



BUSINESS MANAGEMENT

BY

VINCE SEBASTIAN

DEPARTMENT OF COMMERCE (SF)

DEVAMATHA COLLEGE

KURAVILANGAD

MODULE-II



A hand is shown from the top, holding a light-colored wooden block with the letter 'P' on its top face. Below this block, three more wooden blocks are stacked vertically, with the letters 'L', 'A', and 'N' on their top faces from top to bottom. The background is a soft, out-of-focus blue gradient, and the surface the blocks are on is a light, neutral color.

P

L

A

N



PLANNING

The word "PLANNING" is rendered in large, 3D block letters. Each letter is held by a small, white, 3D character. The letters are colored as follows: P (red), L (orange), A (yellow), N (light green), N (medium green), N (dark green), I (green), N (green), and G (green). The characters are standing on a white surface with a reflection below them.

Meaning

Definition

Nature

Scope

Importance

Process

WHAT IS PLANNING?



Key Differences

MODULE 2-

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PLANNING

- Planning is a primary function of management
- Planning means decide in advance what to do, When to do it and who is to do it.
- Planning is a process which involves thinking before doing
- Planning is a mental work and not a manual work.
- Without planning no other functions can be performed.



PLANNING IS A
CONSCIOUS
ACTIVITY :-

PLANNING IS
CONSCIOUS
LOOKING :-

**PLANNING INVOLVES
SELECTION :-**
*Planning involves selection. It involves looking for various
ways of achieving a given purpose. It involves selection
of many alternatives. It has to pick up the best one.*

**PLANNING IS AN
INTELLECTUAL
ACTIVITY :-**
*Planning bridges the gap between where we are and
where we want to go. It involves use of mental skills for
the achievement of group objectives.*



NATURE OF PLANNING


The nature of planning can be highlighted by the following characteristics :-

Nature of Planning

- Planning is an intellectual process
- Planning is goal-oriented.
- Planning is a primary function
- Planning is a continuous process
- Planning is forward-looking
- Planning is all-pervasive

Importance of Planning

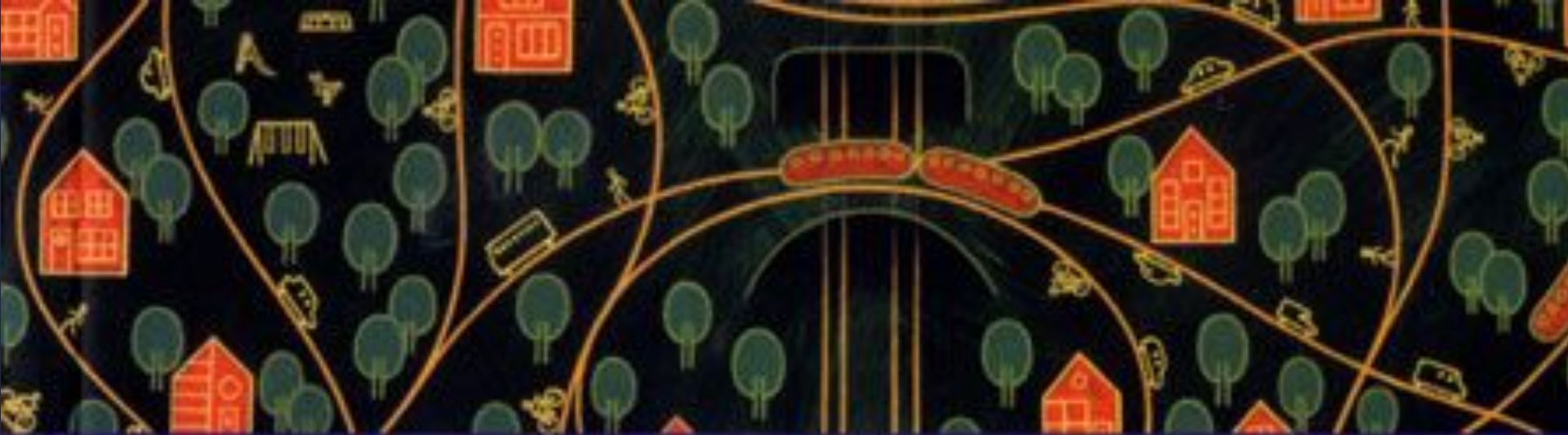


A top-down view of a desk with an orange background. In the center is a stack of white papers. On top of the papers is a silver pencil sharpener. To the left of the papers is a black pencil with a blue band. Above the papers is a white eraser. To the right of the papers is another black pencil. In the top right corner is a white cup with a brown pattern, filled with black coffee.

Careful planning
leads to success!

Importance of Planning

- Focuses attention on objectives
- Reduces uncertainty
- Provides sense of direction
- Facilitates control
- Encourage innovation and creativity
- Improves motivation
- Improves competitive strength
- Helps in co-ordination
- Guides decision-making
- Provides a basis for decentralization
- Provides efficiency and economy in operations



the **PURPOSE** of

PLANNING

Purpose of Planning

- To set up the business objectives
- To ensure proper allocation of resources to achieve them
- To secure economy in operation
- To make co-ordination easy
- To avoid repetition of certain business operations
- To avoid wastage of efforts and resources
- To ensure proper use of human and material resources
- To bring about uniformity in the methods and procedures
- To help in decision-making

planning
process





Planning Process



1 Being Aware of Opportunity

2 Establishing Objectives or Goals

3 Developing Planning Premises

4 Determining Alternatives

5 Evaluating Alternatives

6 Selecting the Best Alternative

7 Formulation of Supporting Plan

8 Establishing Sequence of Activities



Steps in Planning Process

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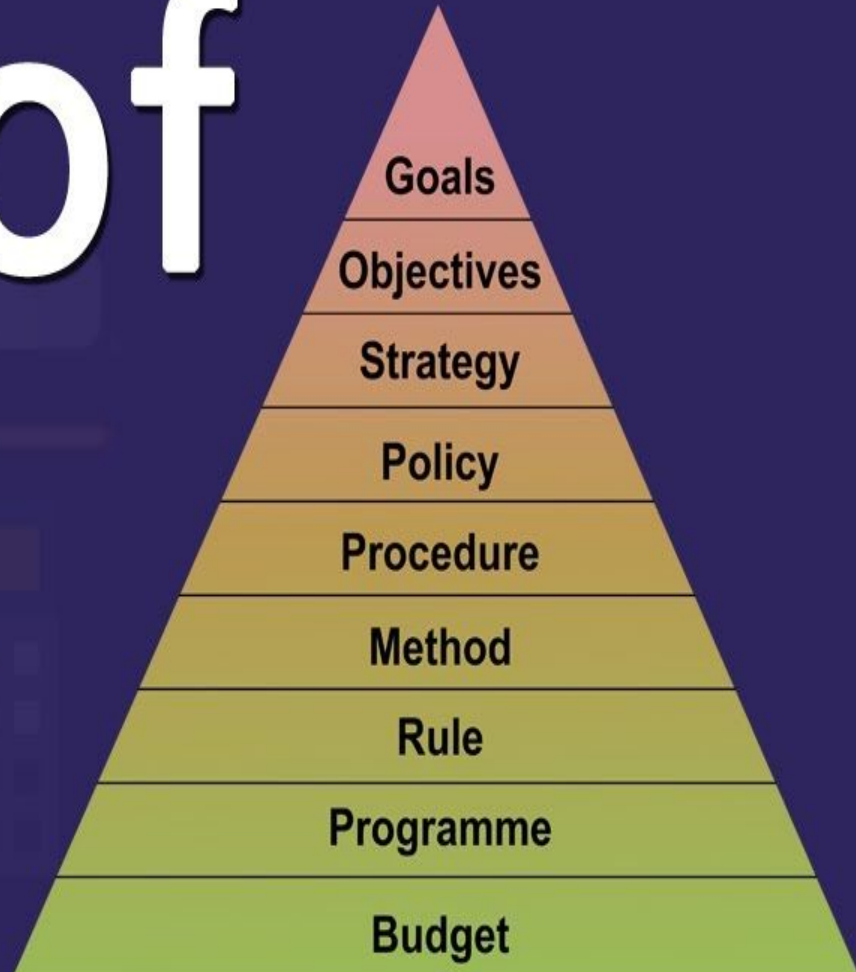
Barriers to effective Planning



Barriers to effective Planning

- Difficult to select the best alternative
- Planning cannot ensure the accuracy of forecasts and predictions
- The process of planning is very Expensive.
- It is a time consuming activity.
- Reduce Creativity
- Restricts quick decision-making

Types of Plans



Types of Plans

Multi- Use Plans

- Objectives
- Strategies
- Policies
- Procedures
- Rules

Single-Use Plans

- Programmes
- Budgets
- Schedules
- Projects
- Methods

a. Multi-use or Standing Plan

- Plans used repeatedly in similar situations are called multi use plans
- They are long term in nature
- They are used more than once.
- These plans provide ready guidelines for tackling situations of recurring nature.
- Objectives, strategies, policies, procedures, rules etc..are the different types of multi-use plans.

Distinction between Multi use plans and Single use plans

Multi use plans

- These plans are repetitive in nature
- Multi use Plans are: policies, procedures, rules, methods
- These plans are meant to meet a recurring situation

Single use plans

- These are specific in nature.
- Single use plans are: Programmes, Projects, budgets
- These are meant to tackle a particular situation.

Types of Multi use plans

▪ 1. objectives

- Objectives are a prerequisite for planning.
- No planning is possible without setting up of objectives
- Objectives are the aim or purposes for which an organization is set up and operated
- For example, the objective of the enterprise may be to earn a certain amount of profit while selling its products

Objectives-definition

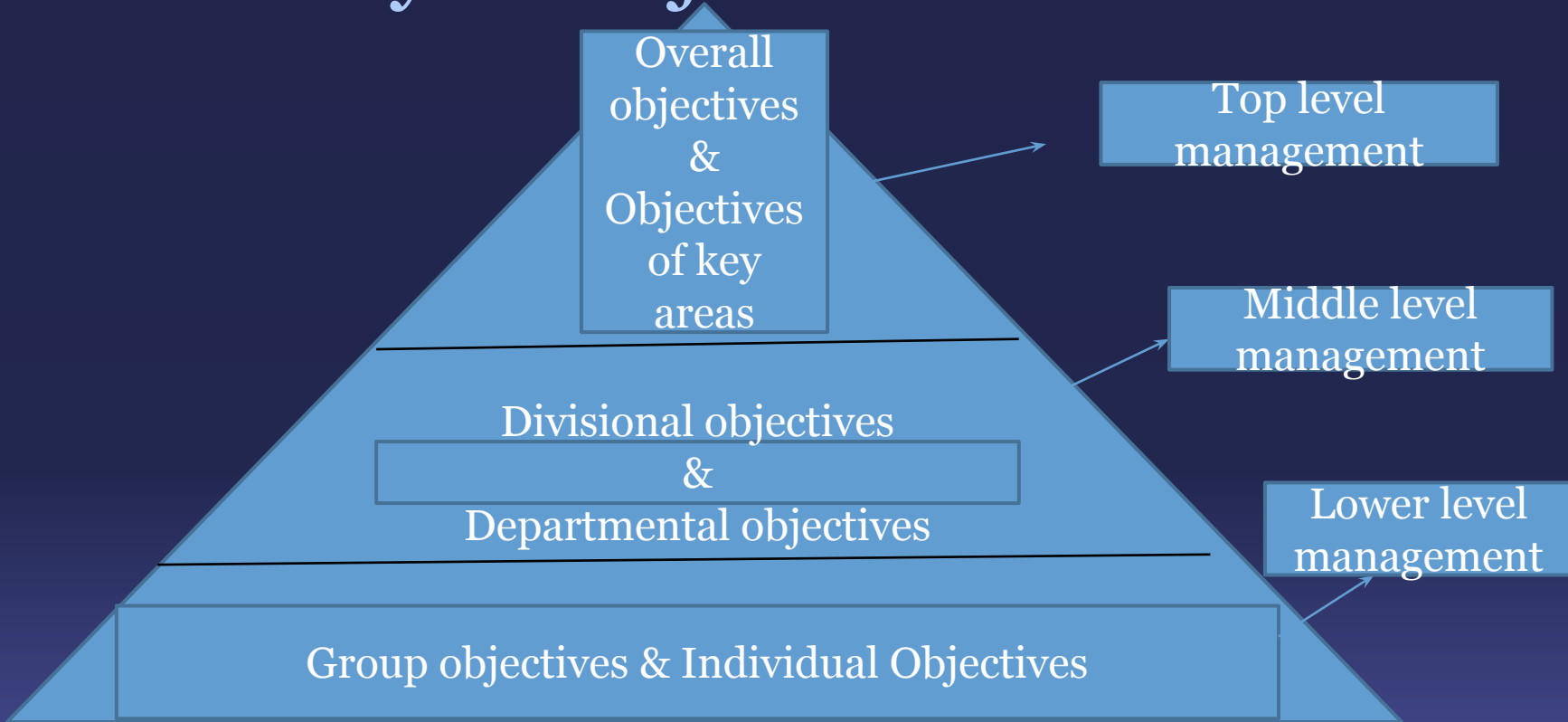
In the words of Mc Farland “ **Objectives are the goals, aims or purposes that organizations wish to achieve over varying periods of time**”

Characteristics of objectives

- An organization has **Multiple or several** objectives
- Objectives have a **Time span**
- Objectives may be **changed in due course**
- Objectives may be **Broad or specific**
- Objectives have **hierarchy**

Hierarchy of objectives

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Importance of Objectives

- Legitimacy
- Delegation and decentralization of authority
- Basis for the formulation of policies, strategies, procedures etc
- stimulates motivation
- Promote Co-ordination
- Performance control

2.strategies

- A strategy is a plan prepared for meeting the challenge of competitors and other environmental forces.
- It is formulated by the top management

Example-1

If the management expects a price cut by competitors, it may start an advertising campaign to convince the customers of the superior quality of its products.

Example-2

If the management expects an economic recession, it may decide up on a strategy of reduced stock, fewer staff and reduced expenses.

Importance of strategy

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- It serves as a long term guide
- Effective utilization of resources
- It helps to face all environmental changes
- Helps to face competition
- It promotes co-ordination

Steps in strategy formulation

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- Determination of objectives
- Environmental analysis
- Self appraisal
- Strategic decision making
- Strategy implementation and control

3. Policies

- Policies are guides to action
- It provides the answer to problems of a certain type.
- Policies are made according to assumption, objectives and forecasting
- These are standing plans, providing guidance to management in the conduct of managerial operations.
- Examples- Recruitment policy, Promotion policy , transfer policy etc...

Features of a policy

- Guiding future action
- Guides decision
- Limit the area of decision making

Need and Importance of Policies

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- Policies give practical shape to objectives
- Providing a uniform pattern of action at various organizational areas
- Speed up decision making
- Helps both superiors and subordinates to work for a better performance
- Policies provides guidelines for thinking and action
- Policies ensure effective co-ordination of activities of the organization.

Types of policies

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- Originated policies
- Appealed policies
- Imposed policies
- Implied policies
- Written and unwritten policies

Steps in policy formulation

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- Definition of policy area
- Generation of policy alternatives
- Evaluation of alternatives
- Choice of policy
- Communication of policy
- Application of policy
- Policy review and appraisal

Management By Objectives (MBO)

- A systematic approach to management in which superiors and subordinates jointly determine the common objectives of the organization and judge the contribution of each manager in terms of goal achieved is known as management by objective.
- It is both a philosophy and a technique of management
- Management by objectives is also known as management by results
- The goals are determined by managers in consultation with their subordinates
- It involves participation of subordinates in the goal setting process.

- It is an approach to management planning and evaluation in which specific targets are fixed for each manager for a year.
- At the end of the year , the actual results achieved are measured against the original target.

Objectives of MBO

- To measure and judge performance
- To relate individual performance to organizational goals
- To enhance communication between superiors and subordinates
- To stimulate the motivation of the subordinates
- To serve as the device for organizational control and integration
- To foster the competence and growth of the subordinates

Features of MBO

- **Goal oriented**- It is goal oriented rather than work oriented approach
- **Participative management**- It involves participation of subordinates in the goal setting process.
- **Operational technique**- MBO is a practical technique. It sets measurable and verifiable goals.
- **Philosophy of management**- Maximum results from available resources
- **Continuous process**- It is a continuous process of goal setting, periodic appraisal and modification of goals and performance

Benefits of MBO

- Improved planning
- Better management
- Team work
- Better personnel commitment
- Effective controls
- Objective appraisal
- Motivation and morale

Limitations of MBO

- Difficulty in setting goals
- Emphasis on short-term goals
- Time consuming and costly
- Increased paper work
- Pressure-oriented
- Rigidity
- Participation problem

Steps in MBO

- 1. Setting objectives of the organization
- 2. Clarifying organizational role
- 3. Setting subordinate's' objectives
- 4. Recycling objectives
- 5. Action planning
- 6. Periodic performance reviews
- 7. Final appraisal

Process of MBO



- **1.Setting of organizational objectives-** The overall objectives of the organization are laid down.
- **2.formulation of departmental objectives-** objectives of various departments are established by the departmental managers.
- **3.setting of subordinate's objectives-** The objectives for subordinates are set after considering the ability of the subordinates.
- **4.recycling of objectives-** there should be proper consultation and interactions at various levels before deciding about the objectives.
- **5.Key results areas-**Once goals are established, action programs are developed for their accomplishment

- **6.Periodic review of performance**-At periodic intervals, progress towards the achievement of goals is reviewed.
- **7.Performance appraisal**- At the end of the year, a thorough evaluation of performance of each subordinate is made.

Measures for making MBO effective

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- The **purpose** of MBO should be clearly defined before installing an MBO programme.
- For the success of MBO, **support of top management** is required
- Proper **training** must be provided to people at all levels.
- Managers must be provided **adequate time and resources** for its installation and operation
- The subordinates should be given adequate authority to accomplish their goals. (**decentralisation**)
- **Feedback** on performance should be provided to every individuals to enable him to learn and improve himself.
- Managers must be sensitive and careful in **handling problems**. MBO may redistribute power and alter the status of employees. This may generate hostile reactions among employees.

Co-ordination

- Co-ordination is the essence of management
- Co-ordination is the process of synchronizing activities of various persons in the organization to achieve goals.
- At the top level, the chief executive will co ordinate the activities of departmental managers.
- At the middle and lower levels of management ,the departmental managers,foremen,and supervisor will coordinate the work of persons working under them.

Definition-Co-ordination

- George R. Terry-: Co-ordination deals with the task of blending efforts in order to ensure successful attainment of an objective. This accomplished by means of planning,organising, actuating and controlling.

Objectives of Co-ordination

- Reconciliation of goals
- Economy and efficiency
- Good personnel relations
- Retention of managerial and other personnel

Features of co-ordination

- **Not a separate function of management**- Co-ordination is necessary in all functions of management
- **Managerial responsibility**- Every manager is responsible to co-ordinate the efforts of his subordinates. No manager can avoid this responsibility
- **Unity of action**- Unity of action is the heart of co-ordination. It involves fixing the time and manner of performing various activities.
- **Group Efforts**- Co-ordination is required in group efforts and not in individual efforts. It is the orderly arrangement of group efforts.
- **Continuous process**- Co-ordination is a continuous or on going process. It starts with planning and end with controlling

Importance of Co-ordination

- Unity in diversity
- Unity of direction
- Specialization
- Reconciliation of goals
- Large number of employees
- Smooth flow of information
- Avoid conflicts

Types of Co-ordination

- Internal Co-ordination
- External Co-ordination

1. Internal co-ordination

- Internal co-ordination means co-ordination between various departments or divisions of an organization.
- The following are the different types of internal co-ordination-:
 - Vertical co-ordination
 - Horizontal co-ordination
 - Procedural co-ordination
 - Substantive co-ordination

Vertical co-ordination

- Co-ordination between different levels of management hierarchy is called vertical co-ordination.

- Co-ordination between a branch and head office is vertical co-ordination.

Horizontal co-ordination

- Co-ordination between the activities at the same level of authority is referred to as horizontal co-ordination.
- Co-ordination between two branches is horizontal co-ordination.

Procedural co-ordination

- Procedural co-ordination refers to the description of the behaviour and relationship of the organization.
- For example-:
- In an automobile plant, organizational chart is procedural co-ordination

Substantive co-ordination

- Substantive co-ordination is concerned with the content of activities in an organization.
- For example-:
- Blue print for the engine block of the car manufactured is substantive co-ordination.

2. External Co-ordination

- Co-ordination between an organization and external groups (eg-customers,suppliers,dealers,government and trade unions) is called external Co-ordination.

Techniques for effective Co-ordination

- **Well defined goals**-The goals of the organisation should be laid down clearly
- **Clearly defined authority and responsibility**-The line of authority and responsibility should be clearly defined
- **Simplified organisation**-Co-ordination becomes easier when the organisation is made simple.
- **Co-operation**- Co-ordination becomes easy when individuals in the organisation are willing to help each other voluntarily.
- **Effective leadership and supervision**- Co-ordination can be achieved through effective leadership and supervision.
- **Proper Communication**- A good communication system helps effective co-ordination.

Co-operation and Co-ordination

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Co-operation

- Co-operation is the willingness of individuals to help each other.
- Co-operation can be achieved through concerted efforts of management.
- Co-operation is voluntary
- Co-operation is a narrow term
- Co-operation does not enjoy the status of the essence of management

Co-ordination

- Co-ordination is the synchronization of group efforts for achieving enterprise goals.
- Co-ordination cannot be achieved without co-operation.
- Co-ordination requires deliberate efforts of a manager.
- Co-ordination is a wider term
- Co-ordination is the essence of management

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ORGANISING

MODULE-3

ORGANISING

- Organizing is the process of determining and grouping of activities, allocation of work and assignment of duties and responsibilities among various individuals in the firm.
- Organising is bringing together men, machines, materials and money for the achievement of common objectives of an enterprise.
- Organisation is the process of establishing relationships among the members of an enterprise. The relationships are created in terms of authority and responsibility.
- There are two concepts of organization:-
 - 1) Static concept
 - 2) Dynamic concept

Static concept

It is a system of co-operative activities of two or more persons for the attainment of common purpose.

Dynamic concept

Organization is a process of determining activities, arranging them in to groups, and assigning duties to individuals for the achievement of common objectives of the organization.

Definition-Organising

- Theo Haimann- “Organising is the process of defining and grouping the activities of the enterprise and establishing the authority relationships among them.”

Figure 1: A Company Organised by Functions



Figure 2: A Company Organised by Geography



Figure 3: A Company Organised by Products



Example Organisational Structure

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Nature of organization

- Division of work
- Co-ordination
- Accomplishment of objectives
- Authority and responsibility
- Communication
- Continuous process
- Structure of relationship

Purposes of organization

- To focus attention on the objectives
- To define clearly the responsibilities of each positions
- To ensure co-operation and team spirit among the employees
- To help management to have a control over various business function.
- To co-ordinate individual and group activities.

Importance of organization

- It facilitates the growth of the enterprise by increasing efficiency
- It encourage specialization
- It helps innovation
- It encourages the optimum use of resources.
- It creates team spirit among the workers
- It develops healthy human relations in the enterprise.
- It motivates the workers through decentralization.

Principles of Organization

- Unity of Objectives
- Specialization
- Definiteness
- Efficiency
- Span of control
- Functional definition
- Scalar principle
- Balance
- Unity of command

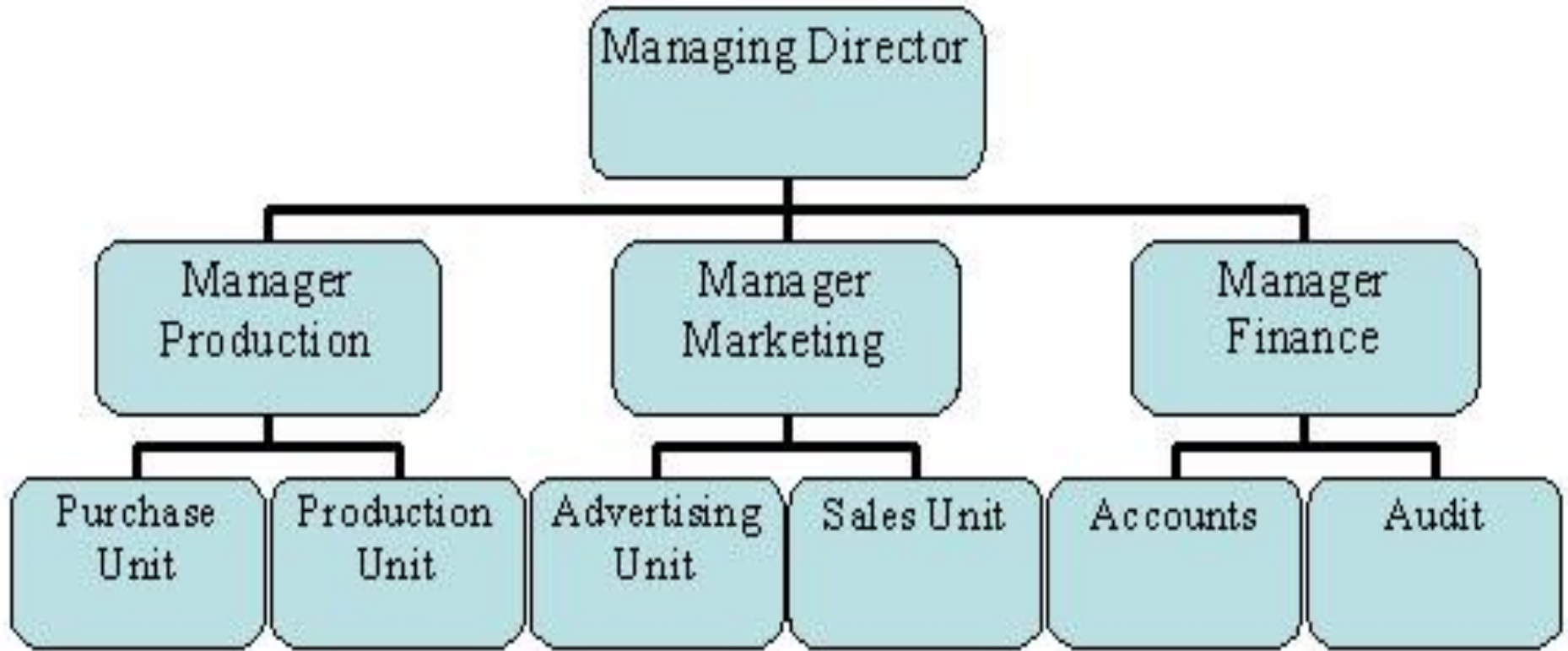
- Authority and responsibility
- Flexibility
- Exception principle
- Departmentation
- Delegation of authority
- Co-ordination
- Decentralization

Formal and informal Organisation

- Based on the relationship between superior and subordinates, there are two forms of organizations
- 1) Formal Organisation
- 2) Informal Organisation

Formal organization

- The organization structure created by the management for achieving the objectives of the enterprise is referred to as formal organization
- It is a network of authority and responsibility relationships and communication flows.
- It is bounded by rules, procedures and systems.
- Each and every person is given authority and responsibility for the performance of the work.
- Formal organization is the planned structure of jobs and positions with clearly defined objectives and functions
- It is made up of official relationships and channels of communication.



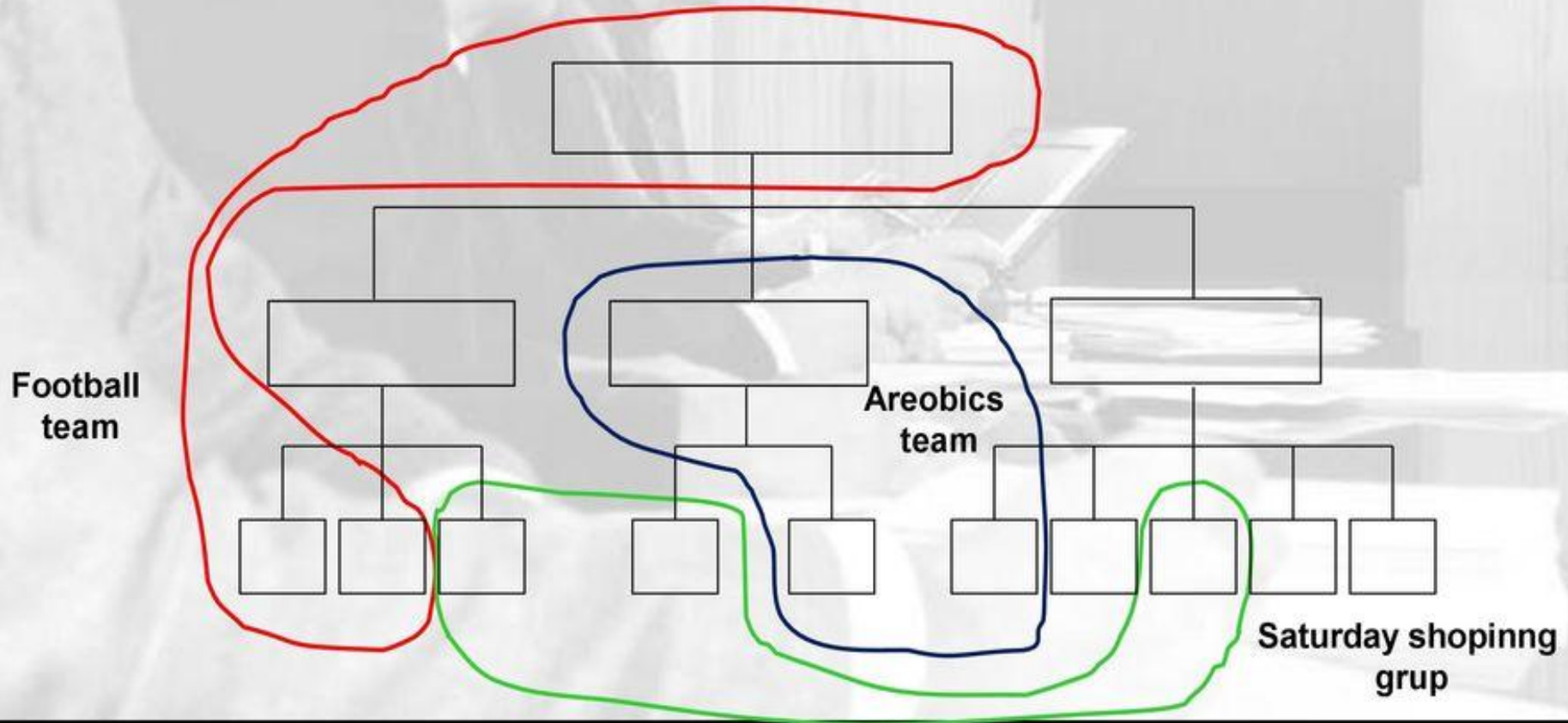
FORMAL ORGANIZATIONAL STRUCTURE

Informal organization

- Informal organization arises from the personal and social relations of people in an enterprise.
- It is influenced by personal attitudes, likes and dislikes
- It is an unofficial and social pattern of human interactions
- It is the pattern of interpersonal and inter-group relations that develop within the formal organization.
- Formation of informal organization is a natural process
- Membership of informal organization is voluntary
- Informal organization has no structure.

❖ **Informal organization structure can not be shown:**

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Distinction between **Formal organisation** and **Informal organization**

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Formal organization

- Formal organization is created for achieving the objectives of the organization.
- Formal organisation is large in size.
- Formal organization is stable and continues for a long period of time.
- In formal organisation, leadership is vested in managers.
- Management can abolish formal groups at any time.

Informal Organization

- Informal organization is created by the members of the organization for their social and psychological satisfaction
- Informal organization is small
- Informal organization is unstable.
- Leadership is not associated with managership
- Management has no control over informal groups.

Types or Forms of Organization

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- Line organization
- Functional organization
- Line and staff organization
- Project Organization
- Matrix organization
- Committee organization

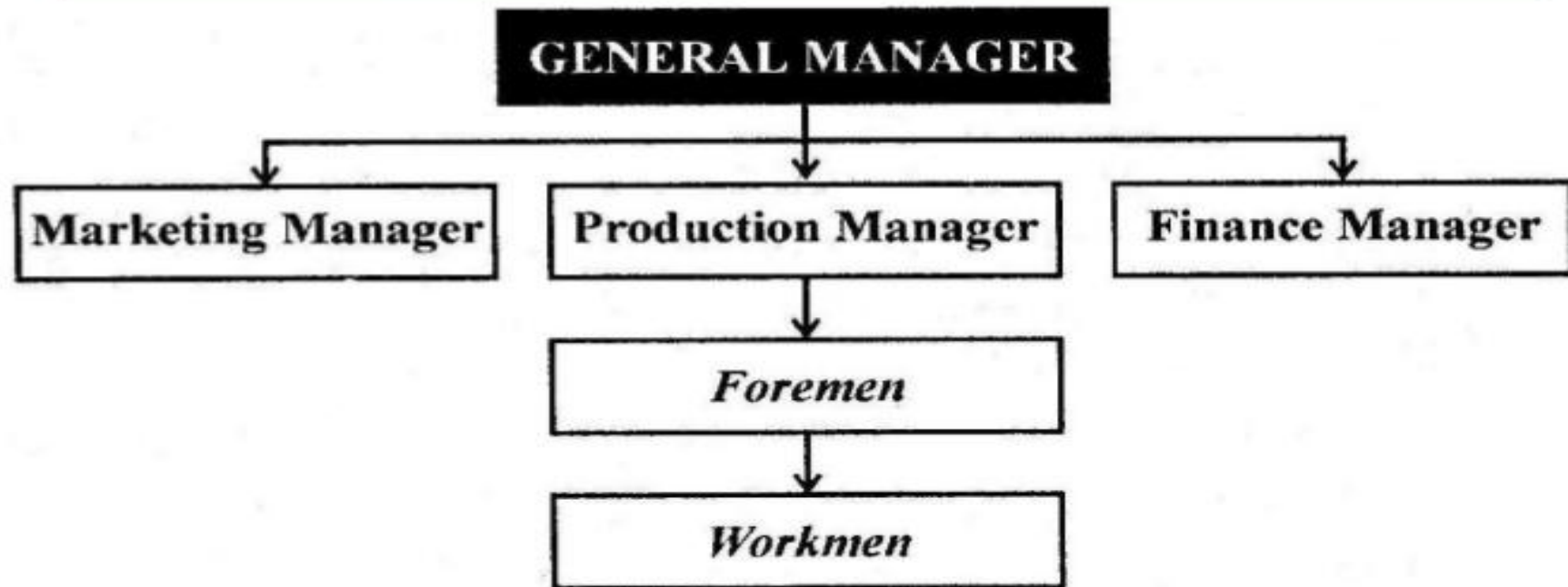
Line organization

- It is the oldest and simplest form of organization structure.
- It is also known as military or scalar organization as it is originated in the army.
- Authority flows vertically downward from top to bottom through out the organization.
- Each subordinates receives orders from one superior and is responsible to him.

Main Features of Line organization

- Centralized authority
- One superior- one subordinate
- Responsibility is always fixed
- Suitable for small business

Line Organisation Structure



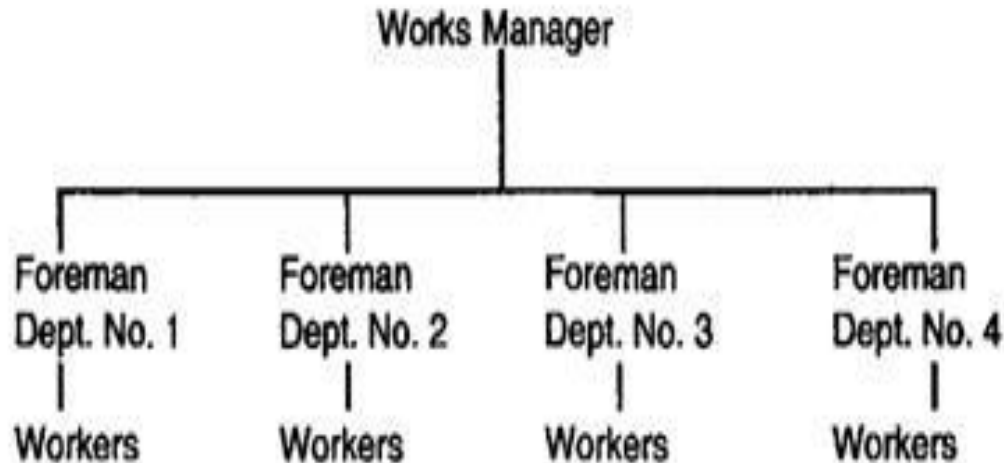
- Line organization is two types-
- Pure line organization
- Departmental line organization

Pure line organization

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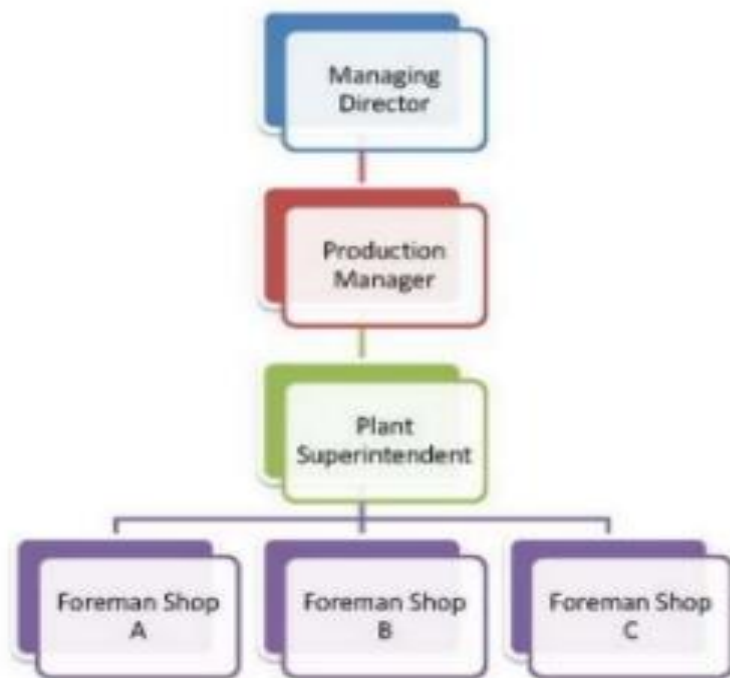
- In pure line organization, all individuals at a given level perform the same type of work.
- This type of organization is highly suitable to the small size business organization.
- All the employees are performing the same type of work at one level.
- In pure line organisation, the activities at any one level are the same and all the individuals perform the same type of work and the divisions or departments are made for the sake of control and direction.

- For example, at the lowest level of an organisation, workers may be performing a similar type of work, but for the sake of control and supervision, they may be divided into different groups and each group is placed under the control of a foreman



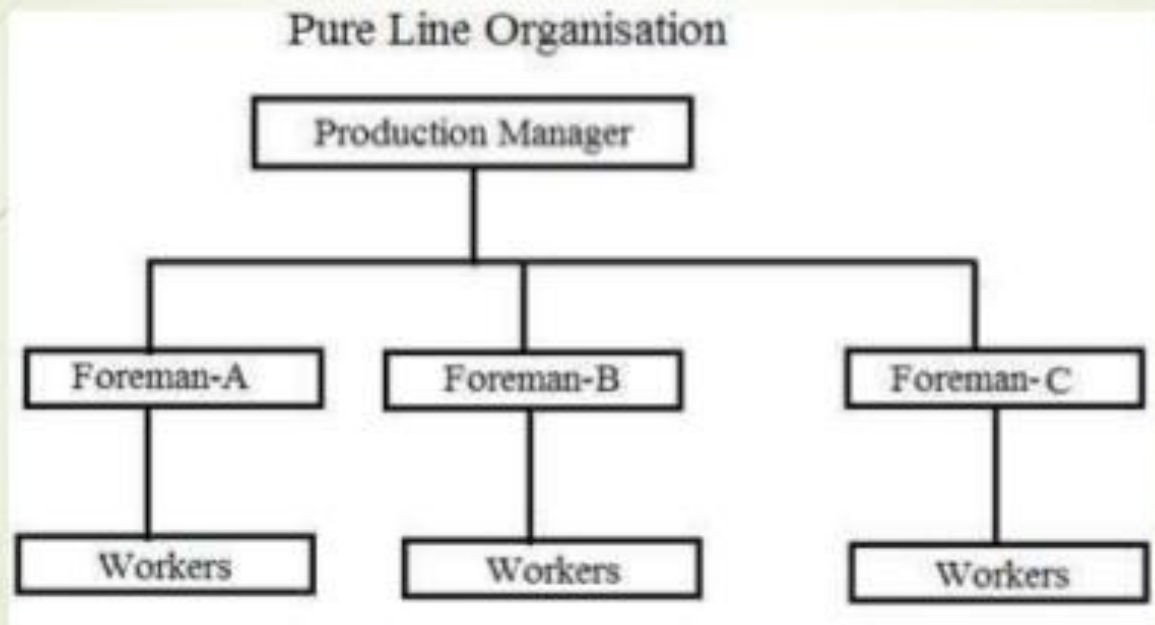
Pure Line Organization Structure

Under this form, similar activities are performed at a particular level. Each group of activities is self contained unit and is able to perform the assigned activities without the assistance of others.



PURE LINE ORGANISATION

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Departmental Line Organization Structure

Under this form, entire activities are divided into different departments on the basis of similarity of activities. Each department is placed under one department head. All persons in the department are subject to control by the department head.



Departmental line organization

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- The departmental type of line organisation divides the enterprise into different departments which are convenient for control purposes.
- Departmental managers get orders directly from the General Manager
- Every department has its own line of organisation
- There may be deputy managers, supervisors, workers in every department. The deputy managers get orders from the departmental manager and in turn pass them on to the supervisors
- Various departmental managers are equal to each other in status and authority. They do not exchange instructions with each other.



DEPARTMENTAL LINE ORGANIZATION

Advantages of Line organization

- Directness
- Fixed responsibility
- Simplicity
- Discipline
- Prompt decisions
- Flexibility
- Co-ordination
- Unified control

Disadvantages of Line organization

- Overloading
- Discouraging co-operation
- Lack of specialization
- Scope for favoritism
- Lack of communication

Functional organization

- The organization is divided into a number of functional areas. Each function is performed by an expert in that area
- Under this system , several departments will be created basing on different functions and will be under the charge of experts.
- The workers in each department have to take orders from many supervisors.
- For each work, they have to get instructions from the concerned functional head.
- Thus , this system aims at specialization in all fields.

Production manager

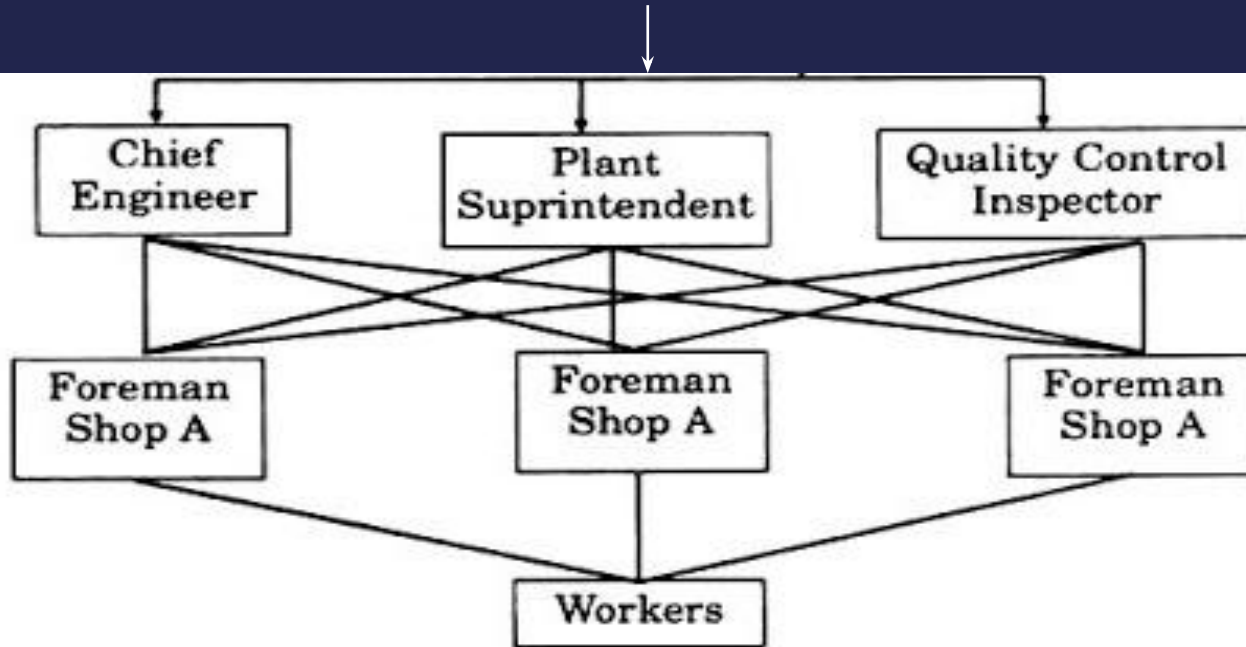


Fig. 6.14. Functional Organisation.

(Figure 4-3)

Functional Sales Organization

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SALES DEPARTMENT

Functional Organisation Structure

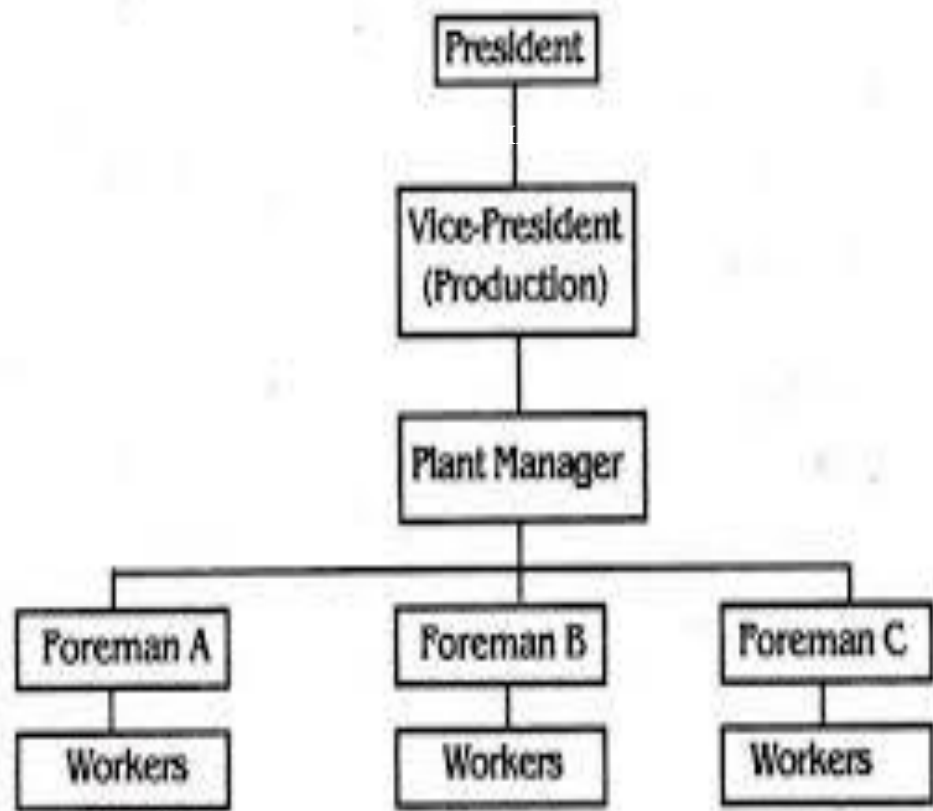
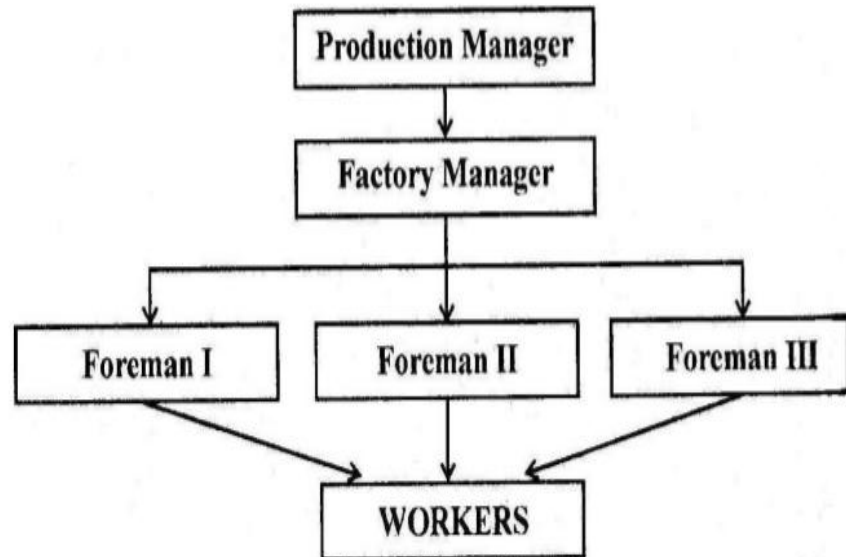


FIGURE 6.11 : LINE ORGANIZATION

Advantages of functional organization

- Specialization
- Separation
- Efficiency
- Mass production
- Co-operation

Disadvantages of functional organization

- Lack of discipline
- Lack of all-round executives
- Lack of speed
- Conflict
- Lack of definite responsibility
- Lack of co-ordination
- Complication in operation

Simple distinction between

Line organization & Functional organization

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Line Organization

- Centralized authority
- One superior-one subordinate
- Responsibility is always fixed
- Less expensive
- Suitable for small business
- More flexible

Functional Organization

- Decentralized authority
- Several advisors to one subordinate
- No fixed responsibility
- More expensive
- Suitable for big business
- Less flexible

Line and staff Organization

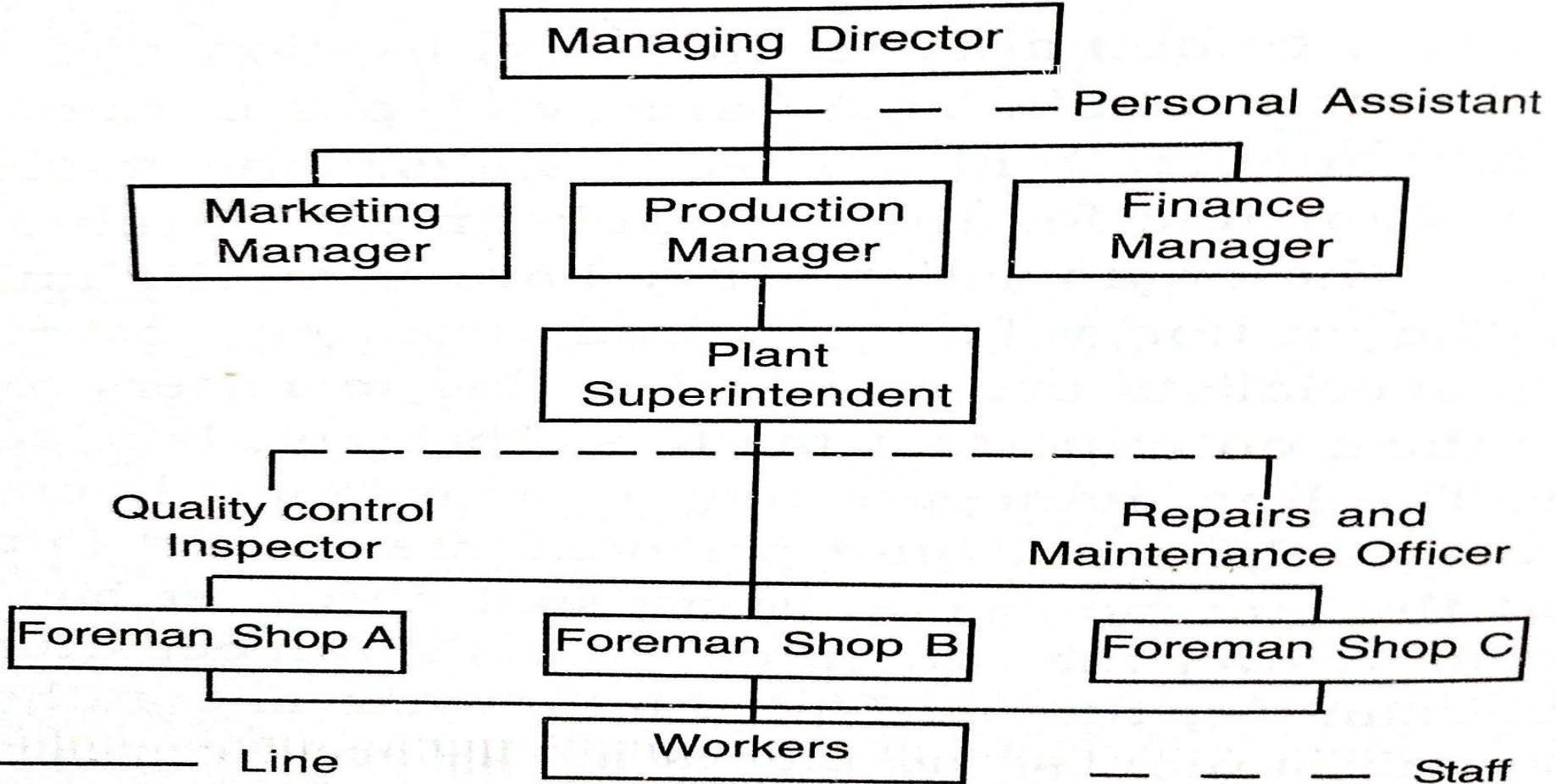
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- It is a combination of line organisation and functional organisation.
- There are two types of managers; Line managers & staff specialists
- Line managers are responsible for the accomplishment of objectives of the organisation.
- Staff specialists are attached to line managers to advise them on important matters. Their role is of advisors
- There are 3 types of staff specialists-:
 - a) Personal staff
 - b) Specialized staff
 - c) General staff..

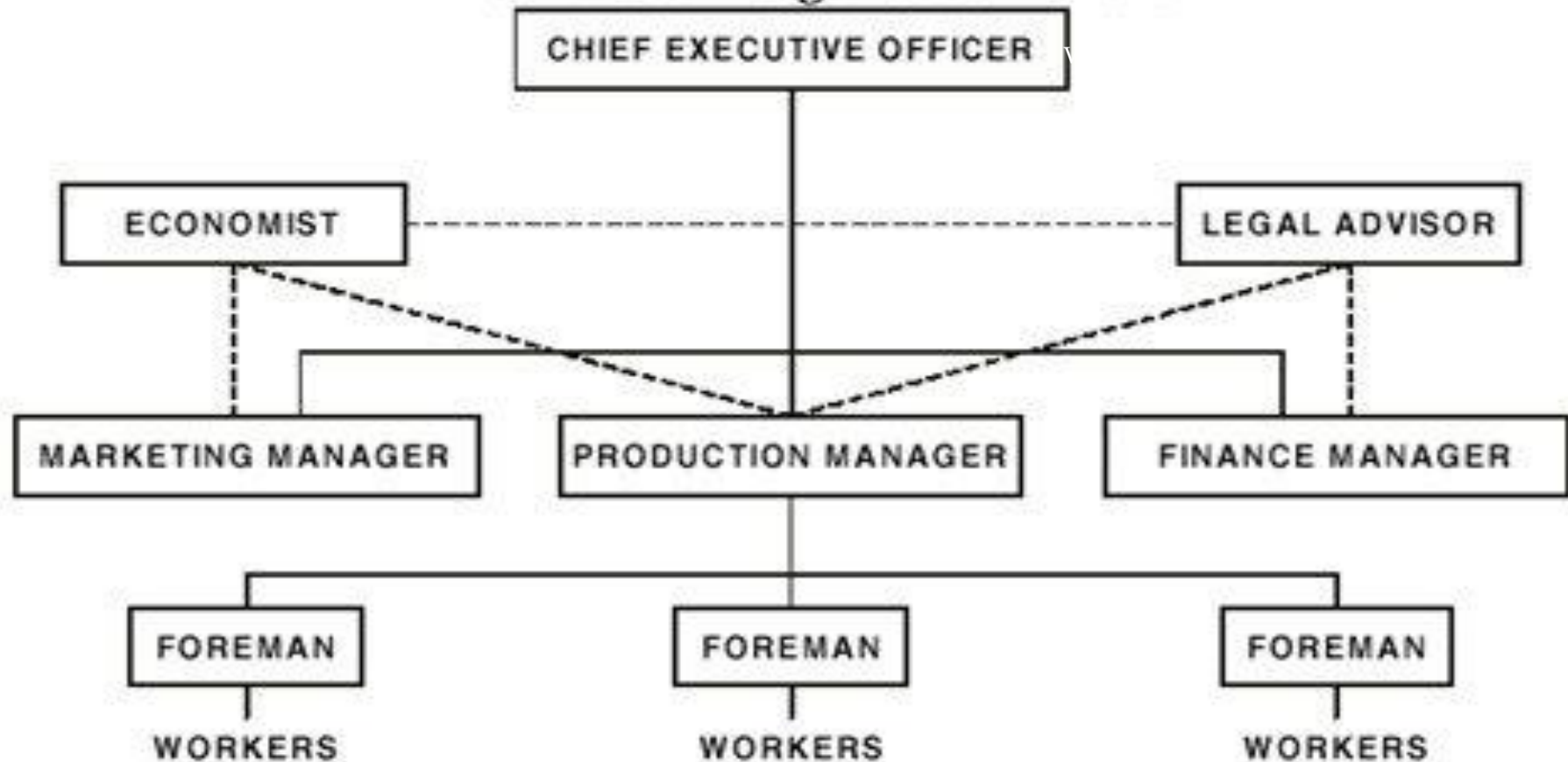
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- Staff providing advice and service to one manager in carrying out his responsibilities is called **personal staff**. Example- Personal assistant, private secretary, etc
- Staff rendering advice and service to all departments in the organization is **specialized staff**.
- **General staff** consists of group of experts in different fields attached to the head office of an organization. They provide advice and assistance to the top management...

Line and Staff Organisation



Line and Staff Organisation Chart



Note: Straight lines represent line and broken lines represent staff.

Line and Staff Organization

Sales Manager

Market
Forecaster

Training
Director

Region A
Sales
Manager

Region A
Sales
Manager

Region A
Sales
Manager

Salespeople

Salespeople

Salespeople

Advantages of Line and Staff organization

- **Specialization**- It is based on the principle of specialisation.
- **Expert advice**- Line managers get expert advice from staff specialist
- **Reduced work load**-staff specialist carry out detailed investigation and analysis.
- **Quality decisions**-staff specialists provide expert advice. So line managers can make better decisions
- **Growth and expansion**-Line managers will get more time for future planning..

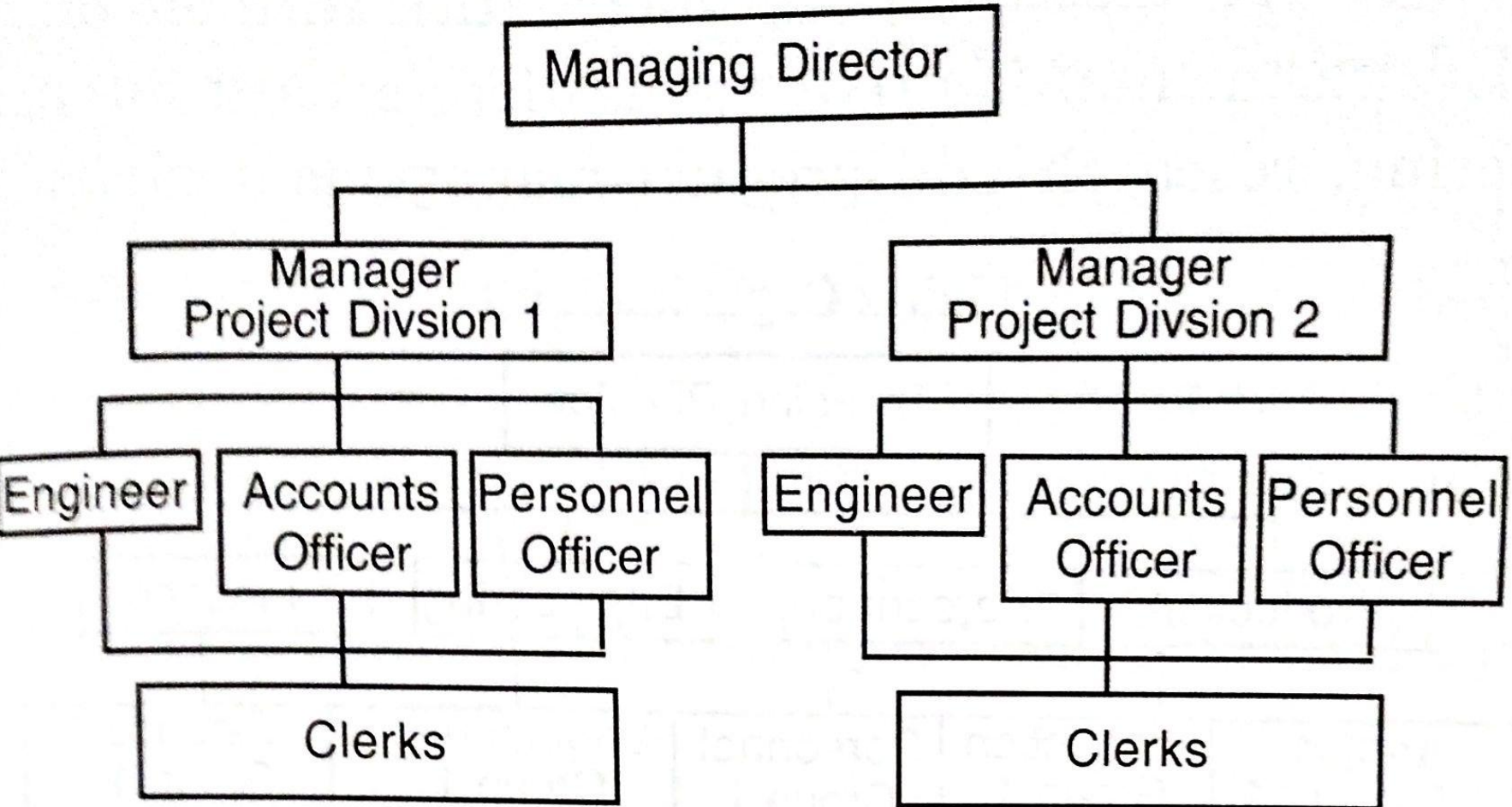
Disadvantages of Line and staff organization

- **Confusion**- it is very difficult to define clearly the authority relationships between line and staff
- **Ineffective**- staff specialists may be ineffective due to lack of authority
- **Expensive**- Line and staff organization is very expensive. A large number of specialists are to be appointed.
- **More dependence on staff**- Over dependence on staff will make line managers less creative.
- **Line and staff conflict**- Often conflict arise between line managers and staff specialists...

Project organisation

- Each project is treated as a project division and is under the control of a project manager.
- He is responsible for the successful completion of the project.
- There will be a project team consisting of specialists in different fields.
- On completion of a project, a new project is undertaken
- It adopted when an organization has to execute large projects of long duration...

Project Organisation



Advantages of project organization

- It helps to concentrate **attention on complex projects**
- It allows maximum **use of specialised knowledge and skills**
- It provides better **coordination of organisational resources**
- **Unity of command** maintained...

Disadvantages

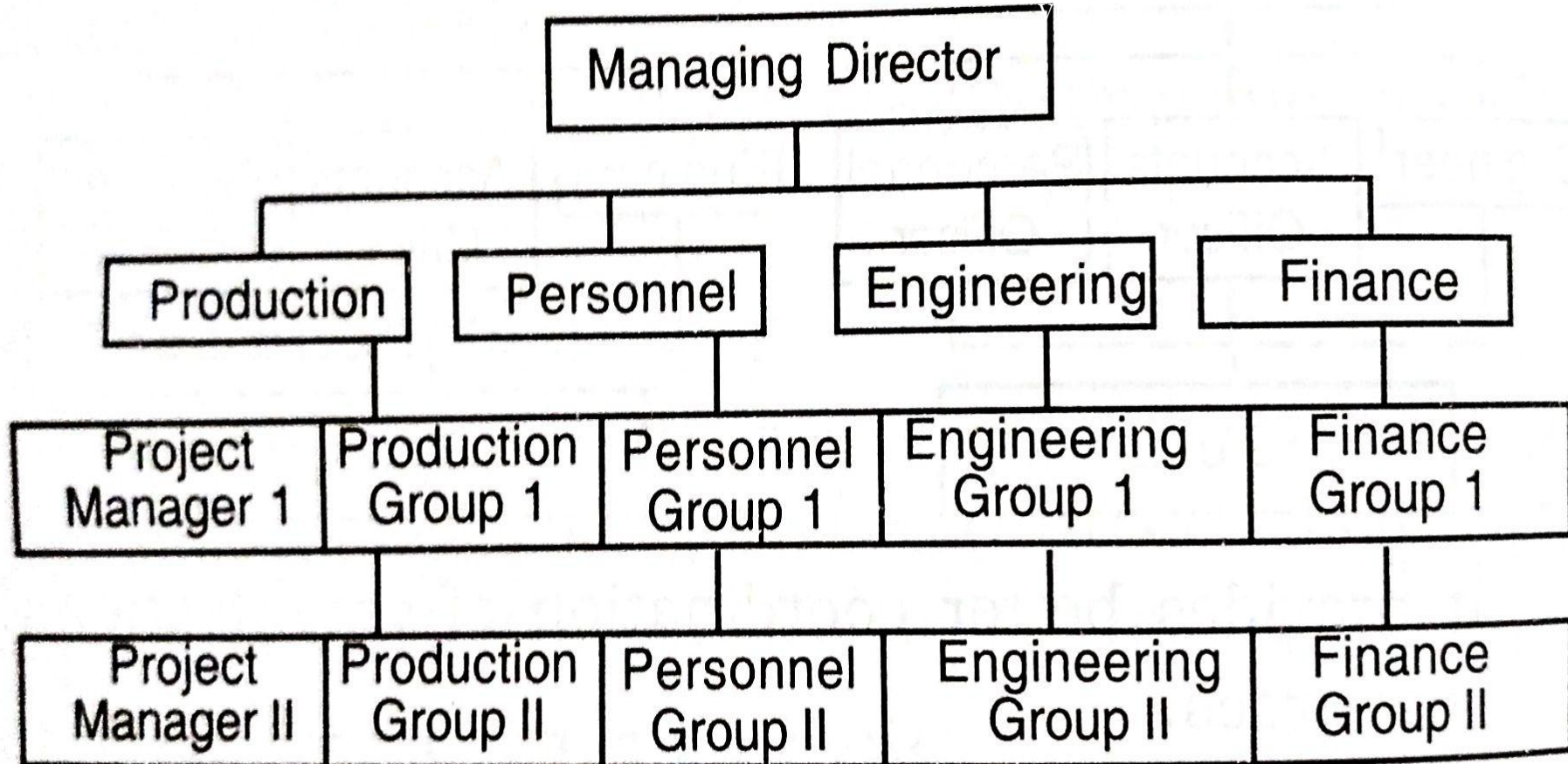
- Due to lack of clearly defined responsibility, communication system and standards of performance, the job of a project manager is very difficult.
- There may be conflicts among the specialists on account of their different orientations.
- Decision-making is very difficult due to unusual pressures from specialists and time limits for completion of the project.
- It is difficult for the project manager to motivate and control the specialists due to the conflict among the specialists..

Matrix organization

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- Matrix organization is a combination of functional organization and project organization
- There is a permanent functional department
- Temporary project groups are created to handle short term projects
- Personnel required for the project are drawn from various functional departments.
- The activities on the projects are co ordinated and controlled by a project manager.
- On completion of the project, the project team is dispersed and the personnel return to their original departments.
- Matrix organization is used in engineering, research and product management areas...

Matrix Organisation





Advantages

- It helps the completion of project in time
- It provides motivation to personnel engaged in a project
- It improves communication by direct contact between project manager and functional group.
- High technical standards can be maintained..

Disadvantages

- Functional groups receive orders from functional managers and project manager. So there is no unity of command.
- Co-ordination of people drawn from different functional departments is very difficult.
- Administration cost are very high..

Committee organization

- A committee consists of a group of persons.
- It is set up to perform certain specific duties.
- The board of directors of a company is an example of committee.
- A committee is a group of persons formed to discuss and deliberate on problems and to recommend or decide solutions.
- A committee may be constituted at any level of the organization and its members may be drawn from various departments.

Advantages

- Pooling of knowledge and experience
- Motivation through participation
- Tool of co-ordination
- Representation of diverse interest groups
- Management development
- Effective communication
- Consolidation of authority
- Check against misuse of power
- Avoiding action

Disadvantages

- Expensive
- Slow decisions
- Compromise decisions
- Evasion of responsibility
- Misuse of committees

Organization chart

- An organisation chart is a diagrammatic presentation of various positions in an organisation and formal relationships among them.
- It indicates the relationship between different departments and between people at various levels of an organisation.
- It is a blue print of a company's organisation structure.
- It shows principle lines of authority in the organization
- It indicates the channels of communication.

Advantages

- It shows the various positions in the organization and their relationship.
- It indicates the lines of authority and responsibility
- It is useful for orientation and training of employees
- It facilitates communication.

Disadvantages

- It shows only the formal relationships and fails to reveal the informal relationships existing in the organization
- Updating of chart is difficult
- Poorly designed charts may cause confusion and misunderstanding among the organization members.

Organisation manual

- An organisation manual includes descriptions of each job and other information
- An organization manual is a small hand book or booklet containing detailed information about the objectives ,policies, procedures and rules of the enterprise.
- It consist of records of top management decisions, standard practices and descriptions of various jobs.
- It provides information on important matters about each position.

Contents of Organization manual

- **Introductory**
 - Name of the organization
 - Nature of the organization
 - Objectives of organization
 - Location of the organization
 - Purpose of the manual

Administrative

- Organisation structure
- Job description
- Organisation charts
- Policies of management
- Rules and regulations.

Procedural

- Office procedures and practices
- Instructions regarding the performance of different jobs
- Methods relating to accounting and budgeting
- Glossary of important terms.

Advantages

- It is useful in the orientation and training of new employees
- It allows quick decisions at lower levels
- It provides uniformity and consistency in operations
- It facilitates delegation of authority and management by exception

Disadvantages

- Expensive-The preparation of organization manual is expensive.
- Time consuming
- Rigidity- An individual has to follow standard procedures for completing a task. There is no scope for discretion and initiative.

Authority

- Authority is the right to command and control the subordinates
- Authority refers to the powers and rights entrusted to a person to perform a work delegated.

- Definition
- **Henry fayol- Authority is the right to give orders and power to exact obedience.**

Features of Authority

- It is legal and legitimate
- It is formal
- It is a relationship between 2 individuals- superior and subordinate.
- It is used to achieve organizational goals.
- It is the key to managerial job. Without authority a manager ceases to be a manager
- It gives the right of decision making
- Authority can be delegated. A manager can transfer a part of authority to his subordinates.

Responsibility

- Responsibility is the obligation of an individual to perform the duty assigned to him
- In the words of Theo Haiman “Responsibility is the obligation of a subordinate to perform the duty as required by his superior.”

Concept of responsibility

- 1) .Responsibility as a duty or a task
- 2) .Responsibility as an obligation

Features of responsibility

- Responsibility can be assigned to human being only.
- It arises from superior -subordinate relationship.
- It may be defined in terms of functions or targets or goals.
- It is absolute and cannot be delegated.
- It flows upward. A subordinate is responsible to his superior.
- It is a derivative of authority.

Distinction between Authority and Responsibility

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Authority

- Authority is the right of a superior to command the subordinates.
- Authority can be delegated from a superior to a subordinates.
- Authority flows downward from superior to subordinates.

Responsibility

- Responsibility is the obligation of a subordinate to perform an assigned task.
- Responsibility cannot be delegated.
- Responsibility moves upward from subordinate to superior.

Accountability

- Accountability is the liability for **proper discharge of duties**.
- Accountability is derived from responsibility.
- It arises when a person accepts the obligation to perform the assigned task.

Features of accountability

- **Can not be delegated-** accountability can not be delegated to anybody
- **Always upward-** A subordinate remains accountable to the boss above him.
- **Unitary-** A subordinate should be accountable to only one boss.
- **Accountability standards-** The responsibility and accountability should be precisely fixed.

Delegation of Authority

- The process of dividing and entrusting work to others is known as delegation.
- When authority is also entrusted to the subordinates along with the work, it is known as delegation of authority.
- Definitions
- Louis A Allen – Delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance”

Elements of Delegation

- Determination of results expected
- Assignment of duties or responsibility
- Granting of authority
- Creation of accountability

Importance of delegation

- Sharing of work-load
- Quick decision making
- Motivation
- Training
- Expansion of business
- Specialized knowledge
- Efficient functioning
- Better performance
- Better relation.

Principles of Delegation

- Functional definition
- Delegation by results expected
- Clarification of limits of authority
- Parity of authority and responsibility
- Absoluteness of accountability
- Authority level principle
- Unity of command
- Scalar chain
- Effective communication

Obstacles to delegation

- These problems may be classified into three categories.
 - A) Reluctance of the superior
 - B) Reluctance on the part of the subordinates
 - C) difficulties as the part of organization.

A. Reluctance of the superior

- Perfectionism
- Autocratic attitude
- Lack of ability to direct
- Lack of confidence in the subordinates
- Absence of controls
- Conservative and cautious temperament
- Fear of competition

B. Reluctance on the part of the subordinates

- Easier to ask
- Fear of criticism
- Lack of information and resources
- Overwork
- Fear of failure
- Lack of self-confidence
- Lack of incentives

C. Difficulties on the part of organization

- Inadequate planning
- Splintered authority
- Lack of unity of command
- Lack of effective control techniques
- Non-availability of competent managers
- Unclear authority-responsibility relationships

Steps for successful delegation

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- Establishing clear and definite goals.
- Developing an attitude of tolerance of human mistakes
- Developing a faith in the ability of subordinates
- Determining what to delegate?
- Defining clearly the authority and responsibility of each subordinates.
- Motivating subordinates through incentives and encouragement.
- Providing training to subordinates in accepting delegation.

Decentralization of authority

- Decentralization means disposal of authority throughout the organization.
- Delegation means entrustment of responsibility and authority from one individual to another.
- Decentralization means scattering of authority throughout the organization.
- It is the dispersal of decision making power to the lower level of the organization.

Factors determining the degree of decentralization

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- Costliness of decisions
- Uniformity of policy
- History of the enterprise
- Management philosophy
- Desire for independence
- Availability of managers
- Control techniques
- Decentralized performance
- Business dynamics

Benefits of decentralization

- Reduces the burden of top executives
- Facilitates diversification
- Improves motivation
- Secure better co-ordination
- Ensure effective control
- Develops the quality of managers
- Flexibility

Difficulties of decentralization

- High cost of operation
- Lack of uniformity
- Unsuitable for small firms
- Reliance on the manager
- Self centered attitude

Distinction between delegation and decentralization

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Delegation

- Delegation is the process of transfer of authority
- Delegation is individualistic.it involves two persons superior and subordinate.
- Delegation is a must for management
- Delegation is a technique of management used to get things done through others.
- Delegation of authority can take place without decentralization

Decentralization

- Decentralization is the end result of delegation
- Decentralization is totalistic. It involves delegation from top management to various department
- Decentralization is optional.
- Decentralization is a philosophy of management
- It cannot take place without delegation.

Centralization of authority

- Centralization implies the concentration of authority at the top level of the organization.
- Under centralization all important decisions are taken by the top executives.
- The operative decisions and actions at lower levels are subject to the close supervision of the top executives.

Factors determining centralisation

- Personal leadership
- Integration
- Uniformity of action
- Handling emergencies
- Improving efficiency

Advantages

- Standardization of procedures and systems
- Evaluation of performance
- Better co-ordination
- Minimizes duplication of functions and facilities

Disadvantages

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- One man makes all the decisions
- No scope for specialization
- Slow operations
- Over burden to the top managers

Distinction between decentralization and centralization

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Decentralization

- It involves the establishment of several divisions or departments in the organization structure.
- It does not result in uniformity of policy and actions
- There is no close control over the activities of the subordinates.
- It enables faster decision making and action.
- It motivates the subordinates

Centralization

- It minimizes the number of divisions or departments
- It produces uniformity of policy and action
- It enables close control over the activities of the subordinates.
- Decision making and actions are very slowly
- It does not motivate the subordinates.

DIRECTION & CONTROL

Module 4

Direction

- Directing is the managerial function of guiding, inspiring and instructing people towards the accomplishment of desired results.
- It induces the members of an organization to work effectively and efficiently for the achievement of goals.

Direction- definition

- “Direction is the job of telling people what to do and see that they do it in the possible manner.”- Ernest Dale

Nature of directing

- Direction is an important **managerial function**
- **Universal function**- this function performed by all managers at all levels of the organization
- **Continuing function**- Directing is an on-going process
- **Creative function**- direction converts plans into performance
- **Chain of command**- Direction initiates at the top level in the organisation and follows to bottom through the hierarchy.
- **Human relationship**- it creates co-operation and harmony among the members of the organization.

Importance of directing

- Initiates action
- Ensure co-ordination
- Improves efficiency
- Facilitates changes
- Provide stability

Principles of direction

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- Harmony of objectives
- Principle of efficiency
- Unity of command
- Principle of appropriate techniques
- Direct supervision
- Principle of efficient control
- Use of informal organization
- Effective communication
- Comprehension
- Effective leadership
- Follow up

Process of direction

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- **Orders and instructions** are issued by manager to his subordinates to initiate, modify or stop an action.
- **Supervision**- Every manager has to supervise the work of his subordinates
- **Leadership** is the ability to build up confidence among people.
- **Communication** is the exchange of ideas or information between two or more persons.
- **Motivation** is a factor which encourages a person to give his best performance and help in achieving enterprise goals.
- **Co-ordination**-different employees perform different duties. So to achieve overall enterprise objectives, the activities of individuals and groups have to be co-ordinated

Leadership

- Leadership is the process of influencing the behavior of others towards the accomplishment of goals.
- Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.
- Leadership is the capacity of an individual to influence and direct group efforts towards the achievement of organizational goals.
- A leader is a person who guides and directs other people.

Leadership- Definition

- “Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.”-Koontz and O’ Donnell

Importance of leadership

- It motivates employees.
- It creates confidence among the followers
- It creates morale of employees

Characteristics of Leadership

- Leadership is a process of influence
- Leadership styles will be different under different circumstances.
- Leadership is a working relationship between the leader and his followers.
- The purpose of leadership is to achieve some common goals.
- Leadership is a power relationship. The person holding power over other members of the group becomes the leader.
- A leader must have followers.

Types of Leaders

- Intellectual leaders
- Institutional leaders
- Democratic (Consultative) leaders
- Autocratic (Authoritarian) Leaders
- Persuasive Leaders
- Creative Leaders
- Laissez-faire (free-rein) leaders.

Qualities of a leader

- Technical and general education
- Communication and social skills
- Mental and physical energy
- Initiative and imagination
- Sense of responsibility
- Ability to take decisions

Leadership styles

- Leadership style refers to leader's behavior.
- It is the result of the philosophy, personality, and experience of the leader.
- Based on the use of power by the leaders, there are four types of leadership styles:
 - 1) Autocratic leadership
 - 2) Democratic leadership
 - 3) Free-rein leadership
 - 4) Paternalistic leadership.

1. Autocratic or authoritarian leadership

- An autocratic leader exercises complete control over the subordinates.
- He takes all decisions without consulting the subordinates
- He loves power and never delegates authority.

2. Democratic or Participative leadership

- A democratic leader takes decisions in consultation with the subordinates.
- He decentralizes authority and allows the subordinates to share his power.

3. Free-Rein or Laissez-faire leadership.

- Laissez-faire leadership involves complete delegation of authority.
- Subordinates themselves take decisions.
- The free-rein leader serves only as contact to bring the information and resources required by the subordinates.
- This type of leadership is suitable when subordinates are well trained, highly qualified, self motivated and ready to assume responsibility,

4. Paternalistic leadership

- Paternalistic leadership is based on sentiments and emotions of people.
- The leader acts as the head of a family.
- He looks after his subordinates like a father.
- He helps, guides and protects all his subordinates.

Managerial Grid

- Concern for people and concern for production are the two dimensions of leadership.
- These dimensions have been demonstrated by Robert R Blake and James Mouton in the form of a grid called managerial grid.
- In the managerial grid, X axis represents concern for production and Y axis, concern for people.

Concern for people

HIGH



(5,5): Middle of the Road

LOW

1

2

3

4

5

6

7

8

9

HIGH

Concern for Production

Styles of managerial grid.

- The managerial grid identifies five discrete combinations of these two factors (concern for people and production) as follows:-
 - 1) Impoverished (1,1)
 - The manager has low concern for both production and people

2. Country club(1,9)

- The manager has maximum concern for people and minimum concern for production.

3. Middle road(5,5)

- The manager has moderate concern for both production and people.

4.Task management (9,1)

- The manager is mainly concerned with production and has little concern for people.

5. Team management (9,9)

- The manager has maximum concern for both production and people.

Likert's system management (Likert's Four level model)

- Resins Likert was the director of Michigan Institute of social research,USA.
- He conducted research for 14 years with the help of 40 researchers in the field of leadership.
- He developed a four level model of leadership style called systems of management.

Likert's four systems of management

- **System 1**- Exploitative Autocratic
- **System 2**- Benevolent Autocratic
- **System 3**- Consultative
- **System 4**- Democratic

Theories of Leadership

- A. Great man theory
- This approach implies the following:
 - 1) Leaders in general and great leaders in particular are born and not made.
 - 2) They have certain inborn leadership qualities which are bestowed on them by the divine power.
 - 3) The inborn leadership qualities alone are necessary and sufficient for a leader to be successful.
 - 4) Ordinary persons cannot become leaders and attain greatness.
 - 5) Leadership qualities cannot be acquired through formal education.

B. Trait theory

- Trait theory is the oldest theory of leadership.
- It is based on the belief that a leader is a person who has exceptional traits or qualities.
- Good personality, imagination, initiative, sincerity, mental ability, courage and persuasion are considered as the traits of a successful leader.
- Many leaders had acquired their traits through training and experience.

C. Behavioural theory

- Under behavioral approach to leadership, leadership is the result of the effective behavior of a leader.
- It depends on a person's acts than on his traits.
- The behavioral theory attempts to describe leadership in terms of what leaders do rather than what they are.

D.Situational theory

- According to the situational theory, no leadership style is the best for all times and in all situations.
- One leadership style may be effective under one situation and ineffective under the other.
- There is no one best style of leadership universally applicable to all situations.

Motivation

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- The word “motivation” has been derived from the word ‘motive’.
- Motive means any idea, need or emotion that prompts a man into action.
- Motivation is a psychological force setting a person into action.
- Behind every human action, there is a motive.
- Motivation is the process of creating urge among the subordinates to do certain things or behave in the desired manner.

Motivation -definition

- “Motivation means a process of stimulating people in action to accomplish desired goals.” -**Scott**

Nature of motivation

- Internal feeling
- Goal oriented behavior
- Continuous process
- Complex process
- System oriented
- Positive or negative

Importance of motivation

- Higher efficiency
- Optimum utilization of resources
- Reduction in labor turnover
- Increased productivity
- Better industrial relations.

Methods of motivation

- There are various methods or incentives to motivate employees to increase their efficiency in work. there are two types of incentives.
- 1). Financial or Pecuniary incentives
- 2). Non financial or Non –pecuniary incentives.

Financial or pecuniary incentives

- Financial or pecuniary incentives are payments in money.
- Wages, salaries, bonus, retirement pay etc.. are examples of financial incentives.

Non-financial or non pecuniary incentives.

- Non financial or non-pecuniary incentives do not involve payment in money.
- They provide psychological and emotional satisfaction to employees.
- Status, responsibility, recognition of work, team spirit, competition, participation etc. .are examples of non-financial incentives.

Theories of motivation

- The following are some of the popular theories of motivation:
- 1) Maslow's Need Hierarchy Theory
- 2) Herzbergs's Two- factors theory
- 3) Mc Gregor's Theory X and Theory Y
- 4) William Ouchi's Theory Z

Maslow's need hierarchy Theory

- Abraham H Maslow was an eminent American psychologist.
- He developed a general theory of motivation known as Need Hierarchy theory.
- This theory is based on the needs of the people.
- There are five types of human needs-: psychological needs, safety or security needs, social needs, esteem needs and self actualization needs

1. Psychological needs

- These are basic necessities of life such as food, shelter, clothing, water, air etc....
- A man will try to satisfy these needs first.

2. Safety or security needs

- It is concerned with protection from physical dangers(**fire, accident**) and economic security (**fringe benefits, health insurance**)
- Organisations can influence these needs through pension schemes, insurance plans etc..
- It provides a sense of protection against danger and threats.

3. Social needs

- Man is a social animal and he has to interact with others.
- Organizations can influence these needs through supervision, communication system and work groups.

4. Esteem needs or Ego needs

- Esteem needs are two types-self esteem and esteem of others.
- Self esteem needs are self respect, self confidence, competence, achievement, knowledge and independence.
- Esteem of others are reputation, status, and recognition.
- In the case of entrepreneurs, the ownership and control over the enterprise satisfy their esteem needs by providing them with status, respect and reputation.

5. Self actualization needs

- These are needs for growth ,achievement and advancement.
- It helps an individual to develop his potentialities.
- Self actualization is the fulfillment of all the objectives.
- An entrepreneur will be successful only when he achieves this level.

2. Herzberg's motivation-Hygiene theory / Two factor theory

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- Frederick Herzberg was a well known american psychologist.
- According to him, there are two separate factors that influence motivation.-; **1) maintenance or Hygiene factors** and **2) motivational factors**.
- The factors required to maintain a reasonable level of satisfaction among employees are called **maintanance or hygiene factors**.
- They do not provide satisfaction to the employees but their absence will dissatisfy them. So, these factors are called dissatisfiers.

- Company policy and administration, supervision, relationship between superiors and subordinates, salary, job security and working conditions are the important hygiene factors affecting job.
- The factors motivating employees for the job are called motivational factors. They are also known as satisfiers.
- Their absence or decrease will affect the level of job satisfaction.
- Increase in these factors will satisfy the employees and help to improve performance.
- Achievement, recognition, advancement, opportunity for growth and responsibility are the important motivational factors affecting job.

3. McGregor's Theory X and Theory Y

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- Prof. Mc Gregor developed a theory of motivation on the basis of hypotheses relating to human behaviour.
- This theory involves certain assumptions about human nature. There are two alternative sets of assumptions which are described as theory X and Theory Y.

Theory X

- **This theory based on the following:**
- The average individual is by nature indolent and will avoid work if he can.