



# पुना International School

## Shree Swaminarayan Gurukul, Zundal

### CHAPTER 1

#### Nature and Significance of Management

#### INTRODUCTION TO MANAGEMENT

#### CHIT-CHAT TIME

(In this conversation son (Krish) is asking her mother (why she wakes up early in the morning?) So his mother is explaining, how she manages home and what are the different type of activities are required on a regular basis?)

**Krish:** Good Morning MOM!

**Mother:** Very Good morning Krish.

**Krish:** Mom, Why do you always wake up early in the morning?

**Mother:** Dear, I have to perform many tasks like: To cook breakfast, clean home, to water plants in the garden and many other tasks.

**Krish:** How do you perform all these activities alone?

**Mother:** No Dear, It is not possible for me to perform all these activities alone in effective and efficient manner.

**Son:** Effective and Efficient manner?

**Mother:** Look Krishh, If I complete all my tasks (like preparation of food, cleaning of house, etc.) in the given time frame then only I will be effective.

If I complete all my tasks with minimum wastage and in the minimum time then I will be efficient.

**Son:** Okay! So how do you manage so many things?

**Mother:** Dear, for that I have to think in advance what is to be done, what is to be done, who is to do it?

#### ***(Planning)***

I have to divide whole tasks into small jobs. Then I have to find out how many persons are required to perform these tasks on time because no one can perform all the activities alone.

#### ***(Staffing)***

After deciding how many persons are required, I consult your dad regarding selection of different housekeeping persons (Gardener, Cleaner and Maid)

After selecting these persons, I assign them duties e.g.

**Maid** – cook food for breakfast, lunch and Dinner

**Gardener** – water and take care of plants regularly

**Cleaner** – clean home on regular basis

(Organizing)

**Krish:** So Mom, after assigning all these works to these persons appointed. You can go for rest.

**Mother:** No, Dear It is not possible

**Krish:** Why?

**Mother:** After assigning all the duties, I have to act like a leader because I have to guide, instruct and communicate these people that how these tasks should be performed.

It is necessary to oversee their work, inspire and motivate them at the time when they are performing their tasks.

**(Directing)**

Lastly when all these people perform their tasks, I check and evaluate their actual work done.

If work performed is not as per my expectations, then I suggest them how to make improvements.

**(Controlling)**

**Son:** Mom, You are brilliant manager of our home

## **NATURE AND SIGNIFICANCE OF MANAGEMENT**

Management is an art of getting things done with and through others. Management can be defined as, the process of getting things done with the aim of achieving organizational goals effectively and efficiently.

### **Efficiency and Effectiveness**

Efficiency (completing the work at low cost) means doing the task correctly at minimum cost through optimum utilization of resources while effectiveness (Completing the work on time) is concerned with end result means completing the task correctly within stipulated time. Although efficiency and effectiveness are different yet they are inter related. It is important for management to maintain a balance between the two.

**1. Rohini prepared a well-documented and factual report on Co's performance but she could not present it in Board meeting as she could not complete it on time.[Hint: Efficient but not effective]**

**2. Best roadways promised to deliver goods in time and charged extra money from Mr. Singh. But the goods were not delivered on time. [Hint: Efficient but not effective]**

## Characteristics of Management

**1. Goal oriented Process** It is a goal oriented process, which is to achieve already specified and desired objectives by proper utilization of available resources.

**2. Pervasive:** Management is universal in nature. It is used in all types of organizations whether economic, social or political irrespective of its size, nature and location and at each and every level.

**3. Multidimensional:** It is multidimensional as it involves management of work, people and operations.

**4. Continuous:** It consists of a series of function and its functions are being performed by all managers simultaneously. The process of management continues till an organization exists for attaining its objectives.



**5. Group Activity:** It is a group activity since it involves managing and coordinating activities of different people as a team to attain the desired objectives of the organization.

**6. Dynamic function:** It is a dynamic function since it has to adapt according to need, time and situation of the changing business environment. For example, McDonalds made major changes in its 'Menu' to survive in the Indian market.

**7. Intangible Force:** It is intangible force as it can't be seen but its effects can be felt in the form of results like whether the objectives are met and whether people are motivated or not and there is orderliness and coordination in the work environment.

## Objectives of Management

### (1) Organizational objectives:

Organizational Objectives can be divided into **Survival** (Earning enough revenues to cover cost); **Profit** (To cover cost and risk); and **Growth** (To improve its future prospects).

**(A) Survival** – Management by taking positive decisions with regard to different business activities ensures survival of business for long term.

**(B) Profit** – It plays an important role in facing business risks and successful running of business activities.

**(C) Growth** – Management must ensure growth which can be measured by increase in sales, number of employees, number of products, additional investment, etc.

## **(2) Social Objectives:**

Social objectives is to provide some benefits to society like applying environmental friendly practices in the production process and giving employment to disadvantaged sections of society, etc. Example: TISCO, ITC, and Asian Paints.

## **(3) Personal Objectives:**

Personal Objectives is to focus on diverse personal objectives of people working in the organization which need to be reconciled with organizational objectives.

## **Importance of Management**

**(1) Achieving Group Goals:** Management creates team work and coordination in the group. Managers give common direction to individual efforts in achieving the overall goals of the organization.

**(2) Increases Efficiency:** Management increases efficiency by using resources in the best possible manner to reduce cost and increase productivity.

**(3) Creates Dynamic organization:** Management helps the employees overcome their resistance to change and adapt as per changing situation to ensure its survival and growth.

**(4) Achieving personal objectives:** Management helps the individuals achieve their personal goals while working towards organizational objectives.

**(5) Development of Society:** Management helps in the development of society by producing good quality products, creating employment opportunities and adopting new technologies.

## **Management as an Art**

Art refers to skillful and personal application of existing knowledge to achieve desired results. It can be acquired through study, observation and experience. The features of art as follows:

**(1) Existence of theoretical knowledge:** In every art, Systematic and organized study material should be available compulsorily to acquire theoretical knowledge.

**(2) Personalized application:** The use of basic knowledge differs from person to person and thus, art is a very personalized concept.

**(3) Based on practice and creativity:** Art involves in consistent and creative practice of existing theoretical knowledge.

In management also a huge volume of literature and books are available on different aspects of management. Every manager has his own unique style of managing things and people. He uses his creativity in applying management techniques and his skills improve with regular application. Since all the features of art are present in management. So it can called an art.

### **Management as a Science**

Science is a systematized body of knowledge that is based on general truths which can be tested anywhere, anytime. The features of Science are as follows:

**(1) Systematized body of knowledge:** Science has a systematized body of knowledge based on principles and experiments.

**(2) Principles based on experiments and observation:** Scientific principles are developed through experiments and observation.

**(3) Universal validity:** Scientific principles have universal validity and application.

Management has systematic body of knowledge and its principles are developed over a period of time based on repeated experiments & observations which are universally applicable but they have to be modified according to given situation.

As the principles of management are not as exact as the principles of pure science, so it may be called-an in exact science? The prominence of human factor in the management makes it a Social Science.

### **Management as Profession**

Profession means an occupation for which specialized knowledge and skills are required and entry is restricted. The main features of profession are as follows:

**(1) Well-defined body of Knowledge:** All the professions are based on well-defined body of knowledge.

**(2) Restricted Entry:** The entry in every profession is restricted through examination or through some minimum educational qualification.

**(3) Professional Associations:** All professions are affiliated to a professional association which regulates entry and frames code of conduct relating to the profession.

**(4) Ethical Code of Conduct:** All professions are bound by a code of conduct which guides the behavior of its members.

(5) **Service Motive:** The main aim of a profession is to serve its clients.

Management does not fulfill all the features of a profession and thus it is not a full-fledged profession like doctor, lawyer, etc., but very soon it will be recognized as full-fledged profession.

### **Levels of Management: Top, Middle and Operational Levels**

“Levels of management” means different categories of managers, the lowest to the highest on the basis of their relative responsibilities, authority and status.



**Top Level-** Consists of Chairperson, Chief Executive Officer, Chief Operating Officer or equivalent and their team.

Chief task is to integrate and to coordinate the various activities of the business, framing policies, formulating organizational goals & strategies.

**Middle Level-** Consists of Divisional or Departmental heads, Plant Superintendents and Operation Managers etc.

Main tasks are to interpret the policies of the top management to ensure the availability of resources to implement policies, to coordinate all activities, ensure availability of necessary personnel & assign duties and responsibilities to them.

**Lower Level/Supervisory Level-** Consists of Foremen and supervisor etc. Main task is to ensure actual implementation of the policies as per directions, bring workers' grievances before the management & maintain discipline among the workers.

### **Functions of Management**

1. **Planning:** Thinking in advance what to do, when to do, and who is going to do it. It bridges the gap between where we are and where we want to reach.

2. **Organizing:** organization means deciding the framework of working how many units and sub-units are needed, how many posts are needed, how to distribute the authority and responsibilities.

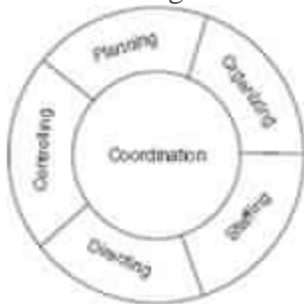
3. **Staffing:** It refers to recruitment, selection, training, development and appointment of the employees.

4. **Directing:** It refers to guiding, instructing, inspiring and motivating the employees.

5. **Controlling:** Controlling are the main functions of management. Controlling is monitoring the organizational performance towards the attainment of the organizational goals.

### **Coordination (The Essence of Management):**

Coordination is the force which synchronizes all the functions of management and activities of different departments. Lack of coordination results in overlapping, duplication, delays and chaos. It is concerned with all the three levels of management as if all the levels of management are looked at together, they become a group and as in the case of every group, they also require coordination among themselves. So, it is not a separate function of management, rather it is the essence of management.



**1. Coordination integrates group efforts:** It integrates diverse business activities into purposeful group activity ensuring that all people work in one direction to achieve organizational goals.

**2. Coordination ensures unity of action:** It directs the activities of different departments and employees towards achievement of common goals and brings unity in individual efforts.

**3. Coordination is a continuous process:** It is not a specific activity matter it is required at all levels, in all departments till the organization continues its operations.

**4. Coordination is all pervasive function:** It is universal in nature. It synchronizes the activities of all levels and departments as they are interdependent to maintain organizational balance.

**5. Coordination is the responsibility of all managers:** It is equally important at all the three-top, middle and lower levels of management. Thus it is the responsibility of all managers that they make efforts to establish coordination.

**6. Coordination is a deliberate function:** Coordination is never established by itself rather it is a conscious effort on the part of every manager. Cooperation is voluntary effort of employees to help one another. Effective coordination cannot be achieved without cooperation of group members.

## CHAPTER – 2 Principles of Management

### Principle

A principle is a fundamental statement of truth that provides guidance to thought and action.

### Principles of Management

Principles of management are broad and general guidelines for managerial decision making and behavior (i.e. they guide the practice of management).

### Nature of Principles of Management

The nature of principles of management can be described in the following points:

1. **Universal applicability** i.e. they can be applied in all types of organizations, business as well as non-business, small as well as large enterprises.
2. **General Guidelines:** They are general guidelines to action and decision making however they do not provide readymade solutions as the business environment is ever changing or dynamic.
3. **Formed by practice and experimentation:** They are developed after thorough research work on the basis of experiences of managers.
4. **Flexible:** Which can be adapted and modified by the practicing managers as per the demands of the situations as they are man-made principles.
5. **Mainly Behavioral:** Since the principles aim at influencing complex human behaviour they are behavioral in nature.
6. **Cause and Effect relationship:** They intend to establish relationship between cause & effect so that they can be used in similar situations.
7. **Contingent:** Their applicability depends upon the prevailing situation at a particular point of time. According to Terry, “Management principles are ‘capsules’ of selected management wisdom to be used carefully and discretely”.

### Significance of the Principles of Management

The significance of principles of management can be derived from their utility which can be understood from the following points:

1. **Providing managers with useful insights into reality:** Management principles guide managers to take right decision at right time by improving their knowledge, ability and understanding of various managerial situations and circumstances.
2. **Optimum utilization of resources and effective administration:** Management principles facilitate optimum use of resources by coordinating. The physical, financial and human resources. They also help in better administration by discouraging personal prejudices and adopting an objective approach.



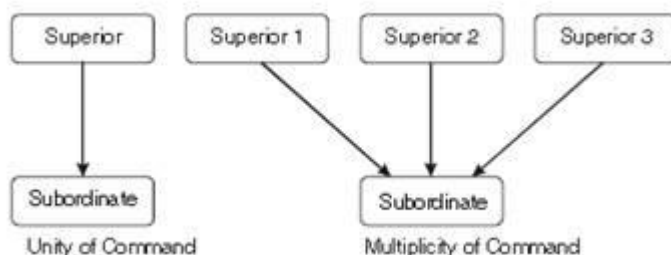
3. **Scientific decisions:** Decisions based on management principles tend to be more realistic, balanced and free from personal bias.
4. **Meeting the changing environmental requirements:** Management principles provide an effective and dynamic leadership and help the organization to implement the changes.
5. **Fulfilling social responsibility:** Principles of management not only help in achieving organizational goals but also guide managers in performing social responsibilities. Example: “Equity” and “Fair” remuneration.
6. **Management training, education and research:** Management principles are helpful in identifying the areas in which existing and future managers should be trained. They also provide the basis for future research.

### Fayol’s Principles of Management

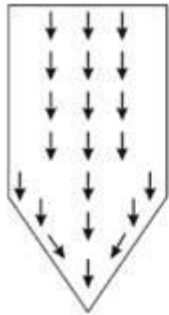
About Henry Fayol: Henry Fayol (1841-1925) got degree in Mining Engineering and joined French Mining Company in 1860 as an Engineer. He rose to the position of Managing Director in 1888. When the company was on the verge of bankruptcy. He accepted the challenge and by using rich and broad administrative experience, he turned the fortune of the company. For his contributions, he is well known as the “Father of General Management”.

### Principles of Management developed by Fayol

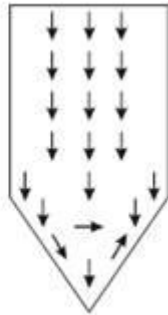
1. **Division of work:** Work is divided in small tasks/job and each work is done by a trained specialist which leads to greater efficiency, specialization, increased productivity and reduction of unnecessary wastage and movements.
2. **Authority and Responsibility:** Authority means power to take decisions and responsibility means obligation to complete the job assigned on time. Authority and responsibility should go hand in hand. Mere responsibility without authority, makes an executive less interested in discharging his duties. Similarly giving authority without assigning responsibility makes him arrogant and there is fear of misuse of power.
3. **Discipline:** It is the obedience to organizational rules by the subordinates. Discipline requires good supervisors at all levels, clear and fair agreements and judicious application of penalties.
4. **Unity of Command:** It implies that every worker should receive orders and instructions from one superior only, otherwise it will create confusion, conflict, disturbance and overlapping of activities.



5. **Unity of Direction:** Each group of activities having the same objective must have one head and one plan. This ensures unity of action and coordination.



Presence of Unity of Direction

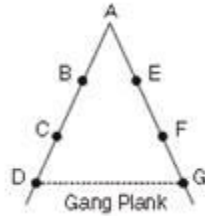


Lack of Unity of Direction

### Difference between Unity of Command and Unity of Direction

Basis	Unity of Command	Unity of Direction
1. Meaning	It means that a subordinate should receive orders and instructions from one boss only.	It advocates 'one head, and one plan' for a group of activities having the same objectives. The activities should be directed towards the common goals.
2. Scope	This principle is related to the functioning of personnel	This principle is related to the functioning of a department or the organization as a whole
3. Purpose	The main purpose of unity of command is to avoid confusion and fix up the responsibility of the employee.	The purpose of unity of direction is to direct the efforts of employees of one department in achieving the main objective of that department.
4. Results in	Systematic working and improved efficiency by removing confusion and chaotic conditions	Co-ordination within a particular department and overall; by preventing overlapping of various activities.

6. **Remuneration of Employees:** The overall pay and compensation should be, fair to both employees and the organization. The wages should encourage the workers to work more and better.
7. **Subordination of Individual Interest to General Interest:** The interest of an organization should take priority over the interest of any one individual employee.
8. **Centralization and Decentralization:** Centralization means concentration of decisions making authority in few hands at top level. Decentralization means evenly distribution of power at every level of management. Both should be balanced as no organization can be completely centralized or completely decentralized.
9. **Scalar Chain:** The formal lines of authority between superiors and subordinates from the highest to the lowest ranks is known as scalar chain. This chain should not be violated but in emergency employees at same level can contact through Gang Plank by informing their immediate superiors.



**10. Order:** A place for everything and everyone and everything and everyone should be in its designated place. People & material must be in suitable places at appropriate time for maximum efficiency.

**11. Equity:** The working environment of any organization should be free from all forms of discrimination (religion, language, caste, sex, belief or Basis Unity of Command Unity of Direction nationality) and principles of justice and fair play should be followed. No worker should be unduly favored or punished.

**12. Stability of Personnel:** After being selected and appointed by rigorous procedure, the selected person should be kept at the post for a minimum period decided to show results.

**13. Initiative:** Workers should be encouraged to develop and carry out their plan for improvements. Initiative means taking the first step with self-motivation. It is thinking out and executing the plan.

**14. Espirit De Corps:** Management should promote team spirit, unity and harmony among employees. Management should promote a team work.

### Taylor's Scientific Management

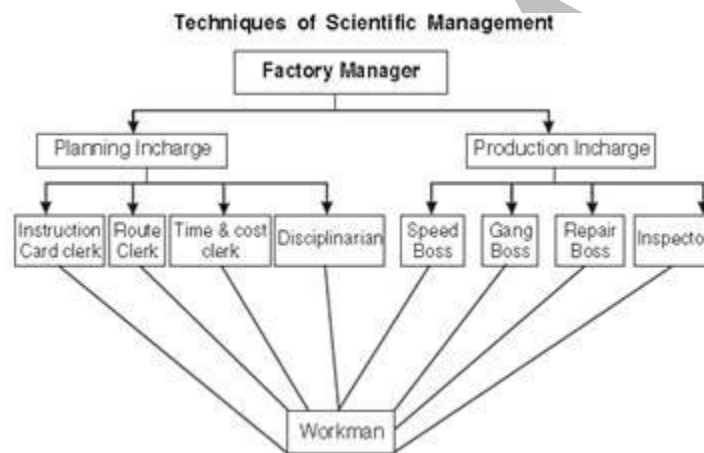
Fredrick Winslow Taylor (1856-1915) was a person who within a very short duration (1878-1884) rose from ranks of an ordinary apprentice to chief engineer in Midvale Steel Company, U.S.A. Taylor conducted a number of experiments and came to conclusion that workers were producing much less than the targeted standard task. Also, both the parties – Management and workers are hostile towards each other. He gave a number of suggestions to solve this problem and correctly propounded the theory of scientific management to emphasize the use of scientific approach in managing an enterprise instead of hit and trial method. For his contributions, he is well known as the “Father of the Scientific Management”. Scientific Management attempts to eliminate wastes to ensure maximum production at minimum cost.

### Principles of Scientific Management

- (1) **Science, not rule of Thumb:** There should be scientific study and analysis of each element of a job in order to replace the old rule of thumb approach or hit and miss method. We should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.
- (2) **Harmony, Not discord:** It implies that there should be mental revolution on part of managers and workers in order to respect each other's role and eliminate any class conflict to realize organizational objectives.
- (3) **Cooperation not individualism:** It is an extension of the Principle of Harmony not discord whereby constructive suggestions of workers should be adopted and they should

not go on strike as both management and workers share responsibility and perform together.

- (4) **Development of each and every person to his or her greatest Efficiency and Prosperity:** It implies development of competencies of all persons of an organization after their scientific selection and assigning work suited to their temperament and abilities. This will increase the productivity by utilizing the skills of the workers to the fullest possible extent.



1. **Functional Foreman-ship:** Functional foreman-ship is a technique in which planning and execution are separated. There are eight types of specialized, professionals, four each under planning and execution who keep a watch on all workers to extract optimum performance.

#### Planning In charges:

1. **Route Clerk** to specify the exact sequence and route of production.
2. **Instruction card clerk** is responsible for drafting instructions for the workers.
3. **Time and cost clerk** to prepare time and cost sheet for the job.
4. **Shop Disciplinarian** to ensure discipline and enforcement of rules and regulations among the workers.

#### Production In charges:

1. **Gang boss** is responsible for keeping tools and machines ready for operation.
2. **Speed boss** is responsible for timely and accurate completion of job.

**3. Repair boss** to ensure proper working conditions of tools and machines.

**4. Inspector** to check quality of work.

**2. Standardization and Simplification of work:**

Standardization refers to developing standards for every business activity whereas Simplification refers to eliminating superfluous varieties of product or service. It results in savings of cost of labor, machines and tools. It leads to fuller utilization of equipment and increase in turnover.

**3. Method Study:**

The objective of method study is to find out one best way of doing the job to maximize efficiency in the use of materials, machinery, manpower and capital.

(1) Which technique of scientific management is being violated here?

(Hint: Functional Foreman ship.)

(2) Write one consequence of this violation.

**4. Motion Study:**

It is the science of eliminating wastefulness resulting from using unnecessary, ill-directed and inefficient motions by workers and machines to identify best method of work.

**5. Time study:**

It determines the standard time taken to perform a well-defined job. The objective of time study is to determine the number of workers to be employed, frame suitable incentive schemes & determine labor costs.

**6. Fatigue study:**

Fatigue study seeks to determine time and frequency of rest intervals in completing a task. The rest interval will enable workers to regain their lost stamina thereby avoiding accidents, rejections and industrial sickness.

**7. Differential piece wage system:**

This system links wages and productivity. The standard output per day is established and two piece rates are used: higher for those who achieve upto and more than standard output i.e. efficient workers and lower for inefficient and slow workers. Thus, efficient workers will be rewarded & inefficient will be motivated to improve their performance.

**For example:** Standard task is 10 units. Rates are: Rs 50 per unit for producing 10 units or more and Rs 40 per unit for producing less than 10 units

Worker A produces 11 Units; he gets Rs 550 (11 units x 50 per unit)

Worker B produces 09 units; he gets Rs 360 (9 units x 40 per unit)  
 This difference of Rs 190 will motivate B to perform better.

Basis	Fayol	Taylor
1. Nature of Research	He developed the theory of Functional management or Management process.	He developed the concept of Scientific management.
2. Concern	His principles are concerned with management efficiency.	His principle and techniques are concerned with workers efficiency.
3. Level	He designed principles for top level of management.	He designed principles for lower level of management.
4. Focus	Improving overall administration by observing certain principles was his main focus.	For him increasing productivity through work simplification was main focus.
5. Personality	He developed the personality of a researcher and practioner and was called as 'father of general management.	He developed the personality of scientist and was called as 'father of scientific management
6. Major contribution	Hid main contribution was to produce a systematic theory of management with the help of fourteen principles of general management.	He provided a basis on accomplishment on production line with the help of scientific techniques and management.
7. Human element	He gave due emphasis to human elements by suggesting principles like equality, initiative, fair remuneration etc.	He ignored the human element and emphasized more on increasing productivity.
8. Rigidity and flexibility	His principles were flexible.	He was rigid in his approach and he felt that there should be no deviation from fixed standards.
9. Applicability	His principles are applicable to business as well as non-business organizations i.e. are applicable universally.	His principles are applicable to production and manufacturing i.e. are applicable to specific situations.

10. Unity of command	He strictly follow this principles i.e. one boss for one employee.	He did not follow this principle instead he insisted on minimum eight bosses.
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**8. Mental Revolution:** It involves a complete change in mental outlook and attitude of workers and management towards one another from competition to cooperation. The management should create pleasant working conditions & workers should work with devotion and loyalty. Instead of fighting over distribution of profits, they must focus attention on increasing it

PUNYA

## CHAPTER-3

### BUSINESS ENVIRONMENT

#### Meaning of Business Environment:

Business environment refers to forces and institutions outside the firm with which its members must deal to achieve the organizational purposes. Here

- Forces = economic, social, political, technological etc.
- Institutions = suppliers, customers, competitors etc.

It includes all those constraints and forces external to a business within which it operates, therefore,

- The firm must be aware of these external forces and institutions and
- The firm must be nagged keeping in mind these forces and institutions so that the organizational objectives are achieved. .

#### Features of Business Environment

**1. Totality of external forces:** Business environment is the sum total of all the forces/factors external to a business firm.

**2. Specific and general forces:** Business environment includes both specific and general forces. Specific forces include investors, competitors, customers etc. who influence business firm directly while general forces include social, political, economic, legal and technological conditions which affect a business firm indirectly.

**3. Inter-relatedness:** All the forces/factors of a business environment are closely interrelated. For example, increased awareness of health care has raised the demand for organic food and roasted snacks.

**4. Dynamic:** Business environment is dynamic in nature which keeps on changing with the change in technology, consumer's fashion and tastes etc.

**5. Uncertainty:** Business environment is uncertain as it is difficult to predict the future environmental changes and their impact with full accuracy.

**6. Complexity:** Business environment is complex which is easy to understand in parts separately but it is difficult to understand in totality.

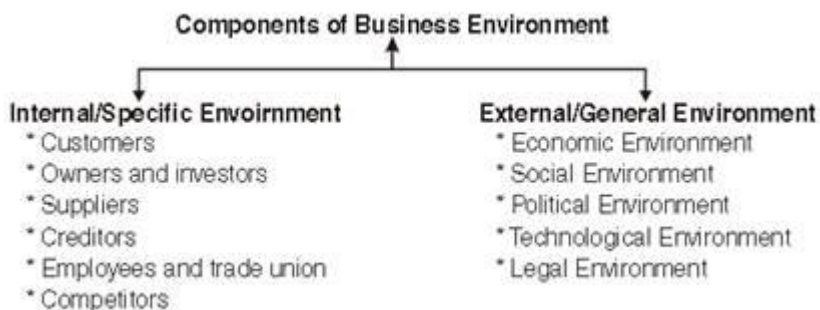
**7. Relativity:** Business environment is a relative concept whose impact differs from country to country, region to region and firm to firm. For example, a shift of preference from soft drinks to



juices will be welcomed as an opportunity by juice making companies while a threat to soft drink manufacturers.

## **IMPORTANCE OF BUSINESS ENVIRONMENT**

- 1. Identification of opportunities to get first mover advantage:** Understanding of business environment helps an organization in identifying advantageous opportunities and getting their benefits prior to competitors, thus reaping the benefits of being a pioneer.
- 2. Identification of threats:** Correct knowledge of business environment helps an organization to identify those threats which may adversely affect its operations. For example, Bajaj Auto made considerable improvements in its two wheelers when Honda & other companies entered the auto industry.
- 3. Tapping useful resources:** Business environment makes available various resources such as capital, labor, machines, raw material etc. Tea business firm. In order to know the availability of resources and making them available on time at economical price, knowledge of business environment is necessary.
- 4. Coping with Rapid changes:** Continuous study/scanning of business environment helps in knowing the changes which are taking place and thus they can be faced effectively.
- 5. Assistance in planning and policy formulation:** Understanding and analysis of business environment helps an organization in planning & policy formulation. For example, ITC Hotels planned new hotels in India after observing boom in tourism sector.



- 6. Helps in improving performance:** Correct analysis and continuous monitoring of business environment helps an organization in improving its performance.

## **Economic Environment in India**

As a part of economic reforms, the Government of India announced New Economic Policy in July 1991 for taking out the country out of economic difficulty and speeding up the development of the country.

Main features of NEP, 1991 are as follows:

1. Only six industries were kept under licensing scheme.
2. The role of public sector was limited only to four industries.
3. Disinvestment was carried out in many public sector enterprises.
4. Foreign capital/investment policy was liberalized and in many sectors 100% direct foreign investment was allowed.
5. Automatic permission was given for signing technology agreements with foreign companies.
6. Foreign investment promotion board (FIPB) was setup to promote & bring foreign investment in India.
7. Various benefits were offered to small scale industries.

**The three main strategies adopted for the above may be defined as follows:**

**1. Globalization:**

- Integrating the economy of a country with the economies of other countries to facilitate free flow of trade, capital, persons and technology across borders. It leads to the emergence of a cohesive global economy.
- Till 1991, the Government of India had followed a policy of strictly regulating imports in value and volume terms. These regulations were with respect to

- (a) Licensing of imports,
- (b) Tariff restrictions and
- (c) Quantitative restrictions.

**2. Liberalization:**

Liberalizing the Indian business and industry from all unnecessary controls and restrictions. That is relaxing rules and regulations which restrict the growth of the private sector and allowing the private sector to take part in economic activities that were earlier reserved for the government sector. The steps taken for this were:

- a. Abolishing licensing
- b. Freedom in deciding the scale of operations
- c. Removal of restrictions on movement of goods and services.
- d. Freedom in fixing prices.
- e. Reduction in tax rates and unnecessary controls
- f. Simplifying procedures for import and exports

g. Making it easy to attract foreign capital.

### 3. Privatization:

- Refers to the reduction of the role of the public sector in the economy of a country.
- Transfer of ownership and control from the private to the public sector (disinvestment) can be done by:
  - a. Sale of all/some assets of the public sector enterprises.
  - b. Leasing of public enterprises to the private sector.
  - c. Transfer of management of the public enterprise to the private sector.
- To achieve privatization in India, the government redefined the role of the public sector and –
  - a. Adopted a policy of planned disinvestment of the public sector
  - b. Refer the loss making and sick units to the Board of Industrial and Financial Reconstruction (BIFR)

### DIMENSIONS/COMPONENTS OF BUSINESS ENVIRONMENT

**1. Economic Environment:** It has immediate and direct economic impact on a business. Rate of interest, inflation rate, change in the income of people, monetary policy, price level etc. are some economic factors which could affect business firms. Economic environment may offer opportunities to a firm or it may put constraints.

**2. Social Environment:** It includes various social forces such as customs, beliefs, literacy rate, educational levels, lifestyle, values etc. Changes in social environment affect an organization in the long run. Example: Now a days people are paying more attention towards their health, as a result of which demand for mineral water, diet coke etc. has increased while demand of tobacco, fatty food products has decreased.

**3. Technological Environment:** It provides new and advance ways/techniques of production. A businessman must closely monitor the technological changes taking place in the industry as it helps in facing competition and improving quality of the product. For Example, Digital watches in place of traditional watches, artificial fabrics in place of traditional cotton and silk fabrics, booking of railway tickets on internet etc.

**4. Political Environment:** Changes in political situation also affect business organizations. Political stability builds confidence among business community while political instability and bad law & order situation may bring uncertainty in business activities. Ideology of the political party, attitude of government towards business, type of government-single party or coalition

government affects the business Example: Bangalore and Hyderabad have become the most popular locations for IT due to supportive political climate.

**5. Legal Environment:** It constitutes the laws and legislations passed by the Government, administrative orders, court judgments, decisions of various commissions and agencies. Businessmen have to act according to various legislations and their knowledge is very necessary. Example: Advertisement of Alcoholic products is prohibited and it is compulsory to give statutory warning on advertisement of cigarettes.

## **MAJOR STEPS IN ECONOMIC FORMS**

**1. New Industrial Policy** – Under this the industries have been freed to a large extent from licenses and other controls. Efforts have been made to encourage foreign investment.

**2. New Trade Policy** – The Foreign trade has been freed from the unnecessary control. The age old restrictions have been eliminated.

**3. Fiscal Reforms.** The greatest problem confronting the Indian Govt. is excessive fiscal deficit.

(a) **Fiscal Deficit** – It means country is spending more than its income

(b) **Gross Domestic Product (GDP)** – It is the sum total of the financial value of all goods & services produced in a year in a country.

**4. Monetary Reform** – It is a sort of control policy through which the central bank controls the supply of money with a view to achieving objectives of general economic policy.

**5. Capital Market Reforms-** The Govt. has taken the following steps for the development of this market:

(1) SEBI has been established.

(2) The restriction in respect of interest on debentures has been lifted.

(3) Private Sector has been permitted to establish Mutual Fund.

**6. Dismantling Price control** – The govt. has taken steps to remove price control in many products especially in fertilizers, iron and steel, petro products. Restrictions on the import of these things have also been removed.

## **IMPACT OF GOVERNMENT POLICY CHANGES ON BUSINESS AND INDUSTRY**

**1. Increasing Competition:** De-licensing and entry of foreign firms Indian market is increased the level of competition for Indian firms.

**2. More Demanding Customers:** Now customers are more aware and they keep maximum information of the market as the result of which now market is customer/buyer oriented, Now, products are produced keeping in mind the demands of the customers.

**3. Rapid Changing Technological Environment:** Rapid Technological advancement has changed/improved the production process as a result of which maximum production is possible at minimum cost but it leads to tough challenges in front of small firms.

**4. Necessity for Change-** After New Industrial. Policy the market forces (demand & supply) are changing at a very fast rate. Change in the various components of business environment has made it necessary for the business firms to modify their policies & operations from time to time.

**5. Need for Developing Human Resources:** The changing market conditions of today requires people with higher competence and greater commitment, hence there is a need for developing human resources which could increase their effectiveness and efficiency.

**6. Market Orientation:** Earlier selling concept was famous in the market now its place is taken by the marketing concept. Today firms produce those goods & services which are required by the customers. Marketing research, educational advertising, after sales services have become more significant.

**7. Reduction in budgetary Support to Public Sector:** The budgetary support given by the government to the public sector is reducing thus the public sector has to survive and grow by utilizing their own resources efficiently.

## CHAPTER-4

### PLANNING

#### Meaning and Definition of PLANNING:

- Deciding in advance what to do & how to do it. It is one of the basic managerial functions.
- It involves 2 aspects:  
Setting of aims and objectives of the organization + Selecting and developing an appropriate course of action to achieve these objectives.
- Koontz and O'Donnell – —Planning is deciding in advance what to do, how to do, when to do, and who to do it. Planning bridges the gap from where we are to where we want to go. It makes it possible for things to occur which would not otherwise happen.
- Involves setting of objectives & developing an appropriate course of action to achieve these objectives

#### Importance of Planning

1. **Planning provides directions:** By stating in advance how the work is to be done planning provides direction for action. If there was no planning, employees would be working in different directions and the organization would not be able to achieve its goals efficiently.
2. **Planning reduces the risk of uncertainty:** Planning is an activity which enables a manager to look ahead, anticipate change, consider the impact of change and develop appropriate responses.
3. **Planning reduces wasteful activities:** Planning serves as the basis of coordinating the activities and efforts of different departments and individuals whereby useless and redundant activities are mentioned.
4. **Planning promotes innovative ideas:** Planning is the first function of management. Managers get the opportunity to develop new ideas and new ideas can take the shape of concrete plans.
5. **Planning facilitates decision making:** Under planning targets are laid down. The manager has to evaluate each alternative and select the most viable option.
6. **Planning establishes standards for controlling:** Planning provides the standards against which the actual performance can be measured and evaluated. Control is blind without planning. Thus planning provides the basis for control.

## **Features of Planning:-**

- (i) **Planning Focuses on Achieving Objective** Planning is purposeful. It has no meaning unless it contributes to the achievement of predetermined organizational goals.
- (ii) **Planning is a Primary Function of Management** Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function.
- (iii) **Planning is Pervasive** Planning is essential for every sort of business activities. Every department whether, purchase, sales accounts, auditing, marketing etc needs systematic planning.
- (iv) **Planning is Continuous** Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way.
- (v) **Planning is Futuristic** Planning always means looking ahead, it is never for the past. All the managers try to make predictions and assumptions for future.
- (vi) **Planning Involves Decision Making** Planning choice making of the best possible alternative out of various alternatives.

## **Limitations of Planning**

### **(A) Internal Limitations**

- 1. Planning leads to rigidity:** Planning discourages individual's initiative & creativity. The managers do not make changes according to changing business environment. They stop taking or giving suggestions and new ideas. Thus detailed planning may create a rigid framework in the organization.
- 2. Planning may not work in dynamic environment:** Planning is based on anticipation of future happenings and since future is uncertain and dynamic therefore, the future anticipations are not always true.
- 3. Planning involves huge costs:** When plans are drawn up, huge cost is involved in their formulation.
- 4. Planning is time consuming:** Sometimes plans to be drawn up take so much of time that there is not much time left for their implementation.
- 5. Planning does not guarantee success:** The success of an enterprise is possible only when plans are properly drawn and implement. Sometimes managers depend on previously tried successful plans, but it is not always true that a plan which has worked before will work effectively again.
- 6. Planning reduces creativity:** In planning, work is to be done as per pre-determined plans. It is decided in advance what is to be done, how it is to be done and who is going to do it.

Moreover, planning is done by top management which leads to reduction of creativity of other levels of management.

### **(B) External Limitations**

They are those limitations of planning which arises due to external factors over which an organization has no control.

1. Changes in Government policies way leads to failure of planning.
2. Natural calamities such as flood, earthquake etc. also adversely affect the success of planning.
3. Changes in the strategies of competitors also leads to failure of planning many times.
4. Regular technological changes may affect planning.
5. Changes in the Economic and Social Conditions also reduces the effectiveness of planning.

### **Planning Process:**

1. **Establishing Objectives** The first step in planning is to determine objectives which must be realistic, specific and clear so as to specify what is to be accomplished by the network of policies, procedures, strategies etc.
2. **Developing Premises** They include assumptions or forecasts of the future and unknown conditions that will affect the operations of the plans. They provide an idea about the future which facilitates the work of planning.
3. **Identifying the Alternative Courses of Action** The next step in planning is to identify the various alternatives available to achieve the objectives.
4. **Evaluating Alternative Courses** The merits and demerits of different courses of actions are evaluated in the light of objectives to be achieved and their feasibility is judged i.e., how far they will be successful in helping to achieve the objective.
5. **Selecting an Alternative** The next step is to find out the most suitable course to be followed. The efforts are directed towards selecting that course. Which increases efficiency in the organization by maximizing output and profits at the minimum costs.
6. **Implement the Plan** At this step the best alternative chosen is put to use.
7. **Follow up only** putting the best alternative to action is not enough. The future is uncertain and dynamic. Therefore, it becomes important to check back whether the plan is giving results or not.



## **TYPES OF PLAN**

### **Plan**

A Plan is a specific action proposed to help the organization achieve its objectives. It is a document that outlines how goals are going to be met. The importance of developing plans is evident from the fact that there may be more than one means of reaching a particular goal. So with the help of logical plans, objectives of an organization could be achieved easily.

### **SINGLE USE PLAN**

A Single use plan in a business refers to plan developed for a one-time project or event that has one specific objective. It applies to activities that do not reoccur or repeat. It is specifically designed to achieve a particular goal. Such plan is developed to meet the needs of a unique situation. The length of a single use plan differs greatly depending on the project in question, as a single event plan may only last one day while a single project may last one week or months. For example, an outline for an advertising campaign. After the campaign runs its course, the short term plan will lose its relevance except as a guide for creating future plans.

### **Types of Single Use Plan**

- 1. Programme:** A programme is a single use plan containing detailed statements about project outlining the objectives, policies, procedures, rules, tasks, physical and human resources required to implement any course of action.
- 2. Budget:** A budget is a statement of expected result expressed in numerical terms for a definite period of time in the future.

## **STANDING PLANS**

Standing plans are used over and over again because they focus on organizational situations that occur repeatedly. They are usually made once and retain their value over a period of years while undergoing revisions and updates. That is why they are also called repeated use plans. For example, Businessman plans to establish a new business Entrepreneur drafts business plan before opening the doors to their business, and they can use their plan to guide their efforts for years into the future.

### **Types of Standing Plans**

- 1. Objectives:** Objectives are defined as ends for the achievement of which an organization goes on working. They may be designed as the desired future position that the management would like to reach. The first and foremost step of the planning process is setting organizational objectives. Examples increasing sales by 10%, Getting 20% return on Investment etc. Objectives should be clear and achievable.

**2. Strategy:** Strategies refer to those plans which an organization prepares to face various situations, threats and opportunities. When the managers of an organization prepare a new strategy for the business it is called internal strategy and when some strategies are prepared to respond to the strategies of the competitors, then such strategies are called external strategies. Examples, selection of the medium of advertisement, selection of the channel of distribution etc.

**3. Policy:** Policies refers to the general guidelines which brings uniformity in decision-making for achievement of organizational objectives. They provide directions to the managers of an organization. They are flexible as they may be changed as per requirement. Example, selling goods on cash basis only, reserving some post for women in the organization.

**4. Procedure:** Procedures are those plans which determine the sequential steps to carry out some work/activity. They indicate which work is to be done in which sequence/way. They help in the performance of work. Procedures are guides to action. Example: Process adopted in the Selection of Employees.

**5. Rule:** Rules are specific statement that tell what is to be done and whatnot to be done in a specified situation. They help in indicating which points are to be kept in mind while performing task/work. Rules are rigid which ensure discipline in the organization. Example: 'No smoking in the office premises'. Violation of rules may invite penalty.

**6. Method:** Methods are standardized ways or manners in which a particular task has to be performed. There may be many ways/method of completing a task but that method/way must be selected by which work can be done early at the minimum possible cost. Methods are flexible. Example, various methods of training are adopted by an organization to train its employees like apprenticeship training, vestibule training etc.

Basis of Difference	Single use plans	Standing Plans
1. Meaning	A single use plans in a business refers to plans developed for a one time project or event that has same objective.	A standing plans in a business refers to plans developed for using over and over again because they focus on organizational situations that occur repeatedly.
2. Objective	Single use plans is developed to carry out a course of action that is not likely to be repeated in future time.	Standing plans however is developed for activities that occur regularly over a period of time.
3. Scope	Single use plans generally encompass a narrow scope targeting a specific project or event.	Standing plans generally encompass a wider scope involving more than one department or business function.
4. Stability	Single use plans are discarded when the situation, project or event is occur.	Standing plans are relatively stable and used over and over again with necessary modifications or updating.
5. Example	Budget for Annual General Meeting of Shareholders.	Recruitment and selection procedure for a particular post in a company.

## **CHAPTER – 5** **Organizing**

### **Meaning of Organizing**

Once the objectives and plans are laid down, management has to identify and establish productive relationships between various activities and resources for implementing plans. In general words organizing refers to arranging everything in orderly form and making the most efficient use of resources. The aim of organizing is to enable people to work together for a common purpose.

“Organizing is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling people to work most effectively together in accomplishing objectives”.

### **Steps Involved in the Process of Organizing**

#### **1. Identification & Division of Work: –**

The total work to be done should be divided into specific jobs as according to predetermined plans.

Job = a set of related tasks that can be performed by an individual. It should have specific and definite tasks to be performed. As far as possible, it should define expected results along with the job.

- Division of work → specialization of efforts and skills + avoids duplication of work.
- Management must ensure that all the activities required to achieve organizational objectives are identified.

#### **2. Departmentalization:**

- Grouping similar and related jobs into larger units called departments, divisions or sections and placing them under a department head. It facilitates specialization.
- The departments are linked together and are interdependent.
- Aims at achieving co-ordination and facilitate unity of action. Departmentation can be done on the basis of:
  - Functions: marketing, personnel, finance etc.
  - Products: Textiles, chemical, power division etc.
  - Territories: Western, northern, central, eastern etc.

#### **3. Assignment of Duties:**

- Define the work of different job positions and allocate work accordingly.
- Once departments are formed, the dept. is placed under the charge of an individual.
- Jobs are assigned to an individual best suited to perform it.
- Qualifications, experience, ability and aptitudes of people should be matched with duties.
- E.g. activities of finance should be assigned to persons having qualifications and experience in finance e.g. C.A's.

#### **4. Establishing Reporting Relationships:**

- Granting requisite authority to enable employees to perform the job satisfactorily.
- Superior subordinate relations between different people and job positions created, so that everybody knows from whom he is to take orders and to whom he can issue orders.
- Creates management hierarchy = a chain of command from the top manager to the individual at the lowest level.
- This helps in coordination.

### **Importance of Organizing**

**1. Benefits of specialization:** In organizing every individual is assigned apart of total work and not the whole task. This division of work into smaller units and repetitive performance leads to specialization. Thus organizing promotes specialization which in turn leads to efficient & speedy performance of tasks.

**2. Clarity in working relationship:** It helps in creating well defined jobs and also clarifying the limits of authority and responsibility of each job. The superior-subordinate relationship is clearly defined in organizing.

**3. Effective Administration:** It provides a clear description of jobs and related duties which helps to avoid confusion and duplication. Clarity in working relationships enables proper execution of work which results ineffective administration.

**4. Optimum utilization of resources:** The proper assignment of jobs avoids overlapping/duplication of work. This helps in preventing confusion and minimizing the wastage of resources and efforts.

**5. Adoption to Change:** A properly designed organizational structure is flexible which facilitates adjustment to changes in workload caused by change in external environment related to technology, products, resources and markets.

**6. Development of Personnel:** Sound organization encourages initiative and relative thinking on part of the employees. When managers delegate their authority, it reduces their workload so they can focus on more important issues related to growth & innovation. This also develops the subordinates' ability and helps him to realize his full potential.

**7. Expansion and growth:** It helps in growth & diversification of an enterprise by adding more job positions, departments, products lines, new geographical territories etc.

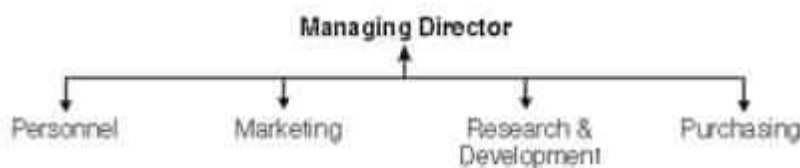
### **Meaning of Organizational Structure**

It seeks to establish relations among all the persons working in the organization. Under the organizational structure, various posts are created to perform different activities for the attainment of the objectives of the enterprise. Relations among persons working on different posts are determined. The structure provides a basis or framework for managers and other

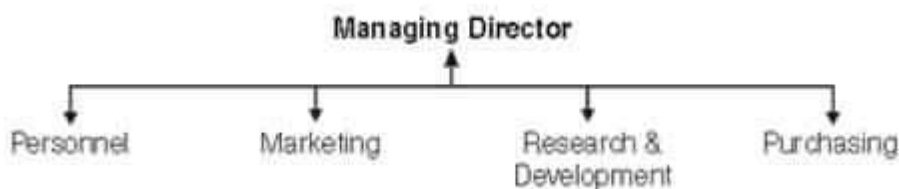
employers for performing their functions. The organization structure can be defined as the frame work within which managerial and operating tasks are performed.

### **Relation between Span of Management and Organization structure:**

Span of management refers to the number of subordinates that can be effectively managed by a superior. The Span of management to a large extent gives shape to the organization structure. This determines the levels of management in the structure. Arrow span of management results in tall structure whereas wider span of management results in flat structure.



(A) **Functional Structure:** In functional structure activities are grouped and departments are created on the basis of specific functions to be performed. For example, all the jobs related to production are grouped under production department, sales departments etc.



### **Suitability**

- (1) Large organizations producing one line of product.
- (2) Organizations which require high degree of functional specialization with diversified activities.

### **Advantage**

1. **Specialization:** Better decision of labor takes place which results in specialization of functions and its consequent benefits.
2. **Coordination is established:** All the persons working within a departmental are specialists of their respective jobs. It makes the co-ordination easier at departmental level.
3. **Helps in increasing managerial efficiency:** Managers of one department are performing same type of function again and again which makes them specialized and improves their efficiency.
4. **Minimizes cost:** It leads to minimum duplication of effort which results in economies of scale and thus lowers cost.

## Disadvantages

- 1. Ignorance of organizational objectives:** Each departmental head works according to his own wishes. They always give more weight to their departmental objectives. Hence overall organizational objectives suffer.
- 2. Difficulty in Inter-departmental Coordination:** All departmental heads work as per their own wishes which leads to coordination within the department easier but it makes inter-departmental coordination difficult.
- 3. Hurdle in complete development** – because each employee specializes only in a small part of the whole job.

## (B) DIVISIONAL ORGANIZATION STRUCTURE

Dividing the whole enterprise according to the major products to be manufactured (like metal, plastic, cosmetics etc.) is known as divisional organization structure.



## Suitability:

This structure is suitable in organizations producing multi product or different lines of products requiring product specialization. Also growing companies which intend to add more lines of products in future adopt this structure.

## Advantages

- 1. Quick decision-making:** Divisional manager can take any decision regarding his division independently which makes decisions quick and effective.
- 2. Divisional results can be assessed:** Division results (profit/loss) can be assessed easily. On this basis any unprofitable division can be closed.
- 3. Growth and Expansion:** It facilitates growth and expansion as new divisions can be added without disturbing existing departments.

## Disadvantages

- 1. Conflicts** among different divisions on allocation of resources.
- 2. Duplicity of Functions:** Entire set of functions is required for all divisions. It gives rise to duplicity of efforts among divisions & increases cost.

**3. Selfish Attitude:** Every division tries to display better performance and sometimes even at the cost of other divisions. This shows their selfish attitude.

## **FORMAL ORGANISATION**

– Refers to the org. structure that is designed by the management to accomplish organizational objectives.

– It specifies clearly the boundaries of authority & responsibility and there is a systematic coordination among the various activities to achieve organizational goals.

– Louis Allen – **System of well-defined jobs, each bearing a definite measure of authority, responsibility & accountability.** .

### **Features**

1. It is deliberately created by the top management.
2. It is based on rules and procedures which are in written form.
3. It is impersonal i.e. does not take into consideration emotional aspect.
4. It clearly defines the authority and responsibility of every individual.
5. It is created to achieve organizational objectives.

### **Advantages**

1. Easier to fix responsibility since mutual relationships are clearly defined.
2. No overlapping of work – because things move according to a definite plan.
3. Unity of command through an established chain of command.
4. Easy to achieve objectives – because coordination and optimum use of human and material resources.
5. Stability in the organization – because behavior of employees can be fairly predicted since there are specific rules to guide them.

### **Disadvantages**

1. The Work is based on rules which causes unnecessary delays.
2. **Lack of initiative:** The employees have to do what they are told to do and they have no opportunity of thinking.



**3. Limited in scope:** It is difficult to understand all human relationships in an enterprise as it places more emphasis on structure and work.

## **INFORMAL ORGANISATION**

An informal organization is that organization which is not established deliberately but comes into existence because of common interests, tastes and religious and communal relations. The main purpose of this organization, structure is getting psychological satisfaction. For example, employees with similar interest in sports, films, religion etc. may form their own informal groups.

### **Features**

1. It originates from within the formal organization as a result of personal interaction among employees.
2. It has no written rules and procedures.
3. It does not have fixed lines of communication.
4. It is not deliberately created by the management.
5. It is personal means the feelings of individuals are kept in mind.

### **Advantages**

1. **Speed:** Prescribed lines of communication are not followed which leads to faster spread of information.
2. **Fulfillment of social needs** – enhances job satisfaction which gives them a sense of belongingness in the organization.
3. **Quick solution of the problems** – because the subordinates can speak without hesitation before the officers, it helps the officers to understand the problems of their subordinates.

### **Disadvantages**

1. **It creates rumors:** All the persons in an informal organization talk careless and sometimes a wrong thing is conveyed to the other persons.
2. It resists change and lays stress on adopting the old techniques.
3. **Priority to group interests:** Pressurizes members to conform to group expectations.

## Difference between Formal Informal Organizations

Basis	Formal Organization	Informal Organization
1. Meaning	It refers to the structure of well-defined authority and responsibility.	It refers to the network of social relationships which develops automatically.
2. Nature	Rigid and stable	Flexible and unstable
3. Authority	Arises by virtues of positions in management.	Arises out of personal qualities.
4. Adherence to rules	Violations of rules may lead to penalties and punishments.	No such penalties and punishments.
5. Flow to Communication	Takes place through the scalar Chain.	Not through a planned route, it can take plane in any direction.
6. Purpose	To achieve planned organizational objectives.	To satisfy social and cultural needs and fulfill common interests.
7. Formation/ origin	Deliberately planned and created by management.	Emerges spontaneously as a result of social interaction among employees.
8. Structure	Well defined structure of tasks and relationships.	No clear cut structure because of complex network of relationships.
9. Flow of Authority	Authority flows from top to bottom i.e. downwards.	Authority flows vertically as well as horizontally.
10. Interdependence	Independent.	Depends on formal structure.

## Delegation of Authority

**Meaning:** It means the granting of authority to subordinates to operate within the prescribed limits. The manager who delegates authority holds his subordinates responsible for proper

performance of the assigned tasks. To make sure that his subordinates perform all the works effectively and efficiently in expected manner the manager creates accountability.

### **Process/Elements of Delegation**

1. **Authority:** The power of taking decisions in order to guide the activities of others. Authority is that power which influences the conduct of others.
2. **Responsibility:** It is the obligation of a subordinate to properly perform the assigned duty. When a superior issues orders, it becomes the responsibility of the subordinate to carry it out.
3. **Accountability:** When a superior assigns some work to a subordinate, he is answerable to his superior for its success or failure.

### **Principle of Absoluteness of Accountability:**

Authority can be delegated but responsibility/accountability cannot be delegated by a manager. The authority granted to a subordinate can be taken back and re-delegated to another person. The manager cannot escape from the responsibility for any default or mistake on the part of his subordinates. For example, if the chief executive asks marketing manager to achieve a sales target of sale of 100 units/day. The marketing manager delegates this task to deputy sales manager, who fails to achieve the target. Then marketing manager will be answerable for the work performance of his subordinates. Thus, accountability is always of the person who delegates authority.



### **Process of Delegation of Authority**

### **Difference between Authority, Responsibility and Accountability**

Basis	Authority	Responsibility	Accountability
1. Meaning	Right to command	Obligation to perform an assigned task.	Accountability for the outcome of the assigned task.

2. Origin	Arises from formal position.	Arises from delegated authority.	Arises from responsibility.
3. Flow	Downward- from superior to subordinate.	Upward- from subordinate to superior.	Upward- from subordinate to superior.
4. Withdrawal	Can be withdrawn anytime by giving notice.	Cannot be withdrawn once created.	Cannot be withdrawn once created.

### **Importance of the Delegation of Authority**

**1. Reduction of Executives' work load:** It reduces the work load of officers. They can thus utilize their time in more important and creative works instead of works of daily routine.

**2. Employee development:** Employees get more opportunities to utilize their talent which allows them to develop those skills which will enable them to perform complex tasks.

**3. Quick and better decision are possible:** The subordinate are granted sufficient authority so they need not to go to their superiors for taking decisions concerning the routine matters.

**4. High Morale of subordinates:** Because of delegation of authority to the subordinates they get an opportunity to display their efficiency and capacity.

**5. Better coordination:** The elements of delegation – authority, responsibility and accountability help to define the powers, duties and answer ability related to various job positions which results in developing and maintaining effective coordination.

### **Decentralization**

- Decentralization of authority means dispersal of authority to take decisions throughout the organization, up to the lower levels.

- It implies reservation of some authority with the top level management and transferring rest of the authority to the lower levels of the organization. This empowers lower levels to take decisions regarding problems faced by them without having to go to the upper levels.

According to Allen, 'Decentralization refers to systematic efforts to delegate to the lowest level, all authority except the one which can be exercised at central points.'

**Centralization** = authority retained at top level and **Decentralization** = Systematic delegation of authority at all levels and in all departments of a firm. Firm needs to balance the two.

- In case of a decentralized firm, Top level retains authority for:
  - Policies and decisions w.r.t the whole firm
  - Overall control and coordination
  - Middle and lower levels have authority to take decisions w.r.t tasks allocated to them

### **Centralization and Decentralization:**

It represents the pattern of authority among managers at different levels. Centralization of authority means concentration of power of decision making in a few hands. In such an organization very little authority is delegated to managers at middle and lower levels. No organization can be completely centralized or decentralized. They exist together and there is a need for a balance between the two. As the organization grows in size, there is tendency to move towards decentralization. Thus, every organization is characterized by both.

### **Importance of Decentralization**

1. **Develops initiative amongst subordinates:** It helps to promote confidence because the subordinates are given freedom to take their own decisions.
2. **Quick and better decisions:** The burden of managerial decisions does not lie in the hands of few individuals but gets divided among various persons which helps them to take better and quick decisions.
3. **Relieves the top executives from excess workload:** The daily managerial works are assigned to the subordinates which leaves enough time with the superiors which they can utilize in developing new strategies.
4. **Managerial Development:** It means giving authority to the subordinates up to the lower level to take decisions regarding their work. In this way the opportunity to take decisions helps in the development of the organization.
5. **Better Control:** It makes it possible to evaluate performance at each level which results in complete control over all the activities.

### **Difference between – Delegation and Decentralization**

Basis	Delegation	Decentralization
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1. Nature	It is a compulsory act.	It is an optional policy.
2. Freedom of action	Less freedom to take decisions due to more control by the superiors.	More freedom of action due to less control by the top management.
3. Status	It is a process of sharing tasks and authority.	It is the result of policy decisions taken by top management.
4. Scope	Narrow- as it is confined to a superior and his immediate and subordinate.	Wide- It includes extension of delegation to all the levels of management.
5. Purpose	To reduce the burden of manager.	To increase the role and the autonomy of lower level of management.

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## CHAPTER – 6 Staffing

### Meaning

Staffing means putting people to jobs. It begins with human resource planning and includes different other functions like recruitment, selection, training, development, promotion and performance appraisal of work force.

### Need and Importance of Staffing

1. **Obtaining Competent Personnel:** Proper staffing helps in discovering and obtaining competent personnel for various jobs.
2. **High Performance:** Proper staffing ensures higher performance by putting right person on the right job.
3. **Continuous growth:** Proper staffing ensures continuous survival and growth of the enterprise.
4. **Optimum utilization of human resources:** It prevents under-utilization of personnel and high labor cost.
5. **Improves job satisfaction:** It improves job satisfaction and morale of employee.

### Staffing As a Part of Human Resource Management (HRM)

#### **• Staffing**

- Function which all managers have to perform as all managers directly deal with people
- Staffing refers to this kind of role played by all managers in small organizations.
- As organizations grow and number of people employed increases, a separate department called the human resource department is formed which consists of specialists who are experts in dealing with people.
- In fact early definitions of staffing focused narrowly on only hiring people for vacant positions. But today staffing is a part of HRM which encompasses not only staffing but also a number of other specialized services such as job evaluation, management of labour relations.

#### **• Human Resource Management**

- Involves procuring, developing, maintaining and appraising a competent and satisfied workforce to achieve the goals of the organization efficiently and effectively.
- Its purpose is to enable every human being working in the organization to make his best possible contribution.

## **PROCESS OF STAFFING**



**1. Estimating Manpower Requirement:** It involves the following:

- (a) Making inventory of current human resources in terms of qualification, training & skills.
- (b) Assessing future human resource needs of all departments.
- (c) Developing a programme to provide the human resources. Job Analysis is an intensive way of finding details related to all jobs.

**2. Recruitment:** It refers to identification of the sources of manpower availability and making efforts to secure applicants for the various job positions in an organization.

**3. Selection:** It is the process of choosing and appointing the right candidates for various jobs in an organization through various exams, tests & interviews.

**4. Placement and Orientation:** When a new employee reports for duty, he is to be placed on the job for which he is best suited. Placement is very important process as it can ensure “Right person for right job”. Orientation/Induction is concerned with the process of introducing a new employee to the organization. The new employees are familiarized with their units, supervisors and fellow employees. They are also to be informed about working hours, procedure for availing leave, medical facilities, history and geography of organization and rules/regulations relating to their wages etc.

**5. Training and Development:** Systematic training helps in increasing the skills and knowledge of employees in doing their jobs through various methods.

Development involves growth of an employee in all respects. It is the process by which the employees acquire skills and competence to do their present jobs and increase their capabilities for higher jobs in future.

**6. Performance Appraisal:** It is concerned with rating or evaluating the performance of employees. Transfers and promotions of the staff are based on performance appraisal.



## **RECRUITMENT**

(A) **Recruitment**: Recruitment may be defined as the process of searching for prospective employees and stimulating them to apply for jobs in the organization.

### **Sources of Recruitment**

- (A) Internal Sources
- (B) External Sources

#### **(A) Internal Sources of Recruitment**

Internal sources refer to inviting candidates from within the organization. Following are important sources of internal recruitment:

1. **Transfers**: It involves the shifting of an employee from one job to another, from one department to another or from one shift to another shift.
2. **Promotions**: It refers to shifting an employee to a higher position carrying higher responsibilities, prestige, facilities and pay.
3. **Lay-Off**: To recall the temporary worker for work is called Lay-Off, who were temporarily separated from organization due to lack of work.

#### **Advantages of Internal Sources Recruitment :**

- (1) Employees are motivated to improve their performance.
- (2) Internal recruitment also simplifies the process of selection & placement.
- (3) No wastage of time on the employee training and development.
- (4) Filling of jobs internally is cheaper.

#### **Limitation of Internal Sources**

- (1) The scope for induction of fresh talent is reduced.
- (2) The employee may become lethargic.
- (3) The spirit of competition among the employees may be hampered.
- (4) Frequent transfers of employees may often reduce the productivity of the organization.

#### **External Sources of Recruitment**

When the candidates from outside the organization are invited to fill the vacant job position then it is known as external recruitment. The common methods of external sources of recruitments are:

- 1. Direct Recruitment:** Under the direct recruitment, a notice is placed on the notice board of the enterprise specifying the details of the jobs available.
- 2. Casual callers:** Many reputed business organizations keep a data base of unsolicited applicants in their office. This list can be used for Recruitment.
- 3. Advertisement:** Advertisement in media is generally used when a wider choice is required. Example– Newspapers, Internet, Radio, Television etc.
- 4. Employment Exchange:** Employment exchange is regarded as a good source of recruitment for unskilled and skilled operative jobs.
- 5.** Campus recruitment and labor contractors can be used for the purpose.

### **Merits of External Sources**

- 1. Qualified Personnel:** By using external source of recruitment the management can attract qualified and trained people to apply for the vacant jobs in the organization.
- 2. Wider Choice:** The management has a wider choice in selecting the people for employment.
- 3. Fresh Talent:** It provides wider choice and brings new blood in the organization.
- 4. Competitive Spirit:** If a company taps external sources, the staff will have to compete with the outsiders.

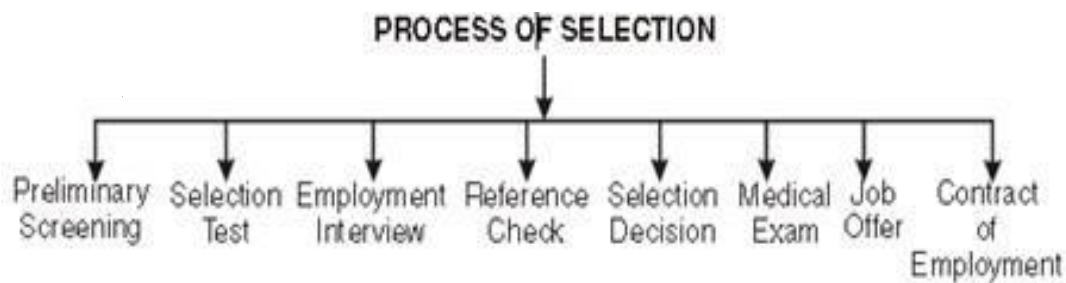
### **Limitations of External Sources of Recruitment**

- 1. Dissatisfaction among existing employees:** Recruitment from outside may cause dissatisfaction among the employees. They may feel that their chances of promotion are reduced.
- 2. Costly process:** A lot of money has to be spent on advertisement therefore this is costly process.
- 3. Lengthy Process:** It takes more time than internal sources of recruitment.

### **Selection**

Selection is the process of choosing from among the candidates from within the organization or from outside, the most suitable person for the current position or for the future position.

## PROCESS OF SELECTION



The successive stages in selection process are:

**1. Preliminary Screening:** After applications have been received, they are properly checked as regarding qualification etc. by screening committee. A list of candidates to be called for employment tests made and unsuitable candidates are rejected altogether.

**2. Selection Tests:** These tests include:

(a) Psychological tests which are based on assumption that human behavior at work can be predicted by giving various tests like aptitude, personality test etc.

(b) Employment test for judging the applicant's suitability for the job.

**3. Employment Interviews:** The main purpose of interview is:

(a) To find out suitability of the candidates.

(b) To seek more information about the candidate.

(c) To give the candidate an accurate picture of job with details of terms and conditions.

**4. Reference Checks:** Prior to final selection, the prospective employer makes an investigation of the references supplied by the applicant. He undertakes a thorough search into candidate's family background, past employment, education, police records etc.

**5. Selection Decisions:** A list of candidate who clear the employment tests, interviews and reference checks is prepared and then the selected candidates are listed in order of merit.

**6. Medical/Physical Examination:** A qualified medical expert appointed by organization should certify whether the candidate is physically fit to the requirements of a specific job. A proper physical exam will ensure higher standard of health & physical fitness of employees thereby reducing absenteeism.

**7. Job Offer:** After a candidate has cleared all hurdles in the selection procedure, he is formally appointed by issuing him an Appointment Letter. The broad terms and conditions, pay scale are integral part of Appointment Letter.

**8. Contract of Employment:** After getting the job offer, the candidate has to give his acceptance. After acceptance, both employer and employee will sign a contract of employment which contains terms & conditions, pay scale, leave rules, hours of work, mode of termination of employment etc.

Nishant wants to set a unit in rural area where people have very few job opportunities and labor is available at a low cost.

For this he wants four different heads for Sales, Accounts, Purchase and Production. He gives an advertisement and shortlists some candidates after conducting selection tests.

1. Identify and state the next three steps for choosing best candidates.
2. Also identify two values which Nishant wants to communicate.

### **Training:**

Training is the act of increasing the knowledge and technical skills of an employee for doing a particular job efficiently. Both existing employees and new employees get acquainted with their jobs and this increases job related skills.

<p><b>Benefits to the firm :</b></p> <ol style="list-style-type: none"><li>1. Avoids wastage of time, effort and money involved in the hit and trial method.</li><li>2. ↑ productivity (quality + quantity) thereby leading to ↑ profits</li><li>3. Equips future managers (to take over in emergencies)</li><li>4. ↑ Employee morale, ↓ absenteeism and turnover</li><li>5. Response to fast changing environment</li><li>6. ↓ supervision, standardization of procedure and safety of operations</li></ol>	<p><b>Benefits to the employee:</b></p> <ol style="list-style-type: none"><li>1. Improved skills and knowledge so better career opportunities</li><li>2. Better performance → higher earnings</li><li>3. Less accidents</li><li>4. ↑ satisfaction and morale of employees</li></ol>
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### **Training Methods**

(A) **On the Job Method:** It refers to the methods that are applied at the work place, where the employee is actually working. It means learning while doing.

The following are the methods of on-the job training:

1. **Apprenticeship Training:** Under this, the trainee is placed under supervision of an experienced person (master worker) who imparts him necessary skills and regulates his performance. The trainee is given stipend while learning so that he/she can enjoy “earn while you learn” scheme.

**2. Internship Training:** Under this method an educational institute enters into agreement with industrial enterprises for providing practical knowledge to its students by sending them to business organizations for gaining practical experience.

**3. Induction training:** It is a type of training given to help a new employee in settling down quickly into the job by becoming familiar with the people, the surroundings, the job and the business. The duration of such type of training may be from a few hours to a few days. The induction provides a good opportunity to socialize and brief the newcomer with the company's overall strategy, performance standards etc. If carefully done, it saves time and cost (in terms of effectiveness or efficiency etc.)

### **Training and Development**

Training is concerned with imparting technical knowledge in doing a particular job. But development is a wider process concerned with growth of an individual in all respects. However, both are related processes; training helps the employees in learning job skills whereas development shapes attitude of the employees.

### **Comparison of Training and Development**

<b>Basis</b>	<b>Training</b>	<b>Development</b>
1. Definition	It means imparting skills and knowledge doing a particular job	It means growth of an employee in all respects.
2. Purpose	It is concerned with maintaining and improving current job performance.	It seeks to develop competence and skills for future performance.
3. Methods	It is imparted through on the job method.	It is imparted through off the job method.
4. Initiative	The boss takes the initiative for imparting training to his subordinates.	The individual takes the initiative for self-growth and development.
5. Duration	Training programs are organized for short terms.	Development takes place over a large period of time.