Management and Entrepreneurship for IT Industry (15CS51)

MODULE - 1

INTRODUCTION

1.1 MEANING

- Giving precise definition of management is not so simple because the term management is used in a variety of ways. Being a new discipline it has drawn concepts and principles from a number of disciplines such as Sociology, Economics, Psychology, Statistics, Anthropology and so on.
- The contributors from each of these groups have viewed management differently. For example economists have treated management as 'a factor of production'; Sociologists treated it as 'a group of persons'. Hence, taking all these view points, it becomes difficult to define management in a comprehensive way and no definition of management has been universally accepted.
- Many definitions were given by various contributors; one popular definition is given by Mary Parker Follet. According to Follet management is **'the art of getting things done through people'.** This definition clearly distinguishes between manager and other personnel of the organization.
- A manager is a person who contributes to the organization's goal indirectly by directing the efforts of others, not by performing the task himself. A person who is not a manager makes his contribution to the organization's goal directly by performing the task himself. Sometimes a person may play both roles simultaneously. For example, a salesmanager plays managerial role by directing the sales force to meet the organization's goal and plays non-managerial role by contacting an important customer and negotiating deal with him.
- The principal of an institution plays the role of manager by directing the heads of the departments and plays non-managerial role by teaching a subject.
- There are two weaknesses of this definition. The first weakness is that the definition states that management is an art. Art deals with application of knowledge. But management is not merely application of knowledge. It also involves acquisition of knowledge i.e., Science. Managing using intuition or thumb rule is not correct management. The second weakness of this definition is that it does not explain the various functions of management.

A better definition is given by **George R Terry** who defines management as ***"a process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources".*** According to him, management is a process-a systematic way of doing thing using four managerial functions namely planning, organizing, actuating and controlling.

- ‘Planning’ means thinking of the manager’s action in advance.
- ‘Organizing’ means coordinating machines, materials and human resources of the organization.
- ‘Actuating’ means motivating, directing the subordinates.
- ‘Controlling’ means that manager must ensure that there is no deviations from plans.

This definition also indicates that managers use people, materials and other resources to accomplish the organizations objectives. The objectives may vary with each organization. For example the objective of a technical or management institute might be to provide quality education according to the needs of the industry. The objective of a hospital might be to provide medical care to the community at reasonable price. Whatever may be the objectives of the organization management is a process by which the objectives are achieved.

1.2 NATURE OF MANAGEMENT

The nature of management can be described as follows:

(1) Multidisciplinary: Management is multidisciplinary. It draws freely ideas and concepts from the disciplines like economics, sociology, psychology, statistics, operations research etc. Management integrates the ideas taken from various disciplines and presents newer concepts which can be put into practice. The integration of these ideas is the major contribution of management.

(2) Dynamic nature of principles: A principle is truth which establishes cause and effect relationships of a function. Principles are developed by integration of ideas from various disciplines supported by practical evidence. These principles are flexible and change with the environment in which organization works. Continuous researches are being carried on to establish new principles; many older principles are changed by new principles. There is nothing permanent in management.

(3) Relative not absolute principles: Management principles are relative and not absolute. They must be applied according to the need of the organization. Each organization is different from other. The principles of management should be applied in the light of prevailing conditions.

(4) Management – science or art: There is controversy whether management is science or art. Earlier management was regarded as art but now it is both science and art.

(5) Universality of management: Management is universal phenomena. Though universal yet management principles are not universally applicable but are to be modified according to the needs of the situation.

1.3 CHARACTERISTICS OF MANAGEMENT

(1) Management is a continuous process: The process of management consists of planning, organizing, directing and controlling the resources to ensure that resources are used to the best advantages of the organization. A single function alone cannot produce the desired results. Management involves continuous planning, organizing, directing and controlling.

(2) Management is an art as well as science: Management is an art in the sense of possessing managing skill by a person. Management is science because certain principles, laws are developed which are applicable in place where group activities are coordinated.

(**3) Management aims at achieving predetermined objectives:** All organizations have objectives that are laid down. Every managerial activity results in achievement of these predetermined objectives.

(4) Management is a factor of production: An enterprise produce goods or services using resources like land, labour, capital, machines etc. These resources themselves cannot realize the organizations goals. The goals are achieved when these are effectively coordinated by the entrepreneur. In case of small enterprises an individual can do such type of job where as in large enterprises the coordination job is done by management. Therefore, management is a factor of production.

(5) Management is decision-making: Decision-making is selecting the best among alternative courses. Decision-making is an important function of a manager. Whatever a manager does, he does it by making decisions. The success or failure of an organization depends upon the quality of decision. A manager must make a right decision at right time.

(6) Universal application: The principles and concepts of management are applicable to every type of industry. The practice of management is different from one organization to another according to their nature.

(7) Management is needed at all levels: The functions of management are common to all levels of organization. The functions of planning, organizing, directing, controlling, decision-making are performed by top level as well as lower level supervisors.

(8) Management aims at maximum profit: The resources are properly utilized to maximize profit. Maximizing the profit is the economic function of a manager.

(9) Dynamic: Management is not static. Over a period of time new principles, concepts and techniques are developed and adopted by management. Management is changed accordingly to the social change.

(10) Management as a career: Today management is developed as a career focused on specialization. Marketing management, finance management, personal management industrial management, production management, and quality management are some of the specializations in management. Specialists are appointed at various positions of the organizational hierarchy. Hence management is career.

(11) Management is a profession: Management is a profession because it possesses the qualities of a profession. The knowledge is imported and transferred. The established principles of management are applied in practice.

(12) Management is a discipline: Discipline refers to the field of study having well defined concepts and principles. Classifying management as disciplines implies that it is an accumulated body of knowledge that can be learnt. Thus, management is a subject with principles and concepts. The purpose of studying management is to learn how to apply these principles and concepts at right circumstances, at the right time to produce desired result.

1.4 FUNCTIONAL AREAS OF MANAGEMENT

Management process involves several functions. A distinction should be maintained between management functions (planning, organizing, staffing, directing and controlling) and the organizational functions (productions, finance etc.) Organizational functions differ from organization to organization depending upon their nature while management functions are common to all. A manager may be put either in production or finance or marketing, he performs all the managerial functions. These organization functions are called functional areas of management. There are four functional areas of management namely production, finance, marketing and finance and personnel. Each functional area may have a number of sub-activities. The various functional departments of a business are inter-dependent and interrelated. They continuously interact with each other to achieve their objective. For instance, purchase department receives material requisition from production department and get approval for the purchase of materials from financial department.

Production Management: This is generally put under production manager and he is responsible for all production related activities. The production of goods and service constitute point of concentration in all the industrial enterprises. All other activities like purchasing, financing, marketing revolve around this function. The major responsibility of Production Management is transformation of inputs like materials, capital, information and energy into specified outputs as demanded by the society.

Production management deals with decision making related to production processes, so that resulting goods and services are produced according to the specification , in the amounts and by the schedule demanded and at the minimum cost. In accomplishing these objectives, production management is associated with two broad areas of activities: the design and control of production system.

The functions of a production manager include the following:

- Design of product
- Design of production system
- Choice of location of plant
- Layout of plant
- Choice of plant and equipment
- Production of planning and control

Purchasing and Materials management: traditionally purchasing is considered as a part of production function. But in big organizations, there may be separate department to perform complicated purchase activities .It is related with the purchase of various materials required by the organization. Purchasing involves procuring right quantity of materials at the right quality, at the right time and at the right price from the right supplier. Functions of purchase manager are:

- Analysis of the requirements.
- Search of sources of supply
- Price determination
- Placing order
- Checking of invoice
- Inspection of incoming material
- Disposal of scraps, surplus unserviceable and obsolete material.
- Keeping of purchase records
- Relations with vendors.

Marketing: This area involves the distribution of organizations' products to the buyers.

The sub-activities are:

(1) Advertising: Involves giving information about products to buyers.

(2) Marketing research: It is related with the systematic collection, analysis of data relating to the marketing of goods and services.

(3) **Sales management:** It involves management efforts directed towards movement of products and services from producers to consumers.

Finance and accounting: It deals with intelligent investment of financial resources and record-keeping of various transactions.

The various sub-functions are **(1) Financial Accounting:** Deals with record keeping of various transactions.

(2) Management Accounting: Deals with analysis and interpretation of financial records so that management can take certain decision.

(3) Costing: It deals with recording of costs, their classification and analysis for cost control.

(4) Investment Management: Takes care of how financial resources can be invested in various alternatives to maximize returns.

(5) Taxation: Deals with various direct and indirect taxes to be paid by the organization

Personnel or human resource management

The personnel or human resources of an organization consist of all employees, regardless of their role, who are engaged in any of the organizations activities. Thus personnel management deals with the management of human resources .Functions or responsibility of personnel department are:

(1) Recruitment and Selection: It deals with recruitment and selection of employees. The first major responsibility of personnel manager is the employment of proper kinds and number of persons necessary to achieve the objectives of the organization.

(2) Training and Development: It deals with training of employees and making them more efficient. Proper development of personnel is essential to increase skills in the performance of their jobs.

(3) Wage and Salary Administration: Deals with fixing of salaries, job evaluation, promotion, incentives etc.

(4) Motivation: employees work in the organization to satisfy their needs. The HR manager helps various deparmental managers to devise a system of financial and non – financial reward to motivate workers.

(5) Personnel records: it is the duty of personnel department to maintain records of employee working in the enterprise. It keeps full record of their tyraining , achievement , transfer, promotion etc..

(6) Industrial Relations: Deals with maintenance of good employee relations.

1.5 ROLE OF MANAGEMENT

A manager performs planning, organizing, directing and controlling to achieve the organizational objectives. It has been questioned whether these functions provide an adequate description of the management process. As against these management functions Henry Mintzberg has defined the role of managers to identify what managers do in the organizations. Mintzberg has identified ten roles of manager which are classified into three broad categories as shown in fig. 1.1.

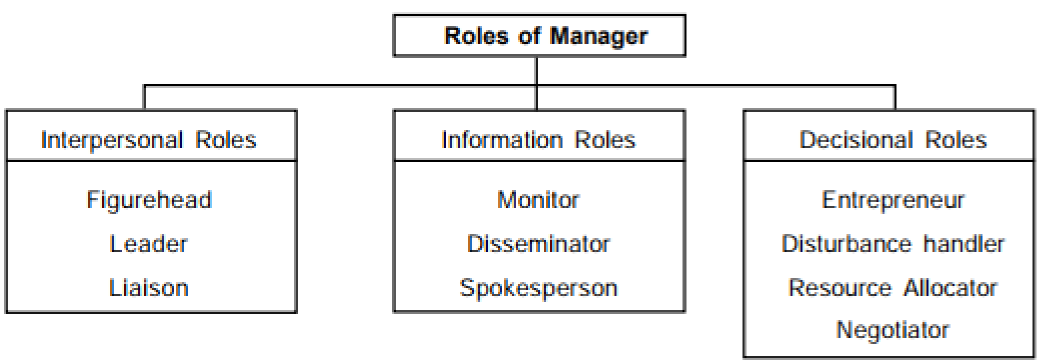


Fig. 1.1: Roles of manager

Interpersonal role: This role is concerned with his interacting with people both organizational members and outsiders.

There are three types of interpersonal roles:

(1) Figurehead role: In this role manager has to perform duties of ceremonial nature such as attending social functions of employees, taking an important customer to lunch and so on.

(2) Leader role: Manager's leader role involves leading the subordinates motivating and encouraging them.

(3) Liaison: In liaison role manager serves as a connecting link between his organization and outsiders. Managers must cultivate contacts outside his vertical chain to collect information useful for his organization.

Information roles: It involves communication. There are three types of informational roles:

(1) Monitor: In this monitoring role, manager continuously collects information about all the factors which affects his activities. Such factors may be within or outside organization.

(2) Disseminator: In the disseminator role, manager possesses some of his privileged information to his subordinates who otherwise not be in a position to collect it.

(3) Spokesperson: As a spokesperson manager represents his organization while interacting with outsiders like customers, suppliers, financers, government and other agencies of the society.

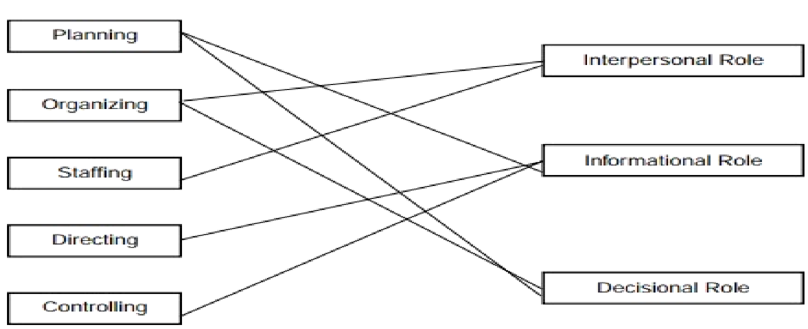
Decisional roles: Decisional role involves choosing most appropriate alternative among all so that organizational objectives are achieved in an efficient manner. In this decisional role manager perform four roles:

(1) Entrepreneur: As an entrepreneur, a manager assumes certain risks in terms of outcome of an action. A manager constantly looks out for new ideas and seeks to improve his unit by adopting it to dynamic environment.

(2)Disturbance handler: In this role manager works like a fire-fighter manager contains forces and events which disturb normal functioning of his organization. The forces and events may be employee complaints and grievances, strikes, shortage of raw materials etc.

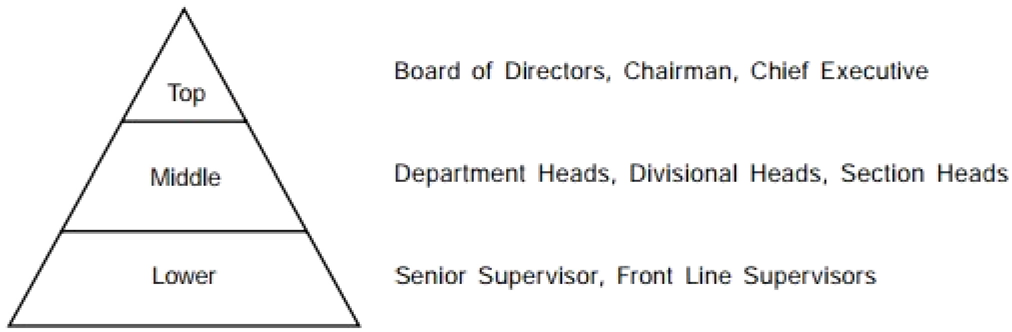
(3)Negotiator: In this role of negotiator, manager negotiates with various groups in the organization. Such groups are employees, shareholders and other outside agencies.

(4)Resource Allocator: In this role, the manager must divide work and delegate authority among his subordinates. He must decide who will get what.



1.6 LEVELS OF MANAGEMENT

People in an organization are arranged in a hierarchy and they all have the relationship of superior-subordinates. Every manager in an organization performs all five management functions. The relative importance of these functions varies along the managerial levels. There may be as many levels in the organization as the number of superiors in a line of command. Some of these levels are merged into one on the basis of nature of functions performed and authority enjoyed. E.F.L. Brech has classified management levels into three categories – Top Management, Middle Management and Supervisory/Lower/First Line Level as shown in fig.



Top management of an organization consist board of directors, chairman and chief executive officer. Top level management determines goals and objectives. It performs overall planning, organizing, staffing, directing and controlling. It integrates organization with environment, balances the interest groups and is responsible for overall results. Middle management stands between top management and supervisory management level. Middle level management establishes programs for department and carries out functions for achieving specific goals. The other functions of middle level management are training and development of employees, integrating various parts of the department. Supervisory management is concerned with efficiency in using resources of the organization. A supervisor is an executor of policies and procedures making a series of decisions with well-defined and specified premises.

1.7 MANAGEMENT FUNCTIONS OR THE PROCESS OF MANAGEMENT OR FUNCTIONS OF MANAGER:

(1) Planning:

- Planning is the primary function of management. It is looking ahead and preparing for the future. It determines in advance what should be done. It is conscious determination of future course of action. This involves determining why to take action? What action? How to take action? When to take action?
- Planning involves determination of specific objectives, programs, setting policies, strategies, rules and procedures and preparing budgets.
- Planning is a function which is performed by managers at all levels – top, middle and supervisory.

- Plans made by top management for the organization as a whole may cover periods as long as five to ten years, whereas plans made by low level managers cover much shorter periods.

(2) Organizing:

- Organizing is the distribution of work in group-wise or section wise for effective performance.
- Once the managers have established objectives and developed plans to achieve them, they must design and develop a human organization that will be able to carry out those plans successfully.
- Organizing involves dividing work into convenient tasks or duties, grouping of such duties in the form of positions, grouping of various positions into departments and sections, assigning duties to individual positions and delegating authority to each position so that the work is carried out as planned.
- According to Koonz O'Donnel, "Organization consists of conscious coordination of people towards a desired goal".
- One has to note that different objectives require different kinds of organization to achieve them. For example, an organization for scientific research will have to be very different from one manufacturing automobiles.
- Staffing involves managing various positions of the organizational structure. It involves selecting and placing the right person at the right position.
- Staffing includes identifying the gap between manpower required and available, identifying the sources from where people will be selected, selecting people, training them, fixing the financial compensation and appraising them periodically.
- The success of the organization depends upon the successful performance of staffing function.

(3) Directing:

- Planning, organizing and staffing functions are concerned with the preliminary work for the achievement of organizational objectives.
- The actual performance of the task starts with the function of direction.
- This function can be called by various names namely "leading", "directing", "motivating", "activating" and so on.
- Directing involves these sub functions:

  (a) Communicating: It is the process of passing information from one person to another.

  (b) Leading: It is a process by which a manager guides and influences the work of his subordinates.

  (c) Motivating: It is arousing desire in the minds of workers to give their best to the enterprise.

(4) Controlling:

- Planning, organizing, staffing and directing are required to realize organizational objectives.

- To ensure that the achieved objectives confirm to the preplanned objectives control function is necessary.
- Control is the process of checking to determine whether or not proper progress is being made towards the objectives and goals and acting if necessary to correct any deviations.
- Control involves three elements: (a) Establishing standards of performance.

  (b) Measuring current performance and comparing it against the established standard.

  (c) Taking action to correct any performance that does not meet those standards.

(5) Innovation: Innovation means creating new ideas which may be either results in the development of new products or finding new uses for the old ones. A manager who invents new products is an innovator. A salesman who persuades Eskimos to purchase refrigerator is an innovator. One has to note that innovation is not a separate function but a part of planning.

(6) Representation: A manager has to spend a part of his time in representing his organization before various groups which have some stake in the organization. A manager has to be act as representative of a company. He has dealings with customers, suppliers, government officials, banks, trade unions and the like. It is the duty of every manager to have good relationship with others.

1.8 EVOLUTION OF MANAGEMENT

In 19th century, people began to recognize management as a separate field of study. During the last hundred years , management has become a more scientific discipline with certain standardized principles and practices. The evolution of management thought during this period can be studied in three parts :

1. Early classical approaches , represented by scientific management, administrative management and bureaucracy.

2. Neo-classical approaches, represented by human relations movement and behavioral approach.

3. Modern Approaches, represented by quantitative approach, systems approach and contingency approach.

I. Early Classical Approaches:

1. Scientific Management: Frederick Winslow Taylor is considered to be the Father of Scientific Management. He exerted a great influence on the development of management thought through his experiments and writings.

Taylor made several important contributions which are classified under scientific management:

a) Time and motion study: Taylor started time and motion study, under which each motion of a job was to be timed with the help of a stop watch and shorter and fewer motions were to be developed. Thus the best way of doing a job was found.

b) Differential Payment: Taylor introduced a new payment plan called the differential piece work, in which he linked incentives with production. Taylor thought that the attraction of high piece rate would motivate workers to increase production.

c)Drastic Reorganization of Supervision: : Introduced two new concepts i)separation of planning and doing and ii) functional foremanship. Taylor suggested that the work should be planned by the foreman and not by the worker. Further, he said that there should be as many foremen as there are special functions involved in doing a job and each of these foremen should give orders to the worker on his speciality.

d) Scientific recruitment and Training: Taylor emphasized the need for scientific selection and development of the worker. He said that the management should develop and train every worker to bring out his best facilities and enable him to do a higher, more interesting and more profitable class of work than he has done in the past.

e) Intimate Friendly cooperation between the Management and workers: Taylor said that both the management and the workers should try to increase production. By doing so, profits would be increased to such an extent that labour and management would no longer have to compete for them.

2. Administrative Management : Henry Fayol is considered the Father of Administrative management, he has developed broad administrative principles applicable to general and higher managerial levels. He used the word administration for what we call management.

Fayol's 14 principles of management as general guides to the management process and management practice.

1.Division of work: Division of work in the management process produces more and better work with the same effort. Various functions of management like planning, organizing, directing and controlling cannot be performed efficiently by a single proprietor or by a group of directors.

2. Authority and Responsibility: As the management consists of getting the work done through others, it implies that the manager should have the right to give orders and power to exact obedience. A manager may exercise formal authority and also personal power. Responsibility is closely related to authority and it arises wherever authority is exercised.

3.Discipline: Holding that discipline is "respect for agreements which are directed at achieving obedience, application, energy and the outward marks of respect". Fayol declares that discipline requires good superiors at all levels, clear and fair agreement, and judicious application of penalties.

4.Unity of command: This is the principle that an employee should receive orders from one superior only.

5.Unity of Direction: According to Fayol, unity of direction is the principle that each group of activities having the same objective must have one head and one plan. As distinguished from the principle of unity of command, Fayol perceives unity of direction as related to the functioning of personnel.

6.Subordination of Individual interest to general interest: In a business concern, an individual is always interested in maximizing his own satisfaction through more money ,recognition, status etc. This is very often against the general interest which lies in maximizing production. Hence the need to subordinate the individual interest to general interest.

7.Remuneration: Fayol perceives that remuneration and methods of payment should be fair and afford the maximum satisfaction to employee and employer.

8**.Centralisation:**If subordinates are given more role and importance in the management and organization of the firm, it is decentralization. The management must decide the degree of centralization or decentralization of authority on the basis of the nature of the circumstances, size of the undertaking, the type of activities and the nature of organizational structure.

9.Scalar chain: Fayol thinks of the scalar chain as a line of authority, a "Chain of Superiors" from the highest to the lowest ranks.As per this principle, the orders or communications should pass through the proper channels of authority along the scalar chain.

10.Order: Breaking this principle into 'Material order' and 'Social Order', Fayol thinks of it as the simple edge of "a place for everything (everyone), and everything (everyone) in its (his) place". This is essentially a principle of organization in the arrangement of things and persons.

11.Equity: Equity means equality of fair treatment. Equity results from a combination of kindness and justice. Employees expect management to be equally just to everybody. It requires managers to be free from all prejudices, personal likes or dislikes.

12.Stability of tenure of personnel: In order to motivate workers to do more and better work, it is necessary that they should be assured security of job by the management. If they have fear of insecurity of job, their morale will be low and they cannot give more and better work.

13.Initiative: Initiative means freedom to think out and execute a plan. Innovation which is the hallmark of technological progress, is possible only where the employees are encouraged to take intiative. According to Fayol, initiative is one of the keenest satisfactions for an intelligent man to experience, and hence, he advises managers to give their employees sufficient scope to show their initiative.

14.Esprit de corps: This means team spirit. Since "union is strength", the management should create team spirit among all the employees. Fayol here emphasizes the need for teamwork and the importance of communication in obtaining it.

3.Bureaucracy:

German scientist Max Weber is considered to be the father of Bureaucracy. Made a study on various business and government organizations and distinguished three types of administration in them:Leader oriented ,tradition oriented and bureaucratic.

(i) Leader oriented: Administration is one in which there is no delegation of management functions and all employees serve as loyal subjects of a leader.

(ii) Tradition oriented: all managerial positions are handed down from generation to generation and who are you rather than what you can do becomes the primary function.

(iii) Bureaucratic oriented: is based on the persons demonstrated ability to hold the position and no person can claim particular position either because of his loyalty to the leader or because the position has been traditionally held by members of his family and the people earn positions because they are presumed to be best capable of filling them.

Important features of Bureaucratic Administration:

(**1)Insistence on following standard rules:** There should not governed by the personnel preferences of the employer but it should be governed by the standard rules which provides equality in the treatment of subordinates and continuity and predictability of action.

2) Systematic division of work: increases production by improving efficiency and saving time in changing over from one job to another.

3) Principle of hierarchy followed: each lower officer is under the control and supervision of a higher one.

4) Not necessary for the individual to have knowledge of and training in the application of rules: These form the basis on which legitimacy is granted to his authority.

5) Administrative acts, decisions and rules are recorded in writing: makes the organization independent of people besides making peoples understanding more accurate.

6) There is rational personnel administration: people are selected on the basis of their credentials and merit and are paid according to their option in their hierarchy. Promotions are made systematically.

II. Neo classical approaches:

1.Human Relations Approach

The human rationalists (also known as neo-classicists) focused as human aspect of industry. They emphasize that organization is a social system and the human factor is the most important element within it. Elton Mayo and others conducted experiments (known as Hawthorne experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of internal leadership etc. Elton Mayo is generally recognized as father of Human Relations School.

He proposed the following points as a result of Hawthorne experiments.

(1) Social system: The organization in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of formal organization.

(2) Social environment: The social environment of the job affects the workers and is also affected.

(3) Informal organization: The informal organization does also exist within the frame work of formal organization and it affects and is affected by the formal organization.

(4) Group dynamics: At the workplace, the workers often do not act or react as individuals but as members of group. The group plays an important role in determining the attitudes and performance of individual workers.

(5) Informal leader: There is an emergence of informal leadership as against formal leadership and the informal leader sets and enforces group norms.

(6) Non-economic reward: Money is only one of the motivators, but not the sole motivator of human behaviour. Man is diversely motivated and socio-psychological factors act as important motivators.

2.Behavioural Approach

This is an improved and more matured version of human relations approach. The various contributors of this approach are Douglas Mc Gregor, Abraham Maslow, Curt Levin, Mary Porker Follelt, Rensis Likert etc. Behavioural Scientists regard the classical approach as highly mechanistic, which finds to degrade the human spirit. They prefer more flexible organization structures and jobs built around the capabilities and aptitudes of average employees. The behavioral approach has laid down the following conclusions.

(1) Decision-making is done in a sub-optimal manner, because of practical and situational constraints on human rationality of decision-making. The behaviorists attach great weight age on participative and group decision-making.

(2) Behavioral Scientists encourage self direction and control instead of imposed control.

(3) Behavioral Scientists consider the organization as a group of individuals with certain goals.

(4) In view of behavioural scientists the democratic-participative styles of leadership are desirable, the autocratic, task oriented styles may also be appropriate in certain situation.

(5) They suggest that different people react differently to the same situation. No two people are exactly alike and manager should tailor his attempts to influence his people according to their needs.

(6) They recognize that organizational conflict and change are inevitable.

III. Modern Management Approaches

1.Quantitative Approach

Quantitative approach (also known as management approach) started during Second World War during which each participant country of the war was trying to seek solutions to a number of new and complex military problems. The interdisciplinary teams who were engaged for this purpose were known as operation research teams. These operation research teams developed quantitative basis for making military decisions. These quantitative tools later are used to make business, industry and enterprise decisions. The focus of quantitative approach is on decision making, and to provide tools and techniques for making objectively rational decisions. Objective rationality means an ability and willingness to follow reasonable, unemotional and scientific approach in relating means with ends and in visualizing the totality of the decision environment. This approach facilitates disciplined thinking while defining management problems and establishing relationships among the variables involved. This approach is widely used in planning and control activities where problems can be defined in quantitative terms.

2. Systems Approach

A system is a set of interdependent parts which form a unit as a whole that performs some function. An organization is also a system composed of four independent parts namely, task, structure, people and technology. The central to the system approach is 'holism' which means that each part of the system bears relation of interdependence with other parts and hence no part of the system can be accurately analyzed and understood apart from the whole system. A system can be open or closed system. In open system, a system interacts with surrounding. An organization is open system because it interacts with it.

3. Contingency Approach

According to this approach, management principles and concepts have no general and universal application under all conditions. There is no best way of doing things under all conditions. Methods and techniques which are highly effective in one situation may not give the same results in another situation. This approach suggests that the task of managers is to identify which technique in a situation best contribute to the attainment of goals. Managers therefore have to develop a sort of situational sensitivity and practical selectivity. Contingency views are applicable in designing organizational structure, in deciding degree of decentralization, in motivation and leadership approach, in establishing communication and control systems, in managing conflicts and in employee development and training.

PLANNING:

Planning is the beginning of the process of management. A manager must plan before he can possibly organize, staff, direct or control. Because planning sets all other functions into action, it can be seen as the most basic function of management.

According to Koontz and O'Donnel "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it. It bridges the gap from where we are and to where we want to go. It is in essence the exercise of foresight".

According to M.S. Hardly "Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives.

Nature of planning:

- ***Planning is an intellectual process*** which requires a manager to think before acting. It is thinking in advance. It is by planning that managers of organizations decide what is to be done, when it is to be done, how it is to be done, and who is to do it. Decision-making is thus an integral part of planning. It is defined as the process of choosing among alternatives.
- ***Planning is a continuous process***. A manager should constantly watch the progress of his plans. He must constantly monitor the conditions, both within and outside the organization to determine if changes are required in his plans.
- ***Plan must be flexible***. By flexibility of a plan is meant its ability to change direction to adapt to changing situations without undue cost. Flexibility in technology means the mechanical ability of a company to change and vary its product-mix according to the changing needs of its customers. Flexibility in market means the company's ability to shift its marketing geographically. Flexibility in personnel means the company's ability to shift individuals from one job to another.
- ***Planning is all-pervasive function.*** In other words, planning is important to all managers regardless of their level in the organization.

IMPORTANCE OF PLANNING:

1. **Minimizes risk and uncertainty:** The organization continuously interacts with the external dynamic environment where there is great amount of risk and uncertainty. In this changing dynamic environment where social and economic conditions alter rapidly, planning helps the manager to cope up with and prepare for changing environment.
2. **Leads to success:** Planning leads to success by doing beyond mere adaptation to market fluctuations. With the help of a sound plan, management can act proactively, and not simply react.
3. **Focuses attention on the organization's goals:** Planning helps the manager to focus attention on the organization's goals and activities. This makes it easier to apply and coordinate the resources of the organization more economically.
4. **Facilitates control:** In planning, the manager sets goals and develops plans to accomplish these goals. These goals and plans then become standards or benchmarks against which performance can be measured. The function of control is to ensure that the activities conform to the plans. Thus, controls can be exercised only if there are plans.
5. **Trains Executives:** Planning is also an excellent means for training executives. They become involved in the activities of the organization.

STEPS IN PLANNING:

The planning process is different from one plan to another and one organization to another. The steps generally involved in planning are as follows:

1. **Establishing verifiable goals or set of goals(objectives) to be achieved:** The first step in planning process is to determine the enterprise objectives. These are set by upper level managers after number of objectives has been carefully considered. The objective set depends on the number of factors like mission of the organization, abilities of the organization etc., once the organizations objectives are determined, the section wise or department wise objectives are planned at the lower level. Defining the objectives of every department is a very essential one; then only clear cut direction is available to the departments. Control process is very easy if the objectives are clearly defined.
2. **Establishing planning premises:** This is the second step in planning which involves establishing planning premises that is the conditions under which planning activities will be undertaken. Planning premises are planning assumptions—the expected environmental factors and information relating to the future such as general economic conditions, population trends, competitive behavior etc.

   The planning premises can be classified as below:

   (1) Internal and External premises.

   (2) Tangible and Intangible premises.

   (3) Controllable and non-controllable premises.

   Internal and External premises: Premises may exist within or outside the company. Internal premises include sales forecasts, ability of the organization in the form of machines, methods of design, behavior of the owners and employees etc., The external premises exists outside the enterprise and include general business and economic environment, technological changes, government policies and regulations, population growth etc.,

   Tangible and Intangible premises: Tangible premises are those which can be quantified. They include population growth, industry demand, capital and resources invested etc., On the other hand political stabilities, sociological factors, attitudes and behavior of the owners etc., are intangible premises.

   Controllable and non-controllable premises: Some of the planning premises are controllable and others are non-controllable. Some examples of non-controllable factors are strikes, wars, natural calamity, legislation etc., Because of the presence of non-controllable factors; organizations have to revise plans periodically in accordance with current development. The controllable factors are availability of resources, skill of managers and labor etc.,
3. **Deciding the planning period:** Once the long term objectives and planning premises are decided, the next task is to decide the period of the plan. Some plans are made for a year and in others it will be decades. Companies generally base their period on a future that can reasonably be anticipated. The factors which influence the choice of a period are:

(a) ***Lead time in development and commercialization of a new product:*** An aircraft building company planning to start a new project should have a planning period of five to ten years where as a small manufacturer of spare parts who can commercialize his idea in a year or so makes annual plans.

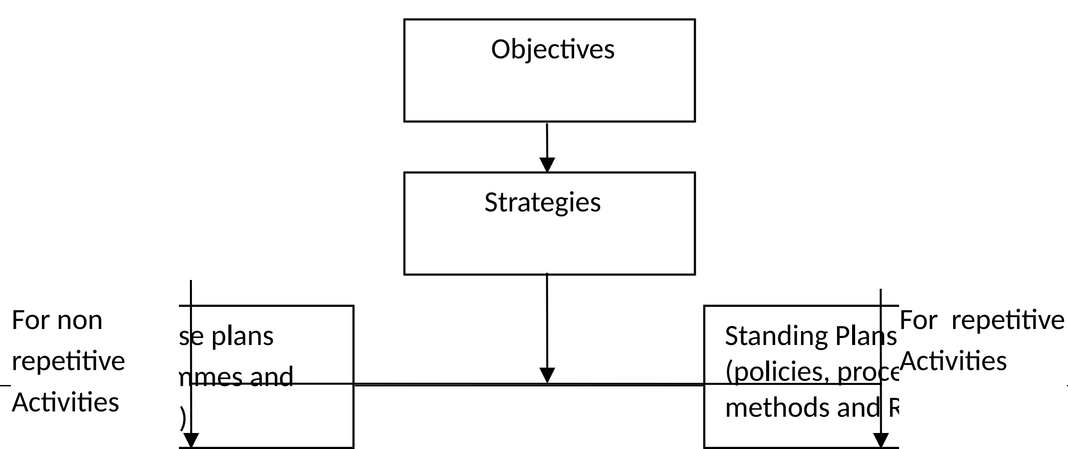
(b) Time required for recovering capital investment or the payback period: The pay back period also influence the planning period. For example, if a machine costs 50 lakhs and generates cash inflow of Rs. 10 lakhs a year, it has a payback period of 5 years. Therefore the plans should also be for at least five years.

(c) Length of commitment already made: The plan period should be long enough to enable the fulfillment of already made commitments. For example if a company has agreed to supply goods for five years, it needs to plan for the same period to fulfill its commitments.

4. **Identification of alternatives:** The fourth step in planning is identifying alternatives. A particular objective can be achieved through various actions. For example an organization's objective is to grow further which can be achieved in several ways like expanding in the same field of business or product line, diversifying in other areas, joining hands with other organization and so on. With each category there may be several alternatives. For example, diversification may point out the possibility of entering into one of the several fields.
5. **Evaluation and selection of alternative:** Once the alternatives are identified the next step is to evaluate the alternatives in the light of the premises and goals and to select the best course or courses of action. This is done with the help of quantitative techniques and operations research. In addition software packages are available for evaluating alternatives.
6. **Developing derivative/supportive plans:** Once the plan is selected, various plans are derived so as it support the main plan. The derivative may be planning for buying equipments, buying raw material etc. These derivative plans are formulated out of the main plan.
7. **Measuring and controlling the process:** One should not allow plan to run on its own without monitoring its progress. Managers need to check the progress of their plans so that remedial action can be taken to make plan work or change the plan if it is unrealistic. Hence process of controlling is a part of any plan.

TYPES OF PLANS:

Plans are arranged in hierarchy in the organization.



At the top of this hierarchy stand objectives. Objectives are the broad ends of the organization which are achieved by means of strategies. Strategies are carried out by means of the two other major groups of plans-single use plans and standing plans. Single-use plans are developed to achieve a specific end. When that end is reached, the plan is dissolved. The major types of single-use plans are programmes and budgets. Standing plans are designed for situations that recur often enough to justify a standardised approach. The major types of standing plans are policies, procedures, methods and rules.

Objectives:

Objectives are goals or aims which the management wishes the organization to achieve. These are the end points or pole star towards which all business activities like organizing, staffing, directing and controlling are directed. Only after having defined these end points can the manager determine the kind of organization, the kind of personnel and their qualifications etc.

Objectives should be distinguished from three other words "vision", "mission" and "purpose".

The ***vision*** is the dream that an entrepreneur creates in his waking hours of his preferred future.

The ***purpose*** of an organization is its primary role defined by the society in which it operates. Example: purpose of every university is to impart education or the purpose of every hospital is to provide health care.

The ***mission*** of an organization is the unique aim that sets the organization apart from others of its type. Example: University may have its mission imparting education to women only or hospital may treat heart disorders only.

Objectives have the following characteristics:

(1) Objectives are multiple in numbers: Every business enterprise has a package of objectives set in various key areas. Peter Drucker has emphasized setting objectives in eight key areas namely market standing, innovation, productivity, physical and financial resources, profitability, manager performance and development, worker performance and attitude, and public responsibility.

(2) Objectives are tangible or intangible: Some of the objectives such as productivity, physical and financial resources are tangible; whereas objectives in the areas of manager's performance, workers morale is completely intangible.

(3) Objectives have a priority: At a given point of time one objective may be important than another. For example maintaining minimum cash balance is important than due date of payment.

(4) Objectives are generally arranged in hierarchy: It implies that organization has corporate objectives at the top and divisional, departmental and sectional objectives at the lower level of organization.

(5) Objectives some time clash with each other: An objective of one department may clash with the objectives of other department. For example the objectives of production of low unit cost achievement through mass production of low quality products may conflict with goal of sales department selling high quality products.

Requirements of Sound Objectives

(1) Objectives must be clear: There should not be ambiguity in objectives. The framed objectives should be achievable and are to be set considering various factors affecting their achievements.
(2) Objectives must support one another.
(3) Objectives must be consistent with organizations mission.
(4) Objectives should be consistent over period of time.
(5) Objectives should be rational, realistic and not idealistic.
(6) Objectives should start with word 'to' and be followed by an action verb.
(7) Objectives should be periodically reviewed.

Advantages of Objectives

The following are some of the advantages of objectives.

(1) Unified planning: Various plans are prepared at various levels in the organization. These plans are consistent with the objectives and hence objectives encourage unified planning.

(2) Individual motivation: Objectives act as motivators for individual and departments imbuing their activity with a sense of purpose.

(3) Coordination: Objectives facilitate coordinated behavior of various groups which otherwise may pull in different directions.

(4) Control: Objectives provide yardstick for performance. The actual performance is compared with standard performance and hence objectives facilitate control.

(5) Basis for decentralization: Department-wise or section wise objectives are set in order to achieve common objectives of the organization. These objectives provide basis for decentralization.

Strategies

'Every organization has to develop plans logically from goals considering the environmental opportunities and threats and the organizational strengths and weakness. A strategy is a plan which takes these factors into account and provides an optimal match between the firm and external environment. Two activities are involved in strategy formulation namely environmental appraisal and corporate appraisal.

Environmental appraisal involves identifying and analysis of the following factors:

(1) Political and legal factors: Stability of government, taxation and licensing laws, fiscal policies, restrictions on capital etc.

(2) Economic factors: Economic development, distribution of personal income, trend in prices, exchange rates etc.,

(3) Competitive factors: Identifying principal competitors and analysis of their performance, anti-monopoly laws, protection of patents, brand names etc.

(4)Social and cultural factors: Literacy levels of population, Religious and social characteristics etc.

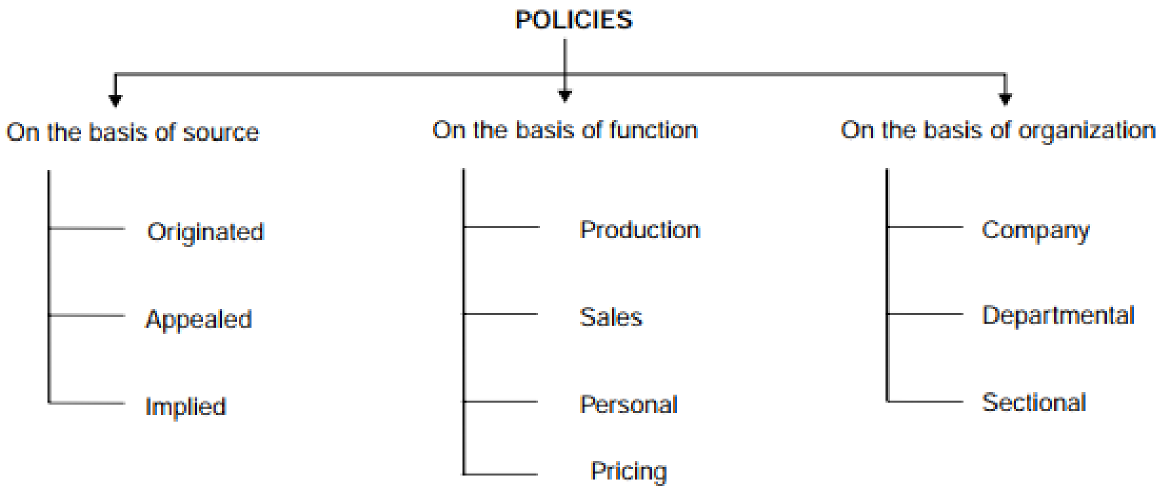
Corporate analysis involves identifying and analyzing company's strength and weakness. For example a company's strength may be low cost manufacturing skill, excellent product design, efficient distribution etc.,. Its weakness may be lack of physical and financial resources. A company must plan to exploit these strengths to maximum and circumvent it's weakness. The formulation of strategy is like preparing for beauty contest in which a lady tries to highlight her strong points and hide her weak points.

Standing Plans:

1.Policies

A policy is a general guideline for decision making. It sets up boundaries around decisions. Policies channelize the thinking of the organization members so that it is consistent with the organizational objectives. According to George R Terry " Policy is a verbal, written or implied overall guide, setting up boundaries that supply the general limits and directions in which managerial action will take place". Although policies deal with "how to do" the work, but do not dictate terms to subordinates. They only provide framework within which decisions are to be made by the management in various areas. Hence an organization may have recruitment policy, price policy, advertisement policy etc.,

Types of policies: Policies may be classified on the basis of sources, functions or organizational levels as shown in fig.



Originated policies are policies which are established formally. These policies are established by top managers for guiding the decisions of their subordinates and also their own and are made available in the form of manuals.

Appealed policies are those which arise from the appeal made by a subordinate to his superior regarding the manner of handling a given situation. When decisions are made by the supervisor on appeals made by the subordinates, they become precedents for further action. For example a books dealer offers a discount of 10% on all text books. Suppose if an institution requests for a discount of 15% and prepared to pay full amount in advance, the sales manager not knowing what to do may approach his superior for his advice. If the superior accepts the proposal for 15% discount, the decision of the superior become a guideline for the sales manager in future. This policy is an appealed policy because it comes into existence from the appeal made by the subordinate to the superior.

Implied Policies: The policies which are stated neither in writing nor verbally are known as implied policies. The presence of implied policies can be ascertained by watching the actual behavior of various superiors in specific situations. For example if company's residential quarters are repeatedly allotted to individuals on the basis of seniority, this may become implied policy.

On the basis of business function policies may be classified into production, sales, finance, personnel policies etc. Every one of these function may have a number of policies. For example the personnel function may have recruitment policy, promotion policy and finance function may have policies related to capital structure, dividend payment etc.,

On the basis of organizational level policies may range from major company policies through major departmental policy to minor or derivative policies applicable to smallest segment of the organization.

Advantages of Policies:

The advantages of policies are as follows:

(1) Policies ensure uniformity of action at various organization points which make actions more predictable.

(2) Since the subordinates need not consult superiors, it speeds up decision.

(3) Policies make easier for the superior to delegate more and more authority to his subordinates because, he knows that whatever decision the subordinates make will be within the boundaries of the policies.

(4) Policies give a practical shape to the objectives by directing the way in which predetermined objectives are to be attained.

2.Procedures

Policies are carried out by means of more detailed guidelines called procedures. A procedure provides a detailed set of instructions for performing a sequence of actions involved in doing a certain piece of work. A procedure is a list of systematic steps for handling activities that occur regularly. The same steps are followed each time that activity is performed. A streamlined, simplified and sound procedure helps to accelerate clerical work without duplication and waste of efforts and other resources.

Difference between policies and procedures can be explained by means of an example. A company may adopt a policy of centralized recruitment and selection through labor department. The labor department may chalk out the procedure of recruitment and selection. The procedure may consist of several steps like inviting application, preliminary interview aptitude and other tests, final interview, medical examination and issue of appointment orders.

The following are advantages of procedures. (1) They indicate a standard way of performing a task.

(2) They result in simplification and elimination of waste.

(3) Procedure improves the efficiency of employees.

(4) Procedure serves as a tool of control by enabling managers to evaluate the performance of their subordinates.

3.Methods

A method is a prescribed way in which one step of procedure is to be performed. A method is thus a component part of procedure. It means an established manner of doing an operation. Medical examination is a part of recruitment and selection procedure, method indicate the manner of conducting medical examination. Methods help in increasing the effectiveness and usefulness of procedures. By improving methods, reduced fatigue, better productivity and lower costs can be achieved. Methods can be improved by eliminating wastes by conducting "motion study".

4.Rules

The rules are the simplest and most specific type of standing plans. Every organization attempts to operate in an orderly way by laying down certain rules. Rules are detailed and recorded instructions that a specific action must or must not be performed in a given situation. Rules are more rigid than policies. Rules generally pertain to the administrative area of a procedure. For example sanctioning overtime wages to workers, sanctioning traveling bills etc., need uniform way of handling them. These are all covered by rules of the enterprises. A rule may not be part of procedure. For example 'no smoking' is not related to any procedure. Rules demand strict compliance. Their violation is generally associated with some sort of disciplinary action.

Single Use Plans

1.Programme

A programme is a sequence of activities directed towards the achievement of certain objectives. A programme is action based and result oriented. A programme lays down the definite steps which will be taken to accomplish a given task. It also lays down the time to be taken for completion of each step. The essential ingredients of every programme are time phasing and budgeting. This means that specific dates should be laid down for the completion of each successive stage of programme. In addition a provision should be made in the budget for financing the programme. A programme might include such general activity as purchasing new machines or introducing new product in the market. Thus a programme is a complex of objective, policies, procedures, task assignments, steps to be taken, resources to be employed and other elements to carry out a given course of action.

2.Budgets

A budget is a single use plan since it is drafted for a particular period of time. A budget is a statement of expected results expressed in quantitative terms i.e. rupees, man hours, product units etc. Since it is a statement of expected results, it is also used as an instrument of managerial control. It provides a standard by which actual operations can be measured and variation could be controlled. One should not forget that making budget is clearly planning. The important budgets are sales budgets, production budgets, cash budgets, and revenue and expenses budgets.

Difference between the policy and the procedure.

Policies	procedures
1. Are the general guidelines to both thinking and action of people at higher levels 2.help in fulfilling the objectives of the enterprise 3.are generally broad and allow some latitude in decision making 4.are often established without any study or analysis	1 .are the guidelines to action only usually for the people at the lower levels 2.show us the way to implement policies 3. Are specific and do not show latitude. 4.are always established after thorough study and analysis of work