

**5<sup>TH</sup> SEM BTTM**  
***CALICUT UNIVERSITY***

**PRINCIPLES AND PRACTICES OF MANAGEMENT**

**2019 ADMISSION**

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## **TTM5B11: PRINCIPLES AND PRACTICES OF MANAGEMENT**

### **Module -I**

Concept of Management – Functions and responsibilities of managers- Fayol's principles of management- management thought the classical school- the human relations school- system theory- contingency management. Planning-The nature and purpose of planning- types of planning- advantages and limitations of planning - Concept and nature of objective – Types of objective- importance of objectives- management by objectives (MBO).

### **Module –II**

Strategies and Policies – Concept of corporate strategy- formulation of strategy- types of strategies- types of policies- principles of formulation of policies- decision making- decision making process.

### **Module III**

Organizing – Nature and purpose of organizing- basis of departmentation- span of management determinants of span of management- line and staff relationship- line and staff conflicts-bases of delegation-delegation and decentralization-methods of decentralization-leadership-types.

### **Module IV**

Directing – Directing and problems in human relationship-motivation-communication and leadership- coordinating- Controlling – Concept and process of control, control of overall performance, human aspect of control.

### **Module V**

Staffing-process-HRM and Personnel Management-meaning and definition- objectives- HR planning process-recruitment-selection-training-placement-source of recruitment-methods of recruitment-performance appraisal-meaning and concept-career planning-promotion and transfer-compensation management-concept and objectives- wage and salary-grievance redressal mechanism

## **Module :1**

### **MEANING AND DEFINITION OF MANAGEMENT**

In general usage the word management identifies the group of people whose job is directed towards the efforts and activities of the other people towards common objectives. In simple the management is a process of getting results with a group of people.

Different authors are defined management in different ways. A few of the definitions are given below.

According to Henry Fayol to manage is to forecast and to plan organize to command to coordinate and control.

#### **1. FEATURES OF MANAGEMENT**

- ✓ It is a process – management is a process of planning ,organizing the efforts of people .
- ✓ It is social process-management is getting things through the efforts of the people
- ✓ Decision making-management process involves the decision making of the various departments
- ✓ It is universal application
- ✓ It is required in all levels

### **FUNCTIONS OF A MANAGER/ FUNCTIONS OF MANAGEMENT**

#### **1.Planning:**

Planning is the process of making decisions about the future. It is the process of determining enterprise objectives and selecting future courses of actions necessary for their accomplishment. Planning can also be referred to as

the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom it is to be done.

## **2. Organizing:**

Organizing is concerned with the arrangement of an organization's resources, i.e., people, materials, technology and finance, in order to achieve enterprise objectives. It involves decisions about the division of work, allocation of authority and responsibility and the coordination of tasks.

## **3. Staffing:**

A manager's greatest responsibility is to select, direct, develop and evaluate the people of the organization. Staffing is the function of employing suitable persons for the enterprise. It may be defined as an activity where people are recruited, selected, trained, developed, motivated and compensated for manning the various positions.

## **4. Directing:**

The function of guiding and supervising the activities of the sub-ordinates is known as directing. To get things done, a manager should get along with people. He should motivate them to give their best. He should also communicate organizational policies and strategies effectively and get them implemented.

## **5. Controlling:**

In controlling, performances are observed, measured and compared with what had been planned. If the measured performance is found wanting, the manager must find the reasons for the same and take corrective actions.

## **RESPONSIBILITIES OF A MANAGER**

- Accomplishes department objectives by managing staff; planning and evaluating department activities.
- Maintains staff by recruiting, selecting, orienting, and training employees.
- Ensures a safe, secure, and legal work environment.

- Develops personal growth opportunities.
- Accomplishes staff results by communicating job expectations; planning, monitoring, and appraising job results.
- Coaches, counsels, and disciplines employees.
- Develops, coordinates, and enforces systems, policies, procedures, and productivity standards.
- Establishes strategic goals by gathering pertinent business, financial, service, and operations information.
- Defines objectives, identifies and evaluates trends and options, chooses a course of action, and evaluates outcomes.

## **SCHOOL OF THOUGHT IN MANAGEMENT**

The **schools of management thought** are theoretical frameworks for the study of **management**. Each of the **schools of management thought** are based on different assumptions about human beings and the organizations for which they work...

The school of management can be divided in to mainly three:

1. MANAGEMENT THOUGHT IN CLASSICAL SCHOOL
2. NEO CLASSICAL APPROACH
3. MODERN APPROACH IN MANAGEMENT SCHOOL

## **MANAGEMENT THOUGHT IN CLASSICAL SCHOOL**

**Classical management theory** is based on the belief that workers only have physical and economic needs. It does not take into account social needs or job satisfaction, but instead advocates a specialization of labour, centralized leadership and decision-making, and profit maximization.

The classical management theory mainly advocates the efficient and effectively of the output employees .it does not consider the value of human being.

In the classical management theory, the people are motivated on by the economic aspirations.

### **The Classical Theory of Management – Comprising Three Streams:**

**(a) Administrative management**

**(b) Scientific Management; and**

**(c) Burocratic management**

#### **ADMINISTRATIVE MANAGEMENT**

The administrative management is contributed by the Hentry Fayol is the father of modern management. He is a well known management thinker, he wrote the book of General and industrial management.

The Fayols mainly advocates the how to manage an organisation as whole. According to Hentry Fayol all the activities of a business organisation can be classified in six.

- (1) Technical activities (production, manufacture, adaptation).**
- (2) Commercial activities (buying, selling and exchange),**
- (3) Financial activities (search for and optimum use of capital).**
- (4) Security activities (protection of property and persons).**
- (5) Accounting activities (stocktaking, balance sheet, cost, statistics).**
- (6) Managerial activities (planning, organisation, command, co-ordination and control).**

#### **FAYOLS PRINCIPLES OFMANAGEMENT**

**Division of work-**Divide work into specialized tasks and assign responsibilities to specific individuals. Specialization increases output by making employees more efficient.

**Authority and responsibility**-Authority is the right to give orders and the power to obtain obedience. Managers must be able to give orders and authority gives them this right.

**Discipline**-Employees must obey and respect the rules that govern the enterprise.

**Unity of command**-An employee should receive commands from only one superior.

5. **Unity of direction**- The entire organization should be moving towards a common objective in a common direction.

6. **Subordination of individual interest to the common good.** In any organisation, the interests of employees should not take precedence over the interests of the organisation as a whole.

7. **Remuneration of personnel**- Compensation for work done should be fair to both employees and employers. Fayol did not favour profit-sharing plan for workers but advocated it for managers.

8. **Order**- Materials and people should be in the right place at the right time.

9. **Centralization**- Fayol defined centralization as lowering the importance of the subordinate role. Decentralization is increasing the importance. The degree to which centralization or decentralization should be adopted depends on the specific organization in which the manager is operating.

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

11. **Equity**- Managers should be fair in dealing with employees. Equity is the combination of justice and kindness.

12. **Stability of tenure**- Management should provide systematic human resource planning and ensure that replacements are available to fill vacancies.

13. **Initiative**- Management should take steps to encourage worker initiative, which is defined as new or additional work activity undertaken through self-direction.

14. **Esprit de corps**- Management should promote harmony and general good feelings among employees.

## **SCIENTIFIC MANAGEMENT**

Scientific management will be a process of directing human efforts which employs the scientific method and the management specialists.

Scientific method includes- (a) observation; (b) measurement; (c) experimentation; and (d) inferences and conclusions.

The management specialist can be defined as one who specialises in the application of modern scientific method to the solution of problems arising in the process of management

## **PRINCIPLES OF SCIENTIFIC MANAGEMENT**

i) Science, not rule of thumb- According to this principle, scientific management is the development of a true science for each element of man's work to replace the old rule of thumb.

(ii) Harmony, not discord- According to this principle, workers should be selected and trained with due care. Their skills and experiences should be matched with the requirements of the jobs they are to perform.

(iii) Cooperation, not individualism- Scientific management puts great emphasis on the promotion of harmony and cooperation between workers and the management so as to maximise efficiency.

(iv) Maximum output, not restricted output- According to this principle, the aim of both workers and the management should be to maximise output.



(v) Development of each man to his greatest efficiency and prosperity- Scientific management aims at maximum prosperity of both employers and employees. For this purpose, workers and the management should cooperate and maximise output instead of fighting on the division of surplus or profits.

## **BUROCRACTIC MANAGEMENT**

The burocratic management system are founded by the MAX WEBBER. The main features burocratic mmanagement is given below

Max Weber (1864—1920) introduced most of the concepts on bureaucratic organisations. The word bureaucracy implies an organisation characterized by rules, procedures, impersonal relations, and elaborate and fairly rigid hierarchy of authority- responsibility relationships. Weber has provided a number of features of bureaucratic structure.

1) ***A Division of Labour by Functional Specialization*** – A maximum possible division of labour makes it possible to utilise all links of the organisation experts who are fully responsible for the effective fulfillment of their duties.

(2) ***A Well Defined Hierarchy of Authority***

Each sub-ordinate is accountable to his superior for his own decisions and actions and the decisions and actions of his subordinates in turn.

(3) ***A System of Procedures of Dealing with Work Situations*** – These procedures must be time-tested and equally applicable under similar situations of work.

(4) ***A System of Rules Covering the Duties and Rights of Employment.***

(5) ***Impersonal Relations between People***

(6) ***Selection and Promotion Based upon Technical Competence and Excellence***

### **Advantage of Bureaucracy:**

(1) ***It leads to consistent employee behaviour –***

(2) ***It eliminates conflicting job duties –***

(3) *The maximum utilization of human resources* –

(4) *The workers become specialists* –

(5) *Continuance of the Organisation* –

The organisation continues, even if the individuals leave since the position is emphasised rather than the person.

#### **Disadvantage of Bureaucracy:**

➤ *Too much of paperwork*

In this there is too much of red-tape and paperwork.

➤ *Employees think less for the organisation*

Because of impersonal nature of work; the employees do not care about the organisation, as there is no sense of belonging and devotion.

➤ *No initiative and growth of the workers*

➤ *There is a resistance to change*

Workers become so used to routines that there is a resistance to change and introduction of new techniques of operations.

### **NEO CLASSICAL APPROACH TO THE MANAGEMENT**

#### **HUMAN RELATION SCHOOL OF MANAGEMENT**

Human relations theory: a school of organizational thought which focuses on worker satisfaction, informal workplace organizations, and a means of influencing employee productivity. Unlike scientism, human relations theory does not view workers as essentially interchangeable parts. The human relation theory is founded by the ELTON MAYO .

#### **FEATURES**

(a) Since management is getting things done through and with people, a manager must have a basic understanding of human behaviour in all respects—particularly in the context of work groups and organisations.

(b) The managers must study the inter-personal relations among the people at work.

(c) Larger production and higher motivation can be achieved only through good human relation.

(d) The study of management must draw the concepts and principles of various behavioural sciences like Psychology and Sociology.

The main experiments that are done by the Elton mayo is given below

- Illumination experiment
- Relay assembly test room
- Bank wiring observation room experiment.
- Mass interview technique.

## **MODERN APPROACH TO THE MANAGEMENT**

### **SYSTEM THEORY OF MANAGEMENT**

The **Systems Approach to management theory**, commonly viewed as the foundation of organizational development, views the organization as an open **system** made up of interrelated and inter-dependent parts that interact as sub-**systems**. Thus the organization comprises a unified singular **system** made up of these subsystems.

### **FEATURES**

- **Sub-Systems** - Each organization is a system made up of a combination of many sub-systems. These sub-systems are inter-related.
- **Holism** - Each sub-system works together to make up a single whole system. Decisions made in any subsystem affect the entire system.
- **Synergy** - The collective output of the whole system is greater than the sum of output of its sub-systems.

- **Closed and Open Systems** - The whole organization is an open system made up of a combination of open and closed sub-systems.
- **System Boundary** - The organization is separate from the external environment made up of other systems.

## **CONTINGENCY THEORY OF MANAGEMENT**

A **contingency theory** is an organizational **theory** which gives more importance to the situations that an organization is faced.

### **Features of Contingency Theory:**

1. Management is situational in nature. The technique of management depends on complexity of the situation.
2. It is the 'if and 'then 'approach to management, 'If' represents the independent variable and 'then' represents the dependent management variable or the technique to be adopted in that situation. 'If' workers have strong physiological needs, 'then' financial motivators should be adopted and 'If' they have strong higher-order needs, 'then' non-financial motivators should be adopted.
3. Management principles are not universal in nature as there is no best style of management. Management is situational and managerial actions depend upon the environmental circumstances.
4. It provides insight into organisation's adaptability to both internal and external environment. It is a matter of fitting the internal environment to its external environment.

## **PLANNING**

Planning is the important function of management. It is a continuous process. It involves the determination of future course of action, and laying down

the sequence of activities to accomplish the objectives. it is the preparation of blue print.

“According to Koontz O Donnel planning is an intellectual process, the conscious determination of the course of action and taking of decisions on the purpose of knowledge and considering the estimates.

In the words of Haiman “planning is deciding in advance what is to be done.

Planning is with thinking before doing and deciding in advance what is to be done, who is to be done, how is to be done, who is do it.

## **FEATURES OF PLANNING**

### ***1. It is done on the basis of objectives:***

Planning involves certain steps like determination of objectives and development of the programs and procedures to achieve the objectives of the organization.

### ***2. Planning is pervasive:***

All the levels of management whether top or middle engaged in the process of planning. The top level management plans for whole organization and departmental level managers plans and take the decisions related to their own department .so planning is necessary for all the levels of management

### ***3. It should be participative***

It is not done by the individual. different persons may contribute to the formulation of plans and decisions.

### ***4. It should be flexible***

Planning is not be rigid. The management are able to make changes in according to the circumstances

### ***5. It is the primary function of the management.***

Without the plans no organization cannot work to achieve their goals so it is rightly called the primary function of the management.

**6. *It is futuristic***

Planning is deciding in advance what is done in future its is done on the basis of forecasting.

**7. *It is a continous process***

It is a continous process and permanent process.it never ends. A manager plans and modifies according to the information received from the persons who are responsible to execute it.

**8. *Planning is mental activity:***

Planning is thinking in advance what is to be done in future so while it is known as mental activity.

**9. *Planning is forward looking***

**10.*It involves the best selection of future action.***

**TYPES OF PLANNING**

The planning can be classified in three on the basis of nature of planning , duration of planning and level of management.

**(i) Nature of Planning:**

a. Formal planning.

b. Informal planning.

**(ii) Duration of planning:**

a. Short term planning.

b. Long term planning.

**(iii) Levels of Management:**

a. Strategic planning.

b. Intermediate planning.

c. Operational planning.

**(i) Nature of Planning:**

**a. Formal Planning:**

The term formal means official and recognised. Any planning can be done officially to be followed or implemented. Formal planning is aims to determine and objectives of planning. It is the action that determine in advance what should be done.

**Advantages:**

1. Proper Cooperation among employees,
2. Unity of Action,
3. Economy,
4. Proper coordination and control,

**b. Informal Planning:**

An informal plan is one, which is not in writing, but it is conceived in the mind of the manager. Informal planning will be effective when the number of actions is less and actions have to be taken in short period.

**(ii) Duration of Planning:**

**a. Short term Planning:**

Short term planning is the planning which covers less than two years. It must be formulated in a manner consistent with long-term plans. It is considered as tactical planning. Short-term plans are concerned with immediate future; it takes into account the available resources only and is concerned with the current operations of the business

**Advantages:**

1. It can be easily adjustable.

2. Changes can be made and incorporated.
3. Easy to Gauge.

**Disadvantages:**

1. Very short period-left over things will be more.
2. Difficult to mobilise the resources.

**b. Long-Term Planning:**

Long-term planning usually covers a period of more than five years, mostly between five and fifteen years. It deals with broader technological and competitive aspects of the organisation as well as allocation of resources over a relatively long time period. Long-term planning is considered as strategic planning.

**Advantages:**

1. Sufficient time to plan and implement.
2. Effective control.
3. Adjustment and changes may be made gradually.

**Disadvantages:**

1. Prediction is difficult.
2. Full of uncertainties.
3. Objectives and Targets may not be achieved in full.

**(iii) Levels of Management:**

**a. Strategic Planning:**

The strategic planning is the process of determining overall objectives of the organisation and the policies and strategies adopted to achieve those objectives. It is conducted by the top management, which includes chief executive officer,



president, vice-presidents, General Manager etc. It is a long range planning and may cover a time period of up to 10 years.

### **b. Intermediate Planning(tactical planning)**

Intermediate planning cover time frames of about 6 months to 2 years and is contemplated by middle management, which includes functional managers, department heads and product line managers. They also have the task of polishing the top managements strategic plans.

### **c. Operational Planning:**

Operational planning deals with only current activities. It keeps the business running. These plans are the responsibility of the lower management and are conducted by unit supervisors, foremen etc. These are short-range plans covering a time span from one week to one year.

## **IMPORTANCE (PURPOSE) OF PLANNING**

The importance of planning is stated as under:

### **1. *To offset uncertainty***

Planning helps the management to foresee the various uncertainties due to the changes in technology, taste and fashions and other environmental conditions.

### **2. *Focuses on organizational objectives***

Planning is deciding the activities that are performed by the managers, employees etc.... so every person can tune the activities in their plans it would help to achieve organizational objectives

### **3. *Helps in co ordination***

Well considered overall plans unify the interdepartmental objectives into organizational objectives. The various departments are working according to the plan so harmony can be achieved.

#### ***4. Facilitates control***

Through the planning the management can decide the standard performance. With the help of these standards comparisons can be made with actual. If there is a difference then the proper steps are to be taken for it.

#### ***5. Enhances efficiency***

Planning determines the various activities undertaken by the various departments. This enhances efficiency.

#### ***6. Planning brings economy to the operation***

Planning helps to anticipate the manpower requirements, raw material etc.. the proper allocation of the resource's economy can be achieved.

#### ***7. Helps in motivation***

The targets are already decided and are communicated to the workers. The managers can encourage them to attain targets.

### **LIMITATIONS OF PLANNING**

The planning has several limitations. The following are the main limitations

#### ***❖ Expensive***

Planning is a time consuming and expensive process. Small and medium enterprises find it difficult to make comprehensive plans. A lot of money is to be spent for collection, analysis and editing of data.

#### ***❖ Lack of reliable data***

It is difficult to procure reliable data. Absence of accurate data will affect the plan.

#### ***❖ Time consuming***

It will take a lot of time to define the objective for collecting and analyzing and editing data.

#### ***❖ Restrict initiation***

Everyone is required to work as per plan. There is no room for the application of workers' own initiative.

❖ ***Technological changes***

The rate and nature of technology create a lot of problems in the planning

❖ ***External factors***

Planning is based on future assumptions. There are the chance changes in demand, government policy technology

❖ ***Limitations in forecasting***

We know that the future is uncertain. planning depends on forecasting of future. so, the success of planning depends upon the managers ability.

## **BUSINESS OBJECTIVE**

The process of management begins with the setting up of organizational objectives. They are the end points or goals predetermined results.

According to George r terry defines ‘managerial objective is the intended goal which prescribes the definite scope and suggests direction to the efforts of manager.

The business objective is the ultimate aim towards the which all the enterprises are directed.

In short the business objective is the organization wish to achieve in future.

## **NATURE OF BUSINESS OBJECTIVES**

**1. It is multiple in nature**

A business organization is requires to determine a number of objectives to achieve organizational objectives.

**2. Objectives are hierarchy**

The top-level management determines the overall objectives of an organization. All the departments are also accomplishing the objectives. So there is a hierarchy is to be maintained.

**3. Objective form a network**

Objectives are mutually exclusive and should be supportive.

#### **4. Objectives are priority**

At a given point of time the accomplishment of one objective is relatively important than others.

#### **5. Objectives are verifiable**

Business objectives are expressed in numerical terms so that they can be verifiable

#### **6. Objectives may long range or short range**

The business objectives are classified in two long range and short range

The survival of the business is long term objective and market standing and maximization of sales are the short-term objectives.

### **IMPORTANCE OF BUSINESS OBJECTIVES**

- Clear definition of objectives encourages unified planning. departmental objectives are prepared on the basis of overall objectives of the organization. So it contribute the unified planning.
- It facilitates the co ordination of workers efforts and resources of the organization.
- They motivate the individual.
- Objectives are the basis of decentralization of authority at different levels of management.

### **TYPES OF BUSINESS OBJECTIVE**

#### **a) Economic Objectives:**

##### **1.Profit Earning:**

Profit is the lifeblood of business, without which no business can survive in a competitive market. In fact profit making is the primary objective for which a business unit is brought into existence.

## **2.Creation of customers:**

A business unit cannot survive unless there are customers to buy the products and services. For this it needs to attract more customers for its existing as well as new products

## **3.Regular innovations:**

Innovation means changes, which bring about improvement in products, process of production and distribution of goods.

## **4.Best possible use of resources:**

The availability of these resources is usually limited. Thus, every business should try to make the best possible use of these resources. Employing efficient workers. Making full use of machines and minimizing wastage of raw materials, can achieve this objective.

### **b) Social Objectives:**

#### **(i) Production and Supply of Quality Goods and Services:**

Since the business utilizes the various resources of the society, the society expects to get quality goods and services from the business. The objective of business should be to produce better quality goods and supply them at the right time and at a right price .

#### **(ii) Adoption of Fair Trade Practices:**

In every society, activities such as hoarding, black- marketing and over-charging are considered undesirable. Besides, misleading advertisements often give a false impression about the quality of products.

#### **(iii) Contribution to the General Welfare of the Society:**

Business units should work for the general welfare and upliftment of the society.

### **C. Human Objectives:**

#### **(i) Economic Well-being of the Employees:**

In business employees must be provided with fair remuneration and incentive for performance benefits of provident fund, pension and other amenities like medical facilities, housing facilities etc. By this they feel more satisfied at work and contribute more for the business.

#### **(ii) Social and Psychological Satisfaction of Employees:**

It is the duty of business units to provide social and psychological satisfaction to their employees. This is possible by making the job interesting and challenging, putting the right person in the right job and reducing the monotony of work. Opportunities for promotion and advancement in career should also be provided to the employees.

#### **(iii) Development of Human Resources:**

Business can prosper if the people employed can improve their skills and develop their abilities and competencies in course of time. Thus, it is important that business should arrange training and development programmes for its employees.

#### **(iv) Well-being of Socially and Economically Backward People:**

Business units being inseparable parts of society should help backward classes and also people those are physically and mentally challenged.

### **d) National Objectives:**

#### **(i) Creation of Employment:**

One of the important national objectives of business is to create opportunities for gainful employment of people.

#### **(ii) Promotion of Social Justice:**

Towards this objectives special attention must be paid to weaker and backward sections of the society.

**(iii) Production According to National Priority:**

Business units should produce and supply goods in accordance with the priorities laid down in the plans and policies of the government. One of the national objectives of business in our country should be to increase the production and supply of essential goods at reasonable prices.

**(iv) Contribute to the Revenue of the Country:**

The business owners should pay their taxes and dues honestly and regularly. This will increase the revenue of the government

**(v) Self-sufficiency and Export Promotion:**

To help the country to become self-reliant, business units have the added responsibility of restricting import of goods.

**e) Global Objectives:**

**1. Raise General Standard of Living:**

Growth of business activities across national borders makes quality goods available at reasonable prices all over the world. The people of one country get to use similar types of goods that people in other countries are using. This improves the standard of living of people.

**2.Reduce Disparities among Nations:**

Business should help to reduce disparities among the rich and poor nations of the world by expanding its operation.

**3. Make Available Globally Competitive Goods and Services:**

Business should produce goods and services which are globally competitive and have huge demand in foreign markets. This will improve the image of the exporting country and also earn more foreign exchange for the country.

## **MANAGEMENT BY OBJECTIVES**

The MBO was developed by the peter f Drucker. He emphasized that the performance of each job should be directed towards the achievement of whole business objectives

According to Koontz o Donnel MBO is a comprehensive managerial system that integrates the managerial activities in a systematic manner, consciously towards the effective efficiently towards the organizational objectives

It can be defined as the system for improving the performance both of the individual managers and the enterprise as a whole, by setting the objectives of the enterprise, managers and departmental objectives.

### **Features of MBO**

1. It focuses on goals and their achievement.
2. It includes the short term and long term objectives .
3. It aims at radical realignmentof relation ship between the superior and subordinate managers
4. Effective participation and involvement byeach member is required toset up goals and achievement.
5. Periodic review of the performance is essential feature of the MBO

### **STEPS IN MBO**

1. Setting of the objectives
2. Developing action plans
3. Conducting periodic reviews



#### 4. Performance appraisal

##### 1. Setting the objectives

The first step of the MBO is to determine the main objective of the organization. The objectives must be formulated carefully because they act as a guideline for all concerned in the organization.

##### 2. Developing the action plans

After deciding the objectives it should be translated to action plan. They may require the allocations of the responsibilities to different departments or divisions.

##### 3. Periodic review

Periodic reviews are to be conducted based on the planned performance.

##### 4. Performance appraisal

The performance is should be evaluated periodically. If there is any deviations corrective measures are also be taken.

#### Benefits of MBO

- ❖ The MBO which would help the subordinates to participate in the setting up of goals.
- ❖ By setting up of clear cut objectives the employees can control its own performance.
- ❖ It provides definite performance of standards.
- ❖ It encourages the motivation
- ❖ Classified objectives reduce ambiguity of the employees.
- ❖ Integration of different level objectives with the overall objectives can be achieved.

#### LIMITATIONS OF MBO

- The main objectives of MBO is the setting up of objectives and it is not a easy task
- Subordinate participation is compulsory for the MBO they may not feasible in all organisations.
- MBO which is considered only the short term goals it does not consider the long term objectives.
- MBO which is only possible when the objectives are verifiable and measurable.
- It is costly
- To the implementation of the MBO required qualified staff and it cannot be affordable to the small organisations.

## MODULE 2

### **MEANING OF STRATEGY**

**Strategy** is an action that managers take to attain one or more of the organization's goals. Strategy can also be defined as "A general direction set for the company and its various components to achieve a desired state in the future. Strategy results from the detailed strategic planning process".

A strategy is all about integrating organizational activities and utilizing and allocating the scarce resources within the organizational environment so as to meet the present objectives.

### **MEANING OF POLICY**

A policy in Management is a general statement which is formulated by an organization for the guidance of its personnel. The objectives are first formulated and then policies are planned to achieve them. Policies are a mode of thought and the principles underlying the activities of an organization or an institution.

According to Koontz & O'Donnel, "Policies were identified as guides to thinking in decision-making. They assume that when decisions are made, these will fall within certain boundaries."

Policies do not require action, but are intended to guide managers in their decision commitments when they do not make decisions. Policies provide a framework within which a person has freedom to act.

## **TYPES OF STRATEGY**

### **1. Stability strategy:**

This type of strategy is used by an organization in cases where the organization is satisfied with the current situation and therefore it does not want to move away from such a position. Consequently, in such a case, the organization goes for the stability strategy..

### **2. Growth strategy:**

growth is related with expansion and diversification of the business operations. A growth strategy can be implemented in the organization through market development, product development, merger or diversification. In case of product development, the organization adds new products to the existing products or these new products replace the products that were offered by the organization earlier.

### **3. Retrenchment strategy:**

An organization may decide to retreat or the change from its current position for the purpose of improving its position or sometimes in order to survive. This type of strategy has to be adopted by an organization when the company is going through the times of recession, competition.

### **4. Combined strategy:**

In case of large organizations that are working in a number of industries, there may be a need to adopt the combined strategy. In this way, a combined strategy reflects the mix of the strategies that have been mentioned above.

## OTHER TYPES OF STRATEGIES

Strategic Management Types	Meaning
<i>Competitive strategy</i>	Combines the external situation, along with the integrative concerns of the personal status of an organization
<i>Corporate Strategy</i>	The top-level by the senior management of a diversified company
<i>Business Strategy</i>	Business-unit level or business-unit strategy
<i>Functional Strategy</i>	Pointing up a particular functional area of an organization
<i>Operating Strategy</i>	Operating units of an organization

## FORMULATION OF STRATEGY

### 1. Establishing Organizational Objectives:

This involves establishing long-term goals of an [organization](#). Strategic decisions can be taken once the organizational objectives are determined.

### 2. Analysis of Organizational Environment:

This involves SWOT analysis, meaning identifying the company's strengths and weaknesses and keeping vigilance over competitors' actions to understand opportunities and threats.

### 3. Forming quantitative goals:

Defining targets so as to meet the company's short-term and long-term objectives. Example, 30% increase in revenue this year of a company.

### 4. Objectives in context with divisional plans:

This involves setting up targets for every department so that they work in coherence with the organization as a whole.

#### **5. Performance Analysis:**

This is done to estimate the degree of variation between the actual and the standard performance of an organization.

#### **6. Selection of Strategy:**

This is the final step of strategy formulation. It involves evaluation of the alternatives and selection of the best [strategy](#) amongst them to be the strategy of the organization.

### **TYPES OF POLICIES**

The following are the various types of policies:

#### **➤ Organizational policies**

These refer to the overall policies of the organization. These policies decide the goals of the activities of the organization as a whole.

#### **➤ Functional policies**

Functional Policies are prepared for different functions such as production, marketing, finance, personnel etc. Functional policies are decided keeping in view the organizational policies. These policies help in coordination of efforts of different people.

#### **➤ *Originated policies***

These are those policies which are initiated by the managers. These policies are prepared for the guidelines of the subordinates. It is also known as Internal policy.

➤ ***Appealed policies***

This type of policy is formulated only on the request of the subordinates. This policy helps the subordinates to handle some situations

➤ **General policies**

A policy which does not create any impact on the performance of the employees. The policy may represent the philosophy of the top management executives. For example: motivating the employees to perform the job in a better way. It is a general policy.

➤ **Specific policies**

It is a policy which is formulated with regard to any specific issue i.e. transfer, promotion, compensation etc. A specific policy must conform to the broad outlines mentioned in the general policies.

➤ **Written policy**

It is a policy which is formulated and intimated in the written form. Here, there is no possibility of any degree of deviation. Everyone should adhere to the written policy.

➤ **Implied policy**

A policy is inferred from the behavior of the superior. It is an implied policy. Such policies are more flexible than other policies.

➤ **Supportive policies**

These policies are meant to be formulated to support the major policies. A concern may have the development of a new product as a major policy; the research to find out the unfulfilled needs of consumers may be a supportive policy.

➤ **Minor policies**

The policies which do not influence the main objectives of the enterprise may be called minor policies. These policies may relate to some routine matters of some less importance. A policy may be to hire some more workers in case of some emergency.

➤ **Composite policies**

To achieve one objective a number of policies may be used, these are composite policies.

## **PRINCIPLES OF FORMULATION OF POLICIES**

- 1.) It must be specific, clear, easy and simple.
- 2.) It should be flexible so that it can adapt to changing circumstances. But it should also be stable.
- 3.) It must consider internal factors.
- 4) It may be written or verbal.
- 5) It must reflect the objective of the company.
- 6) There should be a line of communication in the implementation cell.
- 7) There should be evaluation at certain intervals.
- 8) There should be coordination among all the policies. It must not be contradictory with each other.
- 9) A policy should relate one objective with other.
- 10) One policy should be complementary with each other. (Adopting traditional vs inventing new.)



11) Policies should be based on justifiability and honesty.

## **DECISION MAKING**

Decision making is **the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions**. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives.

### **DECISION MAKING PROCESS**

1. Establishing objectives
2. Classifying and prioritizing objectives
3. Developing selection criteria
4. Identifying alternatives
5. Evaluating alternatives against the selection criteria
6. Choosing the alternative that best satisfies the selection criteria
7. Implementing the decision

## Module 3

### **ORGANIZING AND ITS MEANING**

Organizing involves the grouping of activities necessary to accomplishing the goals and plans, the assignment of these activities to appropriate departments and it includes the delegation of authority .

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

### **NATURE OF ORGANIZING**

#### **1. Process:**

Organisation is a process of defining, arranging and grouping the activities of an enterprise and establishing the authority relationships among the persons performing these activities.

#### **2. Structure:**

The function of organising is the creation of a structural framework of duties and responsibilities to be performed by a group of people for the attainment of the objectives of the concern.

#### **3. Dividing and Grouping the Activities:**

Activities of an enterprise are required to be distributed between the departments.

#### **4. Accomplishment of Goals or Objectives**

An organisation structure has no meaning or purpose unless it is built around certain clear-cut goals or objectives.

#### **5. Authority-Responsibility Relationship:**

An organisation structure consists of various positions arranged in a hierarchy with a clear definition of the authority and responsibility.

## PURPOSE OF ORGANIZING

- Grouping of activities is necessary to attain objectives
- The assignment of each group to a manager with authority necessary to supervise it
- Creating coordination horizontally and vertically in the enterprise structure

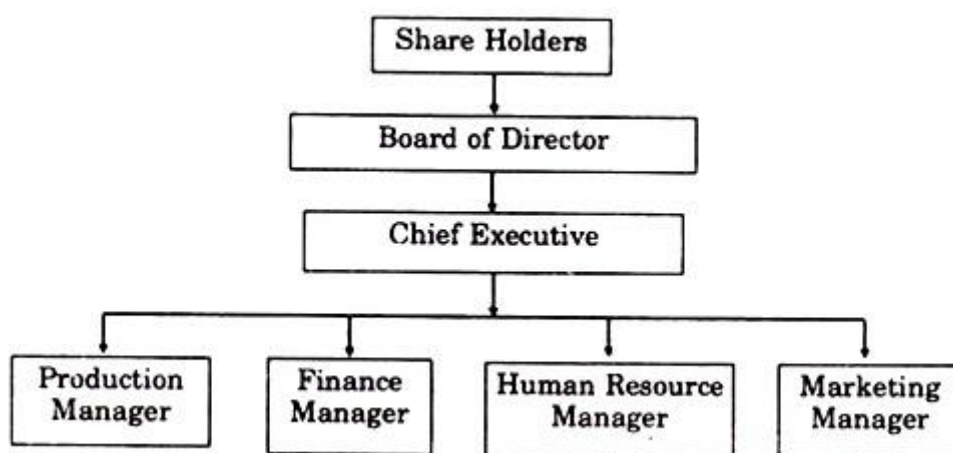
## DEPARTMENTATION

It is the process of [departmentalizing](#) an enterprise for gaining efficiency and coordination : the grouping of tasks into departments and subdepartments and delegating of authority for accomplishment of the tasks.

### BASIS OF DEPARTMENTATION

#### 1. Departmentation by Function:

Similar activities of a business are grouped into major departments or divisions under an executive who reports to the chief executive.



#### Merits of Departmentation by Function:

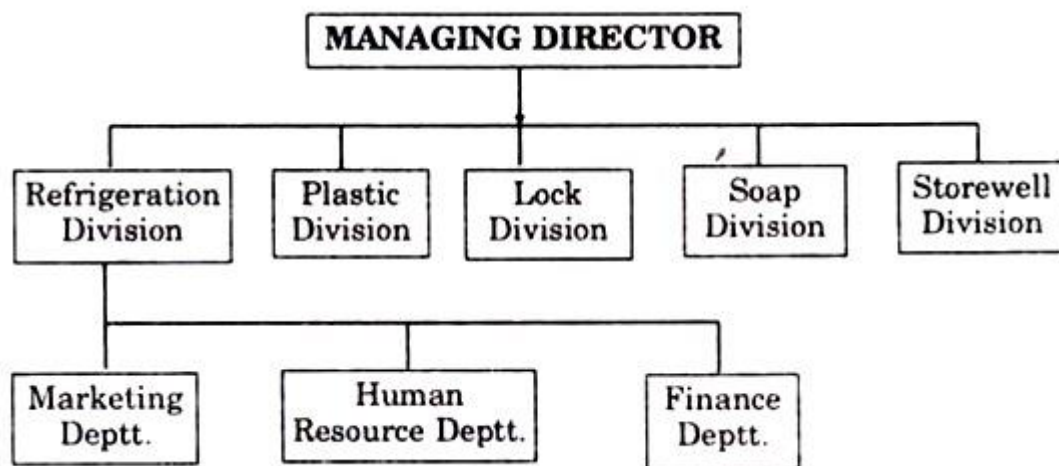
1. It suits well the small enterprises for creating major departments.
2. It promotes specialization.
3. It economizes operations and makes possible the adoption of logical and comprehensible structure.
4. It facilitates inter-departmental co-ordination.

### **Demerits of Departmentation by Function:**

1. It may lead to excessive centralization.
2. Decision making process is delayed.

### **2. Departmentation by Product:**

In a multiproduct organisation the departmentation by product most suits. Here the activities are grouped on the basis of produce or product lines.



### **Merits of Departmentation by Product:**

1. Each product division can be taken as a viable profit centre for accountability purposes.
2. Top management is relieved of operating task responsibility and can concentrate on such centralized activities as finance, research etc.
4. It facilitates decentralization.

### **Demerits of Departmentation by Product:**

- (1) It increases management cost.
- (2) There are problems at the top of co-ordination.

### **Departmentation by Territory:**

It is suitable for organisations having wide geographical market such as pharmaceuticals, banking, consumer goods, insurance, railways etc..The territory may be known as district, division or region.



#### **Merits of Departmentation by Territory:**

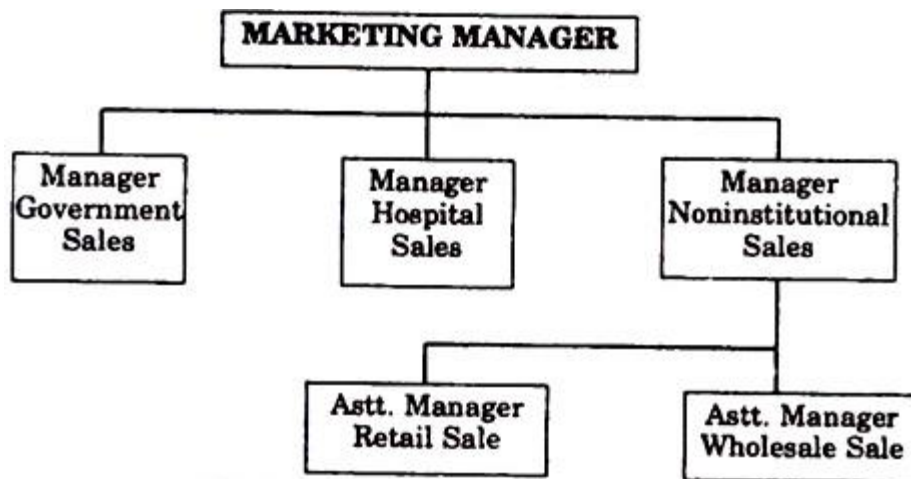
1. It helps in achieving the benefits of local operations such as local supply of materials & labour, local markets etc.
2. Full attention can be paid to local customer groups.

#### **Demerits of Departmentation by Territory:**

1. It creates the problem of communication and co-ordination between various regional offices.

#### **Departmentation by Customers:**

This type of classification is adopted by enterprises offering specialized services. To give the attention to heterogeneous groups of buyers in the market, marketing activities are often split into various several parts.



### **Merits of Departmentation by Customers:**

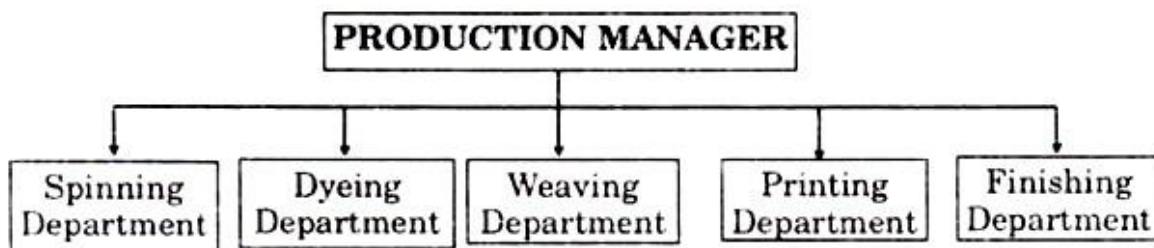
1. The main advantage of following this type of departmentation is that particular needs of the particular- customers can be solved.

### **Demerits of Departmentation by Customers:**

1. There may be duplication and underutilization of facilities and resources.
2. It may be difficult to maintain co-ordination among the different customer departments.

### **Departmentation by Process:**

Departmentation by process means the total activities are to be classified on the basis of process involved.



### **Merits of Departmentation by Process:**

1. It provides economy of operation

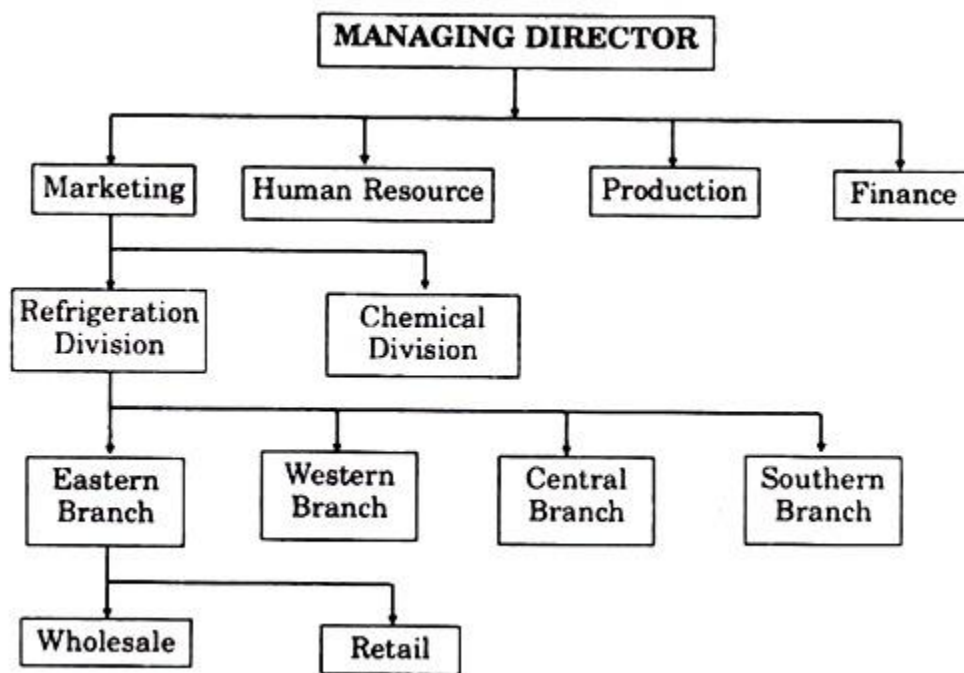
2. The benefits of specialization are available.
3. Efficient maintenance of equipment's is possible.

### **Demerits of Departmentation by Process:**

1. There may be difficulties in coordinating the activities of different departments

### **6. Departmentation-Combined Base:**

Sometimes, several bases of departmentation may be used simultaneously.



### **LINE AND STAFF RELATIONSHIP**

“Line and staff relation refers to a **pattern in which staff specialists advise line managers to perform their duties.**” ... The Staff managers have the responsibility to advice, help and guide the line managers in the performance of the above functions. Provide specified administrative services.

### **Benefits of line and staff relation ship**



- ✓ Handling complex managerial functions

The necessity of having the advice of qualified staff specializes in various areas of an organization can scarcely be overemphasized, especially as operations become more and more complex.

- ✓ Assisting in decision-making

Managers are now faced with the necessity of making decisions that require expert knowledge in matters like environmental issues, strengths, and weaknesses of the organization, so on and so forth.

- ✓ Relieving an over-burdened top executive

Staff specialists devote their time to think, to gather data, and to analyze them on behalf of their busy superiors. It is a rare top-level executive, who has the time or will take the time, to do those things that a staff specialist can do so well.

## **LINE AND STAFF CONFLICT**

Staff-line conflict can be defined as **the disagreements and jealousy between operating managers/units and staff/support managers and units.** Human resource managers have long suffered from the staff line conflict that tends to arise in many organizations. ... Both the conditions are detrimental to the organization.

## **LINE AND STAFF CONFLICT SOLUTION**

For an organisation to operate and progress, it is essential that line and staff work harmoniously. In order to achieve cordial relations between line and staff people, the following steps 'should be taken':

(i) the limits of line and staff authority should be laid down clearly. It must be clearly understood that ultimately the departments are responsible for



operating decisions and that staff is responsible only for providing advice and service to appropriate line departments.

ii) A line department must give serious consideration to advice given by the staff. In case the line manager disagrees with the suggestions of the staff man, both of them should have the right to appeal to higher authorities,

(iii) the staff manager must operate within the policies and objectives of the company and recognise the fact that all new ideas are bound to be resisted in the initial stages. Therefore, any change proposed by the staff men must be carefully brought in.

(iv) The staff men must also recognise the difficulties in the way of implementing ideas,

(v) Line and staff people should try to understand the orientation of each other. They should try to achieve cooperation for the achievement of enterprise objectives.

## **SPAN OF MANAGEMENT**

Span of management refers to the number of subordinates who can effectively managed by a superior. It is also called the span of supervision, span of control, span of managerial responsibility.

According to urwick the number of subordinates can be effectively is FOUR.

## **DETERMINANTS OF SPAN OF MANAGEMENT**

1. Capacity of the superior

Ability of the manager which derermine the span of management. If the manager have more capability of leadership ,communication ,decision making etc.. such case more number of subordinates can be managed in this span of management is wider.

## 2. Capacity of the subordinates

A trained, competent efficient and experienced subordinate can function without much help from the superior in such case the span of management is wider.

## 3. Supervision from the others

Sometimes certain other person supervises the subordinates. In such case less time required to the supervisor in such case wide span is possible.

## 4. Nature of work

If the similar nature of work the span of management is wider. But in other case the span of management is narrow.

## 5. Availability of staff assistance

## 6. Communication techiques

Face to face communication will take more time . so the span of management is narrow.if the modern devices is used the management ids wider.

## **DELEGATION OF AUTHORITY**

Top level management cannot perform all the activities, so he must share their duties with the subordinate managers. To perform their duties the authority and responsibility is to be delegated it is called delegation of authority.

“According to THEO HAIMAN delegation of authority means granting the authority to subordinates to operate within the prescribed limit.

## **DECENTRALISATION**

It refers to the systematic delegation of authority throughout the organisation is called decentralisation.

According to LOUIS A ALLEN decentralisation refers to the systematic effort to delegate to the lowest levels all the authority except that which can only be exercised at central points.

## **METHODS OF DECENTRALISATION**

### **1. Horizontal decentralisation**

It means the decentralisation of authority in the same level of management. It mainly involves that the similar nature of work is to be done.

### **2. Vertical decentralisation**

It is commonly seen in the organisation it includes the delegation of authority from top to bottom level of management

### **3. Selective decentralisation**

It involves the decentralisation of authority to the different sections of the organization.

#### 4. Pure decentralisation

