MODULE-I

Introduction to Management

Management is an essential activity of every organization. It is considered to be the brain of business, which plans, co-ordinates resources of production, gets the things done through other people and accomplishes objectives and predetermined goals.

In the present era of globalization and changes in economic and business world the real success of management lies in applying the professional management techniques in all activities of management. Hence, success in management hinges on thorough understanding of principles and practices of business management.

Management is a universal phenomenon. Every individual or entity requires setting objectives, making plans, handling people, coordinating and controlling activities, achieving goals and evaluating performance directed towards organizational goals. These activities relate to the utilization of variables or resources from the environment − human, monetary, physical, and informational. Human resources refer to managerial talent, labor (managerial talent, labor, and services provided by them), monetary resources (the monetary investment the organization uses to finance its current and long-term operations), physical resources (raw materials, physical and production facilities and equipment) and information resources (data and other kinds of information).

Management is essentially the bringing together these resources within an organization towards reaching objectives of an organization.

Definition of Management

Management has been defined by various authors/authorities in various ways. Following are few often-quoted definitions:

Management guru, Peter Drucker, says the basic task of management includes both marketing and innovation. According to him, ***"Management is a multipurpose organ that manages a business and manages managers, and manages workers and work."***

Harold Knoots says, ***"Management is the art of getting things done through and with people."*** It indicates that management is the essential part of any group activity. It is important activity to control/manage men, machines, material and money in direction towards predetermined objectives. Management is concerned with planning, policy formulation and coordinating functions. It also includes quality control of product.

According to **E.F.L. Brech** "***Management is the process of controlling the whole productive machinery."***

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

From the above information we can understand the meaning of management that it is the art of getting things done by a group of people with the effective utilization of available resources.

The management is thus the dynamic life-giving element in each and every organization. Without it the resources of production will remain resources only and never change in the production.

Characteristics and Significance of Management:

A) Characteristics of Management –

Following are the important characteristics of Management.

1) Management is universal-Management is applicable to all forms of human organizations whether it is profit- making or non- profit making.

2) Management is a social process- To get things done from the people manager has to establish inter-personal relations with them. He has to understand the behavior of all as individual members as well as members of a group.

3) Getting things done through people/ group- In the words of Koontz and O'Donnell, "Management is the art of getting things done through people or organized groups."

4) Management is an integrating / unifying force-Management is integrating people into a single working force with available physical resources.

5) Management is objective/ target oriented- Management is purposeful or goal-oriented activity. The success of management is measured by the extent to which organization goals are achieved.

6) Management is dynamic, and not static- Management is not a stereotype activity but is ever changing. It is a complex and dynamic activity. Management adapts itself to changes in environment, and also initiates and introduces changes. i.e. Innovations, change in methodology etc.

7) Management is a system of authority- In management scalar- chain indicates system of authority. Every body in the organization knows under whom he is working, whose orders he has to follow and to whom he is answerable.

8) Decision-making- Decisions are taken in all the activities of management. The success is judged by the quality of decisions taken by the managers.

9) Continuous process- Management is not one time activity, but it is continuous activity. The cycle of management continues to operate so long as the organization continues to exist.

10) Management is born as well as acquired ability-Management is considered not only as an inborn ability but also an acquired ability by proper training.

11) Proper utilization of resources-Management is concerned with the best and proper utilization of the resources.

12) Intangible-Management is intangible, it cannot be seen with eyes, It is evidenced or measured only by the quality results of organization, such as increased productivity, the increased morale of the employees etc.

13) Management is a science as well as an art- Management is a science because it contains general principles. It is also and art because it requires certain personal skills to achieve desired results. Science urges us to observe and experiment a phenomenon, while art teaches us the application of human skill and imagination to the same. In order to be successful, every manager needs do things effectively and efficiently. This requires a unique combination of both science and art. We can say that the art of managing begins where the science of managing stops. As the science of managing is imperfect, the manager must turn to artistic managerial ability to perform a job satisfactorily.

14) Modern management can be regarded as a profession- According to McFarland; following are the characteristics of profession:

1. Existence of an organised and systematic knowledge.
2. Formalized methods of acquiring training and experience
3. Existence of an association with professionalization as its goal.
4. Existence of an ethical code to regulate the behaviour of the members of the profession.
5. charging of fees based on service, but with due regard for the priority of service over the desire for monetary reward. Management does not posses all the above characteristics of a profession. Unlike medicine or law, Management does not have any fixed norms of managerial behavior. There is no uniform code of conduct or licensing of managers. Further the entry to managerial jobs is not restricted to individuals with a special academic degree only. In the light of this analysis we can conclude that management cannot be called a profession.

B) Significance / Importance of Management –

Management acts as a creative and life giving force in the organization. Management by right men through right methods may give better results. It is properly said that business is built not by the technical ability of specialists but largely by good managers who can effectively utilize human skill, energy and efficiency for transforming resources with higher productivity. Management is considered to be the brain of business, which plans, co ordinates resources of production, gets the things done through other people and accomplishers objectives. Hence, management is inevitable element in every enterprise. It is rightly said that organization without management is like a temple without deity. Management is every where like a god, like an air (without which we cannot live), like shadow (it is always with us). Management is always with us without which, we cannot live as a common person in society. Further more, the survival and success of an organization largely depends on the competence of its management. More significance or importance of management can be explained with the help of the following points.

1) Management meets the challenge of change-

In the modern business world, there are frequent changes; business operates in an environment created by demographic, political, legal, technological, social, natural, economic and cultural factors. The business environment is highly dynamic and it has far-reaching impact on business. The management can gear-up the business in such a way that the opportunities are grabbed and threats are fought against successfully.

2) Accomplishment of various interests of different groups-

There are various groups such as shareholders, society, which have various interests in the business. The survival of the business depends on the satisfaction of these stakeholders. Management can skillfully integrates the interests of these different groups and obtain their support.

3) Effective utilization of resources- The efficient management can make optimum use of resources, (i.e. - Men, Money, Materials, Machines, Methods, Motivation, Markets and Management.) Underutilization or over utilization of resources should be avoided and this can be done by management only because Management has control oven other remaining 'M's.

4) Stability to society- If there is no smooth supply of goods and services to the society, the society becomes vibrant. There fluctuations in supply can be stabilized by the management.

5) Innovation- New ideas are developed by the management and implemented in the business for better performance.

6) Co-ordination and team-spirit- Management co-ordinates the activities of different department and establishes team- spirit to achieve the objectives.

7) Social responsibilities- No organization can run its function in isolation from society. A number of responsibilities have to be discharged for the upliftment of the society. The management plays an important role in discharging the responsibilities towards society.

8) Development of country- The management helps in infrastructural development of the nation, in increasing GDP, capital formation, national income etc.

To sum-up we can say, "Anything + Management = Success"

Functions of Management

The principles of management have been categorized into the four major functions of planning, organizing, leading, and controlling popularly known as the P-O-L-C framework.

As per 'Theo Haiman', one of the definitions is "Management as a process or group of organizational / Managerial functions". The list of management functions varies from scholar to scholar with number of functions ranging from three to eight.

Particularly 'Luther Gullik states seven such functions; we can add one more function as +'C' to the catchword 'POSDCORB' +'C'. which stands for planning, organizing, staffing, directing, co-ordinating / communicating, reporting, budgeting and +'c' indicates 'controlling'.

The important functions of management as per the catchword 'POSDCORB' +'C'

Planning

Planning is the first and the most important function of management that involves setting objectives and determining a course of action for achieving those objectives. Planners are essentially the managers who are best aware of environmental conditions facing their organization and are able to effectively analyze and predict future conditions. It also requires that managers should be good decision makers. Planning involves selecting missions and objectives and the actions to achieve them, it requires decision making, i.e. choosing future courses of action from among alternatives.

Planning as a process typically involves the following steps:

- Selection of goals for the organization.
- Establishment of goals for each of the organization's sub-units.
- Establishment of programs for achieving goals in a systematic manner.

Thus, Planning is the primary function of management all other functions are based on it. Planning is the beginning of all managerial work. Planning determines the course of future action. It serves as a compass and shows the right direction that an organization should take action to attain its goal. It is a blue print of future actions. Planning means deciding in advance what to do in future. In other words it is looking ahead. Planning is performed generally at all levels, but particularly at top level only. It is an intellectual task; which is to be carried-out scientifically. For this every organization is following 4-'W' formula.

Types of Planning

A. **Strategic planning** involves analyzing competitive opportunities and threats, as well as the strengths and weaknesses of the organization. It also involves determining how to position the organization to compete effectively in their environment.

B. **Tactical planning** is creating the blueprint for the lager strategic plan. These plans are often short term and are carried out by middle-level managers.

C. **Operational planning** generally covers the entire organization's goals and objectives and put into practice the ways and action steps to achieve the strategic plans. They are very short terms usually less than a year.

Organizing

Once a manager has created a work plan, the next phase in management cycle is to organize the people and other resources necessary to carry out the plan. Organizing should also consider the resources and physical facilities available, in order to maximize returns with minimum expenditure.
Organizing involves the following steps:

- **Creating the organizational structure** - The framework of the organization is created within which effort is coordinated allocating human resources to ensure the accomplishment of objectives. This structure is usually represented by an organizational chart, which is a graphic representation of the chain of command within an organization.

- **Making organizational design decisions** - Decisions are made about the structure of an organization.

- **Making job design decisions** – Roles and responsibilities of individual jobs, and the process of carrying out the duties is defined.

Organizing at the level of a particular job involves how best to design individual jobs so as to most effectively utilize human resources. Traditionally, job design was based on principles of division of labor and specialization, which assumed that the more narrow the job content, the more proficient the individual performing the job could become.

Leading

Organizations as they grow develop complex structures with an increasing need for co-ordination and control. To cope and manage such situations, leadership is necessary to influence people to cooperate towards a common goal and create a situation for collective response. Personality research and study of job attitudes in Behavioral Science provides important insight on the need for coordination and control. Thus it becomes important for leadership to create harmony among individual efforts to collectively work towards organizational goals.

Controlling

Managers at all levels engage in the managerial function of controlling to some degree. Two traditional control techniques are budget and performance audits. An audit involves a physical examination and verification of the organization's records and supporting documents. A budget audit provides information about where the organization is with respect to procedures followed for financial planning and control, whereas a performance audit might try to determine whether the figures reported are a reflection of actual performance. Controlling is not just limited to organization's financial state, but also spans across areas like operations, compliance with company policies and other regulatory policies, including many other activities within the organization. Controlling is looking behind. Controlling function ensures that the achieved objectives conform to pre-determined objectives. Necessary corrective action may be taken if there is any deviation. The control is very easy when the organization has fixed standards. According to **Henry Fayol,** ***"Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established."***

The management functions thus most effectively cover the broad scope of a manager's duties and responsibilities. Though the nature and complexities faced by businesses have undergone a vast change over the years, the functions of management remain the same.

Staffing

Staffing involves finding the right person for the right place, allotting the right job and at right time. Staffing also includes training to personnel to increase their efficiency and avoid waste of material and machinery.

Directing

The actual performance of a work starts with the function of Direction. Direction deals with making the workers learn techniques to perform the job assigned to them. Direction includes guidance, supervision and motivation of employees.

Reporting

Informing about the work done, problem faced and results achieved to the boss/head of Dept./ to management is called reporting. Reporting in proper timing helps to solve problems; which makes easy process to achieve the target.

Budgeting

Budgeting means preparing a receipt/resources and payment/applications statement in advance before starting any plan. It helps in numerical terms the requirements of various resources such as money, men, materials, machinery, methods and time with which the management deals.

Managerial Skills

Henri Fayol, a famous management theorist also called as the Father of Modern Management, identified three basic managerial skills - technical skill, human skill and conceptual skill.

A. **Technical Skill**

- Knowledge and skills used to perform specific tasks. Accountants, engineers, surgeons all have their specialized technical skills necessary for their respective professions. Managers, especially at the lower and middle levels, need technical skills for effective task performance.

- Technical skills are important especially for first line managers, who spend much of their time training subordinates and supervising their work-related problems.

B. **Human Skill**

- Ability to work with, understand, and motivate other people as individuals or in groups. According to Management theorist Mintzberg, the top (and middle) managers spend their time: 59 percent in meetings, 6 percent on the phone, and 3 percent on tours.
- Ability to work with others and get co-operation from people in the work group. For example, knowing what to do and being able to communicate ideas and beliefs to others and understanding what thoughts others are trying to convey to the manager.

C. **Conceptual Skill**

- Ability to visualize the enterprise as a whole, to envision all the functions involved in a given situation or circumstance, to understand how its parts depend on one another, and anticipate how a change in any of its parts will affect the whole.

- Creativity, broad knowledge and ability to conceive abstract ideas. For example, the managing director of a telecom company visualizes the importance of better service for its clients which ultimately helps attract a vast number of clients and an unexpected increase in its subscriber base and profits.

Other Managerial Skills

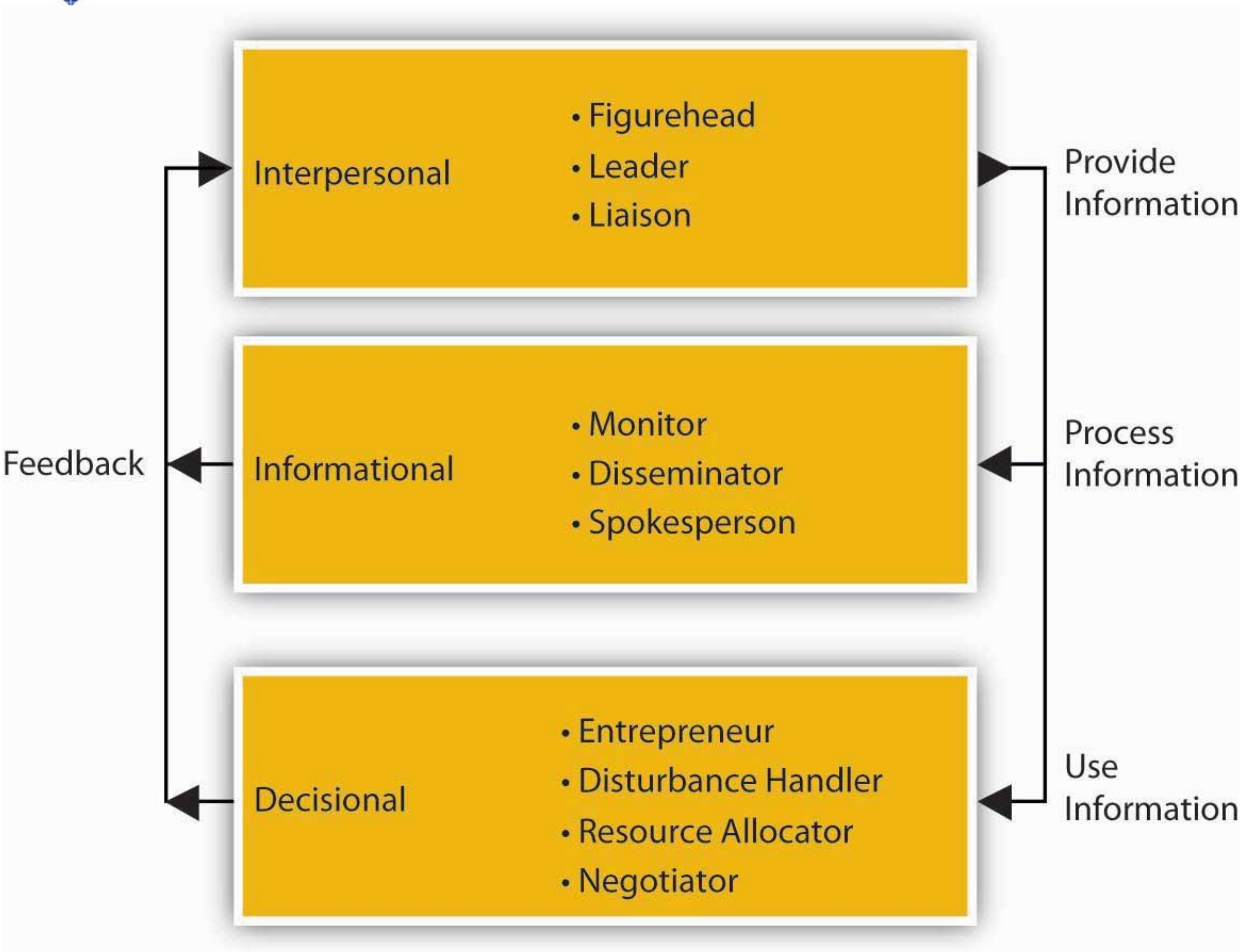
Besides the skills discussed above, there are two other skills that a manager should possess, namely diagnostic skill and analytical skill.

Diagnostic Skill: Diagnose a problem in the organization by studying its symptoms. For example, a particular division may be suffering from high turnover. With the help of diagnostic skill, the manager may find out that the division's supervisor has poor human skill in dealing with employees. This problem might then be solved by transferring or training the supervisor.

Analytical Skill: Ability to identify the vital or basic elements in a given situation, evaluate their interdependence, and decide which ones should receive the most attention. This skill enables the manager to determine possible strategies and to select the most appropriate one for the situation.
For example, when adding a new product to the existing product line, a manager may analyze the advantages and risks in doing so and make a recommendation to the board of directors, who make the final decision.

MANAGERIAL ROLES

Professor **Henry Mintzberg**, a great management researcher, after studying managers for several weeks concluded that, to meet the many demands of performing their functions, managers assume multiple roles.
He propounded that the role is an organized set of behaviors. He identified the following ten roles common to the work of all managers. These roles have been split into three groups as illustrated in the following figure.



Interpersonal Role

- **Figurehead** – Has social, ceremonial and legal responsibilities. You're expected to be a source of inspiration. People look up to you as a person with authority, and as a figurehead.

- **Leader** – Provides leadership and direction. This is where you provide leadership for your team, your department or perhaps your entire organization; and it's where you manage the performance and responsibilities of everyone in the group.

- **Liaison** – Networks and communicates with internal and external contacts. Managers must communicate with internal and external contacts. You need to be able to network effectively on behalf of your organization.

Informational Role

- **Monitor –** Seeks out information related to your organization and industry, and monitors internal teams in terms of both their productivity and well-being.
- **Disseminator –** Communicates potentially useful information internally.
- **Spokesperson –** Represents and speaks for the organization and transmits information about the organization and its goals to the people outside it.

Decisional Role

- **Entrepreneur –** Creates and controls change within the organization - solving problems, generating new ideas, and implementing them.

- **Disturbance Handler –** Resolves and manages unexpected roadblocks. When an organization or team hits an unexpected roadblock, it's the manager who must take charge. You also need to help mediate disputes within it.

- **Resource Allocator –** Allocates funds, assigning staff and other organizational resources. You'll also need to determine where organizational resources are best applied. This involves allocating funding, as well as assigning staff and other organizational resources.

- **Negotiator –** Involved in direct important negotiations within the team, department, or organization. You may be needed to take part in, and direct, important negotiations within your team, department, or organization.

CLASSIFICATION OF MANAGEMENT THEORIES

As mentioned earlier there are several schools of thought in management. Apart from the 'autocratic' or 'authoritarian' or pre-scientific era (i.e., earlier to 1880) of the early period, several schools of management thought are identified and classified in several ways by experts.It is interesting to note that while early writings on management principles came from experienced practitioners, the more recent writings tend to come from academic theorists, some of whom have had no direct experience in organizational management. Hitt and others (1979) classify management theories into three broad groups.

i) Classical management theory
ii) Neoclassical management theory
iii) Modern management theory

Under each group a few schools of thought are identified. These three groups of schools of management thought, *are* currently in vogue and found adequate for the purpose.

CLASSICAL MANAGEMENT THEORY (l880s-1920s)

Classical management theory consists of a group of similar ideas on the management of organizations that evolved in the late 19th century and early 20th century. The Classical school is sometimes called the traditional school of management among practitioners. This school, evolved as a result of the industrial revolution, in response to the growth *of* large *organizations and* in contrast to the handicraft system that existed till then. It contains three branches, namely, scientific management, administrative principles and bureaucratic organization. The primary contributions of the classical school of management includes

(i) application of science to the practice of management
(ii) development of the basic management functions and
(iii) Articulation and application of specific principles of management.

Scientific Management School: Scientific management means application of the scientific methods to the problem of management. It conducts a business or affairs by standards established by facts or truth gained through systematic observation, experiments, or reasoning. Frederick Winslow Taylor, known popularly as the ‘Father of Scientific Management’ is one of the great contributors of the classical theory of management. He was the first person to insist on introduction of scientific methods in management. His contribution is largely regarding improvement of productivity at shop level. He devoted more than two decades for defining 'One Best Way' for a job to be done. His book "Principles of Scientific Management" was accepted all over the world. He did many experiments, introduced new scientific methods. Scientific management means "the use of scientific method to define 'one best way' for a job to be done". Taylor's philosophy of scientific management is based on the following principles.

1 .Separation of planning and doing:

- Taylor suggests the separation of planning from actual doing.
- Taylor says that supervisor should be done the planning.
- The workers only concentrate on doing the work.

2. Functional foremanship:

- Taylor developed a theory called functional foremanship based on specialization of functions.
- In this system eight foreman were involved to direct and control the activities of the workers.

3 .Job analysis:

Every job that requires minimum movements and less cost and least time is the best way of doing the job. This can be determined by motion, time and fatigue study.

(a)Time study:

The movement, which takes minimum time, is the best one. This helps in firms the fair work for a period.

(b) Motion study:

Taylor suggested that eliminating wasteful movements and performing only necessary movements.

(c)Fatigue study:

Employees are both physical as well as mental fatigue easily. Fatigue study indicates the amount and frequency of rest required in completing the job.

Taylor suggests a fair day's work requiring certain movements and periods to complete it.

4. Standardization:

Standards must be maintained in respect a instruments and tools, period of work, amount of work, working conditions, cost of production etc. Normally these standards will be fixed in advance on the basis of various experiments

5. Scientific selection and training:

Taylor has suggested that workers should be selected on scientifically. A worker should be physically and technically most suitable. After selection should be given on the training of workers which makes them more efficient and effective.

6. Financial incentives:

Financial incentives can motivate the workers to put in their maximum efforts. According to this scheme a worker who completes the normal work gets wages at higher rate. Who does not complete gets at a lower rate. Taylor has suggested that wages should be based on individual performance and not on the position which he occupies.

7. Economy:

Scientific management enhances profit and economy. The economy and profit can be achieved by making the resources more productive as well as by eliminating the wastages.

8. Mental Revolution:

Scientific management is based on co-operation between management and workers. Co-operation enhances the effective managerial activities. Mutual conflict should be replaced by mutual co-operation which is beneficial to both.

Criticisms are as follows:

1. Scientific management does not consider human element in- production in its true perspective. It emphasizes on the engineering side and as a result of specialization, work is reduced to as mechanical as possible. Perhaps Taylor was misunderstood because his management principles provide for rest of the workers and fatigue study is also a principle to prevent a worker from overstressing.

2. weakening of trade unions is also a serious objection on the part of the labour unions. Since Taylor was strongly opposed to any slacking of work on the part of labour but was in favour of efficient and sincere workers can not but be admitted.

3. Monotony is another complaint on the part of the workers. In scientific management, principles have been so devised as to specialize a worker in a particular part of a work without knowing the whole process. This is likely to bring about monotony to a worker who is to remain employed in the performance of a particular part of a job.

4. Since Taylor suggested piece rate system, it is alleged that there is the scope of unfair distribution of earning. Labour unions object to such an attitude where the full benefit of the toil does not go to the worker who puts it. Taylor’s plan was ‘Render unto Caesar the things that are Caesar’s and unto ‘God those that are His.’

5. Taylor’s management takes away ‘thinking’ from a worker; and thus he is reduced to a machine, as alleged by workers. It gives rise to industrial autocracy. Management plans everything and the workers are made to follow and execute the plans. The worker becomes a mere instrument of production and reduced to a semi-automatic attachment to the machine.

6. A serious criticism which is raised against Scientific Management is its enforcement of efficiency principle resulting in the reduction of employment.

Administrative Management

While pioneers of the scientific management tried to determine the best way to perform a job, those in the administrative management explored the possibilities of an ideal way to put all jobs together and operate an organization. Thus the emphasis of administrative or general management theory is on finding 'the best way' to run an organization. This school of thought is also called administrative or traditional principles of management. Henry Fayol (184 1-1925), a French industrialist, is the chief architect and the father of the administrative management theory. His contributions and concentrated in his famous book" The general and industrial administration". Fayol‟s famous book into two parts. The first is concerned with the theory of administration in which Fayol divided the total industrial activities into six categories which are given below:

1. Technical (Production, Manufacture)
2. Commercial (Buying, Selling, Exchange)
3. Financial (Search for and optimum use of capital)
4. Security (Protection of property and person)
5. Accounting (Balance sheets, Cost statistics)

6. Management (Planning, Organizing, Coordinating, Directing, Controlling)

The second is concerned with the fourteen principles of management .They are

1. **Division of Work:** It involves dividing the work among various departments and employees according to their abilities and skills. In general worker on the same job and the managers on the same duty acquire ability sureness and accuracy which increase their output. The object of this principle is to obtain the benefit of specialization i.e. produce more and better goods.
2. **Authority and Responsibility** :
   Authority: It is the power given to a person to get work from his subordinates.

Responsibility: It is the kind and amount of work expected of from a man by his superior. One of the essential elements of a good management is delegation of authority to the lower levels of management and fixing responsibility on town.

Authority must be in porportion to responsibility. Authority and responsibility should go together. When managers are given authority, their responsibility should also be decided.

3. **Discipline:** Discipline means obeying and respecting the rules of the organization. Discipline is very essential for the smooth running of organizations. To Fayol, discipline will result from good leadership at all levels of the organization, fair agreements and judiciously enforced penalties for infractions. Fayol considered discipline as absolutely essential for the smooth running of business. For maintaining discipline there should be good supervisors at all levels, clear and fair agreements with employees and judicious use of penalties.
4. **Unity of Command:** This principle states that every employee should receive orders from one Supervisor only. Multiple commands will cause conflicts and confusions. A sound management should avoid dual commands. Dual command leads to confusion and conflict.
5. **Unity of Direction:** According to this principle “there should be one head and one plan” for a group of activities having the same objective.” Unity of direction signifies each group of activities having the same objectives must have one head and one plan. All the groups should coordinate and work together to achieve the common goal.
6. **Subordination of Individual Interests to General Interest:** Every employee is working in an organization and his interest is to earn money to meet his personal needs. The general interest of the organization is development and the progress of the organization. The employees should give importance first to the general interest than his individual interest. It will lead to effective management of the organization. The interest of any one employee or group of employees should not precede over that of the concern. Individual employees should not give priority to their own interest; rather they should work for the interest of the organization.

7. **Remuneration:** Employees should get fair remuneration for their services. Fair remuneration provides satisfaction to both the employees and the firm.
8. **Centralization:** This principle refers to the extent to which authority should be centralized or decentralized in an organization. The organization is centralized when the power is connected with one person. If the power is fully distributes to the subordinates of the organization is fully decentralized. For effectives management of people decentralization is necessary. Decentralization helps to take a quick decision on all important problems. The degree of centralization depends upon individual circumstances. It should be such as to give the best results to the organization.
9. **Scalar Chain:** The line of authority from top management to the lowest management is known as the scalar chain. Orders and feedback follow this chain. It creates superior-subordinate relationship among the employees in the organization. For effective management the scalar chain should be as short as possible.
10. **Order:** For ensuring smooth flow of work and efficient use of physical and human resources, people and materials should be in the right place at the right time. Everything and everyone should be in the right places. Two types of order 1) Materials order 2) Social order.
    Materials order:” A place for everything in its place”
    Social order:” A place for everyone and everyone in place”.
11. **Equality:** This principle states that managers should give equal, fair and kind treatment to their employees.
12. **Stability of tenure of personnel:** Since instability is both the cause and effect of bad running, the management should provide stability of employment to its personnel. This will create a feeling of security among the employees and reduce their tension.
13. **Initiative:** Management should allow the employees to develop and use initiative for ‘solving work-related problems'. This will help employees to develop better in the organization.
14. **Espirit Corps:** According to this principle “unity is strength”. Managers should, therefore, try to build team spirit and unity among the

employees for achieving the organizational goals. This means union is strength. In organization employees should be harmony and unity. It improves employee morale.

Max Weber's Concept of Bureaucracy

Max Weber, a German Social Scientist and Philosopher made valuable contribution to the general administration theory through his concept of Bureaucracy. According to Weber there are three types of authority systems as follows.

1) **Charismatic Authority System:** It is based on the extra-ordinary qualities or magnetic personality of the leader, e.g. Henri Ford of Ford Motors. However, this type of authority structure suffers from the problem of instability. It comes to end with the leader. People may not accept the successor of such person as a leader.

2) **Traditional Authority:** Here a person enjoys authority because of his status derived by inheritance. The extent of authority is decided by the custom. Traditional authority system ignores whether the particular person has necessary leadership qualities and competencies.

3) **Bureaucracy:** According to Weber both the charismatic and traditional authority systems are not suitable to large business organizations because they are person-centered and instable in nature. Hence, Weber has advocated Bureaucracy model based on rationality and legality.

The model bureaucracy suggested Weber has the following characteristics.

1) **Division of Labour :** In bureaucracy jobs are broken into simple routine and well-defined tasks and assigned to various employees on the basis of their abilities, skills and aptitudes.
2) **Hierarchy of authority:** Bureaucracy works on a well-defined hierarchy of authority. Higher officials or offices supervise lower officials or offices and the lower officials/offices have the right of appeal.

3) **Formal selection:** All persons in the organization are selected and placed on the basis of their technical qualifications.
4) **Formal rules and regulations:** The organization functions according to formal rules and regulations. These rules and regulations are in written form and communicated to all employees. Use of formal rules and regulations ensures uniformity in action and helps the management to control the employees.
5) **Impersonality:** There is no place for emotions, sentiments and personal attachment. Rules and regulations supersede the persons in the organization and are applied uniformly avoiding involvement with personalities and personal preferences of employees.
6) **Career orientation:** In bureaucratic organisation the officers are 'professionals' rather than owners of the organization. They derive authority because of the office/post they hold and work for fixed salary. They have the prospects of regular advancement in the organisation. They are appointed on full time basis.
7) **Continuity:** The official business is conducted on continuous basis. The organization enjoys continuity of operations because of rational-legal anthority structure.
8) **Separation between official business and personal affairs:** The official business of employees and their personal affairs are treated as two separate things. There is separation between official revenue and personal incomes. Officials do not own the resources required for performing their duties. However, they are accountable for the use of official resources.
9) **Rational-legal Structure:** Weber's bureaucracy model is characterized by rationality and legality. It is rational in the sense that means are expressly allotted for achieving predetermined goals. It is called 'legal' because authority is attached to the office and is exercised impersonally through the system of rules and regulations.

Criticism on bureaucracy model:

1. Bureaucracy fails to meet the need of job satisfaction and creativity and hence it is not useful in modern times.

2. Bureaucracy is overridden by rules and regulations, loosing the 'human element'.
3. The rules and procedures may be misused by the higher authority to punish the employees.
4. Officials give excessive importance to following rules and procedures. They pay less attention to achievement of overall goals.
5. According to Peter Drucker, "procedures are wrongly considered as a substitute for judgment".
6. Bureaucracy does not consider the existence of informal organization and its role in management.
7. The human resources may not be fully utilized due to district, fear of reprisals etc.

Elton Mayo's Hawthrone Experiments:

George Elton Mayo (1880-1949) of Australia is one of the main contributors of New-classical approach to management theory. Elton Mayo studied logic and philosophy in Adelaide University and medicine in Edinburgh. He worked as a lecturer in Logic, Ethics and Philosophy in Queensland University. He was also researcher for Rockefeller Foundation. Later he served as Associate Professor at Harvard from 1926 to 1929. Mayo became famous on account of Hawthorne Experiments conducted in Hawthorne plant of the Western Electric Company in Chicago, USA from 1924 to 1932. It is regarded that the human relations movement began with the Hawthorne experiments. Initially in 1924 these experiments were started by the engineers of Western Electric Company to measure the impact of lighting on productivity. Elton Mayo and his associates were invited to join the experiments in 1927. The experiments continued till 1932. Mayo came to the conclusion that human relations and group norms matter more than physical environment. This changed the traditional thinking of managers. Hawthorne experiments were conducted in three stages as follows:

1. Test Room Studies
2. Interviewing Studies
3. Observational Studies

1) Test Room Studies (1924-27): The purpose of this study was to assess the effect of lighting on the output of the employees. Two groups of employees were selected for this experiment. One group was kept in a room where lighting remained constant. The other group was kept in another room where lighting intensity was changed periodically. The results were unexpected and surprising because production increased in both the groups. It was, therefore, concluded that environmental factors like lighting do not affect productivity. But the engineers conducting this experiment could not explain "other factors" affecting the output.

Relay Assembly Test Room Experiment (1927-29): This experiment was conducted to remove the discrepancies in the previous experiment. For this experiment a small group of six female telephone relay assemblers was selected and assigned to work in a separate room. Some new variables such as friendly and informal supervision, shorter working hours, piecework, rest pauses, improved working conditions were introduced and their effect on output was measured. Then all improved physical conditions were withdrawn and output was measured. It was found that output and morale of workers increased and was maintained even after withdrawal of improved physical conditions. It was therefore, concluded that social relationship among workers, participation in decision making etc. had a greater effect on productivity. It was observed that the employees formed a 'group' and worked without tension or coercion from the above. They developed informal relations among themselves.

2) Mass Interviewing Programme (1928-30)

In this experiment 21000 employees were interviewed over a period of three years to find out the reasons for increasing productivity. In the beginning direct questions were asked on the subjects considered important by the interviewers. This resulted in just comments of workers on the questions asked and did not serve the purpose. The method of questioning was then changed and the workers were asked to talk freely on matters important to them. This proved fruitful in understanding the views and problems of workers. The interviewing programme revealed the following things.

-- The opportunity given to the worker to talk freely and air his grievance created a positive effect on his morale.

-- Complaints are often symptoms of some deeper dissatisfaction.

-- Worker's satisfaction depends on his status in the organization.

3) Observational Studies (1932):

The Bank Wiring Observation Room Experiment was the last phase of Hawthorne studies. Its purpose was to investigate the social pattern of a group of fourteen workers and their supervisors. A group of 14 male workers in the Bank Wiring Room was selected for this experiment and was placed under observation for a period of 6 months. A worker's pay depended on the performance of the group as a whole. Researchers expected that efficient worker would put pressure on the less efficient workers to complete the task. However, it was found that the group established its standards of output, used various social pressures for restricting the output and nobody was allowed to exceed the group output norm. It was also found that a member of the group cared more for the opinion of the group than the financial incentives offered by the management.

Findings of Hawthrone Studies:

The findings of Hawthorne studies underlined the importance of human relations in management. They underlined the importance of human and social factors in industrial relationships. The main findings of Hawthorne studies can be summarized as follows:

1. Physical and environmental factors do not materially influence the workers performance and their attitude to work. These factors have little consistent relationship with productivity.
2. Worker is not merely an 'economic man' motivated solely by money. His Behavior at work is more influenced by the social and psychological needs.
3. Workers respond to their total work situation of which social relations are an important part.
4. Hawthorne studies for the first time highlighted the impact of informal groups on the attitude and behaviour of workers. It is the informal relations among the workers which affect their performance more than the formal relations.
5. Good communication between supervision and workers can improve the relationships and productivity of workers.

6. Employees work better when they are allowed to participate in decision making process affecting their interests.
7. The sense of security, recognition, morale and belonging is of crucial importance in increasing the productivity of workers.
8. Complaints are often symptoms of more deep-rooted disturbances or dissatisfaction of workers.
9. Group norms influence the attitude to work, behaviour with management and level of production. It is the group which decides on its own the daily standard of work and restricts the output. It puts social pressures on workers for not exceeding the group output norm. Hawthorne effect is a phenomenon where respondents change their behavior and perform better when they know that they are part of an experiment and are being observed.

Criticism on Hawthrone Studies:

1) Lack of Validity: The Hawthrone experiments were conducted under controlled situations. The workers under observation had an idea about the experiment. Therefore, it is argued that workers might have improved their productivity only for the experiments. Hence, the findings lack validity and they may not work in real settings.
2) More importance to human aspects: It is also said that the Hawthrone experiments gave too much importance to human aspects and neglected the technological and other factors.
3) Not a Scientific Enquiry: No scientific research methodology and techniques were followed in conducting the Hawthorne studies.
4) Lack General Application: Since the findings of Hawthorne studies were based on the experiments on a small group of workers in one industry they may not enjoy wide and general application in all kinds of work situations.
5) Pro-management bias: Some critics say that the Hawthorne studies had a pro-management bias. It was assumed that management objectives were correct and logical.

In spite of the above criticism, Hawthorne studies have become a milestone in the development of human relations theory. They stimulated an interest in human factor. They changed the dominant view prevailing in those times that people were no different from machines. They changed the traditional thinking of management from economic man to social man.

Modern Management Theory:

This school of thought primarily focuses on the development of each factor of both workers and the organization. It analyzes the interrelationship of workers and management in all aspects.

System Approach and Contingency Approach are the two approaches by this school of thought.

One of the most important contributions to this school has been made by Chester I. Barnard. His classic treatise entitled "**The Functions of the Executive"**, published in 1938, is considered by some management scholars as one of the most influential books published in the entire field of management. Like Fayol, Barnard based his theories and approach to management on the basis of his first-hand experience as a top-level executive.
A system is an entity made up of two or more interdependent parts that interact to form a functioning organism. An organization, human body, a flower and a tree are examples of a system (anything and everything is a system). The phrase 'interdependent parts' is very important and means that a manager should not look for a single cause of a problem. A system can either be open or closed. An open system interacts with its environment. All biological, human and social systems are open systems and many physical and mechanical systems are closed systems. Traditional organization theorists regarded organization as closed systems while modern view is to treat it as an open system having constant interaction with its environment. In other words, an organization is an open system that interacts regularly with external forces such as government agencies, customers and suppliers. These external forces have an impact on organization practices.

Fundamentals of System Approach:

- All organizations are a co-operative system.

- As co-operative systems, organizations are a combination of complex physical, biological, personal and social components, which are in a specific systematic relationship by reason of the co-operation of two or more persons for at least one definite end.
- An employee’s role and his co-operation are a strategic factor in achieving organizational objectives.

Contingency Approach

The Contingency Management theory evolved out of the System Approach to managing organizations. According to the Contingency approach, management is situational; hence there exists no single best approach to management, as situations that a manager faces is always changing.
However, situations are often similar to the extent that some principles of management can be effectively applied by identifying the relevant contingency variables in the situation and then evaluating them. So, the contingency theory examines how the given situations, such as the external environment, the company’s internal potentials, influence certain features of the organisational structure. The contingency theory, therefore, assumes that the formal organisational structure plays an important role in the company’s effective operation, and also that in order to ensure the effective operation of the company, the management should provide the consistency of the environment and the structure. If the scenario changes and thus consistency disappears, the structure should be changed to relieve the discrepancy.

The contingency approach stresses the absence of a single best way to manage and emphasizes the need for managerial strategies based on all relevant facts. In other words, each manager’s situation must be viewed separately, a wide range external and internal factor must be considered and then the focus should be on the action that best fits the given situation. This approach, in a way attempts to integrate the various schools of management thought, otherwise it is obvious that the principles and concepts of various schools have no general and universal applicability under all conditions. The contingency approach suggests that managers need to be developed in skills that are most useful in identifying the important situational factors.

Decision Theory:

- Major contribution in this approach has come from Simon. Other contributors are March, Cyert, Forrester etc.
- This school regards management as simply a **process of decision making.** Whatever a manager does, he does it through making decisions.
- The emphasis is not on the people, nor on the environmental variables; thus, decision making is the most important function of management.
- The decision should be taken at **the right time**, should be **related to the situation or environment** & should be **feasible** in a given situation. It should be communicated to the **right persons**.
- The manager is a decision maker and the organization is a decision making unit.

Features:

- Management is essentially a process of **decision making.** The managers are basically decision makers & problem solvers.
- For increasing the organizational efficiency, the **quality of decisions is very important**. In this approach, the emphasis a lot on the people nor on the environmental variables but on the decision itself.
- All factors affecting decision making are subject matter of the study of management. Thus, it covers the entire range of human activities in organization as well as the macro conditions within which the organization works.

QUANTITATIVE SCHOOL:

- This group believes that Management is a logical process and it can be expressed in terms of mathematical symbols and relationships.

- It makes use of such techniques as Operational Research – linear programming, queuing theory, and model building.

FEATURES OF QUANTITATIVE SCHOOL:

- Management is concerned with problem solving & it makes use of mathematical tools and techniques for this purpose. Such as basic - mathematical models, operational research: simulation, games theory, PERT, CPM, to solve the problems.
- The different factors involved in management can be quantified and expressed in terms of models and equations which can be solved.
- Management problems can be described in quantitative or mathematical symbols, data & relationships.

LIMITATIONS:

- *Mathematical models cannot be* considered as a *substitute* for sound judgment. They can at best be treated as techniques for managerial analysis.
- There are *certain phases of management process* which *cannot be expressed* in mathematical symbols and formulae.
- This approach is focused on decision making and has *ignored other functions of management*.
- The school *does not consider the human element* in the organization.

MODULE-II

Organising essentially implies a process which coordinates human efforts, assembles resources and integrates both into a unified whole to be utilised for achieving specified objectives. Organising can be defined as a process that initiates implementation of plans by clarifying jobs and working relationships and effectively deploying resources for attainment of identified and desired results (goals).

Organizing is considered to be the second important function of management. Without organizing, planning made by the management will remain on paper only. It means for the implementation of plans and achieving the objectives, an efficient organizing function is indispensable. Organizing is an important element of management because it is through organizing that a manager brings together the material and human resources required for achievement of desired goals. The organizing function is performed in varying degree by all levels of management. The managerial hierarchy consists of a series of managerial positions in an organization called levels of management. Organization structure is primarily concerned with the allocation of tasks and delegation of authority. The organization structure is, of course, not an end in itself but a tool for accomplishing enterprise objectives.

Organizing is the process of defining and grouping the activities of the business enterprise and establishing the authority relationships among them. Organization is the foundation upon which the whole structure of management is built. It is the backbone of management. Without organization manager cannot function as manager. Organization is concerned with development and maintenance of structure of working relations in order to achieve the objectives of the enterprise. Organizing means determination and assignment of duties to people, establishment and maintenance of relationships. It is the structural framework within which the various efforts are coordinated and related to each other.

Definition of Organizing:

Louis Allen: 'Organizing as the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives.'

Alvin Brown: 'Organizing defines the part where each member of an enterprise is expected to perform and the relations between such members, to the end that their concerted endeavour shall be most effective for the purpose of the enterprises'

Koontz and O'Donnell: 'Organizing involves the grouping of activities necessary to accomplish goals and plans, the assignment of these activities to appropriate departments and the provision for authority delegation and coordination.'

Organizing is the process of defining and grouping activities, and establishing authority relationships among them to attain organizational objectives.

Importance of Organizing

A comprehensive approach to organizing helps the management in many ways. Organizing aligns the various resources towards a common mission.

Efficient Administration

It brings together various departments by grouping similar and related jobs under a single specialization. This establishes coordination between different departments, which leads to unification of effort and harmony in work.

It governs the working of the various departments by defining activities and their authority relationships in the organizational structure. It creates the mechanism for management to direct and control the various activities in the enterprise.

Resource Optimization

Organizing ensures effective role-job-fit for every employee in the organization. It helps in avoiding confusion and delays, as well as duplication of work and overlapping of effort.

Benefits Specialization

It is the process of organizing groups and sub-divide the various activities and jobs based on the concept of division of labor. This helps in the completion of maximum work in minimum time ensuring the benefit of specialization.

Promotes Effective Communication

Organizing is an important means of creating coordination and communication among the various departments of the organization. Different jobs and positions are interrelated by structural relationship. It specifies the channel and mode of communication among different members.

Creates Transparency

The jobs and activities performed by the employees are clearly defined on the written document called **job description** which details out what exactly has to be done in every job. Organizing fixes the authority-responsibility among employees. This brings in clarity and transparency in the organization.

Expansion and Growth

When resources are optimally utilized and there exists a proper division of work among departments and employees, management can multiply its strength and undertake more activities. Organizations can easily meet the challenges and can expand their activities in a planned manner.

Organizational Structure:

The end-result of orgnising is a framework of formal relationships among different departments and positions. This framework of formal relationships is known as organisation structure. The term structure refers to the arrangement of parts and interrelationships among activities and people. For example when we refer to the structure of a building, following things immediately come to our mind. What is the total area in which the building has been constructed? How many floors are there? The number of rooms in each floor? The number of doors, windows and ventilators in each room. For what specific purpose, each room will be used. How is one room connected with the other and how is one floor connected with another and so on.

How an organisation structure is created

In most organisations, the structure is created on the basis of functions. In one-man business, all the functions are carried out by the owner himself. The same person produces and sells. As the amount of work increases, he has to appoint some people to assist him. When the work further increases, he will need more people to perform the production and selling functions. The owner may now be forced to create separate departments for production and selling and appoint managers for each of these two departments. This is necessary because he has limited capacity and time. He cannot supervise the activities of more than a few subordinates. In other words, the owner is guided by the principle of span of management. According to this principle, there is a limit to the number of subordinates who can be effectively supervised by a single manager. The decision of the owner-manager to create separate departments for production and selling gives rise to one level of management.

Organisation: Formal and Informal:

A **formal organization** is the literal structure of the **organization** including its **organization** chart, hierarchical reporting relationships and work processes. The formal organisation is a deliberately planned structure of roles, authority relationships and communication channels. Its purpose is usually set out in writing, with formal rules and regulations that leave little discretion for interpretation. The organisation can be represented by an organisation chart.

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.

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 achieve 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 ca 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 is a network of personal and social relationships or friendships that arise as people associate with other people in the work environment. This network is not planned or official, but develops spontaneously. The network is not shown on the firm's organisation chart.

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. The main objectives of a formal organisation are productivity, growth, and expansion.	In an informal organisation, the objectives are not specific and well-defined. 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.

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 tat 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 perpetuations 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 he informal organisation exits 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, low 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:

This is simplest and oldest type of organization. It is also known as Military / Scalar / Hierarchical organization. In this type of organization, there is vertical line of authority flow from the top to bottom and the line of responsibility flow up from bottom to the top uninterrupted. Such type of organization found in military sector. The head of each section is supreme so far his department is concerned and is responsible directly to the person above him. He controls persons below him by virtue of his position.

It is the basic framework for the whole organistaion,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 inchrage 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 floes 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 Cornel, 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. Line organization may be two types. In pure line organization, all individuals at given level perform the same type of work and departments are created only to facilitate effective supervision and control. In departmental line organization, work performed in each department is of different nature. Thus line organization is unbroken chain command from general manager to the worker at the floor level.

Characteristics of line organization:

(1) Lines of authority are vertical flowing from the top to bottom.
(2) The unity of command is maintained in a straight and unbroken line.
(3) All persons at the same level are independent of each other.
(4) The authority and responsibility of each position is clearly specified.
(5) It is flexible nature, but no staff specialization

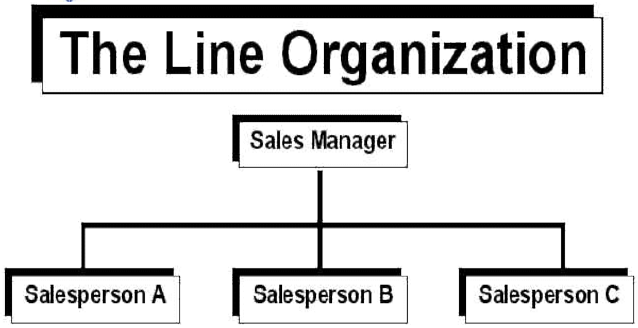


Figure – Line Organisation

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.

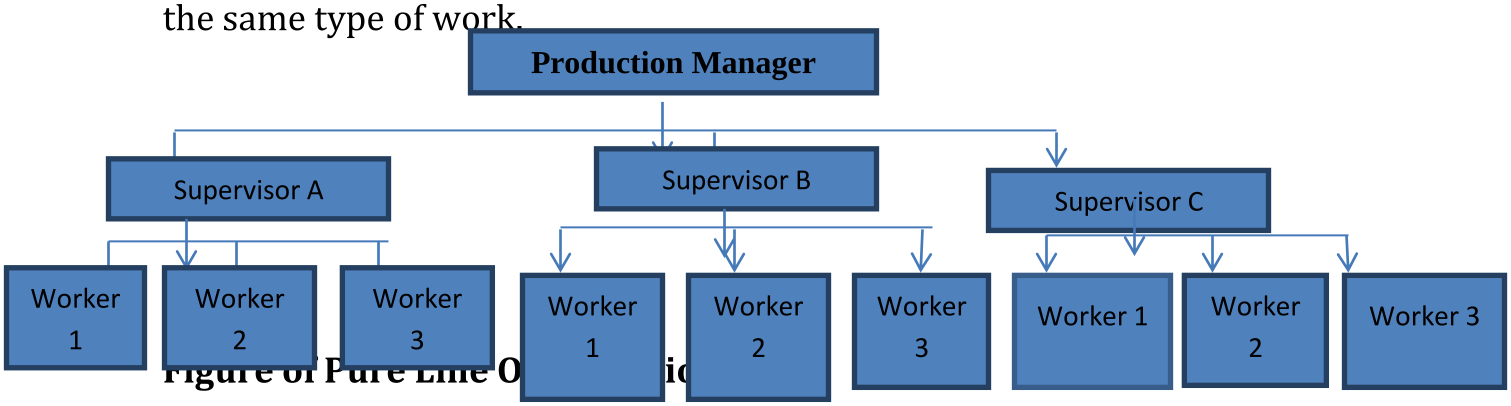


Figure of Pure Line O

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 depend 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.

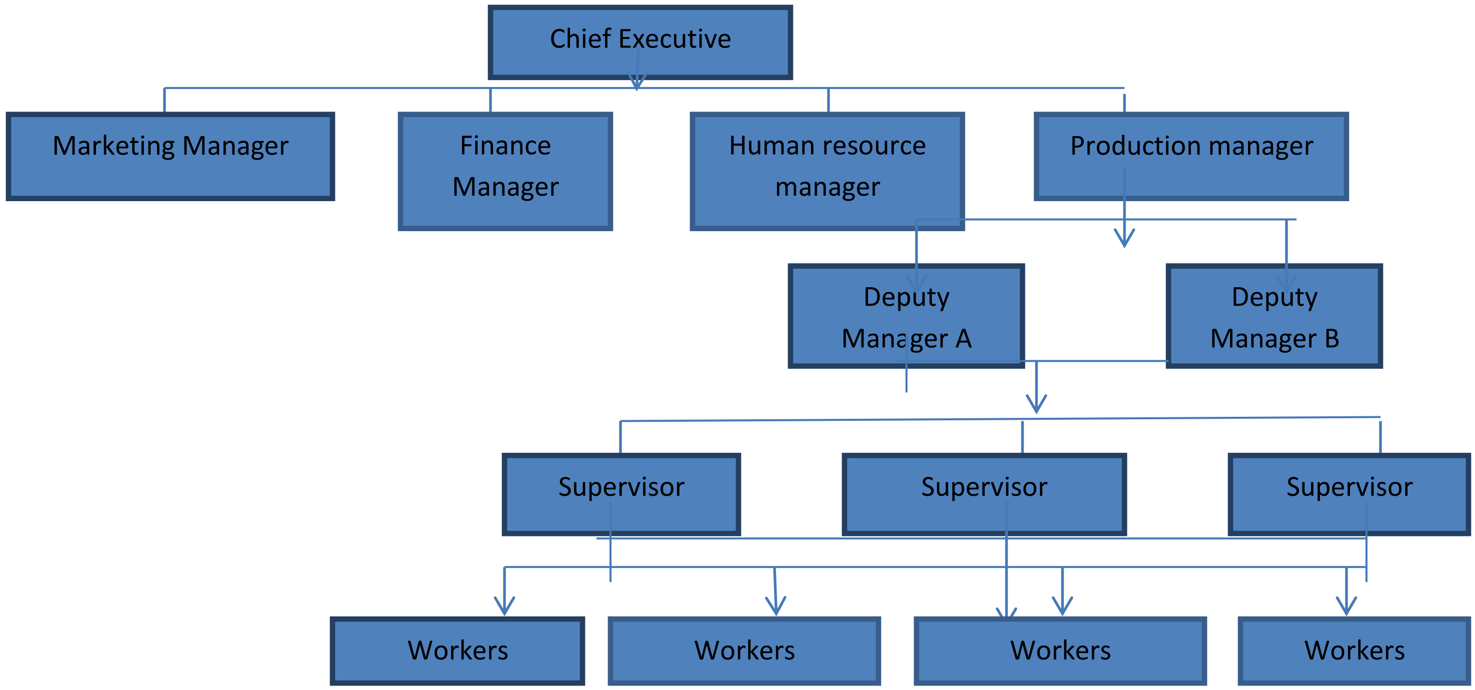


Figure: Departmental Line Organisation

Advantages:

1. It is simple: This organization is quite simple in both understanding and implementation. Every person is clear about what is expected of him. There are no complicated relationships.

2. Clear division of duties and authority: Duties and responsibilities of every employee are clearly defined with reference to work so assigned. Thus work proceeds uninterruptedly without any confusion.

3. Prompt decision: Every manager can take decisions independently without consulting others. This makes the decision making process easier and less time consuming.

4. It provides unity of command: It is the fundamental principle of any viable organization. As a result where the subordinates are made accountable to only one superior. It facilitates unity of control and effective supervision.

5. Better discipline: Unity of command and unity of direction foster discipline among the people in the organization.

6. Economical: It is very economical because no staff specialists are required.

7. Executive Development: As every manager has to perform a variety of functions, there is an opportunity for the development of all round executives.

Disadvantages:

1. Lack of specialization: There is no scope for specialization. Each personnel are responsible for both planning and execution of work. This encourages the overloading person that affects badly the efficiency of the organization.

2. No initiative: A authority is concentrated at the top level, the departmental heads and subordinates lose flair of initiative and drive and dynamism, which is a must to motivate the subordinates.

3. It has instability: The success of this type of organization depends on the ability of managers. Succession problem is acute and there may be little continuity. A chain broken anywhere in the unit is total break-down.

4. Autocratic Approach: This organization is based upon autocratic approach. Each manager has monopoly of decision making and he may not listen to the suggestions of his subordinates.

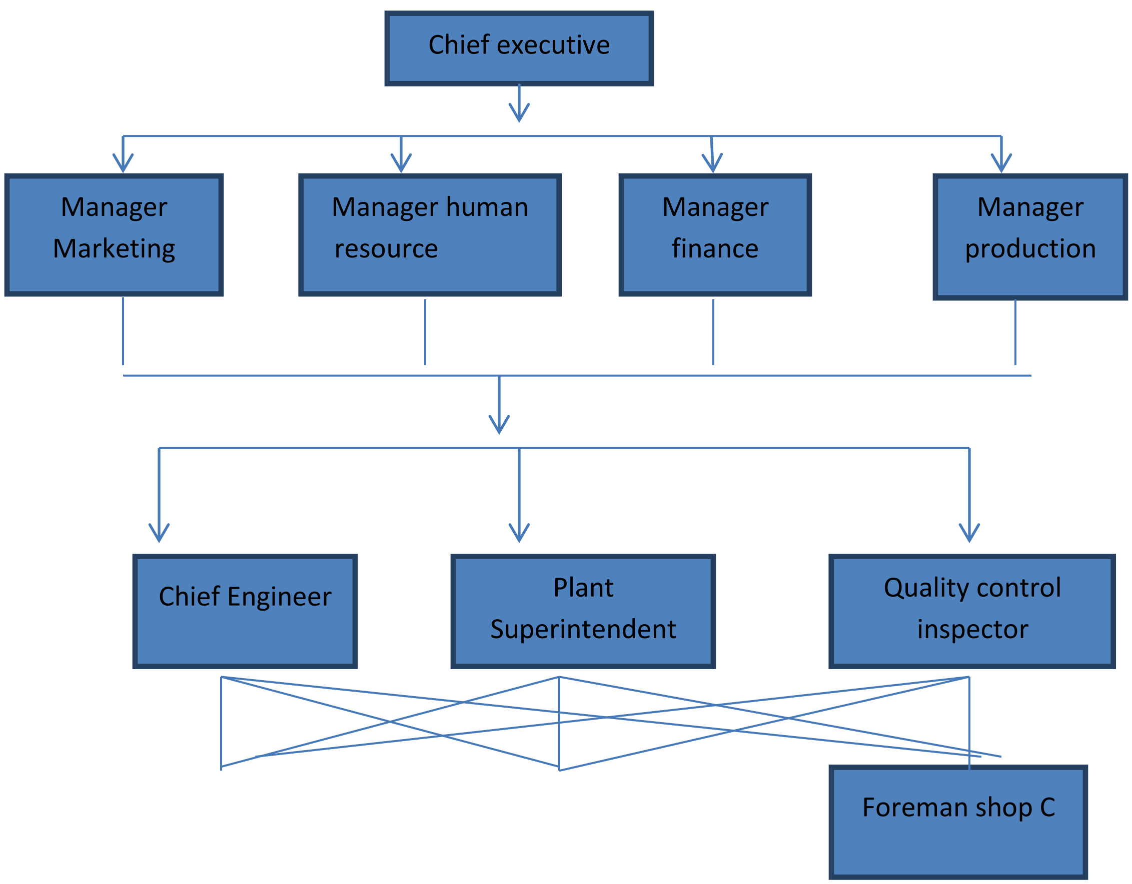
5. Problem of coordination: Each department concentrates on his own work ignoring the happening in the sister department. This self centre feeling that affects working is worst. Thus, line organization is suitable for small concerns employing few persons and carrying on routine work.

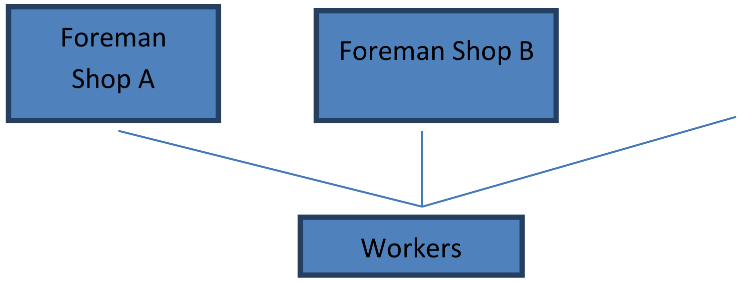
Functional Organization:

As organization grows in size, line organization proves inadequate and it becomes necessary to introduce specialization. The functional organization is based on the concept of 'functional foremanship' suggested by F.W. Taylor. According to him none is to be over-loaded with too many tasks. Under functional organization, the whole organization is divided into a number of functional areas. Each function is managed by an expert in that area. Every functional area serves all other areas in the organization. For example, the purchase department handles purchases for all departments. The executive in charge of a particular function issues orders throughout the organization with respect to his function only. Every functional expert enjoys functional authority over subordinates in other departments. Within a functional department every operating executive receives orders from several functional specialists. In fact, the concept of functional authority is very appropriate for functional structure.

Each specialist has a control over the functions under his charge, nor is matter where that functions performed in the organisation. He controls all the individuals working is 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.





Characteristics of functional organization:

(1) The whole task of the enterprise is divided into specialized functions.

(2) Each function is performed by a specialist.

(3) Specialists operate with considerable independence.

(4) Functional authority relationships among various departments.

(5) Line and staff division.

Advantages:

1. **Benefit of specialization:** It is the system that gives fullest scope for realizing the benefits of specialization. Each foreman is to look after only a limited set of activities and hence is expected to do well.

2. **Reduction of workload:** Every functional head looks after one function only and therefore, burden on top executive is reduced. Mental and manual functions are separated.

3. **Easier Staffing:** Recruitment, selection and training of manager is simplified because each individual is required to have knowledge of one functional area only.

4. **Improved efficiency:** Every individual concentrates on one function only and receives the expert guidance from specialists. Therefore efficiency of workers improves at all levels of functional organization. This facilitates better utilization of manpower.

5. **Large scale production:** Functional organization facilitates large scale production through specialization, standardization and availability of expert's specialized and technical knowledge.

6. **Better control:** One man control is done away with and there is joint supervision of work. As a result control becomes more effective.

Disadvantages:

1. **No unity of command:** A person is accountable to several superiors. As a result his responsibility and loyalty get divided. Workers are generally not prepared mentally to accept the authority of so many persons.

2. **Complexity:** There are many cross-relationships which create confusion. Worker may receive conflicting orders. He cannot understand his place in the organization easily.

3. **Lack of coordination:** Several experts create the problem of coordination because no one in the organization is responsible for cost and profit. They think only in terms of their own department rather than of the whole enterprise.

4. **Delay in decision making**: A decision problem requires the involvement of several specialists. Therefore decision making process in functional organization is slow.

5. **Problem of succession:** Lower level executive do not get opportunity of all round experience. This may create problem in succession to top executive positions.

Thus, this type of organization is generally suitable for large and medium sized concerns. But it should be applied at higher levels because it does not work well at the lower levels.

Line and Staff Organization:

Both 'line' and 'functional' types of organization are not free from the limitation. The line type believes in too much of centralization of authority while the functional type in too much of decentralization. Therefore, this line and staff organization has been evolved to achieve the advantages of above both the organization. Line and staff organization is a combination of line and functional structure. Line and staff organization refers to a pattern in which staff specialist advice line managers to perform their duties. Under this line authority flows in a vertical line in the same manner as in the line organization. In addition, staff specialists are attached to line position to advise them on important matters. These specialists do not have power of command over subordinates in other departments. They are purely on advisory nature. When the work of line executives increases, they need advice, information and help of staff specialists. Therefore staff positions are created to support the line managers.

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

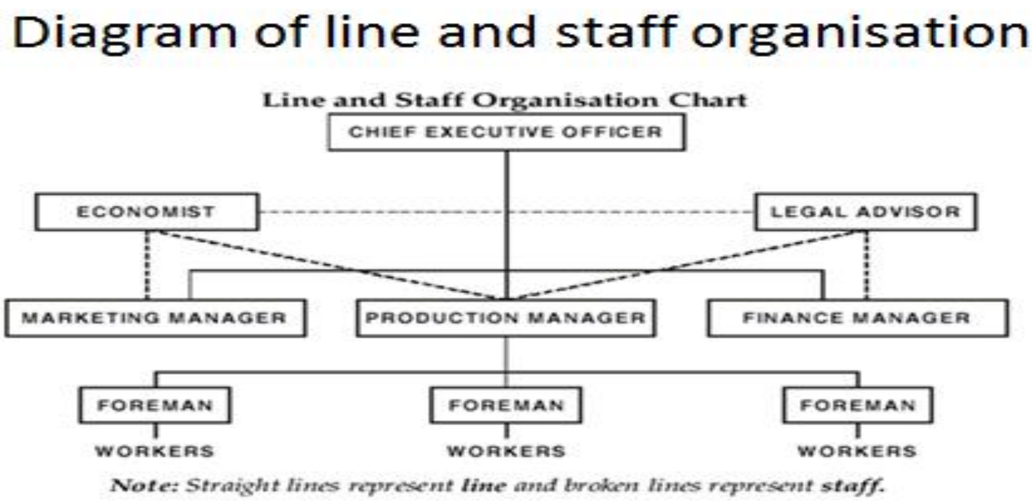
Line organisation:

- 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.



Advantages of line and staff organisation

1. Full scope for specialization: Operational efficiency is through expertise of the staff which is highly qualified and experienced. Therefore, there will be sound decision and proper implementation of the same.

2. Sound decisions: As experts are consulted before taking any decision it provides a base for sound managerial decisions.

3. Relief to top executives: Staff carryout detailed investigation and supply information to line executives. It reduces the workload of line executives who get ample chance for creative thinking to generate new ideas.

4. Better discipline and control: As there is clear-cut definition of duties and responsibilities of, line and staff officers, one is bound to respect the orders of higher officers by virtue of their status and this guarantees better control.

5. Flexibility: Line and staff organization is more flexible. As the organization expands, more staff may be added to help the line. Because of availability of job there is more opportunity for advancement.

6. Expert advice: Line manager receive specialized advice and assistance from staff experts. They are enabled to discharge their responsibilities more efficiently.

Disadvantages:

1. Conflict between line and staff: The main problem of line and staff organization is that conflict often arises between line manager and staff specialists.

2. Staff has neither authority nor responsibility: Staff officers become ineffective as they do not have any authority to implement their plans. They do not command influence as they cannot force to accept their very best.

3. Uneconomical: This type of organization is costlier. It is not suitable to medium and small sized business.

4. Ineffective staff: Staff personnel are not accountable for the results. Therefore, they may not take their tasks seriously. They may also be ineffective due to lack of command authority.

5. Dominance of line authority: Line authority dominates the staff where the actual and important work is brushed aside. Some of the line officers rely too much on the staff officers because, they are staff officers and they are to advice.

Thus, line and staff organization is very suitable for large business organization. It provides ample scope for specialization without violating the unity of command. Its success depends upon the degree of harmony that is maintained among line and staff.

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	The principle of	The principle of	Principle of unity

command	unity of command is followed because the authority flows vertically	unity of command is not followed because advice is sought from specialist	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	The workload of managers is relatively less.	Workload of managers is uneven. This is

	he has to perform a wide variety of function		because some managers have only line or staff authority while others have functional authority.

CENTRALIZATION:

Centralization refers to concentration of power and decision making at one point or in few hands. It is defined as the systematic and consistent reservation of authority at central points of the organization. If and when your company expands (say, by offering note-taking services at other schools), you'll have to decide whether most decisions should still be made by individuals at the top or delegated to lower-level employees. 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. His 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?

The first option, in which most decision making is concentrated at the top, is called **centralization**. The second option, which spreads decision making throughout the organization, is called **decentralization**.

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

Advantages	Disadvantages
Easier to implement common policies and practices for the whole business	More bureaucratic – often extra layers in the hierarchy
Prevents other parts of the business from becoming too independent	Local or junior managers are likely to much closer to customer needs
Easier to co-ordinate and control from the centre – e.g. with budgets	Lack of authority down the hierarchy may reduce manager motivation
Quicker decision-making (usually) – easier to show strong leadership	Customer service does misses flexibility and speed of local decision-making

tutor2u

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 b 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 to a 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.

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

Advantages	Disadvantages
Decisions made closer to the customer = better customer service?	Decision-making is not necessarily "strategic"
Better able to respond to local circumstances	Harder to ensure consistent practices and policies at each location
Should improve staff motivation	May be some diseconomies of scale – e.g. duplication of roles
Consistent with aiming for a flatter hierarchy	Who provides strong leadership when needed (e.g. in a crisis)?
Good way of training and developing junior management	Harder to achieve tight financial control – risk of cost-overruns

tutor2u

Basic Issues in Organizing

Organizing, in company's 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 individual's 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.

The following illustration shows the **five principles of Organizing –**

1) Work Specialization

- Also called **division of labor**, work specialization is the degree to which organizational tasks are divided into separate jobs. Each employee is trained to perform specific tasks related to their specialized function.
- Specialization is extensive, for example running a particular machine in a factory assembly line. The groups are structured based on similar

skills. Activities or jobs tend to be small, but workers can perform them efficiently as they are specialized in it.

- In spite of the obvious benefits of specialization, many organizations are moving away from this principle as too much specialization isolates employees and narrows down their skills to perform routine tasks.
- Also it makes the organization people dependent. Hence organizations are creating and expanding job processes to reduce dependency on particular skills in employees and are facilitating job rotation among them.

2) Authority

- Authority is the legitimate power assigned to a manager to make decisions, issue orders, and allocate resources on behalf of the organization to achieve organizational objectives.
- Authority is within the framework of the organization structure and is an essential part of the manager's job role. Authority follows a top-down hierarchy. Roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.
- The extent and level of authority is defined by the job role of the manager. Subordinates comply with the manager's authority as it is a formal and legitimate right to issue orders.

Relationship between Authority and Responsibility

Authority is the legal right of person or superior to command his subordinates while accountability is the obligation of individual to carry out his duties as per standards of performance Authority flows from the superiors to subordinates, in which orders and instructions are given to subordinates to complete the task. It is only through authority, a manager exercises control. In a way through exercising the control the superior is demanding accountability from subordinates. If the marketing manager directs the sales supervisor for 50 units of sale to be undertaken in a month. If the above standards are not accomplished, it is the marketing manager who will be accountable to the chief executive officer. Therefore, we can say that authority flows from top to bottom and responsibility flows from bottom to top. Accountability is a result of responsibility and responsibility is result of authority. Therefore, for every authority an equal accountability is attached.

Differences between Authority and Responsibility

Authority	**Responsibility**
It is the legal right of a person or a superior to command his subordinates.	It is the obligation of subordinate to perform the work assigned to him.
Authority is attached to the position of a superior in concern.	Responsibility arises out of superior-subordinate relationship in which subordinate agrees to carry out duty given to him.
Authority can be delegated by a superior to a subordinate	Responsibility cannot be shifted and is absolute
It flows from top to bottom.	It flows from bottom to top.

3) Chain of Command

- The chain of command is an important concept to build a robust organization structure. It is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.
- It is an effective business tool to maintain order and assign accountability even in the most casual working environments. A chain of command is established so that everyone knows whom they should report to and what responsibilities are expected at their level. A chain of command enforces responsibility and accountability. It is based on the two principles of **Unity of command** and **Scalar Principle**.

- Unity of command states that an employee should have one and only one manager or supervisor or reporting authority to whom he is directly accountable to. This is done to ensure that the employee does not receive conflicting demands or priorities from several supervisors at once, placing him in a confused situation.
- However, there are exceptions to the chain of command under special circumstances for specific tasks if required. But for the most part organizations to a large extent should adhere to this principle for effective outcomes.
- Scalar principle states that there should exist a clear line of authority from the position of ultimate authority at the top to every individual in the organization, linking all the managers at all the levels. It involves a concept called a gang plank using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However, the immediate superiors must be informed about the matter.

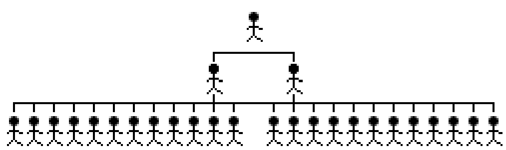
4) Delegation

- Another important concept closely related to authority is delegation. It is the practice of turning over work-related tasks and/or authority to employees or subordinates. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success.
- Authority is said to be delegated when discretion is vested in a subordinate by a superior. Delegation is the downward transfer of authority from a manager to a subordinate. Superiors or managers cannot delegate authority they do not have, however, high they may be in the organizational hierarchy.
- Delegation as a process involves establishment of expected outcomes, task assignment, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment. Delegation leads to empowerment, as employees have the freedom to contribute ideas and do their jobs in the best possible ways.

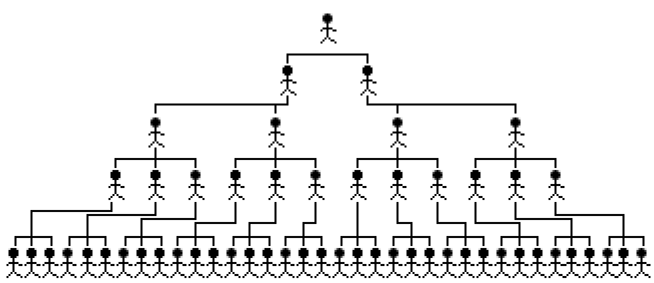
5) Span of Control

- Span of control (also referred to as Span of Management) refers to the number of employees who report to one manager. It is the number of direct reportees that a manager has and whose results he is accountable for.

- Span of control is critical in understanding organizational design and the group dynamics operating within an organization. Span of control may change from one department to another within the same organization.
- The span may be wide or narrow. A wide span of control exists when a manager has a large number of employees reporting to him. Such a structure provides more autonomy. A narrow span of control exists when the number of direct reportees that a manager has is small. Narrow spans allow managers to have more time with direct reports, and they tend to spark professional growth and advancement.
- The span of control refers to the number of people that each manager is *directly* responsible for. A large span of control means that a manager has a large number of staff under their direct control, while a small span of control means that each manager looks after a small group of staff. This is an important topic as it is normally agreed that the wider the span of control the fewer levels of hierarchy the business needs. We can see this in figures 3 and 4.



- **Figure 3 A flat hierarchy - span of control**



- **Figure 4 A tall hierarchy - span of control**

- A flat hierarchy, as in figure 3, will have a high span of control, whereas a tall hierarchy, as in figure 4, will have a much lower span of control.
- Early management writers argued that any span in excess of six would result in ineffective supervision, but later this was modified to a span of 4 to 8 for managerial functions and 8 to 15 at the lower levels of the organisation.

Departmentation:

Departmentation is the foundation of organisation structure, that is, organisation structure depends upon departmentation. Departmentation means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features.

As the organisation grows in size, the work is divided into units and sub-units. Departments are created and activities of similar nature are grouped in one unit. Each department is headed by a person known as departmental manager.

Departmentation, thus, helps in expanding an organisation and also promotes efficiency by dividing the work on the basis of specialisation of activities and appointing people in various departments on the basis of their specialised knowledge. 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.

Departmentation as is defined follows:

Louis A. Allen:

"Divisionalisation is a means of dividing the large and monolithic functional organisation into smaller, flexible administrative units".

Pearce and Robinson:

"Departmentalisation is the grouping of jobs, processes and resources into logical units to perform some organisational task."

Terry and Franklin:
"Departmentalisation is the clustering of individuals into units and of units into departments and larger units in order to facilitate achieving organisational goals."

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. Follwing are the various bases of departmentation:

- Function Departmentalization
- Product Departmentalization
- Territory/Geographical Departmentalization
- Process Departmentalization
- Customer Departmentalization

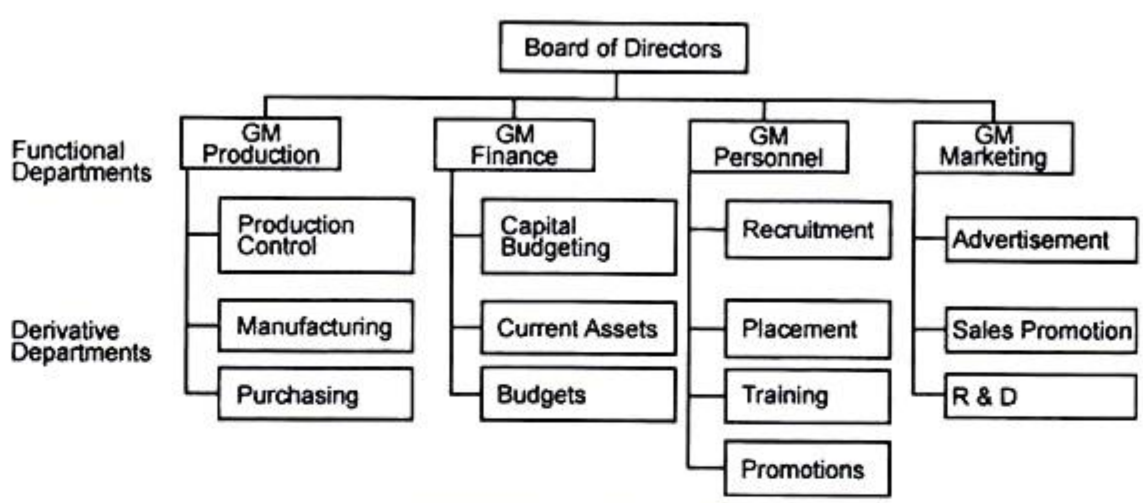
Function Departmentalization: Functional organisation creates departments along activities or functions of the undertaking (functions do not refer to managerial functions of planning, organising , staffing, directing and controlling). It is grouping of activities on the basis of similarities of functions.

The nature of activities performed by different organisations is different. For example, activities carried by a manufacturing organisation are production, finance, personnel and sales. For a trader, the major activities are buying and selling, a bank performs borrowing and lending functions. Functional departmentation is, "the grouping of jobs and resources within the company in such a way that employees who perform the same or similar activities are in the same department".

It is the simplest, logical and most widely accepted form of creating departments. It is suitable for organisations where limited number of products is produced. The major functional departments further have derivative departments. Production department, for example, has sub-departments to manage purchase, production planning and control, manufacturing etc. Finance department creates departments to look into capital budgeting (fixed assets) and current assets, cash management and budgets.

Personnel department has sub-departments to take care of appointments, training, placement and promotion of employees. These sub-departments can be further sub-divided if needed. Advertising department (sub-department of marketing department), for example, can further have sub-departments like advertising in Newspapers, Radio, TV etc.

Organisation Chart Showing Functional Departmentation:



Functional Departmentation

Merits of Functional Departmentation:

It has the following merits:

1. Simple and logical basis of creating departments:

Production, marketing, finance and personnel are widely accepted and recognised functions of a manufacturing organisation and, therefore, it is a simple basis of departmentation.

2. Specialisation:

Since workers in one functional area focus on that area only, they acquire expertise and specialised skills in performing their duties. This offers the benefits of specialisation; efficiency and speed.

3. Co-ordination:

People working in one department are closely knitted and work collectively towards achievement of departmental goals. The departmental manager can co-ordinate various derivative activities.

4. Training and control:

The departmental manager is accountable for functions performed by his department. He ensures that activities are performed strictly according to rules and procedures laid down for the department. He can, thus, exercise control over his departmental activities. If workers are not able to carry out the activities efficiently, managers can train them to do so.

5. Supervision:

It is easy for managers to supervise the departmental activities as they have to supervise a narrow set of functional skills.

6. Suitable for stable organisations:

Organisations which do not frequently change their work units and work force are suitable for creating departments on the basis of functional activities.

7. Suitable for small organisations:

This basis of departmentation is suitable for small sized organisations which produce a limited line of products. Even for large organisations, it is suitable only for top levels. Thereafter, some other basis of departmentation has to be used. Marketing department, for instance, can be further branched out on the basis of territorial or geographical departmentation.

Limitations of Functional Departmentation:

This form of departmentation suffers from the following limitations:

1. Overall organisational goals:

The employees become so focused on departmental goals that they lose sight of the overall organisational goals.

2. Delayed decisions:

Since decisions are made by departmental heads for their respective departments, it may delay decision-making for the organisation as a whole.

3. Co-ordination:

Water-tight compartments are sometimes created amongst departments as people show loyalty towards their departmental managers. Top manager finds it difficult to co-ordinate various functional activities.

4. Accountability:

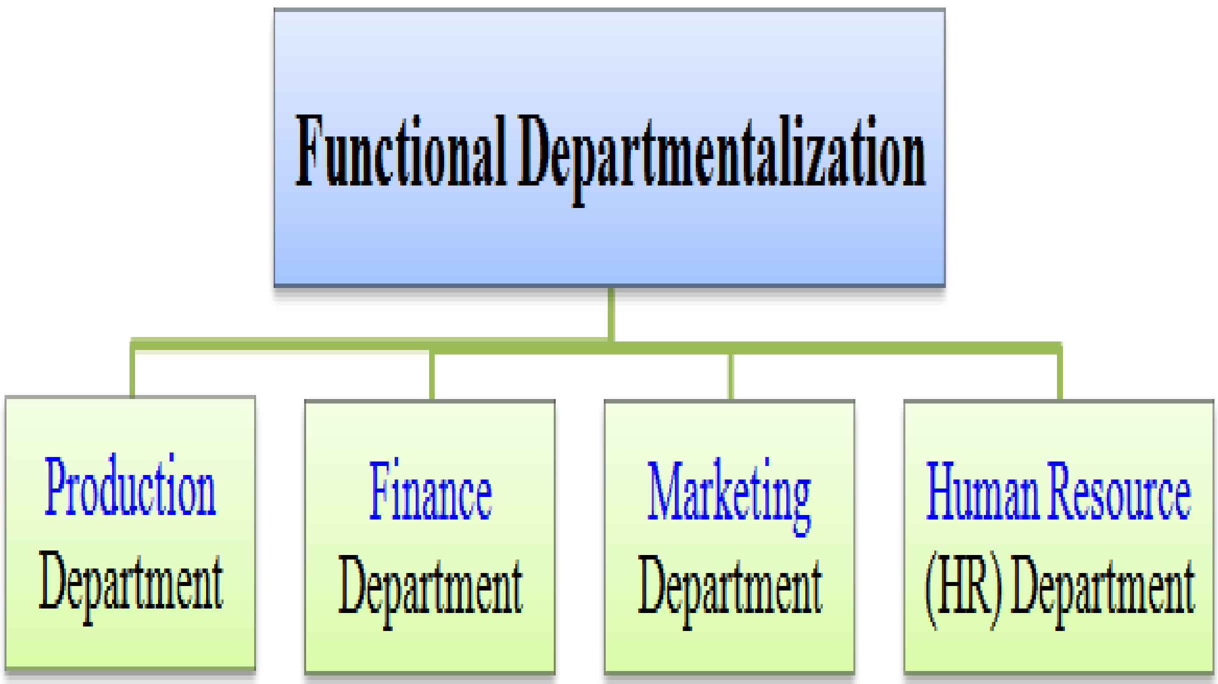
Top managers find it difficult to hold accountability of any one department for failure of the product in the market. For example, if the product does not earn profits, top managers cannot say with assertion whether the problem lies with production department or sales department.

5. Unsuitable for dynamic organisations:

As this is a suitable form of departmentation for stable organisations, organisations operating in the dynamic environment do not accept functional activities as the basis of departmentation. They use other basis of departmentation also to remain competitive in the market; either customer or product or territorial departmentation depending upon where and how they want to reach, grow and expand their business.

6. Complexity:

As organisations grow complex in terms of size and operations, they add more products to their line of products and expand into new geographical areas for marketing the existing products. Functional departmentation is not suitable in such cases.



Product Departmentation:

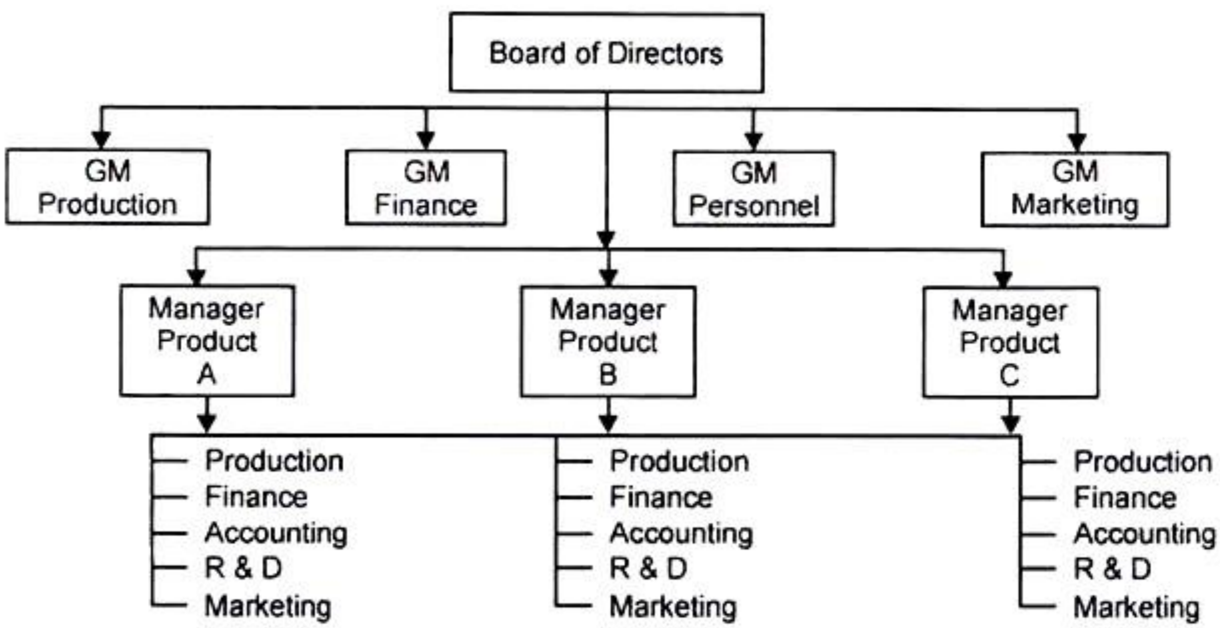
This form of departmentation is suitable for companies that produce multiple products. Product departmentation is grouping of jobs and resources around the products or product lines that a company sells. With increase in operations of a company, it adds more products to its line of products which require various functional activities (production, marketing etc.). Product departmentation is suitable for product diversification where marketing characteristics of each product are different from others.

An organisation selling stationery, for example, also starts selling cosmetics and pharmaceuticals. While marketing strategies for cosmetics need to be intensive, it is not so in case of stationery or pharmaceuticals. Similarly, funds required for each product line are different.

The focus is on the product line and all functional activities associated with the product line. Departments are created on the basis of products and product manager has the authority to carry out functional activities for his department. Each product manager is in charge of his product line though general managers of various functional areas provide them the necessary support. It helps in coordinating the activities of different products.

Organisation Chart Showing Product Departmentation:

Product departmentation, along with various functional areas appear on the organisation chart as follows:



Product Departmentation

There could be further extension of this basis of departmentation. For instance, if product C is a car, the department can be branched out for commercial car, luxury car, special utility vehicle etc.

Merits of Product Departmentation:

Departmentation on the basis of product has the following merits:

(i) Better performance:

One manager may not have skills to carry out all operations for different product lines. By creating departments where each product department looks after one product or product line only, decision-making, fixing responsibilities and assessment of performance can be done efficiently. Sales people for one product will concentrate on sales promotion of that product only. This ensures better performance of employees of each department.

(ii) Flexibility:

Firms operating in the dynamic environment are well suited for this form of departmentation as it helps them respond to environmental changes, analyse competitors' products and change their product line, if necessary. The focus is completely on one product and all functional activities related to that product rather than one functional activity related to all products. This promotes product specialisation which helps in product growth.

(iii) Fast decisions:

Since all decisions related to a product are taken by product manager (under the guidance of General Managers of different functional areas), decisions are taken quickly.

(iv) Co-ordination:

All the primary and auxiliary activities are managed by one manager. He can co-ordinate the efforts of people working under him.

(v) Control:

Every product manager wants to maximise profits of his product, for which he delegates authority to people of his department and establishes authority-responsibility relationships amongst them. Subordinates are trained to carry out functions related to each product. He, thus, controls activities of his department to ensure that the product contributes to the organisational goals.

(vi) Responsibility:

Product managers are accountable for results of their product departments. This promotes performance and profitability of different product departments.

(vii) Efficiency:

The costs and revenues of all the products can be compared. This helps in eliminating the unprofitable products and promoting the profitable ones thereby increasing organisational efficiency.

Limitations of Product Departmentation:

Some of the limitations of product departmentation are as follows:

(i) Co-ordination:

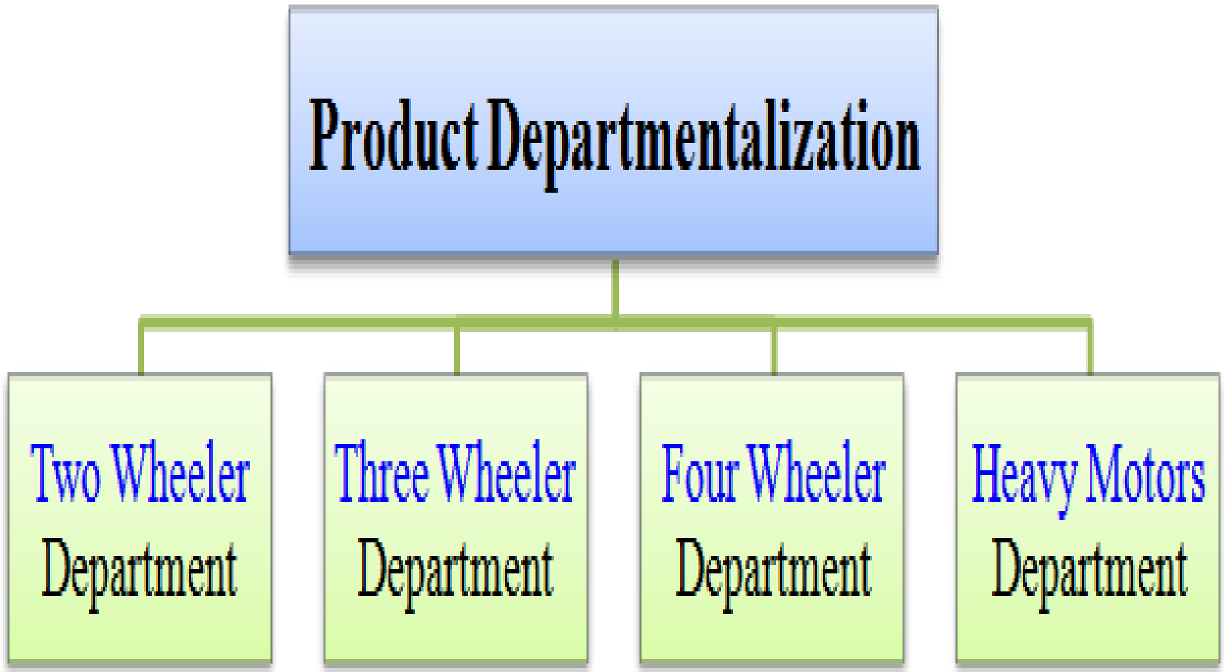
Coordination becomes difficult when departments focus excessive attention on activities of their departments without linking their performance with other departments.

(ii) Expensive:

This is comparatively a costly basis of departmentation than functional departmentation because every department appoints people to look after specialised activities, like accounting, finance, marketing, personnel etc. It results in duplication or multiplication of efforts because same functional activities are performed for different products.

(iii) Control:

If every product division works as an autonomous unit, tries to maximise its goals/profits without linking them with overall organisational needs, it will be difficult for top management to control the overall organisational activities.



Territory or Geographic Departmentation:

In territorial departmentation, organisation creates departments:

(i) Close to its customers because they are geographically dispersed over different areas, or

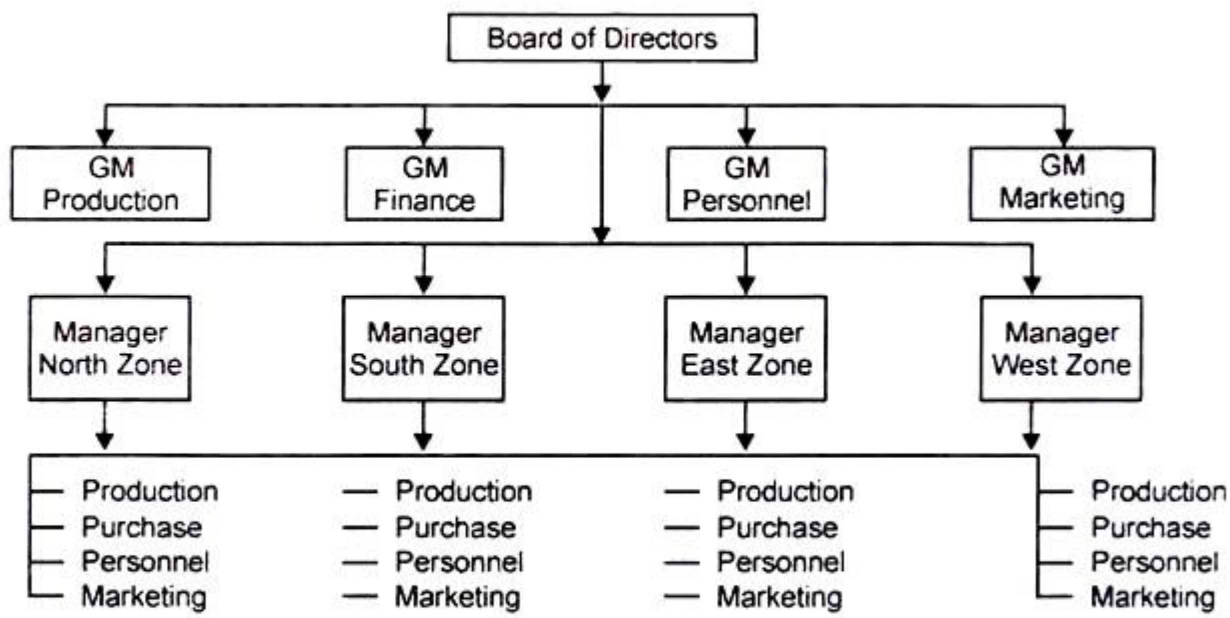
(ii) Near the sources of deposits.

Each geographic unit has resources to cater to the needs of consumers of that area. The production, purchase, personnel and marketing activities are looked after by departmental managers but finance is vested at the headquarters. General Manager of every department looks after functional activities of his geographical area but overall functional managers provide supporting services to the managers of different areas.

Thus, customers of different regions with different tastes and preferences for the same product are looked after by geographical departments set up in their territories. The product or customer differentiation, both can be the basis of geographic or territorial departmentation. This basis is suitable for large-sized organisations which have activities dispersed over different geographical areas.

Organisation Chart Showing Geographic Departmentation:

Division of organisation on the basis of geographic dispersal of activities appears on the organisation chart as follows:



Geographic Departmentation

Merits of Geographic Departmentation:

It has the following merits:

(i) Training and development:

Employees are trained to sell goods in specific areas according to customer needs.

(ii) Customer orientation:

The emphasis is on selling in different regions according to customer needs. 'Consumer is the king' is duly recognised by departmental managers as they develop their skills to know the customs, styles and preferences of customers of different regions. Managers are able to promote sales as they are aware of the local conditions of the area where they are operating.

(iii) Low cost of production:

If firms establish their areas of operation near the sources of raw material, they will be able to produce at low cost and take advantage of economies of operation.

(iv) Communication:

The sales people belong to local areas of operation. They can directly communicate with the consumers and frame policies to satisfy their needs.

Limitations of Geographic Departmentation:

Territorial departmentation has the following limitations:

(i) Co-ordination and control:

Since departments are widely dispersed, top managers find it difficult to control and co-ordinate their activities. While some of the functional activities are decentralised, others are centralised. Policy framers are at the head quarters and policy executors are at the regional offices. Different local conditions can create problems of understanding.

(ii) Expensive:

Since each department has auxiliary departments like personnel, accounting etc. to offer specialised services to managers, this is a costly method of departmentation. Before adopting this basis of departmentation, therefore, benefits must be weighed against costs. This method is suitable for large-scale organisations who can afford its cost.

(iii) Managerial skills:

Managers should be competent to perform functional activities (production, marketing etc.) related to their departments. They may not specialise in all the functional activities.

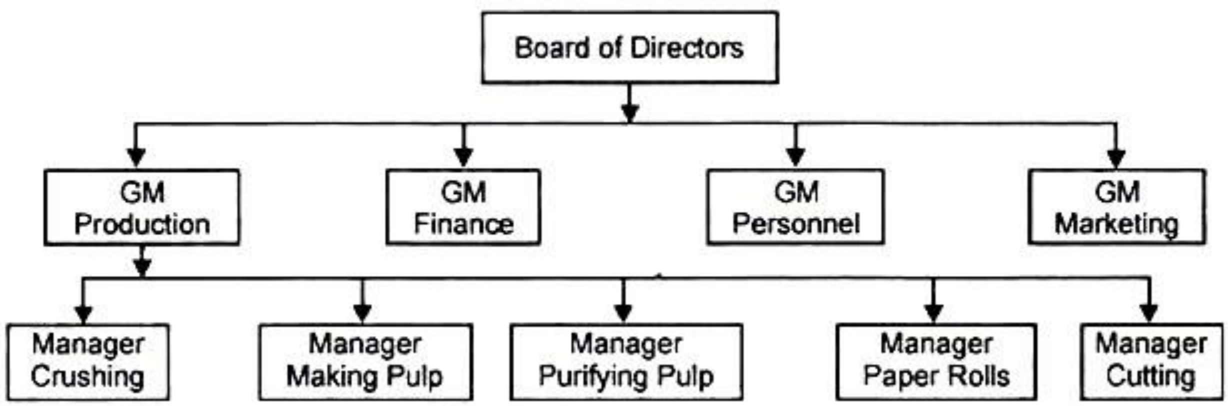
Process or Equipment Departmentation:

In manufacturing organisations where the product passes through different stages of production, each stage is designated as a process and department is created for each process. It is called process departmentation.

Manufacturing paper, for example, requires processes like crushing the bamboo, making pulp, purifying the pulp, making paper rolls, and cutting it into rims. For each process, departments are created and headed by people skilled and competent to carry that process.

Since finished product goes through different processes, each process is assigned to a different department. This form of departmentation is suitable for medium and large-sized organisations where goods are produced through a series of operations.

Organisation Chart Showing Process Departmentation:



Process Departmentation

Merits of Process Departmentation:

The merits of process departmentation are as follows:

(i) Specialisation:

As work is divided into different processes, the process manager and his team specialise in that process by constantly carrying out activities related to that process only.

(ii) Economic considerations:

Specialisation results in economy of time, money and managerial skills.

(iii) Technological consideration:

Large organisations, where each process requires different technology, operate most suitably under process departmentation. It also helps in maintenance of the equipment's related to a process because specialised technology requires specialised skills to maintain that process.

(iv) Facilitates training:

Since employees carry out only one operation or process on the work activity, managers can train people to efficiently carry out that process.

Limitations of Process Departmentation:

Process departmentation suffers from the following limitations:

(i) Co-ordination:

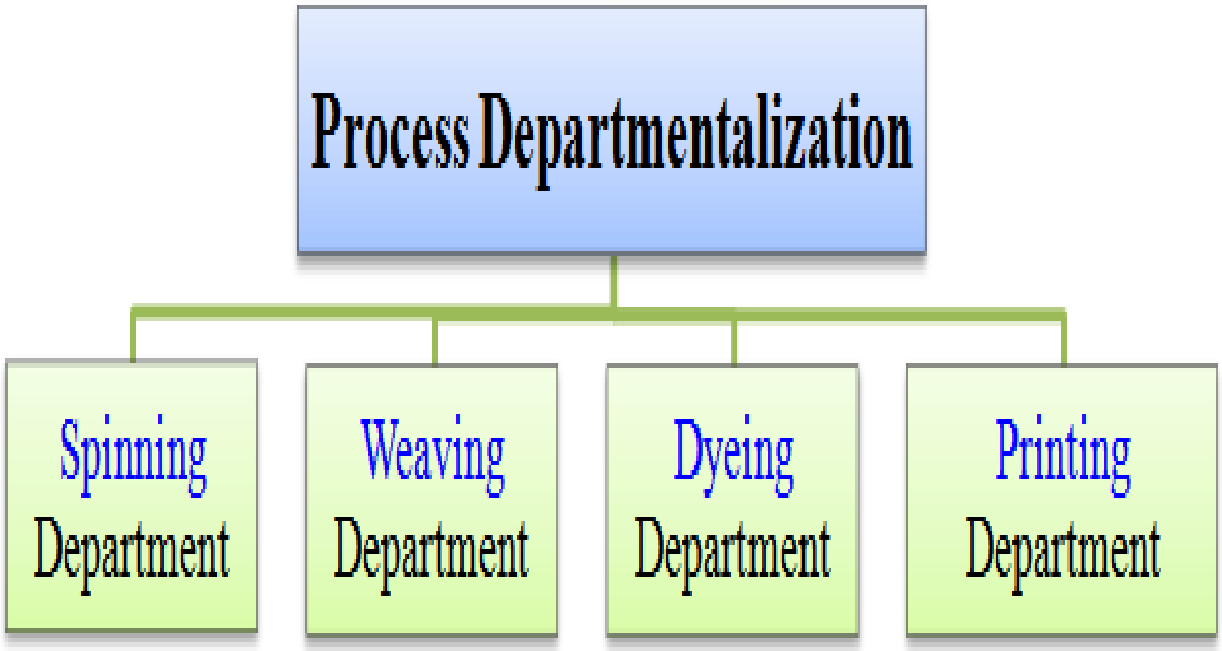
Output of one process department is input of the other. If different departments work at different speed, co-ordination amongst different processes becomes difficult. This can also result in conflict amongst process managers.

(ii) Boredom:

Repeated handling of the same job with a very short cycle (time required to complete that process) leads to boredom. This can affect efficiency of the process. An alternative to this is parallel pattern of process departmentation against the serial pattern (work moves in a series of steps) as described above. In the parallel process of departmentation, the number of steps to accomplish the task is the same.

For example, a job requires three steps for its completion. Step 1, Step 2, and Step 3. Rather than A (a worker) handling step 1, B handling step 2 and C handling step 3, A may carry out all the steps on product X, B carries out the same set of steps for product Y and C for product Z.

Though this reduces boredom on the work process, it requires trained workers who can carry out all the processes. This form of departmentation is suitable for small organisations where limited number of products with limited processes is produced.



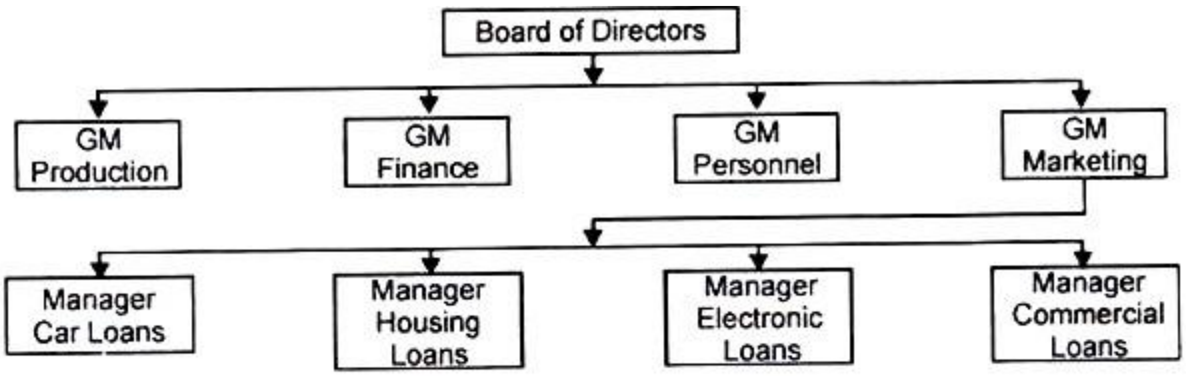
Customer Departmentation:

When organisations sell to customers with different needs, departments are created on the basis of customers. Customer departmentation is "the organising of jobs and resources in such a way that each department can carefully understand and respond to different needs of specific customer groups".

A lending institution, for example, gives loan to meet different customer requirements like housing loan, car loan, commercial loan etc. An educational institution which provides academic and non-academic subjects (vocational subjects), full-time or part-time courses, morning or evening shifts is a typical case of customer departmentation. Clear identification of customers and their needs is the basis of customer departmentation. This method of departmentation can be followed only in marketing division.

Organisation Chart Showing Customer Departmentation:

The organisation chart for customer departmentation (for a lending company) appears as follows:



Customer Departmentation

Merits of Customer Departmentation:

Customer departmentation has the following merits:

(i) Competitive advantage:

Contemporary marketing world revolves around customers. 'Consumer is the king.' By catering to varied customer needs, companies have an edge over competitors and, therefore, better chances of survival and growth.

(ii) Customer orientation:

The goal of an organisation is to earn profits by customer satisfaction. An organisation where the basis of departmentation is to sell goods according to customer needs justifies its existence.

(iii) Specialisation:

A department created for satisfying customer requirements becomes specialized in that area resulting in cost efficiency. Sales people understand consumer behaviour and provide them the desired services. They develop understanding with the consumers and build clientele for the organisation.

Limitations of Customer Departmentation:

Customer departmentation has the following limitations:

(i) Co-ordination:

Excessive involvement of employees in their respective departments makes it difficult for top managers to co-ordinate the functions of different departments.

(ii) Identification of consumer groups:

It is not easy to identify various consumer groups. A large industrial buyer for one product, for example, may be a small buyer for another product. The same product may be of industrial use for one buyer and personal use for another. Identifying buyers as industrial and non-industrial is not very easy.

(iii) Change in consumer behaviour:

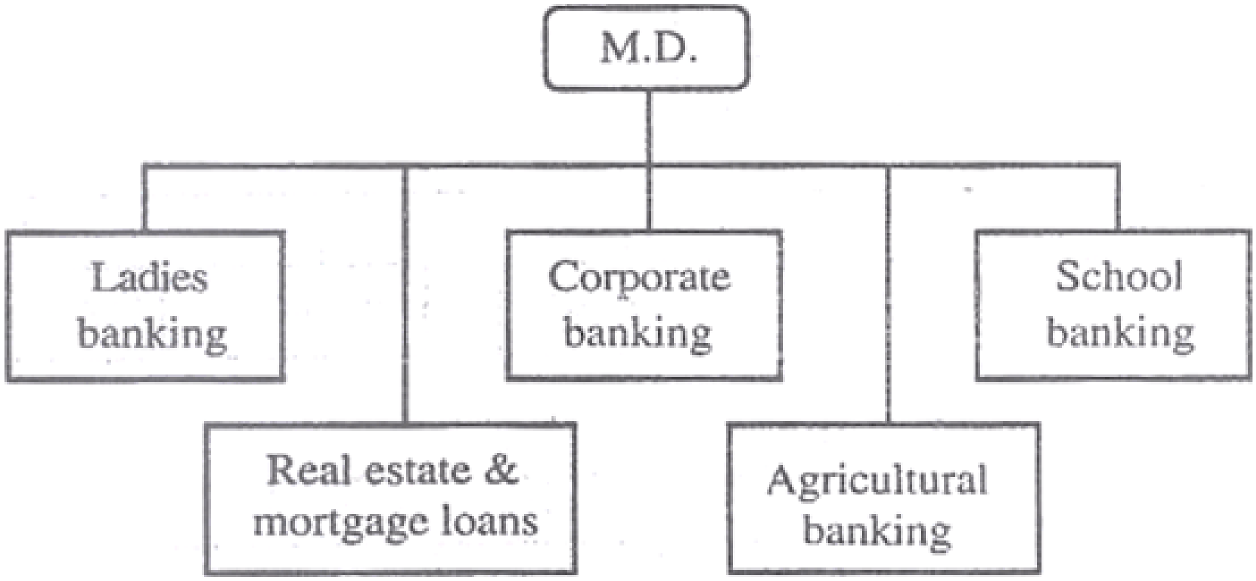
Consumer department managers cannot easily frame policies for their departments because of changing consumer behaviour. Demand for the same product for same set of consumers differs during different times. Marketing managers have to balance the time and money spent in framing policies so that organisation can adapt to the changing customer environment.

(iv) Specialized staff:

Change in consumer behaviour, their demand for different goods at different times cannot be easily predicted. The departmental managers, therefore, must have specialised skills to determine the consumer needs.

Banks may be departmentalized according to the markets illustrated in the following image

Customer Departmentalization



Choosing the Best Type of Departmentalization

No one way of departmentalizing is suitable for all organizations and all situations.If the CEOs know the various departmentalization patters and the advantages, disadvantages, and dangers of each, they should be able to design the organogram most suitable for their particular operation.

They may determine what is best by looking at the situation they face the jobs to be done and the way they should be done, the people involved and the level of their skill, the technology being used, and other internal and external environmental factors in the situation.

It must be remembered, that the objective of Departmentalization is not to build a rigid structure, balanced in terms of levels and characteristics by consistency and identical bases, but to group activities in the manner that will best contribute to achieving enterprise objectives.

Departmentation is necessary on account of the following reasons:

1. Advantages of Specialisation:

Departmentation enables an enterprise to avail of the benefits of specialisation. When every department looks after one major function, the enterprise is developed and efficiency of operations is increased.

2. Feeling of Autonomy:

Normally departments are created in the enterprise with certain degree of autonomy and freedom. The manager in charge of a department can take independent decisions within the overall framework of the organisation. The feeling of autonomy provides job satisfaction and motivation which lead to higher efficiency of operations.

3. Expansion:

One manager can supervise and direct only a few subordinates. Grouping of activities and personnel into departmentation makes it possible for the enterprise to expand and grow.

4. Fixation of Responsibility:

Departmentation enables each person to know the specific role he is to play in the total organisation. The responsibility for results can be defined more clearly, precisely and accurately and an individual can be held accountable for the performance of his responsibility.

5. Upliftment of Managerial Skill:

Departmentation helps in the development of managerial skill. Development is possible due to two factors. Firstly, the managers focus their attention on some specific problems which provide them effective on-the-job training. Secondly, managerial need for further training can be identified easily because the managers' role is prescribed and training can provide them opportunity to work better in their area of specialisation.

6. Facility in Appraisal:

Appraisal of managerial performance becomes easier when specific tasks are assigned to departmental personnel. Managerial performance can be measured when the areas of activities are specified and the standards of performance are fixed. Departmentation provides help in both these areas.

When a broader function is divided into small segments and a particular segment is assigned to each manager, the area to be appraised is clearly known; and the factors affecting the performance can be pointed out more easily. Similarly, the standards for performance can be fixed easily because the factors influencing the work performance can be known clearly. Thus, performance appraisal becomes more effective.

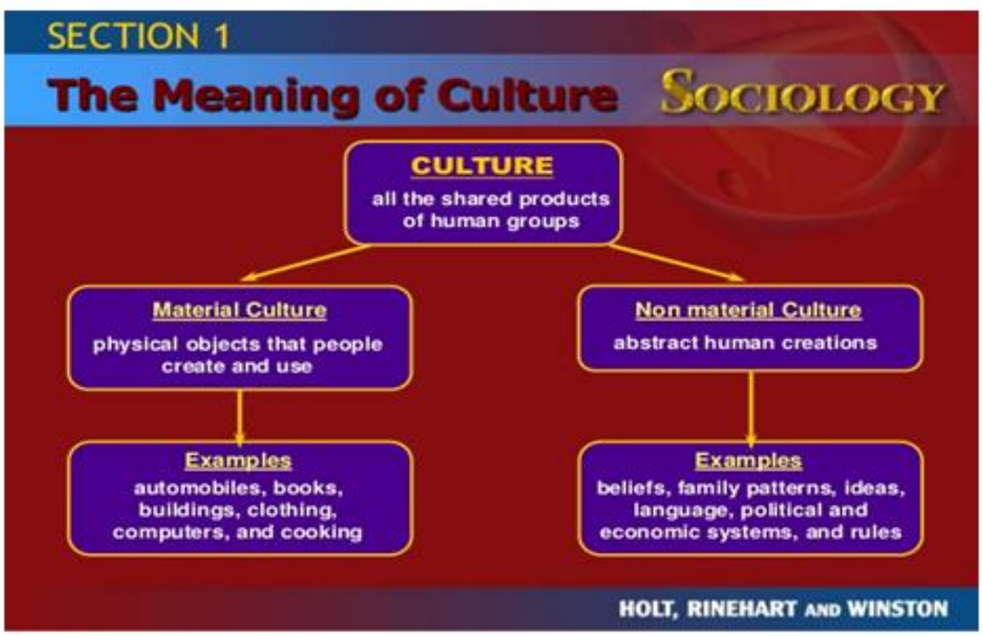
7. Administrative Control:

Departmentation is a means of dividing the large and complex organisation into small administrative units. Grouping of activities and personnel into manageable units facilitates administrative control. Standards of performance for each and every department can be precisely determined.

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.



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, interacts, and works 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.

MODULE-III

Meaning of Planning:

Planning is deciding in advance what to do and how to do. It is one of the basic managerial functions. Before doing something, the manager must formulate an idea of how to work on a particular task. Thus, planning is closely connected with creativity and innovation. But the manager would first have to set objectives, only then will a manager know where he has to go. Planning seeks to bridge the gap between where we are and where we want to go. Planning is what managers at all levels do. It requires taking decisions since it involves making a choice from alternative courses of action.

Definitions:

- According to *Haimann*, "Planning is the function that determines in advance what should be done."
- According to *Harold Koontz and O'Donnell,* "planning is deciding in advance what is to be done in future."
- According to *Stoner and Freeman* Planning is defined as "the process of establishing goals and suitable actions for achieving these goals."

Nature/Features/Characteristics of Planning:

1. **Planning focuses on achieving objectives:** Organisations are set up with a general purpose in view. Specific goals are set out in the plans along with the activities to be undertaken to achieve the goals. Thus, planning is purposeful.
2. **Planning is a primary function of management:** Planning lays down the base for other functions of management. All other managerial functions are performed within the framework of the plans drawn. Thus, planning precedes other functions.
3. **Planning is pervasive:** Planning is required at all levels of management as well as in all departments of the organisation.It is not an exclusive

function of top management or of any particular department. But the scope of planning differs at different levels and among different departments.

4. **Planning is continuous:** Plans are prepared for a specific period of time, may be for a month, a quarter, or a year. At the end of that period there is need for a new plan to be drawn on the basis of new requirements and future conditions. Hence, planning is a continuous process.
5. **Planning is futuristic:** Planning essentially involves looking ahead and preparing for the future. The purpose of planning is to meet future events effectively to the best advantage of an organisation. It implies peeping into the future, analysing it and predicting it. Planning is, therefore, regarded as a forward looking function based on forecasting.
6. **Planning involves decision making:** Planning essentially involves choice from among various alternatives and activities. If there is only one possible goal or a possible course of action, there is no need for planning because there is no choice. The need for planning arises only when alternatives are available. In actual practice, planning presupposes the existence of alternatives. Planning, thus, involves thorough examination and evaluation of each alternative and choosing the most appropriate one.
7. **Planning is a mental exercise:** Planning requires application of the mind involving foresight, intelligent imagination and sound judgment. It is basically an intellectual activity of thinking rather than doing, because planning determines the action to be taken.

Importance/Significance of Planning:

1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and organisation would not be able to achieve its desired goal.

2. Planning Reduces the risk of uncertainties:

Organisations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the organisation. The resources are kept aside in the plan to meet such uncertainties.

3. Planning reduces over lapping and wasteful activities:

The organisational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main organisational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

4. Planning Promotes innovative ideas:

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

5. Planning Facilitates Decision Making:

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

6. Planning establishes standard for controlling:

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

For example, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

7. Focuses attention on objectives of the company:

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of organisational goals and objectives.

Limitations of Planning:

1. Planning leads to rigidity:

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for organisation. This kind of rigidity in plan may create difficulty.

2. Planning may not work in dynamic environment:

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

3. It reduces creativity:

With the planning the managers of the organisation start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

4. Planning involves huge Cost:

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

5. It is a time consuming process:

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

6. Planning does not guarantee success:

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

Plans can be classified as:-

- **Mission/Purpose-**Every kind of organised group activities or operations has a purpose. **Eg:** the purpose of a bank is to accept deposits and grant loans and advances.
- **Objectives/Goals-** Objectives or goals are the end which towards the activity is aimed. **Eg:** the objective of the bank may be to contribute to the socio-economic objectives of the country.
- **Strategies-**is the determination of the basic long-term objectives of an enterprise and the adoption of courses of action and allocation of resources necessary to achieve these goal.

- **Policies-** are general statements or understandings that guide or direct thinking and action in decision making. **For example,** the company may have a recruitment policy, pricing policy within which objectives are set and decisions are made.
- **Procedures-** are plans that establish a required method of handling future activities. Procedures are routine steps on how to carry out activities. They detail the exact manner in which any work is to be performed. **Eg:** the procedures of granting loans.
- **Rules-** Rules are specific statements that inform what is to be done. They do not allow for any flexibility. **Eg:** Charging of 10 percent rate of interest on housing loans.
- **Programs-** are a complex of goals, policies, procedures, rules, task assignments, steps to be taken, resources to be employed, and other elements necessary to carry out a given course of action. All these plans together form a program. **For example**, construction of shopping mall, Development of new product.
- **Budget-** is a statement of expected results expressed in numerical terms It is a plan which quantifies future facts and figures. **For example**, a sales budget may forecast the sales of different products in each area for a particular month.

TYPES OF PLANNING

- **Operational Plan:** Operational plans are the plans which are formulated by the lower level management for short term period of up to one year. It is concerned with the day to day operations of the organization. It is detailed and specific. It is usually based on past experiences. It usually covers functional aspects such as production, finance, Human Resources etc.

  Operational plans can be **a single-use plan or an ongoing plan**.

a) **Single-use plans** apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with who, what, where, how, and how much of an activity. A budget is also a single-use plan because it predicts sources and amounts of income and how much they are used for a specific project.

b) **Continuing or ongoing plans** are usually made once and retain their value over a period of years while undergoing periodic revisions and updates. The following are examples of ongoing plans:

A **policy** provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for example, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

c) A **procedure** is a set of step-by-step directions that explains how activities or tasks are to be carried out. Most organizations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

- **Tactical Plan:** Tactical plan is the plan which is concerned with the integration of various organizational units and ensures implementation of strategic plans on day to day basis. It involves how the resources of an organization should be used in order to achieve the strategic goals. The tactical plan is also known as coordinative or functional plan.

- **Strategic Plan:** Strategic plan is the plan which is formulated by the top level management for a long period of time of five years or more. They decide the major goals and policies to achieve the goals. It takes in a note of all the external factors and risks involved and make a long-term policy of the organization. It involves the determination of strengths and weaknesses, external risks, mission, and control system to implement plans.

On the basis of managerial level:

- **Corporate Planning/Top level Plans:** Plans which are formulated by general managers and directors are called top-level plans. Under these plans, the objectives, budget, policies etc. for the whole organization are laid down. These plans are mostly long term plans.It lays down the objectives, policies and strategies of an organization. Usually made for a longer time period.

- **Divisional Planning/Middle-level Plans:** Managerial hierarchy at the middle level includes the departmental managers. A corporate has many departments like purchase department, sales department, finance department, personnel department etc. The plans formulated by the departmental managers are called middle-level plans. It is related to a particular department or division. It lays down the objectives, policies and strategies of a department.

- **Sectional Planning/Lower level Plans:** These plans are prepared by the foreman or the supervisors. They take the existence of the actual workplace and the problems connected with it. They are formulated for a short period of time and called short term plans.

On the basis of time:

- **Long Term Plan:** Long-term plan is the long-term process that business owners use to reach their business mission and vision. It determines the path for business owners to reach their goals. It also reinforces and makes corrections to the goals as the plan progresses.

- **Intermediate/Medium Range Plan:** Intermediate planning covers 6 months to 2 years. It outlines how the strategic plan will be pursued. In business, intermediate plans are most often used for campaigns.

- **Short-term Plan:** Short-term plan involves pans for a few weeks or at most a year. It allocates resources for the day-to-day business development and management within the strategic plan. Short-term plans outline objectives necessary to meet intermediate plans and the strategic planning process.

PROCESS OF PLANNING:

1. **Being Aware of Opportunities and Strengths:** It is important to take a preliminary look at possible future opportunities and see them clearly and completely. All managers should know where they stand in the light of their strengths and weaknesses, understand the problems they wish to solve and know what they gain. Setting objectives depends on the awareness.
2. **Establishing Objectives and Goals:** Business firms have to formulate objectives. Objectives are the ends towards which activity is aimed. The organizations formulate objectives not only for the entire enterprise but also for each department, unit and sub-unit.
3. **Developing Premises:** planning premises are the conditions under which planning activities will be undertaken. Planning premises are planning assumptions the expected environmental and internal conditions. Thus planning premises are external and internal
4. **Determining Alternative Courses:** Various alternatives can be identified based on the organizational objectives and planning premises. The objective of profit maximization can be achieved through the following alternative courses:
    a) Through forward linkage of the business
    b) Through expansion of the capacity
    c) Through diversification
    d) Through mergers and acquisitions

5) Evaluating Alternative Courses: The various alternative course of action should be analyzed in the light of SWOT analysis. The evaluation is to be done in the light of various factors. Example, cash inflow and outflow, risks, limited resources, expected pay back etc., the alternatives should give us the best chance of meeting our goals at the lowest cost and highest profit.

6) Selecting a Course: This is the real point of decision-making. An analysis and evaluation of alternative courses will disclose that two or more .ire advisable and beneficial. The fit one is selected.

7) Formulating Derivative Plans: After formulating the basic plan, various plan are derived so as to support the main plan. In an organization there can be various derivative plans like planning for buying equipment, buying raw materials, recruiting and training personal, developing new product etc. These derivative plans are formulated out of the basic or main plan and almost invariably required to support the basic plan.

8) Budgeting: The budgets provide clear direction in numerical terms. These include capital budgets, financial budgets, material budgets, production budgets, sales budgets, human resource budgets etc.

APPROACHES TO 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.

LEARNING ORGANIZATION:

Learning organizations are not simply the most fashionable or current management trend, they can provide work environments that are open to creative thought, and embrace the concept that solutions to ongoing work-related problems are available inside each and every one of us. All we must do is tap into the knowledge base, which gives us the "ability to think critically and creatively, the ability to communicate ideas and concepts, and the ability to cooperate with other human beings in the process of inquiry and action (Navran Associates Newsletter 1993).

A learning organization is one that seeks to create its own future; that assumes learning is an ongoing and creative process for its members; and one that develops, adapts, and transforms itself in response to the needs and aspirations of people, both inside and outside itself (Navran Associates Newsletter 1993).

What learning organizations do is set us free. Employees no longer have to be passive players in the equation; they learn to express ideas and challenge themselves to contribute to an improved work environment by participating in a paradigm shift from the traditional authoritarian workplace philosophy to one where the hierarchy is broken down and human potential is heralded. Learning organizations foster an environment wherein people can "create the results they truly desire," and where they can learn to learn together for the betterment of the whole (Rheem 1995,10).

A learning organisation is an organisation skilled at creating, acquiring and transferring knowledge and at modifying its behaviour to reflect new knowledge and insights. This begins with simple truth: New ideas are essential if learning is to take place. Some times they are created through flashes of insight or creativity; at other times they arrive from outside the organisation or are communicated by knowledge insiders. Whatever be the sources, these ideas are the trigger for organisational improvement. But they can not themselves create a learning organisation. It has been found that all institutes, companies have been effective in creating new knowledge or acquiring the same, but all of them have one common thing, i.e. they are notable less successful in applying the knowledge to their own activities.

TYPES OF LEARNING ORGANISATIONS:

- **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 process 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.
- **Deutero learning**: Learning about improving the learning system itself. This is composed of structural and behavioral components which

determine how learning takes place. Essentially deutero learning is therefore "learning how to learn."

Six Rules of Planning in Learning Organization

- **Strong Mission:** Employee commitment and involvement are critical in helping companies compete in today's rapidly changing world**. Eg Wal-Mart, General Electric, Infosys and HUL are guided by a "core-ideology"-values and a sense of purpose that go beyond just making money and also provide a guide for appropriate behavior.**
- **Stretch Goals:** They are highly ambitious goals that are clear, compelling and imaginative in concept and functionally fuel progress. Stretch Goals compel everyone to think in new ways.Eg: Motorola used to stretch goals to improve quality.
- **Learning Environment:** In all learning organizations, employees do not rest on past laurels. They question the status quo. Constant questioning opens the gates to creativity and learning.

- **Vital information:** In a learning organization, planning experts should focus more on gathering vital pieces of information from different quarters.
- **Improvement-a way of life:** Participation in planning effort encourages employees to continuously learn and grow, thus helping the organization improve its capability.
- **Planning still starts and stops at the top:** Top Management shows the way, clarifies goals, clears the paths and implements certain plans. It takes the final responsibility for success or failure.

To summarize, a learning organization does away with the mindset that it is only senior management who can and do all the thinking for an entire corporation. Learning organizations challenge all employees to tap into their inner resources and potential, in hopes that they can build their own community based on principles of liberty, humanity, and a collective will to learn.

MANAGEMENT BY OBJECTIVES (MBO):

Management by objectives (MBO) is regarded as one of the important contributions of Drucker to the discipline of management. He introduced this concept in 1954. MBO has further been modified by Schleh which has been termed as “management by results”. According to Drucker, MBO is not only a technique of management but it is a philosophy of managing. It transforms the basic assumptions of managing from exercising cattalo to self-control. Therefore, in order to practice MBO, the organisation must change itself MBO has become such a popular way of managing that today t is regarded as He most modern management approach. In fact, it has revolutionalised the management process.

It is also called “appraisal by result”, “planning by objectives”, “goal management”.
It is the most widely accepted philosophy of management today. It is a demanding and rewarding style of management.
A process whereby superiors & subordinates jointly identify the common objectives to make best of organizational resources.

It suggests that objectives should not be imposed on subordinates but should be decided collectively by a concerned with the management. MBO is based on the assumption that people perform better when they know what is expected of them and can relate their personal goals to organizational objectives.The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims.

DEFINITIONS:

- According to **George Odiome,** MBO is "a process whereby superior and subordinate managers of an Organisation jointly define its common goals, define each individual's major areas of responsibility in terms Of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

- According to **John Humble**, MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

FEATURES:

- MBO emphasizes participation in setting goals that are tangible, verifiable and measurable.
- MBO focuses attention on what must be accomplished rather than how it is to be accomplished.
- It is a dynamic system which seeks to integrate the company's need to achieve its profit and sales growth with the managers need to contribute and develop himself.
- MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals.
- MBO provides for a regular review of performance. This review is normally held once in a year. It emphasizes initiative and active role by the manager who is responsible for achieving the objectives. The review is future oriented and provides a basis for planning and corrective actions.

PROCESS OF MBO:

1) **Setting Objectives at the Top:** The first step in MBO process is to analyze the purpose or mission of the organization. The mission of the organization will be converted into goals for a given period, it may be for a quarter, half year, a year, 5 years or more.
2) **Clarifying Organizational Roles:** Sometimes organizational roles are not properly clarified and specific responsibility for attaining the

objectives is not fixed. There should be clear cut assignment of tasks and fixation of responsibilities. For example, the development of a new product may be the responsibility of research, production and marketing managers. Such activities can be put under the overall command of a particular person, say product manager.

3) **Setting Subordinates Objectives:** The superior should then discuss with the subordinate about the objectives which he can accomplish, time frame for them and the resources required.
4) **Recycling of Objectives**: Recycling of objectives denotes a joint and interactive process. Objectives cannot be set in isolation. There should be proper consultations and interactions at various levels before deciding about the objectives.
5) **Performance Appraisal:** Each employee should evaluate his accomplishment with the objectives set with the help of his superior. This appraisal provides him scope for correction and further improvement.

MANAGEMENT BY EXCEPTION (MBE):

Management by exception is the practice of examining the financial and operational results of a business, and only bringing issues to the attention of management if results represent substantial differences from the budgeted or expected amount. For example, the company controller may be required to notify management of those expenses that are the greater of $10,000 or 20% higher than expected.

The principle of 'management by exception' states that managers should concentrate only on significant deviations rather than each and every organisational activity.

Under this system the manager should receive only condensed, summarised and invariable comparative reports covering all the elements, and he should have all the exceptions to the past averages or standards pointed out, both the especially good and the especially bad exceptions.

This gives him a full view of the progress in a few minutes of time. Thus by using the experience in a systematic way (i.e., having the knowledge of past attainments), a careful analysis is made with reference to existing records and standards of performances.

The purpose of the management by exception concept is to only bother management with the most important variances from the planned direction or results of the business. Managers will presumably spend more time attending to and correcting these larger variances. The concept can be fine-tuned, so that smaller variances are brought to the attention of lower-level managers, while a massive variance is reported straight to senior management.

Advantages of Management by Exception

There are several valid reasons for using this technique. They are:

- It reduces the amount of financial and operational results that management must review, which a more efficient use of their time is.
- The report writer linked to the accounting system can be set to automatically print reports at stated intervals that contain the predetermined exception levels, which is a minimally-invasive reporting approach.
- This method allows employees to follow their own approaches to achieving the results mandated in the company's budget. Management will only step in if exception conditions exist.
- The company's auditors will make inquiries about large exceptions as part of their annual audit activities, so management should investigate these issues in advance of the audit.

Disadvantages of Management by Exception

There are several issues with the management by exception concept, which are:

- This concept is based on the existence of a budget against which actual results are compared. If the budget was not well formulated, there may be a large number of variances, many of which are irrelevant, and which will waste the time of anyone investigating them.
- The concept requires the use of financial analysts who prepare variance summaries and present this information to management. Thus, an extra layer of corporate overhead is required to make the concept function properly. Also, an incompetent analyst might not recognize a potentially serious issue, and will not bring it to the attention of management.
- This concept is based on the command-and-control system, where conditions are monitored and decisions made by a central group of senior managers. You could instead have a decentralized organizational structure, where local managers could monitor conditions on a daily basis, and so would not need an exception reporting system.
- The concept assumes that only managers can correct variances. If a business were instead structured so that front line employees could deal with most variances as soon as they arise, there would be little need for management by exception.

Thus the Management by Exception compromise as systematic approach of handling the management problems and free the manager from the demands of routine work, which enables him to devote more time for creative efforts directed towards “improving the overall efficiency of the organisation”. This also provides necessary information readily available, for taking timely and qualitative decisions, which would require lot of time.

Process of MBE:

a) Identifying and specifying Key Result Areas (K.R.A.s)
b) Setting standards and outlining permissible deviations, especially for K.R.A.’s
c) Comparing actual results with the standards
d) Computing and analyzing deviations

e) Identifying non - permissible, that is, critical deviations in K.R.A.s
f) Strategizing and taking corrective actions

MBE at Cisco Systems: Cisco Systems is a Multinational Corporation with its Headquarters in San Jose, California. It designs and sells consumer electronics, networking, voice, and communications technology and services. Ciscos network of contract manufacturers, component suppliers and distributors for its Internet Routers business are linked through Ciscos extranet to form a virtual, just-in-time supply chain.

Application of MBE:-When a customer orders a router through Ciscos website, the order triggers a flurry of messages to contract manufacturers of printed circuit board assemblies.Meanwhile, component suppliers are alerted to supply the generic components of the router, such as a power supply.Soon after the contract manufacturers reach into Ciscos extranet, the extranet starts looking around the contractors assembly line to make sure everything is in order.Factory assemblers slap a bar code on the router, scan it and plug in cables that simulate those of a typical corporate network.One of those cables is a fire hose for Ciscos automated testing software. It looks up the bar code, matches it to a customer's order and then probes the nascent router to see if it has all the ports and memory that the customer wanted. If everything checks out and only then - Ciscos software releases the customer name and shipping information so that the subcontractor can get it off the shop floor. The chain runs itself until there's a problem, in which case the system alerts some employee to fix the problem. Nothing needs to be done unless there is something wrong.

Difference between MBO and MBE

MBE is a principle or technique of managerial control where as MBO is a philosophy of decentralization and participative management.

MBO allows the subordinates to set goals for themselves. But, under MBE, only significant deviations from the standards are reported to the higher level management.

Planning Premises:

According to Koontz O'Donnell "Planning premises are the anticipated environment in which plans are expected to operate. They include assumptions or forecasts of the future and known conditions that will affect the course of plans such as prevailing policies and existing company plans that controls the basic nature of supporting plans."

It constitute the framework within which planning is done, Therefore premises should be based on systematic forecasting.

For planning the planning premises are to be correctly formulated without which planning will be without proper foundation.

Types of Planning Premises:

- Internal and external
- Tangible and Intangible
- Controllable, semi-controllable and uncontrollable
- ***Internal premises*** are those which exist within the business enterprise. This may include men, material, money and methods. Competence of managerial personnel and skill of labour force are some of the important internal premises.
- ***External premises*** centre round the markets and derived from the external environment surrounding the business. Examples: Product market, money market, population growth, government policies, business cycles technological changes. They also relate to the political, economic, social and technological forces in which the org has no control.
- ***Tangible premises*** are those which can be measured quantitatively. They may be quantified in terms of money, time and units of production.
- ***Intangible premises*** are those which cannot be measured quantitatively. Examples are: Reputation of the business, Public

relations, employee morale, motivation etc. Planning is to consider both tangible and intangible premises.

- ***Controllable premises*** There are certain factors which are well within the control of the management to a great extent. Factors like materials, money and machines are areas where management has maximum control over their future commitments. The management can decide what policies, procedures, rules and strategies are to be followed in the organisation for achieving the objectives.
- ***Semi-controllable premises*** are those assumptions about future which are under the partial control of a business. Examples of such premises are demand for the product, Trade union relations.
- ***Non-controllable premises*** are entirety beyond the scope of business like government policy, international trade agreements, wars, natural calamities new discoveries and inventions etc. Such events cannot be predicted or controlled.

Examples of Planning Premises:

Cement Industry

a) **Internal Premises**-Capital investment, scope for expansion in the future, sales forecasts.

b) **External Premises-** product market, location, availability of raw materials.

c) **Tangible Premises-** Production capacity, scope for expansion.

d) **Semi-controllable premises-** labour policy, pricing policy, share of the firm in the market.

e) **Uncontrollable premises-** government policy regarding plant location and tax structure.

Sugar Industry

a) **Internal Premises**-Capital investment and sales forecasts.

b) **External Premises-** product market, location, availability of raw materials.

c) **Tangible Premises-** Production capacity, scope for expansion.

d) **Uncontrollable premises-** government policy regarding pricing and distribution

Decision Making:

Decision Making is the essence of the management process. Decisions are made to solve problems, tackling the situations, handling crises and resolving conflicts that are inevitable.

The Concept of decision making involves defining the problem, finding, comparing and choosing a course of action. It is a process or activity of choosing an appropriate course of action from several alternative courses.

Decision making is the coherent and rational process of identifying a set of feasible alternatives and choosing a course of action from them.

Decision-making is a mental process. It is a process of selecting one best alternative for doing a work. Thus, it is a particular course of action chosen by a decision maker as the most effective alternative for achieving his goals. According to D.E. McFarland, "A decision is an act of choice wherein an executive forms a conclusion about what must be done in a given situation. A decision represents a course of behaviour chosen from a number of possible alternatives”. In the words of Haynes and Massie, "A decision is a course of action which is consciously chosen for achieving a desired result". Hence decision-making is a typical form of planning. It involves choosing the best alternative among various alternatives, in order to realize certain objectives. A decision represents a judgement, a final word, and resolution of conflicts or a commitment to act in certain manner in the given set of circumstances. It is really a mental exercise which decides what to do.

Definitions:

- ***Harold Konntz and Heinz Weihrich*** define Decision Making as" selection of a course of action from among alternatives, it is the core of planning."
- ***John A Pearce and Richard B. Robinson*** define decision making as, "the process of choosing a course of action from two or more alternatives."
- According to ***Kreitner (1966)*** decision making is a process of identifying and choosing an alternative course of action in a manner appropriate to the demand of the situation.

Elements of Decision Making:

- The decision-maker
- The decision problem
- The environment in which decision is to be made
- The objective of the decision maker
- The alternative courses of action
- The outcomes expected from various alternatives
- The final choice of the alternative.

CHARACTERISTICS OF DECISION MAKING

The essential characteristics of decision making are given below:

1. It is a process of choosing a course of action from among the alternative courses of action.
2. It is a human process involving to a great extent the application of intellectual abilities.
3. It is the end process preceded by deliberation and reasoning.
4. It is always related to the environment. A manager may take one decision in a particular set of circumstances and another in a different set of circumstances.
5. It involves a time dimension and a time lag.

6. It always has a purpose. Keeping this in view, there may just be a decision not to decide.

TYPES OF DECISIONS:

A. **Basic and Routine Decisions:**

George Katona has made a distinction between basic decision and routine decisions. Routine decisions are of repetitive nature and they involve the application of familiar principles to a situation. Basic or genuine decisions are those which require a good deal of deliberation on new principles through conscious thought process, plant location, and distributions are some examples of basic decisions.

Basic decisions are those which require a good deal of deliberation and are of crucial importance. These decisions require the formulation of new norms through deliberate thought provoking process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc.

Routine decisions are of repetitive nature and hence, require relatively little consideration. It may be seen that basic decisions generally relate to strategic aspects, while routine decisions are related to tactical aspects of a organization.

B. **Personal vs. Organizational Decisions:** *Organizational decisions* are those which an executive takes in his official capacity and which can be delegated to others. On the other hand, *personal decisions* are those which an executive takes in his individual capacity but not as a member of organization.

C. **Individual vs. Group Decisions:** When the decision is taken by a single individual, it is known as *individual decision*. Usually routine type decisions are taken by individuals within the broad policy framework of the organisation.

Group decisions are taken by group of individuals constituted in the form of a standing committee. Generally very important and pertinent matters for the organisation are referred to this committee. The main aim in taking group decisions is the involvement of maximum number of individuals in the process of decision- making.

D. **Programmed and Unprogrammed Decisions:** The programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it crops up. A standard procedure is followed for tackling such problems. These decisions are taken generally by lower level managers. Decisions of this type may pertain to e.g. purchase of raw material, granting leave to an employee and supply of goods and implements to the employees, etc.

Programmed decisions are those that are made using standard operating procedures or other well-defined methods. They are situations that are routine and occur frequently.
Organizations come up with specific ways to handle them. Programmed decisions are effective for day-to-day issues such as requests for leave or permissions by employees. Once the decision is taken, the program specifies processes or procedures to be followed when similar situation arises. Creating such programed routines lead to the formulation of rules, procedures and policies, this becomes a standard in the organization.

The un-programmed decisions are complex and deserve a specific treatment. Non-programmed decisions relate to difficult situations for which there is no easy solution.

Non-programmed decisions are unique and one-shot decisions. They are not as structured as programmed decisions and are usually tackled through judgment and creativity.

They are innovative in essence, as newly created or unexpected problems are settled through unconventional and novel solutions.

These matters are very important for the organisation. For example, opening of a new branch of the organisation or a large number of employees absenting from the organisation or introducing new product in the market, etc., are the decisions which are normally taken at the higher level.

E. **Rational vs. Irrational Decisions:** The term rational (or logical) is applied to decision making that is consciously analytic, when a decision maker evaluates problems systematically it is known as rational decisions and the term irrational is applied to decision making and behavior that responds to the emotions or that deviates from action chosen "rationally." i.e when decisions are arrived at based on intuition and are not based on relevant facts and figures, they tend to be irrational.

DECISION MAKING PROCESS:

1. **Awareness of the problem:**

   The manager has to identify the gap between current and desire state of affair. In this stage defining question is important rather than finding out the solution.Manager has to examine the cause and effect relationship. Ex- profit of the organization is falling during the last five year.(external and internal problem)

1. Change in competitive situation
2. Higher operating cost
3. Employee inefficiency
4. Stringent government regulation

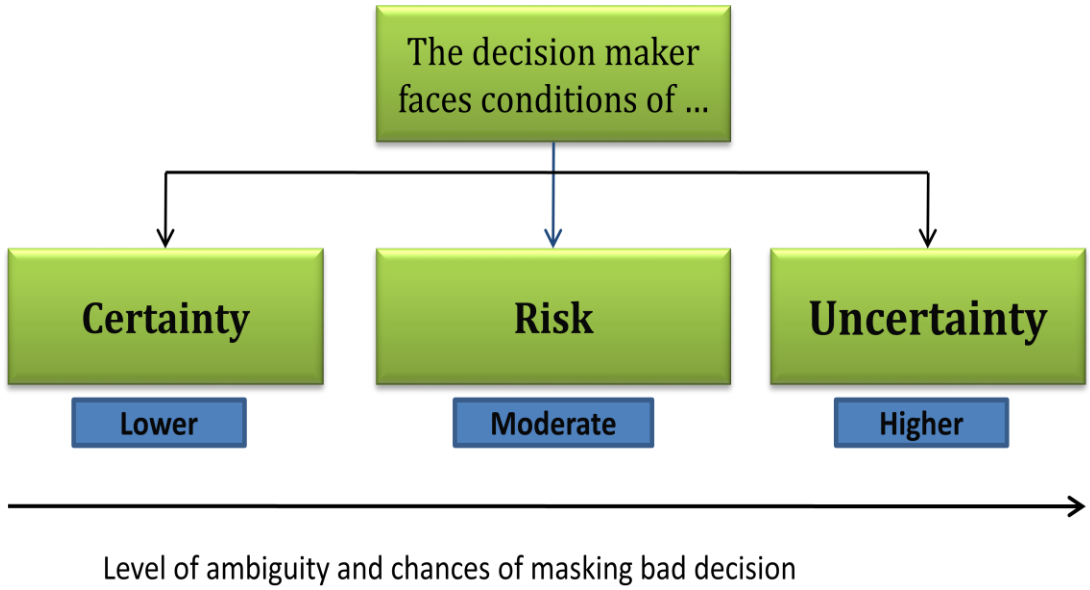
2. **Diagnose and state the problem:**
   Once aware the problem, the manager must state the real problem.Ex- profit of the organization is falling due to employee inefficiency. It may be due to low salary, poor working condition, tight supervision, poor timing, and dissatisfaction with the job. Manager will do an attitude survey.

3. **Develop the alternatives:** Develop alternatives is as important as making a right decision among alternatives.Ex-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 the alternatives:** Decision-making tries to outline the advantages and disadvantage of each alternative. The opportunity cost method is suggested here. i.e. when one alternative is selected in place of another, the cost of he selected one is measured in terms of the benefit available from the rejected one.
5. **Select the best:**
   The risk: The manager has to weigh the risks of each course of action against the expected gains.
   Economy of effort: the alternative that will give the greatest output for the least inputs.
   Timing: If the situation has great urgency or slow.
   Limitation of resources: physical, financial and human resources.
6. **Implement and Verify the Decision:** After making a decision, the manager must implement it. He must see, whether it has actually worked out or not. In other words, he must seek feedback regarding the effectiveness of the implemented solutions.

DECISION MAKING CONDITIONS:



Decision making under risk: Risk is potential of losing something of value. Values such as physical health, social status emotional well being 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.

Most managerial decisions are made under conditions of risk.

Decisions are taken in risk when the manager has some information leading to the decision but does not know everything and is unsure or unaware of the consequences.

Under conditions of risk, the manager may find it helpful to use probability estimates. This is where the manager's experience and/or intelligence are of great help.

Types of Risks:

- ***Strategic risks:*** These are risks that arise from the investments an organization makes to pursue its mission and objectives.
- ***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 Making Under Certainty

When managers know with reasonable certainty what their alternatives are and what conditions are associated with each alternative, a **state of certainty** exists.

In organizational settings, few decisions are made under conditions of true certainty. The complexity and turbulence of the contemporary business world make such situations rare.

Decisions are made under conditions of certainty when the manager has enough information to know the outcome of the decision before it is made.

The manager knows the available alternatives as well as the conditions and consequences of those actions.

There is little ambiguity and hence relatively low possibility of making a bad decision.

Decision making under uncertainty

The decision maker does not know all the alternatives, the risks associated with each, or the consequences each alternative is likely to have. This uncertainty stems from the complexity and dynamism of contemporary organizations and their environments.

The key to effective decision making in these circumstances is to acquire as much relevant information as possible and to approach the situation from a logical and rational perspective. Intuition, judgment, and experience always play major roles in the decision-making process under conditions of uncertainty. Even so, this condition is the most ambiguous for managers and the one most prone to error.

Under such conditions managers need to make certain assumptions about the situation in order to provide a reasonable framework for decision making. Intuition, judgment, and experience always play a major role in the decision making process under conditions of uncertainty.

DECISION TREE

- A decision tree is a decision support tool / technique that use 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 helps you to form a balanced picture of the risks and rewards associated with each possible course of action.

Symbols used in a decision tree:

a. □—decision node from which one of several alternatives may be selected

b. ○—a state-of-nature node out of which one state of nature will occur

Increasing Participation in DM

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.

Participative DM is important…..

- 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.

Participative decision-making

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 PDM may positively impact the following:**

a) Job satisfaction

b) Organizational commitment

c) Organizational support

d) Organizational citizenship behavior

e) Labor-management relations

f) Job performance and organizational performance

g) Organizational profits

Outcomes of PDM

The outcomes are various in PDM.

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

Creativity and Decision Making

- Creativity
    - The process of developing original, novel responses to a problem.
- 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.
    - This technique was developed by Alex F. Osborn, and is one of the oldest and best known techniques for stimulating the creative thinking. This is carried out in a group where members are presented with a problem and are asked to develop as many as potential solutions as possible. The member of the group may be experts, may be from other organizations but the members should be around six to eight. The duration of the session may be around 30 minutes to 55 minutes. The premise of brainstorming is that

when people interact in a free and exhibited atmosphere, they will generate creative ideas.

- Nominal group technique
    - A decision-making technique in which group members are physically present but operate independently

Nominal Group Techniques:

The nominal group is a paper group. The **following are its 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 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.

Managing control in organizations:

- **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.
- "Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring." **– Henri Fayol**
- "Control is checking current performance against predetermined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance, and also recording the experience gained from the working of these plans as guide to possible future needs." – **Brech**
- "Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished." – **Harold Koontz**

<u>Features:</u>

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 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 reading to ascertain where he is, relative to a planed 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. 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 change and hence, highly flexible. Between the times 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:**

I 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.

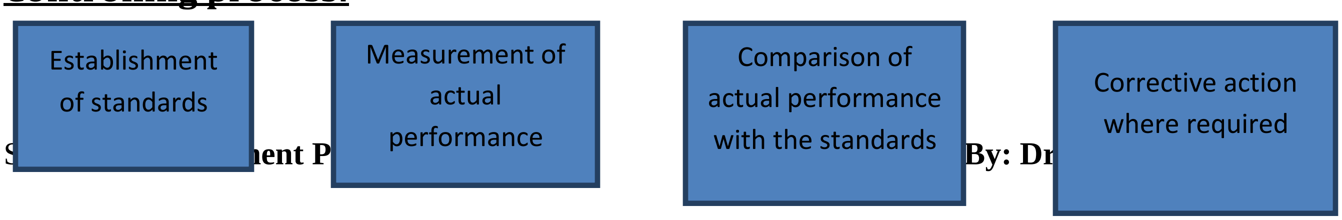
- **Bring order and discipline:** in an organisation. While pursuing goals, managers and their subordinates often commit mistakes. Ex- problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, poor designs are followed, and so on. A control system helps check such tendencies before they turn into serious problems.

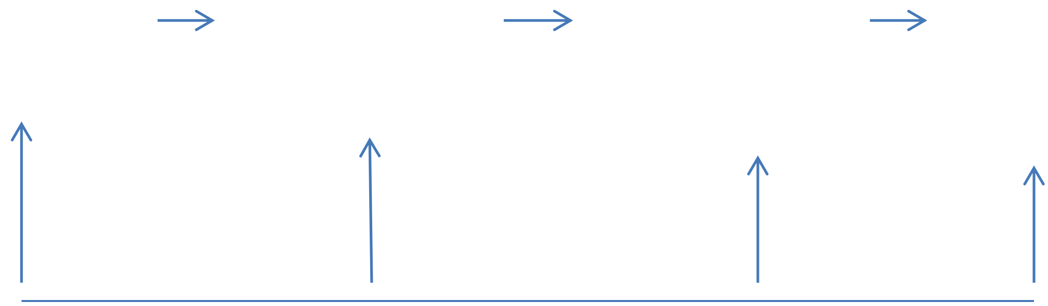
- **Facilitates decentralization of authority:** when managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A system of control ensures this by forcing subordinates to conform to plans. the feedback information helps 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.

<u>Controlling process:</u>





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.

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.

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 o performance. Insignificant deviation need not be looked into. By concentrating attention on important aspects, a manger 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 hew opportunities.

Forward-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. Tis help 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.

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.

Controlling Techniques:

a) Budgetary Control Techniques
b) Non-Budgetary Control Techniques
c) Operations Research Techniques of Control

Budget and budgetary control system: a budget is a plan or programme of future action which is prepared on the basis of estimates or forecasts made for coming operating period. It anticipates income for a given period and the costs to be incurred in order to get this income.

A budget which is prepared for the organization as a whole is known as master budget. Budget prepared for certain functional areas such as sales, distribution, production and finance is known as functional or operating budget. It is a system of controlling costs which includes the preparation of budgets, coordinating the departments and establishing the responsibilities, comparing actual performance with the budgeted and acting upon results to achieve maximum profitability. It is an intelligent consideration of future events. It clarifies objectives, helps in the best utilization of resources and is helpful in the control of performance and costs.

Types of Budget:

a) **Capital Expenditure Budgets**-Companies formulate capital that is required for establishing manufacturing facilities, marketing network, marketing the product/ service, employing and developing the people etc.

b) **Cash Budgets**-Cash budgets provide the estimates of cash receipts and disbursements.

c) **Time, Space and Materials Budget-** Time based budgets are direct labour hours and machine hours rate. Space Budgets include square-feet required and actually allocated for each machine or office.

d) **Production Budget-** They specify the amount of estimated sales.

e) **Sales Budget-**They specify the amount of estimated sales.

f) **Zero base budgeting-** In this rapidly changing environment goal continuously keep on changing. The goals need to be redefined in a logical manner. The past year financial allocations may not serve any purpose. It calls for a new allocation of resources. All the proposals are drawn from the scratch. Basic steps in ZBB:

- Identification of decision units:
- Analysis of decision units:
- Evaluation and ranking of all decision units
- Allocation of resources to each unit.

Non-Budgetary Control Techniques

- **Statistical Data-** It provides the basis for performing a number of activities for the present and the future.

- **Special Reports and Analyses-** Accounting Reports, financial reports, personnel reports etc provide information for reporting the control.

- **Operational Audit-** Also known as Internal Audit. It specifies the results of financial operations of the company including the company sales, profits, cost of salary etc

- **Personal Observations-** Managers observe various activities and operations and check them against the standards and take the controlling steps.

Operations Research Techniques

a) **Linear Programming-** It is a mathematical technique for directing the most efficient use of raw materials, manpower, tools of production or capital toward a goal.

b) **Inventory Theory-** It emphasizes on minimizing cost of holding inventories, procurement of inventories, shortage of inventories etc.

c) **Queuing Theory-** It attempts to minimize the costs of providing service and reduces customers waiting time.

d) **Simulation-** It sets a model which is similar to a real life situation.

e) **Decision Theory-** It is used in risky and uncertain situations in order to take decision which results in minimum loss and maximum benefit.

f) **Game Theory-** It is used to determined the optimum strategy in a competitive situations

g) **Network Analysis-** The important operations research techniques are network models which are mostly used in many scheduling situations as sequencing models.

NEW TECHNIQUES OF CONTROL

Yugo was the lowest priced car in the US market in 1985, but within 4 years the concern got bankrupt largely because of the quality problems both in products and service. In contrast, Toyota steadily gained the market share and is expected to soon overtake General Motors which is the world's top selling auto maker.

The total quality management became attractive to the US managers as it had been successfully implemented by the Japanese companies such as Toyota, Canon and Honda. The TQM philosophy focuses on teamwork, increasing customer satisfaction and lowering the costs. Major TQM techniques involve the use of techniques like quality circles, benchmarking, six sigma principles, reduced cycle time and continuous improvement.

Six sigma: these were first introduced by Motorola in 1980s. It is based on Greek letter sigma which means how far something deviates from perfection. It is a highly ambitious quality standard that specifies not more than 3.4 defects per million parts i.e. 99.9997 percent accuracy. Now it has become a generic term which indicates higher quality and lower costs. 100s of companies like General Electric, Allied Signal, Cox communications and DuPont and Co. have used six sigma programs in recent years.

Reduced cycle time: it refers to the steps taken to complete a company process. Even if an organization decides not to use quality circles or other techniques, substantial improvement is possible by focusing on improved responsiveness and acceleration of activities into a shorter time.

Continuous improvement: Japanese companies have realized extraordinary success from making a series of mostly small improvements. This approach is called continuous improvement or *Kaizen.* It is the continuous implementation of a large number of small incremental improvements in all areas of an organization on an ongoing basis. The innovations can start simple and the employees can build on their success in this unending process.

Kaizen means that everyone is involved in making improvements. **Kaizen** (pronounced *ky*-zen) is based on the Japanese management concept for incremental change and improvement.

The idea of continuous improvement suggests that managers, teams, and individuals learn from both their accomplishments and their mistakes. It is a long-term approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality.

While the majority of changes may be small, the greatest impact may be improvements or changes that are led by senior management as transformational projects, or by cross-functional teams as Kaizen events.

Coordination:

Coordinating is the function of establishing such relationships among various parts of the organization that they all together pull in the direction of organizational objectives. It is thus the process of tying together all the organizational decisions, operations, activities and efforts so as to achieve unity of action for the accomplishment of organizational objectives.

Definitions of Coordination:

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.”

According to **Henry Fayol,** “To coordinate means to unite and correlate all activities.”

According to **McFarland**,” Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purposes.”

Nature/Characteristics of Coordination:

1) It is an essential managerial activity. It is needed at all levels of management.
2) It involves an orderly arrangement of group efforts.
3) It is a continuous process carried on by the managers.
4) Its purpose is to secure unity of action towards common objectives.
5) It is the essence of managing. Each of the managerial function is an exercise in managing.

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.

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 nothing 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 n 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 organization, it is called “horizontal coordination**”.**

Principles of Coordination:

Mary parker Follet has laid down the following principles of coordination:-

A. **Principle of Direct Contact:** She believes that coordination can be easily obtained by direct interpersonal relationships and direct personal communications among the responsible persons concerned. It helps in exchanging the opinions and ideas in a better way and clarifying the misunderstandings more easily.

B. **Principle of Early Start:** 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.

C. **Reciprocal relationship:** As the third principle, Mary parker Follet states that all factors in a situation are reciprocally related. That means all the parts influences and are influenced by other part. 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.

D. **Principle of continuity:** Coordination is a continuous and never ending process. It is something must go on all the times in the organization.

E. **Principle of self coordination (intra coordination):** The principle of self-coordination says that when a particular department affects other function or department, it is turn, affected by the other department of function.

Organizational Change:

Meaning:

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.

Organizational change is a process in which a large company or an organization changes its working methods or aims, in order to develop and respond to new situations or markets. Changes simply mean the alteration of status quo. Changes are necessary in every organization to keep the level of given stability. Organizational changes include changes in attitudes, nature and interest of the employees, technological and environmental changes related to organization and changes in rules and regulation affecting the organization. The management of every organization should continuously monitor the outside environment and be innovative and creative to find new and better utilization of organizational resources so that customers' needs are competitively met and their problems can be properly solved. The environment includes the social environment, cultural and religious environment, biological and physical environment, natural calamities and opportunities, regional environment, educational and philosophical environment and other external as well as internal environments of the organization.

Change refers to something which occurs to an organization, a group or an individual. A managed change relates to the active involvement of the organization, group or individual in making things occur with a view to accomplish the best interests of both the individual and the organization. Change means managed change which can be used to solve problems more readily, learn from experiences, adapt to new conditions and become more competent. Organizational change refers to a relatively enduring alteration of the present state of an organization or its components or interrelationships amongst the components, and their differential and integrated functions, in totality or partially, in order to attain greater viability in the context of the present and anticipated future environment.

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.

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.

Planned change: a new and scientific way of viewing change is “ the planned alternation in planned alteration in the existing organizational system. planned organizational change, is the international attempt by an organisation to influence the status quo itself. Planned changes are made by the organisation with the purpose of achieving something that otherwise might be unattainable or accomplishable with great difficulty. Through planned changes organizations reach new frontiers and progress more rapidly toward a given set of goals and objective

Planned change has two important goals

1. **First, it seeks to improve the ability of the organisation to adapt to changes in its environment**
2. **Second it seeks to change employee behavior**

To survive in a competitive world, the organisation must respond to change in an intelligent way.

.proactive change Vs reactive change:

Proactive change takes place when some forces to change lead an organisation to conclude that a particular change s desirable.

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.

Types of 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

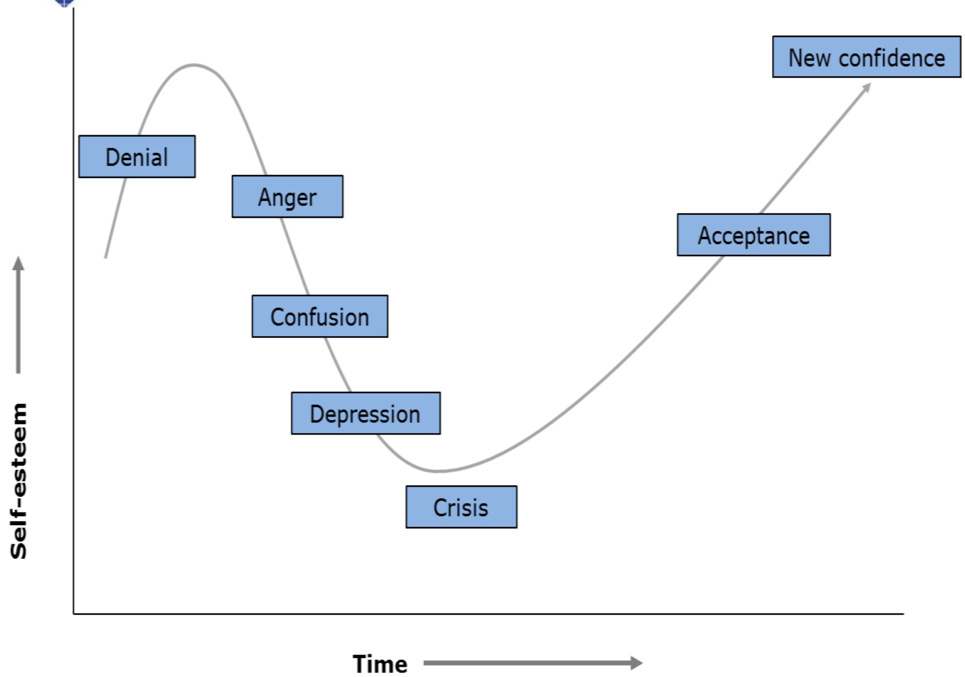
Incremental change: thy involves subsystem adjustments needed to keep the organisation on its chosen path.

Strategic change: they alter the overall shape or direction of the organisation. Ex- switching from begin a software trainer to being a software developer .

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.

Resistance to change-



[Resistance](#) to change is the action taken by individuals and groups when they perceive that a change that is occurring as a threat to them. Resistance may take many forms, including active or passive, overt or covert, aggressive or timid.

Cause: Resistance to change may be individuals or organsational. People resist changes for a variety of reasons: fear of losing job, obsolesnce of skills, disturbs the status quo and social relationships etc.

Economical Reasons:

Fear of economic loss: employee often insecure about loss of employment and economic benefits such as:

1. Fear of technological unemployment
2. Fear of reduced work hours and consequently less pay
3. Fear of demotion and thus reduced wages
4. Fear of speed up and reduced incentive wages.
5. and steps to overcome them

Obsolesnce of skills: change may render existing employee skills and knowledge obsolete. What they have been doing for ages together might be under threat. If employees felt that they do not possess requisite skills that are currently in demand, they resist changes quite seriously.

Personal reasons:

Fear of unknown: change is resisted often because of its unknown consequences. Whenever people do not know exactly what will be a change, happen they are likely to resists it with all their might. Ex- a bank employee may resist posting to a rural branch because of the anxiety of unknown area.

Status Quo: people like status quo because they have adjusted to the demands of a job over a period of time. Change would render all such experience, knowledge and learning somewhat useless.

Self-interest and ego defensiveness: employees typically resist a change as they believe it will take away something of value. A proposes change in job design; structure or technology may lead to a perceived loss of power, prestige or company benefits.

Social reasons:

Social displacement: change often causes social displacement of people by breaking informal groups and friendly relationship. Employees get emotionally upset when friendships breakdown. They dislike new adjustments, new groupings and new relationships brought forward b change efforts thus resist is vehemently.

Peer pressure: people may resist change because of peer pressure. As individuals, they may like computerization, but refuse to accept it for the sake of the group. Any change that upsets group norms is likely to be opposed, even if it is known to have a positive impact.

Organizational Issues:

Threat to power and influence: some people consider change as potential threat to their position and influence in the organisation. Novel ideas and the new use of resources can disrupt the power relationships and therefore, are often resisted at organizational level. Especially people who are occupying the top place in the organisation resist some changes because any change might threaten their existing power.

Organisation structure: some organizational structure has inherent forces acting against change. In a bureaucratic structure, for example, jobs are narrowly defined, lines of authority are clearly spelt out, and the information flows from top to the bottom. In such an organisation, novel, innovative ideas do not find favor and are screened out. The structural inertia favors stability and status quo rather than change and innovation.

Resource constraints: organisation many a time, operate under some resource constraints. If the resource with which to operate are available in abundance there will be no problem of introducing change. But the necessary finical, material and human resources may not be available to the organisation to make the needed changes.

People resist change:

- When the reason for the change is unclear.
- Ambiguity--whether it is about costs, equipment, jobs--can trigger negative reactions among users.
- When the proposed users have not been consulted about the change, and it is offered to them as an accomplished fact.
- People like to know what's going on, especially if their jobs may be affected.
- Informed workers tend to have higher levels of job satisfaction than uninformed workers.

Common sense insight on why managers resist change:

1. Loss of power and control
2. Overloaded with current responsibilities

3. Lacked awareness of the need for change
4. Lacked the required skills
5. Fear, uncertainty and doubt

Why front line employees resist change:

1. Not aware of the business need for change
2. Layoffs were announced or feared
3. Unsure if they had necessary skills for success
4. Comfort with the current state
5. Believed they were being asked to do more with less, or more for the same pay

CHANGE MODEL GIVEN BY KURT LEWIN:

Lewin in his three steps model introduced "force-field analysis" to induce, implement and manage change. This analysis is based upon the assumption that we are in state of equilibrium when there is balance between forces that induce change and forces that resist change. Kurt Lewin argued that successful change should follow following steps:

(i) ***Unfreezing:*** Lewin believes that the change should not come as a surprise to members of the organization. Sudden, unannounced change would be socially destructive. The management must pave the way by "unfreezing the situation", so that members would be willingly and ready to accept the change. Unfreezing means the status quo and this is considered to be an equilibrium state. It makes the individuals or organizations aware and prepare for the change.

Unfreezing can be possible in one of the three ways

These are:- Driving Forces, which direct behaviour away from the status quo, can be increased.

- Restraining Forces, which hinder movement from the existing equilibrium or it forces hinder movement away from the state quo, can be decreased. - The third alternative is to combine the first two approaches.

(ii) ***Movement or Changing:*** This a stage at which the individual being changed learn new behaviour, methods of working, new thinking, perception of new roles etc.

(iii) ***Refreezing:*** It is stabilization of change intervention by balancing driving and restraining forces. It means that what has been learned is integrated into actual practice. At this stage, the individuals learned new beliefs, feelings and behaviour. The new behaviour must replace the former behaviour completely for successful change to take place.

The change process is not a one time application but a continuous process due to dynamism and ever changing environment. Lewin concluded that to achieve change we must overcome the status quo. The change forces are known as driving forces and the forces that resist change are known as restraining forces. Managers who are trying to implement change must analyze this balance of driving and restraining forces. For effective change the driving forces should be strengthen and the restraining forces should be weaken successfully.

Managing resistance to change:

This proposes six methods for managing resistance that should be chosen based on contextual factors.

Method	Context
Education & Communication	resistance is due to lack of information
Participation & Involvement	Resistance is a reaction to a sense of exclusion from the process
Facilitation & Support	Resistance is due to anxiety and uncertainty
Negotiation & Agreement	Resistors in a strong position to undermine the change process
Manipulation & Cooperation	Other methods are too time consuming or resource demanding
Explicit & Implicit Coercion	Change recipients have little capacity to resist; survival of the org. is at risk without the change

Education and communication: one of easy ways to overcome resistance to change is to help employees understand the true need for a change as well as the logic behind. Tell tem clearly as to what is going to occur and why to dispel their fears.to this end, a manager should specifically explain:

- What is the change is about
- When it is to be introduced
- How it will be implemented
- Why the change is required
- What is the basic purpose of change
- How the change is going to help them

When employees realize the need for change and understand the logic behind it, they tend to accept it easily.

Participation and involvement: participation is another key concept in gaining acceptance. If people participate in what is happening, they will be more likely to go along. They get a chance to express their opinions freely, get their doubts clarified and understand the perspective of others. As a result, uncertainty is reduced; self interested and social relationships are less threatened. Involving users and potential resisters in the change process has other benefits also.it helps managers identify potential problems and understand the difference in perceptions of change among employee.

Facilitation and support: change agents can offer a range of supportive efforts to reduce resistance. Compassionate and sympathetic listening may be used to reduce employee's fears and anxieties. Managerial support can also come in the form of special, new skill training; job stress counseling and compensating time-off.

Negotiation and agreement: sometimes management can neutralism potential or actual resistance by exchanging something of value for cooperation. It can offer rewards to those who go along with the change. It can also agree to protect those who will potentially be damaged by the change. Unions are and their resprentatives who bargain for their members should be allowed to air their opinion freely so as to have a clear picture of what they stand for.

Manipulation and cooperation : manipulation occurs when managers selectively withhold undesirable information, create false rumors, distort facts to get potential resisters accept the change. In cooperation, the change agent seeks to buy off the leaders of a resistance group by giving them a key role in the change process. This method, however, is not a form of participation because the change agent does not really want advice from those coopted. In this sense, cooptation would prove to be a non- productive, self-defeating exercise.

Coercion: in coercion, managers use formal power to force employees to change. Resisters are told to accept the change or lose rewards or event their jobs. This approach may not pay in the long-run because employees feel like victims, are angry at change agents.

Ways to reduce resistance to change:

- Involve interested parties in the planning of change by asking them for suggestions and incorporating their ideas.
- Clearly define the need for the change by communicating the strategic decision personally and in written form.
- Design flexibility into change by phasing it in wherever possible.
- Be open and honest.
- Focus continually on the positive aspects of the change. Be specific where you can.
- Deliver training programs that develop basic skills as opposed to processes such as: **conducting meetings, communication, teambuilding, self-esteem, and coaching.**

Managing in a Unionized Workplace

Imagine that you've just walked into the office and you see that one of your people, Mike, is sitting at his desk without any work to do. So, you ask him to help another team member finish an urgent job. Mike refuses, saying that taking on a different role, even for a day, is not allowed under the union contract. He tells you that, if you want him to do another team member's work, then you must talk to the union, as it's not part of his job description. You've only been in this role for a week, and now you're stressed and confused about what you can and can't ask your people to do!

Problems are

- One of the biggest problem, is flexibility
- Communication can be a challenge with union workers
- Union contracts can also inhibit the effectiveness of a team or department, especially when people take advantage of the system.
- fairness,"

Tasks of managers to deal with challenges in changing environment:

1. Despite the challenges, it is possible to develop and maintain a good working relationship with union officials.
2. Know the Law, Know Your Contracts, and Know Your History
3. Become "Partners“
4. Focus on the Positive
5. Show Respect

Organizational Development:

Managing resistance to change:

This proposes six methods for managing resistance that should be chosen based on contextual factors.

Method	Context
Education & Communication	resistance is due to lack of information
Participation & Involvement	Resistance is a reaction to a sense of exclusion from the process
Facilitation & Support	Resistance is due to anxiety and uncertainty
Negotiation & Agreement	Resistors in a strong position to undermine the change process
Manipulation & Cooperation	Other methods are too time consuming or resource demanding
Explicit & Implicit Coercion	Change recipients have little capacity to resist; survival of the org. is at risk without the change

Education and communication: one of easy ways to overcome resistance to change is to help employees understand the true need for a change as well as the logic behind. Tell tem clearly as to what is going to occur and why to dispel their fears.to this end, a manager should specifically explain:

- What is the change is about
- When it is to be introduced
- How it will be implemented
- Why the change is required
- What is the basic purpose of change
- How the change is going to help them

When employees realize the need for change and understand the logic behind it, they tend to accept it easily.

Participation and involvement: participation is another key concept in gaining acceptance. If people participate in what is happening, they will be more likely to go along. They get a chance to express their opinions freely, get their doubts clarified and understand the perspective of others. As a result, uncertainty is reduced; self interested and social relationships are less threatened. Involving users and potential resisters in the change process has other benefits also.it helps managers identify potential problems and understand the difference in perceptions of change among employee.

Facilitation and support: change agents can offer a range of supportive efforts to reduce resistance. Compassionate and sympathetic listening may be used to reduce employee's fears and anxieties. Managerial support can also come in the form of special, new skill training; job stress counseling and compensating time-off.

Negotiation and agreement: sometimes management can neutralism potential or actual resistance by exchanging something of value for cooperation. It can offer rewards to those who go along with the change. It can also agree to protect those who will potentially be damaged by the change. Unions are and their resprentatives who bargain for their members should be allowed to air their opinion freely so as to have a clear picture of what they stand for.

Manipulation and cooperation: manipulation occurs when managers selectively withhold undesirable information, create false rumors, distort facts to get potential resisters accept the change. In cooperation, the change agent seeks to buy off the leaders of a resistance group by giving them a key role in the change process. This method, however, is not a form of participation because the change agent does not really want advice from those coopted. In this sense, cooptation would prove to be a non- productive, self-defeating exercise.

Coercion: in coercion, managers use formal power to force employees to change. Resisters are told to accept the change or lose rewards or event their jobs. This approach may not pay in the long-run because employees feel like victims, are angry at change agents.

Ways to reduce resistance to change:

- Involve interested parties in the planning of change by asking them for suggestions and incorporating their ideas.
- Clearly define the need for the change by communicating the strategic decision personally and in written form.
- Design flexibility into change by phasing it in wherever possible.
- Be open and honest.
- Focus continually on the positive aspects of the change. Be specific where you can.
- Deliver training programs that develop basic skills as opposed to processes such as: conducting meetings, communication, teambuilding, self-esteem, and coaching.

Managing in a Unionized Workplace

Imagine that you've just walked into the office and you see that one of your people, Mike, is sitting at his desk without any work to do. So, you ask him to help another team member finish an urgent job. Mike refuses, saying that taking on a different role, even for a day, is not allowed under the union contract. He tells you that, if you want him to do another team member's work, then you must talk to the union, as it's not part of his job description. You've only been in this role for a week, and now you're stressed and confused about what you can and can't ask your people to do!

Problems are

- One of the biggest problem, is flexibility
- Communication can be a challenge with union workers
- Union contracts can also inhibit the effectiveness of a team or department, especially when people take advantage of the system.
- fairness,"

Tasks of managers to deal with challenges in changing environment:

6. Despite the challenges, it is possible to develop and maintain a good working relationship with union officials.
7. Know the Law, Know Your Contracts, and Know Your History
8. Become "Partners“
9. Focus on the Positive
10. Show Respect

Organizational Development:

Organization Development is a set of concepts and techniques for improving organizational effectiveness, and also individual well being. OD focuses on “human side” of an organization. OD is a method for facilitating change and development in people, in technology, in organizational process and structure. OD involves integrating desires o f individuals for growth & development along with organizational goals and between organization, structure, processes, strategy, people and culture. It develops new & creative problem solving technique. OD builds continuous improvement mechanism with emphasis on high collaboration of employees & systems o f an organization. OD programs begin when top management identifies an undesirable situation and seeks to change it. Thus OD is oriented towards improving total system- i.e. the organization & its parts in the context of the larger environment that affects them.

OD is a process of planned change organization-wide to increase organization effectiveness through changing the methods or process by which work is done. Planned changes are instrumental for development. Many changes with traditional and modern techniques are taken place for organization development. Organization development is an intervention strategy to bring out changes in beliefs, attitudes, structures, processes and interaction. It requires proper environment study, support, training and reward system. OD takes organization to higher levels of performance by excelling. It aims at building internal competencies and teams in the organization. It focuses on behaviour and uses various behavioural tools.

According to Harold Rush, "Organization Development is a planned, managed and systematic process to change the culture, systems and behaviour of an organization in order to improve the organization's effectiveness in solving its problems and achieving its objective".

According to French and Bell, 1990 and Backhard, 1969, OD has following characteristics:

· Systematic, long-range, planned, change effort,

· Organization-wide,

· managed from the top,

· To increase organization effectiveness and health,

· Through planned interventions,

· using behaviour science knowledge and action research, and

· With the use of external consultants.

OD interventions:

OD strategy, on the other hand, can be defined as an overall plan for relating and integrating different organizational improvement activities over a period of time to accomplish objectives.

Characteristics of OD interventions:

· An OD intervention focuses on organizational process apart from substantive content of an activity.

· An OD intervention focuses on work team as the unit of analysis and change towards effective behaviour.

· OD would view change as an ongoing process and would rely on a collaborative management of work culture.

ALL THE BEST