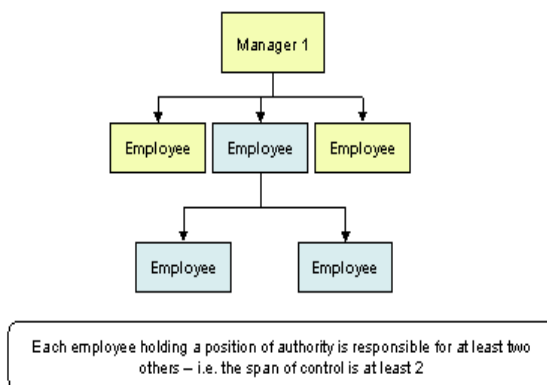
Example- Agile, customer-oriented and knowledge work dominated organisations tend to have flatter structures that are both efficient and effective.

Finally we can say that **A span of Management (control)** is ...the number of workers who report directly to one manager.

Narrow span (tall structure)

- **Narrow span:** Narrow span of management means a single manager or supervisor oversees few subordinates. Less means a narrower span of control.

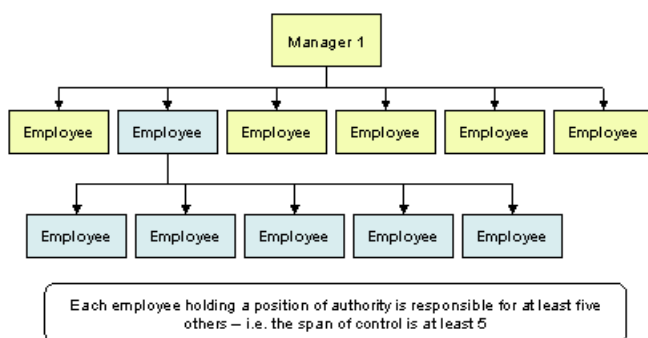
Example of a Narrow Span of Control



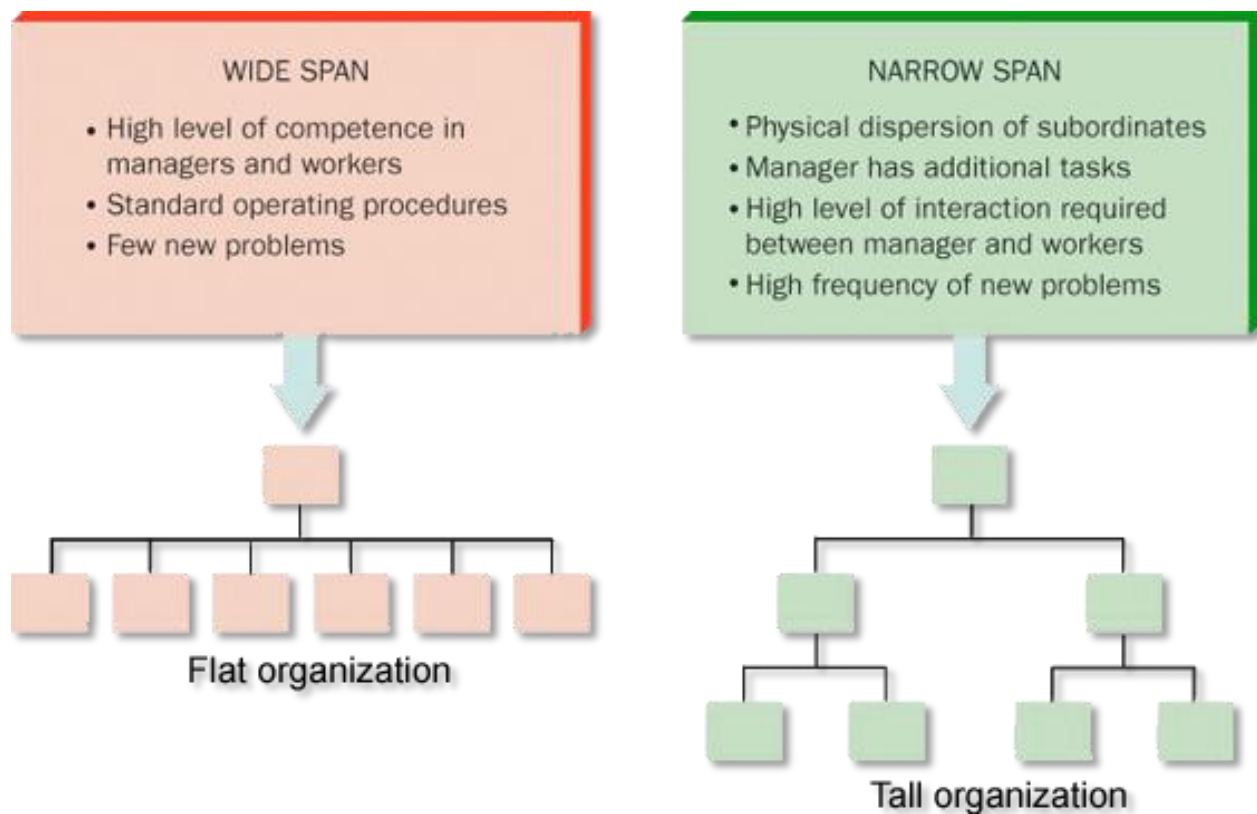
Wide Span of Management:

Wide span: The more people under the control of one manager - the wider the span of control.

Example of a Wide Span of Control



The diagram of Span of Management



Example of FedEx Express

The span of management at FedEx varies within the company. Department in which workers do the same tasks on a regular basis- customer- service agents, handlers and sorters and couriers- usually have a span of management of 15-20 employees per manager. It based on wider span of management. Groups performing multiple and different tasks (tracking on line, online-billing, order receiving,) are more likely to have small span of management (narrow) consisting 5-6 employees.

Advantages Wide Span of Management:

- There are less layers of management to pass a message through, so the message reaches more employees faster.
- It costs less money to run a wider span of control because a business does not need to employ as many managers.

	Tall Structure	Flat Structure
Strengths	Closer control.	Forces managers to delegate, leading to development of subordinates

	Better coordination where the work is highly interlocking.	Reduces overhead costs and the number of supervisors needed.
	In crisis situations ensures closer supervision and possibly fewer mistakes.	Speed up and improve communication.
	Some individual work better and actually prefer closer, detailed supervision	For individuals who desire challenge, responsibility and autonomy, flat structures are most suitable.
Weakness	Slows- decision making.	Flat structures put pressure on managers and impose heavy penalties for failure.
	Distorted communication.	It will require competent people to create autonomous units.
	Costly in terms of administrative cost	Control and coordination difficult to achieve result.

Factors influencing the Span of Management:

Narrow Span (a great deal of time spent with subordinates)

- Little or no training to subordinate by superior.
- Inadequate or unclear authority delegation.
- Unclear plans for non-repetitive operations.
- Non-verifiable objectives and standards.
- Fast changes in external and internal environment.
- Use of poor or inappropriate communication techniques, including vague instructions.
- Ineffective interaction of superior and subordinate.
- Ineffective meetings.
- Greater number of specialists at lower and middle levels.

Wide Spans (very little time spent with subordinates)

- Through subordinate training.
- Clear delegation to undertaken well-defined tasks.
- Well- defined for repetitive operations.
- Verifiable objectives used as standards.
- Slow changes in external and internal environments.
- Use of appropriate techniques such as proper organisation strcutre, written and oral communication.
- Effective interaction between superior and subordinate.
- Effective meetings.
- Number of specialists at upper levels.
- Competent and trained manager.
- Simple task.
- Subordinate's willingness to assume responsibility and reasonable risks.

How to optimize span of control?

Both tall and flat structures have their supporter and their critics. Extremely flat and extremely tall structures are exceptional cases. Clearly, the optimum pan lies somewhere between the two. How to select the appropriate span that will enable the managers to use their time and subordinates' time most effectively? Keren and Levhari offered certain guidelines for calculating the appropriate span. The guidelines include relating to the manager, factors relating to subordinate and the factors relating to the situation. Following are the guidelines for the manager and subordinate:

Manager	Subordinates	Situation
The manager is well- trained and highly capable.	Subordinates are well-trained for job.	The work is fairly routine.
The manager receives assistance in performing his tasks.	Subordinates prefer to work without close supervision.	The operations are fairly stable.
The manager is not overburdened with additional, non- supervisory task to perform.		The work of subordinate is similar
The manger prefers a fairly loose supervisory style.		The work of subordinates does not interlock
		The work can be performed based on well- established methods and

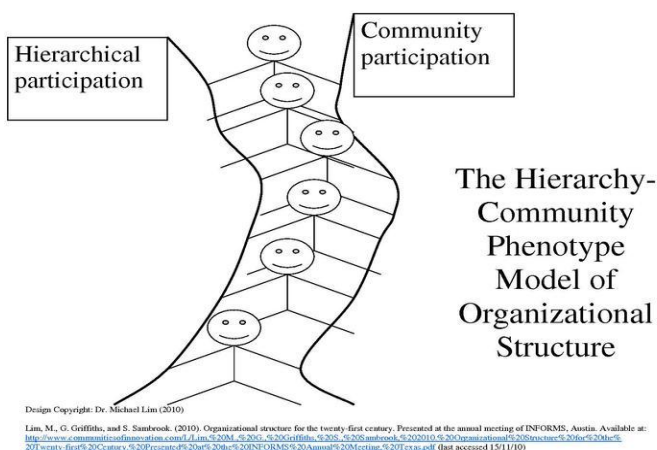
		procedures
		The work does not require constant interactions with the superior.

Criticism of Span of control:

1. **Contradictory proverb:** Herbert Simon has questioned the validity of the span of control in terms of theoretical soundness. He said that span is a contradictory proverb of administration; procedure excessive red tape for each contact between organisations members must be carried upward until a common supervisor is found.
2. **Concern for democracy:** some scholars have objected to the idea of limited span of authority on the ground that it prohibits democratic participation. The gain in production achieved by over specialization and over centralization of authority may be lost in the debilitating and enervating effects on employee morale ultimately.
3. **Unnecessary:** another argument is that a given organisation is efficient despite apparent infringement of the span of control and hence the principle is unnecessary and incorrect.

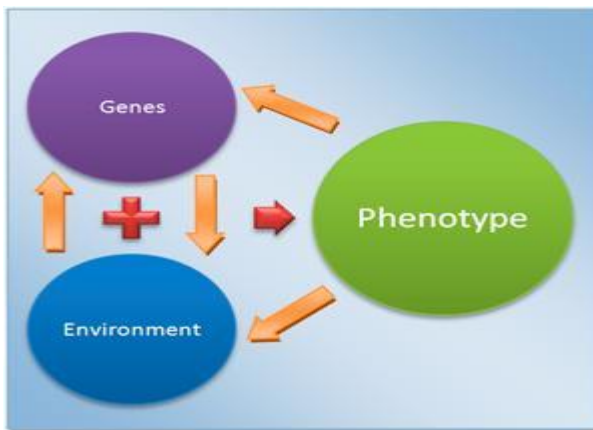
Organizational Structure-

An **organizational structure** defines how activities such as task allocation, coordination and supervision are directed towards the achievement of organizational aims. It can also be considered as the viewing glass or perspective through which individuals see their organization and its environment.



Hierarchy-Community Phenotype Model of Organizational Structure

The business is no longer just a place where people come to work. For most of the employees, the firm confers on them that sense of belonging and identity – the firm has become their “village”, their community. The firm of the 21st century is not just a hierarchy which ensures maximum efficiency and profit; it is also the community where people belong to and grow together, where their affective and innovative needs are met. The set of observable characteristics of an individual resulting from the interaction of its genotype with the environment. It results from the expression of an organism’s genes and the influence of the environment. In the model, each employee’s formal, hierarchical participation and informal, community participation within the organization, as influenced by his or her environment.



In other words, it is the combined expressions of all the employees’ formal hierarchical and informal community participation within an organization give rise to the organizational structure.

What is departmentation?

Departmentation is systematic process of parceling out the responsibility for operations to subordinates. It is the process of grouping employees and activities into various departments.

Need for departmentation

Departmentation is require to drive a large and complex organisation into smaller flexible administrative units. Departmentation permits specialization by subdividing the organisation structure.

Bases for Departmentation

Departmentalization refers to the grouping of activities at every level in the organisation and not just at the departmental level alone. It is the first step towards organizing an enterprise. While, unskilled manpower may be grouped and departmentalized according to their number, skilled manpower within

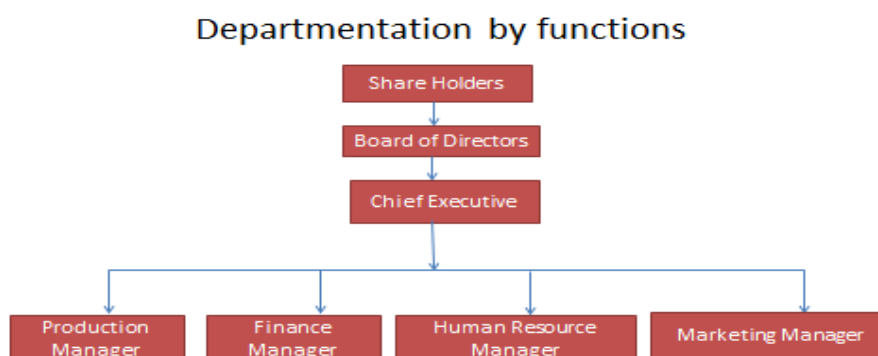
large and complex organisation may be grouped according to the function they perform, e.g. production, marketing, finance, and research and development.

Apart from grouping manpower on the basis of number and function, organizational activities can be also grouped on the basis of product or product line. A company can thus be organized around divisions where the divisional executive takes all the decisions about production, marketing, finance, for a given product.

There two broad form of organisation structure or departmentation.

1. Departmentation by functions
 2. Department by Division
- Departmentation by products
 - Departmentation by territory/ geographic
 - Departmentation by customers
 - Departmentation by process
 - Department by time
 - Department by task force

1. Departmentation by functions:



Meaning:

Similar activities of a business are grouped into major department or divisions under an executive who reports to the chief executive. This departmentation is most widely used basis for organizing activities.

EXAMPLE: The functions of manufacturing concern can be divided into production department, marketing department, financial department and personnel department.

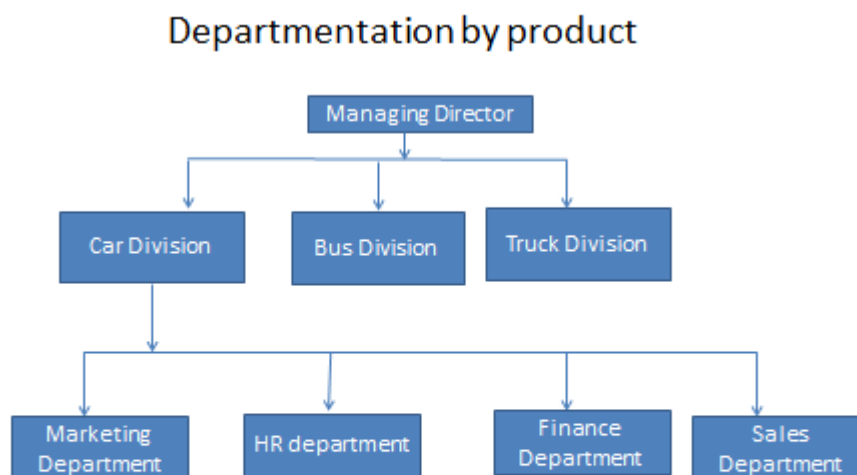
Features of Functional Structure:

Functional structures are characterized by the following:

1. Specialization by function: functional structure orients people towards a special activity. It helps to concentrate on competence in particular ways.
2. Sub goal emphasis: functional structure comes departmental heads to concentrate on sub- unit goals. Departmental heads are judged based on how well they meet the standards, achieve the target etc. this leads to sub-unit goal emphasis.
3. Growth-always pyramidal: growth in functional structures is a process of horizontal and vertical elaboration. When a new product is added to the existing product line, the added position and departments are made part of the existing functional structure. Each function grows by adding layers to the base of the pyramid and of the span of supervision and number of levels reporting to each manager within the functional pyramid.
4. Line- staff division: a clear distinction between line and staff activities is observed in all functional structures. In fact, functional organisation is a modified form of line and staff structure. Line functions have direct responsibility for achieving the basic purpose of the organisation. Staff functions play supportive role. Line command, staff advises.
5. Functional relationship: functional relationship subjects managers to multiple supervision. The process of departmentation can take place with all three types of authority: line, staff and functional. Functional authority is subordinate to line , staff and functional. Functional authority is subordinate to line authority and is way of relating specialist to work in the organisation. Functional authority is a limited form of line authority given to functional experts over certain specialized activities under the normal supervision of manager belonging to other department. Manager who enjoy functional authority have the right to issue directives on matters over which they do not have direct authority otherwise.
6. Centralization and decentralization: one man heads up all of one kind of work. In a functional organisation, authority is centralized to a great extent. As a result, coordination within functions is simplified.
7. Span of control: the span of management is limited in functional structure. As a result, they tend to be tall structures. Managers exercise close supervision and rely on impersonal rules and procedures to manage individuals in organisations.

Merits	Demerits
It suits well the small enterprises.	It may lead to excessive centralization.
It promotes specialization.	Decision making process is delayed.
It facilities intra- departmental co-ordination.	Poor- inter departmental co-ordination.
It suits well for those organisations which have single product line.	It hinders human development in all the areas.

Departmentation by Product



Meaning:

In a multiproduct organisation, the departmentation by product most suits. The activities are grouped on the basis of product or product lines. Here, every individual department is responsible for producing and selling the type of product assigned to them. A product line is a group of products that are closely related to each other by function, customer group, market, or price range.

Departmentation by product is adopted in the case of the multi-product enterprise. The product structure disorganized according to organizational output. The structure is divided into several fairly autonomous

units. Each unit is relatively self-contained and is headed by a product manager who is responsible for the company's investment in capital, facilities as well as the unit's progress.

Companies like Hindustan Unilever Ltd., ITC, Larsen & Toubro, Siemens and Thermax have been using this model quite successful in departmentation by product.

Factors Influencing the choice between functional and product departmentation

Diversity of the product line: the more diverse and changing the product line, the more the advantage of product departmentation.

Interdependencies: the greater the need for coordination between production, engineering and sales, the more product departmentation suggests itself.

Levels of technology: the greater the need for expertise and specialized skills, the more likely that a higher degree of functionalization is desired.

Economies of scale: product departmentation is expensive and is only suitable for giant organisation capable of absorbing the costs involved in creating product solving.

Divergent production divergent marketing: Divisionalisation may be particularly appropriate if the diverse products are based on entirely different technologies and sold to entirely different markets.

Features of product Departmentation:

1. Product departmentation focuses on results and performance than on means. The products structure is organized, basically, according to organizational outputs.
2. Product structures involve dismemberment of the monolithic functional organisation into autonomous units.
3. The divisional head is responsible for performance and holds complete strategic and operating decision making authority.
4. The organisation is split into product divisions, each of which is responsible for its own profit or loss.

Functional structure	Product structure
Organisation divide along functional lines.	Organisation divided along major product lines.
Focus on functional expertise, skills	Focus on product development, exploitation of market opportunities.
Control and coordination not easy to achieve economical	Control and coordination relatively easy.

Can not fix responsibility on any one functional head	Expensive to create independent units.
Develops specialists	Easy to pin point responsibility on product managers.
Less autonomy	Develops and grooms generalist who could step into top management posts easily.
Useful for all types of firms	Divisional heads enjoy more freedom and autonomy.

Organizational culture:

Culture includes the organization's vision, values, norms, systems, symbols, language, assumptions, beliefs, and habits.

Organizational Culture is defined as the way in which members of an organisation relate to each other, their work and the outside world in comparison to other organisations.





CULTURE

Concepts Related to Cultural Intelligence

C	C ulture is pervasive. Everyone, every organization, every region, and every country has a culture.
U	U nderstanding cultural beliefs, values, and perceptions of others is a key to success. And <i>vice versa</i> .
L	L earning diverse cultural heritage is rewarding, inspiring and empowering.
T	T eamwork in the increasingly global and diverse workplace is impossible without cultural intelligence.
U	'U s' and 'T hem' cultural programming and divide can be eased through better understanding of 't heir' perceptions.
R	R apport starts with understanding of where the other people are coming from and acceptance of their point of view and style.
E	E xploiting cultural diversity is a key to unlimited innovation and growth.

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Cultural Diversity:

Cultural diversity is a form of appreciating the differences in individuals.

The differences can be based on gender, age, sex, ethnicity, gender orientation, and social status. Cultural diversity (also known as multiculturalism).

Cultural diversity in the workplace extends beyond national origin and includes many factors pertaining to employees' heredity and experience in areas such as religion, language, political views and moral codes.

How the language, age, religion race plays a vital role in terms of cultural diversity?

Language

- Language diversity can introduce communication complications, but can also provide benefits for the business.
- Potential customers may leave your business because the staff can't understand their orders.
- A multilingual staff can help ensure clarity of message when addressing a culturally complex world and when you want to target a diverse marketplace.

Age

- Consider the common stereotype that younger people are more tech savvy, whereas older people are opposed to contemporary trends.
- In companies where the stereotype is standard, you can benefit from both the experience and insight of older employees and technical implementation from the younger staff.

Religion

- Employees can bring varied belief systems and degrees of religious observation with them into the workplace.
- These differences can sometimes manifest in overt needs, such as getting certain **holidays off, dietary restrictions, clothing and prayer requirements.**
- The differences may be more simple, by informing employee personalities and the character of their interactions with others.
- Religious diversity in the workplace creates a need for **effective communication, respect, and empathy among workers.**

Race

- Racial diversity continues to present American businesses with challenges.
- Business and governments continue to work on integrating their workforces to better reflect the general population because it's good for business.
- Companies that hire a racially diverse workforce consistently draw more customers and reap higher profits .

Multi ethnic workforce

A multicultural work force is one made up of men and women from a variety of different cultural and racial backgrounds. The labor force of any country is a reflection of the population from which it is drawn. Managing this diversity in such a way that the benefits are maximized and the challenges minimized is an important aspect of managing any business today.

EFFECTIVE MANAGEMENT OF A MULTICULTURAL WORK FORCE

Implementing policies that will foster and encourage a harmonious, multicultural work force.

Start at the top—A commitment to the idea of an open and receptive work place must be seen from the owners and managers of a company early on, preferably before official policies are announced.

Communicate in writing—Company policies that explicitly forbid prejudice and discriminatory behavior should be included in employee manuals, mission statements, and other written communications.

Training programs—Training programs designed to engender appreciation and knowledge of the characteristics and benefits of multicultural work forces have become ubiquitous in recent years. Two types of training are most popular: awareness and skill-building.

Recognize individual differences— do not make the mistake of assuming that differences are always 'cultural.' There are several sources of difference.

Some relate personality, aptitude, or competence.

Actively seek input from minority groups—Soliciting the opinions and involvement of minority groups on important work committees, etc., is beneficial not only because of the contributions that they can make, but also because such overtures confirm that they are valued by the company.

Revamp reward systems—An organization's performance appraisal and reward systems should reinforce the importance of effective diversity management.

Make room for social events—Company-sponsored social events—picnics, softball games, volleyball leagues, bowling leagues.

Continuous monitoring—Experts recommend that business owners and managers establish and maintain systems that can continually monitor the organization's policies and practices to ensure that it continues to be a good environment for all employees.

Example - Diverse by design (TOYOTA)

A diverse and inclusive workforce brings a broad spectrum of ideas and voices to our company that enriches every product we create. By actively encouraging respect, trust and understanding among our employees, we believe we can better serve our company, our customers and our communities.

Multi ethnic workforce example of TCS:

[Global exposure:](#)

- Global exposure at TCS extends beyond geographical boundaries. This means working on world-class projects on a global scale and exploring cutting-edge technologies, fresh out of the world

renowned research labs. The opportunity to understand, interact, and work with people from cultures all over the world.

Freedom to work across domains:

- At TCS, we have established an environment that focuses on individual aptitude, talent, and interests. As a proven practice, they promote cross-domain experience that provides the employees with opportunities to function across different industry verticals, service practices, and functional domains as well as varied technology platforms.

Work life balance:

A part of TCS' work-life balance programs, 'Maître' actively promotes a series of scheduled fun and cultural events and activities, and also keenly promotes community development projects.

Organizing knowledge resources

Business knowledge can exist on several different levels:

Individual: Personal, often [implicit knowledge](#)/know-how of some sort. It can also be explicit, but it must be individual in nature, e.g. a private notebook.

Groups/community: Knowledge held in groups but not shared with the rest of the organization. Companies usually consist of communities (most often informally created) which are linked together by common practice.

- These [communities of practice](#) may share common values, language, procedures, know-how, etc. They are a source of learning and a repository for tacit, explicit, and [embedded knowledge](#).

Structural: Embedded knowledge found in processes, culture, etc. This may be understood by many or very few members of the organization.

- E.g. the knowledge embedded in the routines used by the army may not be known by the soldiers who follow these routines.
- At times, structural knowledge may be the remnant of past, otherwise long forgotten lessons, where the knowledge of this lesson exists exclusively in the process itself.

.....

Terminology to Remember

Span of management: The number of employees who report to a superior.

Tall structure: a management structure characterized by an overall narrow span of management and a relatively large number of hierarchical levels.

Profit Centre: sub-unit responsible for its own decisions, organizational units where performance is measured by numerical difference between revenues and expenditures.

Work team: Autonomous groups of employees who are collectively responsible for their output.

Departmentation: the process of dividing the large organisations into smaller and flexible administrative units.

Differentiation: The degree of the differences among the units of an organisation. The differences are due to different structural and behaviour characteristics.

Integration: the process of achieving unity of effort among various subsystems in the accomplishment of an organisation task.

Functional structure: Grouping individual and resources by skill, knowledge and action.

Line positions: Positions in an organisation concerned with its major workflow

Staff positions: position within an organisation not directly concerned with its major workflow but those offering expertise and advice to various line managers.

Divisional structure: Grouping positions into units according to the similarity of product or markets.

Delegation: the process by which a manager assigns a portion of his total work to others.

Responsibility: the obligation of a subordinate to perform the assigned duty as required by the superior.

Centralization: the process of systematically retaining power and authority in the hands of higher level managers.

Decentralization: it is the pushing down of authority and power of decision making to the lower levels of an organisation.

Cost center: it is a responsibility center whose budgetary performance depends on achieving goals by operating within standard cost limits.

Investment center: it is a responsibility center whose performance is evaluated on the basis of return on investment.

Accountability: any means of ensuring that the person who is supposed to perform a task actually performs it and does so correctly.

Formal structure: the intended configuration of positions, job duties and lines of authority among the component parts of an organisation.

Staff unit: these assist the line units performing specialized services to the organisation.

Line units: these conduct the major business of the organisation and are responsible for achieving enterprise objectives.

Line and staff organisation: it is an organisation in which line managers make decisions and staff personnel provide advice and support.

Organizing: the process of prescribing formal relationship among people and resources to achieve goals.

Learning organisation: one that turns new ideas into improved performance.

Hierarchy: The line of authority in an organisation that runs in order of rank from top management to the lowest level of the enterprise.

Long questions

1. Define departmentation. What is the need for departmentation in present day big organisations?
2. Discuss in brief various bases of departmentation. Compare and contrast departmentation by function and product.
3. If you are president of a company that was organized along functional lines and a consultant suggested that you organize along territorial or product lines, what might concern you in following this recommendation?
4. Discuss the various bases for departmentation and suggest a scheme of departmentation for a large enterprise with a distribution network all over the country.
5. What do you mean by span of management? Point out relative merits and demerits of tall and flat structure in organisation.
6. Define the term span of management. How do you determine the optimum span of management in a given situation?
7. Is Divisionalisation a panacea? Discuss the merits and demerits of functional structure.
8. What are the basic types of organizational structures? Briefly describe each type.

9. What are the basic types of groups in organisation? Which type of group do you think is most significant? Why?
10. Explain in detail how formal organisations and informal organisations can be integrated or encouraged to support each other more fully.
11. List the important reasons for the emergence of an informal organisation in modern times.
12. The actual process of interaction among the individuals represented in the formal plan cannot adequately be described Solley in terms of its planned lines of interaction. Elucidate this statement.
13. "Both formal and informal organisations are an necessary for an enterprise as the two blades are necessary to make a pair of scissors workable". Critically examine the statement and suggest strategies for managing informal groups effectively.
14. "Formal and informal organisation are not two different forms but are dimensions of the same organisation." Critically examine the statement, bringing out clearly the difference between the two.
15. Define delegation. Why is it essential for the smooth functioning of an enterprise? Discuss the steps in delegation. How delegation will be effective?
16. "A manager should decide what to delegate and what not to delegate, and to whom should authority be delegated." Do you agree?
17. "Delegation is the ability to get results through others." Discuss.
18. "Delegation is both the gauze and the means of a managers' accomplishment.' Critically examine the statement.
19. Define centralization. Distinguish between centralization and decentralization.
20. "Decentralization is not necessarily good, nor is centralization bad.' Discuss.
21. "By delegation authority, a manager cannot free himself from his own responsibility.' Critically examine the statement.
22. "Delegation of authority is the key to organizational success.' Do you agree with this statement? Why or why not? How can a manager delegate his work to subordinates effectively?
23. What is culture? Define organizational culture. How the language, age, religion race plays a vital role in terms of cultural diversity?
24. Why is decentralization called as the "golden calf of management philosophy"?
25. What is organizing? Discuss some issues in organizing.
26. Short note:
 - a. Organizational knowledge resources
 - b. Multi-cultural work force

MODULE- III

Planning:

- nature & elements of planning,
- planning types and models,
- planning in learning organisation
- Types of learning organisation
- Steps of learning organisation
- MBO & MBE
- Planning premises

Planning: Concept

A plan is a forecast for accomplishment of task. It is a predetermined course of action. It is today projection for tomorrow's activity. To plan is to produce a scheme for action, to bring about specified results at a specified cost, in a specified period of time.

Definition:

According to Terry, "successful manager's deal with foreseen problems, and unsuccessful managers' struggle with unforeseen problems. The difference lies in planning".

Planning is a trap laid down to capture the future. (Allen)

Planning is deciding in advance what is to be done in future.(Knootz)

Nature of Planning:

Planning is goal-oriented: All plans arise from objectives. Objectives provide the basic guideline for planning activities.

Planning is a primary function: Planning is the foundation of management.

Planning is all pervasive: Planning is a function of all managers. It is needed and practiced at all managerial levels.

Planning is a mental exercise: Planning is mental process involving imagination, foresight and sound judgment.

Planning is flexible: Planning is based on future events. Since future is uncertain, plans should be reasonably flexible.

Planning is flexible: Planning is based on future events. Since future is uncertain, plans should be reasonably flexible.

Planning includes efficiency and effectiveness dimensions: Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Elements of planning:

A plan has the following elements:-

1. Aim:

Any organisation should have definite aim. The aim should be clearly defined so that it can guide and direct the activities of the enterprise. The main aim of a cooperative organisation is to do service and to improve the economic conditions of members. Calvert's definition of cooperation clearly exhibits this aim.

2. Objectives:

Webster's Dictionary defines objectives as "that towards which effort is directed or end of action or goal". Hence objectives or goals may be described as the ends towards which the group activities are aimed.

People say "Effective management is management by objectives". A cooperative organisation can have sub-objectives for each department or sections and they can be united to have board based objective.

3. Policies:

A policy is a verbal, written or implied basic guide that provides direction to a manager for action. Policies guide the actions of an organization's performance and its objectives in the various areas of operation.

4. Procedures:

Procedures spell out the actions to be taken out in practice to achieve the organizations objectives as stated in the policies. Procedures may be static or changed often. Organizations have set procedures for procuring raw materials, recruitment of personnel etc.

5. Methods:

Methods are work plans, since they provide the manner and order, keeping the objectives, time and facilities available. Methods involve only one department and one person. They contribute to the efficiency in working and help work planning and control. Methods are used in manufacturing, marketing and office work.

6. Rules:

Rules are different from procedures and policies. A rule requires a specific and definite action be taken or not taken with respect to a situation. Rules do not allow any discretion in their application. Also they do not allow any leniency to come in the way of their application.

7. Budget:

Budget is essentially a plan expressed in quantitative terms. Budgets involve both planning and control element. Like the plan, budget is flexible, realistic and operates within a framework. A budget is differentiated from other plans in the following respects:-

- a. It is a tool for planning and control.
- b. A budget covers specific period.
- c. Budget is expressed in financial terms.

8. Programmes:

Programmes show the way and lay down procedure for activities to take place within a time limit for accomplishing, the stated objectives. The constituents of a programme are objectives, policies, procedures, rules, methods and resources to be made use for obtaining the objectives. Programmes enable the management to anticipate and prepare them ahead to meet future eventualities.

9. Strategic:

Koontz and O'Donnell consider this as an important planning element. "Strategy concerns the direction in which human and physical resources will be deployed and applied in order to maximize the chance of achieving a selected objective in the face of difficulties".

In corporate planning strategy serves as a master plan which the company adopts for the realization of the objectives. It provides skill and judgment to the management to predict and foresee what difficult and complex situations are likely to arise and they can take timely action to avert them or at least to minimize the risk and uncertainty.

Steps in planning process (6 steps):

- **1. Establishing objectives:** This process is to identify the goals of the organization. It examines Internal as well as external conditions affecting the organization. It is need to done to accomplishment task. The objective so derived must clearly indicate what is to be achieved, where action should take place, who is to perform, how it is to be undertaken and when it is to be accomplished.
- **2. Developing premises:** It is necessary to outline planning premises. Premises are assumptions about the environment in which plans are made and implements. Premises are assumptions about the environment in which plans are made and implemented. Thus assumptions about the likely impact of important environmental factors such as market demand for goods, cost of raw materials, technology to be used, population growth, government policy. Ex- market demand for goods, cost of raw materials, technology to be used, population growth. Ex- the demand of fuel efficient vehicles in late 1980s has compelled all automobile manufacturers in India to go search of collaborative agreements with foreign manufacturers from Japan, Germany, and USA.
- **3. Evaluating alternatives and selection:** It is next best steps after setting and objectives and planning. Ex- liberalization of imports and the use of high technology in recent times has encourage manufacturers to produce color television sets, electronic sets, electronic equipment's, videos, computers, fuel-efficient vehicles. Thus changes in government policy, technology, competition etc., pose several alternatives before manufacturers, from time-to-time, regarding the products that they should manufacture.
- **4. Formulating derivative plans:** After selecting the best course of action, the management has to formulate the secondary plans to support the basic plan. The plans derived for various departments, units, activities etc. in a detailed manner are known as derivative plan. Example-, the basic production plan requires a number of things such as the availability of plant and machinery, training of employees, provision of adequate finance. The success of a basic plan, the derivate plans must indicate the time schedule and sequences of performing various tasks.
- **5. Securing cooperation and participation:** Successful implementation of a plan depends, to large extent, on the whole hearted cooperation of the employees. Employee should be involved in planning, suggestion, complaints and criticisms. Involvement of subordinates in planning has the unique advantage of getting a practical view of those closer to the sense of operation.
- **6. Providing for follow-up:** Plans have to be reviewed continually to ensure their relevance and effectiveness. In the course of implementing plans, certain facts may come to light that were not

even thought of earlier. Without such a regular follow up, plans may become out of date and unless. Management can notice shortcoming in time and initiate suitable remedial steps.

Planning Effectiveness:

How can a manager can effectively plan when the external environment is continually changing?

The following steps have to be taken, according to the experts, in order to make planning effective:

Climate: Top managers should remove obstacles to planning by establishing clear cut goals, realistic planning premises and offering required information and appropriate staff assistance at various levels.

Top management support: Planning must start at the top. It must receive attention of the top management, continually. They must be willing to extend a helping hand, whenever required.

Participation: Plans are implemented by people. So, it is necessary to secure acceptance and commitment from them.

Communication: People must know what they are supposed to do, when, how and where. The time limits also are communicated in advance.

Integration: Monitoring: plans must be subjected to regular appraisal and review so as to take note of internal as well as external changes. It is better to keep the plan flexible to the extent possible.

Approaches of planning:

Managers follow various approaches to planning based on the extent of participation, authority delegation and competency level of managers working at various levels namely.

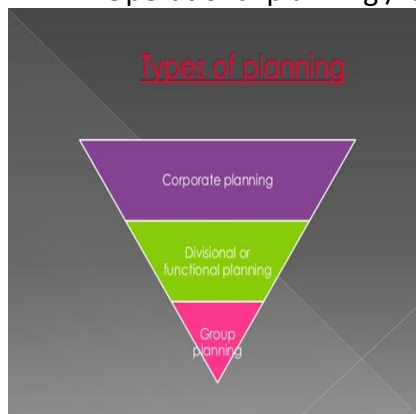
- **Top-down approach:** In most family-owned enterprises, authority and responsibility for planning is centralized at the top. The top management defines the mission, lays down strategies and specifies actions plans to achieve stated goals. The blueprint is then passed on to the people working at lower level, who have very little contribute to the process of planning. The success of this approach is wholly dependent on the qualifications, experience and capabilities of people working at the top level.
- **Bottom-up approach:** Thinking and doing aspects in the planning process are two sides of the same coin. So, if lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically. Participation enables them to give their best to the plan document.
- **Composite approach:** in this approach, a middle path is chosen to facilitate the smooth implementation of the plans. Here, the top management offers guidelines, sets boundaries and encourages the middle and lower level executives to come out with tentative plans. These are put to discussion and debate. Once approved, such plans gain acceptance readily since everyone has been drawn into the exercise.

- **Team approach:** The team approach is slightly different from the composite approach. In this approach, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into account. The tentative plans are forwarded to the top management for approval. The expertise, experience and capabilities of functional heads are executed into action in such a participative climate.

Planning types:

Planning based on organizational levels:

- Long-term (strategic) planning / Corporate Planning
- Medium – term planning 3 years / Divisional planning
- Operational planning / Group planning



Strategic Planning:

- To achieve strategic goals
- Indicate resource allocation priorities.
- It involves SWOT analysis.
- Generally developed by top level management.
- It is long term in nature.
- It operates in uncertain environment.
- To do this large number of information is required.

Example of Nestle

Nestlé India is preparing a blueprint for a possible relaunch of the Maggi instant noodles brand. To prepare itself in the event it gets a go-ahead from the Bombay HC to resume sales in the country, Nestlé India is conducting an internal survey, seeking inputs from employees on how 'Maggi could be returned to its rightful position'. Nestlé India has created a dedicated web page for the purpose and has tied up with survey monkey, a website, seeking feedback from employees on how Maggi can be 'rebuilt'. In an e-mail to employees recently, Nestlé India's Managing Director Etienne Benet said, "We are determined to resolve the Maggi noodles issue in the best possible way. "We will return Maggi to its rightful position as 'the most trusted food brand in India. MD ask to employees for their suggestions or comments to achieved the solution.

This survey is not visible to outsiders. Employees have been encouraged to ask questions and raise doubts. Persons in the know said the idea was to generate a bank of ideas to help the company deal with the current crisis, as well as plot a way forward. The relaunch is likely to see Nestlé India overhaul product packaging, as it seeks to mark a complete break from the past. The company might also change its labelling to ensure it does not breach food safety norms. Labels such as 'No added MSG' could be removed from the new packs, persons in the know said. Prior to the ban and recall, Nestlé India derived 26 per cent of its Rs 9,800-crore (Rs 98-billion) annual revenue from Maggi noodles, regarded as the country's best-known comfort food.

Tactical Planning:

- Aims at achieving tactical or short-term goals.
- Support the implementation of strategic plans.
- Developed by middle-level managers.
- Actual getting the things done.
- Less risky.
- Information can be derived from internal sources.

Example: Tactical planning is focused on specific outcomes, a shorter time-frame, and stated steps. Example : For the local restaurant owner that wants to serve fresh food, tactical plans may include entering into contracts with local growers to ensure adequate supplies of ingredients, modifying the menu as seasons change to reflect the fresh food available, and developing policies that specify when ingredients are too old to use.

Operational Planning:

- It is the steps for achieving tactical plans.
- Specific, quantitative terms and for day to day operations.
- Developed by lower-level managers.
- Here the time frame is less than a year.
- It operates in certain environment.
- Operational goals are necessary for the success of tactical and strategic plans.

Example:

Frank, the frontline manager at Nino's Pizzeria, is responsible for operational planning.

Operational planning activities for Frank would include things like:

- scheduling employees each week;
- assessing, ordering and stocking inventory;
- creating a monthly budget;
- Developing a promotional advertisement for the quarter to increase the sales of a certain product (such as the Hawaiian pizza) or outlining an employee's performance goals for the year.

Formal and informal planning

- A formal plan is a well-documented plan. It is a written record of what the organisation intends to do within a time frame. The record is made after a careful evaluation of all relevant factors that have a bearing on organizational functioning. manager at various levels are deliberately involved in the formulating and implementation processes.it is systematic and rational.
- Informal planning does not offer a written record.it is carried out without any direction.

Functional and corporate planning

- Functional planning is unit planning. T deals with parts such as production, marketing, fiancé and manufacturing is an isolated manner. There is no unified focus.
- Corporate planning outlines the board objectives of the company as a whole and develops plans designed to meet the broad objectives of the organisation. It is integrative in nature.it takes a long-term view. It tries to strike a balance between organizational resources and environmental challenges.

Proactive and reactive planning:

- Proactive planning is a way of thinking about managing the future risks and challenges. It tries to take care of all future contingency and changes. Plans are often tried to a time frame. Proactive planning makes managers alert and sensitive to all such changes. They are forced to be dynamic, active and reativ.it is chiefly concerned with initiating actions today so as to survive and grow tomorrow.
- In reactive planning, the organisation merely recast to external events. He organisation is left on the various of environmental force. Automobile companies that found that fuel efficiently is going to be the most important demand of customers which have registered consistent growth all these years whereas companies failed to visualized his in advance are no more in existence in the market(fiat, ambassador car). Before we realize what has happened, we might be shown the door.

Types of plans:

Single use plans:

- **Programme:** large scale single-use plans that coordinates a complex set of activities to achieve important non- recurring goals.
- **Budget:** The expected results of a given future period in numerical terms. It quantifies the plans and established for actual operations.
- **Project:** It helps in the precise allocation of duties and effective control and easy implementation of plans.

Standing plans:

- **Policies:** It specifies the board parameters.
- **Procedure:** it is a chronological sequence of steps to be undertaken to achieve an objective.
- **Rules:** a rule is a statement that spells out what should or should not be done in a particular situation.

Benefit of planning (Advantage):

- Planning helps decision makers by providing guidelines and goals for future decisions.
- Planning helps a manager exercise more control in a situation, establish goals "proactively" and consider contingencies.
- Planning can help quantify goals and establish a means of measuring success.
- Planning can help insure that a coherent set of actions are implemented that are consistent with the values and priorities of the decision maker.
- Planning helps allocate limited resources like staff, materials, and time in an orderly and systematic manner.

Pitfall of planning: (Disadvantage)

There are several limitations of planning. Some of them are inherent in the process of planning like rigidity and others arise due to shortcomings of the techniques of planning and in the planners themselves.

- **Rigidity**
 - Planning has tendency to make administration inflexible.
 - Planning implies prior determination of policies, procedures and programmes and a strict adherence to them in all circumstances.
- **Misdirected Planning**
 - Planning may be used to serve individual interests rather than the interest of the enterprise.
 - Attempts can be made to influence setting of objectives, formulation of plans and programmes to suit one's own requirement rather than that of whole organization.
- **Time consuming**
 - Planning is a time consuming process because it involves collection of information, its analysis and interpretation thereof. This entire process takes a lot of time specially where there are a number of alternatives available.
 - Therefore planning is not suitable during emergency or crisis when quick decisions are required.
- **Expensive**
 - Collection, analysis and evaluation of different information, facts and alternatives involves a lot of expense in terms of time, effort and money
 - According to Koontz and O'Donnell, 'Expenses on planning should never exceed the estimated benefits from planning.'

External Limitations of Planning

- **Political Climate**- Change of government from Congress to some other political party, etc.
- **Labour Union**- Strikes, lockouts, agitations.
- **Technological changes**- Modern techniques and equipment's, computerization.
- **Policies of competitors**- Policies of Coca Cola and Pepsi.
- **Natural Calamities**- Earthquakes and floods.
- **Changes in demand and prices**- Change in fashion, change in tastes, change in income level, demand falls, price falls, etc.

Planning models:

Planning models A - Strategic plans

- It provides a framework for detailed planning. It typically involves a time frame of two to five years (sometimes more or less depending on the nature of the organisation). It provides coherence to an organization's actions and decisions over time;

One strategic planning model includes the following ten steps.

1. Define the Purpose and Mission of the organisation.

- Who are we?
- What needs do we intend to meet?
- Whose need?
- What do we intend to do to meet the needs, ie what services do we intend to provide?

2. Identify current aims, objectives and strategy of the organisation.

- Objectives are also statements of what the organisation intends to achieve, however they are usually also specific, measurable, attainable and time bound.

3. Environmental Analysis.

- The purpose of an environmental analysis is to identify the ways changes in the environment can indirectly influence the organisation.
- The environment could include funding bodies, government policy, community attitudes, and so on.

4. Resource Analysis:

Resource analysis is also likely to include an analysis of the organisations strengths and weaknesses.

Resource analysis is also likely to include an analysis of the organisations strengths and weaknesses. Organisations can often successfully build on their strengths and develop strategies to minimize the negative effects of their weaknesses.

5. Stakeholder Analysis: The model should find out the answers of following questions.

Who are the stakeholders? What are their needs? Wants? Expectations? Key stakeholders may include funding bodies, clients, staff, management committee members and volunteers.

6. Identification of strategic opportunities and threats: These are the opportunities and threats that arise outside the organisation.

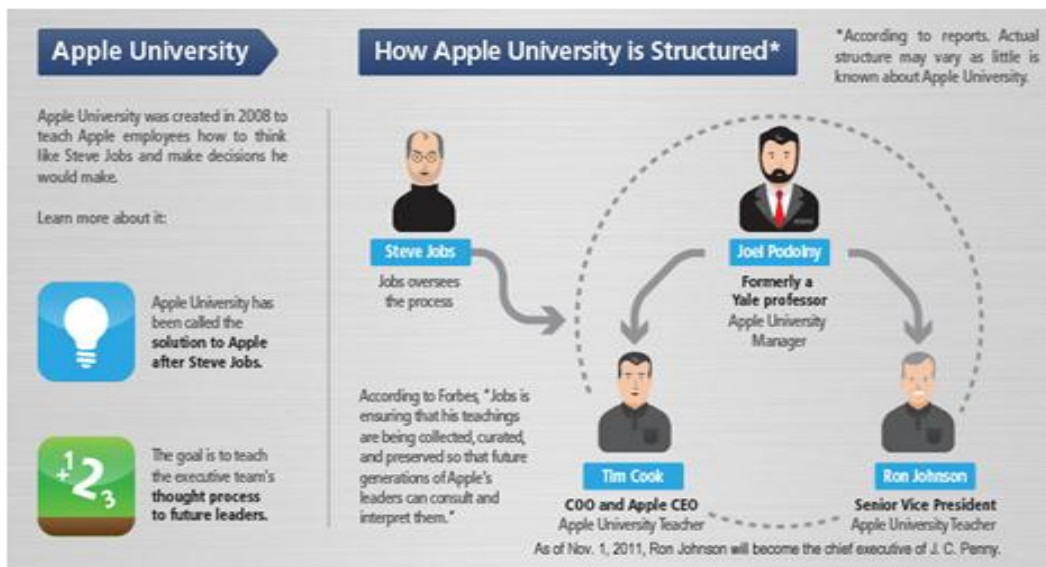
7. Identifying Strategic Choices. (Identification and evaluation of alternatives which then leads to a choice.):

After the environment has been analyzed and the strengths and weaknesses and opportunities and threats have been reviewed it is possible to better see the results of the existing strategy. The organisation can then identify strategic choices - whether or not to develop new strategies or modify the existing strategy.

8. Strategic decision-making: Strategic decision making is an ongoing process that involves creating strategies to achieve goals and altering strategies based on observed outcomes. For example, the managers of a pizza restaurant might have the objective of increasing sales and decide to implement a strategy of offering lower prices on certain products during off hours to attract more customers. After a month of pursuing the new strategy, managers can look at sales data for the month and evaluate whether the strategy resulted in increasing sales and then choose to keep the new price scheme or alter their strategy.

9. Implementation: Once the most appropriate strategy has been chosen it is implemented.

10. Evaluate: the implementation and the level of success of the implementation of the strategy.



Planning in learning organisation:

A learning organization is the term given to a company that facilitates the learning of its members and continuously transforms itself. Learning organizations develop as a result of the pressures facing modern organizations and enables them to remain competitive in the business environment.

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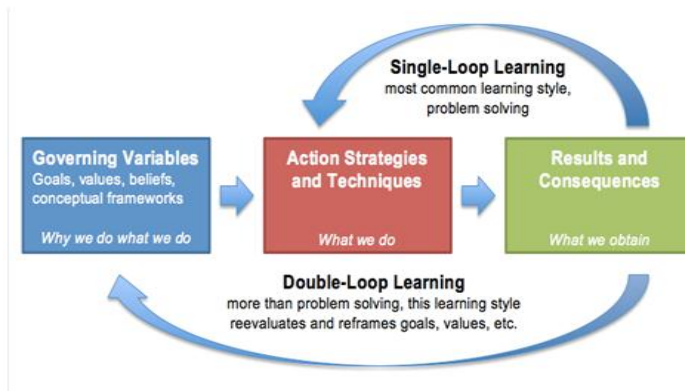
Three Types of Learning

Argyris and Schon (1996) identify three levels of learning which may be present in the organization:

Single loop learning: Consists of one feedback loop when strategy is modified in response to an unexpected result (error correction). E.g. when sales are down, marketing managers inquire into the cause, and tweak the strategy to try to bring sales back on track.

Double loop learning: Learning that results in a change in theory-in-use. The values, strategies, and assumptions that govern action are changed to create a more efficient environment. In the above example, managers might rethink the entire marketing or sales process so that there will be no (or fewer) such fluctuations in the future.

Deuteron learning: Learning about improving the learning system itself. This is composed of structural and behavioral components which determine how learning takes place. Essentially deuteron learning is therefore "learning how to learn."



Learning organizations are skilled at five main activities:

Building Blocks (Steps)

1. Systematic problem solving:

Relying on the scientific method, rather than guesswork, for diagnosing problems (what Deming calls the “Plan, Do, Check, Act” cycle)

Insisting on data, rather than assumptions, as background for decision making (what quality practitioners call “fact-based management”).

Using simple statistical tools (histograms, Pareto charts, correlations, cause-and-effect diagrams) to organize data and draw inferences.



Plan–Do–Check–Act Procedure

1. **Plan.** Recognize an opportunity and plan a change.
2. **Do.** Test the change. Carry out a small-scale study.
3. **Check.** Review the test, analyze the results and identify what you’ve learned.

4. **Act.** Take action based on what you learned in the study step: If the change did not work, go through the cycle again with a different plan. If you were successful, incorporate what you learned from the test into wider changes. Use what you learned to plan new improvements, beginning the cycle again.

2. Experimentation with new approaches:

This activity involves the systematic searching for and testing of new knowledge.

It takes two main forms:

Ongoing programs:

Ongoing programs normally involve a continuing series of small experiments, designed to produce incremental gains in knowledge. They are the mainstay of most continuous improvement programs and are especially common on the shop floor.

Example - for example, experiments continually with diverse raw materials and new formulations to increase yields and provide better grades of glass.

One-of-a-kind demonstration projects:

Demonstration projects are usually larger and more complex than ongoing experiments. They involve holistic, system wide changes, introduced at a single site, and are often undertaken with the goal of developing new organizational capabilities.

Example

General Foods's Topeka plant, one of the first high-commitment work systems in this country, was a pioneering demonstration project initiated to introduce the idea of self-managing teams and high levels of worker autonomy.

A more recent example, designed to rethink small-car development, manufacturing, and sales, is GM's Saturn Division.

3. Learning from their own experience and past history:

Companies must review their successes and failures, assess them systematically, and record the lessons in a form that employees find open and accessible. One expert has called this process the "Santayana Review," citing the famous philosopher George Santayana, who coined the phrase "Those who cannot remember the past are condemned to repeat it."

Example:

A study of more than 150 new products concluded that "the knowledge gained from failures is often instrumental in achieving subsequent successes.

In the simplest terms, failure is the ultimate teacher.

IBM's 360 computer series, for example, one of the most popular and profitable ever built was based on the technology of the failed Stretch computer that preceded it.

In this case, as in many others, learning occurred by chance rather than by careful planning.

4. Learning from the experiences and best practices of others:

Sometimes the most powerful insights come from looking outside one's immediate environment to gain a new perspective.

Examples:

Xerox employs a number of anthropologists at its Palo Alto Research Center to observe users of new document products in their offices.

Digital Equipment has developed an interactive process called "contextual inquiry" that is used by software engineers to observe users of new technologies as they go about their work.

5. Transferring knowledge quickly and efficiently throughout the organization.

Ideas carry maximum impact when they are shared broadly rather than held in a few hands.

A variety of mechanisms like written, oral, and visual reports, site visits and tours, personnel rotation programs, education and training programs, and standardization programs helps in transferring of knowledge.

Example:

Tours are an equally popular means of transferring knowledge, especially for large, multidivisional organizations with multiple sites. The most effective tours are tailored to different audiences and needs.

To introduce its managers to the distinctive manufacturing practices of New United Motor Manufacturing Inc. (NUMMI), its joint venture with Toyota, General Motors developed a series of specialized tours. Some were geared to upper and middle managers, while others were aimed at lower ranks. Each tour described the policies, practices, and systems that were most relevant to that level of management.

MBO:

Origin of the MBO Concept:

- MBO was first outlined by Peter Drucker in 1954 in his book *'The Practice of Management'*.
- Since the book introduced the concept, MBO has been accepted and implemented in many businesses like:
 - ✓ General Motors,
 - ✓ General Electrics,
 - ✓ General Foods, etc

PETER
DRUCKER



Core Concept of MBO:

- ❑ According to Drucker **managers should "avoid the activity trap"**, that is, getting so involved in their day to day activities that they forget their main purpose or objective.
- ❑ MBO is primarily a tool for *strategic planning, employee motivation, and performance enhancement*.
- ❑ It intends to improve communication between employees and management, increase employee understanding of company goals, focus employee efforts upon organizational objectives, and provide a concrete link between pay and performance.
- ❑ The **emphasis is on the results achieved by employees** rather than the activities performed in their jobs.

Basic Principles of MBO:

- Unity of management action is more likely to occur when there is **pursuit of a common objective**.
- The greater the **focus on results on a time scale**, the greater likelihood of achieving them.
- The greater the **participation in setting meaningful work with accountable results**, the greater the motivation for completing it. These call for:



Age Group	Percentage
18-24	~12%
25-34	~32%
35-44	~28%
45-54	~22%
55-64	~18%
65-74	~15%
75-84	~10%
85+	~5%

- _____



Process of MBO:



Setting Objectives:

- In MBO systems, **objectives are written down for each level of the organization**, and individuals are given specific aims and targets.
- It provides **focus and emphasizes on team and individual targets** in congruance with organizational goals.
- For MBO to be effective, **individual managers must understand the specific objectives of their job** and how those objectives fit in with the overall company objectives set by the Board of Directors.

Setting Employees' Targets:

- The management has to set the targets for each employee and outline their accountability for the timely fulfillment of the same.
- Thus, the organizational goals are bifurcated into individual objectives and targets.
- A successful MBO program requires each employee to produce five to ten specific, measurable goals.
- Each target should be supported with a means of measurement and a series of steps toward completion.
- These targets should be proposed to the employee's manager in writing, then discussed and approved.

Monitoring and Evaluating Performance:

- To monitor the performance of employees in pursuit of the targets assigned to them, **a proper review system and Management Information System** has to be designed and made operational.
- Periodical and strict performance appraisals form a crucial part of the MBO process. **Actual Performance is compared to the standards and employees are appraised accordingly.**

Performance Based Incentives:

- The performances of employees at all levels of management are assessed and evaluated and based on the same, **performance incentives are given to employees**. These incentives can be:

Positive incentives

Rewards
Bonus
Promotions

Negative Incentives

Reprimand
Fines and penalties
Warnings
Retrenchment

Advantages of MBO:

- Better utilization of resources,
- Aid in Planning,
- Development of personnel,
- Better Team Work,
- Concentration on Key Result Areas,
- Objective Evaluation,
- Result Orientation,
- Sound Organizational Structure.



Disadvantages of MBO:

- Incurs Time & Cost,
- Failure to teach MBO Philosophy to employees,
- Problems in Objective setting,
- Emphasis on short-term objectives,
- Inflexibility,
- Frustration of employees.

MBO at Hyundai Motors:



HYUNDAI

- Like many organizations, **Hyundai Motors** applies the concept of MBO in their managerial spans.
- Annual, quarterly and weekly targets are determined for employees at all levels of the organization and various constraints and performance measurement criteria are explained to them.
- Periodical reviews are done to evaluate the degree of achievement of employees' targets and their congruence with the organizational goals.
- Hyundai Motors incentivizes employees' performances through non - monetary rewards and punishments.

MBE (Management By Exception)

What is MBE?

- Management by Exception (MBE) is a **"policy by which management devotes its time to investigating only those situations in which actual results differ significantly from planned results."**
- The concept of MBE was propounded by: **Frederick Winslow Taylor.**
- Attention and priority is given only to **material deviations** requiring investigation and correction. It is a part of motivational and control techniques.
- Its objective is to **facilitate management's focus on really important tactical and strategic tasks.**



Types of Exceptions:

- There are two types of exceptions which are identified and managed through MBE:



6 Advantages of Management by Exception

- (1) It saves the time and energy of senior executives and enables them to concentrate on more important problems and issues.
- (2) It even provides the key to automation, for ordinary, routine matters can be handled by an automatic machine while cases of exceptional nature can be left for human judgment.
- (3) It facilitates the engagement of specialized staff for high-routine jobs.
- (4) It reduces the frequency of decision making.
- (5) It leads to the identification of critical problem areas.
- (6) It stimulates communication.

Process of MBE:



1. IDENTIFYING AND SPECIFYING KRA

Often Managers face difficulty in creating Goals (Key Responsibility Areas or KRAs) for their team members or company. These goals can be used for conducting performance appraisals, in measuring productivity on a periodic basis as also aligning groups of employees to a common set of tasks. While most managers are aware of job responsibilities of their teams, they find it difficult to shape it in a

written form. Others may have ineffective writing skills or may not understand terminology – and hence face challenges in articulating the targets in an unambiguous manner. *Here we are sharing some tips that will help users to write Goals from the Job Descriptions. We will cover the goals for a Sales Manager as an example after that.*

SMART: A Smart Goal (KRA) Is One Which Is:

1. **Specific:** Clearly stated what to do and how to do?
2. **Measurable:** States how the performance will be measured.
3. **Attainable:** The manager and employee agree that the Goal targets can be achieved.
4. **Relevant:** To the employees job role, the organization and the business environment.
5. **Time Bound:** States a time frame.

How to identify the KRA?

1. Go through the Job Description of the employee. If the Job Description does not appear relevant, talk to the employee and to their manager.
2. Try to find out exactly what the employee is supposed to achieve in their job.
3. Make a list of the functions and responsibilities that are critical to the job.
4. Categorize these critical functions and responsibilities in two sections:
 - Those that can be measured in numbers, percentages or yes/no answers. Examples: Number of new hires, number of trainings conducted, Number of new clients, Percentage increase in revenue, Number of customer issues addressed.
 - Those that cannot be measured easily in numbers or calculated: Examples: Brand value, Customer satisfaction, Employee engagement
5. The former are the ones that can be converted to SMART Goals. Please note that all goals are measurable (even the latter category) but we only consider those which are measurable currently.
6. Make a list of all critical functions.
7. Write a short self-explanatory definition of each Goal.
8. If you plan to follow BSC (Balanced Score Card) Pattern, then categorize each goal into one of the following categories: Customer, Financial, Internal Business Process and Learning & Growth.
9. Thereafter, describe each Goal (KRA). Make sure you mention a measurable target and a realistic timeframe based on your business plan.

EXAMPLES OF SALES MANAGER (KRA):

Goal (KRA)	Category	Definition and Measures
Improve Performance of Sales Executives	Learning & Growth	To ensure that all sales executives meet/exceed the sales targets provided to them. Track the performance of sales team and guide them consistently meet sales targets. Target: US\$ 500,000 per quarter for the whole team.
Development of Sales Action Plans	Customer	Conducts market research and develops sales plans and updates periodically based on changing market scenarios and insights from the prior quarters. Sales plan must be reported every quarter to management team for analysis and approval. Target: Review, update, management approvals on a quarterly basis
Timely Collections	Finance	To ensure that the customers clear their dues within existing timelines. Work with the accounts to identify any delays and with the Operations to mitigate any issues being seen at the client end. Target: •Improvement in cash flow .

2. Standard setting and permissible deviation in KRA

Standard setting is a critical part of educational, licensing, and certification testing. But outside of the cadre of practitioners, this aspect of test development is not well understood. Standard setting is the methodology used to define levels of achievement or proficiency and the scores corresponding to those levels. The standard of performance of the employees will be categories into excellent, very good, good, satisfactory and not satisfactory. The individual who has undergone a minimum deviation is called permissible deviation in KRA.

3. Comparing actual with standard:

The third step in the control process is the comparison of performance with established standards. You can base your comparison on the monitoring information you collected for services that you have provided or activities you have organized. Then you summaries the outcomes as planned versus actual results. Example.

Comparison between planned activity and actual performance.

Activities	Planned (target)	Performed (actual)	Percentage achieved
Reproductive visits during the year	500	250	50%
Train households during the year	180	120	66%
Number of community events conducted	3	2	66%

This step is concerned with the comparison of actual performance with predetermined standards. It is determined in terms of whether present standard is maintained. The information provided by the report on actual performance is compared with standards in order to identify performance deviations.

4. Computing and analyzing deviation:

Below are representative KPIs to measure the effectiveness of business analysis for projects.

- **% of rework attributable to requirements** – Rework is a serious problem on most projects, representing about 40% of total project cost. According to industry studies, about 70% of this rework is related to ambiguous, inaccurate, or missing requirements.
- **% of projects with prioritized requirements** – Prioritizing requirements is critical to ensure that project teams first focus on items that deliver high value to the business.
- **% of requirements fully implemented** – This is part of requirements traceability; requirements must be traced through design, test, and deployment.
- **% of approved requirements not implemented**- A test of the likelihood of user satisfaction with the final result.
- **Developer Requirements Satisfaction Index**- Developers should be surveyed to determine their satisfactions with requirements. This actually should be presented as a series of requirements questions concerning quality such as
 - Clear

- Accurate
- Complete
- Testable
- Feasible
- Testable

5. Identifying the non-permissible in KRA :

The manager also discuss with the management to find out the non-permissible area of result which will not harm to the organizational outcome. The management use the variance analysis as a tool which is one of the most important tools used in management by exception is variance analysis. Variance analysis is a process that is used to determine the variance, or difference, between the actual results and the planned for results and the cause of the difference. In other words, it's the technique used to determine whether there is a problem needing management's attention when managing by exception.

Example:

- Let's look at a quick example of management by exception and the use of variance analysis. **Edward** is an accountant that is responsible for tracking the production costs for his company's production division, which produces toys. Edward's company has launched a new toy line.
- The cost per unit of production was budgeted during the beginning of the project.
- In reviewing the monthly invoices and receipts, Edward has determined that the production division is 10% over budget on the new toy.
- Company procedure only gives him authority to address overages of 5%, so he must bring this issue to his manager, Marty.
- Marty has the authority to investigate and address variances of up to 10%. He investigates and determines that about a third of the variance was due to an unexpected increase in the price of one of the commodities used in production. The other two-thirds of the variance were related to price increases from some suppliers that are out of line with market prices. Edward's manager meets with the company's purchasing agent to discuss alternative vendors to correct the variance.

6. Strategy for taking corrective action plan:

A **corrective action plan** is a document describing exactly how a specific situation will be changed to better meet the goals of a company. A corrective action plan is a response to a situation that is problematic for a company.

For example, a company's auditors may have found discrepancies in an inventory figures stated in the financial statements. In this situation, the problem identified is poor inventory tracking, and the corrective action plan will state how this situation will be corrected.

Another situation might be sales coming in below the budgeted amount. The sales manager might be asked to come up with a corrective action plan showing how he's going to increase sales to meet the budgeted numbers for the year.

Planning premises

Planning is made depending on some information. This information is included with planning premises. Some information are available and some are not. These are very essential to make plan. This information is mainly known as planning premises. Sometimes efficient information is got from forecasting, in such situation planning premises become strong. For planning premises managers may not face any uncertainty for implementing planning.

According to Dr.G.R.Terry, “planning premise are the assumptions providing a background against which the estimated events affecting the planning will take place”.

According to H. weihrich and H.koontz,

"Planning premises are identified as the anticipated environment in which plans are expected to operate."

According to C.B.Gupta,

"Planning premises are the critical factors which lay down the boundary for planning".

Types of planning premises:

1. Internal and External Premises:

The important internal premises which are internal to the enterprise are the resources and abilities of the enterprise in the form of men, machines, money and methods, competence of the management personnel and skills of the labour force; commitment to certain plans, wage incentive schemes; the sales forecasts of the enterprise and so on.

In other words, external premises are those assumptions that centre round the various types of marketing, viz. the product market, materials market, the capital market, the labour market and so on.

The important external factors which act as important determinants of all such markets are—(i) the political stability ; (ii) sociological factors; (iii) business and economic environment ; (iv) cultural factors ; (v) population growth ; (vi) government policies and regulations ; (vii) trade cycles ; and (viii) technological changes and the like.

2. Tangible; and Intangible planning premises.

Tangible planning premises are those which can be measured quantitatively in one way or the other, whereas Intangible planning premises defy quantitative measurements because of their qualitative character.

3. Fully controllable premises: refer to the assumptions about those factors pertaining to the enterprise like the products; rules etc. which the company management is expected to follow over the future period and the ways in which these are likely to affect the plans of the enterprise. These factors are known as controllable premises, because these are subject to the decision of the management.

4. Partly controllable premises: include assumptions about those factors which are only partially controllable through suitable management policies and decisions, but cannot be fully controlled by the management.

For instance, industry demands the share of the firm in the market, union-management relations or factors which must be considered partially as being given and partially as being subjected to decision-making on the part of the management. The plans for any business enterprise will naturally have to be based on proper assumptions with regard to these factors.

5. Absolutely non-controllable premises: refer to the assumptions about the economy, the political situations, strikes, wars, natural calamities, new discoveries and inventions, emergency, legislation and other similar events during the coming years, which cannot be predicted and controlled at all by the management, although they can upset all well-thought out calculations on many occasions.

Decision making

- Risk and uncertainty
- Decision tress
- Decision making process
- Models of decision making
- Increasing participation in decision making
- Decision making creativity.

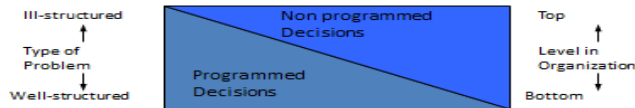
Meaning:

Decision making is the process of **making** choices by setting goals, gathering information, and assessing alternative occupations.

Decision: A choice made between available alternatives.

Decision Making: The process of developing and analyzing alternatives and choosing from among them.

Types of Decisions



- **Programmed Decision**
 - A decision that is repetitive and routine and can be made by using a definite, systematic procedure. No uniqueness involved in programmed decision.
- **Non-programmed Decision**
 - A decision that is unique and novel.

Programmed Decision:

From a business perspective, a company may create a standard routine for handling technical issues, customer service problems or disciplinary matters. An employee's duties may become routine with repetition, like the process a mechanic uses to troubleshoot problems with a customer's car. **From Individuals perspective** naturally make programmed decisions on a daily basis. For example, in an emergency, most people automatically decide to call **9-1-1** which is not unique decision.

Non- programmed Decision:

An individual may make an un programmed decision when **she visits a new restaurant**, is unfamiliar with the menu and the menu is in a language **she does not understand**. In the business world, the makers of the earliest personal computers had to make un programmed decisions regarding the type of marketing to use to attract customers who possibly had never used a computer in the past. Fast-food companies also had to make an **un programmed decision regarding consumer concerns about high fat contents and lack of healthy menu options**.

Well-structured and ill structured problems

Well structured:

- Problem for which the existing state and desired state are clearly identified, and the methods to reach the desired state are fairly obvious.

Example: gap in employee performance

Ill structured problems:

- Situation in which its existing state and desire state are unclear and hence, methods of reaching the desired state cannot be found. These problems have no initial clear or spelled out goal, set of operations or end states.
- **Example: Students presence in the class room.**

Risk and uncertainty:

Risk is potential of losing something of value. Values (such as [physical health](#), [social status](#), emotional wellbeing or financial wealth) can be gained or lost when taking risk resulting from a given action,

activity and/or inaction, foreseen or unforeseen. Risk can also be defined as the intentional interaction with [uncertainty](#). Uncertainty is a potential, unpredictable, unmeasurable and uncontrollable outcome, risk is a consequence of action taken in spite of uncertainty.

Types of Risks:

Managing uncertainty in decision-making relies on identifying, quantifying, and analyzing the [factors](#) that can affect outcomes. This enables managers to identify likely risks and their potential [impact](#).

Types of risk include:

- ***Strategic risks:*** These are risks that arise from the investments an [organization](#) makes to pursue its [mission](#) and [objectives](#).
- They are often associated with competition (the [alignment](#) of buyers and sellers consistent with the principles of supply and demand), *transaction risks* (from [merger](#) and [acquisition](#) activity, divestitures, or partnerships).
- ***Financial risks:*** These relate to potential economic losses that can result from poor allocation of resources, changes in interest rates, shifts in tax policy, increases or decreases in the price of commodities, or fluctuations in the [value](#) of currency.
- ***Operational risks:*** These risks can arise due to choices about design and use of processes to create and deliver goods and services. They can include production errors, substandard raw materials, and technology malfunctions.
- ***Legal risks:*** These risks stem from the threat of litigation or [ambiguity](#) in applicable laws and regulations (including whether they are likely to change); these threats create uncertainty in the steps an organization should take to address its obligations to customers, employees, suppliers, stockholders, communities, and governments.

Decision trees:

A decision tree is a decision support tool / technique that uses a tree-like graph or model of decisions and their possible consequences, including chance event outcomes, resource costs, and utility.

Decision Trees are excellent tools for helping you to choose between several courses of action:

- It provides a highly effective structure within which you can lay out options and investigate the possible outcomes of choosing those options.
- It also help you to form a balanced picture of the **risks and rewards** associated with each possible course of action.

Economic Decision Making

- 1: Define problem:
- 2: List 2 choices
- 3: Evaluate the Choices (good/bad)
- 4: Make a Decision

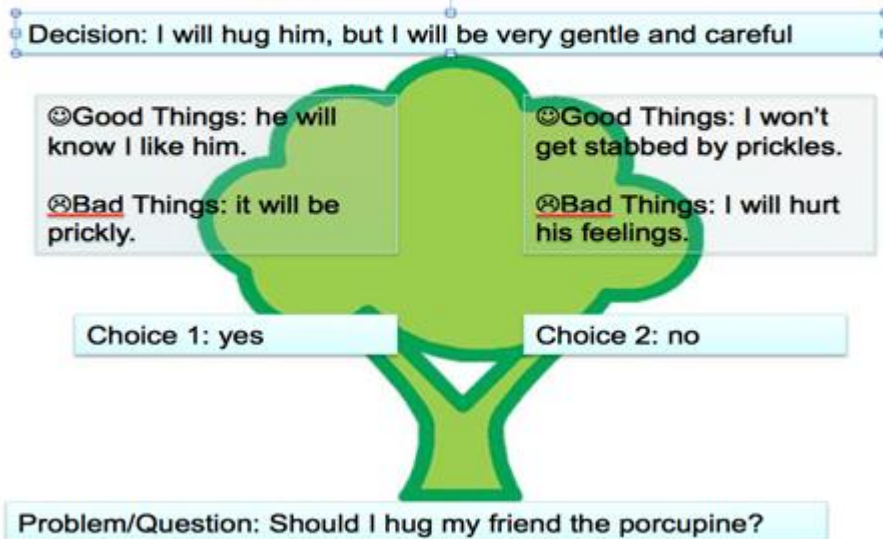
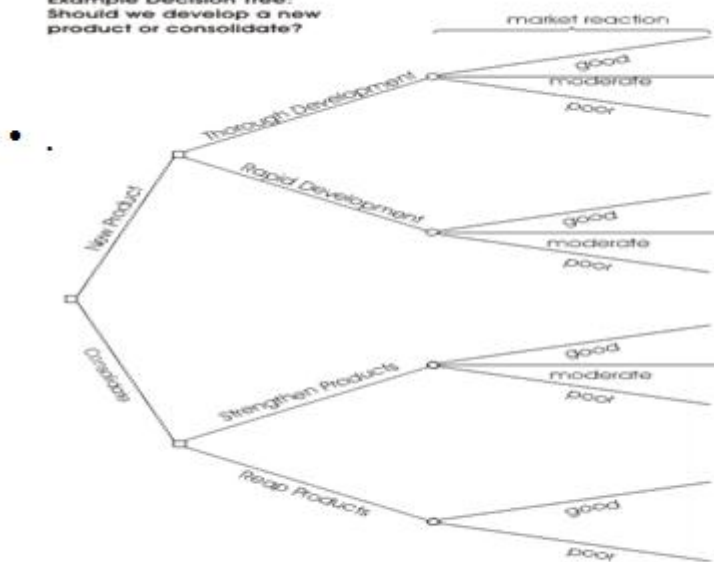


Figure 1:
Example Decision Tree:
Should we develop a new product or consolidate?



Squares represent decisions, and circles represent uncertain outcomes. Write the decision or factor above the square or circle

Evaluating Your Decision Tree:

- Now you are ready to evaluate the decision tree. This is where you can work out which option has the greatest worth to you.
- Start by assigning a cash value or score to each possible outcome.
- Estimate how much you think it would be worth to you if that outcome came about.

Systematic and structured decision making :

The systematic and structured decision making requires recognition and analysis of important components of decisions:

Context: the context describes the clarity and circumstances of the situation surrounding the decision.

Objective: A clear understanding of desire and expected outcomes.

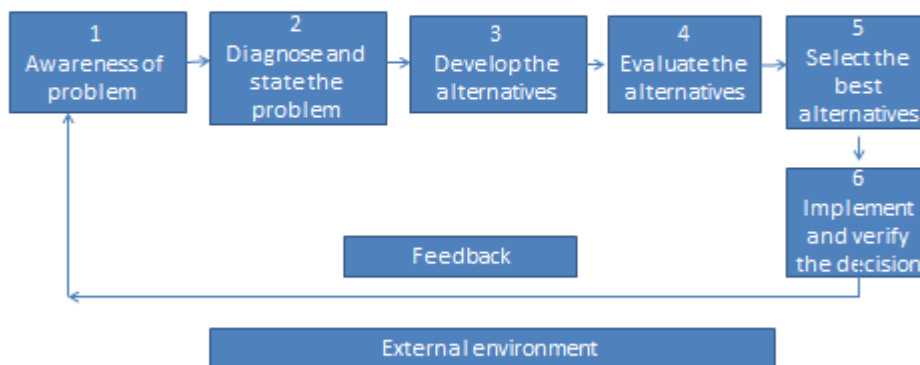
Options / Alternatives: a significant effort made to identify various available alternatives.

Criteria: logic, scientific approach, intuition

Decision making process:

Decision making process always depends on rational model. The following is the steps in rational decision making process.

Process of Decisions



1. Awareness of the problem:

The first step in the decision making process is recognizing the problem. The manager must become aware that a problem exists and that it is important enough for managerial action. Problems generally arise because of disparity between what is and what should be. To identify the gaps between the current and desired state of affairs, a manager should look for problems that need solving. They must look for opportunities to make decisions. At this stage, the emphasis should be on defining the question in the right way rather than finding answers to the questions. The manager should try to find out what the decision is really about, not what the decision should be. Finding the real problems and defining them is a difficult job. Managers may have to examine cause – effect relationships in the problem situation in a systematic way.

Example: Profit of the organization is falling during the last five years. (external and internal problem)

- Change in competitive situation
- Higher operating cost
- Employee inefficiency
- Stringent government regulation

2. **Diagnose and state the problem:** a successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not the symptoms. Often, managers waste time developing solutions to the wrong problem. This is due to the fact that opportunities and problems in the environment do not surface so easily.

Example: Ex- profit of the organization is falling due to employee inefficiency. It may be due to low salary, poor working condition, tight supervision, poor timing, and dissatisfaction with the job. Manager will do an attitude survey.

3. **Develop alternative:**

Quite often, executives try to take up the first feasible option. The statement of the problem in clear, measurable terms enables the executives to develop alternatives. Unfortunately, executives are tempted to accept the first alternative to solve their problems quickly. Managers should encourage the employee to develop different solutions for the same problems. It helps managers to fully test the soundness of every proposal before it is finally translated into action.

The ability to develop alternatives is as important as making a right decision among alternatives. Ingenuity, research and creative imagination are required to make sure that the best alternative is considered before a course of action is selected.

Example: Develop alternatives is as important as making a right decision among alternatives.

To increase the employee efficiency, which is positively affecting the productivity in the organization, following are the alternatives.

- Adequate compensation package
- Incentive schemes for improved performance
- Restructuring the jobs
- Offering better training facilities

4. **Evaluate alternative:**

In this step, the decision maker tries to outline the advantage and disadvantage of each alternative. The consequences of each alternative would also be considered. Sometimes, the alternatives developed may meet internal demands but may fail to meet the environmental conditions. In such cases, a manager may be forced to make a less than optimal decision.

Example: a fertilizer unit may desire to expand its production in view of the available resources and the bright prospects that the unit is enjoying. But the local public may object to the decision on grounds of environmental pollution.

So managers have to weigh each alternative carefully with respect to how it will ultimately meet the internal as well as external conditions. The alternatives that have been advanced must be genuine, that is each one of these alternatives should adequately solve the problem.

- Here the opportunity cost method is suggested here. i.e. when one alternative is selected in place of another, the cost of the selected one is measured in terms of the benefit available from the rejected one.

5. Select the best alternatives:

The risk: The manager has to weigh the risks of each course of action against the expected gains. He must decide as to how much risk he can assume and find out the solution that meets this viewpoint.

Economy of effort: The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best ones.

Timing: If the situation has great urgency or slow, the best alternative is the one that dramatizes the decision and serves notice the organisation that something important is happening.

Limitation of resources: physical, financial and human resources impose a limitation on the choice of selectin. Of these, the most important resources whose limitations have to consider are the human beings who will carry out the decision. Every effort must be made, therefore, to raise the ability and standard of the prole working in the organisation.

6. Implement and verify the decision:

After making a decision, the manager must implement it. He must see the implemented solutions. Feedback allows managers to become aware of the recent problems associated with the solution. It permits to monitors the effects of their acts and to gauge their success. They an evaluated their own decision making abilities. It would be better to establish follow-up procedures to evaluate the decision.

Manager can set up budget, allocate time and money and assign responsibility the individuals to work out the specific tasks involved. They can fix up a time for obtaining the periodical progress reports, regarding how the decision is actually implemented.

During this stage, the manager should also see whether the subordinates are unwilling or unable to implement the decision.

Example of Decision Making

How the Infosys Board could turn around the company

Appoint a chief operating officer	Responds customers better	Renew connections with customers	Improve connect with employees	Increase sales and marketing spend
Pravin Rao successor needs to have an enterprise view of the company. (1986)	Infosys' ability to get incremental business from existing accounts needs improvements.	Negotiating a contract with Infosys can take twice as long as with TCS.	The attrition rate is high . Infosys needs to retain people with 4 to 6 years' experience.	The company's Sales and marketing spend as a percentage of revenues at around 5%.
Also if Infosys has to lose executive because of power struggle, better early than late.	On-site sales teams should be more empowered to responds client.	Infosys is also less responsive to clients in many situations. Both things need to change fast.	They typically leave as they feel they have few possibilities for growth.	To make up for lost ground, it must raise marketing budgets.

Models of decision making:

The Classical / Rational Approach:

The rational model of decision making assumes that people will make choices that maximize benefits and minimize any costs. The idea of rational choice is easy to see in economic theory.

The Rational decision model based on certain assumptions:

Decision making is a goal oriented process:

According to the rational economic model, the decision maker has clear, well defined goal that he is trying to maximize. Before formulating the goals, the decision making can identify the symptoms of problem and clearly specify one best way to solve the same.

All choices are known: it is assumed that in given decision situation, all choices available to the decision maker are known or given and the consequences or outcomes of all actions are also known. The decision maker can list:

- i) the relevant criteria,
- ii) feasible alternative,
- iii) the consequences for each alternative.

Order of preference: it is assumed that the decision maker can rank all consequences, according to preference and select the alternative which has the preferred consequences. In other words, the decision making knows how to relate consequences to goals. He knows which consequences is the best.

Maximum advantage: the decision maker has the freedom to choose the alternative that best optimize the decision. In other words, he would select that alternative which would maximize his satisfaction.

The decision maker has complete knowledge and is a logical, systematic maximizer in economic-technical terms.

The rational economic is based on normative; it explains how decision makers ought to behave. Rationality is an ideal and can be rarely achieved in an organisation; many factors intervene in being perfectly rational namely:

- **Impossible to state the problems accurately:** it is often to reduce organizational problems to accurate levels. An accurate precise and comprehensive definition of the problem as assumed under the model may not be possible. Moreover, relevant goals may not be fully understood or may be in conflict with each other. Striking balance between goals such as growth, profitability, social responsibility ethics, survival etc, may be difficult and as such, the assumption that the decision maker has a single, well defined goal in an organizational setting appears to be unfortunate.
- **Not fully aware of problem:** frequently, the manager does not know that he has a problem. If the organisation is successful and is flourishing, managers may not be in a position to assign their valuable time to searching future problems. As rightly commented by Weber, if current performance is satisfactory, few of us use present time to search for future problems.

- **Imperfect knowledge:** it is too simplistic to assume that the decision maker has perfect knowledge regarding all alternatives, the probabilities of their occurrence, and their consequences. Indeed managers rarely, if any have access to perfect information.
- **Limited time and resources:** most managers work under tremendous pressure to meet the challenges posed by internal as well as external factors.
- **Cognitive limits:** most of the decision makers may not be gifted with supernatural powers to turn out a high quality decision, every time they sit through a problem.

The Administrative Approach / Model

- The administrative model also known as the behavioral theory.
- It was proposed by Herbert A. Simon.
- According to Simon, sometime the decision making depends on behaviour of an individual.

People carry only a limited, simplified view of problems confronting them because of certain reasons:

- They do not have full information about the problems.
- They do not possess knowledge of all the possible alternative solutions to the problem and their consequences.
- They do not have the ability to process competitive environmental and technical information.
- Time and resource constraint to conduct an exhaustive search for alternative solutions to the problems.

Bounded Rationality (Herbert Simon):

The boundaries on rational decision making imposed by one's values, abilities, and limited capacity for processing information.

What are satisfying Decisions?

Real life challenges, time and cost limitations, political pressures from internal and external constituency's forces are always hindrance for the decision maker to work under conditions of bounded rationality. It means that he rarely tries to find the optimum solution to a decision problem. Instead of conducting an exhaustive search, they search for a limited number of alternatives and stop when they are able to meet the standard established by them previously, to satisfy their goals. This search stops when they reach a point that meets their subjective standards. They select a course of action whose consequences are good enough. Subjective rationality would be preferable to objective rationality where people have to take decisions under time and cost limitations.

Thus instead of searching for and choosing the best alternative, many managers accept decisions that are only good enough. Rather than ideal. Such decisions are referred to as satisficing decisions.

That is why, instead of searching for and choosing the best alternative, many managers accept decisions that are only good enough, rather than ideal. Such decisions are called satisficing decisions.

According to **Hitt, Middlemist and Mathis**, satisfying can occur for various reasons:

- Time pressure

- A desire to sit through a problem quickly and switch on to other matters
- A dislike for detailed analysis that demands more refined techniques
- To avoid failures and mistakes that could affect their future in a negative way.
- In many situations, putting off decision until full information is obtained may prove to be costly mistake.

Example of satisficing decisions

While selecting a new employee, the organisation can just hire the first applicant who meets all the minimum requirements instead of wasting time and effort looking for an ideal personality.

Differences

The Rational economic model	The Administrative Model
Perfect rationality	Bounded rationality
Perfect knowledge of problems, consequences and outcomes	Imperfect knowledge of problems, consequences/out comes.
Normative	Descriptive
Exhaustive search for a number of alternative	Less feasible alternative rather than an exhaustive list.
Optimal decisions	Satisficing good enough for adequate decisions.
Concertation on quantifiable variable.	Concertation on behavioral aspects which is non- quantifiable.

How to Make Better Decisions:

1. Increase Your Knowledge
 - Ask questions.
 - Get experience.
 - Use consultants.
 - Do your research.
 - Force yourself to recognize the facts when you see them (maintain your objectivity).
2. Use Your Intuition
 - A cognitive process whereby a person instinctively makes a decision based on his or her accumulated knowledge and experience.
3. Weigh the Pros and Cons
 - Quantify realities by sizing up your options, and taking into consideration the relative importance of each of your objectives.
4. Don't Overstress the Finality of Your Decision
 - Remember that few decisions are forever.
 - Knowing when to quit is sometimes the smartest thing a manager can do.
5. Make Sure the Timing Is Right

Increasing participation in decision making:

Participative decision-making (PDM) is the extent to which employers allow or encourage employees to share or participate in organizational decision-making (Probst, 2005).

The primary aim of PDM is for the organization to benefit from the "perceived motivational effects of increased employee involvement".

It means when employees participate in the decision-making process, they may improve understanding and perceptions among colleagues and superiors, and enhance personnel value in the organization.

Because where a large number of stakeholders are involved from different walks of life, coming together to make a decision which may benefit everyone.

Some examples are decisions for the environment, health care, anti-animal cruelty and other similar situations.

In this case, everyone can be involved, from experts, NGOs, government agencies, to volunteers and members of public. In a participative decision-making process each team member has an opportunity to share their perspectives, voice their ideas and tap their skills to improve team effectiveness and efficiency. Participatory decision-making can have a wide array of organizational benefits.

Researchers have found that Participative decision-making (PDM) may positively impact the following:

- Job satisfaction
- Organizational commitment
- organizational support
- Organizational citizenship behavior
- Labor-management relations
- Job performance and organizational performance
- Organizational profits

Outcomes of Participative decision-making (PDM):

The outcomes are various in PDM.

1. Employee Angle:

- In the aspect of employees, PDM refers to job satisfaction and performance, which are usually recognized as commitment and productivity.

2. Employer Angle:

- In the aspect of employers, PDM is evolved into decision quality and efficiency that influenced by multiple and differential mixed layers in terms of information access, level of participation, processes and dimensions in PDM.

Decision making creativity:

- **Creativity**

- The process of developing original, novel responses to a problem.
- **Divergent thinking** is a thought process or method used to generate creative ideas by exploring many possible solutions. It is often used in conjunction with its cognitive opposite.
- **Convergent thinking**, which follows a particular set of logical steps to arrive at one solution, which in some cases is a 'correct' solution.
- By contrast, divergent thinking typically occurs in a spontaneous, free-flowing, 'non-linear' manner, such that many ideas are generated in an emergent cognitive fashion. Many possible solutions are explored in a short amount of time, and unexpected connections are drawn. After the process of divergent thinking has been completed, ideas and information are organized and structured using convergent thinking.

The following creativity has to take by manager as per the situation to find out the effective solution of problems.

- **Brainstorming**
- **Synetics**
- **Nominal group techniques(NGT)**
- **Delphi techniques**

Brainstorming

- A creativity-stimulating technique in which prior judgments and criticisms are specifically forbidden from being expressed in order to encourage the free flow of ideas which are encouraged.
- Under this technique, a group is assembled, presented with the problem and encouraged to produce as many ideas and solutions as they can. The discussion is free from criticism.
- Members are allowed to generate as many alternatives as they can, they are even permitted to suggest how ideas of others can be improved or combined into still another idea, and the climate is supportive and encouraging.
- Brainstorming is based on the idea that people should be allowed to generate as many ideas as possible. The greater the number of ideas, the greater is the chance of an outstanding solution.

How to Use It?

Brainstorming is a great tool to:

- Expand creative thinking
- Identify issues or opportunities
- Identify possible causes of a problem
- Identify data collection requirements

- Identify possible solutions to a problem
- See different points of view

5 Steps to Effective Brainstorming

1. Clearly define the topic to be brainstormed.

It is important to be precise. The better the question, the better the result.

Compare the following questions:

- “What are the challenges and opportunities regarding how we bring our next product to market?”
- “What are the problems with bringing out new product to market?”

Very similar questions, but the first will elicit both positive and negative responses while the later will tend to identify only the negative areas of the issue. Which will give you the results you want?

2. Aim to generate as many ideas as possible in 20-30 minutes.

Let the process continue a bit longer if the discussion is still lively. Be careful not to end prematurely. A short lull very often leads to a new wave of ideas.

3. Don't change, criticize or evaluate any idea.

Commenting on ideas is the quickest way to derail or even shut down a dynamic brainstorming session. You should however get clarification if people don't understand what is meant by an idea.

4. Encourage each member to present as many ideas as possible.

If one or two people are dominating the discussion, it is perfectly acceptable to ask others by name if they have any thoughts or ideas. Taking some initiative to bring everyone into the discussion is part of the facilitator's role.

5. Keep going until all ideas have been presented.

Evaluate Results

At the end of a successful brainstorming session you will have a long list of ideas. Now you will need to separate the “jewels” from the “junk” and create a manageable list of feasible ideas that are worthy of further investigation. Here's how:

1. Clarify: Make sure everyone understands what each idea means.
2. Categorize Ideas: Combine related ideas. Re-write your list or rearrange post-it notes. TIP: If you want to group the ideas, an affinity diagramming process might be the best way to proceed.
3. Rank Order Ideas: Ranking the brainstorming results helps to focus a team's efforts to find workable solutions to the issue at hand.

Sometimes it is obvious how to prioritize the ideas and this step can be done on the fly. In other cases, the complexity and scope of the issue is such that additional tools may be required to complete this phase. Two tools that we often use are: The Nominal Group Technique and the Prioritization Matrix.

The Leader's Role:

To successfully lead a brainstorming session it is often more effective to think of yourself as facilitating rather than leading. This distinction is particularly important if you happen to hold a leadership position in the company.

Here are some of the key responsibilities:

- Make sure the group is clear about the topic that is to be brainstormed.
- Stimulate ideas
- Explain the rules and make sure they are followed
- Help phrase ideas clearly
- Write ideas down
- Don't let your extroverts dominate the discussion, solicit input from quieter members
- Keep the discussion within the established time limit.

Synetics:

- The term Synetics means the fitting together of diverse elements. A Synetics group consists of members having varied background and training. The leader, who plays a vital role in forcing members to break the traditional ways, states the problem and asks members to review the same thoroughly.
- The group begins to offer possible solutions after analyzing and appraising the problem fully.
- The leader in this stage, asks the members to break the cake of custom and come out with novel ideas. Method like role-playing, analogies and paradox are used to develop creative ideas. Members are even asked to remain in a room until they find at least one novel idea. An expert would assist the members in considering the feasibility of ideas at the same time.
- Thus, in contrast to brainstorming where evaluation of ideas is postponed till the members run out of new ideas, Synetics help in the proper evaluation of members of the group. Like brainstorming, Synetics techniques is costly and time consuming. However, it may be used to solve complex technical problems.

Nominal group technique

- A decision-making technique in which group members are physically present but operate independently. The nominal group is a paper group.

The following steps:

- The leader explain the problem to the members of the target group
- Each member writes down his ideas silently and independently.
- Each member then presents a single idea at a time to the group, which is written on a black board for all to see.
- A discussion is held to explain and evaluate the ideas
- Silent individual voting is done on priority

The basic outcomes of NGT:

- The basic idea in NGT is to respect interpersonal communication and to increase the deliberation and contribution of individual members.
- The NGT follows highly structured process.
- It tries to integrate the creative thinking through group interaction in order to solve organizational problem.

The Delphi Techniques:

It is a technique used to obtain information from physically dispersed experts through the use of written questionnaires. The following two step process is generally used in the Delphi techniques. In the first stage, the problem is identified by the leader, the experts are identified and contacted, a questionnaire is carefully structured and mailed out to experts. The leader, the experts are identified and sent by experts and prepares a feedback report.

In the second stage, the feedback report and more advanced second stage questionnaires are sent to the members once again for reaction and reassessment. Each member evaluates the feedback report, develops new suggestions and votes on the priority of the ideas contained in it.

This process is continued until a clear solution emerges.

One important limitation of the Delphi technique is substantial amount of time needed to assemble the experts under one roof and collect their opinions through questionnaires on a continuous scale.

However, it has the advantage of being able to involve people with special qualifications who are separated geographically in decision making.

Delphi technique reduce committee activity, eliminate the bandwagon effect of majority opinion, minimizes influences of face to face pressures and provide each panel member with the time to deliberate and carefully think out responses.

Effective Decision-Making

The elements do not by themselves “make” the decisions. Indeed, every decision is a risk-taking judgment. But unless these elements are the stepping stones of the decision process, the executive will not arrive at a right, and certainly not at an effective, decision. Therefore, in this article I shall describe the sequence of steps involved in the decision-making process.

Based on extensive experience and research, Bain presents the following **five-step process for better decision-making**:

1. **Score your organization.** How good is your organization at making and executing decisions? What are the strengths you can build on to improve your effectiveness? Where are the hang-ups that prevent you from doing better? A rigorous, fact-based assessment will help you understand how your organization supports or inhibits decision effectiveness.
2. **Focus on key decisions.** Identify the big, high-value decisions that every organization must make, and ensure that those decisions work well. But also understand that small everyday decisions—the kind that are made over and over again, often by people on or near the frontline—can matter as much as the big ones.
3. **Make decisions work.** Set individual critical decisions up for success. A systematic process of analyzing the what, who, how and when of each troubled decision can put people on the path to good, speedy decision making and execution. Companies can "reset" decisions that are sources of trouble.
4. **Build an organization**—one that enables great decision-making and execution throughout. The most successful companies address both the "hard" issues, such as defining decision roles and processes in the corporate center, regional and divisional centers, and operating units, as well as the "soft" ones, such as talent management, leadership behaviors and organizational culture.

5. **Embed decision capabilities.** Lasting impact requires embedding new decision capabilities and behaviors in everyday practice. Companies need to equip people at all levels with the skills and abilities to decide and deliver, day in and day out

Long questions

1. Define planning. What is the necessity of planning in modern compel organisation?
2. "Planning is all pervasive and continuous functions of management". Discuss the performance, role and importance of planning in the light of the foregoing statement.
3. Write short notes on:
 4. Long-range planning and short range planning
 5. Formal planning and informal planning
 6. Proactive planning and reactive planning
7. Elaborate the planning process in modern organisation. Discuss the benefits of planning.
8. Which kind of plan- tactical or operational planning should an organisation develop first? Why?
9. "Planning is looking ahead and the controlling is looking back". Do you agree? Why and why not?
10. "Planning is deciding in advance, what is to be done in future". Comment.
11. "The fundamental functions of management are universal. They are applicable to all situations. "Discuss.
12. Define decision making. What is the important of decision making?
13. Explain the decision making process in organisation.
14. What do you mean by the term bounded rationality? What are the factors leading to bounded rationality and satisficing decisions?
15. What do you mean by decision making under certainty? Explain manager cannot be rational decision making in real life. Discuss.
16. What is Brainstorming? Briefly explain the steps involved in it and offer your comments on the effectiveness of these techniques in decision making.
17. Write the short notes on:
 - Brainstorming
 - NGT
 - Delphi techniques
18. "Manager cannot be rational decision makers". Discuss the statement and outline the steps involved in the decision making process.
19. Write short notes on decision tree?
20. "Whatever a manger does, he does through decision making". Critically examine the statement.
21. What is participative decision making? How it helps organisation to take better decision?

Module – IV

Controlling :

- **Process**
- **Standards and Bench Marking**

Co-ordination:

- **Principles of Co-ordination- Inter- dependence.**

Control:

Control is making something happen the way it was planned to happen.

According to Bateman and Snell, “Control may be defined as any process that directs the activities of individuals towards the achievement of organizational goal. It is how effective managers make sure that activities are going as planned”

Controlling: it is the process of comparing actual performance with standards and taking any necessary corrective action. It is making something happen the way it was planned to happen. it involves keeping the organizational activities and functions on right track and aligned with plans and goal.

- According to **Newman**” it is the process of regulating organizational activities so that actual performance conforms to expected organizational standards and goal.

So controlling means that managers develop

- Appropriate standards
- Compare ongoing performance against those standards
- Take steps to ensure that corrective action are taken when necessary

Features:

Control is appositive force:

the primary object of control is to find where failures are occurring who is responsible for them and what should be done about them.(Knootz and O'Donnell).it is thus a positive force, aimed at securing performance. Just like thermostat in refrigerators, control automatically begins to

operate whenever deviations occur. It is constructive and actively designed to check deviations and improve performance.

Control is a continuous process: it is not one-step action plan. As pointed by Knootz” just as the navigator continually takes readings to ascertain where he is, relative to a planned course, so should the business manager continually take readings to assure himself that his enterprise or department is on course”.

Control is forward looking: control involves a postmortem examination of past events. Hence, it is often viewed negatively, as a policing or watchdog kind of job. The whole exercise of looking back is meant to improve performance in future as past cannot be controlled. Control does not wait till the train gets derailed; it seeks to prevent the train going off the track.

Control process is universal: control is a primary function of every manager. It has to be undertaken at every level. Managers at every level have to check deviation from standards, set things right quickly and keep the business on course.

Control process is dynamic: control is not static: it is dynamic in the sense, it is amenable to change and hence, highly flexible. Between the time a goal is established and the time it is reached, many things can happen in the organisation and its environment to disrupt movement toward the goal or even to change goal itself.

Control is based on planning:

The system of control presupposes the existence of certain standards. The plans provide the standards of performance which serve as the basis of control. Thus, planning and control are closely related to each other. Once plans are made, control is necessary to measure the progress of work. Planning is useful only when there is effective control. Planning without control is meaningless. Likewise, control is blind without planning. If the targets are not set in advance, managers have nothing to control. Planning defines the goals; while control keeps actions along desired lines with a view to achieve results. Planning and controlling are thus, virtually inseparable. It is often said planning is looking ahead and controlling is looking back. Generally, plans are prepared keeping present condition and the likely future changes in mind. In that sense, planning may be viewed as informed anticipation of future. It helps managers to affect rather

than accept the future. Controlling, on the other hand, seeks to improve performance on the basis of experience gained in the past. In that sense, planning may be viewed as informed anticipation of future. In a way, it is a deliberate attempt to influence and control the effects of change. It helps managers to affect rather than accept the future. Controlling, on the other hand, seeks to improve performance on the basis of experience gained in the past. Evidently, one can't control what has already happened. But effective steps can be taken to prevent the reoccurrence of undesirable events, based on experience gained in the past. Thus control is both looking back and looking ahead.

Planning	Controlling
Impersonal, long range problem	Personal, immediate issues
Estimates	Specific data
Top management's top priority item	Operating and lower level people spend more time on this
Less structures	Highly structures
Difficult, takes time to time visualize the impact.	Results visible, especially when situation are stable and not so complex.

Importance of control:

- **Achievement of goal:**
Controlling is a goal-oriented process. It keeps activities on the right track. Whenever things go off the rails, remedial steps are undertaken immediately. Every attempt is made to conform events, to conform events, to set targets and thereby achieve results efficiently and effectively.
- **Execution and revision of plan:**
It is through controlling that appropriate steps are taken to ensure that each is implemented in a predetermined way. Controlling measures progress, uncovers deviations, indicates corrective steps and thus, keeps everything on track.
- **Bring order and discipline:** in an organisation. While pursuing goals, managers and their subordinates often commit mistakes. Ex- problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, poor designs are followed, and so on. A control system helps check such tendencies before they turn into serious problems.

- **Facilitates decentralization of authority:** when managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A system of control ensures this by forcing subordinates to conform to plans. the feedback information helps managers check whether actions taken at lower levels are in line with what has been planned or not.
- **Promotes coordination:** control facilitates coordination between different departments and division by providing them unity of direction. Individuals and their activities are tried it a set of common objectives. Such a unified ensures accomplishment of result, efficiently and effectively.
- **Cope with uncertainty and change:** the environment in which organizations operate is complex and ever changing. New products emerge, innovations come up, new regulations are passed and so on. The organisation needs to keep a watchful eye on such developments and respond intelligently. A control system helps in checking whether the diversified product lines are giving healthy margins, the sales from each region are improving, the products are accepted in the market place or not.

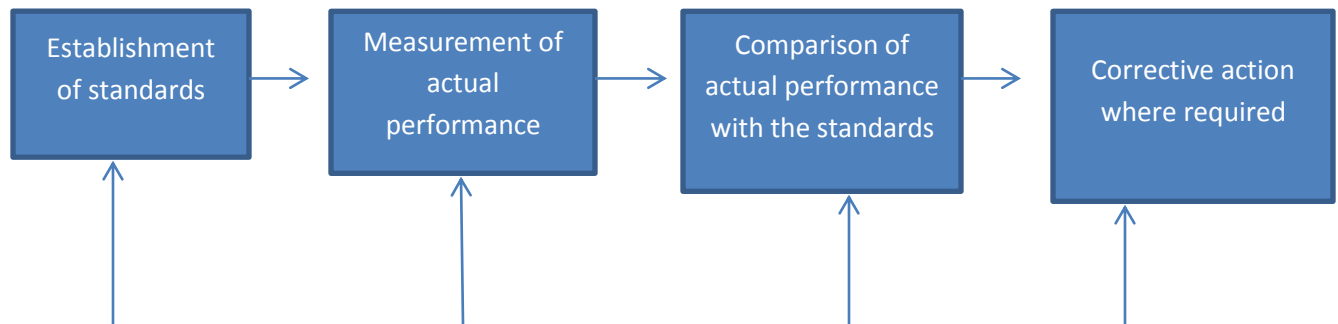
A good control system helps an organisation in the following ways:

1. **Accomplishing organisation goals:** the controlling function measures progress towards the organizational goals and brings to light the deviation, it any, and indicate corrective action. It, thus, guides the organisation an keeps it on the right track so that organizational goals might be achieved.
2. **Judging accuracy o standards:** A good control system enables management to verify whether the standards set are accurate and objective. An efficient control system keeps a careful check on the changes taking place in the organisation and in the environment and helps to review and revise the standards in right such changes.
3. **Making efficient use of resources:** by exercising control, a manger seeks to reduce wastage and spoilage of resources. Each activity is performed in accordance with predetermined standard and norms.
4. **Improving employee motivation:** good control system ensure that employees know well in advance what they are expected to do and what are the standards of performance

on the basis of which they will be appraised. It, thus motivates them and helps them to give better performance.

5. **Ensuring order and discipline:** controlling creates an atmosphere of order and discipline in the organisation. It helps to minimize dishonest behaviour on the part of the employees by keeping a close check on their activities.

Controlling process:



Step- I Establishment of standards:

The first step in the control process is establishing standards. Standards are the targets against which subsequent performance will be compared. They are, by definition, simply criteria of performance. They serve as the benchmarks because they specify acceptable levels of performance. Control standards are broadly divided into two categories.

Quantitative standards: these are generally expressed in physical or monetary terms. Such standards are set up in respect of production, finance, sales etc. where results can be measured in exact quantitative terms. Quantitative terms may be further divided as follows:

Time standards: time standards state the length of time it should take to make a certain good or perform a certain service. An airline pilot has a standard time span in which to make a certain trip.

Cost standards: cost standards are based on the cost of producing the goods or services. Ex- the material cost might be Rs. 10 per unit. Cost standards specify the cost limits within results should be achieved.

Productivity standards; standards of productivity are based on the output of goods or services during a set time period. A productivity standard might be to complete 10 units or serve 150 customers per hour.

Revenue standards: they arise from attaching monetary values to sales. they may include such standards as revenue per passenger-mile, average sale per customer or sales per capita in a given market area.

Qualitative standards:

Standards of quality are based on the level of perfection desired in respect of certain intangible items such as goodwill, employee morale, industrial relations etc, tests, survey and sampling techniques are used to prove human attitudes and drives in respect of above items before specifying a limit.

Example of General Electric:

Commonly uses as an example, the following **eight types of standards** have been set by General Electric

- **Profitability standards :** These standards indicate how much profit General Electric would like to make in a given time period.
- **Market position standards :** These standards indicate the percentage of total product market that company would like to win from competitors.
- **Productivity standards :** These production-oriented standards indicate various acceptable rates which final products should be generated within the organization.
- **Product leadership standards :** Product leadership standards indicate what levels of product innovation would make people view General Electric products as leaders in the market.
- **Personnel development standards :** Personnel development standards list acceptable of progress in this area.
- **Employee attitude standards :** These standards indicate attitudes that General Electric employees should adopt.

- **Public responsibility standards** : All organizations have certain obligations to society. General Electric's standards in this area indicate acceptable levels of activity within the organization directed toward living up to social responsibilities.
- **Standards reflecting balance between short-range and long-range goals** . Standards in this area indicate what the acceptable long- and short - range goals are and the relationship among them.

Step-II Measurement of actual performance:

The second step in control process is the measurement of actual performance. Here, the actual performance of employee is measured against the standard fixed for his job. This should be done in an objective manner. Where standards are expressed in numerical terms, measurement does not create problems. Ex- performance of a worker in terms of units produced in a week could be easily measured against the standards output for the week.

To make the checking process effective, the manager has to concentrate on three key aspects of measurement viz, completeness, objectivity and responsiveness.

Completeness: complete measured provide an opportunity for the manager to concentrate on all aspects of the job instead of neglecting unmeasured tasks in favors of measured ones.

Objectivity: objective measured avoid the risk of bias and resentment, inherent in subjective assessment of task and people.

Responsiveness: responsive measures support the belief that effort and performance lead to improvement in the systems of control.

Step – III comparison of actual performance with standard:

The comparing step determines the degree of variation between actual performance and the standard. Some variation in performance can be expected in all activities. It is, thereof, important to determine the acceptable range of variation. Deviations in excess of this range become significant and receive manager's attention. All such deviations may be due to errors in planning, defective implementation or careless performance of the operative.

Step-IV taking corrective action:

The last and final step in the control process is taking corrective action, when required. Corrective steps are initiated by managers with a view to rectify the defects in actual performance. If actual performance for example, falls short of standards due to non-availability of materials, managers tries to procure these materials and thus sets things in order. If it is due to poor results shown by employees, it could be rectified through the introduction of attractive incentive plans. Thus, a corrective action may involve a change in methods, rules, procedures etc.

Examples of corrective actions:

Causes of deviation	Corrective action to be taken
Defective material	Change the quality specification form material used.
Defective machinery	Repair the existing machines or replace the machine is it cannot be repaired.
Obsolete machinery	Undertake technological upgradation of machinery.
Defective process	Modify the existing process.
Defective physical condition of work	Improve the physical condition of work.

Factors influencing control effectiveness: How to make an effective control system?

Suitable: the control system must be suitable to the needs of organizations. It must conform to the nature and needs of the job and the area to be controlled. Ex- the control system used in production department will be different from that used in sales department.

Simple: the control should be easy to understand and operate. A complicated control system, will cause unnecessary mistakes, confusion and frustration among employees. When the control, system is understood properly, employees can interpret the same in a right way and ensure its implementation.

Selective: to be useful, the control system must focus attention on key, strategic and important factors which are critical to performance. Insignificant deviation need not be looked into. By concentrating attention on important aspects, managers can save their time and meet problems head on in an effective manner.

Flexible: we live in a world of supersonic change. Competitive, technological and other environmental changes force organizations to change their plans. As a result, control should be necessarily flexible. It must be flexible enough to adjust to adverse changes or to take advantage of new opportunities.

Foreword-looking: an effective control system should be forward looking. It must provide timely information on deviation. Any departure from the standard should be caught as soon as possible. This helps managers to take remedial steps immediately before things go out of gear.

Objective: a control system would be effective only when it is objective and impersonal. It should not be subjective and arbitrary. When standards are set in clear terms, it is easy to evaluate performance.

Acceptable: controls will not work unless people want them to. They should be acceptable to those to whom they apply. Controls will be acceptable when they are quantified, objective, attainable and understood by one and all.

Limitation of controlling:

Although controlling is an important function of management, it suffers from the following limitations.

1. **Difficulty in setting quantitative standards:** control system loses some of its effectiveness when standards cannot be defined in quantitative terms. This makes measurement of performance and their comparison with standards a difficult task. Employee morale, job satisfaction and human behaviour are such areas where this problem might arise.
2. **Little control on external factors:** generally an enterprise cannot control external factors such as government policies, technological changes, competition etc.

3. **Resistance from employees:** control is often resisted by employees. They see it as a restriction on their freedom.
4. **Costly affair:** control is a costly affair as it involves a lot of expenditure, time and effort. A small enterprise cannot afford to install an expensive control system. It cannot justify the expenses involved. A managers must ensure that the costs of installing and operating a control systems should not exceed the benefits derive from it.

Relationship between planning and controlling:

Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Thus, planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. It is utterly foolish to think that controlling could be accomplished without planning. Without planning this there is no controlling. Planning seeks consistent, integrated and articulated programme and while controlling seeks to compel events to conform to plans. Planning is basically an intellectual process involving thinking, articulate and analysis to discover and prescribe an appropriate course of action for achieving objectives. Controlling, on the other hand, checks where decisions have been translated into desired action. Planning is thus, prescriptive whereas controlling is evaluative.

Planning is looking ahead while controlling is looking back

It is often said that planning is looking ahead while controlling is looking back. However, the statement is only partially correct. Plans are prepared for future and are based on forecasts about future conditions. Therefore, planning involves looking ahead and is called a forward looking functions. On the contrary controlling is like a postmortem of past activities to find out deviations from the stands. In that sense, controlling is a backward looking function. However, it should be understood that planning is guided by past experiences and the corrective action

initiated by control functions aims to improve future performance. Thus planning and controlling are both backward looking as well as forward looking function.

Thus planning and controlling are integrated and in fact, reinforce each other in the sense that.

1. Planning based on facts makes controlling easier and effective.
2. Controlling improves future planning by providing information derived from past experiences.

Benchmarking

Benchmarking is the process of comparing one's business processes and [performance metrics](#) to industry [practices](#) .

A **performance metric** is that which determines an organization's behavior and performance.

Performance metrics are:

- Establishing customer requirements.
- Identifying specific, quantifiable outputs of work.
- Establishing [targets](#) against which results can be

Example of Performance Metric Productivity Metrics:

Productivity is a basic component of performance for employees of any business. It refers to the amount of work an employee accomplishes in a specific time frame, such as a single work day.

New hires generally show less productivity than more experienced workers, steadily increasing the speed of their work over time.

Managers can measure employee productivity using different metrics in different situations. Manufacturers can measure productivity based on the number of units individual employees produce or work on each day. Sales managers often measure productivity as the number of sales calls an employee makes per day.

Types of control :

Depending on the time at which control is applied, controls are three types:

Feedback control :(historical or post control):

It is the process of gathering information about a complete activity, evaluating that information and taking step to improve similar activities in the future. Feedback control enables managers to use information on past performance to bring future performance into line with planned objectives. Critics of feedback control argue that it is like closing the gate after the horse is gone. Because corrective action is taken after the fact, costs tend to pile up quickly while problems and deviations persist. On the positive side, feedback control tests the quality and validity of standards.

Concurrent control: it is also called” real time” control. Concurrent control techniques immediately consider any problem and analyze it to take necessary and corrective steps before any major damage is done. Control chart is an example of this control.

Concurrent controls are also known by another name “ steering controls” and occur while an activity is taking place. The navigator of an aircraft who adjust the aircraft’s movements is an example of concurrent control.

Feed forward control: here the control system anticipates problems that the management encounters in future. Cash budget is an example of this type where the financial manager is in a position to estimate the next year’s flow of cash. If there is a shortage of funds in a particular month, he can arrange for bank loan or some other alternative. Predictive control is also frequently termed as feed forward control.

Coordinating

According to Mooney and Reiley, “coordination is the orderly arrangement of group effort to provide unity of action in the pursuit of a common purpose.”

Coordination Vs Cooperation

Coordination: Orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose. Coordination is a necessary function of management. It is actually the epitome of all management functions. Coordination is the deliberate and intentional effort of the manager.

Cooperation: The voluntary effort of individuals to provide unity of action in the pursuit of a common purpose. Cooperation, on the other hand does not enjoy the status of a function of management. Cooperation is more of an attitude of an individual and group than anything else. Cooperation, on the hand is voluntary; management can function even without cooperation, but cannot function without coordination.

STATUS	DELIBERATE	NATURE OF WORK
Coordination: It is necessary function of management. Cooperation: Cooperation is more of an attitude of an individual and group than anything else.	Coordination: it is the deliberate and intentional effort of the manager. Cooperation: It is voluntary effort.	Coordination: coordination of all independent activities is utmost essential. Cooperation : it has no limitation. It can be learn from each other.

Coordination process:

Coordination cannot be achieved by force or imposed by authority. Achieving coordination through executive orders is a futile exercise. It can be achieved through person-to person, side by side relationships. Following are the process of coordination:

- **Clearly defined and understood objectives:** individual and each department must understand what is expected of them by the organisation. Top management must clearly state the objective for the enterprise, as a whole. As pointed out by Terry “ there must be commonness of purpose, in order to unify efforts.” The various plans formulated in the enterprise must be interrelated and designed to fit together.
- **Proper division of work;** the total work must be divided and assigned to individuals in a proper way. Here, it is worth noting the principle, a place for everything and everything in its place.
- **Good organisation structure:** the various departments in the organisation must be grouped in such a way that work moves smoothly from one phase to another. Too much specialization may complicate the coordination of efforts.
- **Clear lines of authority:** authority must be delegated in a clear way. The individual must know, what is expected of him by his superior. Once authority is accepted, the subordinates must be made accountable for results, in his work area.
- **Regular and timely communication:** personal contact is generally considered to be the most effective means of communication for achieving coordination. Other means of communication such as records, reports may also be used in order to supply timely and accurate information to various groups in an organisation.
- **Sound leaderships:** According to McFarland, real coordination can be achieved only through effective leadership. Top management, to this end, must be able to provide (1) a conducive work environment, (2) proper allocation of work, (3) incentives for good work etc. It must persuade subordinates, to have identified of interest and to adopt a common outlook.

Types of coordination:

- **Internal and external coordination:** coordination between the different units of an organisation is called “internal coordination”. It involves synchronization of the activities and efforts of individuals, in various departments, plants and offices of an organisation. The coordination between an organisation and its external environment, consisting of

government, customers, investors, suppliers, competitors etc. is known as external coordination.

- **Vertical and horizontal coordination:** coordination between different levels of an organisation is called "vertical coordination". It is achieved by top management, through delegation of authority. When coordination is brought between various positions, at the same level in the organisation, it is called "horizontal coordination".

System approach to coordination (Thompson):

Pooled interdependency:

It means that each department is part of the organisation and contributes to the common good, but each department is relatively independent because work does not flow between units. They share financial resources from a common pool but not interact with each other. Ex- SBI

Sequential interdependency: The output of one unit becomes the input for another, in a sequential manner. It promotes the day to day communication among plant.

Reciprocal interdependency: It exists when activities flow both ways between units. Open communication and careful planning are essential. Ex- hospital employs resource from several departments to restore a patient's health. Each specialist and department, supplies some of the resources required to help the patient. Doctors and professional from each specialized area meet to discuss the patient's recovery.

Principles of Co-ordination

Mary parker Follet has spelt various principles of coordination in the following fashion:

Principle of direct contact:

- She states that coordination can be achieved by direct contact among the responsible people concerned.

- It can be achieved also through interpersonal relationships and direct personal communication.

Early stage:

- Coordination should start from the very beginning of planning process.
- At the time of policy formulation and objective setting, coordination can be sought from organizational participants.

Reciprocal relationship:

- As the third principle, Mary Parker Follet states that all factors in a situation are reciprocally related.
- That means all the parts influence and are influenced by other parts.
- Example: when A works with B and he, in turn, works with C and D, each of the four find themselves influenced by others that is influenced by all the people in the total situation.

Principle of continuity:

- Coordination is a continuous and never ending process.
- It is something that must go on all the times in the organisation
- Principle of self coordination (intra coordination):
- The principle of self-coordination says that when a particular department affects other function or department, it is in turn, affected by the other department or function.

Terminology

- **Control:** it is making something happen the way it was planned to happen.
- **Controlling:** it is the process of comparing actual performance with standards and taking necessary corrective action.
- **Standards:** they are established levels of quality or quantity used to guide performance.
- **Feedback control:** it is a postmortem examination of events, the purpose of which is to improve performance in future.

- **Concurrent control:** control that consists of monitoring ongoing activities to ensure they are consistent with standards.
- **Feedforward control:** it is the intelligent anticipation of problems and their timely prevention, rather than after the fact reaction.
- **Preventive control:** preventive controls are mechanisms intended to reduce errors and thereby minimize the need for corrective action.
- **MBE:** it tries to focus attention on exceptionally serious deviations from the plans and standards
- **Reciprocal interdependency:** It exists when activities flow both ways between units. Open communication and careful planning are essential.
- **Sequential interdependency:** The output of one unit becomes the input for another, in a sequential manner.
- **Pooled interdependency:** It means that each department is part of the organisation and contributes to the common good, but each department is relatively independent because work does not flow between units.

Long questions

1. Explain the importance of coordination as an important management function and point out the failures that arise out of poor coordination.
2. Narrate three characteristic of effective control. State the factors which influence the effective of control system.
3. “The controlling function of a management is similar to the function of the thermostat in a refrigerator.” Comment
4. Write short note on”
 1. Pre control and post control
 2. Management by exception
 3. Principles of coordination.
5. Critically examine the following statements:
 - **“The essence of control is action.**
 - A. One type of control, specific-action control, attempts to ensure that individuals perform (or do not perform) certain actions that are known to be desirable (or

undesirable). Management can limit the incidence of some types of obviously undesirable activity by using *behavioral constraints* that render the occurrence impossible, or at least unlikely. These constraints include physical devices, such as locks and key-personnel identification systems, and administrative constraints, such as segregation of duties, which make it very difficult for one person to carry out an improper act.

- A second type of specific action control is *action accountability* — a type of feedback control system by which employees are held accountable for their actions. The implementation of action-accountability control systems requires: (1) defining the limits of acceptable behavior, as is done in procedures manuals; (2) tracking the behaviors that employees are actually engaged in; and (3) rewarding or punishing deviations from the defined limits. Although action-accountability systems involve the tracking and reporting of actual behaviors, their objective is to motivate employees to behave appropriately in the future. These systems are effective only if employees understand what is required of them, and they feel that their individual actions will be noticed and rewarded or punished in some significant way.
- A third type of specific-action control is *preaction review*. This involves observing the work of others before the activity is complete, for example, through direct supervision, formal planning reviews, and approvals on proposals for expenditures. Reviews can provide effective control in several ways by: correcting potentially harmful behavior before the full damaging effects are felt; or influencing behavior just by the threat of an impending review, such as causing extra care in the preparation of an expenditure proposal. One advantage of reviews is that they can be used even when it is not possible to define exactly what is expected prior to the review.

- **“Control is best aimed at results, not at people as such.”**

- A. Control can also be accomplished by focusing on results: this type of control comes in only one basic form, results accountability, which involves holding employees responsible for certain results. Use of results-accountability control systems requires: (1) defining the dimensions along which results are desired, such as efficiency, quality, and service;

(2) measuring performance on these dimensions; and

(3) providing rewards (punishments) to encourage (discourage) behavior that will lead (not lead) to those results.

As with action-accountability systems, results-accountability systems are future-oriented; they attempt to motivate people to behave appropriately. But they are effective only if employees feel that their individual efforts will be noticed and rewarded in some significant way.

- **‘Planning and control are the inseparable twins of management.’**

A. Planning and controlling are inseparable twins of management. A system of control presupposes the existence of certain standards. These standards of performance which serve as the basis of controlling are provided by planning. Once a plan becomes operational controlling is necessary to monitor the progress, measure it, discover deviations and initiate corrective measures to ensure that events conform to plans. Thus, planning without controlling is meaningless. Similarly, controlling is blind without planning. If the standards are not set in advance, managers have nothing to control. It is utterly foolish to think that controlling could be accomplished without planning. Without planning there is no controlling. Planning seeks consistent, integrated and articulated programme and while controlling seeks to compel events to conform to plans. Planning is basically an intellectual process involving thinking, articulation and analysis to discover and prescribe an appropriate course of action for achieving objectives. Controlling, on the other hand, checks where decisions have been translated into desired action. Planning is thus, prescriptive whereas controlling is evaluative.

6. Define controlling. Enumerate any four features of controlling.
7. Why is controlling considered as pervasive function? Explain Controlling helps in improving employee's morale.
8. Explain how controlling is a costly affair? How is controlling blind without planning?

9. "Planning is meaningless without control" Explain.
10. Enumerate the steps involved in the process of control.
11. Standards can be set in both qualitative as well as quantitative terms. Explain with example.
12. Planning and controlling are interdependent and interlinked activities. Explain.
13. There are two managers Suresh and Ramesh. Suresh is saying that controlling is forward looking whereas according to Ramesh controlling is looking back. Who is correct? Explain why?
14. Controlling is a systematic process involving a series of steps.
15. Comparing the actual performance with the laid standards, finding out the deviations and taking corrective action is an important process of a function of management. Name and explain the process.
16. Controlling is an indispensable function of management. Do you agree?

MODULE V

Challenges in Management:

Change management:

- **Timing of change**
- **Organizational change**
- **Technological change- effective use of communication devices and IT**

Change management:

Change management is an approach to transitioning [individuals](#), [teams](#), and [organizations](#) to a desired future state.^{sw}

What triggers a need for Change Management?

- An organization chooses to implement a new method or system in a planned and managed or systematic fashion (Nickols, 2000). This is an "anticipative or proactive response" change. Either internal events within the organization or the external environment triggers the shift in change. An organization is forced to make changes or implement a new system based on the external factors such as laws, societal issues or competitors. This is known as a "knee-jerk or reactive response" change (Nickols, 2000). The organization has little or no control and must change in order to stay competitive and in business.

Examples of Change Management

- **British Airways restructures its entire organization**
- Back in 1981, British Airways brought on a new chairperson who noticed that the company was operating very inefficiently and wasting valuable resources. To increase profits, he decided to restructure the entire organization by reducing its workforce.
- ***What they got right:***
- Before the chairperson began announcing layoffs, he explained his reasons for the restructuring to the entire company to prepare them for the upcoming change.
- Without his transparency, British Airways could have experienced employee backlash and negative press around all the layoffs. But, the chairperson always communicated honestly and frequently to manage the change.

Marissa Mayer becomes Yahoo's new CEO

- Mayer's transition has improved Yahoo's business from almost every angle.

- Stocks have increased and quarterly earnings have improved. But, more importantly, employees are embracing their new leader.
- Mayer's leadership, employees who had previously left Yahoo were coming back, and she has said Yahoo's workplace standing and employee belief in the company has improved.
- ***What she got right:*** Mayer placed a lot of energy on managing talent in the company and getting employees excited about working at Yahoo.
- In 2013, she said there had been at least [560](#) employee-focused initiatives implemented to bolster morale, including a new program designed to encourage employees to test products.
- As a new leader, Mayer understood the need to make sure her employees were happy and felt valued.

What type of change?

Changes can be seen in a variety of ways. This poses another major dilemma.

Evolutionary change: some changes are evolutionary in nature and do not greatly violate the tradition and status quo expectations. They are usually piecemeal, take place one by one. Because they are adjustments within the status quo, they seldom promote great enthusiasm, arouse deep resistance, or have dramatic results. Gradual development of something is evolutionary change. Evolutionary changes occur very slowly. Evolutionary change is change by convincing people. One or more "change agents" see an opportunity for the organization to improve, and they pursue it by talking with other people and building a proposal/prototype that is iteratively shopped around.

Example- Application of IT in Higher education.

Revolutionary change: changes sometimes may be cataclysmic. The revolutionary changes result in overturning the status quo arrangements, cause violations, rejections or suppression of old expectations. The revolutionary churning generally pose strong resistance and sometimes only an exercise of power can order the implementation of such changes. Revolutionary change is the change-by-mandate. You will often see this type of change in reaction to (1) a leadership change or (2) a crisis. As examples: a new CIO comes in and reorganizes the department, or the IT department fails an audit.

Example: Senior leadership says we must do this. Discussion may be tolerated or allowed, but the improvement is going to take place. It could be a day, a week, or a month, but the change will occur. The change occurs because “the boss says so.

Proactive change Vs reactive change:

Proactive change takes place when some forces to change lead an organisation to conclude that a particular change is desirable. **Proactive change is change** that is initiated by an organisation because it is desirable to do so.

Ex- For example, a company that takes a proactive stance would recall a faulty line of products rather than wait for customers to complain and deal with the issue down the road.

TATA enter branded instant coffee market. The beverage arm of nearly \$110billion (7 lakh crore). TGB Tata Global Beverage wants to increase its revenues from the coffee division. Tata will come up with a new brand TATA coffee Grand in coffee division. TGB gets 75% of its revenue from tea, 17% revenue from coffee and 2 % from water. Now the plan is take coffee and water revenue to 35% and 7% respectively in the next few years as the company wish to reduce its dependence on tea.

So we can here conclude that, Proactivity is an important habit for businesses to develop and requires businesses to adopt a strategic approach to decision making.

Reactive change occurs when these forces to change make it necessary for a change to be implemented. For instance, introduction of employee benefit scheme is proactive as the management strategy believes that it enhances satisfaction and motivation to employees. The change (introduction of scheme) would be reactive if the benefit plan was introduced because of demands made by employees. Reactive **change is change** initiated in an organisation because it is made necessary by outside forces. Reactive organizations don't change until situations force them to act.

For example, a company might wait for an economic crisis before it researches ways to increase productivity and cut costs.

By waiting for moderating circumstances and by failing to anticipate major developments, the reactive organizations put at risk.

Example of Reactive change (South Korea – Volkswagen recall 1,25, 522 cars from India over emission scam

- Example- 18 September 2015, the [United States Environmental Protection Agency](#) (EPA) issued a notice of violation of the [Clean Air Act](#) to German automaker [Volkswagen Group](#), after it was found that the automaker had intentionally programmed [turbocharged direct injection](#) (TDI) [diesel engines](#) to activate certain [emissions](#) controls only during laboratory [emissions testing](#).
- The programming caused the vehicles' [nitrogen oxide](#) (NOx) output to meet U.S. standards during regulatory testing, but produce up to 40 times higher NOx output in real-world driving.
- An estimated eleven million cars worldwide, and 500,000 in the United States, produced between model years 2009 and 2015,.

Organizational Change:

- Organizational change may be defined as the adoption of a new idea or behavior by an organisation. It is a way of modifying an existing organisation. The purpose of undertaking such modifications is to increase organizational effectiveness that is extent to which an organisation achieves its objectives. Organizational change is largely structural in nature as it brings about modifications in organizational structure, methods and processes.

Definition:

“The adoption of a new idea or behavior by an organisation”- Draft

- It is a way of modifying an existing organisation by any alteration of people, structure or technology, method, process.

What is the purpose of organizational change?

1. The purpose of undertaking such modification is to increase organizational effectiveness.
2. Organizational effectiveness is the extent to which an organisation achieves its objectives.

Types of organizational changes:

- **Anticipatory change:** they are systematically planned changes intended to take advantage of expected situations.
- **Relative change:** they are those changes are forced on the organisation by unexpected environmental events or pressures.
- **Incremental change:** They involves subsystem adjustments needed to keep the organisation on its chosen path.
- **Strategic change:** they alter the overall shape or direction of the organisation. Ex-switching from begin a software trainer to being a software developer .

Example of organizational change

How Samsung had to destroy its own products to change for better?

- In early 1970s, Samsung began selling black and white televisions in Korea. 20 years later Samsung chairman Kun-Hee-Lee visited Los Angeles to find where the company products stand in comparison to rivals.
- Sony , Nokia and Motorola products were going off the shelves in a brisk manner and Samsung products were pushed to corner. even sales clerk labelled the company product as low quality knockoff, suitable only for the bargain bin.
- Back home, things were no better. To celebrate the company's survival skills for over two decades , Lee distributed mobile phones to friends and colleagues. Many complained that the phones were defective. Humiliated Lee ordered that \$50million worth of inventory be destroyed in broad daylight to innovate new which has changed the company for better occupying the position in pride in most of the countries.

The objective of organizational change

- The objective of organizational change management is to enable organization members and other stakeholders to adapt to a sponsor's new vision, mission, and systems, as well as to identify sources of resistance to the changes and minimize resistance to them.
- Organizations are almost always in a state of change, whether the change is continuous or episodic.

The process of planned organizational changes

According to Kurt Lewin, individual behaviour is the result of equilibrium between driving and restraining forces.

What is driving forces?

Driving forces are forces outside the firm (external factors) that trigger the change of strategy in an organization. Industry conditions change because important forces (the most dominant ones that have the biggest influence on what kinds of changes will take place in the industry's structure and competitive environment) are driving industry participants (competitors, customers, or suppliers) to alter their actions, and thus the driving forces in an industry are the major underlying causes of changing industry and competitive conditions. Driving forces analysis has two steps: identifying what the driving forces are and assessing the impact they will have on the industry. Driving forces are those forces affecting a situation that are pushing in particular direction. Driving force leads to increase the productivity.

Internal driving forces in organisation are such as knowledge and competence of management and workforce.

External driving forces of an organisation are such as economy, competitors, technology that shape the future of an organization.

The Most Common Driving Forces

Many forces can affect an industry powerfully enough to qualify as driving forces. Some are unique and specific to a particular industry situation, but most drivers of change fall into one of the following categories:

1. The Internet and new e-commerce opportunities and threats it breeds in the industry;
2. Increasing globalization of the industry;
3. Changes in the long-run industry growth rate;
4. Changes in who buys the products and how they use it.
5. Product innovation;
6. Technological change;
7. Market innovation;

8. Entry or exit of major firms;
9. Diffusion of technical know-how across more companies and more countries;
10. Changes in cost and efficiency
11. Growing buyer for preferences for differentiated products instead of a commodity product (or for a more standardized product instead of strongly differentiated products);
12. Regulatory influences and government policy changes;
13. Changing societal concerns, attitudes, and lifestyles;
14. Reductions in uncertainty and business risk.

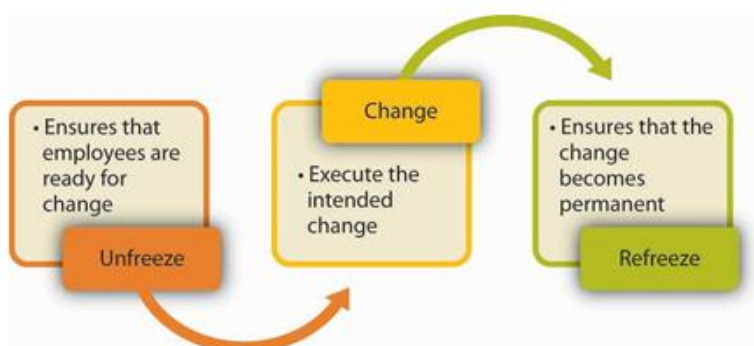
What is restraining forces?

Restraining forces are **forces** acting to **restrain** or decrease the driving **forces**. Lack of interest, hostility, and poor maintenance of equipment may be examples of **restraining forces** against increased production. Equilibrium is reached when the sum of the driving **forces** equals the sum of the **restraining forces**. Restraining forces are forces acting to restraining or decreasing the driving force. Increasing productivity without any relaxation increase in restraining force.

The process of change:

Many organisations adopt **Kurt Lewin Change model** to manage the change management both internal and external.

Kurt Lewin's Change Model



According to Kurt Lewin every behavior is the result of equilibrium between driving and restraining forces. The driving forces push one way; the restraining forces push the other. Lewin, the process of change entails creating the perception that a change is needed, then moving toward the new, desired level of behavior.

To overcome this, Lewin proposed a three step sequential model of the change process.

Unfreezing:

Before a change can be implemented, it must go through the initial step of **unfreezing**. Because many people will naturally resist change. The goal during the unfreezing stage is to create an awareness of how the status quo, or current level of acceptability, is hindering the organization in some way. Old behaviors, ways of thinking, processes, people and organizational structures must all be carefully examined to show employees how necessary a change is for the organization to create or maintain a competitive advantage in the marketplace.

Communication is especially important during the unfreezing stage so that employees can become informed about the imminent change, the logic behind it and how it will benefit each employee.

Unfreezing involves making the need for change so obvious that the individual group or organisation can readily see and accept it. The following elements are vitally necessary urging the unfreezing phase:

- The physical removal of the individual' undergoing change, from their accustomed routines, sources of information and social relationships.
- The undermining and destruction of social support.
- Demanding and humiliating experiences to help individual being hanged to see their old attitude or behavior as unworthy and be motivated to change.

Changing:

Now that the people are 'unfrozen' they can begin to move. Lewin recognized that change is a process where the organization must transition or move into this new state of being. This changing step, also referred to as 'transitioning' or 'moving,' is marked by the implementation of the change. During the changing step people begin to learn the new behaviors, processes and ways of thinking. The more prepared they are for this step, the easier it is to complete.

For this reason, education, communication, support and time are critical for employees as they become familiar with the change.

It is the phase where new learning occurs. When the individuals are convinced that their behavior is inappropriate, they happily come forward to accept the change. In order to change, it is not enough to sense the current behavior is inadequate. The necessary condition is that various alternatives or behavior must also be made available in order to fill the vacuum created by unfreezing phase.

Refreezing: During this phase, individuals internalize the new beliefs, feelings and behavior learned in the changing phase. That is to say a person accepts the new behavior as a permanent part of his behavior repertoire. He has to practice and experiment with the new methods of behavior and see that it effectively blends with his other behavioral attitudes, it is very important for the manager concerned with the introducing change to visualize that the new behavior is not extinguishing soon.

Lewin called the final stage of his change model freezing, but many refer to it as **refreezing** to symbolize the act of [reinforcing](#), stabilizing and solidifying the new state after the change. The changes made to organizational processes, goals, structure, offerings or people are accepted and refrozen as the new norm or status quo. Positive rewards and acknowledgment of individualized efforts are often used to reinforce the new state because it is believed that positively reinforced behavior will likely be repeated.

FORCES FOR CHANGE:

Organizational change do not occur spontaneously. They occur when the forces encouraging change become more powerful than those resisting change. These forces to change can be either internal (emerging from within an organisation) or external forces (coming from outside an organisation).

Internal forces:

Increased size: increased size is followed by major shifts in internal structure (increased specialization, growing complexity, etc.). As organisations prosper and grow in size, they generate more resources. These resources help them seize new opportunities, enter new markets, experiment with novel ideas. They tend to be more flexible and open to change.

Performance gap: when there is a gap between set targets and actual results in terms of market share, profits and employee productivity, it's time to change, innovate and go ahead. If companies do not change hats and switch gears quickly, they may go off-the-track and reach a dead-end.

Employee needs and values: effective organisations have to tune their policies and procedures in line with employee needs and values. Attractive financial incentives, challenging assignments, vertical growth opportunities are all part of the same game.

Change in the chief executive:

One of the frequently cited reasons for major changes in an organisation is the change of executives at the top. No two managers have the same styles, skills or managerial philosophies .managerial behaviour is always subjective so that newly appointed manager might favor different organisation design, objectives, producers.

External forces:

- Technological change
- Competition
- Social and political changes

Technological change

Technological change, technological development, technological achievement, or technological progress is the overall process of invention, innovation and diffusion of technology or processes.

In economics, a technological change is an increase in the efficiency of a product or process that results in an increase in output **without an increase in input.**

The telephone is an example of a product that has undergone a technological change. It has went through many different changes over the years that have made it more efficient. Processes or products, such as the telephone, move through technological change in three stages:

- **Invention** - the creation of a new product or process
- **Innovation** - the application of the invention for the first time.
- **Diffusion** - how fast others begin to adopt the innovation.

Impacts of Technological Change

Creates new products and processes

- When telephones were first invented, the object was to be able to verbally communicate with someone. Due to technological changes, we have multiple ways to communicate using our phones, such as text, email, or talk.

Increases efficiency, lower costs

- Technology makes it possible to perform everyday tasks faster and with less energy on our part. For instance, I have a vacuum cleaning robot.
- Instead of spending 30 minutes vacuuming, I push a button and go do something else. That's efficiency.

Helps cost-cutting change

- People are able to increase the ways in which they create wealth. It also has a current effect. So that fewer people are growing crops and more are moving into other industries.

Examples:

1. E-commerce gives consumers more choices for their everyday needs, opening the doors for niche brands.
2. Subscription plans make recurring deliveries of baby goods easier to manage for consumers.

Competition:

Competition in virtually all industries is intense and sometimes cut-throat. Most companies are fighting a do-or die battle for survival. The rising oil prices, stock market crash, internet bubbles, collapse of the banks and financial institutions, crashing real estate markets, rising unemployment, corporate crimes and scandals have complicated matters further.

Social and political changes:

Cultural, social demographic, political and environmental changes have a significant impact upon virtually all products, services, market and customers. Social trends keep changing, thanks to the ever-changing consumer tastes and preference and the heightened competition in the

marketplace. Workforce diversity in terms of race, religion, region, educational background, age, skill etc. is something that every company must look into.

Effective use of communication devices and IT

Wireless Communication:

- A **wireless network** refers to any type of network that establishes connections without cables. Wireless connections have many advantages, starting with the fact that you don't need to buy and install cables.
- Now consider having to do this for an entire building that was constructed before computer networks even existed.

Mobile Phones:

- Mobile phones have become the most widely used wireless communication device.
- A **mobile phone** is an electronic device to make and receive phone calls over a radio link while moving through an area.
- The primary wireless connection for a mobile phone is the cellular network that uses cell towers for the transmission between mobile phones and the network.
- A mobile phone is also referred to as a cellular phone, or simply cell phone.

Smartphones:

Smartphones are essentially mobile computers:

- They provide file storage, have a number of input and output options, make use of an operating system and allow you to run applications.
- Relative to regular desktop and laptop computers, however, they are much smaller, often lack a physical keyboard and rely on touch screen technology for user input instead of a keyboard and mouse. The operating system and software applications are also designed specifically for a smaller screen and touch screen input.

Tablet Computers

A **tablet computer**, or simply a **tablet**, is a mobile computer where all components are integrated into a single unit. Tablets rely on touch screen technology as the primary input method

instead of a mouse. Many tablets have the same look and feel as smartphones, but the screen is bigger, and they are not used to make phone calls.

PDA:

- A **Personal Digital Assistant**, or **PDA**, is a mobile device that is dedicated to managing personal information. This includes a calendar and meeting schedule, an address book with contacts, a to-do list, e-mail and other tasks.
- PDAs were introduced in the late 1980s and became popular in the 1990s.
- However, much of the technology that went into developing PDAs is reflected in today's smartphone, such as touch screen technology and synchronization with other devices.
- Today, PDAs are mostly used for very specific applications. For example, many outdoor jobs require extremely mobile devices that can withstand the elements.

Long Questions

1. A company has recently purchased equipment's that, when installed, will do the work of 100 employees. The workforce of the company is very concerned and is threatening to take some kind of action. If you were the human resource manager, what would you try to do to satisfy all parties concerned? Why?
2. Are most organizational changes forced on the organisation by external factors or fostered from within? Explain through contemporary examples.
3. Explain Kurt Lewin's change model.
4. Explain the driving forces both internal and external in organizational change management.
5. What is change? Explain the challenges in management.