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BUSINESS MANAGEMENT AND ETHICS

B.B.A., LL.B.(HONS) DEGREE COURSE

STUDY MATERIAL

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MESSAGE

Knowledge is power. Legal Knowledge is a potential power. It can be exercised effectively everywhere. Of all the domains of reality, it is Legal Knowledge, which deals with rights and liabilities, commissions and omissions, etc., empower the holder of such knowledge to have prominence over the rest. Law Schools and Law Colleges that offer Legal Education vary in their stature on the basis of their ability in imparting the quality Legal Education to the students. Of all the Law Schools and Colleges, only those that educate their students to understand the nuances of law effectively and to facilitate them to think originally, excel. School of Excellence in Law aims to be in top of such institutions.

The revolution in Information and Communication Technology dump lot of information in the virtual world. Some of the information are mischievous and dangerous. Some others are spoiling the young minds and eating away their time. Students are in puzzle and in dilemma to find out the right information and data. They do not know how to select the right from the wrong, so as to understand, internalise and assimilate into knowledge. Hence in the present scenario, the role of teachers gains much more importance in guiding the students to select the reliable, valid, relevant and suitable information from the most complicated, perplexed and unreliable data.

The teachers of the School of Excellence in Law have made a maiden attempt select, compile and present a comprehensive course material to guide the students in various subjects of law. The students can use such materials as guidance and travel further in their pursuit of legal knowledge. Guidance cannot be a complete source of information. It is a source that facilitates the students to search further source of information and enrich their knowledge. Read the materials, refer relevant text books and case laws and widen the knowledge.

Dr.P.Vanangamudi
Vice-Chancellor

PREFACE

In recent years, liberalization and globalization, information technology, professionalization of management and other changes have created new challenges and opportunities for managers. The demand for professionally – qualified managers in India is increasing day by day because of rapid industrialization and growing competition. To achieve professional competence, managers, both present and prospective, are required to be fully equipped with principles of management and how these principles can be put in practice. A comprehensive understanding of these principles will increase their decision-making ability and sharpen their tools for the purpose. Today business management education has assumed the prime place in the educational services. Business world has realized that professionalism in business operations will prove more beneficial in achieving the economic objective of the business. Business management provides necessary tools and techniques to bring in professionalism in business operations. Managers of various business enterprises will have to know as to what is happening in their enterprises and what strategies they have to adopt to improve the quality of operations. As Peter Drucker says "that managers of organizations which are human enterprises, have to make the strength of people effective and their weaknesses irrelevant". Keeping these aspects in view, to throw light on various aspects of business management, like planning organising, staffing, directing, control and co-ordination study material is prepared. Business ethics is the application of ethical principles and methods of analysis to business. In the practical business world, most of the ethical questions can be classified into two categories overt ethical issues – are open which we could be seen in the day-to-day business and covert ethical issues are those which cannot be seen or put in business terminology hidden or undisclosed. Business must do acts of right while producing and distributing goods and services. Healthy practices in business will definitely help creating healthy environment in and around the organization and ultimately throughout the nation.

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UNIT I

CHAPTER I

NATURE AND SCOPE OF MANAGEMENT

We are born in an organization (a family), live in organization (society) and work in organizations (business, college, school, Government, army, etc.). Each one of these organizations is a group of persons working together to achieve some common objectives. The organizations can be successful only when the efforts of various individuals in the group are integrated into teamwork. The central agency which performs this task is known as management. It play the same role in an organizations which brain does in the human body.

MEANING AND DEFINITIONS OF MANAGEMENT:

Management can be defined in various ways. Simply stated, Management is the art of getting things done through others. This is very popular definition. It is very simple to understand.

DEFINITION:

According to Harold Koontz ? Management is the art of getting things done through and with people in formally organized groups.

According to Drucker, Management is a multipurpose organ that manages a business and manages managers and manages workers and work.

In the words of Koontz and O'Donnell, Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of group goals.

NATURE AND CHARACTERISTICS OF MANAGEMENT:

The salient features which highlights the nature of management are as follows:

1. Management is Universal: Management is required in every form of group activity. The approach and style of management may differ from one organization to another. But in each case it involves marshalling of human and physical resources towards the attainment of common objectives.

2. Management is purposeful: Management is concerned with achievement of objectives of an organization. These objectives are achieved through the function of planning, organizing, staffing, directing, controlling and decision making. The organizational objectives are clearly defined and explained to every employee.

3. Management is an Integrative force: The essence of Management lies in the coordination of individual efforts into a team. Management reconciles the individual goals with organizational goals. As a unifying force, management creates a whole that is more than the sum of individuals parts. It integrates human and other resources.

4. Management is a social process: Management is done by people, through people and for people. It is a social process because it is concerned with interpersonal relation.

5. Management is Multidisciplinary: Management has to deal with human behaviour under dynamic conditions. Therefore, it depends upon wide knowledge derived from several disciplines like engineering, sociology, psychology, economics, anthropology etc.

6. Management is continuous process: Management is a dynamic and an ongoing process. The cycle of management continuous to operate so long as there is organized action for the achievement of group goals.

7. Management is intangible: Management is an unseen or invisible force. It cannot be seen but its presence can be felt everywhere in the form of results. However, the managers who perform the functions of management are very much tangible and visible.

8. Management is an art as well as a science: It contains a systematic body of theoretical knowledge and it also involves the practical application of such knowledge. Management is also a discipline involving specialized training and an ethical code arising out of its social obligations.

MANAGEMENT AS AN ART:

Art involves the practical application of personal skills and knowledge to achieve concrete results. It is the practical way of doing specific things. The functions of the art is to effect change and to achieve desired results.

Thus, the main elements of an art are:

a. Personal skills
b. Practical know-how
c. Result orientation
d. Creativity
e. Constant practice

Management is basically an art because of the following reasons:

a. Like artist, manager applies his knowledge and skills to coordinate the efforts of his people.
b. Management seeks to achieve concrete results.
c. Management is creative.
d. Management is personalized process.

MANAGEMENT AS A SCIENCE:

The elements of science are as follows:

1. Science is a systematized body of knowledge pertaining to a particular field of inquiry.
2. It contains underlying principles and theories.
3. The principles have universal applicability.

Management is a science because it contains all the essentials of science.

Principles and theories are now available in every area of management.

Management is a applied science as a manager has to apply the principles just like a medical or legal practitioner.

LEVELS OF MANAGEMENT:

There are four levels of management. They are

Top management:

Top management of a company consists of the board of directors and chief executive. Chief executive may be known as managing director, general manager, president, chairman-cum-managing director etc. Top management is the ultimate source of management authority and it is accountable for overall management to the shareholders of the company. The main functions of top management are as follows:

i. To analyse, evaluate and deal with the environmental forces.
ii. To establish overall long term goals, and broad policies of the company including the master budget.
iii. To appoint departmental and other key executives.
iv. To represent the company to the outside world.
v. To exercise overall review and control on the company's operations.
vi. To coordinate the activities and efforts of different departments.

Intermediate management

Intermediate or upper middle management comprises departmental or divisional heads, eg., works manager, marketing manager, personnel manager, finance manager etc. Each one of these managers is responsible for the efficient and coordinated functioning of his own department in accordance with the basic objectives and policies laid down by the top management. Intermediate managers are concerned with priorities and specific results. At upper middle management, departmental operational plans are established and targets of achievements are laid down. Departmental heads exercise the usual functions of management in respect of their own department. They plan operations, issue instructions, assemble the required resources, evaluate results of their respective departments, control the work of people in the departments.

Middle management

This level of management consists of deputy heads of department and sectional officers such as plant manager, area sales manager or branch manager, office manager, chief accountant, purchase officer, etc. These executives serve as a link between top management and operating management.

The middle management usually performs the following functions.

1. To interpret and explain the policies framed by top and intermediate management.
2. To compile and issue detailed instructions regarding operations.
3. To cooperate among themselves so as to integrate various parts of a division or a department.
4. To motivate supervisory personnel to work for organizational goals.
5. To develop and train supervisory and operative personnel.

Supervisory or operating management

Supervisory management is the lowest level of management. It consists of plant superintendent, foreman and front line supervisors, sales officers, etc. It involves management of rank and file and is directly concerned with the mechanics of jobs. The operating managers serve as the link between management and workers.

The functions of supervisory management are as follows:

1. To plan day-to-day production within the goals laid down by higher authority.
2. To assign jobs to workers and to make arrangement for their training and development.
3. To supervise and control workers and to maintain personal contact with them.
4. To arrange materials and tools and to maintain machinery.
5. To advise and assist workers by explaining work procedures, solving their problems etc.
6. To maintain discipline and good human relations among workers.
7. To report feedback information and workers problems this cannot be solved at the supervisory level.

FUNCTIONS OF A MANAGER

Management is a creative process which integrates and uses various available resources effectively to accomplish certain goals. For which, an individual is responsible to develop ideas and get things done through others. The concerned individual is designed as manager.

Manager is not actually do the work but guide others to do things correctly. In other words, manager has not build factory uses or install machines and operate them or sell goods in the market.

The smooth functioning of a business unit depends on the performance of the manager. If a manager has adequate skill, he can discharge his duties effectively. Generally, the following functions are performed by a manager.

1. Planning the work: Planning involves deciding the course of action well in advance. The manager can decide the procedure to be followed in order to achieve the objectives of the organization. Planning the work is a rational activity.

2. Taking decisions: Manager has to take a lot of decisions with regard to the assignment of work to every worker and delegation of authority to do a job. A wise decisions can be taken by an efficient manager. Quality of decision is based on the intelligence of the manager.

3. Delegating authority: Manager should delegate authority whenever a project or work is assigned to others. Nobody can do anything without authority. So, the manager has to delegate authority on need basis.

4. Solving the problems: subordinates bring problems before the manager. The manager has to solve the problems instead of solving the problems quickly. Finding solutions to a problem will prevent cropping up such problems in future.

5. Control the deviations: the manager has to control the workers if there are any difference standards of performance and actual performance. The control ensure the right performance. The exercise of control is in the hands of the manager.

Business and its Environment

Business entities are like living organisms. They are born, live and grow and die. Some grow well and some live for longer time. Like human beings, they have their infancy, adulthood and full maturity. Man's life is shaped by heredity and environment. In the same way, the structure and characteristics of business are determined by two factors, namely endogenous and exogenous. i.e., internal and external. The endogenous factors relate to internal matters of business, their composition, structure, size policy relating to investment, product produced, etc. exogenous factors relate to external matters. These external matters are called environmental factors and these factors influence the growth and structure of the business in a greater degree, just like human beings are greatly influenced by the environment in which they live.

Definitions of Environment:

Business environment has been defined by Bayard O. Wheeler as - the total of all things external to firms and industries their organization and operation.

The external forces acting on the business consist of a large number of factors. These are

a. Demographic

b. Economic

c. Geographical and ecological

d. Social and cultural

e. Political and legal

f. Technological

Basic aspects of Business

We should realize that (i). Business is an economic activity (ii) The business firm is an economic unit and (iii) Business decision making is an economic process. These propositions may be analyzed and examined either separately or jointly so that we can understand better, for the need of studying business environment in a country.

1. Business is an economic activity

Elementary Economics tells us that an economic activity is the task of adjusting the available scarce resources to meet the desired ends. This may assume different forms such as Consumption, Production, Distribution and Exchange. Each business firm has a target to achieve and for that purpose, it has some resources and its disposal. Sometimes, the target has to be matched with given target. Exchange business is mainly concerned with buying and selling of shares and debentures.

2. The business firms is an economic unit A business firm is an economic unit in the sense that it transforms a sets of inputs into outputs. This may be either good or services or both. The quantity of input and output depends upon the size of the business and also the efficiency of the business, besides the technology used. This transformation of input into output may take different types of activities such as mining, manufacturing, farming, trading, transporting, banking, insurance and the like. This process of changing input into output is a value added process; the value of output in excess of the value of input. The business units undertake the transformation process to generate surplus.

3. Business decision making is an economic process:

Decision making in business is an economic process in the sense that it is economic in nature. The process of decision making involves the choice of selecting one among a set of alternatives. Choice is the essence of all economic problems. The business firms has to take decisions in allocating the resources to achieve the desired results.

Some of the classifications of business environment:

The classification of business environment is (i) Static environment and Dynamic environment (ii) Internal environment and External environment (iii) Micro environment and Macro environment.

i. Static Environment

Business is affected by multiplicity of actors and forces and these constitute the environment of business. Most of these factors are uncertain and also unpredictable and the business firm will not have any control over them. However, certain factors may remain fairly static and they change only after a very long period.

ii. Dynamic Environment:

This is just the opposite of static environment. In this case, the factors in the environment change very quickly and it will be very difficult for the business mangers to anticipate these. Development of quick and efficient means of transportation, communication, knowledge explosion have made the world a closer and smaller unit.

iii. Internal Environment:

As the name itself suggests, internal environment are the internal factors of the business which influence the strategy of business operations and decisions. The value systems of the founders of the business enterprise, the mission and objectives of the business organization and the business policies adopted contributing to the success of the business.

iv. External Environment:

External environment are those factors which are outside the business. The business unit will not have any control over these factors. Almost all the factors we have discussed hold good for external environment. However the external environment is classified into Micro environment and Macro environment.

IMPORTANCE OF MANAGEMENT:

The success and growth of an organization depends largely upon the efficiency and effectiveness of its management. In the absence of management, an organization is merely a collection of men, money, material and machinery. Managers can do much to improve the work environment.

Sound management provides the following benefits:

1. Achievement of group goals: Management enables an enterprises to achieve its desired objectives through proper planning and control. It decides what should be done and how. It lays down the long term and short goals keeping in mind the resources of the enterprise.

2. Optimum utilization of resources: Materials, machinery and money are physical factors of production. The efficient use of these resources depend upon the efficiency and motivation of workers. Management makes the workers efficient and motivate through training, supervision and inspiring leadership.

3. Fulfilment of social obligations: Sound management monitors the environment of business and makes necessary changes in business policies and practices so as to keep the consumer and workers satisfied. In this way managers help an enterprise to fulfill its obligations towards different sections of society. Management balances and integrates various interests in group efforts.

4. Economic growth: Management is the catalyst of economic growth. We no longer talk of capital and labour but of management and labour. Development is a matter of human energies rather than of economic growth, and the generation of human energies is the task of management.

5. Stability: Management ensures the survival of an organization in a fast changing environment. It coordinates the activities of different departments in an organization and maintain team spirit amongst the personnel.

SCOPE OF MANAGEMENT:

The field of management is very wide. The operational areas of business management may be classified into the following categories.

Production management:

Production management implies planning, organizing, directing and controlling the production function so as to produce the right goods, in right quantity, at the right time and at the right cost. It includes the following activities.

a. Designing the product
b. Location and layout of plant and buildings

c. Operation of purchase and storage of materials
d. Planning and control of factory operations
e. Repairs and maintenance
f. Inventory control and quality control
g. Research and development

Marketing management

Marketing management refers to the identification of consumers needs and supplying them the goods and services which can satisfy these wants. It involves the following activities.

a. Marketing research to determine the needs and expectations of consumers,
b. Planning and developing suitable products
c. Setting appropriate prices
d. Selecting the right channel of distribution
e. Promotional activities like advertising and salesmanship to communicate with the consumers

Financial management

Financial management seeks to ensure the right amount and type of funds to business at the right time and at reasonable cost. It comprises the following activities:

a. Estimating the volume of funds required for both long term and short term needs of business
b. Selecting the appropriate sources of funds
c. Raising the required funds at the right time.
d. Administration of earnings

Personnel management

Personnel management involves planning, organizing and controlling the procurement, development, compensation, maintenance and integration of human resources of an organization. It consists of the following activities:

a. Manpower planning
b. Recruitment
c. Selection
d. Training
e. Appraisal
f. Promotions and transfers
g. Compensation

CHAPTER II

MANAGEMENT PROCESS - FUNCTIONS AND PRINCIPLES

MANAGERIAL AND OPERATIVE FUNCTIONS

Managerial functions should be differentiated from the operative functions of business. Operative functions include production, marketing, financing, personnel etc. Operative functions differ according to the nature and size of business. On the other hand, managerial function are essential in all organization irrespective of their nature and size. Managerial functions are planning, organizing, staffing, directing and controlling.

STEPS IN MANAGEMENT PROCESS

Different functions of management are given below:

1. Planning

Planning is the most basic or primary function of management. Planning involves determining the objectives and selecting a course of action to achieve them. Planning is a mental process requiring the use of intellectual faculties, foresight, imagination and sound judgment. A plan is a pre determined future course of action. It is helpful in more effective achievement of goals. Planning enables an organization to face uncertainty and change.

2. Organising

Once plans are formulated, the next step is that of organizing. Organizing is the process of establishing harmonious authority-responsibility relationships among the members of the enterprise. A sound organization helps to avoid duplication of work and overlapping of effort. However, an organization structure is not an end in itself. It should, therefore be designed to fit into the needs and objectives of the particular enterprise.

3. Staffing

Staffing is the process of filling all positions in the organization adequate and qualified personnel. The managerial function of staffing involves manning the organizational structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure.

4. Directing

Directing is the managerial function of guiding, supervising, motivating and leading people towards the attainment of planned targets of performance. In the process of directing his subordinates, a manager takes active steps to ensure that the employees accomplish their task according to the established plans.

5. Controlling

Controlling is the process of ensuring that the organization is moving in the desired direction and that progress is being made towards the achievement of goals.

PRINCIPLES OF MANAGEMENT

List of fourteen principles of management given by Henri Fayol are given below.

1. Division of work : Division of work or specialization of labour belongs to the natural order. It helps a person to acquire an ability and accuracy with which he can do more and better work with same effort. Therefore, the work of every person in the organization should be limited as far as possible to the performance of a single leading function. The principle of division of work can be applied at all levels in the organization.

2. Authority and Responsibility : According to Fayol, responsibility is a natural consequence of and a corollary to authority. Therefore, there should be a parity between the two. Authority is not to be conceived of apart from responsibility and wherever authority exercised responsibility arises.

3. Discipline : Discipline is defined as respect for agreements which are directed at achieving obedience, application, energy, and outward marks of respect. It must prevail throughout an organization as it is essential for smooth running of the enterprise. It depends upon good supervision, clear and fair agreements and judicious application of penalties.

4. Unity of command : Every subordinate should receive order from and accountable to only one superior. Dual or multiple command is a perpetual source of conflict. It undermines authority and threatens stability of organization. It also helpful in fixing responsibility.

5. Unity of direction : According to this principle, each group of activities having the same objective must have one head and one plan. The principle of unity of direction seeks to ensure unity of action. Unity of direction refers to the functioning of the body corporate, the departments or divisions comprising the organization.

6.Subordination of individual to general interest : Efforts should be made to reconcile individual interests with common interests. When there is conflict between the two, the interest of the organization should prevail over individual interests. This requires continuous and exemplary supervision and fair agreements.

7. Remuneration of personnel : The amount of remuneration and the methods of payments should be just and fair and should provide maximum possible satisfaction to both employees and employers.

8. Centralization : According to Fayol, the question of centralization and decentralization is a matter of finding the optimum degree for the particular concern. The degree of concentration of authority should be based upon optimum utilization of all faculties of the personnel.

9. Scalar chain : Scalar chain refers to the chain of superior ranging from the highest authority to the lowest level in the organization. There should be clear line of authority ranging from top to bottom of the organization. All upward and downward communication should flow through each position of authority along the scalar chain.

10. Order : This principle is concerned with the arrangement of things and the placement of people. In material order, there should be a place for everything and everything should be in its proper place. Similarly in social order, there should be an appointed place for everyone and everyone should be in his or her place. This kind of order requires precise knowledge of human requirements and resources of the concern so that a proper balance may be created between them.

11. Equity : Equity implies that employees should be treated with justice and kindness. Managers should be fair and impartial in their dealings with subordinates. They should adopt a sympathetic and unbiased attitude towards workers. Equity helps to create cordial relations between management and workers which are essential for successful functioning of the enterprise.

12.Stability of Tenure of Personnel : Employees cannot work efficiently unless job security is assured to them. Time is required for an employee to get used to new work and succeed in doing it well. An employee cannot render worthwhile service if he is removed from the job before he gets accustomed to it.

13. Initiative : Employees at all levels should be given the opportunity to take initiative and exercise judgement in the formulation and execution of plans. Initiative refers to the freedom to think for oneself and use discretion in doing work. It develops the interest of employees in their jobs and provides job satisfaction to them.

14. Espirit de corps : This refers to harmony and mutual understanding among the members of an organization. Union is strength and unity in the staff is the foundation of success in any organization. Management should not follow the policy of divide and rule. Unity among the personnel can be developed through proper communication and coordination.

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CHAPTER III

EVOLUTION OF MANAGEMENT THOUGHT

Management has been practiced in some form or other since the dawn of civilization. The early contributions to management thought came from Roman Catholic Church, military organizations and cameralists.

APPROACHES TO MANAGEMENT

Modern management has developed through several stages or approaches.

These approaches to the study of management may be classified as under:

1. Classical Approach
2. Behavioural Approach
3. Management Science Approach
4. Systems Approach
5. Contingency Approach

1. The Classical Approach

The classical or empirical approach is based on the following tenets:

a. Management is a process consisting of interrelated functions performed to achieve the desired goals.

b. From the experience of managers in different organizations, principles or guidelines can be derived.

c. These principles are basic truths which can be applied in different organizations to improve managerial efficiency.

d. Managers can be developed through formal education and training.

The classical approach offers a convenient framework for the education and training of future managers. It views management as distinct discipline based on certain principles.

2. Behavioural Sciences Approach

The Hawthrone experiments conducted by Elton Mayo and his team laid the foundations of behavioural science approach. Behavioural science approach involves the application of knowledge drawn from behavioural science to managerial problems. The main propositions of this approach are:

a. A business organization is not merely a techno-economic system. It is much more a social system of interpersonal and intergroup relations.

b. The attitudes and performance of an employee are dominated by the social group to which he belongs. Members of an organization behave not as but as members of some group.

c. Social and psychological incentives exercise a greater influence on employee motivation than working conditions and economic rewards.

d. Management requires social skills to make employees feel a part of the organization.

3. Management science Approach

This approach involves application of sophisticated quantitative techniques for solving managerial problems. This is otherwise called quantitative approach, operation research approach. The features of this approach are

a. Rational decision making
b. Mathematical model
c. Computer applications
d. Evaluation criteria

4. The System approach

The fundamental features of system approach are

a. An organization is a system consisting of many interrelated and interdependent parts or sub-systems.
b. As a system an organization draws inputs.
c. Every system is a part of a super system.
d. Organization is an open system and it interacts with its environment.
e. Management is expected to regulate and adjust the system to secure better performance.
f. Management is multidisciplinary as it draws and integrates knowledge from various disciplines.

5. Contingency Approach

The contingency approach to management emerged from the real life experience of managers who found that no single approach worked consistently in every situation. The basic idea of this approach is that no management technique or theory is appropriate in all situations. The main determinants of a contingency environment of an organizations.

PIONEERS OF MANAGEMENT THOUGHT

SCIENTIFIC MANAGEMENT – F.W. TAYLOR (1856-1915)

F.W. Taylor is known as the =father of scientific management‘. His ideas about management grew from his experience. He observed the work performance of managers and workers. According to him, they follow the traditional method of work and they do not have concept of systematic are related to external and internal performance of task. The techniques of management are identified by Taylor through trial and error method.

PRINCIPLES OF SCIENTIFIC MANAGEMENT

1. Science not rule of thumb
2. Harmony in group action
3. Co-operation
4. Maximum output
5. Improvement of workers

TECHNIQUES OF SCIENTIFIC METHOD

1. Time study: Time study is designed to establish the standard time required to carry out a job under specified conditions. It involves analysis of a job into its constituent elements and recording the time taken in performing each element.

2. Motion study: It is a systematic and critical study of the movement of both the worker and the machine so as to identify and eliminate unnecessary and wasteful movements.

3. Scientific task planning: It is the technique of forecasting and picturing ahead every step in a long series of separate operations, each step to be taken in the right place, of the right degree and at the right time, and each operation to be performed at the optimum efficiency.

4. Standardization and simplification: Under scientific management, predetermined standard are laid down regarding the task, materials, methods, time, quality and cost, and working conditions. Standardization helps to simplify work, to ensure interchangeability of parts, to ensure uniformity of operation and to facilitate comparisons of efficiency.

5. Differential piece rate system: Stressing the need for scientific determination of remuneration for workers, Taylor suggested that a direct link should be created between remuneration and productivity for motivating workers. Under this system two piece rates are laid down: one low rate for those failing to achieve the standard output and the second higher rate for those achieving or exceeding the standard output.

6. Functional foremanship: According to Taylor, one supervisor cannot be an expert in all aspects of work supervision. He suggested the system of functional foremanship in which eight supervisors supervise a workers job. Four of them are concerned with the planning and the other four are involved in execution of work.

7. High speed steel: Taylor conducted systematic experiments to improve the operational efficiency of tools and equipment for pig iron handling, shovelling iron ore and coal and for metal cutting. He developed high speed steel for metal cutting and designed better shovels. These improvements led to tremendous increase in labour productivity besides reducing physical strain and efforts on the part of workers.

HENRI FAYOL (1841-1925)

Fayol was French mining engineer and chief executive. He published his famous book administration industry at Generale in 1916. This book is now considered to be one of the best classics of management. Fayol's contributions to management are Classification of Business Activities

According to Fayol all activities of a business enterprise could be divided into six groups:

i. Technical
ii. Commercial
iii. Financial
iv. Security
v. Accounting
vi. Managerial

Elements of Management

Fayol classified elements of management as

i. Planning
ii. Organizing
iii. Commanding
iv. Coordinating
v. Controlling

GEORGE ELTON MAYO (1880-1949)

Elton Mayo was professor of industrial psychology at the Harvard Business School. He published several books and papers. He served as the leader of the team which carried out the famous Hawthrone Experiments. These experiments were conducted in the Hawthrone plant of Western electric Company in Chicago.

Hawthrone Experiment

1. Illumination experiments – designed to assess the effects of illumination on employee efficiency.

2. Test room experiments - designed to judge the influence of working conditions on workers performance.

3. Interviewing studies - undertaken to improve employee attitudes.

4. Observational studies – carried out to understand the factors influencing informal organization of work groups.

PETER F. DRUKER

The main contributions of Peter F. Druker are summarized below.

1. Nature and role of Management: The basic objective of management is innovation. The term innovation includes the development of new ideas, combination of the old idea with new idea and adoption of ideas from other fields.

2. Function of management: Management is the starting point of any institution. Management does not have any functions of its own and existence. The existence and functions of management are concurrent with the existence and functions of a manager.

3. Organisation structure: An effective organization structure has the following three basic characteristics. They are

i. The structure is framed in such a way that it enables smooth performance.

ii. Containing possible minimum number of managerial levels

iii. Providing a chance to test the ability of young people who are accepting the responsibility.

4. Management by Objectives: Druker introduced the management by objective concept in 1954. Methods of planning, setting standards, performance appraisal and motivation are the components of Management by Objectives.

MAX WEBER

Max Weber was a German social scientist. He wanted to frame a rigid form of organization. His proposed form of organization is very similar to the form of organization proposed by Henri Fayol. Max Weber framed rigid rules to eliminate managerial inconsistencies which lead to ineffectiveness. An efficient form of organization cannot be founded if managerial inconsistencies exist. So he emphasized the strict adherence of rules and regulation in an organization. These would make- an efficient form of organization. These type of organization can be termed as ?Bureaucracy.

MARY PARKER FOLLETT (1868-1933)

Mary Parker Follett was a political and social philosopher. At the age of 32 she began a career of public service in the Boston area of USA. As a political scientist she examined the activities of several organizations in England and United States. Her main interests was the psychological foundations of all human activity.

Follett's contributions to management thought may be summarized as follows:

1. Constructive conflict: According to Follett, conflict can be constructive. It can be harnessed for service of the group much as an engineer uses friction. The best way to resolve conflict is not domination or compromise but integration. Under integration, individual difference are integrated to form a new opinion with which everyone is satisfied. The parties concerned examine together new ways of achieving their conflicting desires in a cooperative manner.

2. Laws of the situation: Follett suggested depersonalize the giving of orders. One person should not give orders to another but should agree to take the orders from the situation. If orders are simply part of the situation, the question of someone giving and someone receiving orders does not arise.

3. Leadership: Follett believed that leadership is not a matter of dominating personality and therefore managers should not be autocratic. Leadership is the product of knowledge rather than of position. The role of leader is to understand the importance of group and to integrate the efforts of all for serving a common purpose.

4. Authority and responsibility: According to Follett, authority in terms of subordination of one man to another offends human emotions and cannot be the foundation of good organization. Therefore, the concept of final authority inherent in the chief executive should be replaced by an authority of function in which each individual has final authority for his own allotted task. Authority and responsibility go with function.

5. Principles of coordination: Follett believed that coordination was the core of management which would produce a whole greater than the sum of its parts. She suggested four principles to achieve effective coordination.

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CHAPTER IV

NATURE AND PROCESS OF PLANNING

Planning is the most fundamental functions of management. Planning provides the framework within which coordinating, motivating and controlling can be undertaken.

MEANING AND DEFINITIONS OF PLANNING

Planning is the management function of anticipating the future and the conscious determination of action to achieve the desired results. A plan is a blueprint of the course of action to be followed in future.

- Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures, and programmes from among alternatives.?

NATURE AND CHARACTERISTICS OF PLANNING

The nature of planning are

1. Planning is goal oriented: Planning is not an end in itself. Rather it a means towards the accomplishment of objectives. Planning has no meaning unless it contributes in some positive way to the achievement of desired goals. All plans emanate from objectives. The goals may be implicit or explicit but well defined goals are essential for efficient planning.

2. Planning is a primary function: Planning is the basis for management function. Planning provides the basis for efficient organizing, staffing, directing and controlling. Without planning there is nothing to organize, no one to actuate and no need to control.

3. Planning is all pervasive: Planning is the function of each and every manager irrespective of the level and area of his operation. It is the job of all manager in all types of organization. Planning is an essential ingredient in management at all executive levels.

4. Planning is an intellectual process: Planning is a mental process involving imagination, foresight and sound judgment. It is not guess work or wishful thinking. It requires a mental disposition of thinking before doing and acting in the light of facts, rather than guesses.

5. Planning is a continuous process: Planning is an on-going process. As assumptions and events on which plans are based changed, old plans have to be revised or new ones have to be prepared.

6. Planning is forward looking: All planning is done with an eye on the future. Planning involves looking ahead and preparing for the future. Therefore forecasting is the essence of planning.

7. Planning involves choice: Planning is basically a problem of decision making or choosing among alternative course of action. There is no need for planning if there is only one way of doing something.

8. Planning is an integrated process: Planning does not just happen, it has to be initiated. Planning is a structured process and different plans constitute a hierarchy.

9. Planning is directed towards efficiency: Planning has no relevance if it does not facilitate the achievement of objectives economically and efficiently.

TYPES OF PLANNING

On the basis of time period, planning may be of three types.

1. Long-term Planning

Long-term Planning covers a long period in future, e.g., 5, 10 or 15 years. It takes into a account all long-term economic, social and technological factors as well as their influence on the long-term objectives of the organization. Long-term planning involves commitment of resources for long term, e.g., development of new product.

2. Medium-term Planning

Also known as intermediate planning, it focuses on a period between two and five years. Such planning is more detailed and specific than long-term planning. It may include plans for purchase of materials, sales budget, labour overhead expenses.

3. Short-term planning:

Such planning covers a short period usually one year. It deals with specific activities to be undertaken to accomplish the objectives laid down under long- range planning. It relates to current functions and their sub-functions.

STEPS IN THE PROCESS OF PLANNING

There is no standard planning process. Each enterprise has to develop its own modus operandi for planning depending on its size, nature and environment.

However the main steps in planning process are as follows:

1. Analysing the Environment: The first step in planning is a thorough analysis of the external and internal environment of the enterprise. Analysis of external environment will help to identify the opportunities and constraints for the enterprise. Analysis internal environment will help to identify the strength and weakness of the enterprise.

2. Establishing Objectives: Plans are formulated to achieve certain objectives. Therefore, establishment of organizational objectives is an important step in planning. The organizational objectives should be established in the light of perceived opportunities and resources of the organization.

3. Determining Planning Premises: Planning is done for future which is uncertain. Therefore, certain assumptions are made in preparing plans. These assumptions underlying planning should be clearly defined through scientific forecasting of future events. Planning premises are the limitations that lay down the boundary for planning.

4. Developing Alternative course of Action: There can be several ways of achieving the same objectives. The various available alternatives should be identified. In order to develop all possible alternatives, a manager must have imagination, skill and experience.

5. Evaluating Alternatives: The various alternatives are compared and weighted in the light of objectives and premises. Each alternative has its merits and demerits but all alternatives cannot be equally appropriate or practicable. Several statistical techniques are used to evaluate alternative course of action.

6. Selecting the Best course: After evaluating the various alternatives, the most appropriate alternative is selected. This is the point at which the plan is adopted. Sometimes, the evaluation may suggest the more than one alternative is good. In such a case, a manager may choose several and combine them in action.

7. Formulating the Derivative plans: Once the basic plan is decided various supporting or subsidiary plans are formulated. These include procedures, programmes, budgets, schedules. Such plans are required to implement the basic plan.

ADVANTAGES OF PLANNING

Planning is of paramount importance both for an organization and an economy. Planning is useful to an organization in the following ways.

i. Focuses attention on objectives and results:

Every organization exists to achieve certain objectives. Planning concentrates attention on the dominant goals of the organization. It forces the members of the organization not to get lost in the craze of routine activities and lost sight of the broad objectives.

ii. Reduces uncertainty and risk: Uncertainty and change are inevitable and planning cannot eliminate them. But planning enables an organization to cope with uncertainty and change. With the help of planning an enterprise can predict future events and make due provision for them.

iii. Provides sense of direction: Planning saves an organization from drifting and avoids aimless activities. It directs human efforts into endeavors that contribute to the accomplishment of goals.

iv. Encourages innovation and creativity: Innovation and creativity are prerequisites to continuous growth and steady prosperity of business. Planning is forward-looking and it enables an enterprise to cope up with technological and other development.

v. Helps in coordination: Planning is the best stage for the integration of diverse forces at work. Sound planning interrelates all the activities and resources of an organization. It also helps to relate internal external events.

vi. Guides decision making: Planned targets serve as the criteria for the evaluation of different alternative so that the best course of action may be chosen. By predicting, future planning helps in taking future oriented decisions.

vii. Facilitates control: Planning provides the basis for control. Plans serve as standards for the evaluation of performance.

Sound planning enables conditions and process to management to control the events rather than be controlled by them.

LIMITATIONS OF PLANNING

Planning is not a substitute for executive judgement but merely an aid to it. It suffers from these following limitations:

1. Inaccuracy: Planning is based on forecasts which are never cent per cent accurate. The accuracy and reliability of forecasting diminishes as the forecasting period increases.

2. Time consuming: Planning is a time-consuming and expensive process. Time, effort and money are required in the collection and analysis of data and in the formulation and revision of plans.

3. Resistance: Planning often requires some change in the existing set-up. Unless the required change is forthcoming planning may be ineffective.

4. Pressure-tactics: Powerful people and other vested interests may exert pressure to ensure that the plans serve their own interests.

5. External constraints: The effectiveness of planning may be affected by external forces which are beyond the control of those responsible for preparing plans.

METHODS AND TYPES OF PLAN

Planning involves the use of several methods. The methods or techniques of planning are known by different names. Standing or repeated use plans are used repeatedly in situations or similar nature. They are used to serve as guidelines for problems of a repetitive nature. They are long term in nature and relate to the organization. Plans are divided into two types. They are Multi-use plans and Single-use plans. Multi-use Plans:

a. Objectives:

Objectives are the ends towards which the activities of an organization are directed. Objectives are known by different names. They are the end-points of planning as planning is done to achieve objectives. Objectives are established to guide the efforts of an organization.

MANAGEMENT BY OBJECTIVES

Management by objectives (MBO) is known by several names =Management by Results‘, =Management by Goals‘.

MBO may be defined as a process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates, assess the contributions of each individual in terms of the results expected by him, and integrate individuals with the organization so as to make best use of organizational resources.

STEPS IN MBO PROCESS

The main steps in the process of management by objectives are

1. Setting Objectives

The first step in installing the MBO system is to establish verifiable objectives for the organization as a whole and for various positions in the organization. Under MBO, the objectives are established in several stages. First of all top management sets the goals for the total enterprise in certain key areas. These goals are laid down in view of the planning premises. Secondly objectives for

each department are laid down in consultation with departmental head. At each level goals are laid down in verifiable or measurable units so that indicators of goal accomplishment are known.

2. Developing Action Plans:

Once the goals are established, responsibility for the achievement of each goal is specified. This may require some degree of reorganization. Job description for various positions must define the goals to be attained. Resources required for goal attainment are identified and allocated. Then the means for implementation of plans are decided. Goals and resources must be matched together.

3. Conducting Periodic Reviews: At frequent intervals actual performance is reviewed jointly by the superior and subordinates. Such periodic evaluation of progress serves as a checkpoint as to where the subordinates stand relative to their goals at any point of time.

4. Appraising Annual Performance:

A thorough evaluation of individual performance is done at the end of the year. At annual review achievement are carefully analyzed against the given objectives. Rewards are decided on the basis of annual appraisal. Thus, the MBO process comprises preliminary goal-setting, setting subordinate‘s objectives, matching goals with resources.

Advantages of MBO

MBO leads to the following benefits:

1. Result oriented planning: MBO results in verifiable goals which can easily be translated into action plans. The objective setting process of MBO leads to an integrated hierarchy of objectives throughout the organization.

2. Co-operation and coordination: Under MBO objectives of each department are consistent with the overall objectives of the organization. As a result people do not work at cross-purposes. MBO helps to minimize duplication of effort overlapping authority. There is active participation and collaboration among the various levels of the organization.

3. Motivation: Managers at all levels are involved in goal-setting. As a result they are more committed to the goals of the organization. Rewards are linked with performance. Employees are allowed considerable discretion in setting individual targets which provides them psychological satisfaction.

4. Effective Communication: There is frequent interaction between supervisors and subordinates which leads to mutual faith and understanding among them. It improves the work climate in the organization and leads to better communication.

5. Training and Development: MBO provides an opportunity to subordinates executives to participate in the decision making process. This helps in developing their conceptual and human skills. MBO enables an organization to fully utilize the ability of its members. MBO also helps in identifying the areas in which employees need further training.

6. Performance Appraisal: MBO provides objective yardsticks for systematic evaluation of performance. The performance of subordinates is monitored more effectively due to periodic review of progress. Measureable targets serve good standards for control.

Limitations of MBO

MBO suffers from the following weaknesses:

1. In several cases it is very difficult to set verifiable goals.

2. MBO involves a lot of paper work. Detailed records have to be kept of periodic reviews.

3. Due to need for precision in goal setting, managers tend to overstress short term goals. MBO has been criticized as time-consuming and too pressure oriented. In order to quantify goals managers may neglect important qualitative objectives.

4. Differences in the status of superiors and subordinates may not provide an open atmosphere required for effective interactions between them.

5. MBO is geared to the individual. Therefore, it may prevent cooperation and teamwork.

6. MBO may lead to inflexibility in the organization.

7. MBO may be resented by subordinates. They may be under pressure.

b. Strategy

The concept of strategy in business has been borrowed from military science and sports where it implies outmaneuvering the opponent. The term strategy began to be used in business with increase in competition and complexity of operations.

A strategy may be defined as gamesmanship or an administrative course of action designed to achieve success in the face of difficulties. It is an overall plan prepared for meeting the challenge posed by the activities of competitors and other environmental forces.

Nature of strategy:

1. Strategy is a long term plan as it is designed to achieve the mission of the organization.

2. Strategy provides the directions in which human and physical resources will be deployed for achieving organizational goals in the face of environmental pressure and constraints.

3. Strategy relates an organization to its external environment.

4. Strategy is an interpretative plan formulated to interpret and give meaning to other plans in the light of specific situations.

Types of Strategies:

1. Grand or Master strategy:

It is the basic strategy of an organization. It sets the task of the organization and serves as the basis for all other plans. It determines the nature and scope of the enterprise. It is known as corporate strategy.

2. Functional strategies or sub strategies:

These strategies are used for development of resources to achieve specific objectives. They are also known as programmed strategies or minor strategies.

c. Policy

A policy is a general guide to thinking and action rather than a specific course of action. It defines the area or limits within which decisions can made to achieve organizational objectives. Policies are flexible and broad plans providing scope for judgment and interpretation on the part of subordinate managers. Policies are general statements of understanding which guide or channel thinking in decision making of subordinates.

Types of Policies:

1. Organizational and functional policies:

In terms of scope, policies can be classified as organizational policies and departmental policies. organizational policies are the overall policies of an organization and they are formulated by top management. Departmental or functional policies are meant for specific functions or department of business.

2. Originates, Appealed and Imposed policies:

On the basis of origin, policies may be classified as originates, appealed and imposed policies. Originated policies are deliberately formulated by top managers on their own initiative in order to guide the action of their subordinates. Appealed policies are formulated on the appeal or request of subordinates. Subordinates make an appeal to deal with a particular case which is not covered by earlier policies. Imposed policies arise from the influence of outside forces like government, trade unions and trade associations. etc.

3. Written and implied policies:

Written policies are explicit declared decisions in writing. Implied policies are those inferred from the behaviours or conduct of organizational members, particularly of top executives. Written policies are always better guides than implied policies.

d. Procedures

A procedure is a chronological sequence of steps to be undertaken to enforce a policy and to attain an objective. It lay down the specific manner in which a particular activity is to be performed. It is a planned sequence of operation for performing repetitive activities uniformly and consistently.

A procedure plays an important role in the daily operations of organisations.

i. It simplifies work by eliminating unnecessary steps
ii. It avoids chaos or random activity by ensuring consistency in operation.
iii. It indicates a standard way of performing a work
iv. It eliminates the need for further decision-making by laying down a standard path to follow.

e. Rules

Rules are rigid and definite plans that specify what is to be done or not to be done in given situations. A rule provides no scope for discretion and judgment. It is a prescribed guide to conduct or action. No deviation expected from the rule. A rule may or may not be a part of a procedure.

Single Use Plans

a. Programmes

A programme is a concrete scheme of action designed to accomplish a given task. It specifies the steps to be taken, resources to be used, time limits or each step and assignments of task. It is a sequence of action steps arranged in the priority necessary to implement a policy and achieve an objective. A programme is thus a combination of objectives, policies and procedures. It defines the contents and scope of activities.

b. Budgets

A budget is a statement of expected results expressed in numerical terms for a definite period of time in the future. it expresses a plan in precise terms. Budgets serve as means of coordination and control. They provide clarity, direction and purpose in the activities of an organization by laying down verifiable and measurable goals for a specified period of time. Budget may be prepared in terms of time, money and physical terms.

c. Schedules

A schedule specifies time limits within which activities are to be completed. Scheduling is the process of establishing a time sequence for the work to be done. Schedules are essential for avoiding delays and for ensuring continuity of operations. A schedule lays down a time table fixing starting and finishing dates for different activities.

d. Projects

A Project is a distinct cluster of functions and facilities for a definite purpose and definite time period. It is designed and executed as a distinct plan. It is integrated into a unity and is designed to achieve a stated objective. A project is defined in terms of capital investment, specific objectives, and interdependence of tasks.

MAKING PLANNING EFFECTIVE

The following points can serve as the keys to success with planning:

1. A sound system should be created for forecasting accurately the future events. It must, however, be remembered that mere extrapolating the present without keeping in view changes in the present activities will be undesirable.

2. Planning should not degenerate into a game of achieving numbers. The focus should not be on financial goals. Managers should not allow planning to be used as a means for achieving the pet ideas of a few persons.

3. Planning should be kept flexible. Plans execution should be oriented to events. Contingent plans may be prepared to adapt to changing events.

4. All plans must be realistic and practical. This requires proper synthesis of desperate items.

5. Planning should be an interactive process. The cooperation and participation of all members of an organization is necessary for effective planning. Active support of top management is required.

6. Developing a plan should not be an end in itself. Managers must be given the leeway to make adjustments wherever necessary.

7. Resistance to change should be overcome through patient selling of ideas, careful dissemination of information, aggressive leadership. Every managers should be given access to relevant information. All plans should be communicated and explained. All plans must be properly timed.

8. Planning process is a complex of many major and derivative plans which are interrelated. Therefore, different plans should be coordinated so that one plan supports the others. An intermeshed network of major and minor plans will lead to more effective planning.

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CHAPTER V

DECISION MAKING

A decision is a calculated choice from available alternatives and it is the outcome of judgement and evaluation. It is a course of action consciously chosen from two or more alternatives for achieving a desired result. It is an act of choice from, wherein an executive forms a conclusion about what must be done in a given situation. It is the end- result of deliberations and reasoning.

Decision making is the process of choosing a course of action from available alternatives. This process involves understanding the problem, collecting information, developing and evaluating alternatives, choice of a solution and its evaluation.

TYPES OF MANAGERIAL DECISIONS

Managerial decisions may be classified into the following categories

1. Organisational and personal decisions: Organisational decisions are those which an executive takes in his official capacity and on behalf of the organization. Authority for such decisions can be delegated to others. On the other hand, personal decisions are those which an executive takes in his individual capacity and not as a member of the organization. Such decisions cannot be delegated.

2. Routine and strategic decisions: Routine or tactical decisions are of a repetitive nature. They cover segment of the organization. Strategic decisions involving long-term commitments, large investment of funds and are of permanent nature. A mistake in such decisions would seriously jeopardize the welfare of the business. a short term period and affect only a small

3. Programmed and Non-Programmed decisions: According to Simon, programmed decisions are of a routine and repetitive nature for which systematic procedures already exist in the organization. Non-programmed decisions are of one-shot novel and unstructured nature. They deal with unexpected and unprecedented situations. Each decision has to be taken as unique case.

4. Policy and Operating Decisions: Policy decisions are of fundamental nature as they affect the whole organization. They set forth the basic goals and direction for the enterprise. Operating decisions are made for executing policy decisions. Such decisions determine the means to be used. They are made by lower level executives at the point where the work is carried out.

5. Individual and Group Decisions: Decisions taken by a single individual is called individual decisions. Group decisions are those taken by a group of persons.

THE PROCESS OF DECISION MAKING

There is no standard procedure for making decisions. However the steps involved in decision-making process are

1. Defining the problem: The first step in decision-making is that of recognizing and identifying the problem. The problem may arise due to unfulfilled goals or due to deviation from the desired state of affairs. A written problem statement should be prepared specifying the nature and magnitude of the problem. It is necessary to determine how important and urgent the problem is. Clear understanding of the problem is necessary.

2. Analyzing the problem: Analysis of the problem involves determining its causes and scope. The quality of the decision will depend upon the quality of information used. Therefore, collection of accurate and appropriate data is very important. The manager has to judge the risk involved in the decision.

3. Developing the alternative solutions: After the problem is defined and analysed with the help of relevant information, the decision maker has to develop alternative solutions to the problem. Search for and identification of alternative course of action is necessary for effective decision-making.

4. Evaluating the alternatives: The various developed alternatives are compared and scrutinized to identify the pros and cons of each. Before evaluation, the criteria for evaluation should be specified. Several types of quantitative and qualitative criteria may be used.

5. Selecting the Best Solution: Choosing the best alternative is the most critical part of the decision-making process. A wrong choice would negate all efforts made in the previous steps. In choosing from the among alternatives, a manager must recognize clearly the factors which are limiting to the attainment of the desired goals.

6. Implementing the Decisions: Once the decision is taken, it needs to be put into practice. A manager should allow his subordinates to participate in the decision-making process by inviting suggestions from them.

7. Feedback and control: Once the decision has been put into practice, actual results of action should be compared with the expected results. If there is any deviation the same should be analysed to identify the causes. Wherever necessary the decision should be modified. Continuous feedback and monitoring should be done.

TECHNIQUES OF DECISION MAKING

Several scientific techniques have been developed to help the decision-maker.

Some of these techniques are

1. Marginal Analysis:

This technique involves comparison of additional revenues from additional cost to find the point where the cost resulting from the addition of one more unit is equal to the benefit there from. Break-even analysis is the modified version of this technique. Marginal analysis can also be used for comparing factors other than cost and revenues.

2. Cost Effectiveness Analysis:

It is a technique for choosing from among alternatives to identify a preferred choice when objectives are less specific. Also known as cost-benefit analysis. The measure of effectiveness used are relevant objectives. Cost effectiveness can be made more systematic through the use of models and other operations techniques.

3. Linear Programming:

It is a technique for determining the optimum combination of limited resources to minimize cost or to maximize profits. Linear programming has been extensively used in managerial this decision making. In technique equations are used to express inter-relationship between variables.

4. Operation Research:

Operation research involves scientific analysis of decision problems. It facilitates decision making by supplying quantitative information to the decision maker. It provides scientific and objective basis so as to reduce intuition and subjectivity in solving organizational problems.

5. Brain Storming:

Under this technique a small group of persons are stimulated to creative thinking. Maximum group participation and minimum criticism are employed to reduce inhibiting forces for generating ideas. A problem is posed and ideas are invited. Later these are critically examined and the best ideas are selected.

6. Delphi Technique:

In this technique, a panel of experts is appointed who are physically separated and unknown to each other. Suggestions are invited anonymously. These suggestions are compiled and composite feedback is provided to panel members for inviting further suggestions. This process of giving suggestions is repeated till a convergence of opinions begins to emerge.

7. Decision Tree:

The decision tree is a graphic method used for identifying the available alternatives and the risk and outcome associated with each alternatives. The payoff corresponding to each event are calculated. On the basis of the matrix final payoff for the two alternatives is calculated. A decision tree shows at a glance all possible events in quantitative form so that decision making becomes more precise.

PROBLEMS IN DECISION MAKING

Decision making is a crucial function of management and the quality of managerial decision determines to a large extent the success of an organization. But in practice effective decision making is hampered by several problems. Some of the pitfalls in decision making are

1. Indecisiveness: Some managers tend to be indecisive. They cannot come to a conclusion easily due to fear of its outcome or as a matter of habit. They are problem creators rather than problem solvers and tend to avoid decision making process.

2. Time pressures: In some cases the problem is so urgent that it requires immediate solution. In such cases thorough analysis might not be possible. Sharp judgement and quick response is required in such spur of the moment decisions.

3. Lack of Information: Lack of timely and adequate information is a common obstacle to sound decision making. In some cases, the decision maker is not sure of what type of data to collect from which sources. He fails to differentiate clearly between relevant and irrelevant information.

4. Confusing Symptoms with Causes: Very often people try to cure the symptoms rather than causes. In order to make sound decisions it is essential to isolate the root cause of the problem. Some managers become so attached to a particular decision and or method that they either try to fit all problems to this model or they create problems in order to use the model.

5. Lack of Follow through: Making a decision is not the process but really a beginning. Proper implementation and effective follow up of the decision are very essential for success in decision making. But in several cases, it is assumed that the task is over as soon as particular course of action is selected.

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CHAPTER VI

NATURE AND PROCESS OF ORGANISING

Organization is a mechanism or structure which helps the activities to be performed effectively. The organization is established for the purpose of achieving the business objectives. The business objectives may differ from one business to another. Whatever may be business objectives there is need for an organization. Organization is the detailed arrangement of work and working conditions in order to perform the assigned activities in an effective manner.

DEFINITION:

Koontz O'Donnel - Organising involves the establishment of an international structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it.

IMPORTANCE OF ORGANISATION

Sound organization is essential for the continuity and success of every enterprise. It is indeed the backbone or foundation of effective management. The main advantages of sound organization are given below:

1. Aid to Management

Organisation is the mechanism through which management coordinates and controls the business. It serves as an effective instrument for realizing the objectives of the enterprise. It serves as an effective framework of organization that plans are put into practice and other managerial functions are carried out.

2. Facilitates Growth

A well designed and balanced organization provides for systemic division of work and permits necessary change. It is the framework within which an organization grows. Therefore, it enables the enterprise to enter new lines of business.

3. Ensures Optimum use of Resources

A good organizational setup permits adoption of new technology. It helps to avoid duplication of work, overlapping efforts and other types of waste. As a result it facilitates the best possible utilization of human and physical resources.

4. Stimulates Creativity

Sound organization encourages creative thinking and initiative on the part of employees. Delegation of authority provides sufficient freedom to lower level executives for exercising discretion and judgment.

STEPS IN THE PROCESS OF ORGANISING

The main steps involved in the process of organizing are as follows:

1. Determining the activities to be performed:

The first step in the organizing process is to identify the activities required for the accomplishment of organizational objectives. For this purpose the total work has to be divided into number of functions and sub-functions. Division of work should be based on the principle of specialization.

2. Grouping the activities:

Once the activities are identified they are grouped into departments and divisions on the basis of their similarity and relatedness. Each department is placed under a charge of departmental manager. The activities of each department may be further classified into sections.

3. Assignment of duties:

After grouping activities into manageable limits, each group of activities is assigned to a position most suited for it. While assigning duties specialization, qualification, experience and aptitude of people should be considered. Right man should be selected for each job and proper physical environment should be provided.

4. Delegation of Authority:

Appropriate amount of authority is delegated to each individual for enabling him to perform the duties assigned. While delegating the authority, the degree of responsibility of the individual should be taken in consideration.

5. Defining authority relationships:

After granting authority, relationships between different members of the organization are created. Such organizational relationships are known as superior subordinate relationship. Each and every is orders.

Formal organization:

It refers to the planned structure of jobs and positions with clearly defined objectives and functions. It is deliberately or consciously created by top management for the accomplishment of enterprise objectives. It is made up of official relationships and channels of communication. Formal structure is governed by established by rules and procedures.

Formal organization tends to be stable and predictable. Therefore, it is represented in the organization chart and manual of the enterprise. It provides a systematic framework for the performance of jobs.

Informal organization:

It arises from the personal and social relations of people. It is not formally designed but develops spontaneously out of interactions between persons. It is influenced by personal attitudes likes and dislikes. Informal relations cut across formal channels. For example, a superior may take advice from the sales manager instead of from the production manager who is his boss. The supervisor may do so due to his personal friendship with the sales manager or out of regard for the sales manager knowledge. Such types of interpersonal relationship are not predictable and cannot, therefore, be shown on the organization chart.

DISTINCTION BETWEEN FORMAL AND INFORMAL ORGANISATION

Formal Organisation	Informal Organisation
It is created deliberately and is consciously planned.	It is natural and arises spontaneously.
It is planned on delegation of authority and may grow to immense size.	It arises on account of social interactions of people.
It is impersonal and the emphasis is on authority and functions.	It is personal with emphasis on people and their relationship.
It is shown on the organization chart.	It has no places in the organization chart.
Formal authority flows downwards.	Informal authority flows upwards or horizontally.
Formal organization is created to meet organizational goals.	Informal organization arises from man's quest for social satisfaction
It is permanent and stable.	It is relatively fickle and unstable.

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CHAPTER VII

SPAN OF MANAGEMENT

The term span of management is also known as span of control and span of supervision. Span of management refers to the number of subordinates that report directly to a single manager or supervisor.

It is necessary to decide the appropriate span for every executive. If the number of subordinates reporting directly to a manager is very large, he may not be able to exercise effective supervision and control. On the other hand, if the number is too small, full use of manager's ability may not be made.

Theory of Graicunas

V.A.Graicunas was a French management consultant. He developed mathematical formula by analyzing superior-subordinate relationships. He suggests that as the number of subordinates increases arithmetically there is exponential increase in the number of possible relationships. Graicunas has identified three types of superior-subordinates relationships.

1. Direct Single relationships: The direct single relationship arises from the direct and individual contact of the superior with his subordinates.

2. Direct group relationships: These relationships arise between the manager and groups of his subordinates in all possible combinations.

3. Cross relationships: These relationships arise among the subordinates working under a common superior.

FACTORS DETERMINING SPAN OF MANAGEMENT

In actual practice, a large number of variables determine the span of management. Some of these factors are

1. Nature of Work: When the work performed by subordinates is simple and repetitive, they do not require frequent guidance. As a result the manager can supervise a large number of subordinates. But if the work is different or non-identical span has to be narrow. Similarly, the rate of change in work also affects the span. When the work is constant wider span of management is possible.

2. Type of Technology:

Firms using mass production and assembly and technology can have wider spans than those employing batch or excess production systems.

3. Ability of the manager: Managers possessing qualities, like leadership, communication, decision making and control can manage more subordinates. Moreover, the attitudes and personality of a manager also determine the span. For instance, an empire builder may have a greater span than a submissive manager.

4. Capacity of subordinates: Efficient and trained subordinates may perform their jobs efficiently without much help from the manager. They need only broad guidelines. In such a case, less time is needed in managing and the span can be larger.

5. Degree of Decentralisation: When a manager does not delegate adequate authority to subordinates, they require frequent consultation and the manager has to take many decisions himself. As a result he can supervise few subordinate.

Narrow and wide spans:

Narrow span of management means very few subordinates reporting directly to a manager. On the other hand, wide span implies a large number of subordinates reporting to a manager.

Tall organization structure:

This can be adopted to change better and there is better coordination. It facilitates effective supervision due to centralized or close control. Opportunities for promotion are greater due to many positions but management costs are higher due to several levels.

Flat organization structure:

It is a decentralized or loosely controlled system. Therefore, employees have greater autonomy and more variety of work. The degree of job satisfaction is higher. It is also cost effective due to fewer levels.

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CHAPTER VIII

AUTHORITY AND RESPONSIBILITY

Authority may be defined as the legitimate right to give orders and to get orders obeyed. It denotes certain rights granted to a position in an organization. It includes the right to take decisions and get them executed by the subordinates. It also consists of the right to command and allocate resource. It is the right to make decisions which guides the actions of others. The main characteristics of authority are

1. The authority given to a position is legal and legitimate.

2. The authority enjoyed by a position is not unlimited. The extent and limits of authority of a position are defined in advance.

3. Authority is a relationship between two individuals - one superior and the other subordinates.

4. The basic purpose behind the use of authority is to influence the behaviour of the subordinates in terms of doing right things at right time.

5. Authority is the key to the managerial job.

SPLINTERED AUTHORITY

Splintered authority exists whenever a problem cannot be solved without pooling the authority delegations of two or more persons. Individually, the authority of each is known as =splintered'.

TYPES OF AUTHORITY

Line authority relationships

Line authority is the direct authority which a superior exercises over his subordinates to carry out orders and instructions. Such authority is delegated to those positions or elements of the organization which have direct responsibility for accomplishing the primary objectives. The flow of line authority is always downward, that is, from a superior to a subordinates.

Staff authority relationships

Literally, staff means a stick carried in the hand for support. In management, staff refers to those elements of the organization which help the line to work most effectively in accomplishing the primary objective of the enterprise. The nature of staff relationship is purely advisory. Staff personnel provide advice, assistance and information to line managers. Staff specialist s reduce the burden of line executives.

Functional Authority

Functional authority is the authority granted to a staff specialist to issue instructions to line executives directly in a specific and limited area of operations. Functional authority is the right which an individual or department has delegated to it over specialized process, practices, policies or other matter relating to activities undertaken by personnel in departments other than its own.

Responsibility

The term responsibility is used in management literature in tow different senses. Some writers have defined it as duty or task assigned to a subordinates by virtue of his positions in the organization. It refers to a mental and physical activities which must be performed to carry out a task or duty. That means every person who performs any kind of mental or physical efforts as an assigned task has responsibility.

The main characteristics of responsibility are

1. Responsibility can be assigned to human beings only.

2. Responsibility arises from a superior subordinate relationship.

3. Responsibility may be a continuing obligation or confined to the performance of a single function.

4. Responsibility may be defined in terms of functions or targets or goals.

5. In order to enable the subordinate to perform his responsibility will, the superior must clearly tell the subordinate as to what is expected of him.

6. Responsibility is a derivative of authority.

7. Responsibility is absolute and cannot be delegated.

Accountability

Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established by the superior. It is liability for the proper discharge of duties. Accountability comes into existence when a person accepts the obligation to perform the assigned task. In this way, accountability is something more than duty or activity. Once a subordinate is assigned a duty and given the necessary authority to complete it, he becomes answerable for the results. Thus, accountability is a derivative of responsibility.

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CHAPTER IX

DELEGATION AND DECENTRALISATION

No individual can perform all the activities himself. Therefore, the total work of an organization is divided among different persons. Every individual is given some authority so that he can accomplish his task. Every manager shares his authority himself. After assigning duty and granting authority to subordinates, a manager holds them accountable for proper discharge of duty. This part of the organizing process is known as delegation of authority.

Meaning of delegation

Delegation of authority is the process a manager follows in dividing the work assigned to him so that he perform that part which only he, because of his unique organizational placement can perform effectively and so that he can get others to help with what remains.

Types of Delegation:

Delegation may be of the following types:

1. General or specific Delegation:

In general delegation, the subordinate is granted authority to perform all the functions in his department. However, the subordinate exercises this authority under the guidance and control of the superior.

Under specific delegation, a person is given authority regard specific function. Specific delegation is precise and the subordinate clearly understands what he is expected to do.

2. Formal or Informal Delegation:

When authority is delegated as per the organization structure, it is called formal delegation. Such delegation is effective because it leaves no option to the subordinates but to obey the commands of the superior.

3. Written or Oral Delegation:

Delegation made by written orders and instructions is known as written delegation. Unwritten or oral delegation is based on custom and conventions.

4. Downward and sideward Delegation:

Downward delegation occurs when a superior assigns duties and grants authority to his immediate subordinate. Sideward delegation takes place when a subordinates assigns some of his duties to another subordinates.

PROCESS OF DELEGATION

The process of delegation involves the following steps:

1. Determination of results expected: First of all, a manager has to determine the results he wants to obtain from his subordinates for the achievements of organizational objectives

2. Assignment of duties: The manager then assigns specific duties to each subordinate. He must clearly define the function of the subordinate. While assigning duties, he must ensure that the subordinates understand and accept their duties.

3. Granting of authority: Assignment of duties is meaningless unless adequate authority is given to subordinates. They can discharge their responsibilities without adequate authority. By granting authority, subordinates are permitted to use resources, to take decisions and to exercise discretion.

4. Creating accountability for performance: The subordinates to whom authority is delegated must be made answerable for the proper performance of assigned duties and for exercise of the delegated authority.

Benefits of delegation

Delegation is the dynamics of management and the essence of sound organization. A single individual cannot manage and control everything due to physical and mental limitations. The task involved in the management of an organization are too large and one particular person cannot discharge them singlehandedly. Therefore, he must divide his work load and share his responsibilities with others. Once a man's job grows beyond his personal capacity, his success lies in his ability to multiply himself through other people.

Delegation of authority provides the following advantages:

1. It enables the managers to distribute their workload to others. By reducing the workload for routine matters they can concentrate on more important policy matters.

2. Delegation facilitates quick decisions because the authority to make decisions lies near the point of action. Subordinates need not approach the boss every time a need for decision arises.

3. Delegation helps to improve the job satisfaction, motivation and morale of subordinates. It helps to satisfy their needs for recognition responsibility and freedom.

4. By clearly defining the authority and responsibility of subordinates, the manager can maintain healthy relationships with them.

5. Delegation binds the formal organization together. It establishes authority relationships and provides a basis for efficient functioning of the organization.

Demerits of Delegation

1. Lack of Uniformity:

When every operating unit is given the authority to take work related decisions, there may be no uniformity of policy and procedures.

2. Difficulty in Coordination:

Operating units may work at cross purposes. It becomes difficult to integrate their efforts towards the common objective of the organization.

3. Incapacity of Subordinates:

Where the lower level executives are untrained and inexperienced, delegation of authority may result in serious mistakes threatening the survival of the enterprise.

OBSTACLES TO DELAGATION

Even though delegation is vital for the efficient functioning of an organization, in practice there are several factors which prevent effective delegation. The problems or barriers in delegation may be classified into threecategories

i. Superior

ii. Subordinate

iii. Organisation

On the part of Delegator:

A superior may not delegate adequate authority due to the following reasons:

a. Some managers may not delegate authority because of their lure of authority. They are autocrats, and think that delegation will lead to reduction of their influence.

b. Some managers feel that none ca do the job as well as they can do. They think that if they delegate work will not be done as it ought to be done.

c. When a manager is incompetent his work methods and procedures are likely to be faulty. He keep all the authority to himself.

d. Few managers are inclined to accept the risk of wrong decision which the subordinates might take.

On the part of Subordinates:

a. Subordinates may not like to accept delegation when they lack self-confidence.

b. Some subordinates are unwilling to accept authority due to the desire to play

safe by depending on the boss for all decisions.

c. A subordinate who is afraid of committing mistakes and does not like to be criticized by the boss is likely to avoid delegation.

d. When the subordinates are already overburdened with duties, they do not like additional responsibility through delegation.

On the part of organisation:

Sometime superiors want to delegated authority and subordinates like to accept delegation. But delegation may be hampered due to weaknesses in the organization. Some of these are

i. Inadequate planning

ii. Splintered authority

iii. Lack of unity of command

iv. Unclear authority relationships

DECENTRALISATION OF AUTHORITY

Centralisation and decentralization are opposite terms. They refers to the location of decision making authority in an organization. Centralisation implies the concentration of authority at the top level of the organization while decentralization means dispersal of authority throughout the organisation.

Centralisation and decentralization are relative terms because every organization structure contains both the features. There cannot be complete centralization or decentralization in practice. Therefore proper balance between dispersal of authority among lower levels and adequate control over them is required.

Advantages of Decentralisation

1. Relief to top executives: Decentralisation helps to reduce the workload of top executives. They can devote greater time and attention to important policy matters by decentralizing authority for routine operational decisions.

2. Motivation of subordinates: Decentralisation helps to improve the job satisfaction and morale of lower level managers by satisfying their needs.

3. Quick decisions: Under decnetralisaion authority to make decisions is place in the hands of those who are responsible for executing the decisions. As a result, more accurate and faster decisions can be taken by the subordinates are well aware of the realities.

4. Growth and diversification: Decentralisation facilitates the growth and diversification of the enterprise. Each product division is given sufficient autonomy for innovation and creativity.

5. Effective communication: Under decentralization the spa of management is wider and there are fewer levels of organization. Therefore communication system becomes more effective. Intimate relationship between superior and subordinates can be developed.

Disadvantages of Decentralisation:

1. Expensive: Decentralisation increases the administrative expenses. Each division or department has to be self-sufficient in terms of physical facilities and trained personnel. There may be duplication of functions and underutilization of facilities.

2. Difficulty in coordination: Under decentralization, each department or division enjoys substantial autonomy. Therefore, coordination among the departments become more difficult.

3. Lack of uniformity: Decentralisation may lead to inconsistencies when uniform procedures are not followed by various departments. Each department may formulate its own policies and procedures.

4. Narrow product lines: Decentralisation requires that product lines should be broad enough to permit creation of autonomous units. Therefore, it is not suitable for small firms having narrow product lines.

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CHAPTER X

TYPES OF ORGANISATION STRUCTURE

The internal organization of an enterprise represents the network of vertical and horizontal authority relationships between various positions. The exact form of internal organization depends upon the nature, size and objectives of the particular enterprise. The various forms of internal organization structure are

1. Line Organisation

Line organization is the oldest type of organization. It is also known as scalar or military organization. In this type of organization, there is a vertical line of authority running from the top to the bottom of the organization. The man at the top has the highest authority and it is reduced at each successive level down the hierarchy. Every person is in direct chain of command. He gets orders from the man immediately above him and is directly accountable to only one superior.

Advantages:

i. It is simple to establish and can be easily understood by the employees.

ii. The authority and responsibility of each position is clearly defined.

iii. It facilitates prompt decisions because a manager has not to consult staff specialists.

iv. There is unity of command as each executive has full control over the subordinates.

Limitations:

i. There is lack of specialization.

ii. Key executives are overburdened with administrative work.

iii. It may result in autocratic control.

iv. There is very little upward communication.

Functional organization

Functional organization is based on the concept of -functional foremanship.

Functional foremanship is the pattern of supervision at the shop floor level rather than an organization structure. Under functional organization the organization is divided into a number of functional areas. Each function is managed by an expert in that area. Every functional area serves all other area in the organization.

Advantages:

i. Functional organization promotes logical division of work.

ii. Every functional head looks after on function only and therefore burden on top executives is reduced.

iii. One man control is done away with and there is joint supervision.

iv. The success and growth of the organization is not limited to the capabilities of a few line managers.

Limitations:

i. A person is accountable to several superiors.

ii. There is many cross relationships which creates confusion.

iii. A decision problem requires the involvement of several specialists.

iv. A functional manager tends to have a limited perspective.

Line and Staff Organisation

Line and staff organization is a combination of line and functional structures. Under it, line authority flows in a vertical line in the same manner as in the line organization. In addition, staff specialist are attached to the positions to advise them. These specialists do have power of command over subordinates. They are purely of advisory nature.

Advantages:

i. Line manager receive specialized advice and assistance from staff experts.

ii. Staff carry out detailed investigation and supply information to line executives.

iii. Staff specialists provide adequate information and advice.

iv. Line and staff organization is comparatively more flexible.

Limitations:

i. The main problem in line and staff organization is that conflicts often arise between line managers and staff specialists.

ii. It is often very difficult to define the authority relationship between the line and staff.

iii. Staff personnel are not accountable for the results.

Project Organisation

Project and matrix structures are of recent origin. When an organization has to execute large projects of long duration, they adopt project organization. Under project organization each project organized as a semi-autonomous project division. A project team consists of specialist in different field. The project manager is responsible for successful completion of project.

Matrix Organisation:

Matrix organization is a hybrid grid structure wherein pure project organization is superimposed on a functional structure. It is a two dimensional pattern developed to meet the problems of growing complexity of undertakings. Such undertaking require an organizational structure more flexible and technically oriented than the traditional line and staff structures. In matrix organization there is a permanent functional set up. In addition temporary project groups are create to handle infrequent short term projects.

Committee Organisation

A Committee us a group of persons formed to discuss and deliberate problems and to recommend solutions. Its area of operation are determined by its constitution. It may be authorized to deal with specific activities. Generally, the scope of its activities is limited. Committee have become an important instrument of management modern organizations. There are different types of committees. They are

a. Standing committee

b. Executive committee

c. Line or staff committee.

d. Formal and informal committee.

Free form Organisation

A free form organization is a rapidly changing, adaptive, temporary system organized around problems to be solved by groups of relative strangers with diverse professional skills. It evolved out of task forces developed during second world war to perform specific missions. Free form organization is in many ways similar to project and matrix originations.

Task force Organisation

A task force means a group of people with different backgrounds brought together for a temporary period to perform a specific task. When the task is completed the task force is dissolved. Every member of a task force remains part of it so long as his knowledge and skills are required and the task force exists. A task force is similar to an adhoc committee but it has wider powers of decision making and actions. A task force also differs from the matrix organization which is continuous in nature.

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CHAPTER XI

LEADERSHIP

A leader is one who guides and direct other people. He gives the efforts of his followers a direction and purpose by influencing their behavior. Therefore, leadership may be defined as the quality of behavior of a person by which he is able to persuade others to seek the goals.

FUNCTIONS OF LEADERSHIP

Leadership is an indispensable part of the directing function and an important factor in organisational effectiveness. Without a good leader, an organization cannot function successfully. The role of leader in the organization are

1. Goal determination: A leader interprets the objectives of the group and lays down policies and programmes for attaining them. He acts as the planner and policy maker.

2. Motivating followers: A leader stimulates people to perform their duties with enthusiasm and sincerity. He creates confidence in his followers.

3. Direction: A leader is an important modifier of behavior of people working in the organization. Efficient leadership provides guidance and advice to people and directs their behavior towards the pre-determined objectives.

4. Coordination: Leadership is the force which binds a group together and provides cohesive force which holds the group intact and develop a spirit of unity. A leader reconciles the goals of the individuals with the organizational goals and creates a community of interests.

5. Representation: A leader is the representative of his group. He takes initiative in all matters of interest to the group and strives to fulfill the psychological needs of his followers.

STYLES OF LEADERSHIP

Leadership style refers to a leader's behaviour. The behavioural pattern which a leader adopts in influencing his followers is known as the style of leadership. Different leadership styles exist among leader in different situation. The following are the styles of leadership.

Autocratic or authoritarian Leadership:

An autocratic leader is one who likes to run the show himself. He takes all the decisions himself without consulting the followers. He gives orders and insists that they be obeyed. Subordinates are expected to do what they are told. Thus under this style all decision power is centralized in the leader.

Advantages:

1. Autocratic leadership permits quick decisions as a single person takes decisions.
2. It provides strong motivation and satisfaction to the leader.
3. Many subordinates prefer to work under centralized authority and strict discipline
4. Less competent subordinates are needed at lower levels.

Disadvantages:

1. People dislike this style especially when the motivational style is negative.
2. It leads to frustration, low morale and conflict which affect organisational efficiency.
3. Due to lack of opportunity to exercise initiative and judgement, future leadership does not develop.

Participative or Democratic leadership:

A democratic leader makes decision in consultation with his followers. He decentralize authority and allows the group to share his powers. Instead of taking unilateral decisions, he allows the subordinates to discuss the problem and to express their opinion freely. Democratic style is based on the assumptions that the leader derives his power by consent of the followers who are mature and be creative.

Advantages:

1. It reduces resistance to change and increase acceptance of new ideas.

2. It improves the attitude of employees towards their jobs and the organization.

3. It increases cooperation between management and workers.

Disadvantages:

1. It may be dilatory leading to delay in decisions.

2. It may be used covertly to manipulate employees.

3. Participation will not be meaningful unless the subordinates understand thoroughly the complex problems of the organization.

Free-Rein or Laissez –Faire Leadership:

A free rein leader gives complete freedom to his followers to establish their own goals and policies. He maintains contacts with outsiders to bring the information and resources required by the group. The leader abdicates his authority and lets the group to operate entirely on its own.

Advantages:

1.Complete freedom to subordinates improves their motivation and morale.

2. There is maximum opportunity for the development of subordinates.

Disadvantages:

1. As there is abdication of formal leadership role, informal leader emerge to fill the void.

2. The group does not get the benefit of leader inspired motivation, guidance and socio-emotional support.

3. It can succeed only when the followers are highly mature, able and self motivated.

Paternalistic leadership:

A paternalistic leader serves as the head of the family and treats his followers like his family members. He assumes a paternal or fatherly role to help, guide and protect the followers. He provides them with good working conditions. Such style of leadership creates resent the leader's gratitude in industrial organizations.

THEORIES OF LEADERSHIP

Behavioural scientists have conducted extensive research to find out what makes a leader effective. They developed different theories or approaches to leadership. These theories are

Trait Theory:

Trait theory is the oldest approach to leadership. It is based on the belief that a leader is a person who possesses exceptional traits or qualities. This theory seeks to determine the universal personal traits of effective leaders. Good personality, imagination, initiative, sincerity are considered to be the traits of a successful leader.

Qualities of a successful leader:

1. Physical Vigour: A leader should have good health and physical fitness. He need tremendous stamina and mental vigour to sustain long and irregular hours of work.

2. Intelligence: A leader generally has somewhat higher level of knowledge and skills than his followers. He should have the ability to think scientifically, analyse accurately and interpret clearly the problems faced by the group.

3. Emotional stability: A good leader should be emotionally mature and with a balanced temperament. He also has high frustration tolerance. He can think rationally and logically.

4. Human relation attitude: A successful leader recognizes the work and dignity of his followers. He always tries to develop social understanding with people and is considerate in his approach.

Behavioural Theory:

The behavioural approach to leadership emphasizes that leadership is the result of effective role behavior. It depends more on a person's ability than on his traits. Traits no doubt influence but followers and the environment also exercise influence. The suitable behaviour is the outcome of interaction between the leader, the followers, the goals and the environment. Some leadership acts are favourable while others are unfavourable. The unfavourable behaviour is the result of inability to accept subordinates ideas, poor communication, lack of emotional maturity and poor human relations.

The behavioural approach is superior to trait approach in so far as it stresses upon what a leader does that what he is. The attention here is on leadership styles. Leadership style is a multidimensional concept and it is flexible.

Situational Theory:

Situational Approach to leadership recognizes that leadership is a function of the environment in which it is exercised. The environment or situation is the outcome of interaction between the leader, the followers and the tasks. This theory contends that there is no one best leadership style universally applicable to all situations. A leader can be effective only if he is able to adopt his style according to the dynamics of the situational variables. There are significant differences between jobs, individuals and cultural environments. These differences determine appropriate style.

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CHAPTER XII

NATURE AND PROCESS OF CONTROLLING

Control function is exercised in all organizations to ensure the optimum utilization of scarce resources. Control, like other managerial function, is performed at all levels of management. Controlling is an integral part of the management process and it is found in all areas of business. It is the task of every manager to control the activities of his subordinates. Each manager has to perform control function in the organization. However, the nature, scope and limit of control function may differ from one level to another.

Meaning of Control

Controlling may be defined as the process of analyzing actual operations and seeing that actual performance is guided towards expected performance. It involves comparing operating results with plans and taking corrective action when results deviate from plans. It is a mechanism by which someone or something is guided to follow the predetermined course. As a plan is put into operation, it become necessary to check results to find out whether the work is proceeding along the right lines.

Nature of control

The main characteristics of managerial control are

1. Control is an essential function of management: This function is performed by every manager at all levels of the organisation. Control is in fact a follow-up action to the other functions of management. The other managerial functions cannot be completed effectively without performing control function.
2. Control is an ongoing process: It involves continuous measurement results and review of standard.
3. Control is forward working
4. Control involves measurement
5. The essence of control is action.

THE CONTROL PROCESS

The process of control involves the following steps

1. Fixation of Standards: First of all the standards of desired performance should be established. Standards serve as a criteria or tests by which actual results are to be evaluated. Different standards of performance are set up for various operations. Fixation of standards in terms of quantity, quality, time and cost indicates how the performance is going to be appraised. Standards should be accurate, precise, objective acceptable and workable. They should be flexible and capable of being changed when the circumstances so require.

2. Measurements of performance: After the fixation of standards, the actual performance of various individuals, groups and departments is measured. This involves setting up the methods of collecting accurate and upto date information on the progress of work. As far as possible performance should be measured in quantitative terms. Where such measurements is not possible, qualitative measures like opinion survey may be used.

3. Comparing performance with standards: The actual results are compared with standards to find out the extent of deviations, if any. Such comparison is easy when both standards and actual performance are permissible in quantitative terms. When the deviations are beyond the permissible limit, an analysis is made to identify the causes of deviations. The causes may be controllable or uncontrollable. The deviation and their causes are reported to the manager who can take corrective actions.

4. Corrections of deviations: The final step in the control process involves taking corrective action so that deviations may not occur against and the organizational objectives are achieved. After finding what has gone wrong, where and why management can initiate remedial action. Corrective action may involve review and revision of goals or standards. Thus control function may require change in all managerial functions.

Management by Exception

Seasoned manager known that better control can be exercised by concentrating on exceptional deviations rather than trying to regulate each and every deviation. This is the principle of control by exception or management by exception.

Management by exception provides the following advantages:

1. It saves the valuable time of busy executives which may otherwise be wasted on trivial details.
2. It enables managers to concentrate better on critical or exceptional events.
3. It widens the span of a manager by freeing him from routine work.
4. It helps in effective decision making through better judgement.
5. It is useful in the development of future executives.

TECHNIQUES OF MANAGERIAL CONTROL

The various techniques of managerial control may be classified into two broad categories.

i. Traditional techniques
ii. ii. Modern techniques.

Some of the techniques are

1. Personal Observation

Observation of actual operations at the workplace is the most effective and the oldest method of control. Certain kinds of information and impression can be secured only through face to face contact. It helps the manager in taking corrective measures on the spot. Personal observation has also a psychological impact on the employees. They try to achieve better results when they know that they are being observed personally by their superior. Personal observations is the most direct and undistorted means of control.

2. Good organization structure

In a good organization structure everybody knows the part he has to play and how his role relates to those others. Such a healthy system of roles and relationship helps to improve productivity and remove obstacles to performance. It helps to ensure that activities carried out as planned. Good organization structure cannot however be a substitute of control. Organizations are falliable systems as they are operated in a changing environment by human beings.

3. Statistical control reports

Statistical reports and analyses important instrument of control. Analysis of statistical data in the form of wages, percentages, ratios, correlation etc., is helpful in control of quality, inventory,etc., statistical reports are analytical documents in the form of tables, graphs etc., they provide factual data trends useful for managerial control. These reports reveal whether prescribed policies are being followed or not.

4. Budgetary control

A budget is a statement expressed in financial terms. As a financial plan, a budget indicates estimated revenue and costs for a certain future period. A budget serves as an important device of managerial e control. It provides a standard by which actual operations can be evaluated.

A business enterprise may prepare and use various types of budgets some of which are master budget, functional budget, capital and revenue budgets, zero based budgeting.

5. Break Even Analysis

Breakeven point is the point at which total revenue is equal to total cost. It is the point of no profit and no loss. Breakeven point analysis involves analysis of inter relationship between costs, sales volumes and profit. Therefore, it is also known as cost volume profit analysis.

Breakeven point analysis is very useful in determining profitable volume of output and sales. It is widely used in decisions relating to expansion, product mix, selling prices.

6. Return on investment control

Profitability is an important measure of the efficiency of a business enterprise. Profit in relation to the size of investment is popularly known as return on investment. This approach has been important part in control system.

7. Management Audit

External audit serves as a control mechanism over financial aspects of business. It detects errors and frauds in the books of account. But it does not serve as a check on managerial complacency. Management audit is an independent and critical examination of the entire management process to measure the effectiveness of the management as a whole. Its object is to determine whether or not managerial functions are being performed efficiently.

8. Responsibility accounting

Responsibility accounting implies a system of accounting whereby the performance of various people is judged by assessing how far they have achieved the predetermined targets set for the divisions, departments. Each person is responsible for his area of operation. Cost are assigned to responsibility centers rather than to products. A responsibility centre is an organization unit such as division or department headed by responsible person. The three types of responsibility centers are

a. Cost centre: Most department and sections are cost centers. In a cost centre targets are laid down in terms of costs. The performance of the centre is evaluated by comparing the actual expenses with the budgeted costs.

b. Profit centre: In a profit centre targets are laid down in terms of profits. Performance of the centre is appraised by comparing the profits actually earned with the target profit. This is done by preparing departmental profit and loss accounts.

c. Investment centre: The head of an investment centre is responsible not only for cost and profits but also for the assets used. The investment made in each centre is separately ascertained and return on investment is used as the basis for judging the performance of the centre.

Network techniques – PERT AND CPM

Network analysis is being widely used as a tool of management planning and control. Under network analysis, a project is broken down into small activities which are arranged in a logical sequence. The sequence in which the various activities should be performed and the time limit for each activity are decided. A network diagram is then drawn up to present the interdependence and inter-relationship between all the operations involved in the project.

The construction of network diagram requires the most detailed analysis and assessment of each component of the total projects. The total projects is highly time critical and each part of the projects must be optimally timed. In network analysis an activity is defined as an operation required to accomplish the goal. It is denoted by a circle in the network diagram. Two most popular network techniques are PERT and CPM.

Programme Evaluation and Review Technique (PERT)

PERT is a visual network which is most appropriate for planning monitoring and controlling complex and unique projects. The steps involved in developing

1. Break down the whole projects into a number of clearly identifiable activities.

2. Prepare a network diagram to show the sequence of activities. It has a beginning point and a terminal point for the project

3. Time estimates for each activity are prepared. Three estimates for each activity are prepared. Optimistic, pessimistic and normal

4. The critical path is determined. It is the longest path through the network in terms of time. It represents the sequence of activities that is critical for completion of the project.

5. The initial plans is modified and improved to control or minimize the time involved in completion of the project.

Critical Path Method (CPM)

The basic steps and principles involved in CPM are the same as those in PERT and CPM.

1. In CPM it is assumed that the duration of every activity is constant and therefore, only one time estimate is made for each activity. But PERT allows uncertainty in the duration of activities and three time estimates are made for each activity.

2. In PERT main focus is on time whereas in the CPM focus is on cost.

3. PERT is more suitable where activity timings are relatively unknown while

CPM is more appropriate for projects with well known times.

Applications of PERT/CPM

PERT/CPM is a very versatile tool for project management. Some of the common uses of this technique are given below.

1. Large weapon systems

2. Building projects

3. Ship building

4. Airport facilities building

5. Installation of computers.

The application of PERT/CPM leads to the following advantages:

1. It forces managers to analyse and probe all possibilities, uncertainties and pitfalls. This eliminates surprise and wastage. All factors affecting the successful completion of the project are analysed in advance.

2. It provides attention on critical activities where it is worthwhile to speed up. In this way it permits control by exception to ensure the most effective use of resources.

3. It results in improved communication. Task relationship are graphically represented from each. Each individual can easily determine his role in the total task.

4. The network needs to be constantly reviewed and updated on the basis if feedback from lower levels. This ensures attention and vigilence at all levels. It is helpful in securing co-operation of all departments.

Limitations of PERT/CPM

1. It is seldom possible to estimate accurately the time and cost involved in various activities of a project. Errors in estimation make the PERT chart erratic and unrealiable as a control aid.

2. It is suitable mainly in cases where time is of essence.

3. It has very little application to simple, routine and repetitive projects.

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CHAPTER XIII

COORDINATION – THE ESSENCE OF MANAGEMENT

Coordination permeates or transverses the entire process of management. It is a common silken thread running through management functions. Managers at all levels must coordinate the efforts of their subordinates. Coordination implies an orderly pattern or arrangement of group efforts to ensure unity of action in the pursuit of common objectives. It involves synchronization of the efforts of individual components of an enterprise.

According to Henry Fayol, - to coordinate is to harmonise all the activities of a concern so as to facilitate its working and its success. In a well-coordinated enterprise, each department or division works in harmony with others and is fully informed of its role in the organization. The working schedules of various departments are constantly attained to circumstances.

CHARACTERISTICS OF COORDINATION

1. Coordination is not a distinct function but the very essence of management. It is inherent in managerial job.

2. Coordination is the basic responsibility of management and it can be achieved through the managerial functions. No manager can evade or avoid this responsibility.

3. Coordination does not arise spontaneously or by force. It is the results of conscious and concerted action by management.

4. The heart of coordination is the unity of purpose which involves fixing the time and manner of performing various activities.

5. Coordination is the responsibility of each and every manager.

IMPORTANCE OF COORDINATION

1. Efficiency and effectiveness: coordination helps to improve the efficiency of operations by avoiding overlapping efforts and duplication of work. Integration of individual efforts leads to teamwork. Coordination takes a productive enterprise out of diverse activities. It produces the total result which is greater than the sum of individual contributions.

2. Unity of direction: Coordinaion helps to ensure unity of action in case of disruptive forces. By welding together different work groups it facilitates the stability and growth of an organization. It provides unity of employees and helps to avoid conflicts between line and staff elements.

3. Human relations: Coordination helps to improve team spirit and morale of employees. In a well coordinated organization, organizational goals and personal goals of people are reconciled.

TECHNIQUES OF COORDINATION

The main techniques of effective coordination are as follows:

1. Sound planning: Unity of purpose is the first essential condition of coordination. It is therefore the goals of the organization and goals must be clearly defined. Planning is the ideal stage for coordination. Clear cut objectives, harmonized policies and unified procedures and rules ensure uniformity of action.

2. Simplified organization: A simple and sound organization is an important means of coordination. The lines of authority and responsibility from top to the bottom of the organization structure should be clearly defined. Clear cut authority relationship helps to reduce conflicts and to hold people responsible.

3. Effective communication: Open and regular communication is the key to coordination. Effective interchange of opinions and information helps in resolving differences and in creating mutual understanding. Personal or face-to-face constants are the most effective means of communications and coordination.

4. Effective leadership and supervision: Effective leadership ensures coordination both at the planning and the execution stage. A good leader can guide the activities of his subordinates in the right of direction and can inspire them to pull together for the accomplishment of common objectives. Sound leadership can persuade subordinates to have identify of interest and too adopt a common outlook. Personal supervision is an important method of resolving differences of opinion.

5. Chain of command: Authority is the supreme coordinating power in an organization. Exercise of authority through the chain of command or hierarchy is the traditional means of coordination. Coordination between interdependent units can be secured by putting them under one boss.

6. Indoctrination and incentives: Indoctrinating organizational members with the goals and mission of the organization can transform a neutral body into a committed body.

7. Liaison departments: Where frequent contacts between different organizational units are necessary, liaison officers may be employed. Special coordinators may be appointed in certain cases.

8. Voluntary coordination: When every organizational unit appreciates the working of related units and modifies its own functioning to suit them there is self-coordination. Self-coordination or voluntary coordination is possible in a climate of dedication and mutual cooperation. It result from mutual consultation and team spirit among the members of the organization.

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CHAPTER XIV

BUSINESS ETHICS

Meaning

Business ethics are rules of business conduct, by which the propriety of business activities may be judged. -Business ethics is defined as the application of ethical principles and methods of analysis to business. The ethical aspect of business in trade, commerce and industry has been given due importance since middle of the last century.

Importance of Business Ethics.

- Ethical behavior is usually associated with important positives consequences. Business in particular depends on the acceptance of rules and expectations.
- Ethical behavior is empowering for all parties. The manager who behaves ethically establishes an organization climate of supportiveness, honesty and trust.
- Ethical behavior is intrinsically valuable. Those who know that they are honest, who behave humanely in their dealing with others and who are concerned for the welfare of the organization as a whole and the society it serves are rewarded with a peace of mind that carries no price tag.
- Leaders are role models because they influence the climate for everyone else.
- Ultimately a manager who treats other people with unimpeachable integrity thereby earn those people's trust and make them more willing to support the organization. Conversely, managers who lack integrity promotes mistrust among those with whom they deal and make their employees ashamed of their organization and the products and services they provide. Since workers feel their work is unworthy, they stop caring.

Three "C's" of Business Ethics

1. The need for compliance of rules, including

- Laws
- Principles of morality, the customs of community
- Policy of the company and fairness.

2. The contribution business can make to society through.

- The core values,
- Quality of one's product and services,
- Usefulness of activities to surrounding community,
- Quality of Work Life influenced by ethical and moral values.

3. The consequences of business activity

- Towards environment inside the plant and outside the organization and community, e.g. Bhopal Gas Leaking Tragedy.
- Social responsibility towards shareholders, bankers, customers and employees of the organization.
- Good public image. Sound business practices so that public image is not tarnished.

CORPORATE SOCIAL RESPONSIBILITY

Meaning

Social responsibility means that organizations have significant influence on the social system and that this influence must be properly considered and balanced in all organizational actions. It simply means that business organizations must function as part of a large social system, because, they are in fact, a part of that system.

Definition

-The personal obligation of the people as they act in their own interest to assure that the rights and legitimate interests of others are not infringed - Koontz and O'Donnell.

Why business should assume social responsibility

1. Responding to demands of society.
2. Long run self-interest of business
3. Moral justification: Business now tends to participate in the development of better world.
4. Ethical behavior and generation of profit for shareholders is not incompatible.
5. All stake-holders have a stake in companies because they can be harmed, if a company behaves unethically.

How social responsibility can help business to succeed.

1. Building business

Many large companies are now building socially responsible performance into the criteria they see for selecting suppliers. Some big companies now expect suppliers and sub-contractors to perform to their own high standards-particularly in the area of environmental performance and on the issues of the human rights such as the use of child labour.

2. Building people

Social responsibility matters here since people want to work for responsible business. The benefit is not just restricted to recruitment. Social responsibility is helping companies retain, develop and enhance the performance of employees.

3. Building trust

Trust is an increasingly important element in influencing the way in which employees, customers, suppliers and the broader public judge a company.

Criteria for determining the social responsibility of business

1. Realization of social responsibilities:

The first responsibility of each business is to think carefully before acting on what it thinks its social responsibilities really are.

2. Profit motive:

Business must be considered to be basically an economic institution with a strong profit motive.

3. Long term interests of the business:

Business should take the long view and perform socially responsible actions that might temporarily lessen net profits but that are in the profit interests of the company in the long run.

4. Greater the social power larger shall be the social responsibilities.

5. Larger the size, greater shall be the social responsibilities:

As a firm grows larger, it has an actual and potential influence on more and more people.

6. Social responsibilities vary with the type of the company:

Closely associated with the preceding point is the matter of the type of the company. A mining company for instance is in a different position with respect to employee safety than, say, a property dealer.

7. Internalize more of its external costs:

Today, priorities are shifting and business is expected to bear more social cost.

Areas of social responsibility of business

1. Economic and environmental quality

- Cleaning up of existing pollution.
- Design of processes to prevent pollution.
- Noise control.
- Dispersion of industry.
- Control of land use.
- Required recycling of waste material.

2. Consumerism.

- Truth in leading, in advertising, and in all business activities.
- Product warranty and service.
- Control of harmful product.

3. Community needs.

- Reduction of business's role in community power structure.
- Aid with health-care facilities.
- Aid with urban renewal.

4. Governmental relations.

- Restriction on lobbying
- Control of business political action
- Restrictions on international operations.

5. Business giving.

- Financial support for artistic activities-scholarship.
- Gifts to education.
- Financial support for assorted charities.

6. Labour relations

- Improvement of occupational health and safety.
- Provision of day-care centers for children of working mothers.
- Expansion of employee rights.

7. Stock holders relations.

- Opening of board of directors to public members representing various interest group.
- Disclosure of activities affecting the environment and social issues.

8. Economic activities:

- Break-up of giant industry
- Restriction of patent use.

Responsibility of company towards stake holders

1. Responsibility to shareholders

- To safe guard the capital of the shareholders
- To provide a reasonable dividend.
- Improve its business and build up its financial independences.

2. Responsibility to the employees

- The payment of fair wages
- The provision of the best possible working condition
- The establishment of fair work standards and norms
- Arrangement of proper training and education of the workers
- The installation of an efficient grievance handling system.
- Proper recognition, appreciation and encouragement of special skill and capabilities of the workers.

3. Responsibility to consumers

- To do research and development to improve quality and introduce better and new products.
- To supply goods at reasonable price
- To improve quality
- To smoothen the distribution system to make goods easily available.
- To provide required after sales services.
- To provide sufficient information about the products.
- To understand customer needs and to take necessary measures to satisfy these needs.

4. Responsibility to the vendor and dealers

- Ensure business activities are free from litigation.
- Pay vendors on time their dues.
- Ensure there is equity in relationship with all dealers and vendors.

5. Responsibility to the local community

- Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance.
- Assisting in the overall development of the locality.
- Take steps to conserve scarce resources and developing alternatives.
- Contribution to research and development.
- Development of backward areas.
- Promotion of small scale industries.

6. Responsibility to the government

- To behave like a law abiding citizen.
- To pay its dues and taxes to the state fully and honestly.
- To sell commodities and service without adulteration.
- Use scare national resources properly.
- Contribute to social development

ETHICAL ISSUES

CORRUPTION

Corruption broadly defined as ?the abuse of public or private office for personal gain? takes many different forms, from routine bribery or petty abuse to the amassing of spectacular personal wealth through embezzlement or other dishonest means.

Corruption Schemes

1. Bribery and Kickbacks.

Commercial bribery is the offering, giving, receiving of anything of value to influence the outcome of a business transaction.

2. Economic Extortion

A typical case involves a corrupt lending officer who demands a kickback in exchange for approving a loan.

3. Conflict of interest

It occurs when an employee, manager or executive of an organization has an undisclosed personal economic interest in a transaction that adversely affects the company or the share holders' interest.

4. Illegal gratuities

Similar to bribery schemes expect that something of value is given to reward a business decision rather than influence it.

Causes of Corruption

- Low salaries
- Corruption is often attributed to the low salaries of civil servant.
- Culture and social factors:

A gratuity or tip becomes part of the cultural environment and in certain countries the payment of such rewards is so embedded in tradition that any attempt to rein in the practice would be seen as an attack on treasured cultural values.

- Absence of rules, regulation, polices and legislation:

Corruption is more likely to flourish in an organization that does not have a wide range of rules, regulation or policies that guide employees in their work.

- Absence of watch dog institution
- Absence of transparency
- Where the tasks and functions are conducted in secret and are not open to examination by the organization, the opportunity for corruption increases.
- Absence of accountability

It means that public leaders and officers must provide logical and acceptable explanation for their action and decision to the people they serve.

- Nepotism

If we examine the root of corruption, we will find that it arises perhaps from the extreme attachment of people to their families.

- Spreading cult of consumerism

Consumerism and desire for an ostentatious life style tempts many to make money by hook or crook.

Consequences of corruption

- Diversion of public expenditure
- Corruption increases inequality and poverty
- It affects investment and growth
- Corruption poses a serious development challenge
- Corruption also undermines economic development
- Corruption lowers quality
- Corruption leads to death.
- Corruption in our system flourishes because of five factors:
- Scarcity of goods and services
- Red tapeism and delay
- Lack of transparency
- Cushion of safety: The legal provision and procedure are effectively exploited by the corrupt to escape punishment. Tribalism or the tendency of the corrupt to defend each other in organization.

Corruption is harmful in three different ways.

- Corruption is anti-national.
- Corruption is anti-poor.
- Corruption is also anti-economic development

Bribery

It is defined by the convention as the offering, promising or giving of something in order to influence a public official in the execution of his / her official duties. It can take in the form of money other pecuniary advantage such as a membership in an exclusive club or a promise of a scholarship for a child, or non-pecuniary advantages, such as favourable publicity.

Effect of bribery in the common man and the country

Bribery is found to be one of the most damaging consequences of poor governance characterized by lack of both transparency and accountability. Bribery lowers investment, hinders economic growth, and hampers human development by limiting access to basic social services as well as increasing the cost of their delivery to the public. It also increases poverty, drains the financial system, and undetermined the legitimacy and authority of the state. Bribery is anti-development, anti- growth and anti-investment.

Deception

A fraud is a deception in the criminal law fraud is the crime or offence of deliberately deceiving another in order to damage them- usually, to obtain property or service from him or her unjustly fraud can be accomplished through the aid of forged objects in criminal law it is called - theft by deception.

Acts which constitute fraud

- Long firm fraud
- Theft of proprietary information
- The Nigerian fund transfer scheme
- Impersonation
- Misrepresentation and stolen cheques.
- Telemarketing fraud.
- Mobile phone fraud.
- Money doubling scam.
- Forgery.

Theft

Areas of employee theft

Store operation

1. Poor control by the managers.
2. Collusion with supplies
3. Scrap and waste disposal.
4. Staff purchases.
5. Sale vouchers
6. Buyer and sellers theft
7. Management theft.

- Unfair Discrimination

It means treating a person less favourably because of some personal characteristic such as race, gender or disability.

- Job discrimination

It means to discriminate in employment is to make an adverse decision against employees or job applicants based on their membership in certain groups.

Pay and promotion discrimination

Inequality of pay and promotion opportunities for both women and minorities.

- Sex discrimination

Unequal opportunity for women at all levels of the work place in the organization.

Glass ceiling is a term used to reflect why women and minorities are not more widely represented at the top of today's organization.

- Discrimination on the basis of disability.

Disability is a physical or mental impairment that substantially limits one or more life activities such as walking, talking, seeing or learning.

- Discrimination on the basis of pregnancy and reproductive status

Age discrimination

Discriminating an employee on the basis of his old age, the unequal treatment of older generation workers on the basis of age.

- Discriminating overqualified job applicants.
- National origin discrimination

Rules that require employees to speak only English in the work place have come under fire in recent years.

- Discriminatory recruitment practices
- Discriminatory selection and promotion.

Sexual harassment at work place

It is a particular kind of discrimination which includes any conduct of a sexual nature that is unwelcome and uninvited. It includes any sexual conduct which a reasonable personal may find offensive, humiliating or intimidation.

Effects of sexual harassment

1. It disrupt balance of power and threatens organizational stability.

2. Upset the stable working relationships.

3. It also leads to morale problems among other staff members

Steps taken by the employers

1. Disciplinary action

2. Complain box

3. Punishment

COERCION

It is the practice of compelling a person to act by employing threats of force. Coercion means compelling another to act or think in a certain way through the use of pressure, threats or intimidation eg: black mail, kidnapping etc.

Sweatshops

It is a factory, where people work for a very small wage producing products such as clothes, toys, shoes etc. the term connotes a factory in which the workers are kept in a harsh environment with inadequate ventilation and workers may sometimes abuse physically, or sexually.

Exploitative child labour

Children under the age of 14 being forced to work full time jobs with little pay. Most are put into bondage by their parents to pay off debts or food for their family eg: Construction works, shoe and garment factories, making cigarettes etc.

Trafficking

Trafficking of humans involves moving men, women, and children from one place to another and placing them in condition of forced labour.eg: Unsafe agricultural labour, sweatshop, construction or restaurant work and various forms of modern day slavery.

ETHICAL DECISION MAKING

Ethical decision making helps people make difficult choices when faced with an ethical dilemma, a situation in which there is no clear right or wrong answer. For example, would it be right for a CEO to keep a contractual bonus when the business is making lower-paid colleagues redundant?

Ethical problem frame work.

1. Gather the facts carefully to determine whether there is an ethical problem.

2. If there is a problem, try to state it as clearly as possible.

3. Determine whether the problem has an ethical dimension.

4. Identify those affected by the problem.

5. In many cases you will need to demonstrate the seriousness of your problem, since there is no need to deliberate at the length of a trivial problem.

6. In many cases determine what caused the problem.

7. Develop solution

8. Recommendation

ETHICAL LEADERSHIP

Ethical leadership is leadership that is directed by respect for ethical beliefs and values and for the dignity and rights of others. It is thus related to concepts such as trust, honesty, consideration, charisma and fairness.

- Face the complexity involved in making ethical choices: Openly discuss the ethical gray areas and acknowledge the complexity of work life. Involve others in more of the ethical decisions. Be a leader who talks about the difficult ethical choices, and help others learn to take responsibility for making ethical decisions carefully.

- Don't separate ethics from day-to-day business: Leaders must make it clear to their employees that ethics is "the way we operate" and not a training program or reference manual. Every activity, whether it is a training program, a client meeting or an important top management strategy session, should include conversations about ethics.

- Don't allow negative interpersonal behaviors to erode trust: Make respect a load-bearing beam in your culture. Be an ethical leader who expects it and practices it. Cultivate a respectful environment in which people can speak up about ethics and share the responsibility for living it. Build trust, demand open communication and share the ownership of organizational values.

- Don't think about ethics as just following laws and regulations: Leaders need to take action and show consumers and other stakeholders that they are actively engaged with ethical issues that matter. Recognize how ethics influences consumers' reasons to buy from you, and demonstrate a commitment to go beyond mere compliance with laws and regulations. They must prove that they are committed to ethical issues, including human rights, social justice and sustainability.

- Don't exempt anyone from meeting ethical expectations: Allow no excuses. Make sure that no one is exempted from meeting the ethical standards that are adopted. Maintain the status of ethics as a total, absolute, "must do" in the organization. Hold everyone, particularly senior leaders and high profile managers, accountable. No exceptions.

- Celebrate positive ethical moments: Be a proactive ethical leader, championing high ethical conduct and emphasizing prevention. Managers should talk about what positive ethics looks like in practice as often as they talk about what to avoid. Take time to celebrate positive ethical choices.

- Talk about ethics as an ongoing learning journey, not a once-a-year training program: Integrate ethics into every action of the organization - everything people do, touch or influence. Talk about ethics as an ongoing learning journey, not something you have or don't have. Recognize that the world changes constantly, and that ethical conduct requires that everyone remain vigilant.

ETHICS AUDIT

A ethics audit is a way of measuring, understanding, reporting and ultimately improving an organisation's social and ethical performance. A ethical audit helps to narrow gaps between vision and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the performance of the organization. It is a tool for evaluating how satisfactorily a company has discharged its social responsibilities. Ethics audit enables the public as well as the company to evaluate the social performance of the company.

Ethical auditing creates an impact upon governance. It values the voice of stakeholders, including marginalized groups whose voices are rarely heard. Ethical auditing is taken up for the purposes of enhancing corporate governance, particularly for strengthening accountability and transparency in corporate bodies.

Features of Ethical Audit

1. Ethical audit determines only what the organization is doing in social areas but not the amount of social good that result from the these activities.

2. Social results are difficult to audit because most of them occur outside an organization and so a firm has no way to secure data from these outside sources.

3. Ethical audit can be made by internal auditors outside consultants or combination of two.

4. Ethical audit use both quantitative and qualitative data.

Objectives of Ethical Audit

The basic purpose of ethical audit is to evaluate the performance of the company and to know the contribution of individual firms towards the society.

To create positive image about company, several firms report social performance information to the interested parties.

To satisfy the obligation of corporate undertakings to prepare and present the social accounting to the regulatory agencies as per their requirements.

To make available to society relevant information about firm's goals, policies.

To specify and measure the periodic net social contribution of individual business entreprise towards the society.

To help and assist in ascertaining whether public enterprises are consistent with widely shared social priorities or not.

To improve public relation and enhancing the Creditability of business.

Benefit of Ethical Audit

Ethical audit is needed to appraise its stakeholders social activities and financial results of working of the enterprise.

To boost the company image by bringing before the public that the company is functioning effectively and properly utilizing resources and private property is used for the common good.

Ethical audit increase the public visibility of the organization. It provides data for comparing effectiveness of different types of programmes, which will give management useful inputs for establishing better programmes.

Limitations of Conducting Ethical Audit

Difficulties in the identification of social performances variables.

There is an absence of well conceived information system.

There is no legal compulsion for ethical audit.

There is absence of professional qualified social auditor.

There is no standard set of rules and concepts like financial audit.

Suggestions

The professional institutes like The Institute of Chartered Accountants of India, The Institute of Cost and Work Accountants of India and academicians should work together for developing ethical auditing and reporting techniques.

It is necessary to develop the techniques for measuring social performance.

It is necessary to develop a proper format and procedure for ethical audit.

There must be a well conceived information system is required for ethical audit which enables the auditor in collecting and evaluating the ethical activities of a company.

The disclosure of information must be in quantitative terms rather than non-quantitative descriptive manner.

ENVIRONMENTAL ETHICS

Meaning.

Environment includes water, air and land, and their inter relationship with human being other living creature, plants, microorganisms and property.

Benefits and condition for environmental planning.

1. Environmental planning cannot be done without the total involvement the total involvement of the affected.

2. It needs total transparency.

3. It is not the matter of technological appraisal. It needs continual technological innovation.

4. Bureaucratic and legal machinery has its uses but cannot be relied upon totally to support environmental ethics, particularly when the rewards for evasion are high.

5. Taxation and subsidy could sometimes be more cost - effective in pollution control than physical controls by government. Business will welcome this more than physical controls which are more prone to corruption.

Environmental protection in India.

1. The air (prevention and control of pollution) act, 1981, amended in 1988.

2. The water (prevention and control of pollution) act amended in 1974 and 1988.

3. The hazardous wastes act, 1989

4. The forests (conservation) act, 1980 amended in 1988

Regulation:

Administrative orders / policy guideline have been laid by government. A separated department of environment, government of India was created in 1980.

Certain regulatory bodies or quasi - judicial authorities have been established.

- National afforestation and eco-development board and
- National wastelands developments board.

Various programmes on environment education, seminar creating awareness and resource management have started.

Government has also laid (EAP) environment action plan.

Eco centric Management.

This new paradigm aims at sustainable economic development and improving the quality of life worldwide. According to this paradigm, organization should promote an environmentally - responsible corporate culture the following:

Minimize the use of virgin material and non-renewable forms of energy by:

- Using solar architectural design which reduces the use of energy.
- Replacing virgin timber with wood grown on a sustainable basis.
- Eliminate emission, effluents and accidents.
- Encourage voluntary green team within the company.
- Reward cost saving ideas
- Issues environmental policy statement.

The corporate environmental challenge

1. To make your present business effective and its environmental impact acceptable.
2. To identify and realize your potential for a sustainable future, in particular:

Dealing with waste and pollution.

The procurement and use of resources.

Developing new business opportunities.

Providing fulfilling work for employees.

3. To make your business into a different, sustainable business for a future that will inevitably be different.

Responsibility of business on environment

In its role as the major instrument of production in our society, business must intrude into ecosystems. Yet not all intrusions or all kinds of intrusions are justifiable. In fact, precisely because of the interrelated nature of ecosystem and because intrusions generally produce serious unfavorable effects, business must scrupulously avoid actions, practices, and policies that have an undue impact on the environment. Several related attitudes, prevalent in our society in general and in business in particular, have led to or increased our environmental problems. One of these is the tendency of view the natural world as a ?free and unlimited good?.

A SUSTANABLE FUTURE

Peter Drucker has suggested that the challenge for every business has three dimension:

1. To make the present business effective.
2. To identify and realize its potential and
3. To change it into a different business for a future that will inevitably be different.

SUSTAINABLE BUSINESS

Sustainable business achieves the goal of meeting the needs of today without jeopardizing the ability of future generations from meeting their needs. This focuses attention on the way in which non-renewable resources are being consumed and the living world damaged by agricultural and industrial processes.

One of the best indicators of material standards of living is energy consumption. To move towards a sustainable future requires reduction in the use of non-renewable energy (coal, oil and gas) and development of renewable sources (solar, wind, biomass according to local endowment.)

Other resources should also be used more efficiently and the current acceptance of linear processes which waste resources and produce toxic residues should be replaced by cyclic processes which are resource conserving and healthy. The goal should be to provide more service for each unit of resource consumed. Changes of this kind will challenge designer and engineers to provide solutions which are compatible with a sustainable future.

Ultimately it will be necessary to achieve a stable population with life styles that can be accommodated by the earth's carrying capacity. This will require people all over the world to live peacefully and that will be easier if there is more equitable distribution of wealth. By emphasizing quality of life rather than the quantity of material consumption, the willingness to close the gap between rich and poor will be more acceptable.

How company can move towards a sustainable future.

Every organization has capital tied up in various kinds of fixed assets. For industrial organizations there is a considerable investment in plant and machinery which needs to be renewed periodically. At any given time there will be some that is due for replacement and expectation will be that the new plant or machines will have a life-span of ten years or more.

Similarly, products have a limited life and new products and services need to be introduced from time to time. Many organizations also change the way they do things because market conditions are different information technology creates new possibilities and staff have different expectation.

Some company struggle to achieve the good intentions that are embodied in their business plans. This is often because they have only considered the business dimensions of their plan and ignored the equally important strategic decision concerning the capacity of the organization to achieve its stated objectives. When the nature of the business, the processes and the market place of the future are going to be very different then the investment in developing appropriate capability, organization culture and management behavior is a very important investment which will only happen if it is part of the strategic plan.

If the strategic plan is to include adequate attention to the environmental challenge and give due attention to the environmental challenge and give due attention to the development of organizational capability, then the approach to strategic planning needs to be reviewed in order to ensure that these elements are an integral part of the approach being used. Systems thinking are very helpful and any organization already familiar with this concept and using off for planning purpose will find it invaluable.

MODEL QUESTION PAPER

BUSINESS MANAGEMENT AND ETHICS

Part-A

Answer any TWO of the following in about 500 words each.

1. Explain Henry Fayol Fourteen Principles of Management.
2. Explain the steps in planning process in detail.
3. Explain types of organizational structure in detail.

Part-B

Answer TWO of the following in about 300 words each.

4. Explain the types of authority.
5. Explain the steps in Management by Objectives.
6. Describe the responsibilities towards different group/Stakeholders.

Part-C

7. Write short notes on FIVE oh the following:

a) Benefits of Delegation.

b) Difference between Formal and informal organization.

c) Decentralization

d) Theory of Graicun..

e) Corporate Soci..: Responsibility

f) Ethics Audit

g) Co-ordination

Part-D

Write SIX of the following very briefly.

a) Accountability

b) Performance appraisal

c) Define Controlling

d) Define planning

e) Decision making

f) System approach to management

g) Types of Ethical issues in business

h) Management by Exception.

KEY TO THE QUESTIONS:

Part-A

Answer any TWO of the following in about 500 words each.

1. Explain Henry Fayol Fourteen Principles of Management.

List of fourteen principles of management given by Henri Fayol are given below.

1. Division of work

Division of work or specialization of labour belongs to the natural order. It helps a person to acquire an ability and accuracy with which he can do more and better work with same effort. Therefore, the work of every person in the organization should be limited as far as possible to the performance of a single leading function. The principle of division of work can be applied at all levels in the organization.

2. Authority and Responsibility

According to Fayol, responsibility is a natural consequence of and a corollary to authority. Therefore, there should be a parity between the two. Authority is not to be conceived of apart from responsibility and wherever authority exercised responsibility arises.

3. Discipline

Discipline is defined as ?respect for agreements which are directed at achieving obedience, application, energy, and outward marks of respect. It must prevail throughout an organization as it is essential for smooth running of the enterprise. It depends upon good supervision, clear and fair agreements and judicious application of penalties.

4. Unity of command

Every subordinate should receive order from and accountable to only one superior. Dual or multiple command is a perpetual source of conflict. It undermines authority and threatens stability of organization. It also helpful in fixing responsibility.

5. Unity of direction

According to this principle, each group of activities having the same objective must have one head and one plan. The principle of unity of direction seeks to ensure unity of action. Unity of direction refers to the functioning of the body corporate, the departments or divisions comprising the organization.

6. Subordination of individual to general interest

Efforts should be made to reconcile individual interests with common interests. When there is conflict between the two, the interest of the organization should prevail over individual interests. This requires continuous and exemplary supervision and fair agreements.

7. Remuneration of personnel

The amount of remuneration and the methods of payments should be just and fair and should provide maximum possible satisfaction to both employees and employers.

8. Centralization

According to Fayol, the question of centralization and decentralization is a matter of finding the optimum degree for the particular concern. The degree of concentration of authority should be based upon optimum utilization of all faculties of the personnel.

9. Scalar chain

Scalar chain refers to the chain of superior ranging from the highest authority to the lowest level in the organization. There should be clear line of authority ranging from top to bottom of the organization. All upward and downward communication should flow through each position of authority along the scalar chain.

10. Order

This principle is concerned with the arrangement of things and the placement of people. In material order, there should be a place for everything and everything should be in its proper place. Similarly in social order, there should be an appointed place for everyone and everyone should be in his or her place. This kind of order requires precise knowledge of human requirements and resources of the concern so that a proper balance may be created between them.

11. Equity

Equity implies that employees should be treated with justice and kindness. Managers should be fair and impartial in their dealings with subordinates. They should adopt a sympathetic and unbiased attitude towards workers. Equity helps to create cordial relations between management and workers which are essential for successful functioning of the enterprise.

12. Stability of Tenure of Personnel

Employees cannot work efficiently unless job security is assured to them. Time is required for an employee to get used to new work and succeed in doing it well. An employee cannot render worthwhile service if he is removed from the job before he gets accustomed to it.

13. Initiative

Employees at all levels should be given the opportunity to take initiative and exercise judgement in the formulation and execution of plans. Initiative refers to the freedom to think for oneself and use discretion in doing work. It develops the interest of employees in their jobs and provides job satisfaction to them.

14. Espirit de corps

This refers to harmony and mutual understanding among the members of an organization. Union is strength and unity in the staff is the foundation of success in any organization. Management should not follow the policy of divide and rule. Unity among the personnel can be developed through proper communication and coordination.

2. Explain the steps in planning process in detail.

Planning is the management function of anticipating the future and the conscious determination of action to achieve the desired results. A plan is a blueprint of the course of action to be followed in future. - planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures, and programmes from among alternatives.?

There is no standard planning process. Each enterprise has to develop its own modus operandi for planning depending on its size, nature and environment.

However the main steps in planning process are as follows:

1. Analysing the Environment: The first step in planning is a thorough analysis of the external and internal environment of the enterprise. Analysis of external environment will help to identify the opportunities and constraints for the enterprise. Analysis internal environment will help to identify the strength and weakness of the enterprise.

2. Establishing Objectives: Plans are formulated to achieve certain objectives. Therefore, establishment of organizational objectives is an important step in planning. The organizational objectives should be established in the light of perceived opportunities and resources of the organization.

3. Determining Planning Premises: Planning is done for future which is uncertain. Therefore, certain assumptions are made in preparing plans. These assumptions underlying planning should be clearly defined through scientific forecasting of future events. Planning premises are the limitations that lay down the boundary for planning.

4. Developing Alternative course of Action: There can be several ways of achieving the same objectives. The various available alternatives should be identified. In order to develop all possible alternatives, a manager must have imagination, skill and experience.

5. Evaluating Alternatives: The various alternatives are compared and weighted in the light of objectives and premises. Each alternative has its merits and demerits but all alternatives cannot be equally appropriate or practicable. Several statistical techniques are used to evaluate alternative course of action.

6. Selecting the Best course: After evaluating the various alternatives, the most appropriate alternative is selected. This is the point at which the plan is adopted. Sometimes, the evaluation may suggest the more than one alternative is good. In such a case, a manager may choose several and combine them in action.

7. Formulating the Derivative plans: Once the basic plan is decided various supporting or subsidiary plans are formulated. These include procedures, programmes, budgets, schedules. Such plans are required to implement the basic plan.

3. Explain types of organizational structure in detail.

The internal organization of an enterprise represents the network of vertical and horizontal authority relationships between various positions. The exact form of internal organization depends upon the nature, size and objectives of the particular enterprise. The various forms of internal organization structure are

1. Line Organisation

Line organization is the oldest type of organization. It is also known as scalar or military organization. In this type of organization, there is a vertical line of authority running from the top to the bottom of the organization. The man at the top has the highest authority and it is reduced at each successive level down the hierarchy. Every person is in direct chain of command. He gets orders from the man immediately above him and is directly accountable to only one superior.

Advantages:

1. It is simple to establish and can be easily understood by the employees.
2. The authority and responsibility of each position is clearly defined.
3. It facilitates prompt decisions because a manager has not to consult staff specialists.
4. There is unity of command as each executive has full control over the subordinates.

Limitations:

1. There is lack of specialization.
2. Key executives are overburdened with administrative work.
3. It may result in autocratic control.
4. There is very little upward communication.

Functional organization

Functional organization is based on the concept of -functional foremanship.

Functional foremanship is the pattern of supervision at the shop floor level rather than an organization structure. Under functional organization the organization is divided into a number of functional areas. Each function is managed by an expert in that area. Every functional area serves all other area in the organization.

Advantages:

- Functional organization promotes logical division of work.
- Every functional head looks after on function only and therefore burden on top executives is reduced.
- One man control is done away with and there is joint supervision.
- The success and growth of the organization is not limited to the capabilities of a few line managers.

Limitations:

- A person is accountable to several superiors.
- There is many cross relationships which create confusion.
- A decision problem requires the involvement of several specialists.
- A functional manager tends to have a limited perspective.

Line and Staff Organisation

Line and staff organization is a combination of line and functional structures. Under it , line authority flows in a vertical line in the same manner as in the line organization. In addition, staff specialist are attached to the positions to advise them. These specialists do have power of command over subordinates. They are purely of advisory nature.

Advantages:

- Line manager receive specialized advice and assistance from staff experts.
- Staff carry out detailed investigation and supply information to line executives.
- Staff specialists provide adequate information and advice.
- Line and staff organization is comparatively more flexible.

Limitations:

- The main problem in line and staff organization is that conflicts often arise between line managers and staff specialists.
- It is often very difficult to define the authority relationship between the line and staff.
- Staff personnel are not accountable for the results.

Project Organisation

Project and matrix structures are of recent origin. When an organization has to execute large projects of long duration, they adopt project organization. Under project organization each project organized as a semi-autonomous project division. A project team consists of specialist in different field. The project manager is responsible for successful completion of project.

Matrix Organisation:

Matrix organization is a hybrid grid structure wherein pure project organization is superimposed on a functional structure. It is a two dimensional pattern developed to meet the problems of growing complexity of undertakings. Such undertaking require an organizational structure more flexible and technically oriented than the traditional line and staff structures.

In matrix organization there is a permanent functional set up. In addition temporary project groups are create to handle infrequent short term projects.

Committee Organisation

A Committee us a group of persons formed to discuss and deliberate problems and to recommend solutions. Its area of operation are determined by its constitution. It may be authorized to deal with specific activities. Generally, the scope of its activities is limited. Committee have become an important instrument of management modern organizations. There are different types of committees. They are

a. Standing committee

b. Executive committee

c. Lineor staff committee.

d. Formal and informal committee.

Free form Organisation

A free form organization is a rapidly changing, adaptive, temporary system organized around problems to be solved by groups of relative strangers with diverse professional skills. It evolved out of task forces developed during second world war to perform specific missions. Free form organization is in many ways similar to project and matrix originations.

Task force Organisation

A task force means a group of people with different backgrounds brought together for a temporary period to perform a specific task. When the task is completed the task force is dissolved. Every member of a task force remains part of it so long as his knowledge and skills are required and the task force exists. A task force is similar to an adhoc committee but it has wider powers of decision making and actions. A task force also differs from the matrix organization which is continuous in nature.

Part-B

Answer TWO of the following in about 300 words each.

5. Explain the types of authority.

Authority may be defined as the legitimate right to give orders and to get orders obeyed. It denotes certain rights granted to a position in an organization. It includes the right to take decisions and get them executed by the subordinates. It also consists of the right to command and allocate resource. It is the right to make decisions which guides the actions of others.

TYPES OF AUTHORITY

Line authority relationships

Line authority is the direct authority which a superior exercises over his subordinates to carry out orders and instructions. Such authority is delegated to those positions or elements of the organization which have direct responsibility for accomplishing the primary objectives. The flow of line authority is always downward, that is, from a superior to a subordinates.

Staff authority relationships

Literally, staff means a stick carried in the hand for support. In management, staff refers to those elements of the organization which help the line to work most effectively in accomplishing the primary objective of the enterprise. The nature of staff relationship is purely advisory. Staff personnel provide advice, assistance and information to line managers. Staff specialist s reduce the burden of line executives.

Functional Authority

Functional authority is the authority granted to a staff specialist to issue instructions to line executives directly in a specific and limited area of operations. Functional authority is the right which an individual or department has delegated to it over specialized process, practices, policies or other matter relating to activities undertaken by personnel in departments other than its own

6. Explain the steps in Management by Objectives.

MBO may be defined as a process whereby superiors and subordinates jointly identify the common objectives, set the results that should be achieved by the subordinates, assess the contributions of each individual in terms of the results expected by him, and integrate individuals with the organization so as to make best use of organizational resources.

STEPS IN MBO PROCESS

The main steps in the process of management by objectives are

1. Setting Objectives

The first step in installing the MBO system is to establish verifiable objectives for the organization as a whole and for various positions in the organization. Under MBO, the objectives are established in several stages. First of all top management sets the goals for the total enterprise in certain key areas. These goals are laid down in view of the planning premises. Secondly objectives for each department are laid down in consultation with departmental head. At each level goals are laid down in verifiable or measurable units so that indicators of goal accomplishment are known.

2. Developing Action Plans:

Once the goals are established, responsibility for the achievement of each goal is specified. This may require some degree of reorganization. Job description for various positions must define the goals to be attained. Resources required for goal attainment are identified and allocated. Then the means for implementation of plans are decided. Goals and resources must be matched together.

3. Conducting Periodic Reviews:

At frequent intervals actual performance is reviewed jointly by the superior and subordinates. Such periodic evaluation of progress serves as a checkpoint as to where the subordinates stand relative to their goals at any point of time.

4. Appraising Annual Performance:

A thorough evaluation of individual performance is done at the end of the year. At annual review achievement are carefully analyzed against the given objectives. Rewards are decided on the basis of annual appraisal.

Thus, the MBO process comprises preliminary goal-setting, setting subordinates objectives, matching goals with resources.

7. Describe the responsibilities towards different group/Stakeholders

Responsibility of company towards stake holders

Responsibility to shareholders

- To safe guard the capital of the shareholders
- To provide a reasonable dividend.
- Improve its business and build up its financial independences.
- Responsibility to the employees
- The payment of fair wages
- The provision of the best possible working condition
- The establishment of fair work standards and norms
- Arrangement of proper training and education of the workers
- The installation of an efficient grievance handling system.
- Proper recognition, appreciation and encouragement of special skill and capabilities of the workers.

Responsibility to consumers

- To do research and development to improve quality and introduce better and new products.
- To supply goods at reasonable price
- To improve quality
- To smoothen the distribution system to make goods easily available.
- To provide required after sales services.
- To provide sufficient information about the products.
- To understand customer needs and to take necessary measures to satisfy these needs.

Responsibility to the vendor and dealers

- Ensure business activities are free from litigation.
- Pay vendors on time their dues.
- Ensure there is equity in relationship with all dealers and vendors.

Responsibility to the local community

- Taking appropriate steps to prevent environmental pollution and to preserve the ecological balance.
- Assisting in the overall development of the locality.
- Take steps to conserve scare resources and developing alternatives.
- Contribution to research and development.
- Development of backward areas.
- Promotion of small scale industries.

Responsibility to the government

- To behave like a law abiding citizen.
- To pay its dues and taxes to the state fully and honestly.
- To sell commodities and service without adulteration.
- Use scare national resources properly.
- Contribute to social development

Part-C

8. Write short notes on FIVE oh the following:

a) Benefits of Delegation.

Delegation is the dynamics of management and the essence of sound organization. A single individual cannot manage and control everything due to physical and mental limitations. The task involved in the management of an organization are too large and one particular person cannot discharge them singlehandedly.

Delegation of authority provides the following advantages:

1. It enables the managers to distribute their workload to others. By reducing the workload for routine matters they can concentrate on more important policy matters.

2. Delegation facilitates quick decisions because the authority to make decisions

lies near the point of action. Subordinates need not approach the boss every time a need for decision arises.

3. Delegation helps to improve the job satisfaction, motivation and morale of subordinates. It helps to satisfy their needs for recognition responsibility and freedom.

4. By clearly defining the authority and responsibility of subordinates, the manager can maintain healthy relationships with them.

5. Delegation binds the formal organization together. It establishes authority relationships and provides a basis for efficient functioning of the organization.

b) Difference between Formal and informal organization.

Formal Organisation	Informal Organisation
It is created deliberately and is consciously planned.	It is natural and arises spontaneously.
It is planned on delegation of authority and may grow to immense size.	It arises on account of social interactions of people.
It is impersonal and the emphasis is on authority and functions.	It is personal with emphasis on people and their relationship.
It is shown on the organization chart.	It has no places in the organization chart.
Formal authority flows downwards.	Informal authority flows upwards or horizontally.
Formal organization is created to meet organizational goals.	Informal organization arises from man's quest for social satisfaction
It is permanent and stable.	It is relatively fickle and unstable.

c) Decentralization

Centralisation and decentralization are opposite terms. They refers to the location of decision making authority in an organization. Centralisation implies the concentration of authority at the top level of the organization while decentralization means dispersal of authority throughout the organisaion. Centralisation and decentralization are relative terms because every organization structure contains both the features. There cannot be complete centralization or decentralization in practice. Therefore proper balance between dispersal of authority among lower levels and adequate control over them is required.

d) Theory of Graicunas

V.A.Graicunas was a French management consultant. He developed mathematical formula by analyzing superior-subordinate relationships. He suggests that as the number of subordinates increases arithmetically there is exponential increase in the number of possible relationships. Graicunas has identified three types of superior-subordinates relationships.

Direct Single relationships : The direct single relationship arises from the direct and individual contact of the superior with his subordinates. Direct group relationships : These relationships arise between the manager and groups of his subordinates in all possible combinations.

Cross relationships: These relationships arise among the subordinates working under a common superior.

e) Corporate Social Responsibility

Social responsibility means that or4ganizations have significant influence on the social system and that this influence must be properly considered and balanced in all organizational actions. It simply means that business organizations must function as part of a large social system, because, they are in fact, a part of that system.

f) Ethics Audit

A ethics audit is a way of measuring, understanding, reporting and ultimately improving an organization's social and ethical performance. A ethical audit helps to narrow gaps between vision and reality, between efficiency and effectiveness. It is a technique to understand, measure, verify, report on and to improve the performance of the organization. It is a tool for evaluating how satisfactorily a company has discharged its social responsibilities. Ethics audit enables the public as well as the company to evaluate the social performance of the company.

g) Co-ordination

Coordination implies an orderly pattern or arrangement of group efforts to ensure unity of action in the pursuit of common objectives. It involves synchronization of the efforts of individual components of an enterprise. According to Henri Fayol, - to coordinate is to harmonies all the activities of a concern so as to facilitate its working and its success. In a well coordinated enterprise, each department or division works in harmony with others and is fully informed of its role in the organization. The working schedules of various departments are constantly attuned to circumstances.?

Part-D

Write SIX of the following very briefly.

a) Accountability

Accountability is the obligation to carry out responsibility and exercise authority in terms of performance standards established by the superior. It is liability for the proper discharge of duties. Accountability comes into existence when a person accepts the obligation to perform the assigned task. In this way, accountability is something more than duty or activity. Once a subordinate is assigned a duty and given the necessary authority to complete it, he becomes answerable for the results. Thus, accountability is a derivative of responsibility.

b) Performance appraisal

According to flippo, - performance appraisal is the systematic, periodic and an impartial Rating of employee‘s excellance in matters pertaining to his present job and his potential for a better job?

c) Define Controlling

Controlling may be defined as the process of analyzing actual operations and seeing that actual performance is guided towards expected performance. It involves comparing operating results with plans and taking corrective action when results deviate from plans. It is a mechanism by which someone or something is guided to follow the predetermined course. As a plan is put into operation, it become necessary to check results to final out whether the work is proceeding along the right lines.

d) Define planning

Planning is the management function of anticipating the future and the conscious determination of action to achieve the desired results. A plan is a blueprint of the course of action to be followed in future. ?planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures, and programmes from among alternatives.?

e) Decision making

Decision making is the process of choosing a course of action from available alternatives. This process involves understanding the problem, collecting information, developing and evaluating alternatives, choice of a solution and its evaluation.

f) System approach to management

The fundamental features of system approach are

- An organization is a system consisting of many interrelated and interdependent parts or sub-systems.
- As a system an organization draws inputs.
- Every system is a part of a supersystem.
- Organization is an open system and it interacts with its environment.
- Management is expected to regulate and adjust the system to secure better performance.
- Management is multidisciplinary as it draws and integrates knowledge from various disciplines.

g) Types of Ethical issues in business

- Coercion
- Unfair discrimination
- Deception
- Corruption
- Bribery

h) Management by Exception.

Seasoned manager known that better control can be exercised by concentrating on exceptional deviations rather than trying to regulate each and every deviation. This is the principle of control by exception or management by exception.

Management by exception provides the following advantages:

1. It saves the valuable time of busy executives which may otherwise be wasted on trivial details.
2. It enables managers to concentrate better on critical or exceptional events.
3. It widens the span of a manager by freeing him from routine work.
4. It helps in effective decision making through better judgment.
5. It is useful in the development of future executives.

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