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LECTURE NOTE ON MANAGEMENT PRINCIPLES
MBA 3rd SEMESTER

SYLLABUS

Objectives:

- 1. To explain the various concepts of management.**
- 2. To make the students understand the contemporary management practices.**
- 3. To highlight professional challenges that managers face in various organization.**
- 4. To enable the students to appreciate the emerging ideas and practices in the field of management.**

Module – I:

Introduction: Concept, Managerial functions, Levels of Management, Skills and Roles of a Manager School of Management thoughts – Pre- Scientific , Classical, Behavioural and Modern; Contributions in the field of Management – by Peter F. Drucker, Michael Porter, C.K Prahalad, Barnand, McGregor, Rensis Likert and McKinsey.

Module – II:

Organization: Formal and Informal, Line and Staff Relationship, Centralization Vs. Decentralization, Basic issues in Organizing, Work Specialization, Chain of Command, Delegation, Span of Management, Organization Structure for Departmentalization. Organizational Culture: Cultural Diversity, Multi Ethnic Workforce Organizing Knowledge Resource.

Module – III:

Planning: Nature & Elements of Planning, Planning Types and Models, Planning in Learning Organizations, Types, Steps, MBO, MBE, Planning Premises. Decision Making: Risk and Uncertainty, Decision Trees, Decision making process, Increasing Participation in Decision making, Creativity in decision making.

Controlling : Process, Standards and Bench Marking – Co-ordination-Principles of Co-ordination-Inter-Dependence, Change Management

Books:

- **Management, Robbins, Coulter &Vohra, Pearson.**
- **Management: Text and Cases-VSP Rao, Excel Books**
- **Management Theory & practice – Chandan J. S, Vikas**
- **Management Theory & Practice - SubbaRao P &HimaBindu,HPH**
- **Principles and Practices pf Management – Kaul, Vikas**
- **Principles and practices of Management – Pillai , S Chand**
- **Introduction to Management and OB- Sahoo, Kar & Sahoo, ENKAY**

Module – I

INTRODUCTION

Management is a universal process in all organized, social and economic activities. Wherever there is human activity there is management. Management is a vital aspect of the economic life of man, which is an organized group activity. A central directing and controlling agency is indispensable for a business concern. The productive resources –material, labour, capital etc. are entrusted to the organizing skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership the resources of production remain merely resources and never become production. Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

Definition of management

Management is the process of planning and organising the resources and activities of a business to achieve specific goals in the most effective and efficient manner possible. Efficiency in management refers to the completion of tasks correctly and at minimal costs. Effectiveness in management relates to the completion of tasks within specific timelines to yield tangible results.

Characteristics or Nature of Management

Multi-dimensional

Most management oversees and supervises a company or organisation's service or production cycle. Managers work closely with and provide guidance to the members of their team. A manager considers a staff member both as an individual with diverse needs and as a component of the larger group. To be effective, managers influence their team members to apply their unique strengths toward achieving the organisation's goals.

Dynamic

Management is a dynamic function and evolves and adapts to changes in its environment, whether they are economic, socio-political or technological. For instance, a paper company could see a decline in sales because of the rapid adoption of screens and digital devices. Whether the company can still survive depends on how effectively its management can adapt to new market requirements.

Intangible

Management is not a tangible product, but its presence can change the way an organisation functions. Management consists of ideologies, policies and human interaction. Good management helps improve a company's target achievement ratios, employee gratification levels and overall ease in the company's operation.

Features of Management

1. Management is Goal-Oriented
2. Management integrates Human, Physical and Financial Resources
3. Management is Continuous
4. Management is all Pervasive
5. Management is a Group Activity

Management Functions

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control".

Whereas Luther Gullick has given a keyword 'POSDCORB' where P stands for **Planning**, O for **Organizing**, S for **Staffing**, D for **Directing**, Co for **Co-ordination**, R for **reporting** & B for **Budgeting**.

But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. *Planning, Organizing, Staffing, Directing and Controlling*.



Functions of Management



Planning

It is the basic function of management. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of predetermined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

Organising

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining & providing human and nonhuman resources to the organizational structure. Organizing as a process involves:

1. Identification of activities.
2. Classification of grouping of activities.
3. Assignment of duties.
4. Delegation of authority and creation of responsibility.
5. Coordinating authority and responsibility relationships.

Staffing

The main purpose of staffing is to put right man on right job. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure".

Staffing involves:

1. Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
2. Recruitment, Selection & Placement.
3. Training & Development.
4. Remuneration.
5. Performance Appraisal.
6. Promotions & Transfer.

Directing

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. Direction is that inert-personnel aspect of management which deals

directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

1. Supervision
2. Motivation
3. Leadership
4. Communication

Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Koontz & O'Donnel "Controlling is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished".

Therefore controlling has following steps:

- a. Establishment of standard performance.
- b. Measurement of actual performance.
- c. Comparison of actual performance with the standards and finding out deviation if any.
- d. Corrective action.

Levels of Management

The term Levels of Management refers to a line of demarcation between various managerial positions in an organization. The number of levels in management increases when the size of the business and work force increases and vice versa. The level of management determines a chain of command, the amount of authority & status enjoyed by any managerial position. The levels of management can be classified in three broad categories:

1. Top level / Administrative level
2. Middle level / Executory
3. Low level / Supervisory / Operative / First-line managers



1. Top Level of Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions.

The role of the top management can be summarized as follows –

- a. Top management lays down the objectives and broad policies of the enterprise.

- b. It issues necessary instructions for preparation of department budgets, procedures, schedules etc.
- c. It prepares strategic plans & policies for the enterprise.
- d. It appoints the executive for middle level i.e. departmental managers.
- e. It controls & coordinates the activities of all the departments.
- f. It is also responsible for maintaining a contact with the outside world.
- g. It provides guidance and direction.
- h. The top management is also responsible towards the shareholders for the performance of the enterprise.

2. Middle Level of Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organizational and directional functions. In small organization, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle level management.

Their role can be emphasized as –

- a. They execute the plans of the organization in accordance with the policies and directives of the top management.
- b. They make plans for the sub-units of the organization.
- c. They participate in employment & training of lower level management.
- d. They interpret and explain policies from top level management to lower level.
- e. They are responsible for coordinating the activities within the division or department.
- f. It also sends important reports and other important data to top level management.
- g. They evaluate performance of junior managers.
- h. They are also responsible for inspiring lower level managers towards better performance.

3. Lower Level of Management

Lower level is also known as supervisory / operative level of management. It consists of supervisors, foreman, section officers, superintendent etc. According to R.C. Davis, “Supervisory management refers to those executives whose work has to be largely with personal oversight and direction of operative employees”. In other words, they are concerned with direction and controlling function of management.

Their activities include –

- a. Assigning of jobs and tasks to various workers.
- b. They guide and instruct workers for day to day activities.
- c. They are responsible for the quality as well as quantity of production.
- d. They are also entrusted with the responsibility of maintaining good relation in the organization.
- e. They communicate workers problems, suggestions, and recommendatory appeals etc to the higher level and higher level goals and objectives to the workers.
- f. They help to solve the grievances of the workers.
- g. They supervise & guide the sub-ordinates.
- h. They are responsible for providing training to the workers.
- i. They arrange necessary materials, machines, tools etc for getting the things done.
- j. They prepare periodical reports about the performance of the workers.
- k. They ensure discipline in the enterprise.
- l. They motivate workers.
- m. They are the image builders of the enterprise because they are in direct contact with the workers.

SKILLS AND ROLES OF A MANAGER

(A)-Managerial Skills:

There are four skills of managers are expected to have ability of:

- **Technical skills:**

Technical skills that reflect both an understanding of and a proficiency in a specialized field. For example, a manager may have technical skills in accounting, finance, engineering, manufacturing, or computer science.

- **Human Skills:**

Human skills are skills associated with manager's ability to work well with others, both as a member of a group and as a leader who gets things done through other.

- **Concept Skills:**

Conceptual skills related to the ability to visualize the organization as a whole, discern interrelationships among organizational parts, and understand how the organization fits into the wider context of the industry, community, and world. Conceptual skills, coupled with technical skills, human skills and knowledge base, are important ingredients in organizational performance.

- **Design Skills:**

It is the ability to solve the problems in ways that will benefit the enterprise. Managers must be able to solve the problems.

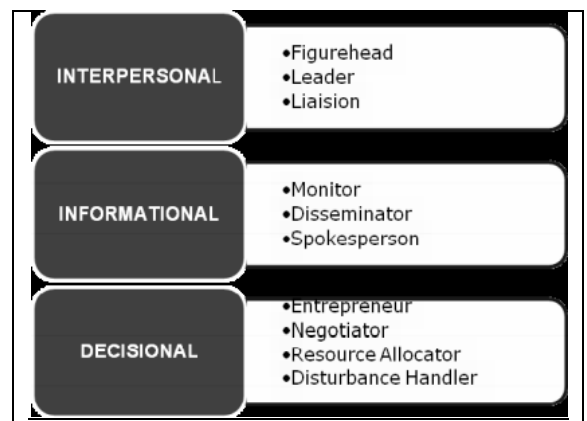
The Skills vary at different levels:

Top management -----> Concept and design Skills.
Middle -----> Human Skills.
Supervisors -----> Technical skills.

(B)-ROLES OF MANAGER

Henry Mintzberg identified ten different roles, separated into three categories.

The categories he defined are as follows:



a) **Interpersonal Roles**

The ones that, like the name suggests, involve people and other ceremonial duties. It can be further classified as follows:-

- Leader – Responsible for staffing, training, and associated duties.
- Figurehead – The symbolic head of the organization.
- Liaison – Maintains the communication between all contacts and informers that compose the organizational network.

b) **Informational Roles**

Related to collecting, receiving, and disseminating information.

- Monitor – Personally seek and receive information, to be able to understand the organization.
- Disseminator – Transmits all import information received from outsiders to the members of the organization.

- Spokesperson – On the contrary to the above role, here the manager transmits the organization’s plans, policies and actions to outsiders.

c) Decisional Roles

Roles that revolve around making choices.

- Entrepreneur – Seeks opportunities. Basically they search for change, respond to it, and exploit it.
- Negotiator – Represents the organization at major negotiations.
- Resource Allocator – Makes or approves all significant decisions related to the allocation of resources.
- Disturbance Handler – Responsible for corrective action when the organization faces disturbances.

Management and Administration

The difference between Management and Administration can be summarized under 2 categories: -

1. Functions
2. Usage / Applicability

On the Basis of Functions:

<u>Basis</u>	<u>Management</u>	<u>Administration</u>
Meaning	Management is an art of getting things done through others by directing their efforts towards achievement of pre-determined goals.	It is concerned with formulation of broad objectives, plans & policies.
Nature	Management is an executing function.	Administration is a decision-making function.
Process	Management decides who should it & how should he do it.	Administration decides what is to be done & when it is to be done.
Function	Management is a doing function because managers get work done under their supervision.	Administration is a thinking function because plans & policies are determined under it.
Skills	Technical and Human skills	Conceptual and Human skills
Level	Middle & lower level function	Top level function

On the Basis of Usage: -

<u>Basis</u>	<u>Management</u>	<u>Administration</u>
Applicability	It is applicable to business concerns i.e. profit-making organization.	It is applicable to non-business concerns i.e. clubs, schools, hospitals etc.
Influence	The management decisions are influenced by the values, opinions, beliefs & decisions of the managers.	The administration is influenced by public opinion, govt. policies, religious organizations, customs etc.
Status	Management constitutes the employees of the organization who are paid remuneration (in the form of salaries & wages).	Administration represents owners of the enterprise who earn return on their capital invested & profits in the form of dividend.

Management theories

Management theories are the set of general rules that guide the managers to manage an organization. Management theories (also known as "Transactional theories") focus on the role of supervision, organization, and group performance. Theories are an explanation to assist employees to effectively relate to the business goals and implement effective means to achieve the same. Early management theories base leadership on a system of reward and punishment. Managerial theories are often used in business; when employees are successful, they are rewarded; when they fail, they are reprimanded or punished.

1. The Classical theory of management

- a) Scientific Management
- b) Bureaucratic Management
- c) Administrative Management

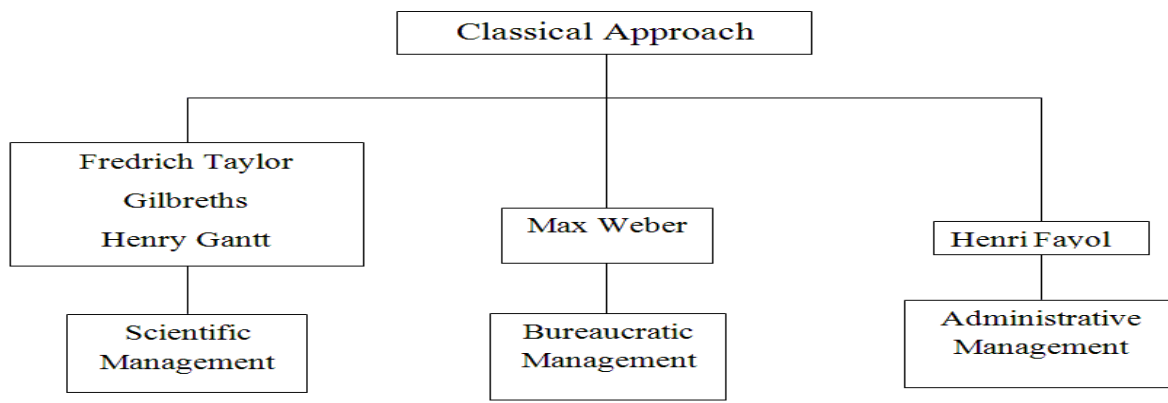
2. Neo-Classical Theory

- a) Behavioral Science Approach

3. The Modern Management Theories

- a) Quantitative Approach
- b) System Approach
- c) Contingency Approach

1. The Classical theory of management



A)-Scientific Management

Contribution of F.W. Taylor to Management thought

- Considered as "The Father of Scientific Management".
- Wrote "The Principles of Scientific Management" in 1911.
- Raised from labourer to chief engineer within 6 years.
- Faced soldiering problem – practice of employees deliberately working at pace slower than their capabilities.

Scientific management propounded by Taylor emphasizes:

- Need for developing a scientific way of performing each job.
- Training & preparing workers to perform that particular job.


















- Establishing harmonious relations between management & workers so that the job is performed in the desired way.

Two managerial practices from Taylor's approach are:

- Piece-Rate Incentive System – maximum pieces produced incentives received accordingly.
- Time-and-Motion study – jobs are broken down into various small tasks or motions & unnecessary motions are removed to find out the best way of doing a job.

Contributions of Frank & Lillian Gilbreth

- Frank Gilbreth (1868-1924) is considered as the “Father of Motion Study”.
- Motion study involves finding out the best sequence & minimum number of motions needed to complete a task.
- Both were mainly involved in exploring new ways for eliminating unnecessary motions & reducing work fatigue.
- Gilbreths devised classification scheme to label 17 basic hand motions of workers such as “search, select, position & hold” called as “**therbligs**”.

	SEARCH		INSPECT
	FIND		PRE-POSITION
	SELECT		RELEASE LOAD
	GRASP		TRANSPORT EMPTY
	TRANSPORT LOADED		REST FOR OVER COMING FATIGUE
	POSITION		UNAVOIDABLE DELAY
	ASSEMBLE		AVOIDABLE DELAY
	USE		PLAN
	DISASSEMBLE		

- Frank Gilbreth is best known for his experiment in reducing the number of motions in bricklaying.
- By analyzing brick layers job, he reduced the number of motions in bricklaying from 18.5 to 4.
- Workers increased the number of bricks laid per day from 1000 to 2700 (per hr from 120 to 350 bricks).

Contributions of Henry Laurence Gantt

- He was a close associate of Taylor.
- Remembered for his work on the task-and-bonus system & the Gantt Chart.
- Under this, if worker completed the work fast in less than standard time, he received bonus.
- Introduced incentive plan for foremen, who would be paid bonus for every worker who reached daily standard & would receive extra bonus if all workers reached daily standard.
- Chart compares actual & planned performance.
- Indicates the production in terms of time rather than quantity.
- Horizontal axis – time, work scheduled & work completed.
- Vertical axis – individuals & machines assigned.

Limitations of Scientific Management

- Focuses problems at the operational level but not on the management of the organization from manager's point of view.
- Taylor & his followers overlooked the social needs of workers & overemphasized their economic & physical needs.
- It ignored the human desire for job satisfaction.

B)-Bureaucratic Management

Weber believed that bureaucracy was the most efficient way to set up and manage an organization, and absolutely necessary for larger companies to achieve maximum productivity with many employees and tasks. Overall, Weber's ideal bureaucracy favours efficiency, uniformity and a clear distribution of power. He argued that bureaucracy constitutes the most efficient and rational way in which human activity can be organized and that systematic processes and organized hierarchies are necessary to maintain order, to maximize efficiency, and to eliminate favouritism.

Major characteristics of Weber's Ideal Bureaucracy:-

- Work specialization & division of labour
- Abstract rules & regulations
- Impersonality of managers
- Hierarchy of organization structure

C)-Administrative Management

This theory focuses on principles that could be used by managers to coordinate the internal activities of organizations. Henry Fayol, also known as the 'father of modern management theory' gave a new perception of the concept of management. He introduced a general theory that can be applied to all levels of management and every department. The Fayol theory is practised by the managers to organize and regulate the internal activities of an organization. He concentrated on accomplishing managerial efficiency.

Henri Fayol developed theory of management. According to him, the business operations of an organization could be divided into 6 activities.

- **Technical** – producing & manufacturing products.
- **Commercial** – buying, selling & exchange.
- **Financial** – search for & optimal use of capital.
- **Security** – protecting employees & property.
- **Accounting** – recording & taking stock of costs, profits & liabilities, maintaining balance sheets & compiling statistics.
- **Managerial** – planning, organizing, commanding, coordinating & controlling.

Limitations of Bureaucratic & Administrative Management

- Weber's theory destroyed individual creativity & flexibility to respond to complex changes in the global environment.
- Classical theory ignored important aspects of organizational behaviour.
- Does not deal with problems of leadership, motivation, power or informal relations.
- Failed to consider impact of external & internal environment upon employee behaviour in organizations.

Fourteen Principles of Management By Henri Fayol

1. Division of Work-

Henri believed that segregating work in the workforce amongst the worker will enhance the quality of the product. Similarly, he also concluded that the division of work improves the productivity, efficiency, accuracy and speed of the workers. This principle is appropriate for both the managerial as well as a technical work level.

2. Authority and Responsibility-

These are the two key aspects of management. Authority facilitates the management to work efficiently, and responsibility makes them responsible for the work done under their guidance or leadership.

3. Discipline-

Without discipline, nothing can be accomplished. It is the core value for any project or any management. Good performance and sensible interrelation make the management job easy and comprehensive. Employees good behaviour also helps them smoothly build and progress in their professional careers.

4. Unity of Command-

This means an employee should have only one boss and follow his command. If an employee has to follow more than one boss, there begins a conflict of interest and can create confusion.

5. Unity of Direction-

Whoever is engaged in the same activity should have a unified goal. This means all the person working in a company should have one goal and motive which will make the work easier and achieve the set goal easily.

6. Subordination of Individual Interest-

This indicates a company should work unitedly towards the interest of a company rather than personal interest. Be subordinate to the purposes of an organization. This refers to the whole chain of command in a company.

7. Remuneration-

This plays an important role in motivating the workers of a company. Remuneration can be monetary or non-monetary. However, it should be according to an individual's efforts they have made.

8. Centralization-

In any company, the management or any authority responsible for the decision-making process should be neutral. However, this depends on the size of an organization. Henri Fayol stressed on the point that there should be a balance between the hierarchy and division of power.

9. Scalar Chain-

Fayol on this principle highlights that the hierarchy steps should be from the top to the lowest. This is necessary so that every employee knows their immediate senior also they should be able to contact any, if needed.

10. Order-

A company should maintain a well-defined work order to have a favourable work culture. The positive atmosphere in the workplace will boost more positive productivity.

11. Equity-

All employees should be treated equally and respectfully. It's the responsibility of a manager that no employees face discrimination.

12. Stability-

An employee delivers the best if they feel secure in their job. It is the duty of the management to offer job security to their employees.

13. Initiative-

The management should support and encourage the employees to take initiatives in an organization. It will help them to increase their interest and make them worth.

14. Esprit de Corps-

It is the responsibility of the management to motivate their employees and be supportive of each other regularly. Developing trust and mutual understanding will lead to a positive outcome and work environment.

(2) Contribution of Neo-Classical Theory

Neoclassical theory has made significant contribution to an understanding of human behavior at work and in organization. It has generated awareness of the overwhelming role of human factor in industry. This approach has given new ideas and techniques for better understanding of human behavior.

The basic features of neoclassical approach are:

- (i) The business organisation is a social system.
- (ii) Human factor is the most important element in the social system.
- (iii) It revealed the importance of social and psychological factors in determining worker productivity and satisfaction.

<i>Basis</i>	<i>Classical Theory</i>	<i>Neo-classical Theory</i>
1. Structure	Impersonal, mechanical	Organisation is a social system.
2. Focus	On work and economic needs of workers	On small groups. On emotional and human qualities of employees
3. Emphasis	On order and rationality	On personal, security, and social needs of workers while achieving objectives of the organisation.
4. Behaviour	Organisational behaviour is a product of rules and regulations	Behaviour is a product of feelings and sentiments and attitudes.
5. Practices	Authoritarian practices, elaborate rules and regulations to obtain results.	Democratic practices. Involvement of employees in decision-making. Recognises the importance of human dignity and values.
6. Results	Work alienation, dissatisfaction	Happy and satisfied employees trying to increase production.

(3)-Modern Management Theory: Quantitative, System and Contingency Approaches to Management

(A) Quantitative or Mathematical Approach or Management Science Approach:

Mathematics has made inroads into all disciplines. It has been universally recognised as an important tool of analysis and a language for precise expression of concept and relationship.

Evolving from the Decision Theory School, the Mathematical School gives a quantitative basis for decision-making and considers management as a system of mathematical models and processes. This school is also sometimes called, ‘Operations Research’ or ‘Management Science School’. The main feature of this school is the use of mixed teams of scientists from several disciplines. It uses scientific techniques for providing quantitative base for managerial decisions. The exponents of this school view management as a system of logical process.

It can be expressed in terms of mathematical symbols and relationships or models. Different mathematical and quantitative techniques or tools, such as linear programming, simulation and queuing, are being increasingly used in almost all the areas of management for studying a wide range of problems.

The exponents of this school believe that all the phases of management can be expressed in quantitative terms for analysis. However, it is to be noted that mathematical models do help in the systematic analysis of problems, but models are no substitute for sound judgement.

Moreover, mathematics quantitative techniques provide tools for analysis but they cannot be treated an independent system of management thought. A lot of mathematics is used in the field of physical sciences and engineering but mathematics has never been considered as separate school even in these fields.

The contributions of mathematicians in the field of management are significant. This has contributed impressively in developing orderly thinking amongst managers. It has given exactness to the management discipline. Its contributions and usefulness could hardly be over-emphasized. However, it can only be treated as a tool in managerial practice.

Limitations:

There is no doubt that this approach helps in defining and solving complex problems resulting in orderly thinking. But the critics of this approach regard it as too narrow since it is concerned merely with the development of mathematical models and solutions for certain managerial problems.

This approach suffers from the following drawbacks:

- (i) This approach does not give any weight age to human element which plays a dominant role in all organisations.
 - (ii) In actual life executives have to take decisions quickly without waiting for full information to develop models.
 - (iii) The various mathematical tools help in decision making. But decision making is one part of managerial activities. Management has many other functions than decision-making.
 - (iv) This approach supposes that all variables to decision-making are measurable and inter-dependent. This assumption is not realistic.
 - (v) Sometimes, the information available in the business for developing mathematical models are not up to date and may lead to wrong decision-making.
- Harold Knootz. Also observes that "it is too hard to see mathematics as a separate approach to management theory. Mathematics is a tool rather than a school."

(B) Systems Approach

The basic features of systems approach are as under:

- (i) A system consists of interacting elements. It is set of inter related and interdependent parts arranged in a manner that produces a unified whole.
- (ii) The various sub-systems should be studied in their inter-relationships rather, than in isolation from each other.
- (iii) An organisational system has a boundary that determines which parts are internal and which are external.
- (iv) A system does not exist in a vacuum. It receives information, material and energy from other systems as inputs. These inputs undergo a transformation process within the system and leave the system as output to other systems.
- (v) An organisation is a dynamic system as it is responsive to its environment. It is vulnerable to change in its environment.

Evaluation of System Approach:

The systems approach assists in studying the functions of complex organisations and has been utilised as the base for the new kinds of organisations like project management organisation. It is possible to bring out the inter-relations in various functions like planning, organising, directing and controlling. This approach has an edge over the other approaches because it is very close to reality. This approach is called abstract and vague. It cannot be easily applied to large and complex organisations. Moreover, it does not provide any tool and technique for managers.

(C) Contingency Approach.

Features of Contingency Approach:

Firstly, the contingency approach does not accept the universality of management theory. It stresses that there is no one best way of doing things. Management is situation, and managers should explain objectives, design organisations and prepare strategies, policies and plans according to prevailing circumstances. Secondly, managerial policies and practices to be effective, must adjust to changes in environment. Thirdly, it should improve diagnostic skills so as to anticipate and ready for environmental changes. Fourthly, managers should have sufficient human relations skill to accommodate and stabilise change.

Finally, it should apply the contingency model in designing the organization, developing its information and communication system, following proper leadership styles and preparing suitable objectives, policies, strategies, programmes and practices. Thus, contingency approach looks to hold a great deal of promise for the future development of management theory and practice.

Evaluation Contingency Approach:

This approach takes a realistic view in management and organisation. It discards the universal validity of principles. Executives are advised to be situation oriented and not stereo-typed. So executives become innovative and creative.

On the other hands, this approach does not have theoretical base. An executive is expected to know all the alternative courses of action before taking action in a situation which is not always feasible.

Module – II:

Organization: - Organizations are systems created to achieve common goals through people-to-people and people-to-work relationships. They are essentially social entities that are goal-directed, deliberately structured for coordinated activity systems, and are linked to the external environment. Organizations are made up of people and their relationships with one another. Managers deliberately structure and coordinate organizational resources to achieve the organization’s purpose.

Each organization has its own external and internal environments that define the nature of the relationships according to its specific needs. Organizing is the function that managers undertake to design, structure, and arrange the components of an organization’s internal environment to facilitate attainment of organizational goals.

Organizing creates the framework needed to reach a company's objectives and goals.

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

ORGANISING

Organizing is the function of **management** that involves developing an organizational structure and allocating human resources to ensure the accomplishment of objectives. The structure of the organization is the framework within which effort is coordinated.

Organising 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.

Organising is that managerial process which seeks to define the role of each individual (manager and operator) towards the attainment of enterprise objectives; with due regard to establishing authority-responsibility relationships among all; and providing for co-ordination in the enterprise-as an in-built device for obtaining harmonious groups action.

Organizing is the function of management which follows planning. It is a function in which the synchronization and combination of human, physical and financial resources takes place. All the three resources are important to get results. Therefore, organizational function helps in achievement of results which in fact is important for the functioning of a concern.

Definition

“Organising is the establishment of authority relationships with provisions for co-ordination between them, both vertically and horizontally in the enterprise structure”. -**Koontz and O ‘Donnell**

“Organising is the process of identifying and grouping the work to be performed, defining and delegating the responsibility and authority and establishing a pattern of relationship for the purpose of enabling people work most effectively to accomplish the objective”. – **Louis A. Allen**.

According to **Chester Barnard**, “Organizing is a function by which the concern is able to define the role positions, the jobs related and the co-ordination between authority and responsibility. Hence, a manager always has to organize in order to get results.

Importance of Organizing Function

1. **Specialization** - Organizational structure is a network of relationships in which the work is divided into units and departments. This division of work is helping in bringing specialization in various activities of concern.

2. **Well defined jobs** - Organizational structure helps in putting right men on right job which can be done by selecting people for various departments according to their qualifications, skill and experience. This is helping in defining the jobs properly which clarifies the role of every person.

3. **Clarifies authority** - Organizational structure helps in clarifying the role positions to every manager (status quo). This can be done by clarifying the powers to every manager and the way he has to exercise those powers should be clarified so that misuses of powers do not take place. Well defined jobs and responsibilities attached helps in bringing efficiency into managers working. This helps in increasing productivity.

4. **Co-ordination** - Organization is a means of creating co-ordination among different departments of the enterprise. It creates clear cut relationships among positions and ensure mutual co-operation among individuals. Harmony of work is brought by higher level managers exercising their authority over interconnected activities of lower level manager.

Authority responsibility relationships can be fruitful only when there is a formal relationship between the two. For smooth running of an organization, the co-ordination between authority- responsibility is very important. There should be co-ordination between different relationships. Clarity should be made for having an ultimate responsibility attached to every authority. There is a saying, “Authority without responsibility leads to ineffective behaviour and responsibility without authority makes person ineffective.” Therefore, co-ordination of authority- responsibility is very important.

5. **Effective administration** - The organization structure is helpful in defining the jobs positions. The roles to be performed by different managers are clarified. Specialization is achieved through division of work. This all leads to efficient and effective administration.

6. **Growth and diversification** - A company’s growth is totally dependent on how efficiently and smoothly a concern works. Efficiency can be brought about by clarifying the role positions to the managers, co-ordination between authority and responsibility and concentrating on specialization. In addition to this, a company can diversify if its potential grows. This is possible only when the organization structure is well- defined. This is possible through a set of formal structure.

7. **Sense of security** - Organizational structure clarifies the job positions. The role assigned to every manager is clear. Co-ordination is possible. Therefore, clarity of powers helps automatically in increasing mental satisfaction and thereby a sense of security in a concern. This is very important for job- satisfaction.

8. **Scope for new changes** - Where the roles and activities to be performed are clear and every person gets independence in his working, this provides enough space to a manager to develop his talents and flourish his knowledge. A manager gets ready for taking independent decisions which can be a road or path to adoption of new techniques of production. This scope for bringing new changes into the running of an enterprise is possible only through a set of organizational structure.

Classification of Organizations

Organizations are basically classified on the basis of relationships. There are two types of organizations formed on the basis of relationships in an organization

1. **Formal Organization** - This is one which refers to a structure of well defined jobs each bearing a measure of authority and responsibility. It is a conscious determination by which people accomplish goals by adhering

to the norms laid down by the structure. This kind of organization is an arbitrary set up in which each person is responsible for his performance. Formal organization has a formal set up to achieve pre-determined goals.

2. **Informal Organization** - It refers to a network of personal and social relationships which spontaneously originates within the formal set up. Informal organizations develop relationships which are built on likes, dislikes, feelings and emotions. Therefore, the network of social groups based on friendships can be called as informal organizations. There is no conscious effort made to have informal organization. It emerges from the formal organization and it is not based on any rules and regulations as in case of formal organization.

Relationship between Formal and Informal Organizations

For a concern working both formal and informal organization are important. Formal organization originates from the set organizational structure and informal organization originates from formal organization. For an efficient organization, both formal and informal organizations are required.

They are the two phase of a same concern.

Formal organization can work independently. But informal organization depends totally upon the formal organization. Formal and informal organization helps in bringing efficient working organization and smoothness in a concern. Within the formal organization, the members undertake the assigned duties in co-operation with each other. They interact and communicate amongst themselves. Therefore, both formal and informal organizations are important. When several people work together for achievement of organizational goals, social tie ups tends to built and therefore informal organization helps to secure co-operation by which goals can be achieved smooth. Therefore, we can say that informal organization emerges from formal organization.

LINE ORGANIZATION

Line organization is the most oldest and simplest method of administrative organization. According to this type of organization, the authority flows from top to bottom in a concern. The line of command is carried out from top to bottom. This is the reason for calling this organization as scalar organization which means scalar chain of command is a part and parcel of this type of administrative organization. In this type of organization, the line of command flows on an even basis without any gaps in communication and co-ordination taking place.

Features of Line Organization

1. It is the most simplest form of organization.
2. Line of authority flows from top to bottom.
3. Specialized and supportive services do not take place in these organizations.
4. Unified control by the line officers can be maintained since they can independently take decisions in their areas and spheres.
5. This kind of organization always helps in bringing efficiency in communication and bringing stability to a concern.

Merits of Line Organization

1. **Simplest**- It is the most simple and oldest method of administration.
2. **Unity of Command**- In these organizations, superior-subordinate relationship is maintained and scalar chain of command flows from top to bottom.
3. **Better discipline**- The control is unified and concentrates on one person and therefore, he can independently make decisions of his own. Unified control ensures better discipline.
4. **Fixed responsibility**- In this type of organization, every line executive has got fixed authority, power and fixed responsibility attached to every authority.
5. **Flexibility**- There is a co-ordination between the top most authority and bottom line authority. Since the authority relationships are clear, line officials are independent and can flexibly take the decision. This flexibility gives satisfaction of line executives.

6. **Prompt decision-** Due to the factors of fixed responsibility and unity of command, the officials can take prompt decision.

Demerits of Line Organization

1. **Over reliance-** The line executive's decisions are implemented to the bottom. This results in over-relying on the line officials.
2. **Lack of specialization-** A line organization flows in a scalar chain from top to bottom and there is no scope for specialized functions. For example, expert advices whatever decisions are taken by line managers are implemented in the same way.
3. **Inadequate communication-** The policies and strategies which are framed by the top authority are carried out in the same way. This leaves no scope for communication from the other end. The complaints and suggestions of lower authority are not communicated back to the top authority. So there is one way communication.
4. **Lack of Co-ordination-** Whatever decisions are taken by the line officials, in certain situations wrong decisions, are carried down and implemented in the same way. Therefore, the degree of effective co-ordination is less.
5. **Authority leadership-** The line officials have tendency to misuse their authority positions. This leads to autocratic leadership and monopoly in the concern.

Line and Staff Organization

Line and staff organization is a modification of line organization and it is more complex than line organization. According to this administrative organization, specialized and supportive activities are attached to the line of command by appointing staff supervisors and staff specialists who are attached to the line authority. The power of command always remains with the line executives and staff supervisors guide, advice and counsel the line executives. Personal Secretary to the Managing Director is a staff official.



Features of Line and Staff Organization

1. There are two types of staff :
 - a. Staff Assistants- P.A. to Managing Director, Secretary to Marketing Manager.
 - b. Staff Supervisor- Operation Control Manager, Quality Controller, PRO
2. Line and Staff Organization is a compromise of line organization. It is more complex than line concern.
3. Division of work and specialization takes place in line and staff organization.
4. The whole organization is divided into different functional areas to which staff specialists are attached.
5. Efficiency can be achieved through the features of specialization.
6. There are two lines of authority which flow at one time in a concern:
 - a. Line Authority
 - b. Staff Authority
7. Power of command remains with the line executive and staff serves only as counsellors.

Merits of Line and Staff Organization

1. **Relief to line of executives-** In a line and staff organization, the advice and counselling which is provided to the line executives divides the work between the two. The line executive can concentrate on the execution of plans and they get relieved of dividing their attention to many areas.

2. **Expert advice-** The line and staff organization facilitates expert advice to the line executive at the time of need. The planning and investigation which is related to different matters can be done by the staff specialist and line officers can concentrate on execution of plans.

3. **Benefit of Specialization-** Line and staff through division of whole concern into two types of authority divides the enterprise into parts and functional areas. This way every officer or official can concentrate in its own area.

4. **Better co-ordination-** Line and staff organization through specialization is able to provide better decision making and concentration remains in few hands. This feature helps in bringing co-ordination in work as every official is concentrating in their own area.

5. **Benefits of Research and Development-** Through the advice of specialized staff, the line executives, the line executives get time to execute plans by taking productive decisions which are helpful for a concern. This gives a wide scope to the line executive to bring innovations and go for research work in those areas. This is possible due to the presence of staff specialists.

6. **Training-** Due to the presence of staff specialists and their expert advice serves as ground for training to line officials. Line executives can give due concentration to their decision making. This in itself is a training ground for them.

7. **Balanced decisions-** The factor of specialization which is achieved by line staff helps in bringing co-ordination. This relationship automatically ends up the line official to take better and balanced decision.

8. **Unity of action-** Unity of action is a result of unified control. Control and its effectivity take place when co-ordination is present in the concern. In the line and staff authority all the officials have got independence to make decisions. This serves as effective control in the whole enterprise.

Demerits of Line and Staff Organization

1. **Lack of understanding-** In a line and staff organization, there are two authorities flowing at one time. This results in the confusion between the two. As a result, the workers are not able to understand as to who is their commanding authority. Hence the problem of understanding can be a hurdle in effective running.

2. **Lack of sound advice-** The line official get used to the expertise advice of the staff. At times the staff specialists also provide wrong decisions which the line executives have to consider. This can affect the efficient running of the enterprise.

3. **Line and staff conflicts-** Line and staff are two authorities which are flowing at the same time. The factors of designations, status influence sentiments which are related to their relation, can pose a distress on the minds of the employees. This leads to minimizing of co-ordination which hampers a concern's working.

4. **Costly-** In line and staff concern, the concerns have to maintain the high remuneration of staff specialist. This proves to be costly for a concern with limited finance.

5. **Assumption of authority-** The power of concern is with the line official but the staffs dislikes it as they are the one more in mental work.

6. **Staff steals the show-** In a line and staff concern, the higher returns are considered to be a product of staff advice and counselling. The line officials feel dissatisfied and a feeling of distress enters a concern. The satisfaction of line officials is very important for effective results.

CENTRALIZATION

Centralization refers to the process in which activities involving planning and decision-making within an organization. In a centralized organization, the decision-making powers are retained in the head office, and all other offices receive commands from the main office.

Centralization refers to that organizational structure where decision-making power is confined to the top management, and the subordinates need to follow the instructions of their seniors. Centralization of authority is essential for the small-scale organizations which lack resources and finance.

Centralization is said to be a process where the concentration of decision making is in a few hands. All the important decision and actions at the lower level, all subjects and actions at the lower level are subject to the approval of top management.

According to Allen, “Centralization” is the systematic and consistent reservation of authority at central points in the organization.

Centralization allows on the one hand and unified decision “from the centre” on the other hand, limits the autonomy of organizational units and may reduce flexibility of the decision. **Centralization** may concern all decisions and powers, or may be centralized only selected **managerial** functions.

When an organization follows a centralized management structure, it can focus on the fulfilment of its vision with ease. There are clear lines of communication and the senior executive can communicate the organization's vision to employees and guide them toward the achievement of the vision.

In a **centralized** organization, decisions are made by a small group of people and then communicated to the lower-level managers. If lower-level managers are involved in the decision-making process, the process will take longer and conflicts will arise.

Factors Determining Centralization of Authority

In small organizations, the owner or the top management is responsible for making all the business decision solely. Whereas, the delegation of work among the subordinates takes place; therefore, centralization persists in these business units.

The following factors result in the centralization of the organization:



- **Nature of Organization:** When the organization is generally a sole proprietorship or partnership entity with less number of employees to be managed, it can have a centralized system.
- **Size of the Organization:** The organization which is small in size and operating on a small scale can be efficiently managed by the top management hence following a centralized system.
- **Nature of Task:** The organizations engaged in business operations which do not require much expertise or specialization, can be managed through centralization.
- **Delegation Ability:** The capability of the management to delegate the responsibilities to the subordinates while keeping the charge in their hand is another factor determining the organizational structure.

- **Employee's Efficiency:** If the employees lack skills and efficiency to take up the responsibility and accountability of the work to be performed, the management will go for centralization of the organization.

Advantages of Centralization

Centralization and decentralization are equally crucial for a business. The reasons for which some organizations mainly centralizes its structure are as follows:



Cost Efficient: The management need not spend much on the office and administrative expenses in a centralized organization. Even the cost of hiring experts and highly experienced personnel at each level is saved due to the centralized decision-making process.

Better Command: The management can hold a better command over the subordinates and the subordinates also clearly know whom to follow. There is proper control over the subordinate actions, and the management is well aware of the strengths and weaknesses of the subordinates.

Enhances Work Quality: The subordinates are answerable directly to the top management, and therefore they continuously aim at improving the work quality. It also leads to standardization of the process and reduces the wastage.

Uniformity in Action: When the control lies in the hands of few, the methods and techniques used are usually the same throughout all the levels and departments, thus encouraging the subordinates to perform uniformly.

Focus on Vision: The top management clearly defines and better understand the organizational vision. Therefore, it aligns all the resources, subordinates, activities and strategies towards the achievement of the vision.

Proper Coordination: The top management frames a uniform policy for subordinates at different levels, integrate their course of action and ensures coordination among all the subordinates.

Disadvantages of Centralization

Centralization is not suitable for all type of business organizations.

- ✓ **Slows Down Operations:** The top management directs the day to day operations, and the subordinates have to report directly to the senior management. At times when there is no managerial staff, the subordinates are unable to take immediate decisions. Thus, resulting in slowing down of business operations.



- ✓ **Delays Decision Making:** In centralization, the decision-making process slows down since all the decisions are to be taken by the top management. It is not suitable for handling emergencies or unexpected circumstances.
- ✓ **Reduces Scope for Specialization:** A person cannot specialize in all the activities alone. Therefore, in a centralized structure where all decisions are taken by the top management, the organization lacks specialized supervision and management.
- ✓ **Discourages Initiative:** The subordinates are given instructions which they need to follow without questioning the decisions of the top management. In centralization, the subordinates are intimidated from giving their input or suggestions.
- ✓ **Lacks Adaptability to Change:** The centralized organization runs in a conventional manner where the top management is somewhat rigid with its policies, methods and techniques. Thus, it creates a barrier to adopting modern and improved practices for organizational growth.
- ✓ **Overburden on Top Management:** All the planning and decision-making work is done at the topmost level of management; they control even the day to day operations. Due to this reason, management becomes overburdened and is unable to concentrate on business expansion and growth.
- ✓ **Bureaucratic Leadership:** Centralization can be seen as a dictatorship by some, where the top management plans every course of action and the subordinates follow the instructions. Problem-solving becomes quite difficult in such circumstances since the decision-maker, and the implementer is two different individuals.
- ✓ **Poor Upward Communication:** The subordinates are supposed to follow instructions while the least attention is paid towards their suggestions and feedback. All this hinders the upward communication in the organization.

DECENTRALIZATION

Decentralization refers to a specific form of organizational structure where the top **management** delegates decision-making responsibilities and daily operations to middle and lower subordinates. The top **management** can thus concentrate on taking major decisions with greater time abundance.

In a **decentralized** organization, lower level managers are given decision-making authority and the power to run their own departments. **Decentralization** includes better, timelier decisions and increased motivation.

Decentralisation implies the dispersal of **decision-making** power at lower levels of management. When the power to take decisions and formulate policies does not lie with one person at the top but is passed on to different persons at various levels, it will be a case of decentralisation.

The following are the **main objectives** which a **decentralized** system of organization seeks to achieve:

- ✓ To relieve the burden of work on the chief executive.
- ✓ To develop the managerial faculties.
- ✓ To motivate the lower level of workers.

Decentralisation is referred to as a form of an organisational structure where there is the delegation of authority by the top management to the middle and lower levels of management in an organisation.

In this type of organisation structure, the duty of daily operations and minor decision-making capabilities are transferred to the middle and lower levels which allow top-level management to focus more on major decisions like business expansion, diversification etc.

Delegation refers to the assigning a portion of work and the associated responsibility by a superior to a subordinate. In simple words, when delegation is expanded on an organisational level, it is called decentralisation.

“Decentralisation refers to tire systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.” —Louis A. Allen

“Decentralisation means the division of a group of functions and activities into relatively autonomous units with overall authority and responsibility for their operation delegate to time of cacti unit.”—Earl. P. Strong

Importance of Decentralisation

1. **Rapid decision making** – Most of the decisions are taken on the spot, and approval from the higher authority is not required. The ability to make a prompt decision allows an organisation to function its operation quickly and effectively.
2. **Administrative development** – The decentralisation process questions the manager’s judgement and techniques, when responsibility and challenges to develop solutions are given to them. This questioning method grows confidence, encourages self-reliance, and makes them a good decision-maker resulting in the development of the organisation.
3. **Development of executive skills** – It allows the employee to perform task individually, giving them invaluable exposure. This individual performance creates an environment where an individual can enhance their expertise, take ownership & more significant responsibilities, and be suitable for promotion.
4. **Promotes growth** – Decentralisation also allows the heads of the department to work independently. This independence helps the department to grow, have a healthy competition between

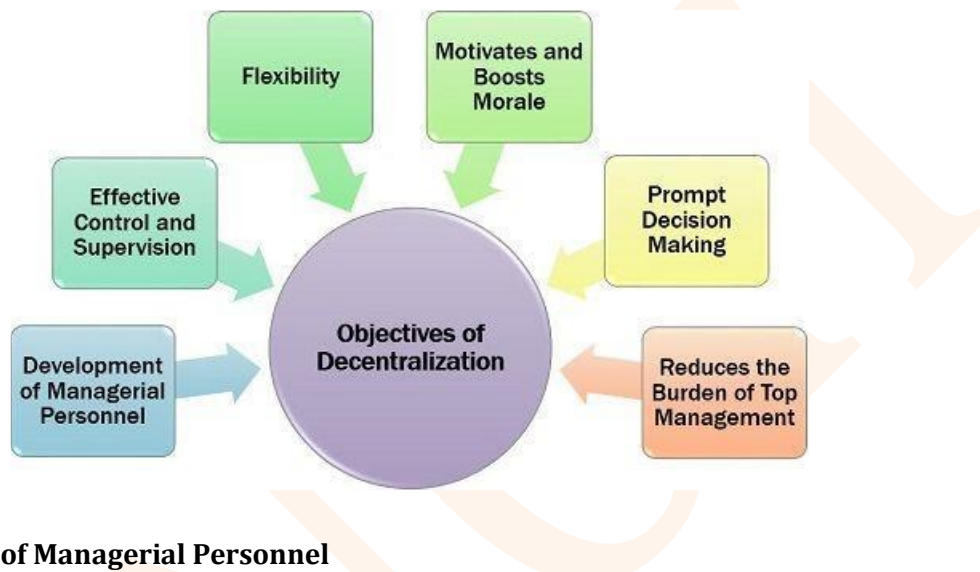
other departments. Ultimately, the competition will lead to an improvement and enhancement in productivity.

5. **Higher control** – It also evaluates and reviews the performances of each department and gives them a comprehensive perspective of their work. However, controlling is the biggest challenge of decentralisation and stabilised management and scorecard are being developed.

Objectives of Decentralization

Decentralization is an important strategical decision. It changes the whole organizational structure right from the top management to the bottom level. Like other business strategies, decentralization is also purposeful.

Let us understand the various objectives for which organizations decentralize their operations:



- **Development of Managerial Personnel**

Decentralization provides for self-learning of the managers by facing the problem, finding the solutions themselves and taking the correct decisions. It adds on to the skills, experience and expertise of the managers in their respective departments.

- **Effective Control and Supervision**

The managers exercise better control over the operations of the subordinates by taking disciplinary actions. They can make decisions related to production schedules, promotions and leaves taken by the subordinates.

- **Flexibility**

Decentralization leads to flexibility in business operations. It also provides authority to the managers to handle unexpected situations independently. It allows them to manage their respective departments in the way they want to.

- **Motivates and Boosts Morale**

It creates self-dependant managers and drives them to enhance their performance, take the initiative and develop a problem-solving attitude. Decision making also boosts their morale and confidence.

- **Prompt Decision Making**

There are times when the managers have to take immediate and unplanned decisions at operational levels; it is only possible in decentralized organizations.

On the contrary, in a centralized organization, the decision-making process is quite lengthy and complicated, which is ineffective for handling unforeseen operational problems and issues.

- **Reduces the Burden of Top Management**

The management has to take certain crucial strategical decisions which require a lot of analysis and planning. Decentralization releases the management from operational decision making, facilitating them to engage themselves in future strategic planning.

<u>Advantages of Decentralisation</u>	<u>Disadvantages of Decentralisation</u>
<ol style="list-style-type: none"> 1. Reduces the burden on top executives 2. Facilitates diversification 3. Executive Development 4. It promotes motivation 5. Better control and supervision 	<ol style="list-style-type: none"> 1. Uniform policies not followed 2. Problem of Co-Ordination

Basic issues in Organizing :

1. Board operations
 - Low attendance at meetings
 - Low participation in meetings
 - High turnover of Board members
 - No, or poor, decision making
 - Rubber-stamping recommendations from the Chief Executive Officer
 - Conflict among Board members
 - Micromanagement of day-to-day activities
2. Strategic planning
 - Lack of clear focus for the organization and for making major decisions
 - Frequent, conflicting suggestions from Board and/or employees
 - Continual shortage of funds across the organization
 - Low attendance and participation from Board and/or employees
 - Poor results from products and services
 - Conflict among Board members and employees about priorities, roles and responsibilities
3. Business planning
 - Lack of clear goals and outcomes with products and services
 - Shortage of resources for products and services
 - Little or no results from products and services
 - Frequent complaints from employees who deliver products and services
 - Conflict and turnover among employees who deliver products and services
4. Management development
 - Poor planning, organizing, leading and administration of resources
 - Lack of direction and guidance to employees
 - Conflict among employees
 - High employee turnover
 - Poor communication between employees and between Board members
 - Incomplete implementation and evaluation of products and services
 - Board is not involved at all, or far too much, in planning and leadership
5. Employee development
 - Frequent turnover
 - Frequent complaints and conflict
 - Poor performance
 - Compliance (“going through motions”) on the job
 - (See symptoms of problems with business planning as listed above in this table)

6. Teamwork
 - Conflict between team members
 - Inefficiencies in activities
 - High turnover of members
 - Confusion about decision making and problem solving
 - Poor performance among members
 - Ineffective meetings
 - Low morale
7. Financial management
 - Shortage of resources for products and services
 - Lack of understanding of costs of various resources
 - Bills continually not paid on time
 - Problems reported by annual financial audits
 - Numerous requests for funds from investors
 - Frequent refusals from investors
 - Financial goals are not clear
8. Advertising and promotions
 - Little or no available feedback from customers
 - Strong testimonials and results from customers, yet little growth in products and services
 - Confusion among customers about features and benefits of products and services
 - Lack of resources to obtain, develop and deliver products and services
9. Evaluations of products and services
 - Confusion among employees about products and services
 - Inability to successfully describe products and services to others
 - Poor results from products and services
 - Frequent complaints and conflicts among employees who deliver products and services
 - Ineffective advertising and promotions

Principles of Organizing - The following illustration shows the five principles of Organizing:



1. Work Specialization

Also called division of labor, work specialization is the degree to which organizational tasks are divided into separate jobs. Each employee is trained to perform specific tasks related to their specialized function.

Specialization is extensive, for example running a particular machine in a factory assembly line. The groups are structured based on similar skills. Activities or jobs tend to be small, but workers can perform them efficiently as they are specialized in it.

In spite of the obvious benefits of specialization, many organizations are moving away from this principle as too much specialization isolates employees and narrows down their skills to perform routine tasks.

Also it makes the organization people dependent. Hence organizations are creating and expanding job processes to reduce dependency on particular skills in employees and are facilitating job rotation among them.

2. Authority

Authority is the legitimate power assigned to a manager to make decisions, issue orders, and allocate resources on behalf of the organization to achieve organizational objectives.

Authority is within the framework of the organization structure and is an essential part of the manager's job role. Authority follows a top-down hierarchy. Roles or positions at the top of the hierarchy are vested with more formal authority than are positions at the bottom.

The extent and level of authority is defined by the job role of the manager. Subordinates comply with the manager's authority as it is a formal and legitimate right to issue orders.

3. Chain of Command

The chain of command is an important concept to build a robust organization structure. It is the unbroken line of authority that ultimately links each individual with the top organizational position through a managerial position at each successive layer in between.

It is an effective business tool to maintain order and assign accountability even in the most casual working environments. A chain of command is established so that everyone knows whom they should report to and what responsibilities are expected at their level. A chain of command enforces responsibility and accountability. It is based on the two principles of Unity of command and Scalar Principle.

Unity of command states that an employee should have one and only one manager or supervisor or reporting authority to whom he is directly accountable to. This is done to ensure that the employee does not receive conflicting demands or priorities from several supervisors at once, placing him in a confused situation.

However, there are exceptions to the chain of command under special circumstances for specific tasks if required. But for the most part organizations to a large extent should adhere to this principle for effective outcomes.

Scalar principle states that there should exist a clear line of authority from the position of ultimate authority at the top to every individual in the organization, linking all the managers at all the levels. It involves a concept called a "gang plank" using which a subordinate may contact a superior or his superior in case of an emergency, defying the hierarchy of control. However, the immediate superiors must be informed about the matter.

4. Delegation

Another important concept closely related to authority is delegation. It is the practice of turning over work-related tasks and/or authority to employees or subordinates. Without delegation, managers do all the work themselves and underutilize their workers. The ability to delegate is crucial to managerial success.

Authority is said to be delegated when discretion is vested in a subordinate by a superior. Delegation is the downward transfer of authority from a manager to a subordinate. Superiors or managers cannot delegate authority they do not have, however, high they may be in the organizational hierarchy.

Delegation as a process involves establishment of expected outcomes, task assignment, delegation of authority for accomplishing these tasks, and exaction of responsibility for their accomplishment. Delegation leads to empowerment, as employees have the freedom to contribute ideas and do their jobs in the best possible ways.

5. Span of Control

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

Span of control is critical in understanding organizational design and the group dynamics operating within an organization. Span of control may change from one department to another within the same organization.

The span may be wide or narrow. A wide span of control exists when a manager has a large number of employees reporting to him. Such a structure provides more autonomy. A narrow span of control exists when the number of direct reportees that a manager has is small. Narrow spans allow managers to have more time with direct reports, and they tend to spark professional growth and advancement.

There are two types of span of control:-

A)-Wide span of control- It is one in which a manager can supervise and control effectively a large group of persons at one time.

The features of this span are:-

- a. Less overhead cost of supervision
- b. Prompt response from the employees
- c. Better communication
- d. Better supervision
- e. Better co-ordination

According to this span, one manager can effectively and efficiently handle a large number of subordinates at one time.

B)-Narrow span of control- According to this span, the work and authority is divided amongst many subordinates and a manager doesn't supervise and control a very big group of people under him. The manager according to a narrow span supervises a selected number of employees at one time.

The features are:-

- a. Work which requires tight control and supervision, for example, handicrafts, ivory work, etc. which requires craftsmanship, there narrow span is more helpful.
- b. Co-ordination is difficult to be achieved.
- c. Communication gaps can come.
- d. Messages can be distorted.
- e. Specialization work can be achieved.

Organization Structure for Departmentalization

An organization is a social unit of individuals that is designed and managed to achieve collective goals. As such organizations are open systems that are greatly affected by the environment they operate in. Every organization has its own typical management structure that defines and governs the relationships between the various employees, the tasks that they perform, and the roles, responsibilities and authority provided to carry out different tasks.

An organization that is well structured achieves effective coordination, as the structure delineates formal communication channels, and describes how separate actions of individuals are linked together.

The structure an organization designs depends greatly on its objectives and the strategy it adopts in achieving those objectives.

An **organizational chart** is the visual representation of this vertical structure. It is therefore very important for an organization to take utmost care while creating the organizational structure. The structure should clearly determine the reporting relationships and the flow of authority as this will support good communication – resulting in efficient and effective work process flow.

Common Organization Structures

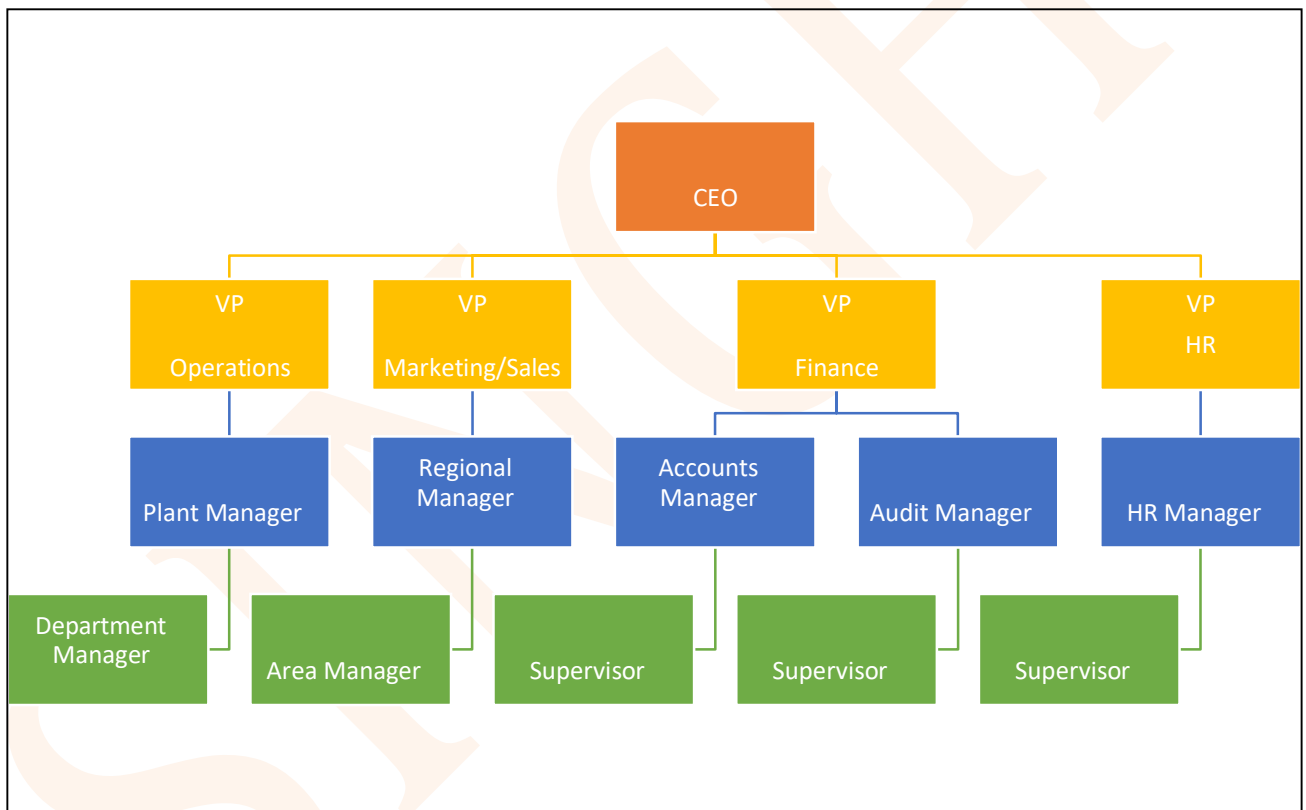
Managements need to seriously consider how they wish to structure the organization. Some of the critical factors that need to be considered are:

- The size of the organization
- Nature of the business
- The objectives and the business strategy to achieve them
- The organization environment

Different Types of Organizational Structures

- I. Functional Organization Structure
- II. Product Organizational Structure
- III. Geographic Organizational Structure
- IV. Matrix Organizational Structure

1. **Functional Organization Structure**



The functional structure is the most common model found in most organizations. Organizations with such a structure are divided into smaller groups based on specialized functional areas, such as operations, finance, marketing, Human Resources, IT, etc.

The organization's top management team consists of several functional heads (such as the VP Operations, VP Sales/Marketing). Communication generally occurs within each functional department and is communicated across departments through the department heads.

This structure provides greater operational efficiency as employees are functionally grouped based on expertise and shared functions performed. It allows increased specialization as each group of specialists can operate independently.

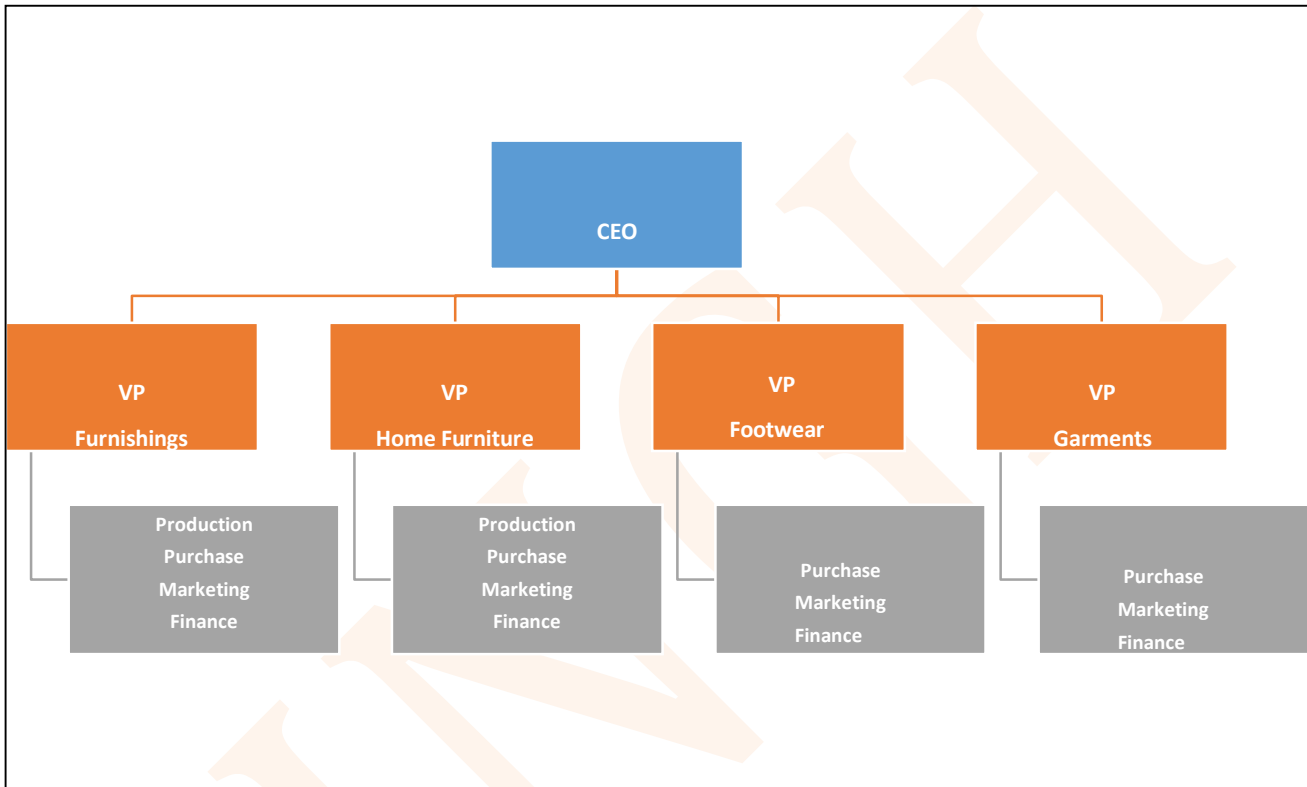
In spite of the above benefits there are some issues that arise with this structure. When different functional areas turn into silos they focus only on their area of responsibility and do not support other functional departments. Also expertise is limited to a single functional area allowing limited scope for learning and growth.

2. **Product Organizational Structure**

This is another commonly used structure, where organizations are organized by a specific product type. Each product category is considered a separate unit and falls within the reporting structure of an executive who oversees everything related to that particular product line. For example, in a retail business the structure would be grouped according to product lines.

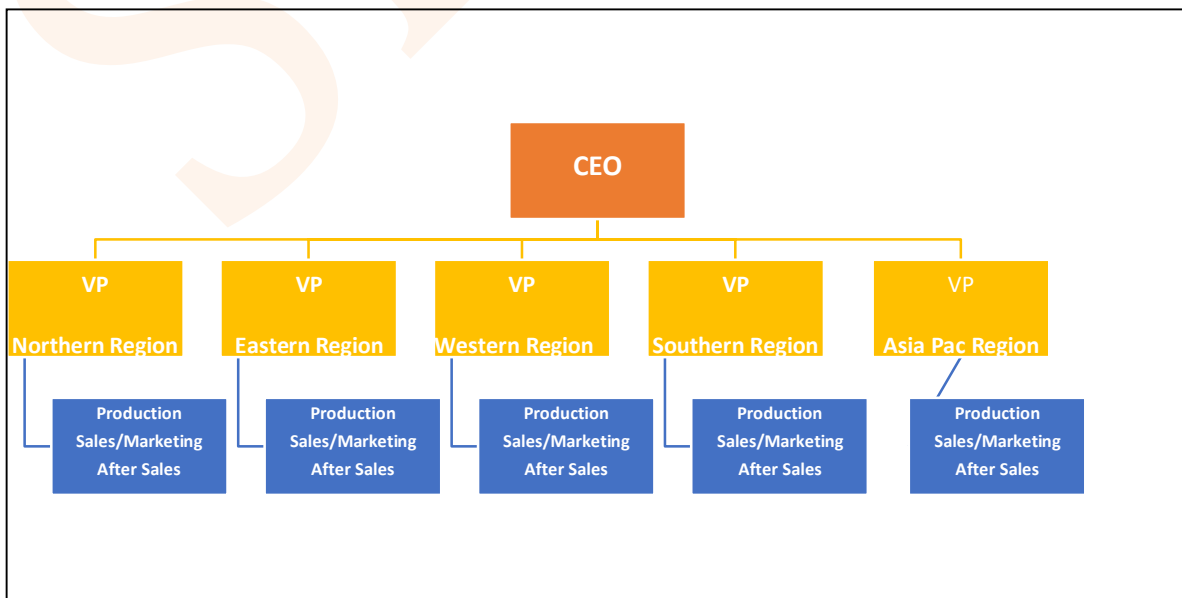
Organization structured by product category facilitates autonomy by creating completely separate processes from other product lines within the organization. It promotes depth of understanding within a particular product area and also promotes innovation. It enables clear focus with accountability for program results.

As with every model, this model also has a few downsides like requirement of strong skills specializing in the particular product. It could lead to functional duplication and potential loss of control; each product group becomes a heterogeneous unit in itself.



3. **Geographic Organizational Structure**

Organizations that cover a span of geographic regions structure the company according to the geographic regions they operate in. This is typically found in organizations that go beyond a city or state limit and may have customers all across the country or across the world.

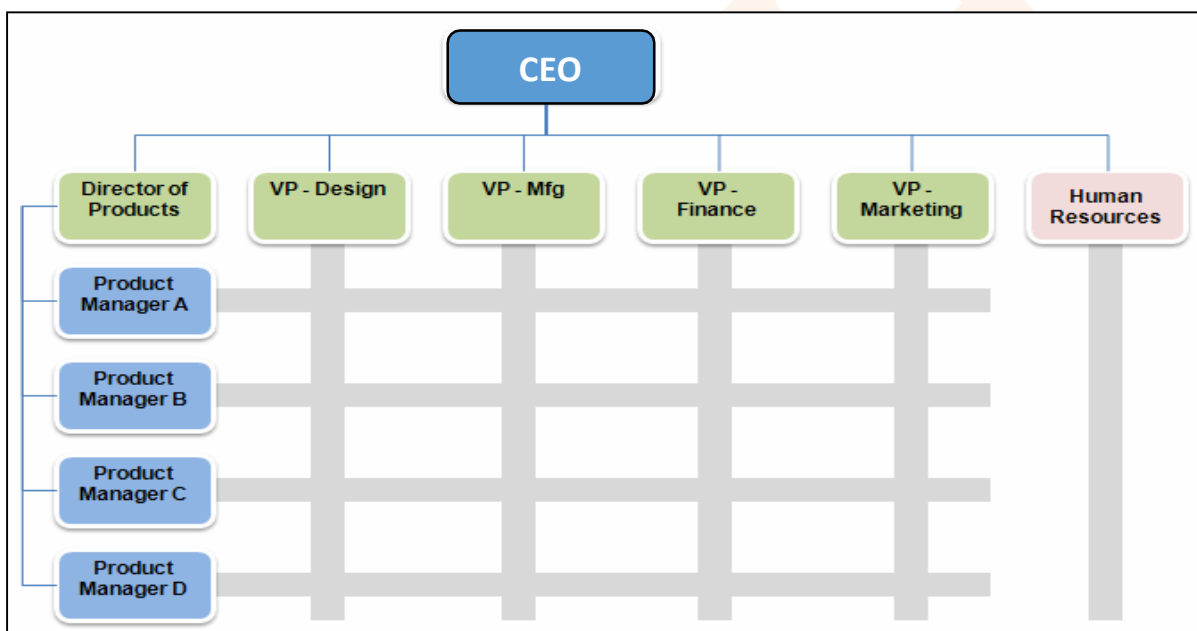


It brings together employees from different functional specialties and allows geographical division. The organization responds more quickly and efficiently to market needs, and focuses efforts solely on the objectives of each business unit, increasing results.

Though this structure increases efficiency within each business unit, it reduces the overall efficiency of the organization, since geographical divisions duplicate both activities and infrastructure. Another main challenge with this model is that it tends to be resource intensive as it is spread across and also leads to duplication of processes and efforts.

4. **Matrix Organizational Structure**

A matrix structure is organized to manage multiple dimensions. It provides for reporting levels both horizontally as well as vertically and uses cross-functional teams to contribute to functional expertise. As



such employees may belong to a particular functional group but may contribute to a team that supports another program.

This type of structure brings together employees and managers across departments to work toward accomplishing common organizational objectives. It leads to efficient information exchange and flow as departments work closely together and communicate with each other frequently to solve issues. This structure promotes motivation among employees and encourages a democratic management style where inputs from team members are sought before managers make decisions. However, the matrix structure often increases the internal complexity in organizations. As reporting is not limited to a single supervisor, employees tend to get confused as to who their direct supervisor is and whose direction to follow. Such dual authority and communication leads to communication gaps, and division among employees and managers.

ORGANIZATIONAL CULTURE:-

Organisational culture is defined as the underlying beliefs, assumptions, values and ways of interacting that contribute to a unique social and psychological environment of an organisation.

Organisational culture includes an organization's expectations, experiences, philosophy as well as values that guide member's behaviour. Culture is based on shared attitudes, beliefs, and customs, written and unwritten rules that have been developed over time and considered valid.

Culture also includes organizations vision, norms, system, values, symbols, language, assumptions, beliefs and habits.

While the above definition of the culture express how construct plays out in the workplace , other definitions express employee behavioural components and how organisational culture directly influences the behaviours of the employees within the organizations.

Organisational culture affects the way people and groups interact with each other, with clients and with stake holders. Also organisational culture can influence how much employees identify with their organizations.

In business terms other phrases are used interchangeably including “corporate culture”, “workplace culture” and “business culture “.

HOW ORGANIZATIONAL CULTURE DEVELOPS: An organizations custom, tradition, ritual, behavioural norms symbols and general ways of doing things are the visible manifestations of its culture; they are what one sees walking into the organisation. The current organisational culture is due to the factors that have worked well for the organisation in the past.

Founders typically have a significant impact on organizations earlier culture. Over time behavioural norms develop that are consistent with the organisational culture.

Though culture emerges naturally in the most organizations, strong culture begins with a process called “values blue printing” which involves candid conversations with the leaders across organization.

TYPES OF ORGANIZATIONAL CULTURE:-

1. **Creative Company Culture-** This culture is all about self expression. This means leaders allow their employees to utilize their creativity and encourage out of the box thinking.
2. **Collaborative Culture-** This type of organizational culture relies heavily on team work, consensus and decision making based on a shared view of desired results.
3. **Competitive company culture-** For companies nurturing this type of culture, winning is everything. Based on sales and product development, it is a perfect environment for capable employees. Here individual achievements are valued more than teamwork itself.
4. **Controlled company culture-** controlled culture requires order and alignment based on clear data driven goals and objectives.

IMPACT OF ORGANIZATIONAL CULTURE ON TEAM:-

- Various organizational cultures are impacting differently on team’s performance.
- Any team can work comfortably and creatively in a creative culture where team members can express their ideas and views.
- A healthy organisational culture helps the team to give their 100 percent which helps to achieve organisational goals.
- When organisational culture is rigid, then it’s difficult for a team to perform their best.
- Some cultures are supportive to individual performance so there are less chances of team’s growth.
- Likewise, some of the organisational cultures are very controlled, where positional power is used on teams, which restrict team’s dedication towards work.
- Organisations with high cultural values respect individuals and teams ideas, creativity and performance which help the team to become creative, innovative and productive.
- Whereas some organisational culture believes in pure profit making and do not give priorities to team creativity by which teams are unable to perform freely.

Cultural Diversity

A society comprising people from different religions, languages, races, and ethnic backgrounds is an excellent example of cultural diversity. Cultural diversity stands out as a way of accepting and appreciating other people's way of life, thus promoting a peaceful understanding as people live together in society. Cultural diversity is essential since it enhances togetherness in society regardless of ethnic background.

The Characteristics, features, and functions that differentiate one employee from others, are known as Work Force Diversity, and managing such things in the organization is known as managing cultural diversity in the workplace.

In every organization, people come from various places and from various regions of the world, and they all show a different culture that matters a lot while performing the duties in the organization.

This variation or difference in the employee's culture in business terms also known as cultural diversity in the workplace, which put impacts employee performance. Let's see how cultural diversity in the workplace impacts the workforce ability of an employee.

Cultural Diversity in the Workplace :-The working environment of the organizations is changed into diversified surroundings. In modern days organizations strive to retain a workforce that belongs to different cultures & geographical areas. There are some advantages linked with Cultural Diversity in the Workplace as well as some disadvantages.

But if the organizations properly managed their diverse workforce, then maximum advantages would be obtained & almost all the side effects of diversification of the workforce would be eliminated. The advantages may include the development of employees, an increase in creativity & problem solving, business growth & improvement in customer services, etc.

Reasons for Cultural Diversity in the Workplace

There are basically two main reasons for this Cultural Diversity in the Workplace which are as follows.

1. The changing structure of the population of the country
2. Globalization

It has been proven from the research that Cultural Diversity in the Workplace is a universal trend. The population of the country changes because the birth rate in the ethnic group of minorities increases along with an increasing rate of immigration.

On the other side, globalization is increasing day by day because every domestic or large organization is facing foreign competition & these organizations work in the international markets.

For this purpose, organizations try to operate in an advanced manner by searching for & retaining talented employees from different cultures.

Benefits of Cultural Diversity in the Workplace

- Cultural Diversity in the Workplace provides potential benefits to the organization, but the management should have to deal with a diverse workforce carefully. The following are the main advantages of a diversified workforce from different cultures.
- The productivity & efficiency of the employees increases as they are valued by the Business Organization. Therefore, they work with more commitment & motivation.
- The new talented employees come with new ideas & concepts which would be fruitful for the organization to solve certain issues.
- The diverse employees assist in designing a diversified product for different geographical groups. Unique marketing efforts are advised for the respective markets.
- Customer services can be made effective through a culturally diversified workforce.
- The business growth is directed towards the right track by employing from different cultures.

Disadvantages of Cultural Diversity in the Workplace

In the olden days, managers considered a culturally diverse workforce as a harmful aspect of the organization, because at that time they could not properly manage the diverse workforce. But still now if the diverse employees are not effectively managed, they would provide serious disadvantages to the organization which is as follow. The financial costs of the organization increase due to a high rate of absenteeism, lawsuits, or turnover. Also, the organizations spent much money in training a new diversified employee and when that unsatisfied employee leaves the organization, the loss is bearable by the organization.

Cultural Diversity in the Workplace also results in low productivity as people from different cultures feel prejudice and sometimes they do not accept the policies & norms of the organization. This would result in low commitment & motivation which in turn reduces the productivity & innovation of employees.

In some cases the leave of diversified employees from the organization creates a bad image of the organization with respect to a culturally diversified workforce. When there is a shortage of labour in the organization, the new diversified employees are not attracted to the organization due to its bad image.

Multicultural Organization

A multicultural organization is one that has a workforce that includes people from diverse backgrounds across all departments, and which offers them equal opportunity for input and advancement within the company.

A multicultural organization also possesses an absence of discrimination or prejudice toward people based on their race, religion, ethnicity, gender, age, sexual orientation, or physical limitation. In a multicultural organization, skill, talent, and performance are the criteria for meritocratic advancement.

A multicultural organization hires people from diverse backgrounds and offers them equal opportunity for input and advancement.

The trend toward diversity and inclusion is consistent with demographic changes in economically developed western countries.

Understanding Multicultural Organizations

A multicultural organization recognizes that the contributions of its employees include perspectives based on culture, gender, and other unique characteristics.

Few companies in our times want to make their products or services available only to one narrow slice of the population. A multicultural workforce helps them create products that meet the needs and expectations of a broader population.

An emphasis on diversity also may attract a better talent pool.

Moreover, a multicultural workforce is seen as essential for any business considering going global. "As national politics and discourse seem to grow more inward-looking and divisive across America and Europe, successful businesses must continue to think inclusively and globally," "Embracing cultural diversity in the workplace is an important first step for businesses that want to be competitive on an international scale."

The trend toward creating more diverse workplaces is consistent with demographic changes in economically developed countries.

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MODULE – III

Planning:-

Planning is the most basic of all managerial functions which involves establishing goals, setting out objectives and defining the methods by which these goals and objectives are to be attained. It is, therefore, a rational approach to achieving pre-selected objectives.

Planning involves selecting missions and objectives and the actions to achieve them. An important aspect of planning is decision making - that is, choosing the right alternatives for the future course of action.

Organizations have to typically plan for long-range and short-range future direction. By forecasting and predicting the market and socio-political-economic trends, managers can plan to determine where they desire the company to be in future.

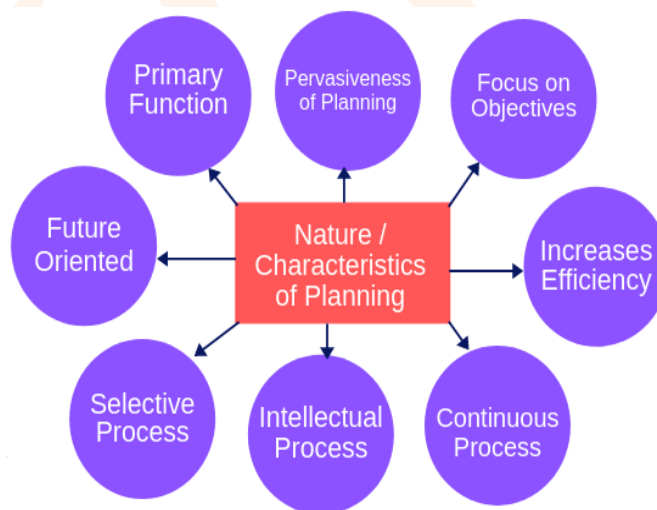
Planning involves determining various types and volumes of physical and other resources to be acquired from outside, allocating these resources in an efficient manner among competing claims and to make arrangement for systematic conversion of these resources into useful outputs.

Since plans are made to attain goals or objectives, every plan should lead to the achievement of the organization's purpose and objectives. An organized enterprise exists to accomplish group objectives through willing and purposeful co-operation.

Planning bridges the gap between where the organization stands currently and wishes to be in future. In the absence of planning, events are left to chance.

Nature and characteristics of Planning :

1. Primary Function
2. Pervasiveness of Planning
3. Focus on Objectives
4. Future-Oriented
5. Selective Process
6. Intellectual Process
7. Continuous Process
8. Increases Efficiency



(1) Primary Function

Planning is the primary function of management. It precedes all other management functions. Without setting the goals to be achieved and line of action to be followed there is no meaning of organizing, leading or controlling the activities of an organization. In fact, all other functions of management largely depend upon planning. It sets all other functions into action. Hence, it is the basic function of management.

(2) Pervasiveness of Planning

Planning is a pervasive activity. Managers at all levels of organization perform the planning function. However, the nature and scope of planning may differ at various levels of management. Top management looks after strategic planning. The middle and lower management is concerned with administrative planning and operational planning respectively.

(3) Focus on Objectives

A plan must focus on accomplishing certain objectives/goals. It identifies the actions that would lead to the desired objectives quickly and economically. Planning cannot be imagined without objectives.

(4) Future-Oriented

Planning is always future-oriented because it is done for the future. It decides in the present what is to be done in the future. It is based on forecasting and a plan is a synthesis of forecasts. Thus, planning is based on farsightedness, which is forward looking in nature.

(5) Selective Process

In order to achieve a set of objectives, there are a number of alternatives, which are available to an organization. He planning is essentially a process of choosing among alternatives. It is concerned with decision-making relating to

- what is to be done,
- how it is to be done
- when it is to be done, and
- by whom it is to be done.

(6) Intellectual Process

Planning is a intellectual process, which involves creative thinking and imagination. Managers have to consider various courses of action, go in detail the pros and cons of every course of action and then finally decide which course of action may suit them best. It is not mere guesswork but involves rational thinking. It requires the mental ability to think before acting.

(7) Continuous Process

Planning is a continuous and never ending process of a manager in an organization. The manager plans on the basis of some assumptions, which may not come true in the future. Therefore, he has to go on modifying, revising and adjusting plans in the light of changing environment. A manager cannot plan once for all.

(8) Increases Efficiency

Planning aims to increase the efficiency of the organization at all levels. The guiding principle of a good plan is the maximum output and profit at the minimum cost. Planning helps in the utilization of resources and reducing wastage. In planning, the manager evaluates the alternatives on the basis of efficiency. Hence, the concept of efficiency is implicit in planning.

Elements of Planning:

1. Objectives:

The important task of planning is to determine the objectives of the enterprise. Objectives are the goals towards which all managerial activities are aimed at. All planning work must spell out in clear terms the objectives to be realised from the proposed business activities. When planning action is taken, these objectives are made more concrete and meaningful. For example, if the organisational objective is profit earning, planning activity will specify how much profit is to be earned looking into all facilitating and constraining factors.

2. Forecasting:

It is the analysis and interpretation of future in relation to the activities and working of an enterprise. Business forecasting refers to analysing the statistical data and other economic, political and market information for the purpose of reducing the risks involved in making business decisions and long range plans. Forecasting provides a logical basis for anticipating the shape of the future business transactions and their requirements as to man and material.

3. Policies:

Planning also requires laying down of policies for the easy realisation of the -objectives of business. Policies are statements or principles that guide and direct different managers at various levels in making decisions. Policies provide the necessary basis for executive operation. They set forth overall boundaries within which the decision-makers are expected to operate while making decisions. Policies act as guidelines for taking administrative decisions.

In a big enterprise, various policies are formulated for guiding and directing the subordinates in different areas of management. They may be production policy, sales policy, financial policy, personnel policy etc. But these different

policies are co-ordinated and integrated in such a way that they ensure easy realisation of the ultimate objectives of business. Policies should be consistent and must not be changed frequently.

4. **Procedures:**

The manner in which each work has to be done is indicated by the procedures laid down. Procedures outline a series of tasks for a specified course of action. There may be some confusion between policies and procedures. Policies provide guidelines to thinking and action, but procedures are definite and specific steps to thinking and action. For example, the policy may be the recruitment of personnel from all parts of the country; but procedures may be to advertise and invite applications, to take interviews and offer appointment to the selected personnel.

Thus, procedures mean definite steps in a chronological sequence within the area chalked out by the policies. In other words, procedures are the methods by means of which policies are enforced. Different procedures are adopted in different areas of business activities. There may be production procedure, sales procedure, purchase procedure, personnel procedure etc.

Production procedure involves manufacturing and assembling of parts; sales procedure relates to advertising, offering quotations, securing and execution of orders; purchase procedure indicates inviting tenders, selecting quotations, placing orders, storing the goods in go-down and supplying them against requisition to different departments and personnel procedure is the recruitment, selection and placement of workers to different jobs.

5. **Rules:**

A rule specifies necessary course of action in a particular situation. It acts as a guide and is essentially in the nature of a decision made by the management authority. This decision signifies that a definite action must be taken in respect of a specific situation. The rules prescribe a definite and rigid course of action to be followed in different business activities without any scope for deviation or discretion.

Any deviation of rule entails penalty. Rule is related to parts of a procedure. Thus, a rule may be incorporated in respect of purchase procedure that all purchases must be made after inviting tenders. Similarly, in respect of sales procedure, rule may be enforced that all orders should be confirmed the very next day.

6. **Programmes:**

Programmes are precise plans of action followed in proper sequence in accordance with the objectives, policies and procedures. Programmes, thus, lead to a concrete course of inter-related actions for the accomplishment of a purpose. Thus, a company may have a programme for the establishment of schools, colleges and hospitals near about its premises along with its expanding business activities.

Programmes must be closely integrated with the objectives. Programming involves dividing into steps the activities necessary to achieve the objectives, determining the sequence between different steps, fixing up performance responsibility for each step, determining the requirements of resources, time, finance etc. and assigning definite duties to each part.

7. **Budgets:**

Budget means an estimate of men, money, materials and equipment in numerical terms required for implementation of plans and programmes. Thus, planning and budgeting are inter-linked. Budget indicates the size of the programme and involves income and outgo, input and output. It also serves as a very important control device by measuring the performance in relation to the set goals. There may be several departmental budgets which are again integrated into the master budget.

8. **Projects:**

A project is a single-use plan which is a part of a general programme. It is part of the job that needs to be done in connection with the general programme. So a single step in a programme is set up as a project. Generally, in planning a project, a special task force is also envisaged.

It is a scheme for investing resources which can be analysed and appraised reasonably and independently. A project involves basically the investment of funds, the benefits from which can be accrued in future. Examples of such investment may be outlays on land, building, machinery, research and development, etc. depending upon the situation.

9. **Strategies:**

Strategies are the devices formulated and adopted from the competitive standpoint as well as from the point of view of the employees, customers, suppliers and government. Strategies thus may be internal and external. Whether internal or external, the success of the plans demands that it should be strategy-oriented.

The best strategy of planning from the competitive standpoint is to be fully informed somehow about the planning 'secrets' of the competitors and to prepare its own plan accordingly. Strategies act as reserve forces to overcome resistances and reactions according to circumstances. They are applied as and when required.

Planning types and models:-

1. **Strategic**
2. **Operational**
3. **Tactical**
4. **Contingency**

Strategic planning

Strategic planning is defining a company's direction and goals and allocating its resources to pursue them. It consists of analyzing the competitive environment and identifying external and internal factors that can affect the organization. Involves analyzing competitive opportunities & threats, as well as the strengths & weaknesses of the organization, & determining how to position the organization to compete effectively in their environment.

Strategic plans define the framework of the organization's vision and how organization intends to make its vision a reality.

- It is the determination of the long-term objectives of an enterprise, the action plan to be adopted and the resources to be mobilized to achieve these goals.
- Since it is planning the direction of the company's progress, it is done by the top management of an organization.
- It essentially focuses on planning for the coming years to take the organization from where it stands today to where it intends to be.
- The strategic plan must be forward looking, effective and flexible, with a focus on accommodating future growth.
- These plans provide the framework and direction for lower level planning.

Operational planning

- Covers the entire organization's goals & objectives and puts into practice the ways & action steps to achieve the strategic plans. Very short term plans, usually less than a year.
- Operational planning is the process of defining specific actions and resources needed to achieve the goals set out in the strategic plan. It involves developing detailed plans and budgets to implement the strategies and tactics outlined in the strategic plan and identifying and addressing any potential risks or challenges that may arise.

Tactical planning

- It creates the blueprint for the larger strategic plan. These plans are often short term and are carried out by middle-level managers.
- Tactical planning develops plans and actions to achieve the goals set out in the operational plan.
- It involves breaking down the larger goals and objectives into smaller, more manageable tasks that can be completed within a shorter time frame, typically ranging from a few weeks to a few months.
- Tactical planning includes developing content marketing campaigns, promoting new features, assigning tasks to developers, etc.

Contingency planning

- Contingency planning is the process of identifying potential risks or challenges that may arise and developing plans to mitigate or address them.
- To ensure the success of the launch of the new features, for example a company develops a contingency plan to mitigate potential risks or challenges that may arise.
- The contingency plan includes the following measures:

- Identifying potential disruptions to the development process, such as staff illness or unexpected delays, and minimizing their impact on the timeline for launching the new software.
- Identifying potential IT issues, such as server outages or security breaches, and ensuring that the software remains accessible to customers and secure.
- Sudden change in market conditions or a major competitor entering the market.

Planning in Learning Organizations:-

“A learning organization is an organization that is continually expanding its capacity to create its future.”

A learning organization is one that is skilled at creating, acquiring, and transferring knowledge, and at modifying its behavior to reflect new knowledge and insights. Effective planning, meanwhile, is about setting goals and determining the most effective means of achieving them in the face of internal and external challenges.

“A goal without a plan is just a wish.”

Effective planning process and learning organizations interrelate:

1. Shared Vision

Both planning and learning organizations value the importance of having a shared vision. Such a vision provides a common direction and motivation. In a learning organization, the shared vision allows for commitment rather than mere compliance. When planning, the vision helps to chart out the destination and the roadmap to get there.

2. Continuous Learning

A learning organization promotes continuous learning. Planning processes can benefit immensely from this culture, as regular review cycles and feedback loops will provide invaluable insights that can help in fine-tuning strategies and tactics.

3. Mental Models

A part of being a learning organization is to challenge the prevailing mental models or the deep-seated beliefs and generalizations. Effective planning often requires breaking away from conventional wisdom or outdated modes of operation, making this facet of a learning organization invaluable.

4. Team Learning

Team learning is vital because planning should never be done in isolation. The more diversified and collaborative the planning process, the more comprehensive and resilient the strategies will be.

5. Systems Thinking

This is the capability to see the bigger picture and understand how things influence one another within a whole system. Effective planning requires a systems approach to ensure that decisions made in one area do not adversely affect another.

6. Dynamic Adaptability

Learning organizations adapt dynamically. This trait is essential for planning, especially in volatile, uncertain, complex, and ambiguous (VUCA) environments. As circumstances change, plans can be reviewed and adjusted.

7. Feedback Loops

Both planning and learning organizations emphasize the importance of feedback. Regular feedback helps in assessing the effectiveness of strategies and making necessary changes in real-time.

8. Empowerment

Learning organizations empower their members to seek out knowledge, experiment, and apply learnings. Empowered teams are more proactive in planning and can adjust to changes faster and more efficiently.

9. Innovation

At the heart of a learning organization is a drive for innovation. Planning in such an environment will be more forward-thinking, with a willingness to take calculated risks and explore novel solutions.

10. Knowledge Management

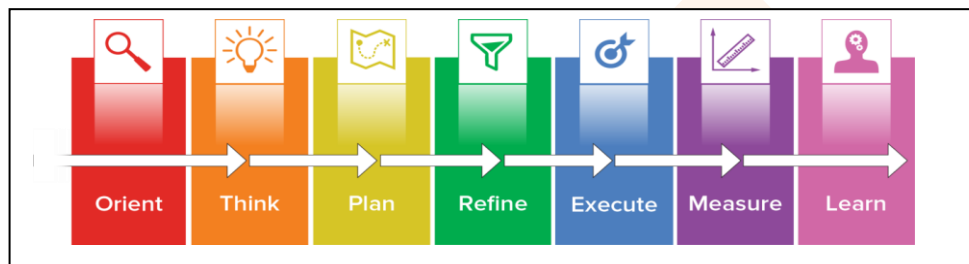
Efficient planning requires data, insights, and accumulated knowledge. Learning organizations are adept at managing and disseminating knowledge, making the planning process more informed and evidence-based.

The principles that drive a learning organization can significantly enhance the planning process. Such organizations are more proactive, adaptive, and resilient in the face of change, making them better equipped to navigate the complexities of the modern business environment. Integrating the principles of a learning organization into planning can help businesses remain competitive, innovative, and agile.

“In a learning organization, leaders are designers, stewards, and teachers. They are responsible for building organizations where people continually expand their capabilities to understand complexity, clarify vision, and improve shared mental models - that is, they are responsible for learning.”

A Planning & Execution Framework

- Orient
- Think
- Plan
- Refine
- Execute
- Measure
- Learn



“Plan for what is difficult while it is easy, do what is great while it is small”.

MANAGEMENT BY OBJECTIVE (MBO):-

Management by objectives was first described and advocated by Peter Drucker in 1954 in “The Practice of Management”. He stressed that “business performance requires that each job be directed towards the objectives of the whole business”. MBO is the philosophy of management that emphasizes that managers and subordinates work together in identifying and setting up objectives and make plans together in order to achieve these objectives. These objectives should be consistent with the organization mission and goals.

MBO, also referred to as “Management by Results” or “Goal Management” is based on the assumption that involvement leads to commitment and if an employee participates in setting goals and objectives as well as setting standards for measurement of performance, then such employee will be motivated to perform better and in a manner that directly contributes to the achievement of organizational objectives.

MBO is both an aid to planning as well as a motivating factor for employees. By its proper use, some of the planning errors can be eliminated or minimized. It is a comprehensive system based upon set objectives in which all members participate. These objectives are common objectives for all participants and the extent of rewards for each member would be determined by the degree of achievement. This leads to a fair appraisal system. Additionally, a good MBO plan involves regular face-to-face superior-subordinate communication and hence it improves the communication network.

MBO Process

An effective MBO programme requires top management participation and support. It relies on the participative approach to management so that managers at all levels are actively involved. MBO programme cannot succeed if top management is unwilling to accept the philosophy behind it where subordinates take equal part. MBO can only succeed if it has the complete and enthusiastic support of top management.

Features of MBO

The following are the features of MBO:

- Integrates the goals of an organisation and individuals, leading to an effective management system.
- Emphasises on the effective performance.

- Combines the long term and the short term goals.
- Constant attention to refine, modify and improve the goals with changing times.
- Recognises participation of employees in goal setting process.
- A high degree of motivation and satisfaction is available to employees through MBO.
- Tries to relate the organisation goals with society goals.

Benefits of MBO

The benefits of MBO are as given below:

- Provides a foundation of participative management.
- Gives the criteria of evaluation.
- Delegation of authority is easily done.
- Systematic evaluation of the performance.
- Managers are involved in setting objectives at various levels of management.
- Motivates employees by job enrichment.
- The responsibility of a worker is fixed through MBO.
- Provides a foundation for participative management and goal setting.

Process of MBO

The process of MBO constitutes of the following steps:

- defining organisational objectives
- goals of each section
- fixing key result areas
- setting subordinate objectives or targets
- matching resources with objectives
- periodical review meetings
- appraisal of activities
- reappraisal of objectives

Advantages of Objectives

The following are the advantages of objectives:

- unified planning
- individual motivation
- coordination
- control
- basis for decentralization

Limitations of MBO

The limitations of MBO are as given below:

- it is a time consuming process
- MBO fails to explain the philosophy
- emphasises on short term objectives rather than the long term
- the status of subordinates is necessary for proper objectives setting which is not possible in MBO process

- MBO's are rigid in nature
- the objectives are set without considering the available resources

MANAGEMENT BY EXCEPTION (MBE):-

Management by exception (MBE) is a management strategy in which managers will only step in when there are significant deviations from planned outcomes. It involves focusing only on those items for which there was actually a variance. Materiality criteria can be used in determining whether the variance represents an exception for which corrective action is necessary.

Management by Exception (MBE) is a "policy by which management devotes it's time to investigating only those situations in which actual results differ significantly from planned results. " The concept of MBE was propounded by: Frederick Winslow Taylor.

When applied to business, it is a style of management that gives employees the responsibility to make decisions and fulfil their work or projects by themselves. It consists of focus and analysis of statistically relevant anomalies in the data.

It is a system of identification and communication that signals the manager as to when and where his attention is needed. The main object of this system is to enable the manager to identify and isolate the problems that call for decision and action, and avoid or ignore or pay less attention to less critical problems which better be handled by his subordinates.

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

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

Advantages of Management by Exception:

1. It saves time. Manager attends to real problems at a particular point of time.
2. Concentrated efforts are possible, as this system enables the manager to decide when and where he should pay his attention. It identifies crisis and critical problems.
3. Lesser number of decisions is required to be taken, which enables the manager to go into detail.

Planning Premises:-

Planning premises refers to the forecasts or predictions about the environment in which the plans are going to operate. They are basically assumptions or anticipated environmental conditions. Premises can be of varied types:

- Internal (philosophy, worker's skills, company policies) and external premises (cultural, technological, political environment, etc.)
- Tangible (hours of work, units of production and sale) and intangible (employee's attitude, morale, goodwill) premises.
- Controllable (money, machine, material), Semi-controllable (advertising strategy) and non-Controllable (natural calamities, government's policies, consumer behaviour) premises.
- Constant (machine, money, men) and variable (union-management relationships) premises.

Decision Making – Nature and Significance

Decision making is an integral part of every aspect of life. This also applies to organizations. It is one of the key factors that pave the way for its success or failure. Every manager is required to execute decisions at various levels of the management cycle beginning from planning to control. It is the effectiveness and quality of those decisions that determine how successful a manager is.

Without decision making, different managerial functions such as planning, organizing, directing, controlling, and staffing cannot be conducted. Decision making is a cumulative and consultative process, and should support organizational growth.

The main function of every management is making the right decisions and seeing them through to their logical end through execution. Every management decision also affects employee morale and performance, ultimately influencing the overall business performance. The importance of decision making in management is immense, as the business policy and strategies adopted ultimately affects the company's output and performance.

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

Types of Decisions:-

Decision making and problem solving is a continuous process of analyzing and considering various alternatives in various situations, choosing the most appropriate course of action and following them up with the necessary actions.

There are two basic types of decisions:-

- Programmed Decisions
- Non-programmed Decisions

Programmed Decisions

Programmed decisions are those that are made using standard operating procedures or other well-defined methods. They are situations that are routine and occur frequently.

Organizations come up with specific ways to handle them. Programmed decisions are effective for day-to-day issues such as requests for leave or permissions by employees. Once the decision is taken, the program specifies processes or procedures to be followed when similar situation arises. Creating such programmed routines lead to the formulation of rules, procedures and policies, that becomes a standard in the organization.

Non-programmed Decisions

Non-programmed decisions are unique and one-shot decisions. They are not as structured as programmed decisions and are usually tackled through judgment and creativity. They are innovative in essence, as newly created or unexpected problems are settled through unconventional and novel solutions.

Management – Factors Affecting Decision Making:-

Decisions are typically made under one of three conditions:

- Certainty
- Risk and
- Uncertainty

These conditions are based on the amount of knowledge the decision maker has regarding the final outcome of the decision. The manager's decision depends on a number of factors, like the manager's knowledge, experience, understanding and intuition.

Certainty

- Decisions are made under conditions of certainty when the manager has enough information to know the outcome of the decision before it is made.
- The manager knows the available alternatives as well as the conditions and consequences of those actions.
- There is little ambiguity and hence relatively low possibility of making a bad decision.

Risk

- Most managerial decisions are made under conditions of risk.
- Decisions are taken in risk when the manager has some information leading to the decision but does not know everything and is unsure or unaware of the consequences.

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

Uncertainty

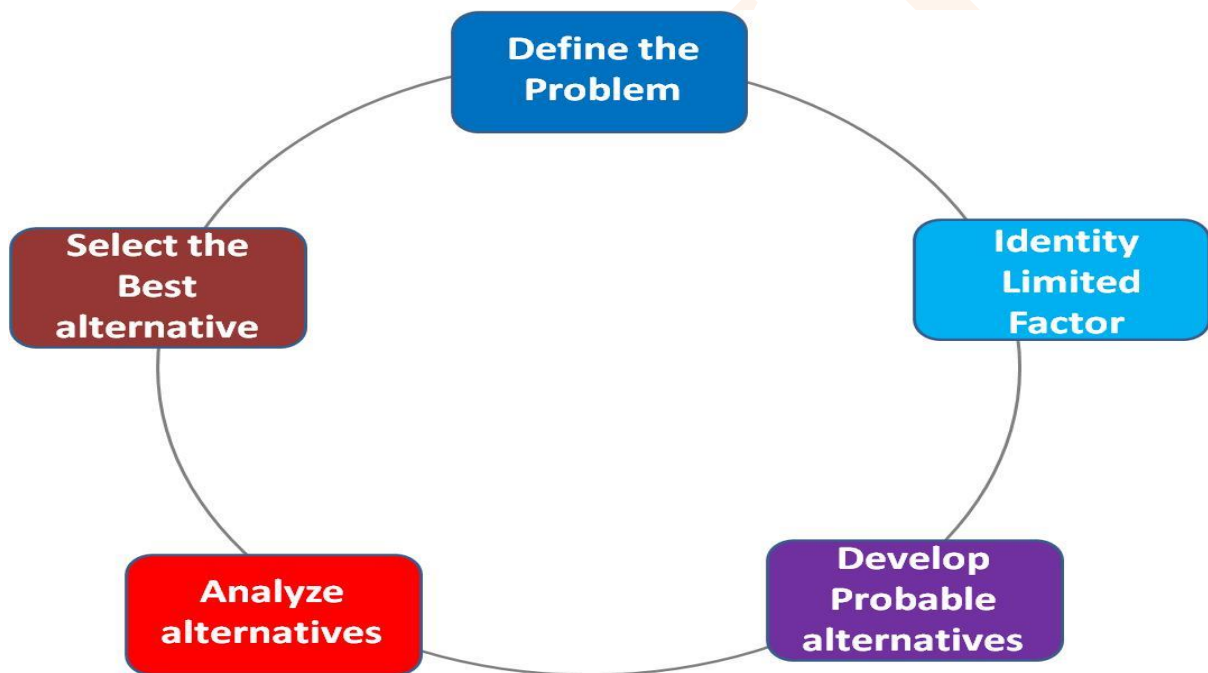
- Decisions are made under uncertainty when the probabilities of the results are unknown.

- There is no awareness of all the alternatives and also the outcomes, even for the known alternatives.

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

The decision-making process involves the following steps:

- Define the problem
- Identify limiting factors
- Develop potential alternatives
- Analyze and select the best alternatives
- Implement the decision



Define the Problem

The first step in the process of decision making is the recognition or identification of the problem, and recognizing that a decision needs to be taken.

It is important to accurately define the problem. Managers can do this by identifying the problem separately from its symptoms. Studying the symptoms helps getting closer to the root cause of the problem.

Identify Limiting Factors

In order to choose the best alternative and make a decision every manager needs to have the ideal resources — information, time, personnel, equipment, and supplies. But this is an ideal situation and may not always be possible.

A limiting factor is something that stands in the way of accomplishing a desired objective.

Develop Potential Alternatives

Recognizing the limiting factor in a given situation makes it possible to narrow down the search for alternatives and make the best decision possible with the information, resources, and time available.

Some methods for developing alternatives are:

- **Brainstorming**, where a group works together to generate ideas and alternative solutions.

- **Nominal group technique** is a method that involves the use of a highly structured meeting, complete with an agenda, and restricts discussion or interpersonal communication during the decision-making process.
- **Delphi technique** where the participants do not meet, but a group leader uses written questionnaires to conduct the decision making.

Analyze the Alternatives

This is an important stage in the decision-making process and perhaps the toughest. Managers must identify the merits and demerits of each alternative and weigh them in light of various situations before making a final decision.

Evaluating the alternatives can be done in numerous ways.

Here are a few possibilities:

- Qualitative and quantitative measurements
- Perform a cost-effectiveness analysis for each alternative
- Marginal analysis

Selecting Alternatives

Once the alternatives are analyzed and evaluated, the manager has to choose the best one. The manager needs to choose the alternative that gives the most advantage while meeting all the required criteria. Sometimes the choice is simple with obvious benefits; at times the optimal solution is a combination of several alternatives. At times when the best alternative may not be obvious, the manager uses probability estimates, research and analysis aided by his experience and judgment.

Evaluating Decision Effectiveness

The job of the managers does not end with making decisions. They are also responsible to get favorable results from the decision taken and implemented.

The effectiveness of a decision can be understood through a systematic and scientific evaluation system that provides feedback on how well the decision is being implemented, what the results have been, and what amendments and adjustments have been made to get the intended results.

Decision Making Process:-

Decision making is a very important and complex process. In order to aid decision makers make the right choice, quantitative techniques are used that improve the overall quality of decision making.

Following are some of the commonly used techniques:

➤ Decision Trees

Decision Trees are tools that help choose between several courses of action or alternatives. They are:

- Represented as tree-shaped diagram used to determine a course of action or show a statistical probability.
- Each branch of the decision tree represents a possible decision or occurrence.
- The tree structure shows how one choice leads to the next, and the use of branches indicates that each option is mutually exclusive.
- A decision tree can be used by a manager to graphically represent which actions could be taken and how these actions relate to future events.

➤ Delphi Technique

Delphi Technique is a method used to estimate the likelihood and outcome of future events. It is unique because:

- It is a group process using written responses to a series of questionnaires instead of physically bringing individuals together to make a decision.

- Individuals are required to respond to a set of multiple questionnaires, with each subsequent questionnaire built from the information gathered in the previous one.
- The process ends when the group reaches a consensus.
- The responses can be kept anonymous if required.

➤ **Payback Analysis**

Payback analysis is a technique generally used in financial management.

- It refers to the period of time required to recoup the funds expended in an investment, or to reach the break-even point.
- It is generally used to evaluate capital-purchasing alternatives.
- Alternatives are ranked according to the time each takes to pay back its initial cost.
- The strategy is to choose the alternative that has the quickest payback of the initial cost.

➤ **Simulations**

- Simulation is a technique that attempts to replace and amplify real experiences with guided techniques.
- It is a widely used technique in operations research.
- It models the behavior of individual elements within a given system.
- Methods generally used in simulation are random sampling to generate realistic variability.
- The overall behavior of the system emerges from the interactions between the elements.
- Widely used application areas of the simulation technique are - logistics and supply chain, service and operations management, business process improvement, health and social care information system, environment, etc.

Increasing Participation in Decision Making:-

Employee participation in decision-making is a key factor for improving employee relations and engagement, as well as organizational performance and innovation. However, many managers struggle to create a participatory culture and involve their employees in meaningful ways.

1. Define the purpose and scope

The first step to increase employee participation in decision-making is to define the purpose and scope of the decision, and communicate it clearly to your employees. Explain why the decision is important, what are the objectives and criteria, and what are the roles and responsibilities of the participants. This will help your employees understand the context and the expectations, and motivate them to contribute.

2. Choose the appropriate method

The second step is to choose the appropriate method for involving employees in decision-making, depending on the decision's nature and complexity, as well as the level of participation desired. Consultation is a common approach, where you ask for opinions and feedback, but you make the final call. Alternatively, delegation may be utilized, wherein you assign decision-making authority to one or more employees with guidance and support. Collaboration is another option, where you work with your employees as a team and share decision-making power and responsibility. Lastly, empowerment is a method that gives employees autonomy and resources to make their own decisions within certain boundaries and standards.

3. Provide information and training

The third step is to provide your employees with the necessary information and training to participate effectively in decision-making. You should share relevant data, facts, and evidence, as well as the pros and cons of different options. You should also train your employees on how to use analytical tools, such as SWOT analysis, decision matrix, or cost-benefit analysis, to evaluate the alternatives and make informed choices. Additionally, you should coach your employees on how to communicate, negotiate, and resolve conflicts, to foster a positive and constructive dialogue.

4. Encourage participation and diversity

The fourth step is to encourage participation and diversity among your employees, and create a safe and supportive environment for them to express their views and ideas. You should invite your employees to participate voluntarily, and respect their right to opt out if they wish. You should also seek input from a diverse range of employees, including those who have different perspectives, backgrounds, and experiences, to enrich the decision-making process and avoid groupthink. Moreover, you should acknowledge and appreciate your employees' contributions, and provide them with constructive feedback and recognition.

5. Implement and evaluate

The fifth step is to implement and evaluate the decision, and involve your employees in the follow-up actions and outcomes. You should communicate the decision clearly and transparently, and explain how your employees' input was considered and incorporated. You should also assign tasks and responsibilities to your employees, and monitor and support their progress. Furthermore, you should measure and report the results and impacts of the decision, and solicit your employees' feedback and suggestions for improvement.

6. Review and improve

The sixth and final step is to review and improve your practices and processes for increasing employee participation in decision-making, and learn from your successes and failures. You should assess the effectiveness and efficiency of your methods, and identify the strengths and weaknesses of your participation strategy. You should also collect and analyze your employees' satisfaction and engagement levels, and their perceptions and attitudes towards the decision-making process. Based on your findings, you should make adjustments and improvements to enhance your participation culture and performance.

Creativity in Decision Making:-

Decision making style of managers depends greatly on their personality and approach towards problem solving. Every leader or manager has his own individualistic style augmented by his experience, background, and abilities.

Directive or Autocratic Decision Making	Managers who follow this style assess few alternatives and consider limited information while taking any decision. They do not find it important to consult with others or seek information in any form and use their logic and idea while taking decisions.
Analytical Decision Making	Managers using analytic decision making style would like to have more information and consider more alternatives before coming to a conclusion. They seek relevant information from their sources and consider factual and detailed information before taking any decision. Such managers are careful decision makers as they have the ability to adapt or cope with unique situations.
Behavioral Decision Making	Leaders who follow this model believe in participative management and consider the achievement of subordinates and always take suggestions from them. They try to get inputs from subordinates through meetings and discussions. They try to avoid/resolve conflicts as acceptance by others is important to them.
Conceptual Decision Making	Managers using conceptual decision making style are intuitive in their thinking and have high tolerance for ambiguity. They look at many alternatives and focus on long run outcomes.

CONTROLLING

Controlling can be defined as that function of management which helps to seek planned results from the subordinates, managers and at all levels of an organization. The **controlling** function helps in measuring the progress towards the organizational goals & brings any deviations, & indicates corrective action.

Controlling helps managers monitor the effectiveness of their planning, organizing, and leading activities. **Controlling** determines what is being accomplished — that is, evaluating the performance and, if **necessary**, taking corrective measures so that the performance takes place according to plans.

Control is a primary goal-oriented function of management in an organisation. It is a **process of comparing the actual performance with the set standards of the company** to ensure that activities are performed according to the plans and if not then taking corrective action.

Every manager needs to monitor and evaluate the activities of his subordinates. It helps in taking corrective actions by the manager in the given timeline to avoid contingency or company's loss. Controlling is performed at the lower, middle and upper levels of the management.

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates.

In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals.

- Controlling is a goal-oriented function.
- It is a primary function of every manager.
- Controlling the function of a manager is a pervasive function.

IMPORTANCE OF CONTROLLING

After the meaning of control, let us see its importance. Control is an indispensable function of management without which the controlling function in an organization cannot be accomplished and the best of plans which can be executed can go away. A good control system helps an organization in the following ways:

1. Accomplishing Organizational Goals

The controlling function is an accomplishment of measures that further makes progress towards the organizational goals & brings to light the deviations, & indicates corrective action. Therefore it helps in guiding the organizational goals which can be achieved by performing a controlling function.

2. Judging Accuracy of Standards

A good control system enables management to verify whether the standards set are accurate & objective. The efficient control system also helps in keeping careful and progress check on the changes which help in taking the major place in the organization & in the environment and also helps to review & revise the standards in light of such changes.

3. Making efficient use of Resources

Another important function of controlling is that in this, each activity is performed in such manner so as in accordance with predetermined standards & norms so as to ensure that the resources are used in the most effective & efficient manner for the further availability of resources.

4. Improving Employee Motivation

Another important function is that controlling help in accommodating a good control system which ensures that each employee knows well in advance what they expect & what are the standards of

performance on the basis of which they will be appraised. Therefore it helps in motivating and increasing their potential so to make them & helps them to give better performance.

5. Ensuring Order & Discipline

Controlling creates an atmosphere of order & discipline in the organization which helps to minimize dishonest behavior on the part of the employees. It keeps a close check on the activities of employees and the company can be able to track and find out the dishonest employees by using computer monitoring as a part of their control system.

6. Facilitating Coordination in Action

The last important function of controlling is that each department & employee is governed by such pre-determined standards and goals which are well versed and coordinated with one another. This ensures that overall organizational objectives are accomplished in an overall manner.

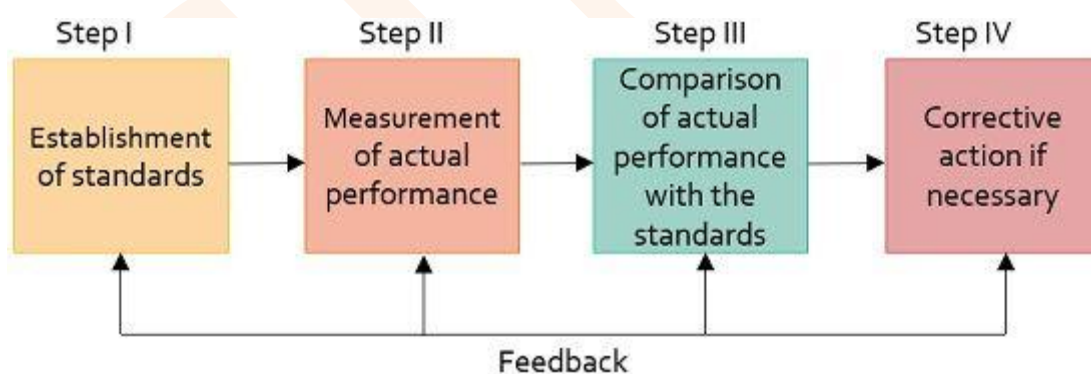
FEATURES OF CONTROLLING

- An effective control system has the following features:
- It helps in achieving organizational goals.
- Facilitates optimum utilization of resources.
- It evaluates the accuracy of the standard.
- It also sets discipline and order.
- Motivates the employees and boosts employee morale.
- Ensures future planning by revising standards.
- Improves overall performance of an organization.
- It also minimises errors.

Controlling and planning are interrelated for controlling gives an important input into the next planning cycle. Controlling is a **backwards-looking function** which brings the management cycle back to the planning function. Planning is a forward-looking process as it deals with the forecasts about the future conditions.

Process of Controlling

Control process involves the following steps as shown in the figure:



COORDINATION

Coordination is the process of organizing people or groups so that **they** work together properly and well. It is the harmonious functioning of parts for effective results. The game requires excellent hand-eye **coordination**.

Coordination is being able to move and use your body effectively and multiple people or things working well together.

Coordination is the **function** of management which ensures that different departments and groups work in sync. Therefore, there is unity of action among the employees, groups, and departments. It also brings harmony in carrying out the different tasks and activities to achieve the organization's objectives efficiently.

Coordination activates each function of management and makes them effective and purposeful. It helps in achieving harmony among individual efforts for attaining organisational goals. It is present in all the activities of an organisation such as production, sales, finance etc.

Coordination is a **process** of binding the activities of various departments and persons in the organization so that the desired can be easily achieved. Management achieves its basic functions of planning, organizing, staffing, directing and controlling through **co-ordination**.

“Co-ordination is the orderly arrangement of group effort, to provide unit of action in the pursuit of common purpose”. – Alan C. Reiley and James D. Mooney

NATURE/CHARACTERISTICS OF COORDINATION:

1. Coordination Integrates Group Efforts:

Coordination gives a common direction to group efforts to ensure that work is performed according to the plans. Such need arises as individuals working in an organization have different backgrounds and styles of working.

2. Coordination Ensures Unity of Action:

Coordination integrates the functions of all departments and ensures that all activities aim at accomplishment of organisational objectives. For example, in a manufacturing business, the production department, sales department and purchase department are all reciprocally interdependent. Sales department has to provide production department with information about the demand of the product and purchase department needs to know how much quantity of raw material is required to meet the demand. If even anyone of the three does not perform its jobs properly, all of them will be affected.

3. Coordination is a Continuous Process:

Coordination is a never ending process. It starts with the functions of planning and continues till controlling. It is an ongoing process, required for the efficient functioning of the organisation.

4. Coordination is all Pervasive Function:

All the activities of an organisation are interrelated and interdependent. Thus, coordination is required at all levels and in all departments. For example, the coordination among purchase, production and sales department is essential for achieving organisational goals.

The activities can be performed smoothly in the production department if purchase department provides the required raw material, in time. Similarly, the sales activities can be performed only when there is sufficient timely production of goods.

5. Coordination is the Responsibility of all Managers:

Every manager is required to perform the function of coordination. For example, top level managers coordinate the activities of their subordinates to ensure that the overall policies of an organisation are duly implemented. Operational level management coordinates the activities of its workers so that work is performed according to plans.

6. Coordination is a Deliberate Function:

A manager is required to coordinate the efforts of different people towards common goal of the organisation. Coordination gives common direction to the efforts of the employees who are willing to work and cooperate.

From the above discussion, it can be concluded that coordination is not a separate function of management, but rather it's the essence of management. It is required at all the levels, all departments and in all managerial functions.

NEED FOR CO-ORDINATION

The need for co-ordination arises due to the following

1. In every organization, the nature of work is such that it requires to be divided into homogeneous and specialized sub-tasks and then **without Integration and co-ordination the output of the organization will be nil.**
2. **Co-ordination applies to group effort** rather than to individual effort. It gives importance to unity of effort and united action. The outcome of coordinated group efforts will be much better than the sum results of various individuals.
3. **Coordination motivates the employees** to consider their work from the point of view of business and so the employees will willingly contribute towards the success of the concern. Therefore, **coordination is heartbeat of organization** which brings integration of efforts and action among employees in the organization.
3. **Coordination ensures commitment** on the part of divisions, groups, individuals toward organizational goals.
4. **Coordination ensures efficiency and economy** in the organization, enterprise to ensure smooth working. It also helps in saving of time by bringing efficiency and economy to the enterprise.
5. There may arise certain circumstances that may demand sacrifice of objective of one department in the welfare of the enterprise as a whole. In such situation, the need for co-ordination arises.
6. Coordination is directed towards channelizing the efforts, skills, energies of work groups along organizationally established lines. If the co-ordination is absent, group members may be pulled in different directions and work at cross purposes.

IMPORTANCE OF COORDINATION:

1. Size of the Organization:

The need of coordination arises when the organization grows in size. Growth here means increase in number of employees. Employees with different values, experiences and objectives become part of the organization to satisfy their needs. In order to bring harmony in the organization, management has to integrate personal goals with the organizational goals through coordination.

2. Functional Differentiation:

The organisation is divided into different departments, sections or divisions. They try to work in isolation and independently. The need of coordination is required to ensue these units remain a part of the organisation and move towards the realization of pre-determined organisation goal.

3. Specialisation:

In modern organisation, diversification and complexities of technology give rise to specialisation. The organisation hire specialists who that they are competent to handle their jobs. They do not consult departmental heads. This often leads to conflict among specialists and departmental heads. Therefore, coordination is needed to reconcile differences to ensure unity of action achieve organisational objective.

KEY ELEMENTS OF COORDINATION:

(i) Integration:

Coordination integrates all diverse interests and efforts of all individuals to achieve common goals of an organisation.

(ii) Balancing:

Coordination provides mutual support to various activities so that goals of different units are in line with one another.

(iii) Timing:

Coordination adjusts the time schedules of different activities so that they can support one another to deliver the final result in time.

COORDINATION – TYPES:

- **On the Basis of Scope and Flow in an Organisation and**
- **On the Basis of Relationship**

Coordination can be of various types, which are as follows:

1. On the Basis of Scope and Flow in an Organization:

i. Internal Coordination:

This refers to the coordination between different departments and various individuals working in the enterprise. It involves synchronization of the activities and efforts of individuals in various departments, plants, and offices of an organization.

ii. External Coordination:

The coordination between an organization and its external environment is known as external coordination. Here, external environment consists of outside parties who are interested about the affairs of the organization (such as Government, customers, investors, suppliers, competitors, etc.). No organization operates in isolation. An organization has to establish external relations and coordination for its success and survival in the long run. Management should take necessary steps to satisfy the conflicting needs and demands of interested external parties.

2. On the Basis of Relationship:

i. Vertical Coordination:

This refers to the coordination between different levels in the organization. Vertical coordination is achieved by the top management through delegation of authority. The management should ensure the harmonious working of different levels (top, middle, and lower) according to the overall organizational policies and programmes.

ii. Horizontal Coordination:

This refers to the coordination between various departments (or positions) at the same level in the organization. For instance, coordination between various functional managers such as production manager, marketing manager, finance manager, etc., can be termed as horizontal coordination. Horizontal coordination is achieved through mutual consultations and cooperation. Horizontal coordination between various departments is essential for synchronization of diverse activities of an organization.

TECHNIQUES OF EFFECTIVE COORDINATION IN ORGANIZATION

Some of the techniques that are used to achieve effective coordination are given below:

1. **Direct Contact:** One of the most effective means of achieving coordination is direct contact. Written communication, modern electronic, mechanical devices, etc., can also be used.
2. **Group Meetings:** Group meetings are said to be an effective means of achieving coordination. At the time of meeting, superior comes into personal contact with those connected with the actual problems. Such meetings encourage the people to integrate their efforts. Coordination can be achieved through regular meetings of superiors and subordinates.

3. **Organizational Structure:** Coordination can be achieved only when the authority and responsibility of each and every person are clearly defined. In other words, the organizational structure should be designed properly so as to permit coordination among various activities along the line itself.

4. **Effective Communication:** In achieving coordination, effective communication plays a vital role. Communication greatly helps in coordination. The purpose of communication is to promote deep understanding among members by bringing and maintaining coordination in order to achieve the ultimate goals.

Effective Communication is a process whereby ideas and images of one person are transmitted to another person. Coordination between various individuals and activities is brought out by communication. Effective communication facilitates information and exchange of ideas which helps to achieve the common purpose. Coordination is facilitated by exchange of such ideas and information and brings people together.

5. **Committees:** In order to coordinate the various activities, various types of committees may be appointed. Committees provide the means for synchronizing various efforts. Committees develop better understanding and morale among the members. They are greatly advisory in nature and make use of the best efforts of the members.

The success of the committee depends very much on its composition and the manner in which it functions. Examples of such committees are – committees on manufacturing methods, complaint committee, suggestion committee on welfare work, etc.

6. **Staff Meetings:** Staff meetings at regular intervals helps in achieving effective coordination because such meetings provide opportunities for frank discussions and better exchange of ideas of people from different sections. This infuses a feeling of unity among the members which makes them to jointly work for the organization.

7. **Effective Leadership:** Leader inculcates a feeling of collectivism in the employees and forces them to work as a team. Individuals within the group may possess varied interests and multiple goals. Leader reconciles these conflicting goals and restores equilibrium. A good leader can achieve coordination at all stages. Hence, effective leadership is essential for achieving coordination.

8. **Informal Coordination:** Many organizations adopt informal means of coordination through processes of social, unofficial interactions, relationship and mutual adjustments. They are very often more effective than formal means.

PROBLEMS FACED IN CO-ORDINATION

The following factors are responsible in the way of effective coordination:

i. Lack of Administrative Talent:

This arises due to the selection of inefficient personnel. They do not know the administrative procedure properly. This results in ineffective coordination.

ii. Clash of Interests:

Often individuals are pursuing narrow personal interests by sacrificing organizational interests. Sometimes, individuals fail to understand how the achievement of organizational goals will satisfy their own goals. As a result, there exists a conflict between individual goals and organizational goals.

iii. Differences in Attitudes and Working Styles:

Every individual has his own way of dealing with problems. Moreover, there are differences in attitudes of individuals to attain a specific goal. Above all, the capacity and talent of people differ widely. This results in ineffective coordination.

iv. Complexity of Operations:

In a big organization, a large number of people process the work at various levels. It may be difficult to communicate the policies, orders, and managerial actions on a face-to-face basis. If the operations of an organization are diversified and complex, then the need for coordination is felt everywhere. The huge size of an operation brings about problems of coordination.

v. Specialization:

Specialists take care of various specialized functions (such as purchasing, production, finance, marketing, etc.). They are more interested in developing their own departments. They pursue their own special interests at the cost of organizational goals. This results in ineffective coordination.

Change Management

One of the greatest challenges faced by organizations today is the volatility of the global markets. Globalization has greatly affected the market and so have opportunities for more growth and revenue. However, to serve such a diverse marketplace, organizations need to respond to and understand the needs and expectations of the marketplace.

Organizations are required to constantly innovate and update their processes and operational efficiencies to collaborate with the expanding markets. Organizations that refuse to change or move forward are forced to exit the market or may be wiped out by forward looking companies.

It is this movement or shift in an organization to improve the performance of the entire organization or a part of the organization that is referred to as Organizational Change.

Organizational change is a process in which a large company or an organization changes its working methods or aims, in order to develop and respond to new situations or markets.

Why Organizations Need to Change

Substantial organizational changes take place typically when organizations perceive a need to change the overall strategy and direction for success, adds or discontinues a major segment or practice, and/or wants to change the very nature by which it operates.

It also occurs when an organization evolves through its life cycles, and has to restructure itself to grow. Organizational change is often a response to changes in the environment.

Some of the reasons prompting changes are:

Market Dynamics

The changing market conditions cause unexpected changes which organizations find hard to adjust to. To stay in business and continue to serve the customers, organizations have to align themselves to these variations.

Globalization

Globalization has created enormous opportunities as well as global challenges to organizations. The market has thus expanded across geographies, and organizations in order to succeed have to serve customers across these regions. While doing this, organizations are finding it more affordable and logical to produce goods and deliver services in certain countries compared to others. The availability of local resources, the environment of the countries they serve in, localization of goods and services, etc. are some reasons for this. To cater to global market, organizations have to understand the global environment and market behavior, and align the organizations to these new situations.

Organizational Development

As organizations grow and develop in size, the policies, procedures and the structure that forms the core, also needs to evolve. Organizational changes may involve changes to its mission and objectives, strategy and direction, organizational structure and hierarchy, etc. Adjusting an organization's internal direction and environment requires considerable dedication and a careful management.

Reaction to External Environments

Organizations are greatly impacted by the environments that surround it. External pressures come from many areas, including customers, competition, changing government regulations, shareholders, financial markets, and other factors in the organization's external environment.

Performance Gaps

Organizations that have been having issues with their results are often the ones that consider changes. Performance gaps can be identified in several areas like production, sales and marketing, service, etc. Such companies need to conduct a serious study and identify factors causing gaps and change accordingly to succeed.

Mergers & Acquisitions

Mergers and acquisitions create reorganization in a number of areas. When two organizations merge, significant changes are expected.

Organizational Change Factors

Organizational change as we have read is a strategic initiative impacting almost every aspect of its operations and functions. The factors that induce changes almost always require immediate attention. The major forces that drive this change in business are:

- Internal environment
- External environment

1.The Internal environment

The internal environment of an organization consists of factors within the organization over which it can exercise a fair amount of control. Some of the internal factors are:

Employees - Employees are the human capital of the organization. An organization without a motivated and dedicated workforce will not be able to perform in spite of having the best products and capital. Employees must take the initiative to change their workplace, or changes in work tasks for more efficient and effective performance.

The Organizational Structure - The organizational structure is what governs and guides the effective operations of the company. It defines and scopes the authority and hierarchy in the company. However, over time the organizational structure needs reorganization to answer to the needs of an evolving entity and becomes an internal source of organizational change.

Organization Processes - The processes in organization are collections of activities that need to be undertaken in order to produce an output, and that will have a value for consumers. There are various processes in the organization that need to be constantly updated to keep serving the market like – manufacturing, distribution, logistics, information technology, etc.

Apart from the above factors like the company's mission and objectives, organizational culture and style of leadership are factors typically associated with the internal environment of an organization and can have a considerable impact on the organization.

2.The External environment

The external environment of an organization are those set of factors which the organization cannot exercise control on. Though these factors are external to the organization, they have a significant influence over its operations, growth and sustainability.

Economic Factors - The macroeconomic factors like the political and legal environment, the rate of inflation and unemployment, monetary and fiscal policies of the government, etc. are causes that have a high influence on companies and prompt for changes in the organization. Managers need to carefully track these indicators in order to make the right decisions for change.

Socio-cultural Factors - The local and regional conditions greatly influence people's values, habits, norms, attitudes and demographic characteristics in the society. All of these factors highly influence the business operations or will do so in the future.

Global Environment - The increasing globalization of markets has made organizations sensitive to changes. Any change or crisis in the global market affects every business, and corrective measures are not often easy and immediately taken.

Technology - Technology has become an intrinsic part of business operations. It regulates processes in all aspects like manufacturing, distribution, logistics, finance, etc. Organizations have to be up-to-date with the ever-changing technological advancements in order to improve efficiencies and remain competitive.

Organizational Change Management

When organizations undertake initiative to improve performance, seize opportunities or address key issues, they often require changes - changes to processes, job roles, organizational structure, and types and use of technology.

Change Management

- It is the discipline that guides, prepares, and equips organizations to successfully adopt change in order to drive organizational success.
- It provides a structured approach for supporting the employees in moving forward from their current state to desirable and progressive future state.

Planning Organizational Change

Organizational change often, if not always, is an indicator of potential problems or issues with the organization. In some cases, however, voluntary changes happen in forward looking organizations that proactively recognize potential opportunities or situations.

Whatever the case, change is a shift from the current comfort state for any organization and needs to be well planned so as to not imbalance the current environment.

Key steps in the process of implementing a planned organizational change is depicted in the following figure.



Organizations need to undertake thorough study to understand the existing processes and procedures, and identify the snags. Each problem area has to be evaluated and the changes required for improvement have to be assessed.

The next step is to determine the desired future state the management wishes the organization to be in. This will need to be communicated to all concerned and design the means of smooth transition.

The transition plan once finalized has to be implemented in an orderly manner. Plans have to be made and resources need to be allocated. Responsibility has to be assigned to a key person in the organization to take charge of the change process. It is essential for the top management to be involved in the whole process to direct and govern the process.

Resistance to Changes

Organizational change is sometimes unavoidable. It is a complex process that affects the organization all across. Not all employees and departments welcome changes to their existing environment and processes. It is normal human reaction to defend the status quo if security or status is threatened.

In fact, organizational change can generate skepticism and resistance in employees, making it sometimes difficult or impossible to implement organizational improvements. This makes the role of the management even more critical, to make an effort to support the employees during and even after the process of transformation.

Managing resistance to change is challenging. Some reasons why change is resisted in organizations are:

1. Impact of Change

Employees resist change if it is not favorable to them. They tend to be more welcoming of changes that are favorable to them and empower them. Resistance also happens when change is thrust onto people without giving them adequate warning and without helping them through the process of understanding what the change will entail and how it will impact their jobs/work.

Self-Interest Before Organizational Well-being

Some employees resist changes as it comes in the way of their personal interest and agenda. They fear that the change will delay or obstruct the fulfilment of their hidden agenda.

Personality Trait

Some are inherently more resistant to any kind of change than others. Employees having a positive and optimistic approach are more willing to accept changes than employees who have a negative approach.

Uncertainty

Change often brings feelings of uncertainty as the end result is usually unknown. The environment after transformation could change for the better or sometimes worse than it was earlier. This lack of clarity creates insecurity in employees as it leads to a sense of loss of control.

Fear of Failure

Changes in the work processes can create uncertainty over their capabilities in employees as they fear that they may not be able to adapt to the new requirements. Thus employees who are confident of their abilities and performance are more likely to welcome the proposed change, than those who have lower confidence.

